Chief Constable for Gloucestershire

Statement of accounts 2017/18

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 2017/18.

Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 established the Chief Constable and the Police and Crime Commissioner (PCC) for Gloucestershire as separate legal entities (corporation sole). The primary function of the Chief Constable 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. 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 2017/18 for policing Gloucestershire. The accounts which follow show the Chief Constable's financial results for 2017/18.

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 employs the majority of the staff. The PCC has 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 2017/18 (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 11 to 14.

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.

- 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 2018 (as opposed to the overall cost of policing Gloucestershire as shown by the Group Accounts).

- Movement in Reserves Statement. This statement summarises the movements to and from the reserves for the year 2017/18. 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 2018. The Balance Sheet shows the value of the assets and liabilities recognised by the Chief Constable. The Balance Sheet includes 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.

Annual Governance Statement

The Accounts and Audit Regulations 2015 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The Chief Constable has elected to publish the AGS as a separate document. The AGS gives an assessment of the effectiveness of internal control procedures, and reports any significant governance issues that have been identified.

Financial Performance

In February 2017 the PCC approved a revenue expenditure budget for 2017/18 of £107.2 million. This was funded by £59.3 million (55%) from central government and £47.9 million (45%) from Council Tax. The police element of the Band D Council Tax was set at £214.49, an increase of £4.18 (2%) on that set for 2016/17.

The budget for 2017/18 was split as follows:

- Constabulary budget - £105.3m
- OPCC budget - £0.8m
- PCC's Commissioning fund - £1.1m

Financial performance against budget is monitored throughout the year and reported monthly to the Finance Panel meeting attended by both the PCC and the Chief Constable. The total net revenue expenditure in 2017/18 was £107.3m, leading to an over spend of £0.1m (0.1% of the budget).

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. As at 31st March 2018 the PCC held total usable reserves of £27.5m. Details of 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 £107.6m in 2016/17 to £123.1m in 2017/18 – an increase of £15.5m (14%). These figures include pension scheme adjustments to reflect IAS19 accounting for £12.7m of the increase 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 2018 the Constabulary employed 1,882 people in full and part time contracts. The full time equivalent (fte) numbers are provided below.

	Headcount	Full time Equivalent	Budget fte
Police Officers	1,094	1,060	1,044
PCSOs	111	106	116
Police Staff	677	613	650
Total	1,882	1,779	1,810

The full time equivalent numbers, analysed by gender, are shown below:

	Male fte	Female fte	Total fte
Police Officers	738	322	1,060
PCSOs	54	52	106
Police Staff	271	342	613
Total	1,063	716	1,779

The Constabulary has prepared a Gender Pay Gap report for 2016/17. This is a statutory requirement for organisations employing over 250 people. The average gap in mean hourly pay for men and women is:

- Police Officers 3.7%
- Police Staff 6.3%
- Officers and Staff 10.5%

The national average gender pay gap for the public sector is 13.3%. The report is published on the Government Equalities website.

At 31st March 2018 the Constabulary seconded 19 officers to other forces and agencies, including 8 officers seconded to the regional organised crime unit and 4 officers seconded to the National Police Air Service.

As at 31st March 2018 there were 150 Special Constables and during the year to 31st March 2018 Special Constables contributed 31,000 hours of duty time. It is the intention of the Constabulary to increase the number of Special Constables and additional resources have been allocated to increase and maintain numbers. The Constabulary and the OPCC are also supported by a large number of volunteers. As at 31st March 2018 the numbers of volunteers were:

- Police Cadets and Leaders 60
- Police Support Volunteers 102
- Community Based Volunteers 110

Operational Performance

The Police and Crime Plan for 2017/2021 was launched in February 2017, and the PCC has set six priorities:

- Accessibility and accountability
- Older but not overlooked
- Safer days and nights
- Young people becoming adults
- Safe and social driving
- Safer cyber

These were the priorities in the previous plan and are as relevant now as when the previous plan was set. Substantial progress has been made on all six priorities and the PCC and the Chief Constable will continue to build on that success. The Constabulary has appointed a police lead for each priority who works together with the priority lead to ensure that delivery plans are developed for each priority. Every six months the police leads report the progress on these plans to the PCC's Governance Board.

During the 2017/18 financial year there was an overall increase in recorded crime in England and Wales of 14.6%. Recorded crime in Gloucestershire increased by 11.3% and in most categories of recorded crime Gloucestershire's crime rate is low compared to other forces. Gloucestershire has continued to record decreased levels of burglary; an area where offences have increased nationally over the year. Locally and nationally there have been notable increases in recorded violent crime, public order and theft offences, and there has been a particular increase in vehicle offences (theft of/from) with the crime rate in this area above our most similar forces. It should be noted that the crime rate in Gloucestershire for violent crime and public order offences is low compared to other forces.

Each month a sample of victims of volume crime are invited to take part in a user satisfaction survey. For the 12 months to 31st March 2018 80% of victims that responded to the survey said they were satisfied with the overall service they received. This compares to 84.3% of victims in 2016/17, which is a statistically significant decrease. The survey covers the following crime types – burglary, vehicle crime, hate and racist crime and violent crime. The reduction in satisfaction has been within burglary and vehicle crime. Burglary now includes from all residential burglaries, including shed and garage breaks. Results of the survey are sent quarterly to local Inspectors and individual officer feedback is provided, including for good service.

The Constabulary constantly reviews the operating model and operational performance, under the direction of the Operational Policing Improvement Board, chaired by the Assistant Chief Constable Operations. The main areas of change over the year have been:

- The Police and Crime Plan expects the Chief Constable to develop a plan to maintain and develop neighbourhood policing in communities. The new Neighbourhood offer was launched in January 2018 and includes dedicated neighbourhood teams made up of Police Officers, Police Community Support Officers (PCSOs) and Special Constables.
- It was also agreed to set up a small mounted section as part of the neighbourhood model, to improve public confidence and bring a reassuring presence to potentially violent situations.
- The new Crime Command has been set up, including Local Investigation Teams.
- A new grading policy has been developed and an Initial Investigation Team has been set up to triage all response calls.

Force operational priorities are set, based upon the greatest threat, harm and risk. Officers and staff must ensure that priority is given to work falling into these categories. As at 31st March 2018 the force operational priorities were:

- Child sexual exploitation and abuse (including indecent images of children)
- Organised crime groups
- Dangerous drug networks
- Domestic abuse (including honour based violence)
- Modern day slavery and trafficking

Each year HMICFRS assesses the effectiveness, efficiency and legitimacy with which the Constabulary keeps people safe and reduces crime. HMICFRS's 2017 PEEL Assessment for Gloucestershire rated the force as follows for the three strands of the inspection:

- <u>Efficiency</u> (incorporating value for money) – good (2016 – good)
  This looks at how well the force understands demand, how well it uses its resources and how well the force is planning for the future.
- <u>Effectiveness</u> – requires improvement (2016 – 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. The report for 2017 recognises that there has been significant improvement since the 2016 inspection.

- Legitimacy – good (2016 – requires improvement)
  The Constabulary was rated good for treating all the people it serves with fairness and respect, how well the force ensures its workforce behaves ethically and lawfully and the extent to which it treats its workforce with fairness and respect.

HMICFRS also reported on child protection in June 2017. The report stated that "while it is clear that the constabulary is committed to the improvement of outcomes for vulnerable children, and some isolated examples of good practice were seen, the constabulary needs to do more to improve its safeguarding practice in order to protect those children at most risk of harm." The recommendations made by HMICFRS have been incorporated into the Continuous Improvement Plan for child protection, with progress reported to and monitored by the Public Protection Service Delivery Board, chaired by the Assistant Chief Constable Operations. In January 2018 HMICFRS conducted a post-inspection review to assess progress. The report was received in May 2018 and stated that the constabulary has taken some important and positive initial steps to address the recommendations from the 2017 inspection report, and recognises that there remains more to be done to improve its protection practices and outcomes for children.

Looking Ahead

The Budget for the Group for 2018/19 has been set at £111.2 million, funded by £59.3 million (53%) from government grant and £51.9 million (47%) from Council Tax. The government grant is the same as for the previous year. For 2018/19 PCCs were able to increase their council tax levels by £12 before the need to call a local referendum. For Gloucestershire that represented a 5.6% increase in local council tax levels. Taking into account both the public consultation undertaken and the views of the Chief Constable, the PCC decided to increase the council tax precept by £12 and to ensure that the additional funding provided by this increase was invested effectively in priority areas.

The Budget for the Group for 2018/19 has increased by 3.7%, compared to the budget for 2017/18. This takes account of pay and price inflation of £2m and savings for £1.4m that were identified. The budget also includes £1.7m additional funding for investment in four priority areas:

- Neighbourhood policing (£0.8m)
  The development of neighbourhood policing is an important part of the PCC's Police and Crime Plan. 16 additional officer posts for neighbourhood teams will be funded, which will ensure that each of the six districts in Gloucestershire has a dedicated schools liaison officer and a dedicated rural and environmental liaison officer.
- Child protection (£0.5m)
  Following the HMICFRS inspection funding has been allocated for seven additional detectives within the Safeguarding team and additional police staff.
- Body worn video (£0.3m)
  This will fund the provision of body worn video cameras for all uniformed frontline officers and staff, which will bring welfare benefits to staff and improve public confidence.
- Swifter more effective justice (0.1m)
  Funding will be provided for additional staff to manage the significant changes within the criminal justice system.

The £111.2m budget for 2018/19 is split as follows:

- Constabulary budget - £109.3m
- OPCC budget – £0.8m
- PCC's Commissioning funds - £1.1m

The Chief Constable has confirmed that the Constabulary will be able to deliver the priorities within the Police and Crime Plan and the current Strategic Policing requirement within the resources provided from the Constabulary budget.

The Medium Term Financial Plan (MTFP) for the four years to 2021/22 has been developed with the PCC. This assumes that government grant remains the same over the period and that the council tax increases by 2% per year, and that pay and prices increase by 2% per year. The PCC can increase council tax by up to £12 (5.3%) in 2019/20, but has set the MTFP assuming a 2% increase.

Based upon these assumptions savings for £2.1m will have to be identified to balance the budgets for the three years to 2021/22. The Constabulary will continue to review all departments on a regular basis to ensure that these savings are identified and that a significant proportion of resources are committed to frontline policing. The Constabulary has a good track record for identifying savings. In the eight years to 2018/19 £33m savings have been identified to balance the budget.

The Home Office has announced the intention for 2019/20 to maintain a flat police grant and to allow PCCs to increase the precept by up to £12, dependent upon delivering clear progress on productivity and efficiency. No indicative figures have been provided for 2020/21 or 2021/22 for the grant or precept limits, so planning for these years is difficult. The introduction of a revised funding formula is unlikely to happen before 2020, and this has not been factored into the MTFP.

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; 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 2017/18 of £20.171m 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 35 and 36.

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 2018 shows a combined liability of £1.38 billion (2017 - £1.23 billion). This liability has a substantial impact on the net worth of the Group, reducing the net worth of the Group from net assets of £74m to a negative overall balance of £1.305 billion. The majority of this liability relates to the Police Pension Schemes (£1.332 billion) and statutory arrangements for funding the deficit in these schemes mean that the financial position of the Group remains healthy.

I hope that the explanatory notes to these Accounts have been 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), or
- e-mailing the Chief Constable's CFO at peter.skelton@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 2018 and his income and expenditure for the year then ended.

P SKELTON

Peter Skelton, ACA
Chief Constable's Chief Finance Officer

Date 27th July 2018

CERTIFICATION OF THE ACCOUNTS BY THE CHIEF CONSTABLE FOR GLOUCESTERSHIRE

I approve the Statement of Accounts.

R HANSEN

Rod Hansen
Chief Constable

Date 27th July 2018

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR GLOUCESTERSHIRE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Gloucestershire (the 'Chief Constable') for the year ended 31 March 2018 which comprise the Chief Constable Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement for the Chief Constable, the Chief Constable Balance Sheet, the Chief Constable Cash Flow Statement and the notes to the financial statements, including the statement of accounting policies and the police pension fund financial statements of Gloucestershire Police Pension Fund comprising the Gloucestershire Police Pension Fund Account, the Gloucestershire Police Pension Fund Net Assets Statement and the notes to the Gloucestershire Police Pension Fund Accounts. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the course of our work including that gained through work in relation to the Chief Constable's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Chief Constable.

The Chief Constable is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Chief Constable's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that 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 2018.

Responsibilities of the Chief Constable
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.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Local Audit and Accountability Act 2014 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

30 July 2018

Chief Constable Comprehensive Income and Expenditure Statement for the year ended 31st March 2018

2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	2016/17 Net Expenditure £000s		2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s
			Financial resources of the PCC consumed at the request of the Chief Constable			
107,618	0	107,618	Policing Services	123,123	0	123,123
107,618	**0**	**107,618**	**Total financial resources of the PCC consumed at the request of the Chief Constable (Note 7)**	**123,123**	**0**	**123,123**
0	(107,618)	(107,618)	Intra-group funding	0	(123,123)	(123,123)
107,618	**(107,618)**	**0**	**Net Cost of Service**	**123,123**	**(123,123)**	**0**
39,715	0	39,715	Net Interest on the net defined benefit liability (note 8)	32,015	0	32,015
0	(39,715)	(39,715)	Intra-group funding pensions interest costs	0	(32,015)	(32,015)
39,715	**(39,715)**	**0**	**Total Financing and Investment Income and Expenditure**	**32,015**	**(32,015)**	**0**
20,411	(20,411)	0	Police Pension Fund Top-Up Grant/Contribution	20,171	(20,171)	0
0	(62,316)	(62,316)	Intra-group funding (actuarial loss on police pensions)	0	(112,534)	(112,534)
20,411	**(82,727)**	**(62,316)**	**Non-specific grant income and contributions**	**20,171**	**(132,705)**	**(112,534)**
20,411	**(82,727)**	**(62,316)**	**Surplus/deficit on provision of services**	**20,171**	**(132,705)**	**(112,534)**
62,316	0	62,316	Remeasurement of the net defined benefit liability (Note 8)	112,534	0	112,534
62,316	**0**	**62,316**	**Other Comprehensive Income and Expenditure**	**112,534**	**0**	**112,534**
82,727	**(82,727)**	**0**	**Total Comprehensive Income and Expenditure**	**132,705**	**(132,705)**	**0**

The Comprehensive Income & Expenditure Statement above reflects the PCC financial resources consumed at the request of the Chief Constable for 2017/18. 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.

Movement in Reserves Statement for the Chief Constable 2016/17 and 2017/18

	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**

	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 2017	0	0	0	0	0	**0**	**0**	**0**
Movement in reserves during 2017/18								
Total Comprehensive Expenditure and Income	112,534	0	0	0	0	**112,534**	**(112,534)**	**0**
Adjustments between accounting basis & funding basis under regulations	(112,534)	0	0	0	0	**(112,534)**	**112,534**	**0**
Increase or (decrease) in 2017/18	0	0	0	0	0	**0**	**0**	**0**
Balance at 31st March 2018 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 2017 and 31st March 2018. 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 2018

31st March 2017 £'000		31st March 2018 £'000
1,230,305	Long Term Debtors - Intra group adjustment	1,379,180
1,230,305	**Total Long Term Assets**	**1,379,180**
6,625	Short term Debtors	5,792
6,625	**Total Current Assets**	**5,792**
6,625	Short term creditors & provisions	5,792
6,625	**Total Current Liabilities**	**5,792**
1,230,305	Pension Liabilities	1,379,180
1,230,305	**Total Long Term Liabilities**	**1,379,180**
0	**Net Assets**	**0**
	Financed by:	
0	**Usable reserves**	0
0	**Unusable Reserves**	0
0	**Total Reserves**	**0**

The Balance Sheet includes:

31st March 2017		31st March 2018
	Long term assets/liabilities	
1,230,305	Police officer and staff pension liabilities	1,379,180
	Short term assets/liabilities	
5,611	Police pension fund Home Office grant	4,171
555	Short term compensated absences	684
378	March pay paid in April	499
0	2017 pay award	388
81	Enhanced holiday pay	50
6,625	**Total short term assets/liabilities**	**5,792**

P SKELTON

Peter Skelton
Chief Finance Officer
27th July 2018

Chief Constable Cash Flow Statement for the year ended 31st March 2018

2016/17 £'000		2017/18 £'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 2017 and 2018 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

STATEMENT OF ACCOUNTS POLICIES 2017/18

1. General principles

These financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.*

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 2018.

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. All manual accruals with a value of £500 or more will be processed in the accounts. For manual accruals with a value of less than £500 inclusion in the accounts will be at the discretion of the relevant finance officer.

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.

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 2017/18 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 2017/18 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 2017/18 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 (£0.68m at 31st March 2018). 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 £0.34m 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:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from contracts with customers
- Amendments to IAS 12 – Income taxes
- Amendments to IAS 7 Statement of Cash flows

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:

- 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 provision in relation to payments owing to a small group of police officers (15 in total) in relation to on-call duties. Claims are being settled on a case by case basis, some were settled in 2017/18, with the remainder probably being settled in 2018/19. The provision has been calculated following legal guidance on the value of each claim.

- The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 84 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. Further details can be found in Note 14.

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.

2016/17				2017/18		
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
0	**0**	**0**	**Net Cost of Services**	**0**	**0**	**0**
0	(62,316)	(62,316)	Other income & Expenditure	0	(112,534)	(112,534)
0	**(62,316)**	**(62,316)**	**Surplus or deficit**	**0**	**(112,534)**	**(112,534)**
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:

	2016/17 £'000	2017/18 £'000
Expenditure		
Actuarial gain/loss on police pensions	(62,316)	(112,534)
Police Pension fund	20,411	20,171
Total Expenditure	**(41,905)**	**(92,363)**
Income		
Government grants & contributions	(20,411)	(20,171)
Total Income	**(20,411)**	**(20,171)**
Surplus/Deficit on the provision of services	**(62,316)**	**(112,534)**

7. Subjective analysis of spending

2016/17 £000		2017/18 £000
	Financial resources of the PCC consumed at the request of the CC	
52,013	Police pay and allowances	52,288
26,636	Staff pay and allowances	27,111
1,467	Other employee expenses	1,840
9,494	Police pensions	9,653
(8,359)	IAS19 Pension costs	4,326
5,783	Premises	5,725
2,079	Transport	2,051
12,261	Supplies and services	14,042
1,067	Agency and contracted services	1,036
5,177	Depreciation	5,051
107,618	**Total financial resources of the PCC consumed at the request of the CC**	**123,123**
(107,618)	Intra group adjustment	(123,123)
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.

<u>Transactions relating to post-employment benefits</u>

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)	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	4,795	8,294
Past service costs (including curtailments)	353	41
Amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	(4,407)	(4,509)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	4,868	4,509
Expected return on assets in the scheme	(3,553)	(3,194)
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	228	0
Actuarial gains and losses arising on changes in financial assumptions	29,193	(4,149)
Other experience	(5,462)	3
Return on plan assets (excluding the amount included in the net interest expense)	(14,543)	(2,220)
Net charge to the Comprehensive Income & Expenditure Statement	11,472	(1,225)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(11,472)	1,225

Police Pension Schemes (PPS, NPPS & CARE)	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	20,800	30,000
Past service costs (including curtailments)	100	100
Amount charged against the General Fund Balance for pensions in the year: Retirement benefits payable to pensioners	(30,000)	(29,600)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	38,400	30,700
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	7,400	(12,300)
Actuarial gains and losses arising on changes in financial assumptions	226,500	(22,000)
Other experience	(181,000)	153,200
Net charge to the Comprehensive Income & Expenditure Statement	82,200	150,100
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(82,200)	(150,100)

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	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
As at 1st April	(137,256)	(169,974)	(1,099,400)	(1,181,600)
Current service cost	(4,795)	(8,294)	(20,800)	(30,000)
Net interest on the net defined benefit liability	(4,868)	(4,509)	(38,400)	(30,700)
Contributions by scheme participants	(1,300)	(1,325)	(5,300)	(5,500)
Transfers (in)out	0	0	(400)	(400)
Remeasurement of the net defined benefit liability				
- Actuarial gains/losses arising from changes in demographic assumptions	(228)	0	(7,400)	12,300
- Actuarial gains/losses arising from changes in financial assumptions	(29,193)	4,149	(226,500)	22,000
- Other experience	5,462	(3)	181,000	(153,200)
Benefits paid	2,557	2,475	35,700	35,500
Past service cost (including curtailments)	(353)	(41)	(100)	(100)
As at 31st March	(169,974)	(177,522)	(1,181,600)	(1,331,700)

Lump sum commutation payments are based on the position at the time of calculation, 31st December 2017.

Reconciliation of fair value of the scheme assets:

	LGPS	
	2016/17 £000	2017/18 £000
As at 1st April	100,023	121,269
Expected rate of return	3,553	3,194
Remeasurement of the net defined benefit liability	14,543	2,220
Employers contributions	4,407	4,509
Contributions by scheme participants	1,300	1,325
Benefits paid	(2,557)	(2,475)
As at 31st March	121,269	130,042

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.

Scheme History

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of liabilities						
- LGPS	(100,767)	(114,680)	(146,080)	(137,256)	(169,974)	(177,522)
- Police Pension Schemes	(929,200)	(1,033,700)	(1,233,100)	(1,099,400)	(1,181,600)	(1,331,700)
- Total	(1,029,967)	(1,148,380)	(1,379,180)	(1,236,656)	(1,351,574)	(1,509,222)
Fair value of assets in LGPS	71,898	81,917	96,849	100,023	121,269	130,042
Surplus/(deficit) in the scheme						
- LGPS	(28,869)	(32,763)	(49,231)	(37,233)	(48,705)	(47,480)
- Police Pension Schemes	(929,200)	(1,033,700)	(1,233,100)	(1,099,400)	(1,181,600)	(1,331,700)
- Total	(958,069)	(1,066,463)	(1,282,331)	(1,136,633)	(1,230,305)	(1,379,180)

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 2018 is largely due to the remeasurement of the net defined benefit liability in relation to membership assumptions. The total liability of £1,379m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,305m. 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 2019 is £4.54m and the projected current service cost is £8.00m.

The projected current service costs for the Police Pension Schemes for 2018/19 are £27.8 million (from £29.6 million in 2017/18). 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 2016/17	LGPS 2017/18	Police Pension Schemes 2016/17	Police Pension Schemes 2017/18
Long term expected rate of return on assets in the scheme:				
Equity investments	2.6%	2.7%	-	-
Bonds	2.6%	2.7%	-	-
Property	2.6%	2.7%	-	-
Cash	2.6%	2.7%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Male	22.4	22.4	25.2	24.5
Female	24.6	24.6	26.7	26.5
Longevity at 65 for future pensioners:				
Male	24.0	24.0	26.6	25.8
Female	26.4	26.4	28.2	27.8
Rate of inflation	2.4%	2.4%	3.4%	3.4%
Rate of increase in salaries	2.7%	2.7%	3.4%	3.4%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Expected return on assets	2.6%	2.7%	-	-
Rate for discounting scheme liabilities	2,6%	2.7%	2.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	35% pre 1/4/08 68% 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 2018	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12	21,766
1 year increase in member life expectancy	4	8,094
0.5% increase in the Salary Increase Rate	2	4,047
0.5% increase in the Pension Increase Rate	10	17,382

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 2018	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10	127,458
1 year increase in member life expectancy	3	39,953
0.5% increase in the Salary Increase Rate	1	15,321
0.5% increase in the Pension Increase Rate (CPI)	8	103,874

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 2018	Approximate % increase to projected current service cost	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	19	5,237
1 year increase in member life expectancy	3	834
0.5% increase in the Salary Increase Rate	0	83
0.5% increase in the Pension Increase Rate (CPI)	10	2,840

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 2017			Fair value of scheme assets at 31st March 2018		
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	**1,751.6**	**-**	**1,751.6**	**1,878.3**	**-**	**1,878.3**
Equity securities						
Consumer	5,882.7	-	5,882.7	6,308.2	-	6,308.2
Manufacturing	3,153.6	-	3,153.6	3,381.8	-	3,381.8
Energy & utilities	2,307.3	-	2,307.3	2,474.2	-	2,474.2
Financial institutions	4,873.6	-	4,873.6	5,226.2	-	5,226.2
Health & care	1,949.8	-	1,949.8	2,090.9	-	2,090.9
Information technology	301.1	-	301.1	322.9	-	322.9
Other	3,676.0	-	3,676.0	3,942.0	-	3,942.0
Total Equity securities	**22,144.1**	**-**	**22,144.1**	**23,746.2**	**-**	**23,746.2**
Debt securities						
Corporate (investment grade)	5,689.2	-	5,689.2	6,100.8	-	6,100.8
Corporate (non-investment grade)	437.5	-	437.5	469.1	-	469.1
UK Government	8,783.3	-	8,783.3	9,418.7	-	9,418.7
Other	1,333.3	-	1,333.3	1,429.7	-	1,429.7
Total Debt securities	**16,243.3**		**16,243.3**	**17,418.3**	**-**	**17,418.3**
Property						
UK	5,909.5	1,895.7	7,805.2	6,337.0	2,032.8	8,369.8
Overseas	-	658.0	658.0	-	705.6	705.6
Total Property	**5,909.5**	**2,553.7**	**8,463.2**	**6,337.0**	**2,738.4**	**9,075.4**
Private equity	**-**	**308.2**	**308.2**	**-**	**330.5**	**330.5**
Investment funds and Unit trusts						
Equities	4,816.4	54,744.8	59,561.2	5,164.8	58,705.2	63,870.0
Bonds	7,333.1	680.5	8,013.6	7,863.6	729.7	8,593.3
Other	-	4,690.6	4,690.6	-	5,030.0	5,030.0
Total Investment funds and Unit trusts	**12,149.5**	**60,115.9**	**72,265.4**	**13,028.4**	**64,464.9**	**77,493.3**
Derivatives						
Foreign exchange	68.1	-	68.1	73.0	-	73.0
Other	25.1	-	25.1	27.0	-	27.0
Total Derivatives	**93.2**	**-**	**93.2**	**100.0**	**-**	**100.0**
TOTAL ASSETS	**58,291.2**	**62,977.8**	**121,269.0**	**62,508.2**	**67,533.8**	**130,042.0**

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 2017.

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 2017 (years)	Weighted average duration as at 31st March 2018 (years)
LGPS	21.8	21.8
Police Pension Schemes	18.3	18.1

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.

2017/18

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	8	0	8	78
20,001 – 40,000	3	0	3	82
40,001 – 60,000	1	1	2	100

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

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	**2016/17**	**2017/18**
£50,000 - £54,999	66	89
£55,000 - £59,999	41	31
£60,000 - £64,999	12	17
£65,000 - £69,999	4	5
£70,000 - £74,999	5	4
£75,000 - £79,999	3	4
£80,000 - £84,999	5	6
£85,000 - £89,999	1	1
£90,000 - £94,999	3	1
£95,000 - £99,999	0	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	1	1
£120,000 - £124,999	1	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	1
£140,000 - £144,999	0	0
£145,000 - £149,999	1	0

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 2017/18 and 2016/17 are as follows:

2017/18 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 2017/18 £	Employers pension contributions £	Total Remuneration including pension contributions 2017/18 £	MEMO: Employees pension contributions £
Chief Constable A (to 30/4/17)	11,692	0	727	0	242	0	12,661	0	12,661	0
Chief Constable B (from 1/5/17)	128,784	0	715	0	14,499	0	143,998	26,590	170,588	18,788
Post Total	**140,476**	**0**	**1,442**	**0**	**14,741**	**0**	**156,659**	**26,590**	**183,249**	**18,788**
Deputy Chief Constable A (to 30/4/17)	9,800	0	65	0	802	0	10,667	2,011	12,678	1,421
Deputy Chief Constable B (from 1/5/17)	108,404	0	0	0	3,920	0	112,324	22,249	134,573	15,721
Post Total	**118,204**	**0**	**65**	**0**	**4,721**	**0**	**122,991**	**24,260**	**147,251**	**17,142**
TACC - Operations A (to 14/5/17)	12,250	0	961	0	0	0	13,211	2,514	15,724	1,776
ACC - Operations B (from 15/5/17)	95,147	0	413	0	2,948	0	98,508	19,573	118,081	13,830
Post Total	**107,397**	**0**	**1,374**	**0**	**2,948**	**0**	**111,719**	**22,087**	**133,806**	**15,606**
TACC - Support (from 15/5/17)	**90,641**	**0**	**6,983**	**0**	**0**	**0**	**97,624**	**18,614**	**116,238**	**13,152**
ACC - NDIC secondment	**115,097**	**0**	**8,684**	**0**	**0**	**0**	**123,781**	**23,598**	**147,379**	**16,674**
ACC - Tri-force & Brunel (to 30/4/17)	**9,538**	**0**	**0**	**0**	**356**	**0**	**9,894**	**1,955**	**11,849**	**1,381**
PCC & CC Chief Finance Officer	**76,019**	**0**	**252**	**0**	**0**	**0**	**76,271**	**13,531**	**89,802**	**7,526**

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, vehicles and a telephone line
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 cost of the post until 30th April 2017, which is then shared out amongst the three Forces. After 30th April the role was provided by an Avon & Somerset officer
5. The Chief Constable's Chief Finance Officer has also covered the role of PCC Chief Finance Officer. Of the total cost detailed above 30% is attributable to the PCC

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.

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 a significant proportion of the main funding (55%) 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 2017/18.

Officers – during 2017/18 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:

	2016/17	2017/18
	£000	£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 84 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 and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

Gloucestershire Police Pension Fund Account
For the year ended 31st March 2018

2016/17 £'000		2017/18 £'000
	Contributions receivable	
	From employer	
8,394	- basic contributions at 21.3% of pensionable pay	8,576
1,150	- additional contributions at 2.9% of pensionable pay	1,167
654	- other (maternity/paternity/sickness, capital charge ill health & the 30+ scheme)	613
10,198		10,356
5,411	From members	5,486
	Transfers in	
403	Individual transfers in from other schemes	472
62	Transfer from Avon & Somerset Constabulary	59
465		531
16,074		**16,373**
	Benefits payable	
27,507	Pensions	28,807
8,856	Commutations and lump sum retirement benefits	7,606
114	Lump sum death benefits	131
36,477		36,544
	Payments to and on account of leavers	
8	Individual transfers out to other schemes	0
36,485		**36,544**
(20,411)	**Sub-total for the year before transfer from the PCC of amount equal to the deficit**	**(20,171)**
20,411	**Additional funding payable by PCC to meet deficit for the year**	**20,171**
0	**Net amount payable for the year**	**0**

Gloucestershire Police Pension Fund Net Assets Statement as at 31st March 2018

2016/17 £'000		2017/18 £'000
	Current Assets	
5,610	Funding to meet deficit receivable from PCC	4,171
2,381	Other current assets – Pensions prepaid	2,492
7,991		6,663
	Current Liabilities	
7,991	Other current liabilities	6,663
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 2018 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 84 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. Further details can be found in Note 14 of the statement of accounts.

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 2017/18.

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 Accounts and Audit Regulations 2015 require that the Annual Governance Statement accompanies the Statement of Accounts. The Chief Constable has elected to publish the Annual Governance Statement as a separate document to the Statement of Accounts.

The Annual Governance Statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable to carry out his functions effectively. The Statement is available on the 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 2018/19 to 2021/22.

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)
PCC's in England prepare their Comprehensive Income & Expenditure 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 CIES

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.