Chief Constable for Gloucestershire

Statement of accounts 2016/17

CONTENTS

NARRATIVE REPORT BY THE CHIEF CONSTABLE'S CHIEF FINANCE OFFICER

The purpose of this report is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Chief Constable's financial activities during 2016/17.

Police Reform and Social Responsibility Act 2011

On 15th September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament. One of the key reforms was to replace the Gloucestershire Police Authority with the Police and Crime Commissioner (PCC) for Gloucestershire on the 22nd November 2012. At the same time the Chief Constable was established as a separate body, whose primary function is the exercising of operational policing duties under the Police Act 1996. The PCC's function is to hold the Chief Constable to account for the exercise of these duties, thereby securing the maintenance of an efficient and effective police force in Gloucestershire.

Both the PCC and the Chief Constable are separate legal entities (corporation sole), though the Chief Constable is accountable to the PCC. Both the PCC and the Chief Constable are required to publish statement of accounts. For accounting purposes the PCC and the Chief Constable together are known as the Group. A separate set of statutory accounts has been published for the PCC and Group to recognise all of the financial transactions incurred during 2016/17 for policing Gloucestershire. The accounts which follow show the Chief Constable's financial results for 2016/17.

For accounting purposes the concept of "substance over form" requires that the economic substance of transactions and events must be recorded in the financial statements rather than just their legal form, in order to present a true and fair view of the affairs of the entity. These accounts are produced in line with this concept.

The Chief Constable has full operational control of officers and since 1st April 2014 the employment of most staff was transferred to the Chief Constable. The PCC retained employment only of staff in the Office of the PCC (OPCC). The PCC has retained ownership of all assets and all contracts are let in the name of the PCC. The PCC is responsible for establishing all reserves and controls the cash flow.

Statement of Accounts

The format and content of the Accounts are laid down by the Code of Practice on Local Authority Accounting in the UK 2016/17 (the 'Code') based on International Financial Reporting Standards, adopted by CIPFA, the professional body of public sector accountants. The accounting policies adopted by the Chief Constable comply with recommended accounting practices and are explained on pages 9 to 11.

The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013
- Scheme of Delegation between the PCC and the Chief Constable
- Corporate Governance Framework for the Group

These financial statements include the following:

- Statement of Responsibilities. This sets out the responsibilities of the Chief Constable and the Chief Finance Officer in respect of the Statement of Accounts.

- Annual Governance Statement. This gives an assessment of the effectiveness of internal control procedures

- Comprehensive Income and Expenditure Statement. This recognises the financial resources belonging to the PCC consumed at the request of the Chief Constable for the year to 31st March 2017 (as opposed to the overall cost of policing Gloucestershire as shown by the Group Accounts). The Comprehensive Income and Expenditure Statement has been prepared applying the accounting principles set out in the CIPFA Accounting Code of Practice.

- Movement in Reserves Statement. This statement summarises the movements to and from the reserves for the year 2016/17. The only movements applicable to the Chief Constable accounts are those relating to pensions. It should be noted that all reserves are held by the PCC, not by the Chief Constable.

- Balance Sheet as at 31st March 2017. The Balance Sheet shows the value of the assets and liabilities recognised by the Chief Constable. The Balance Sheet includes police officer and staff pension liabilities and assets. The net pension liability is underwritten by an intra-group debtor with the PCC.

- Cash Flow Statement. This shows the changes in cash and cash equivalents of the Chief Constable during the accounting period. The Chief Constable does not manage any of these transactions and accordingly this statement does not show any figures. Movements of monies are included in the Accounts of the PCC.

- Police Pension Fund Accounts. These comprise the Fund account, the Net assets Statement and the related notes, shown at the end of the Statement of Accounts.

Financial Performance

In February 2016 the PCC approved a revenue expenditure budget for 2016/17 of £106.53 million. This was funded by £60.01 million from central government and £46.52 million from Council Tax. The police element of the Band D Council Tax was set at £210.31, an increase of £2.58 on that set for 2015/16 (£207.73). Of the £106.53m budget, £104.3m was provided to the Chief Constable to support the provision of policing services in Gloucestershire.

Financial performance against budget is monitored throughout the year and reported monthly to the Finance Panel. The total net revenue expenditure in 2016/17 was £105.6m, leading to an under spend of £0.9m (0.8% of the budget). This has been transferred to the Revenue Support Reserve.

During the year there was a transfer from the Revenue Support Reserve for £1.4m to support expenditure on additional ICT staff and analysts, and to provide resources to recruit additional Special Constables and volunteers. This expenditure had been planned for later years, and was brought forward to 2016/17. Taking account of the underspend the overall transfer from the Revenue Support Reserve was £0.5m.

The reserves of the Group are held by the PCC and are available for the Chief Constable to utilise in the performance of his duties, with approval by the PCC. These reserves and their purposes can be reviewed in the PCC's Statement of Accounts.

The main points to note in the accounts are:

- In the Comprehensive Income and Expenditure Statement the total financial resources consumed by the Chief Constable increased from £106.6m in 2015/16 to £107.6m in 2016/17 – an increase of £1m (1%). These figures include pension scheme adjustments to reflect IAS19, and so do not reconcile to the figures in the Monitoring Reports and the approved budget for the year.
- The Balance Sheet mainly reflects police pension scheme liabilities, which are underwritten by the PCC.
- All bank accounts are held by the PCC and all income and funding is received by the PCC. Hence the Cash Flow Statement for the Chief Constable does not show any figures.

Officers and Staff

As at 31st March 2017 the PCC and the Constabulary employed 1,880 people in full and part time contracts. The full time equivalent (fte) numbers are provided below.

	Headcount	Full time Equivalent	Budget fte
Police Officers	1,108	1,072	1,060
PCSOs	102	98	116
Police Staff	670	605	650
Total	**1,880**	**1,775**	**1,826**

At 31st March 2017 the Constabulary seconded 19 officers to other forces and agencies, including 10 officers seconded to the regional organised crime unit and 4 officers seconded to the National Police Air Service. There were also 124 unpaid members of the Special Constabulary. It is the intention of the Constabulary to increase the number of Special Constables to 300 by 2019.

Operational Performance

During the 2016/17 financial year there was an overall increase in recorded crime in England and Wales of 11.1%. However, recorded crime in Gloucestershire during this period increased by 5.1%, less than half the national increase. Locally and nationally there has continued to be a notable increase in recorded violent crime, public order and sexual offences, as there was in previous years. There has also been an upturn in theft of vehicles nationally, which has been mirrored in Gloucestershire. However decreases have been recorded in several areas of acquisitive crime which have increased nationally, such as burglary and theft from the person. Criminal damage and arson have also continued to see decreases within Gloucestershire, compared with increases nationally. It should be noted that in many areas where there have been increases (such as violent crime and sexual offences) the crime rate in Gloucestershire is still low when compared with similar forces.

For the 12 months to 31st March 2017 84.3% of victims that responded to the User Satisfaction Survey said that they were satisfied with the overall service they received, compared to 86.2% for the previous year. The decrease is not significant, and compares to 81.4% in 2015/16. Gloucestershire has improved to 11th out of 43 forces nationally for victim satisfaction, from 15th in 2015/16.

Following the implementation of the new operating model reviews are currently underway for neighbourhood policing, demand management, and harm reduction.

Each year HMIC assesses the effectiveness, efficiency and legitimacy with which the Constabulary keeps people safe and reduces crime. HMIC's 2016 PEEL Assessment for Gloucestershire rated the force as follows for the three strands of the inspection:

- Efficiency (incorporating value for money) – good (2015 – good)
  This looks at how well the force understands current and future demand and how well it uses its resources to manage demand. HMIC also reported that the force is well prepared to face its future financial challenges.
- Effectiveness – requires improvement (2015 – requires improvement)
  The inspection covers preventing crime and tackling anti-social behaviour, investigating crime and reducing offending, protecting those who are vulnerable from harm and supporting victims, and tackling serious and organised crime.
- Legitimacy – requires improvement (2015 – good)
  The Constabulary was rated good for treating all the people it serves with fairness and respect. The inspection also covers how well the force ensures its workforce behaves ethically and lawfully and the extent to which it treats its workforce with fairness and respect. In these areas HMIC consider that it requires improvement.

An action plan has been prepared to address the issues and recommendations from the inspections and progress is reported to the Executive Board and to Governance Board.

Looking Ahead

The 2017/18 Budget for the Group was set at £107.3m, an increase of 0.7% compared to the 2016/17 budget. This is funded by £59.3 million from government grant and £48.0 million from the Council Tax. Savings for £1.9m were identified to balance the budget for the year. From the £107.3m budget £105.4m was provided to the Chief Constable to support the provision of policing services in Gloucestershire, an increase of £1m (1%).

The Medium Term Financial Plan for the three years from 2018/19 to 2020/21 forecasts that savings for £6.4m will have to be identified to balance the budgets during this period. A full review of all areas of the Constabulary will be carried out to identify these savings. These Plan is based upon a number of assumptions including a 1% annual pay rise for officers and staff during this period and a 2% increase in the precept each year. Grant figures for 2018/19 have not been provided by the Government. The grant reduced by £0.75m in 2017/18 and it was considered prudent to assume similar annual reductions to 2020/21. The Home Office are currently reviewing the Police Funding Formula and this may affect the amount of grant allocated for policing in Gloucestershire.

The uncertainty around grant funding from 2018/19 onwards makes future planning very difficult. However, in the light of potential future funding cuts and the ongoing drive for rapid police transformation and reform, it is prudent to plan for the potential for further significant reductions in funding in the future.

Pension Schemes

The Group participates in two pension schemes: the Police Pension Scheme and the Local Government Pension Scheme (LGPS). Both schemes are categorised as defined benefit schemes.

The Police Pension Scheme is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pensions payments as they fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension funds for the year are less than the amounts payable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government top-up grant. The Group received a top up grant for 2016/17 £20.411m for 100% of the deficit.
The Group is obliged to include the police pension accounts in their statement of accounts, and the Fund Account and Notes are shown on pages 32 and 33.

In accordance with the requirements of International Accounting Standard No 19 – Employee Benefits (IAS19), as amended, the Chief Constable Statement of Accounts includes net pension liabilities and a pensions asset in its Balance Sheet, and entries in the Comprehensive Income and Expenditure Statement to reflect movements in the assets and liabilities relating to the pension schemes.

The Actuarial valuations for the schemes at 31st March 2017 shows a combined liability of £1,230m (2016 - £1,137 million). This liability has a substantial impact on the net worth of the Group, reducing the net worth of the Group from net assets of £75m to a negative overall balance of £1,155m. However, statutory arrangements for funding this deficit mean that the financial position of the Group remains healthy.

I hope that the explanatory notes to these Accounts will be helpful. A summary set of accounts for the Group has been produced and is published on the Gloucestershire Constabulary website. Further information on the Chief Constable's finances can be obtained by:

- writing to the Chief Constable's Chief Finance Officer (CFO),
- e-mailing the Chief Constable's CFO at peter.skelton@gloucestershire.police.uk, or
- viewing the Gloucestershire Constabulary website at www.gloucestershire.police.uk

P. Skelton, ACA
Chief Constable's Chief Finance Officer

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of his financial affairs and to secure that one of his officers (the Chief Constable's Chief Finance Officer) has the responsibility for the administration of those affairs.
- Manage his affairs to secure economic, efficient and effective use of resources and to safeguard his assets.
- Approve the Statement of Accounts.

The Chief Constable's Chief Finance Officer's Responsibilities

The Chief Constable's Chief Finance Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the Chief Constable's Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Constable's Chief Finance Officer has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF THE ACCOUNTS BY THE CHIEF CONSTABLE'S CHIEF FINANCE OFFICER

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable for Gloucestershire as at 31st March 2017 and his income and expenditure for the year then ended.

P. SKELTON

Peter Skelton, ACA
Chief Constable's Chief Finance Officer

Date 27th September 2017

CERTIFICATION OF THE ACCOUNTS BY THE CHIEF CONSTABLE FOR GLOUCESTERSHIRE

I approve the Statement of Accounts.

R. HANSEN

Rod Hansen
Chief Constable

Date 27th September 2017

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR GLOUCESTERSHIRE

We have audited the financial statements of the Chief Constable for Gloucestershire (the "Chief Constable") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the police pension fund financial statements of Gloucestershire Police Pension Fund comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Constable's Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Constable's Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice" and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Constable's Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Chief Constable as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Chief Constable and auditor

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Act and the Code of Audit Practice.

Iain Murray

Iain Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2A 1AG

28 September 2017

STATEMENT OF ACCOUNTING POLICIES 2016/17

1. General principles

These financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.*

Following the passing of the Police Reform and Social Responsibility Act 2011 the Gloucestershire Police Authority was replaced on 22nd November 2012 with two ‘corporation sole’ bodies, the Police and Crime Commissioner (PCC) for Gloucestershire and the Chief Constable for Gloucestershire. Both bodies are required to prepare separate Statement of Accounts. The accounting policies below reflect the powers and responsibilities of the Chief Constable as designated by the Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. The accounting policies defined here are consistent with local regulations and practice as well as the Group policies.

The Financial Statements included here represent the accounts for the Chief Constable. The Financial Statements cover the twelve months to 31st March 2017.

All expenditure is paid for by the PCC, including the wages of police staff and officers, and no actual cash transactions or events take place between the two entities. Costs are however recognised within the Chief Constable’s accounts to reflect the financial resources consumed at the request of the Chief Constable and the economic benefit this brings about. For example an economic benefit is recognised to reflect the utilisation of the PCC owned long term assets which mirrors depreciation of property, plant and equipment.

2. Estimation Techniques

Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and contents set out in IAS 8 and IPSAS 3 (*Accounting Policies, Changes in Accounting Estimates and Errors),* specifically:

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- Understandability
- Materiality
- Pervasive accounting concepts
- Accruals
- Going concern
- Primacy of legislative requirements

3. Accruals of expenditure & Income

Activity is accounted for in the year it takes place, not simply when cash payments are made. Supplies are recorded as expenditure when they are consumed and the provision of services (including services provided by employees) are recorded as expenditure when the service is received rather than when payments are made. A de-minimus limit of £500 has been set for manual accruals and creditor adjustments.

4. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Chief Constable’s financial performance.

5. Provisions

Provisions are made when an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

6. Grants and contributions

Grants and contributions, including donated assets, shall not be recognised until there is reasonable assurance that the Chief Constable will comply with the conditions attached to them and that the grants or contributions will be received. Grants and contributions shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Chief Constable has not satisfied.

7. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

8. Overheads

The Chief Constable has a policy of not recharging support service overhead costs to front line service providing departments. However for the purposes of the preparation of the Comprehensive Income and Expenditure Statement the full cost of support service overheads are included in Police Services under the net cost of services.

9. Employee Benefits

<u>Post employment benefits</u>

As part of the terms and conditions for its officers and for staff employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement. The Group participates in two separate pension schemes:

- The Local Government Pension Scheme (LGPS) for staff employees, administered locally by Gloucestershire County Council. This is a funded defined benefit salary scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Police Pension Scheme for police officers, comprising three separate elements:

  a. Police Pension Scheme (PPS)
  b. New Police Pension Scheme (NPPS)
  c. 2015 CARE scheme

  These schemes (old, new and 2015) are not viewed as materially different as each scheme provides benefits of a similar nature or character - a defined benefit index linked pension, payable from a retirement date. Each scheme also provides survivor benefits, a death in service benefit, injury pension and payment of an ill-health pension. The differences between the schemes are how the benefits are accrued - the accrual rate with which a member earns benefits and the salary used to calculate the pension (pension is linked to final salary or career average salary). These differences do not make the schemes materially different in nature or character. Each scheme is also subject to the same risks.

The costs of retirement benefits are included in the Chief Constable Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS 19 Employee Benefits. The net liability and a pensions debtor for all schemes has been recognised on the Chief Constable Balance Sheet, as have entries in the Chief Constable Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to the schemes. These are offset by an intra-group adjustment transferring costs to the PCC.

Actuarial gains and losses are recognised when changes in the net pension liability arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. These include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. The financial consequences of these benefits are recognised in the Chief Constable Comprehensive Income and Expenditure Statement in the year in which the employee renders service to the Chief Constable.

Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating e.g. annual leave and flexi-time, or non-accumulating e.g. sick leave and maternity leave. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Short-term (due to be settled within 12 months after the year end of the period in which the employee renders the service) accumulating compensated absences shall be:

- recognised when employees render services that increases their entitlement to future compensated absences.
- measured as the additional amount that the Chief Constable expects to pay as a result of unused entitlement that has accumulated at the Balance Sheet date including associated employers national insurance and pension contributions.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate a member of staff’s employment before their normal retirement date or their decision to accept voluntary redundancy. These are recognised in the Chief Constable Comprehensive Income and Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

10. VAT

The Chief Constable does not submit a VAT return. The PCC submits a single VAT return on behalf of the Group. Expenditure in the Chief Constable Comprehensive Income and Expenditure Statement excludes any amounts relating to VAT as all VAT is remitted to /from HM Revenue & Customs.

11. Events after the Balance Sheet date

The Chief Constable will account for events after the reporting period in accordance with IAS 10 (Events after the Reporting Period), except where interpretations or adaptations to fit the public sector are detailed in the Code.

Two types of events after the Reporting Period can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events), and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events).

The Chief Constable will adjust the amounts recognised in its Comprehensive Income and Expenditure Statement to reflect adjusting events after the reporting period, but will not adjust its statements for non-adjusting events. However for material non-adjusting events the Chief Constable will disclose the nature of the event and provide an estimate of its financial effect.

Chief Constable Comprehensive Income and Expenditure Statement for the year ended 31st March 2017

2015/16 (restated) Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		2016/17 Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			Financial resources of the PCC consumed at the request of the Chief Constable			
106,605	0	106,605	Policing Services	107,618	0	107,618
106,605	**0**	**106,605**	**Total financial resources of the PCC consumed at the request of the Chief Constable (Note 5)**	**107,618**	**0**	**107,618**
0	(106,605)	(106,605)	Intra-group funding		(107,618)	(107,618)
106,605	**(106,605)**	**0**	**Net Cost of Service**	**107,618**	**(107,618)**	**0**
41,000	0	41,000	Net Interest on the net defined benefit liability (note 8)	39,715	0	39,715
0	(41,000)	(41,000)	Intra-group funding pensions interest costs	0	(39,715)	(39,715)
41,000	**(41,000)**	**0**	**Total Financing and Investment Income and Expenditure**	**39,715**	**(39,715)**	**0**
19,768	(19,768)	0	Police Pension Fund Top-Up Grant/Contribution	20,411	(20,411)	0
179,572	0	179,572	Intra-group funding (actuarial loss on police pensions)	0	(62,316)	(62,316)
199,340	**(19,768)**	**179,572**	**Non-specific grant income and contributions**	**20,411**	**(82,727)**	**(62,316)**
199,340	**(19,768)**	**179,572**	**Surplus/deficit on provision of services**	**20,411**	**(82,727)**	**(62,316)**
0	(179,572)	(179,572)	Remeasurement of the net defined benefit liability (Note 8)	62,316	0	62,316
0	**(179,572)**	**(179,572)**	**Other Comprehensive Income and Expenditure**	**62,316**	**0**	**62,316**
199,340	**(199,340)**	**0**	**Total Comprehensive Income and Expenditure**	**82,727**	**(82,727)**	**0**

The Comprehensive Income & Expenditure Statement above reflects the PCC financial resources consumed at the request of the Chief Constable for 2016/17. In practice all the respective costs are paid for by the PCC and the Comprehensive Income and Expenditure Statement includes the intra-group adjustments referred to below in the Notes to the Accounts (Note 1), resulting in a nil balance for Total Comprehensive Income and Expenditure. 2015/16 figures have been restated in line with new guidance on the analysis required for the Net Cost of Service.

Movement in Reserves Statement for the Chief Constable 2015/16 and 2016/17

	General Fund Balance £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2015	0	0	0	0	0	**0**	**0**	**0**
Movement in reserves during 2015/16 (restated)								
Total Comprehensive Expenditure and Income	(179,572)	0	0	0	0	**(179,572)**	**179,572**	**0**
Adjustments between accounting basis & funding basis under regulations	179,572	0	0	0	0	**179,572**	**(179,572)**	**0**
Increase or (decrease) in 2015/16	0	0	0	0	0	**0**	**0**	**0**
Balance at 31st March 2016 carried forward	0	0	0	0	0	**0**	**0**	**0**

	General Fund Balance £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2016	0	0	0	0	0	**0**	**0**	**0**
Movement in reserves during 2016/17								
Total Comprehensive Expenditure and Income	62,316	0	0	0	0	**62,316**	**(62,316)**	**0**
Adjustments between accounting basis & funding basis under regulations	(62,316)	0	0	0	0	**(62,316)**	**62,316**	**0**
Increase or (decrease) in 2016/17	0	0	0	0	0	**0**	**0**	**0**
Balance at 31st March 2017 carried forward	0	0	0	0	0	**0**	**0**	**0**

These statements show only the remeasurement of the net defined benefit liabilty relating to pensions for the years ended 31st March 2016 and 31st March 2017. All reserves are held by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income & Expenditure Statement.

Chief Constable Balance Sheet as at 31st March 2017

31st March 2016 £'000		31st March 2017 £'000
1,136,633	Long Term Debtors - Intra group adjustment	1,230,305
1,136,633	**Total Long Term Assets**	**1,230,305**
4,868	Short term Debtors	6,625
4,868	**Total Current Assets**	**6,625**
4,868	Short term creditors & provisions	6,625
4,868	**Total Current Liabilities**	**6,625**
1,136,633	Pension Liabilities	1,230,305
1,136,633	**Total Long Term Liabilities**	**1,230,305**
0	**Net Assets**	**0**
	Financed by:	
0	**Usable reserves**	0
0	**Unusable Reserves**	0
0	**Total Reserves**	**0**

The Balance Sheet includes:

31st March 2016		**31st March 2017**
	Long term assets/liabilities	
1,136,633	Police officer and staff pension liabilities	1,230,305
	Short term assets/liabilities	
3,505	Police pension fund Home Office grant	5,611
687	Short term compensated absences	555
608	March pay paid in April	378
68	Enhanced holiday pay	81
4,868	**Total short term assets/liabilities**	**6,625**

Chief Constable Cash Flow Statement for the year ended 31st March 2017

2015/16 £'000		2016/17 £'000
	Operating Activities	
0	Cash inflows	0
0	Cash outflows	0
0	**Net cash flows from operating activities**	**0**
0	**Investing Activities**	0
0	**Financing Activities**	0
0	**Net (increase)/decrease in cash and cash equivalents**	**0**
0	**Cash and cash equivalents at the beginning of the reporting period**	**0**
0	**Cash and cash equivalents at the end of the reporting period**	**0**

This statement does not show any cash flows for the years ending 31st March 2016 and 2017 as all payments were made from the Police Fund which is held by the PCC and similarly all income and funding is received by the PCC during the year. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement

NOTES TO THE ACCOUNTS

1. The creation of the Police and Crime Commissioner for Gloucestershire (PCC) and Chief Constable for Gloucestershire

Following the Police Reform and Social Responsibility Act 2011, the Gloucestershire Police Authority (GPA) was replaced on 22 November 2012 with two ‘corporation sole’ bodies, the Police and Crime Commissioner for Gloucestershire (PCC) and the Chief Constable for Gloucestershire.

The 2016/17 Comprehensive Income and Expenditure Statements (CIES) for the PCC and the Group differ due to the treatment of IAS19 pension liabilities in the Chief Constable accounts. The net cost of service sub-total within the PCC Comprehensive Income and Expenditure Statement includes payment for PCC resources consumed at the request of the Chief Constable. The decision to account for this expenditure within the PCC net cost of service is in accordance with the SeRCOP definition of total cost of services. In contrast in the Chief Constable Comprehensive Income and Expenditure, the net cost of policing is nil for 2016/17 as the resources consumed at the request of the Chief Constable are completely offset by the intra-group adjustment.

The PCC second stage transfer, effective from 1st April 2014, resulted in the transfer of all Police officers and the majority of Police staff to the Chief Constable, with those staff employed in the Office of the PCC remaining with the PCC. All assets, liabilities and reserves remain with the PCC.

2. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Chief Constable about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The items in the Chief Constable 2016/17 Comprehensive Income and Expenditure Statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

a. Pension scheme charge to the Comprehensive Income and Expenditure Statement. Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.

b. Short Term Compensated Absences (£0.6m at 31st March 2017). This figure is estimated based on a sample of officers and staff. A 50% increase in the level of short term compensated absences would result in a further £0.3m being charged to the Net Cost of Services.

3. Accounting Standards that have been issued but have not yet been adopted

The following standards have been issued but have not yet been adopted:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out earlier in this document, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- All lease arrangements entered into by the Group are judged to be operating leases, apart from that for the PFI contracts. All properties and equipment that are leased are at a relatively low value and are for relatively short periods of time and are not material items.

- A judgement has been made of the expenditure allocated between the PCC and the Chief Constable to reflect the financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP.

- A judgement has been made with regard to the contingent liability in relation to payments owing to a small group of police officers (14 in total) in relation to on-call duties. An exercise will be undertaken during 2017/18 to ascertain the payments due to each officer.

- The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 31 claims lodged against him with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Chief Constable in comparison with those resources consumed or earned by the Chief Constable in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2015/16				2016/17	
Net expenditure chargeable to the General Fund £000s	Pensions Adjustments between the Funding and Accounting basis (note a) £000s	Net expenditure in the Comprehensive Income and Expenditure Statement £000s		Net expenditure chargeable to the General Fund £000s	Pensions Adjustments between the Funding and Accounting basis £000s	Net expenditure in the Comprehensive Income and Expenditure Statement £000s
0	0	0	Police Services			
0	**0**	**0**	**Net Cost of Services**	**0**	**0**	**0**
0	179,572	179,572	Other income & Expenditure		(62,316)	(62,316)
0	**179,572**	**179,572**	**Surplus or deficit**	**0**	**(62,316)**	**(62,316)**
0			**Opening General Fund balance**	**0**		
0			Less/plus surplus/deficit on general fund balance in year	0		
0			**Closing General Fund balance at 31st March**	**0**		

<u>Note a – Net changes for the pensions adjustments</u>

This column represents the removal of employer pension contributions as allowed by statute and the replacement with current service and past service costs on the net cost of services line. The net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement is included in the other income and expenditure line

6. Expenditure and Income analysed by nature

The Chief Constable's expenditure and income is analysed as follows:

	2015/16 £'000	2016/17 £'000
Expenditure		
Actuarial gain/loss on police pensions	179,572	(62,316)
Police Pension fund	19,768	20,411
Total Expenditure	**199,340**	**(41,905)**
Income		
Government grants & contributions	(19,768)	(20,411)
Total Income	**(19,768)**	**(20,411)**
Surplus/Deficit on the provision of services	**179,572**	**(62,316)**

7. Subjective analysis of spending

2015/16 £000		2016/17 £000
	Financial resources of the PCC consumed at the request of the CC	
51,282	Police pay and allowances	52,013
25,530	Staff pay and allowances	26,636
836	Other employee expenses	1,467
10,392	Police pensions	9,494
(7,126)	IAS19 Pension costs	(8,359)
5,683	Premises	5,783
2,056	Transport	2,079
12,218	Supplies and services	12,261
1,120	Agency and contracted services	1,067
4,614	Depreciation	5,177
106,605	**Total financial resources of the PCC consumed at the request of the CC**	**107,618**
(106,605)	Intra group adjustment	(107,618)
0	**Net Cost of Service**	**0**

This table presents the Net Cost of Service expenditure detailed in the Comprehensive Income and Expenditure Statement in the form of a subjective analysis.

8. Pension costs

As part of the terms and conditions of employment of its officers and other employees, the Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Group participates in two separate pension schemes:

- The Local Government Pension Scheme (LGPS) for staff employees, administered locally by Gloucestershire County Council. This is a funded defined benefit salary scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The defined benefit is based on a combination of final and average salary dependent on when the participant joined the scheme. The LGPS is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Gloucestershire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee and consist of:
  Black Rock Advisors (UK)
  CBRE Global Collective Investors UK
  Grantham, Mayo, Van Otterloo & Co LLC
  Hermes Real Estate Investment Management
  Standard Life Investments
  Western Asset Management Company
  Yorkshire Fund Managers Group

- The Police Pension Scheme, comprising three elements: the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and the CARE scheme for police officers. These are unfunded defined benefit final salary schemes, administered by the Group, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension funds for the year are less than the amounts receivable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group, which must then repay the amount to central government. All schemes are operated under the regulatory framework for the Police Pension Schemes and the governance of the scheme is the responsibility of the Chief Constable, who is the Scheme Manager for the Force. From April 2015 the Scheme Manager is assisted by a Pensions Board. There are no investment assets, so investment managers have not been appointed.

The principal risks to the Group of the pension schemes are the longevity assumptions, statutory changes to the schemes, structural changes to the schemes (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the LGPS. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The costs of retirement benefits are included in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the council tax precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Group and Chief Constable Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

Local Government Pension Scheme (LGPS)	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Account		
Net cost of services		
Current service cost	5,484	4,795
Past service costs (including curtailments)	0	353
Amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	(3,910)	(4,407)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	4,748	4,868
Expected return on assets in the scheme	(3,148)	(3,553)
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	0	228
Actuarial gains and losses arising on changes in financial assumptions	(16,833)	29,193
Other experience	(1,369)	(5,462)
Return on plan assets (excluding the amount included in the net interest expense)	3,030	(14,543)
Net charge to the Comprehensive Income & Expenditure Account	(11,998)	11,472
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	11,998	(11,472)

Police Pension Schemes (PPS, NPPS & CARE)	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Account		
Net cost of services		
Current service cost	23,300	20,800
Past service costs (including curtailments)	200	100
Amount charged against the General Fund Balance for pensions in the year: Retirement benefits payable to pensioners	(32,200)	(30,000)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	39,400	38,400
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	(3,300)	7,400
Actuarial gains and losses arising on changes in financial assumptions	(121,400)	226,500
Other experience	(39,700)	(181,000)
Net charge to the Comprehensive Income & Expenditure Account	(133,700)	82,200
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	133,700	(82,200)

An intra-group adjustment transfers these costs from the Chief Constable accounts to those of the PCC.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	LGPS		Police Pension Schemes	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
As at 1st April	(146,080)	(137,256)	(1,233,100)	(1,099,400)
Current service cost	(5,484)	(4,795)	(23,300)	(20,800)
Net interest on the net defined benefit liability	(4,748)	(4,868)	(39,400)	(38,400)
Contributions by scheme participants	(1,246)	(1,300)	(5,600)	(5,300)
Transfers (in)out	0	0	(300)	(400)
Remeasurement of the net defined benefit liability				
- Actuarial gains/losses arising from changes in demographic assumptions	0	(228)	3,300	(7,400)
- Actuarial gains/losses arising from changes in financial assumptions	16,833	(29,193)	121,400	(226,500)
- Other experience	1,369	5,462	39,700	181,000
Benefits paid	2,100	2,557	38,100	35,700
Past service cost (including curtailments)	0	(353)	(200)	(100)
As at 31st March	(137,256)	(169,974)	(1,099,400)	(1,181,600)

Lump sum commutation payments are based on the position at the time of calculation, 31st December 2016.

Reconciliation of fair value of the scheme assets:

	LGPS	
	2015/16 £000	2016/17 £000
As at 1st April	96,849	100,023
Expected rate of return	3,148	3,553
Re measurement of the net defined benefit liability	(3,030)	14,543
Employers contributions	3,910	4,407
Contributions by scheme participants	1,246	1,300
Benefits paid	(2,100)	(2,557)
As at 31st March	100,023	121,269

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The scheme has made a positive return on assets in the year of £21.246m (2015/16: £3.174m positive return).

Scheme History

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Present value of liabilities						
- LGPS	(80,689)	(100,767)	(114,680)	(146,080)	(137,256)	(169,974)
- Police Pension schemes	(795,800)	(929,200)	(1,033,700)	(1,233,100)	(1,099,400)	(1,181,600)
- Total	(876,489)	(1,029,967)	(1,148,380)	(1,379,180)	(1,236,656)	(1,351,574)
Fair value of assets in LGPS	59,946	71,898	81,917	96,849	100,023	121,269
Surplus (deficit) in the scheme						
- LGPS	(20,743)	(28,869)	(32,763)	(49,231)	(37,233)	(48,705)
- Police pension schemes	(795,800)	(929,200)	(1,033,700)	(1,233,100)	(1,099,400)	(1,181,600)
- Total	(816,543)	(958,069)	(1,066,463)	(1,282,331)	(1,136,633)	(1,230,305)

The Group has elected not to restate the fair value of scheme assets for previous periods as permitted by IAS19. The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The increased liability as at 31st March 2017 is primarily a result of changes in financial actuarial assumptions since 2015/16. A fall in real bond yields has led to an increase in the present value of the defined benefit obligation and the projected pension expense for next year. The total liability of £1,226m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,151m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

- The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Group in the year to 31st March 2018 is £4.31m and the projected current service cost is £8.15m.

The projected current service costs for the Police Pension Schemes for 2017/18 are £29.6 million (from £20.7 million in 2016/17). The current service cost represents the increase in the benefits earned by the employees in the current period based on their pay and length of service.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Police Pension Schemes and the Local Government Pension Scheme have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Local Government Pension Scheme have been based on the latest full valuation of the scheme as at 31st March 2016. Estimates for the Police pension schemes are based on the latest full valuation of the scheme as at 31st March 2015. The principal assumptions used by the Actuary have been:

	LGPS 2015/16	LGPS 2016/17	Police Pension Schemes 2015/16	Police Pension Schemes 2016/17
Long term expected rate of return on assets in the scheme:				
Equity investments	3.5%	2.6%	-	-
Bonds	3.5%	2.6%	-	-
Property	3.5%	2.6%	-	-
Cash	3.5%	2.6%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Male	22.5	22.4	24.7	25.2
Female	24.6	24.6	26.6	26.7
Longevity at 65 for future pensioners:				
Male	24.4	24.0	26.2	26.6
Female	27.0	26.4	28.2	28.2
Rate of inflation	2.2%	2.4%	3.2%	3.4%
Rate of increase in salaries	3.7%	2.7%	3.2%	3.4%
Rate of increase in pensions	2.2%	2.4%	2.2%	2.4%
Expected return on assets	3.5%	2.6%	-	-
Rate for discounting scheme liabilities	3.5%	2.6%	3.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum	50% pre 1/4/08 75% post 31/3/08	35% pre 1/4/08 68% post 31/3/08	90% all schemes	90% all schemes

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below, prepared by the actuary (Hymans Robertson LLP), have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

LGPS

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in financial assumptions at year ended 31st March 2017	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12	20,457
1 year increase in member life expectancy	4	8,134
0.5% increase in the Salary Increase Rate	2	4,067
0.5% increase in the Pension Increase Rate	9	16,034

Police Pension Schemes

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in financial assumptions at year ended 31st March 2017	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10	114,100
1 year increase in member life expectancy	3	35,400
0.5% increase in the Salary Increase Rate	2	19,100
0.5% increase in the Pension Increase Rate (CPI)	8	93,300

The sensitivities regarding the principal assumptions used to measure the projected current service cost are set out below:

Change in financial assumptions at year ended 31st March 2017	Approximate % increase to projected current service cost	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	20	5,880
1 year increase in member life expectancy	3	890
0.5% increase in the Salary Increase Rate	9	2,650
0.5% increase in the Pension Increase Rate (CPI)	10	3,020

Local Government Pension Scheme Assets

The Police Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories:

	Fair value of scheme assets at 31st March 2016			Fair value of scheme assets at 31st March 2017		
Asset Category	**Quoted prices in active markets (£000)**	**Quoted prices not in active markets (£000)**	**Total (£000)**	**Quoted prices in active markets (£000)**	**Quoted prices not in active markets (£000)**	**Total (£000)**
Cash & cash equivalents	**1,097.5**	**-**	**1,097.5**	**1,751.6**	**-**	**1,751.6**
Equity securities						
Consumer	6,156.0	-	6,156.0	5,882.7	-	5,882.7
Manufacturing	3,015.0	-	3,015.0	3,153.6	-	3,153.6
Energy & utilities	1,813.4	-	1,813.4	2,307.3	-	2,307.3
Financial institutions	4,834.1	-	4,834.1	4,873.6	-	4,873.6
Health & care	785.3	-	785.3	1,949.8	-	1,949.8
Information technology	541.7	-	541.7	301.1	-	301.1
Other	2,075.4	-	2,075.4	3,676.0	-	3,676.0
Total Equity securities	**19,220.9**	**-**	**19,220.9**	**22,144.1**	**-**	**22,144.1**
Debt securities						
Corporate (investment grade)	5,156.5	-	5,156.5	5,689.2	-	5,689.2
Corporate (non-investment grade)	388.4	-	388.4	437.5	-	437.5
UK Government	9,139.8	-	9,139.8	8,783.3	-	8,783.3
Other	1,376.9	-	1,376.9	1,333.3	-	1,333.3
Total Debt securities	**16,061.6**		**16,061.6**	**16,243.3**	**-**	**16,243.3**
Property						
UK	5,455.7	1,965.2	7,420.9	5,909.5	1,895.7	7,805.2
Overseas	-	512.7	512.7	-	658.0	658.0
Total Property	**5,455.7**	**2,477.9**	**7,933.6**	**5,909.5**	**2,553.7**	**8,463.2**
Private equity	**-**	**293.7**	**293.7**	**-**	**308.2**	**308.2**
Investment funds and Unit trusts						
Equities	3,340.6	42,767.0	46,107.6	4,816.4	54744.8	59,561.2
Bonds	4,377.2	256.8	4,634.0	7,333.1	680.5	8,013.6
Other	-	4,683.1	4,683.1	-	4,690.6	4,690.6
Total Investment funds and Unit trusts	**7,717.8**	**47,706.9**	**55,424.7**	**12,149.5**	**60,115.9**	**72,265.4**
Derivatives						
Foreign exchange	-	-	-	68.1	-	68.1
Other	(9.0)	-	(9.0)	25.1	-	25.1
Total Derivatives	**(9.0)**	**-**	**(9.0)**	**93.2**	**-**	**93.2**
TOTAL ASSETS	**49,544.5**	**50,478.5**	**100,023.0**	**58,291.2**	**62,977.8**	**121,269.0**

None of the property assets included in the scheme are occupied by the Police and Crime Commissioner for Gloucestershire. The LGPS year-end asset values are indexed from their position on 31st December 2016.

Impact on the Group's Cash Flows

The objectives of the schemes are to keep employers' contributions at as constant a rate as possible. With regards to the LGPS the County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The last triennial valuation for the LGPS was completed on 31st March 2016 and for the Police pension schemes on 31st March 2015.

The LGPS scheme was amended from 1st April 2014 to become a career average scheme for benefits built up from that date. The Police pension scheme reforms came into place from 1st April 2015.

The weighted average durations of the defined benefit obligation for scheme members are detailed below:

	Weighted average duration as at 31st March 2016 (years)	Weighted average duration as at 31st March 2017 (years)
LGPS	22.9	21.8
Police Pension Schemes	18.0	18.3

9. Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures for the Chief Constable are set out below.

2016/17

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages £000
0 – 20,000	3	6	9	88
20,001 – 40,000	2	5	7	176
40,001 – 70,000	1	5	6	323

2015/16

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages £000
0 – 50,000	3	1	4	72

The total cost of exit packages includes pension strain costs arising from early retirement without actuarial reduction of pension.

10. Remuneration of Senior Staff

The Chief Constable is required, under the Accounts and Audit (England) Regulations 2014, to report the numbers of staff with pay and benefits in excess of £50,000 in multiples of £5,000. This includes the remuneration of senior employees and relevant police officers which are also disclosed individually.

	Number of Employees	
Remuneration Band	**2015/16**	**2016/17**
£50,000 - £54,999	46	66
£55,000 - £59,999	42	41
£60,000 - £64,999	6	12
£65,000 - £69,999	5	4
£70,000 - £74,999	0	5
£75,000 - £79,999	3	3
£80,000 - £84,999	4	5
£85,000 - £89,999	2	1
£90,000 - £94,999	1	3
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	1	1
£120,000 - £124,999	0	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	1	1

The Chief Constable is required, under the Accounts and Audit (England) Regulations 2014, to disclose individual remuneration details for senior employees and relevant police officers. Details for 2016/17 and 2015/16 are as follows:

2016/17 Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Payment in lieu of notice £	Benefits in Kind £	Other Payments £	Total Remuneration excluding pension contributions 2016/17 £	Employers Pension Contributions £	Total remuneration including pension contributions 2016/17 £	MEMO: Employees Pension Contributions £
Chief Constable	**139,742**	**0**	**8,691**	**0**	**176**	**0**	**148,609**	**0**	**148,609**	**0**
Deputy Chief Constable	**117,135**	**0**	**780**	**0**	**7,273**	**0**	**125,188**	**24,032**	**149,220**	**16,980**
ACC - Operational Services A (to 31/01/17)	93,885	0	7,204	0	0	0	101,089	19,233	120,322	13,590
ACC - Operational Services A (from 01/02/17)	16,877	0	1,324	0	0	0	18,201	3,463	21,665	2,447
Post total	**110,763**	**0**	**8,528**	**0**	**0**	**0**	**119,290**	**22,696**	**141,987**	**16,037**
ACC - NDIC secondment (from 01/02/17)	**19,076**	**0**	**1,447**	**0**	**0**	**0**	**20,523**	**3,910**	**24,433**	**2,763**
ACC - Tri-force & Brunel (from 16/06/16)	**90,383**	**0**	**0**	**0**	**4,404**	**0**	**94,787**	**18,525**	**113,312**	**13,089**
CC Chief Finance Officer (to 22/08/16)	**26,688**	**0**	**0**	**0**	**0**	**0**	**26,688**	**3,416**	**30,104**	**2,642**
PCC & CC Chief Finance Officer (from 23/08/16)	**41,708**	**0**	**0**	**0**	**0**	**0**	**41,708**	**5,339**	**47,047**	**4,129**

Notes:
1. The expense allowances includes the lump sum car allowance paid to officers who do not take up their entitlement for a provided car and the taxable value of payments made to officers for business mileage undertaken in their private vehicles.
2.The benefits in kind entries do not refer to cash payments made to the officers but to the notional value of the benefit provided instead of cash payments. The main benefit being the provision of home security alarms.
3. The employees pension contribution represents a deduction made from each individuals salary.
4. The ACC Tri-force & Brunel role is jointly funded by three Forces (Avon & Somerset, Wiltshire and Gloucestershire). The figures in the table represent the full cost of the post, which is then shared out amongst the three Forces.
5. From 23rd August 2016 the Chief Constable's Chief Finance Officer has also covered the role of PCC Chief Finance Officer. 30% of his salary is charged to the PCC role.

2015/16 Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind £	Other Payments £	Total Remuneration excluding pension contributions 2015/16 £	Employers pension contributions £	Total Remuneration including pension contributions 2015/16 £	MEMO: Employees pension contributions £
Chief Constable	**136,457**	**0**	**8,612**	**0**	**348**	**0**	**145,417**	**21,286**	**166,703**	**15,040**
Deputy Chief Constable	**116,028**	**0**	**780**	**0**	**8,113**	**0**	**124,921**	**23,797**	**148,718**	**16,812**
ACC - Operational Services	**105,678**	**0**	**8,540**	**0**	**0**	**0**	**114,218**	**21,592**	**135,810**	**15,256**
ACC - Organisation (to 22/07/15)	**31,887**	**0**	**2,537**	**0**	**0**	**0**	**34,425**	**6,426**	**40,851**	**4,541**
CC Chief Finance Officer	**68,000**	**0**	**0**	**0**	**0**	**0**	**68,000**	**8,704**	**76,704**	**6,732**

Notes:

1. The expense allowances includes the lump sum car allowance paid to officers who do not take up their entitlement for a provided car and the taxable value of payments made to officers for business mileage undertaken in their private vehicles.
2.The benefits in kind entries do not refer to cash payments made to the officers but to the notional value of the benefit provided instead of cash payments. The benefits refer to the provision of home security alarms, a vehicle and a telephone line
3. The employees pension contribution represents a deduction made from each individuals salary.

11. Related Party Transactions

The Chief Constable is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable.

Her Majesty's Government has significant influence over the general operations of the Chief Constable. It is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of funding in the form of grants which are paid to the PCC. It also prescribes the terms of many of the transactions that the Group has with other parties. Grants received from Her Majesty's Government by the PCC are set out in the PCC and Group Statement of Accounts 2016/17.

Officers – during 2016/17 there were no material declared related party transactions to disclose.

12. Payments to External Auditors

The following fees were paid to external auditors during the year:

	2015/16 £000	2016/17 £000
External Audit services – Chief Constable	15	15

These costs are included in the Agency and Contracted section of the subjective analysis (Note 7).

13. Post Balance Sheet Events

There are no adjusting or non-adjusting post balance sheet events.

14. Contingent Liabilities

The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 31 claims lodged against him with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

Gloucestershire Police Pension Fund Account
For the year ended 31st March 2017

2015/16 £'000		2016/17 £'000
	Contributions receivable	
	From employer	
9,813	- contributions at 24.2% of pensionable pay	9,544
707	- other (maternity/paternity/sickness, capital charge ill health & the 30+ scheme)	654
10,520		10,198
5,569	From members	5,411
	Transfers in	
242	Individual transfers in from other schemes	403
50	Transfer from Avon & Somerset Constabulary	62
292		465
16,381		**16,074**
	Benefits payable	
26,696	Pensions	27,507
9,448	Commutations and lump sum retirement benefits	8,856
0	Lump sum death benefits	114
36,144		36,477
	Payments to and on account of leavers	
5	Individual transfers out to other schemes	8
36,149		**36,485**
(19,768)	**Sub-total for the year before transfer from the PCC of amount equal to the deficit**	**(20,411)**
19,768	**Additional funding payable by PCC to meet deficit for the year**	**20,411**
0	**Net amount payable for the year**	**0**

Gloucestershire Police Pension Fund Net Assets Statement
as at 31st March 2017

2015/16 £'000		2016/17 £'000
	Current Assets	
3,505	Funding to meet deficit receivable from PCC	5,610
2,278	Other current assets – Pensions prepaid	2,381
5,783		7,991
	Current Liabilities	
5,783	Other current liabilities	7,991
0	**Net Assets**	**0**

Notes to the Gloucestershire Police Pension Fund Accounts

1. General Description of Fund's Operations

The Police Officer Pension Fund is administered by the Chief Constable in accordance with the Police Pensions Act 1976, as amended by the Police Reform and Social Responsibility Act 2011. This is administered from a separate local police pensions account, rather than direct from the Comprehensive Income and Expenditure Statement. The pensions account is topped up by the Group if the contributions are insufficient to meet the cost of pension payments. The Group receives a Police Pension Top Up Grant from the Home Office for an amount equal to the deficit on the Police Pension Fund Account.

It should be noted that the Police Pension Fund has no investment assets, and pensions are paid from employer and employee contributions, plus additional funding from the Group. Employer contributions are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. For the year ended 31st March 2017 the percentage comprised a 21.3% initial Employer contribution supplemented by a further contribution equating to 2.9% (reflected through a reduction in HMT pensions top up funding), giving a combined total of 24.2%. Under IAS19 the Police Pension Scheme is classed as a defined benefit scheme. Therefore the risk of shortfall remains with the Group. Accordingly the Group has obtained an actuarial valuation for the scheme.

The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 31 claims lodged against him with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

2. Accounting Policies

a. The Accounts have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit (England) Regulations 2014 which states that the Group is obliged to include the police pensions account in its statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

b. The Accounts have been prepared on an accruals basis.

c. The Accounts do not take account of liabilities to pay pensions and other benefits in the future. This is reported upon separately in the Actuary's statement, details of which can be found in note 8 of the main statement of accounts.

d. There are no significant estimation techniques employed in the production of the pension fund accounts.

Chief Constable's Annual Governance Statement

The Annual Governance Statement is available on the Gloucestershire Constabulary website.

GLOSSARY OF ACCOUNTING TERMINOLOGY

ACCOUNTING PERIOD
The period of time covered by the accounts, usually a full year, which for this Group runs from 1st April to 31st March.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements.

ACCRUALS
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid. For example, expenditure accruals relate to the value of goods/services/works received or carried out, but not necessarily paid for, in the period.

AGENCY SERVICES
Services provided by one body (the agent) on behalf of, and generally with payment from, the responsible body.

ANNUAL GOVERNANCE STATEMENT (AGS)
The AGS comprises mainly a policy statement; recognition of core principles of good governance; the corporate governance arrangements; and an annual governance review. The AGS is a self-contained statement which is submitted to the Audit Committee for review.

AUDITOR'S OPINION
The opinion required by statute from the Chief Constable's external auditors, indicating whether the statement of accounts presents fairly the financial position of the Chief Constable.

BALANCE SHEET
This statement sets out the financial position of the Chief Constable at year-end 31 March. It shows a summary of non-current assets held, the current assets employed, the balances and reserves of the Chief Constable and the Chief Constable's financial liabilities.

BUDGET
The PCC's plan for providing resources to meet his service obligations. The PCC has most recently set an annual budget within a four year financial strategy covering the period 2017/18 to 2020/21.

CASH FLOW STATEMENT
This statement summarises the Chief Constable's inflows and outflows of cash and cash equivalents arising from transactions with third parties during the year, for revenue and capital purposes.

CHIEF CONSTABLE FOR GLOUCESTERSHIRE
The Chief Constable is a separate corporation sole which was established on 22 November 2012 under the Police Reform and Social Responsibility Act 2011.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public sector.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. PCCs raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves statement.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT (PENSIONS)
For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:
(a) termination of employees' services earlier than expected, and
(b) termination or amendment to the terms, of a defined benefit scheme, so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

ESTIMATION TECHNIQUES
The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

FINANCE LEASE
Finance Leases are where the terms of the lease, or a right to use an asset in return for payment, transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. Finance lease(s), as defined by IAS 17, are accounted for as deferred liabilities (within Long Term Liabilities on the Balance Sheet); and the finance charges (i.e. interest element) and principal element, respectively, are charged to the CIES (Financing and Investment Income and Expenditure) and to write down the long-term liability. IAS 17 requires the recognition of any leases embedded within contracts.

GROUP
The term Group refers to the Police and Crime Commissioner for Gloucestershire and the Chief Constable for Gloucestershire.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
International Financial Reporting Standards (IFRS) replaced the annual Statement of Recommended Practice (SoRP) based on GAAP, for all local authorities in the UK from the financial year commencing 1st April 2010.

MOVEMENT IN RESERVES STATEMENT (MIRS)
This statement shows the movement in the year on the different reserves held by the CC, analysed into 'usable reserves' (including the General Fund Balance), and other (unusable) reserves.

OPERATING LEASE
An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership. Expenditure financed by operating leasing does not count in capital expenditure. Rentals paid under operating leasing agreements are accrued and accounted for through the revenue account in the period to which they relate.

PAST SERVICE COST (PENSIONS)
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE (PCC)
The PCC is a separate corporation sole, which was established on 22 November 2012 under the Police Reform and Social Responsibility Act 2011.

POST BALANCE SHEET EVENTS
Events arising after the balance sheet date which provide additional evidence of conditions that existed at the balance sheet date and are of a material nature.

PROVISION
An amount set aside in the accounts for anticipated future liabilities or specific losses that are reasonably certain to be incurred, but which cannot be quantified accurately at the balance sheet date (are uncertain in amount and date). Provisions have been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits that can be estimated with a degree of certainty as a result of a past event. Any provision is intended to represent the best estimate at the Balance Sheet date of expenditure required to settle the present obligation; and, later, should only be applied to the precise purpose for which the provision was recognised. Provisions are shown in a note in the full Statement of Accounts.

RELATED PARTY TRANSACTIONS
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Two or more parties are related parties when at any time during the financial period:
(i) One party has direct or indirect control of the other party, or
(ii) The parties are subject to common control from the same source, or
(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
(iv) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

REMUNERATION
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RETIREMENT BENEFITS
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits.

SECONDED OFFICERS
These are police officers who, for agreed periods, temporarily work for other organisations. Their salaries and expenses are not included in the Operating Cost Statement.

SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP)
Chief Constables in England prepare their Operating Cost Statement in accordance with the Service Reporting Code of Practice for Local Authorities (SeRCOP) as from year 2011/12. The SeRCOP stipulates the service divisions to be used in the Comprehensive Income & Expenditure Statement.

SHORT-TERM ACCUMULATING COMPENSATED ABSENCES
Absences earned but not taken by the end of the financial year e.g. annual leave entitlement.

TERMINATION BENEFITS
Termination benefits (e.g. redundancy payments), whether they are resulting from a decision by the Group to terminate an employee's employment before normal retirement date or an employee's decision to accept voluntary redundancy, are charged to the relevant service line in the Operating Cost Statement.

THIRD PARTY PAYMENTS
Payments made to outside contractors and other bodies who provide specialist or support services for the Chief Constable.