Chief Constable for Gloucestershire

Statement of accounts 2018/19

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 2018/19.

Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 established the Chief Constable for Gloucestershire 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 2018/19 for policing Gloucestershire. The accounts which follow show the Chief Constable's financial results for 2018/19.

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 2018/19 (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 18 to 21.

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
- 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 2019 (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 2018/19. 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 2019. 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 accompanies the Statement of Accounts. The Chief Constable and the PCC have prepared a joint statement and have elected to publish the statement as a separate document. The Annual Governance Statement gives an assessment of the effectiveness of internal control procedures, and should report any significant governance issues that have been identified. There are no significant governance issues.

Financial Performance

In February 2018 the PCC approved a revenue expenditure budget for 2018/19 of £111.2 million. This was funded by £59.3 million (53%) from central government and £51.9 million (47%) from Council Tax. The police element of the Band D Council Tax was set at £226.49, an increase of £12 (5.6%) on that set for 2017/18.

The budget for 2018/19 was split as follows:

- Constabulary budget - £109.3m
- 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 2018/19 was £111.2m, the same as 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 2019 the PCC held total usable reserves of £29.7m. Details of these reserves and their purposes can be reviewed in the PCC's Statement of Accounts. The PCC has prepared a Reserves Strategy which is published on the OPCC website.

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 £123.1m in 2017/18 to £179.8m in 2018/19 – an increase of £56.7m (46%). This increase is due to the inclusion of past service costs under IAS accounting relating to the McCloud legal judgement on pensions and do not reconcile to the figures in the Monitoring Reports.
- 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 2019 the Constabulary employed 1,961 people in full and part time contracts. The full time equivalent (fte) numbers are provided below.

	Headcount	Full time Equivalent	Budget fte
Police Officers	1,098	1,063	1,054
PCSOs	117	111	116
Police Staff	746	682	659
Total	1,961	1,856	1,829

The full time equivalent number for police staff includes staff on temporary contracts with one off funding, which are not included within the budgeted establishment. The budgeted fte for officers will increase in 2019/20 to 1,106 fte.

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

	Male fte	Female fte	Total fte
Police Officers	728	335	1,063
PCSOs	54	57	111
Police Staff	302	380	682
Total	1,084	772	1,856

The Constabulary has prepared a Gender Pay Gap report for 2017/18. 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 5.3%
- Police Staff 6.5%
- Officers and Staff 10.4%

The report is published on the Government Equalities website.

At 31st March 2019 the Constabulary seconded 19 officers to other forces and agencies, including 8 officers seconded to the regional organised crime unit and 5 officers seconded to the National Police Air Service.

As at 31st March 2019 there were 161 Special Constables and during the year to 31st March 2019 Special Constables contributed 43,000 hours of duty time, a significant increase compared to last year. The Constabulary and the OPCC are also supported by a large number of volunteers. As at 31st March 2019 the numbers of volunteers were:

- Police Cadets and Leaders 107
- Police Support Volunteers 145
- 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

Two additional strands have been added to the Police and Crime Plan:

- A green and pleasant county for now and in the future, ensuring that the Constabulary operates in as responsible and sustainable a way as possible.
- A compassionate approach, extended to animals and their ability to enjoy a life free of cruelty.

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 12 months to February 2019 recorded crime in Gloucestershire increased by 2.2%, compared to an overall increase of 7.1% in England and Wales. In most categories of recorded crime Gloucestershire's crime rate is low compared to the national rate. Although there have been increases in recorded violent crime both locally and nationally, Gloucestershire is below the national average for this. Gloucestershire has seen notable increases in recorded burglary offences but this is still below the national rate for these offences.

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 2019 80.2% of victims that responded to the survey said they were satisfied with the overall service they received. This compares to 80.3% of victims in 2017/18 – no significant difference.. The survey covers the following crime types – burglary, hate crime, racist crime and violent crime. Prior to November 2018 the survey also covered victims of vehicle crime. Results of the survey are sent quarterly to local Inspectors and individual officer feedback is provided, including for good service.

For 2018/19 the PCC increased the precept by £12, which allowed £1.7m additional investment:

- The Neighbourhood offer was launched in January 2018 and the investment helped to establish this across the six districts in the county, including the introduction of dedicated rural and environmental crime officers and police officers working in schools.
- HMICFRS have rated the Constabulary as good for the way it responds to vulnerability. This followed an earlier inspection that was critical of child protection resources and focus. The increase in child protection officers from the precept increase was an important part of this improvement.
- All front line officers and staff have been equipped with body worn video cameras.

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 2019 the force operational priorities were:

- Child sexual exploitation, child abuse and indecent images of children
- County lines (dangerous drug networks)
- Missing persons and mental health
- Domestic abuse
- Modern day slavery.

Each year HMICFRS assess the Constabulary for the effectiveness, efficiency and legitimacy with which it keeps people safe and reduces crime (PEEL assessment). The Constabulary was inspected in October 2018 and the report was published in May 2019.The following outcomes for 2018 were reported:

- <u>Efficiency</u> – rated good (2017 – good)
  The Constabulary was judged to be good for meeting current demand and using resources, and for planning for the future.
- <u>Effectiveness</u> – rated good (2017 – requires improvement)
  The Constabulary was rated as good for preventing crime and tackling anti-social behaviour, investigating crime and protecting vulnerable people. The Constabulary has made good progress but must do more to increase its understanding of serious and organised crime. It was graded as requiring improvement in this area.
- <u>Legitimacy</u> – rated good (2017 – good)
  The Constabulary was inspected for ethical and lawful workforce behaviour and rated good. It was not inspected for fair treatment of the public and for fair treatment of the workforce, and retains the good scores from 2017.

Looking Ahead

The Budget for the Group for 2019/20 has been set at £119.9 million, funded by £61.6 million (51%) from government grant and £58.3 million (49%) from Council Tax. Government grant funding was increased because of increases in the cost of the police pension schemes. Total government grant, from core funding and a specific pension grant, increased by £2.3m. The additional employer contribution costs for police pensions for Gloucestershire were £2.7m. The increases in grant funding did not therefore cover the costs of the pensions increase, leaving a shortfall of £0.4m.

In December 2017 the Government stated that its intention was to allow PCCs to increase the precept up to £12 in 2019/20. Twelve months later the Grant Announcement on 13th December 2018 doubled the precept flexibility for PCCs, allowing them to increase the Band D precept by £24. For Gloucestershire that represented a 10.6% increase. Following this announcement the PCC asked the Constabulary to present a business case showing how additional funding would be invested. Since 2011 the Constabulary has seen large budget reductions and a significant increase in the complexity of crime. In order to give the public the service that they demand and expect the Constabulary prepared a case for the PCC which focused on a number of key areas.

- Provide additional resources to increase public confidence to contact the police and an enhanced service when the police are contacted.
- Additional officers to respond to emergency calls.
- More officers policing the roads in the county.
- Additional officers to proactively disrupt serious and organised crime and prevent violence in town centres at the weekend.
- Additional staff to manage the increased demand in the child and adult safeguarding teams, reducing the risks to vulnerable people.
- Additional staff in investigation teams to support Detectives to bring offenders to justice.
- Additional staff to support the prosecution of offenders.

Taking into account the case presented by the Chief Constable, and public consultation, the PCC decided to increase the council tax precept by £24 This has ensured that an additional £4.1m funding provided by this increase will be invested in these key areas.

The Budget for the Group for 2019/20 has increased by 7.8%, compared to the budget for 2018/19. This takes account of pay and price inflation of £1.9m, additional pension costs for £2.7m, the additional investment for £4.1m and savings for £0.8m that have been identified.

The £119.9m budget for 2019/20 is split as follows:

- Constabulary budget - £117.7m
- OPCC budget – £1.0m
- PCC's Commissioning funds - £1.2m

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 with the resources provided from the Constabulary budget.

A Capital Strategy has been published by the PCC which includes three significant capital projects which are currently under development:

- Redevelopment of the Operations Centre at Bamfurlong
- Transformation Programme – to replace a number of ICT systems. There will be additional revenue costs from the programme and it is expected that the programme will identify savings to fund these.
- New Training Centre

The estimated costs of these projects are over £28m, which will be funded from capital receipts, reserves and additional borrowing. The Capital Strategy is published on the OPCC website.

A Medium Term Financial Plan for the four years to 2022/23 has been developed with the PCC. This assumes that government grants remain 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. Based upon these assumptions savings for at least £3.3m will have to be identified to balance the budgets for the three years to 2022/23. This includes savings for £1.3m to cover the additional revenue costs for the Transformation Programme. The Constabulary will continue to review all departments on a regular basis to ensure that 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.

No indication was provided in the last grant announcement in respect of either grant funding or council tax referendum limits for 2020/21. Funding for 2020/21 and beyond will be covered by the next Spending Review which will set out long term police budgets and will look at how resources are allocated across police forces. The introduction of a revised funding formula is unlikely to happen before 2022, and this has not been factored into the Medium Term Financial Plan.

McCloud / Sargeant judgement

The Chief Constable, along with other Chief Constables and the Home Office, currently has claims lodged against him in respect of unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. In the accounts for the PCC for 2017/18 this was disclosed as a contingent liability and no provision was made in the accounts.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud/Sergeant case) ruled that the transitional protection offered to some members amounted to unlawful discrimination. On 27th June 2019 the Supreme Court refused the Government leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to the arrangements for employees who were transferred to the new schemes, including Police Pension Scheme members. This would lead to an increase in the Police Pension Scheme liabilities and our actuaries have estimated the potential increase to be approximately £63.2m. The Pension Scheme liabilities shown in the PCC's Balance Sheet have been increased to reflect this.

On 15 July 2019 the Chief Secretary to the Treasury, Elizabeth Truss, stated that "the government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied." The statement said that "the ruling relates to the transitional protection offered to some members when the reformed schemes were introduced. As transitional protection was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes for the NHS, civil service and local government, teachers, police, armed forces, judiciary and fire and rescue workers." The government has stated that it will engage with employer and member representatives to help inform the proposals to the Employment tribunal for the public service pension schemes.

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 2018/19 of £22.671m 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 37 and 38.

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 2019 shows a combined liability of £1.51 billion (2018 - £1.38 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 £75m to a negative overall balance of £1.432 billion. The majority of this liability relates to the Police Pension Schemes (£1.439 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 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 Finance Officer's Responsibilities

The 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 2019 and his income and expenditure for the year then ended.

P SKELTON

P Skelton, ACA
Chief Constable's Chief Finance Officer

Date 25th July 2019

CERTIFICATION OF THE ACCOUNTS BY THE CHIEF CONSTABLE FOR GLOUCESTERSHIRE

I approve the Statement of Accounts.

R HANSEN

R Hansen
Chief Constable

Date 24th July 2019

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 2019 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 accounts, 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2019 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 2018/19; 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.

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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial 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 Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Joint Annual Governance Statement, 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 audit 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, the Narrative Report and the Joint Annual Governance Statement 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Responsibilities for the Statement of Accounts, 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they 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 Financial 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 there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

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 2019.

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 2019.

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 for Gloucestershire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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.

IAIN MURRAY

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

31 July 2019

Chief Constable Comprehensive Income and Expenditure Statement for the year ended 31st March 2019

2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s		2018/19 Gross Expenditure £000s	2018/19 Gross Income £000s	2018/19 Net Expenditure £000s
			Financial resources of the PCC consumed at the request of the Chief Constable			
123,123	0	123,123	Policing Services	179,833	0	179,833
123,123	**0**	**123,123**	**Total financial resources of the PCC consumed at the request of the Chief Constable (Note 8)**	**179,833**	**0**	**179,833**
0	(123,123)	(123,123)	Intra-group funding	0	(179,833)	(179,833)
123,123	**(123,123)**	**0**	**Net Cost of Service**	**179,833**	**(179,833)**	**0**
32,015	0	32,015	Net Interest on the net defined benefit liability (note 9)	38,032	0	38,032
0	(32,015)	(32,015)	Intra-group funding pensions interest costs	0	(38,032)	(38,032)
32,015	**(32,015)**	**0**	**Total Financing and Investment Income and Expenditure**	**38,032**	**(38,032)**	**0**
20,171	(20,171)	0	Police Pension Fund Top-Up Grant/Contribution	22,671	(22,671)	0
0	(112,534)	(112,534)	Intra-group funding (actuarial loss on police pensions)	0	(31,687)	(31,687)
20,171	**(132,705)**	**(112,534)**	**Non-specific grant income and contributions**	**22,671**	**(54,358)**	**(31,687)**
20,171	**(132,705)**	**(112,534)**	**Surplus/deficit on provision of services**	**22,671**	**(54,358)**	**(31,687)**
112,534	0	112,534	Remeasurement of the net defined benefit liability (Note 9)	31,687	0	31,687
112,534	**0**	**112,534**	**Other Comprehensive Income and Expenditure**	**31,687**	**0**	**31,687**
132,705	**(132,705)**	**0**	**Total Comprehensive Income and Expenditure**	**54,358**	**(54,358)**	**0**

The Comprehensive Income & Expenditure Statement above reflects the PCC financial resources consumed at the request of the Chief Constable for 2018/19. 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 2), resulting in a nil balance for Total Comprehensive Income and Expenditure.

Movement in Reserves Statement for the Chief Constable 2017/18 and 2018/19

	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**

	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 2018	0	0	0	0	0	**0**	**0**	**0**
Movement in reserves during 2018/19								
Total Comprehensive Expenditure and Income	31,687	0	0	0	0	**31,687**	**(31,687)**	**0**
Adjustments between accounting basis & funding basis under regulations	(31,687)	0	0	0	0	**(31,687)**	**31,687**	**0**
Increase or (decrease) in 2018/19	0	0	0	0	0	**0**	**0**	**0**
Balance at 31st March 2019 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 2018 and 31st March 2019. 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 2019

31st March 2018 £'000		31st March 2019 £'000
1,379,180	Long Term Debtors - Intra group adjustment	1,506,197
1,379,180	**Total Long Term Assets**	**1,506,197**
5,792	Short term Debtors	6,622
5,792	**Total Current Assets**	**6,622**
5,792	Short term creditors & provisions	6,622
5,792	**Total Current Liabilities**	**6,622**
1,379,180	Pension Liabilities	1,506,197
1,379,180	**Total Long Term Liabilities**	**1,506,197**
0	**Net Assets**	**0**
	Financed by:	
0	**Usable reserves**	0
0	**Unusable Reserves**	0
0	**Total Reserves**	**0**

The Balance Sheet includes:

31st March 2018		31st March 2019
	Long term assets/liabilities	
1,379,180	Police officer and staff pension liabilities	1,506,197
	Short term assets/liabilities	
4,171	Police pension fund Home Office grant	5,558
684	Short term compensated absences	673
499	March pay paid in April	340
388	2017 pay award	0
50	Enhanced holiday pay	51
5,792	**Total short term assets/liabilities**	**6,622**

P SKELTON

P Skelton
Chief Finance Officer
25th July 2019

Chief Constable Cash Flow Statement for the year ended 31st March 2019

2017/18 £'000		2018/19 £'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 2018 and 2019 as all payments were made from the Police Fund which is held by the PCC and similarly all income and funding is received by the PCC during the year. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement

NOTES TO THE ACCOUNTS

1. Statement of accounting policies 2018/19

a. General principles

These financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.*

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 2019.

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.

b. 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

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. Overheads

The Chief Constable has a policy of not recharging support service overhead costs to front line service providing departments, they are reported separately. 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.

i. 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.

j. 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.

k. 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.

2. 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 2018/19 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 2018/19 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.

3. 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 2018/19 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 liabilities. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied. The impact of the McCloud/Sargeant judgement has been estimated for the police officer pension scheme. The value of these pension scheme liabilities at 31st March 2019 was £1.506 billion. A sensitivity analysis on the assumptions made is detailed in note 9.

b. Short Term Compensated Absences (£0.67m at 31st March 2019). 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.

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

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

- Amendments to IAS 40 Investment property
- Annual improvements to IFRS Standards 2014-2016 cycle
- IFRIC 22 Foreign currency transactions and advance consideration
- IFRIC 23 Uncertainty over income tax treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment features with negative considerations.
- IFRS 16 - Leases

5. 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 Chief Constable is judged to incur all expenditure in the Net Cost of Service (£122.0m) apart from that generated directly by the Office of the Police and Crime Commissioner (£3.3m). All income is judged to be received by the PCC. 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.

- The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 85 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. The impact of this McCloud/Sergeant judgement is detailed in note 9.

6. 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.

Expenditure and Funding analysis

2017/18 Net expenditure chargeable to the General Fund £000s	2017/18 Pensions Adjustments between the Funding and Accounting basis (note a) £000s	2017/18 Net expenditure in the Comprehensive Income and Expenditure Statement £000s		2018/19 Net expenditure chargeable to the General Fund £000s	2018/19 Pensions Adjustments between the Funding and Accounting basis £000s	2018/19 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	(112,534)	(112,534)	Other income & Expenditure	0	(31,687)	(31,687)
0	**(112,534)**	**(112,534)**	**Surplus or deficit**	**0**	**(31,687)**	**(31,687)**
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**		

Note a – Net changes for the pensions adjustments

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

7. Expenditure and Income analysed by nature

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

Expenditure and Income analysed by nature

	2017/18 £'000	2018/19 £'000
Expenditure		
Actuarial gain/loss on police pensions	(112,534)	(31,687)
Police Pension fund	20,171	22,671
Total Expenditure	**(92,363)**	**(9,016)**
Income		
Government grants & contributions	(20,171)	(22,671)
Total Income	**(20,171)**	**(22,671)**
Surplus/Deficit on the provision of services	**(112,534)**	**(31,687)**

8. Subjective analysis of spending

2017/18 £000		2018/19 £000
	Financial resources of the PCC consumed at the request of the CC	
52,288	Police pay and allowances	53,022
27,111	Staff pay and allowances	28,978
1,840	Other employee expenses	1,762
9,653	Police pensions	9,640
4,326	IAS19 Pension costs	57,298
5,725	Premises	5,928
2,051	Transport	2,254
14,042	Supplies and services	15,651
1,036	Agency and contracted services	1,060
5,051	Depreciation	4,240
123,123	**Total financial resources of the PCC consumed at the request of the CC**	**179,833**
(123,123)	Intra group adjustment	(179,833)
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.

9. 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:
  BlackRock Advisors (UK) Limited
  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 Limited

- 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.

McCloud / Sargeant judgement

The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 85 claims lodged against them 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 December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the ‘transitional protection’ offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would to lead to an increase in Police Pension Scheme liabilities and our actuaries (Hymans Robertson) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Gloucestershire to be approximately 4.6% or £63.2m of pension scheme liabilities. This increase is reflected in the present value of the defined benefit obligation, as reported in the net defined benefit liability line of the Balance Sheet, with the increase presented as a past service cost within cost of services in the Comprehensive Income and Expenditure Statement, detailed later in this note.

On 15th July 2019 the government stated that it respects the Court’s decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. The government believes that the remedies will apply to all the main public service pension schemes, including police and local government, and stated that it will engage with employer and member representatives to inform proposals to the Employment Tribunal.

The actuaries have indicated that this estimate is based on calculating the costs for an average member for each age under the 2015 scheme or relevant pre-2015 scheme over the four years to 31 March 2019 and take the higher value, then compare this to the liability that has been calculated for the disclosures based on the current scheme allocation. This has been done for all members in the data as at 31 March 2016. This is based on the assumptions made for the 2018 accounts. The figures are highly sensitive to assumptions; a 1% reduction to the salary growth assumption is estimated to reduce the liability impact by 10%.
The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a government top-up grant.

With regard to the LGPS, the Gloucestershire LGPS Fund commissioned a report from Hymans Robertson requesting, as far as possible, an assessment of the potential impact on liabilities if Government are unsuccessful in their appeal hearing. The outcome of this review determined a potential increase of 0.2% of ‘defined benefit obligations’ at Fund level. This would have the effect of increasing the PCC and Chief Constable for Gloucestershire liability by £0.4m. As this is not material no changes have been made to these accounts.

In respect of Guaranteed Minimum Pension, the actuary has only allowed for Guaranteed Minimum Pension full indexation for active members. No adjustment has been made for pensioners and deferred members. Given the inherent uncertainty surrounding the calculations, we have deemed that this is a reasonable approach and would not lead to a material adjustment to the pension liability.

Transactions relating to post-employment benefits

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

	2017/18 £000	2018/19 £000
Local Government Pension Scheme (LGPS)		
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	8,294	8,922
Past service costs (including curtailments)	41	144
Amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	(4,509)	(5,268)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	4,509	4,896
Expected return on assets in the scheme	(3,194)	(3,564)
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	(4,149)	18,792
Other experience	3	62
Return on plan assets (excluding the amount included in the net interest expense)	(2,220)	(3,867)
Net charge to the Comprehensive Income & Expenditure Statement	(1,225)	20,117
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	1,225	(20,117)

	2017/18 £000	2018/19 £000
Police Pension Schemes (PPS, NPPS & CARE)		
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	30,000	26,300
Past service costs (including curtailments)	100	57,900
Amount charged against the General Fund Balance for pensions in the year: Retirement benefits payable to pensioners	(29,600)	(30,700)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	30,700	36,700
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	(12,300)	(98,600)
Actuarial gains and losses arising on changes in financial assumptions	(22,000)	100,600
Other experience	153,200	14,700
Net charge to the Comprehensive Income & Expenditure Statement	150,100	106,900
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(150,100)	(106,900)

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

<u>Assets and liabilities in relation to retirement benefits</u>

Reconciliation of present value of the scheme liabilities:

	LGPS		Police Pension Schemes	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
As at 1st April	(169,974)	(177,522)	(1,181,600)	(1,331,700)
Current service cost	(8,294)	(8,922)	(30,000)	(26,300)
Net interest on the net defined benefit liability	(4,509)	(4,896)	(30,700)	(36,700)
Contributions by scheme participants	(1,325)	(1,451)	(5,500)	(5,300)
Transfers (in)out	0	0	(400)	200
<u>Remeasurement of the net defined benefit liability</u>				
- Actuarial gains/losses arising from changes in demographic assumptions	0	0	12,300	98,600
- Actuarial gains/losses arising from changes in financial assumptions	4,149	(18,792)	22,000	(100,600)
- Other experience	(3)	(62)	(153,200)	(14,700)
Benefits paid	2,475	2,579	35,500	35,800
Past service cost (including curtailments)	(41)	(144)	(100)	(57,900)
As at 31st March	(177,522)	(209,210)	(1,331,700)	(1,438,600)

Lump sum commutation payments are based on the position at the time of calculation, 31st December 2018.
Reconciliation of fair value of the scheme assets:

	LGPS 2017/18 £000	LGPS 2018/19 £000
As at 1st April	121,269	130,042
Expected rate of return	3,194	3,564
Remeasurement of the net defined benefit liability	2,220	3,867
Employers contributions	4,509	5,268
Contributions by scheme participants	1,325	1,451
Benefits paid	(2,475)	(2,579)
As at 31st March	130,042	141,613

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

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of liabilities						
- LGPS	(114,680)	(146,080)	(137,256)	(169,974)	(177,522)	(209,210)
- Police Pension Schemes	(1,033,700)	(1,233,100)	(1,099,400)	(1,181,600)	(1,331,700)	(1,438,600)
- Total	(1,148,380)	(1,379,180)	(1,236,656)	(1,351,574)	(1,509,222)	(1,647,810)
Fair value of assets in LGPS	81,917	96,849	100,023	121,269	130,042	141,613
Surplus/(deficit) in the scheme						
- LGPS	(32,763)	(49,231)	(37,233)	(48,705)	(47,480)	(67,597)
- Police Pension Schemes	(1,033,700)	(1,233,100)	(1,099,400)	(1,181,600)	(1,331,700)	(1,438,600)
- Total	(1,066,463)	(1,282,331)	(1,136,633)	(1,230,305)	(1,379,180)	(1,506,197)

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 2019 is largely due to a fall in real bond yields partially offset by the life expectancy assumption being updated for the police officer scheme and increased investment returns in the LGPS. The total liability of £1,506m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,432m. 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 2020 is £5.11m and the projected current service cost is £10.27m.

The projected current service costs for the Police Pension Schemes for 2019/20 are £26.8 million (from £27.8 million in 2018/19). 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 2018. The principal assumptions used by the Actuary have been:

	LGPS		**Police Pension Schemes**	
	2017/18	**2018/19**	**2017/18**	**2018/19**
Long term expected rate of return on assets in the scheme:				
Equity investments	2.7%	2.4%	-	-
Bonds	2.7%	2.4%	-	-
Property	2.7%	2.4%	-	-
Cash	2.7%	2.4%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Male	22.4	22.4	24.5	22.3
Female	24.6	24.6	26.5	24.4
Longevity at 65 for future pensioners:				
Male	24.0	24.0	25.8	23.4
Female	26.4	26.4	27.8	25.6
Rate of inflation	2.4%	2.5%	3.4%	3.5%
Rate of increase in salaries	2.7%	2.8%	3.4%	3.5%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%
Expected return on assets	2.7%	2.4%	-	-
Rate for discounting scheme liabilities	2.7%	2.4%	2.7%	2.4%
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 2019	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13	26,339
1 year increase in member life expectancy	4	9,078
0.5% increase in the Salary Increase Rate	2	4539
0.5% increase in the Pension Increase Rate	10	21,311

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 2019	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10	141,275
1 year increase in member life expectancy	3	43,158
0.5% increase in the Salary Increase Rate	1	19,039
0.5% increase in the Pension Increase Rate (CPI)	8	114,075

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 2019	Approximate % increase to projected current service cost	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	19	5,215
1 year increase in member life expectancy	3	803
0.5% increase in the Salary Increase Rate	0	29
0.5% increase in the Pension Increase Rate (CPI)	10	2,672

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 2018			Fair value of scheme assets at 31st March 2019		
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	**1,878.3**	**-**	**1,878.3**	**2,606.4**	**-**	**2,606.4**
Equity securities						
Consumer	6,308.2	-	6,308.2	0	-	0
Manufacturing	3,381.8	-	3,381.8	0	-	0
Energy & utilities	2,474.2	-	2,474.2	0	-	0
Financial institutions	5,226.2	-	5,226.2	0	-	0
Health & care	2,090.9	-	2,090.9	0	-	0
Information technology	322.9	-	322.9	0	-	0
Other	3,942.0	-	3,942.0	0	-	0
Total Equity securities	**23,746.2**	**-**	**23,746.2**	**0**	**-**	**0**
Debt securities						
Corporate (investment grade)	6,100.8	-	6,100.8	14,467.1	-	14,467.1
Corporate (non-investment grade)	469.1	-	469.1	602.8	-	602.8
UK Government	9,418.7	-	9,418.7	4,458.0	-	4,458.0
Other	1,429.7	-	1,429.7	0	-	0
Total Debt securities	**17,418.3**		**17,418.3**	**19,527.9**	**-**	**19,527.9**
Property						
UK	6,337.0	2,032.8	8,369.8	8,980.3	3,013.7	11,994.0
Overseas	-	705.6	705.6	-	875.0	875.0
Total Property	**6,337.0**	**2,738.4**	**9,075.4**	**8,980.3**	**3,888.7**	**12,869.0**
Private equity	**-**	**330.5**	**330.5**	**-**	**312.5**	**312.5**
Investment funds and Unit trusts						
Equities	5,164.8	58,705.2	63,870.0	8,540.5	79,564.9	88,105.4
Bonds	7,863.6	729.7	8,593.3	11,318.7	0	11,318.7
Other	-	5,030.0	5,030.0	-	6,892.4	6,892.4
Total Investment funds and Unit trusts	**13,028.4**	**64,464.9**	**77,493.3**	**19,859.2**	**86,457.3**	**106,316.5**
Derivatives						
Foreign exchange	73.0	-	73.0	(33.5)	-	(33.5)
Other	27.0	-	27.0	14.2	-	14.2
Total Derivatives	**100.0**	**-**	**100.0**	**(19.3)**	**-**	**(19.3)**
TOTAL ASSETS	**62,508.2**	**67,533.8**	**130,042.0**	**50,954.5**	**90,658.5**	**141,613.0**

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 at bid value as required under IAS19.

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 2018.

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 2018 (years)	Weighted average duration as at 31st March 2019 (years)
LGPS	21.8	21.8
Police Pension Schemes	18.1	18.5

10. 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.

2018/19

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 – 10,000	1	1	2	8
100,001 – 200,000	1	1	2	379

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 – 70,000	1	1	2	100

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

11. 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	**2017/18**	**2018/19**
£50,000 - £54,999	89	98
£55,000 - £59,999	31	37
£60,000 - £64,999	17	13
£65,000 - £69,999	5	7
£70,000 - £74,999	4	6
£75,000 - £79,999	4	4
£80,000 - £84,999	6	4
£85,000 - £89,999	1	2
£90,000 - £94,999	1	1
£95,000 - £99,999	1	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	1	1
£120,000 - £124,999	1	1
£125,000 - £129,999	0	1
£130,000 - £134,999	0	0
£135,000 - £139,999	1	0
£140,000 - £144,999	0	1

The Chief Constable is required, under the Accounts and Audit (England) Regulations 2014, to disclose individual remuneration details for senior employees and relevant police officers. Details for 2018/19 and 2017/18 are as follows:

2018/19 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 2018/19 £	Employers pension contributions £	Total Remuneration including pension contributions 2018/19 £	MEMO: Employees pension contributions £
Chief Constable	**142,578**	**0**	**780**	**0**	**9,807**	**0**	**153,165**	**14,605**	**167,770**	**10,319**
Deputy Chief Constable	**120,071**	**0**	**0**	**0**	**3,739**	**0**	**123,810**	**24,658**	**148,468**	**17,422**
ACC - Operations	**115,479**	**0**	**718**	**0**	**7,772**	**0**	**123,969**	**23,809**	**147,778**	**16,823**
TACC - Support (to 1/6/18)	**20,158**	**0**	**1,324**	**0**	**0**	**0**	**21,482**	**3,724**	**25,206**	**2,631**
ACC - NDIC secondment	**116,855**	**0**	**8,684**	**0**	**0**	**0**	**125,538**	**23,973**	**149,511**	**16,938**
PCC & CC Chief Finance Officer	**76,076**	**0**	**0**	**0**	**0**	**0**	**76,076**	**13,541**	**89,617**	**7,531**

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 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

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

12. 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 (53%) 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 2018/19.

Officers – during 2018/19 there were no material declared related party transactions to disclose.

13. Payments to External Auditors

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

	2017/18	**2018/19**
	£000	**£000**
External Audit services – Chief Constable	15	12

These costs are included in the Agency and Contracted section of the subjective analysis (Note 8).

14. Post Balance Sheet Events

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

15. Contingent Liabilities

2018 Pay Award - The Police Federation of England and Wales (PFEW) has lodged a judicial review into the lawfulness of the Government's decision to not follow the recommendations of the Police Remuneration Review Body (PRRB) in respect of the 2018 police officer pay award. A hearing is expected in the summer of 2019. Should the hearing find in favour of the PFEW, there is a potential for the 2018 pay award to be re-considered, and the subsequent potential for additional costs to be incurred. In the event that the police officer pay award is re-considered, the police staff pay award would also be re-considered with the potential for further additional costs.

Gloucestershire Police Pension Fund Account
For the year ended 31st March 2019

2017/18 £'000		2018/19 £'000
	Contributions receivable	
	From employer	
8,576	- basic contributions at 21.3% of pensionable pay	8,437
1,167	- additional contributions at 2.9% of pensionable pay	1,149
613	- other (maternity/paternity/sickness, capital charge ill health & the 30+ scheme)	851
10,356		10,437
5,486	From members	5,369
	Transfers in	
472	Individual transfers in from other schemes	245
59	Transfer from Avon & Somerset Constabulary	52
531		297
16,373		**16,103**
	Benefits payable	
28,807	Pensions	30,459
7,606	Commutations and lump sum retirement benefits	7,905
131	Lump sum death benefits	175
36,544		38,539
	Payments to and on account of leavers	
0	Individual transfers out to other schemes	235
36,544		**38,774**
(20,171)	**Sub-total for the year before transfer from the PCC of amount equal to the deficit**	**(22,671)**
20,171	**Additional funding payable by PCC to meet deficit for the year**	**22,671**
0	**Net amount payable for the year**	**0**

Gloucestershire Police Pension Fund Net Assets Statement
as at 31st March 2019

2017/18 £'000		2018/19 £'000
	Current Assets	
4,171	Funding to meet deficit receivable from PCC	5,558
2,492	Other current assets – Pensions prepaid	2,620
6,663		8,178
	Current Liabilities	
6,663	Other current liabilities	8,178
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 2019 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 85 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. The impact of the McCloud/Sergeant judgement is detailed in note 9.

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 2018/19.

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 9 of the main statement of accounts.

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

Joint Annual Governance Statement

The Accounts and Audit Regulations 2015 require that the Annual Governance Statement accompanies the Statement of Accounts. The Chief Constable and the PCC have prepared a joint statement and have elected to publish the Joint 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 and the PCC 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
The Annual Governance Statement comprises mainly a policy statement; recognition of core principles of good governance; the corporate governance arrangements; and an annual governance review. The Annual Governance Statement 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 2019/20 to 2022/23.

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.

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.