

**Chief Constable for
Gloucestershire**

**Statement of accounts
2020/21**

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STATEMENT OF ACCOUNTS 2020/21

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 and to comment on the Constabulary's financial performance and economy, efficiency and effectiveness during the year.

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 (corporations 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 2020/21 for policing Gloucestershire. The accounts which follow show the Chief Constable's financial results for 2020/21.

The Chief Constable hold office as a servant of the crown and is not an employee. He has a statutory responsibility for the control over officers and employs the majority of the staff. The PCC is elected by the public every four years (extended to five years during the COVID-19 pandemic) and holds the Chief Constable to account for the exercise of his functions and those of persons under his direction and control. 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.

Organisational Overview and External Environment

Gloucestershire is a largely rural county encompassing the Cathedral city of Gloucester, the historic Spa town of Cheltenham, the Royal Forest of Dean and a number of picturesque Cotswolds villages. Gloucestershire's urban centres are diverse with a thriving night-time economy.

The County hosts a number of significant events throughout the year which attract national attention. These include the National Hunt Festival (Gold Cup) at Cheltenham Racecourse, the Royal International Air Tattoo at Fairford, the Tall Ships Festival at Gloucester Docks and the annual Cheese Rolling competition at Cooper's Hill.

There are a number of royal households including Highgrove and Gatcombe Park, two airports and two universities; the University of Gloucestershire and the Royal Agricultural University. GCHQ is one of the UK's leading intelligence agencies and as such a large employer in the county.



The Police and Crime Plan for 2017/2021 was launched in February 2017 and reviewed in January

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2020. Every PCC must set out the policing priorities for their area, which form the basis for the Police and Crime Plan. The PCC set six priorities:

- Every crime matters, every contact counts
- Older but not overlooked
- Safer days and nights
- Young people becoming adults
- Safe and social roads
- A green and pleasant county (a compassionate approach).

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.

Governance

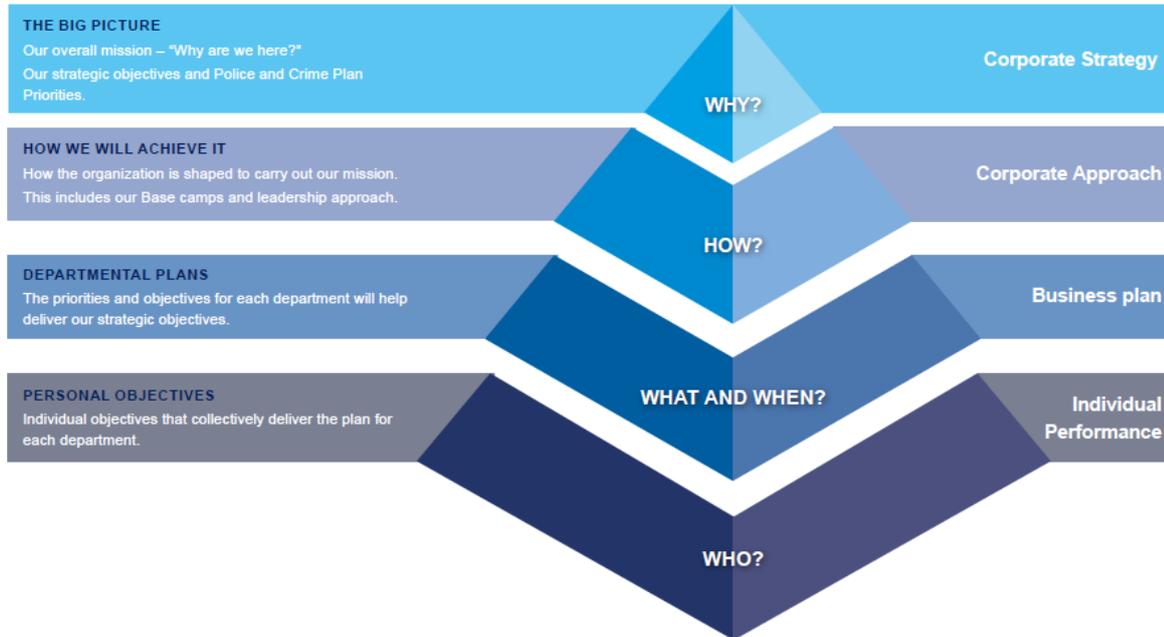
The Accounts and Audit Regulations 2015 require that the Annual Governance Statement accompanies the Statement of Accounts. The Chief Constable and the PCC have prepared a joint statement and have elected to publish the statement as a separate document. The Annual Governance Statement gives an assessment of the effectiveness of internal control procedures, and should report any significant governance issues that have been identified. There are no significant governance issues.

Our approach to good governance:

- Governance of all ongoing operational matters is a Constabulary responsibility
- The Office of the Police and Crime Commissioner (OPCC) is represented effectively at all appropriate groups and boards
- Without prejudice to the operational independence of the Chief Constable and the specific duties of the Police and Crime Commissioner, governance is undertaken only once (where possible) on behalf of both legal entities
- Decision-making will take place at the most efficient and effective level in a style that is supportive and inclusive
- There is appropriate opportunity by relevant stakeholders to influence direction and key decisions
- Clear communication and visibility of decision making is available to staff and the public.

The Constabulary is subject to rigorous scrutiny and checks by a number of bodies to ensure that it is operating in accordance with its mandate. A number of these have statutory obligations including Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) which makes judgements on various areas of the Constabulary's activity, identifies areas for improvement and makes recommendations

Our Mission is .



The force is headed by Chief Constable Rod Hansen who is supported by Deputy Chief Constable Jon Stratford and Assistant Chief Constable Craig Holden. Our policing style is clear and based upon a local presence through visible and accessible neighbourhood policing teams, together with teams who respond to emergencies, investigate serious crimes and tackle cybercrime as well as a range of other support units.

We work with our partners, local communities and those who come into contact with us as victims, witnesses, partners, volunteers and staff, so that we are clear on what it is we need to do to deliver our priorities and make improvements to our policing services.

Strategic Objectives

Our Strategic Objectives are simple:

Making Our Communities Safer We will reduce the number of crimes which have the greatest harm and impact on our communities, working collaboratively with private, public and voluntary partners.

High Professional Standards We will serve our communities with pride and care. We will maintain high standards of professional and operational practices, and investigative excellence, ensuring evidence informs our decision making and that we are accessible to all who need us. Our increased range of digital services will keep us connected.

People are our greatest asset We will be renowned for recruiting, developing and retaining a motivated and diverse workforce that has the right skills and capabilities to provide an efficient and effective service. We will work in a positive, data driven, digitally equipped environment which recognise the unique pressures of policing and the value of supportive leadership and wellbeing.

In terms of our Corporate Strategy, the maturing of our first basecamp (Supportive Leadership and

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Wellbeing now two years old and developing) enabled us to shift our centre of gravity towards our second camp (Standards Matter). Our focus on this for the next 18 months will help us to rediscover our skills in investigation and in effect 'fall back in love' with a topic that has suffered because of austerity and changing demand. Raising standards generates pride which is academically proven to generate emotional energy. This energy feeds extra mile behaviours which are essential in a service based organisation that relies on its people to turn up to work, put themselves in harm's way and deliver against an array of expectations.

Recognising that our staff really are our greatest asset, we are developing new strategies to ensure that we develop, maintain and support this asset through the way we spend money and how much of it we spend. In 2021 we brought into use our specialised training centre on the River Severn, the Sabrina Centre, which meant that we could maintain face to face teaching during the COVID-19 pandemic. This supports Base Camp one of our three base camp strategy, 'Supportive Leadership and Wellbeing'. In addition we have invested in specialist staff resource to support staff through difficult times which has been very well received and is enhancing staff satisfaction with the support on offer to them. In 2021/22 we will invest £180k in further developing our Wellbeing, Supportive Leadership and Better Together packages, recognising that we are an organisation which spends £110M or 80% of our gross budget on staffing costs and enhancing our human assets is key to un tapping great performance.

Operational Model

During the year the Constabulary revisited and refocussed its operational model around two Portfolios of Local Policing and Public Consent led by ACC Kirk and Crime, Justice and Vulnerability led by ACC Holden.

This developed as a consequence of learning from our management of local policing during a pandemic, our commitment to enhance service delivery and because of the national commitment to increase police numbers over the next four years which means more resources for more parts of the county with a service better tailored for specific areas.

This evolution continues with our focus at a neighbourhood level on accessibility, prevention, relationships, vulnerability and partnerships delivered in a caring and compassionate way that invokes trust and support throughout Gloucestershire.

It builds on localised leadership, localised ownership of crime, ASB, investigations and dealing with those issues that affect our local communities.

We have developed three distinct geographic areas, (Cheltenham & Tewkesbury, Cotswolds & Stroud and Forest of Dean & Gloucester) each with a dedicated Superintendent and Chief Inspector and these will be known officially as a Local Policing Areas (LPA).

The key benefits that we are seeking to deliver include:

- Improved response times
- Improved investigative timeliness
- Compliance and adherence to Victims' Code of Practice (VCOP)
- Reduction in total recorded crime
- Improved public satisfaction (trust and confidence) measured by Service Recovery data
- Increased opportunities for intervention and prevention – Problem Orientated Policing (PoP) to high demand locations
- Focus activity on Police and Crime Plan deliverables
- Improved officer workload and wellbeing.

We are working with the Performance Team to ensure benchmarking and understanding within our developing performance frameworks for the Constabulary and for each LPA. In addition, we are developing key process maps and principles to support workload allocation, expectations and a 'one team working together' approach to demands.

Risks and Opportunities

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Effective risk management is an essential element of the Constabulary's planning and accurate and timely identification, assessment and management of risks are key to our decision making. We ensure that there are appropriate structures and processes in place to identify and evaluate risks and that appropriate controls and mitigation techniques are developed to address them.

We face three types of risks - strategic, operational and ethical. We comply with the National Police Chiefs' Council (NPCC) Risk Principles in our management of those risks.

Risks are identified through the delivery plans held by each business area and may then be escalated to our Strategic Risk Register via the Risk Review Group, which meets quarterly to scrutinise high scoring 'red' risks (collated from delivery plans). These risks are monitored so they can be mitigated/identified at an early stage. Risks are reported by exception to the Constabulary's Governance Board. Decisions are made through these fora to accept or mitigate escalated risks, in line with risk appetite and tolerance levels.

In relation to financial risks and opportunities the approach is to maintain a register which is regularly reviewed by the Finance Panel, with reporting by exception to the Constabulary's Governance Board. Risks and opportunities may then either be mitigated or reduced through management action such as applying a control. If they cannot be reduced or mitigated in this way they will then be escalated to in year reporting in the financial performance reports or through to the Medium Term Financial Plan.

Financial Performance

The resources put into Policing are split into three separate pots: revenue, capital and pensions.

Revenue budgets pay for the staffing and day to day running costs of the organisation and also allow prudent provisions set aside for known future needs. This is funded from a combination of Central Government funding and Council Tax. The central government bodies (Home Office and the Ministry of Housing Communities and Local Government) determine their contributions as part of the national funding settlements made in December each year and the PCC makes the decisions about how much council tax to set in February. Central government funds its contributions from all the taxes paid to HMRC and Council Tax is collected by local councils.

In February 2020 the PCC approved a revenue expenditure budget for April 2020 to March 2021 of £126.1 million made up of £65.6 million (52%) from central government and £60.5 million (48%) from Council Tax. The police element of the Band D Council Tax was set at £257.25, an increase of £6.76, an increase of 2.7% on that set for 2019/20.

This revenue budget was split:

- Constabulary budget - £123.7 m
- OPCC budget - £1.1 m
- PCC's Commissioning fund - £1.3m.

If expenditure is less than budgeted at yearend the difference is put into the reserves, if expenditure exceeds available resources then the reserves are used to makeup the difference.

Capital budgets are funded by the sale of excess assets, reserves built up from previous year's revenue budgets, some specific grant funding from central government and from undertaking borrowing and sometimes this is topped up with revenue budget funding.

In February 2020 the PCC approved a capital expenditure budget for April 2020 to March 2021 of £6.6M made up of £0.5M capital grant, £0.5M capital receipts, £1.7M revenue contributions, £2.0M of new borrowing and £1.9M of reserves.

The capital budget was split:

- £2.2M on replacing vehicles going out of service
- £0.4M on replacing IT replacements
- £1.0M on new IT systems and Transformation projects

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- £0.4M for the national project to replace Airwave radios (ESMCP)
- £2.0M to start to redevelop the Bamfurlong operations centre
- £0.6M to complete the Sabrina centre build.

The Pensions costs for existing staff and officers which will need to be paid in the future are met from contributions from the revenue budget today, (included in the revenue budget figures above) whilst existing pensioners are firstly paid by the local Policing Pensions Fund and then any costs in excess of the contributions from today's staff are recovered from central government as a grant.

Financial performance against the revenue and capital budgets is monitored throughout the year and reported monthly to the Finance Panel meeting attended by both the PCC and the Chief Constable.

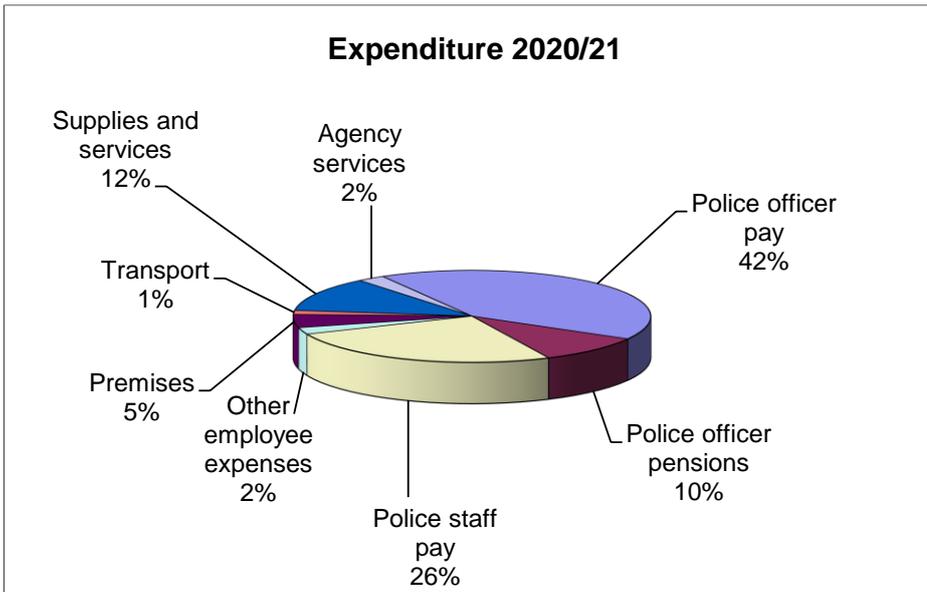
High level outturn – revenue

The total net revenue expenditure in 2020/21 was an underspend against the net revenue budget of £0.121m (0.1%).

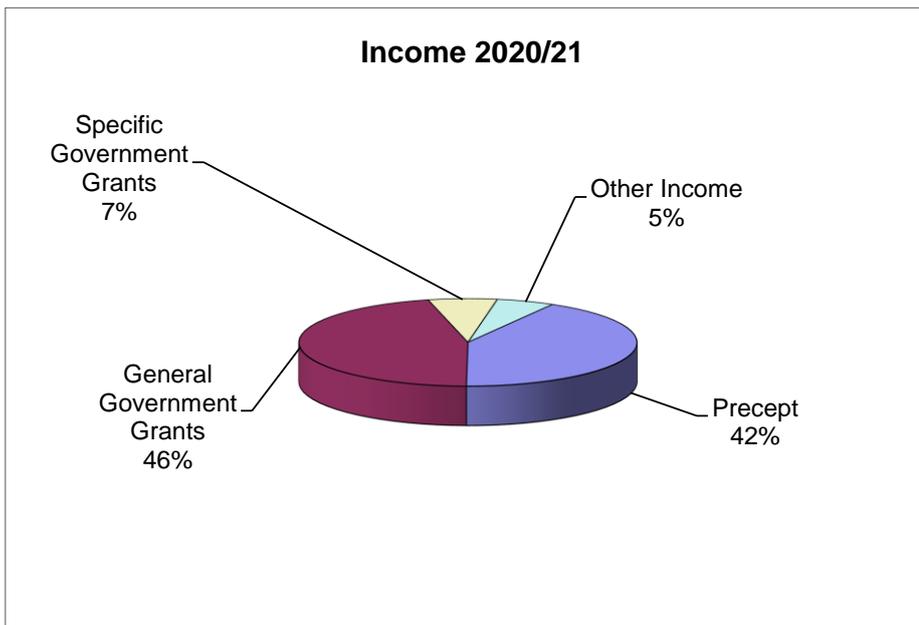
Revenue Budget	Feb PA Budget	Variation to Budget	Latest Budget	Outturn Expend	Variance	% Variance against Latest Budget
	£000's	£000's	£000's	£000's	£000's	
Police Officers	64,630	2,382	67,012	67,470	459	0.68
Police Staff	27,477	2,782	30,259	30,678	419	1.38
PCSOs	4,189	67	4,256	3,899	-357	-8.38
Other employee costs	2,416	233	2,649	2,547	-101	-3.83
Training	490	188	677	678	0	0.04
Major Incidents	426	1,267	1,692	1,753	61	3.59
Total Employee Costs	99,627	6,918	106,546	107,026	480	0.45
Premises	7,267	668	7,935	7,869	-66	-0.83
Transport - Fleet	1,832	-153	1,679	1,669	-9	-0.56
Transport - Other	297	33	330	230	-99	-30.14
Supplies & Services	14,129	3,006	17,135	16,938	-197	-1.15
Agency Costs	786	0	786	721	-65	-8.32
Contracts for Support Services	436	0	436	502	66	15.17
Force Development Contingency	7,480	-7,512	-32	0	32	-100.00
Savings Required for New Growth	0	0	0	0	0	0.00
Capital Financing Cost	646	0	646	661	14	2.21
Revenue Contribution to Capital	1,354	-784	570	570	0	0.00
PCC Costs	1,158	-76	1,083	1,079	-3	-0.32
PCC Commissioning Fund	1,261	68	1,328	1,328	0	0.00
Transfer to Revenue Support Reserve						
Total Expenditure	136,274	2,168	138,442	138,595	153	0.11
Income	-3,447	-897	-4,345	-4,628	-283	6.52
Interest Receipts	-200	0	-200	-51	149	-74.58
Specific Grants	-6,528	-1,473	-8,001	-8,140	-139	1.74
Net Budget/Expenditure	126,099	-202	125,896	125,776	-121	-0.10
Support to (from) Reserves	0	202	202	754	551	272.33
Budget Requirement	126,099	0	126,099	126,529	431	0.34

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The analysis of Gross Operating Expenditure (excluding capital and IAS 19 adjustments) is:



The services provided were funded as follows:

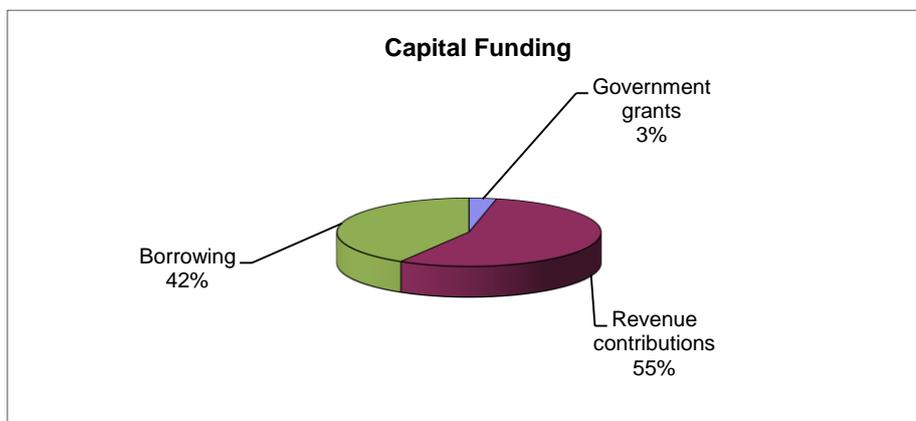


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High level outturn – capital

	2020/21 Budget £000	New Approvals £000	Variations £000	Deferred to 2021/22 £000	Actual Spend in Year £000
Vehicles	3,258	806	0	(1,751)	2,313
Estates	1,875	13,885	(362)	(11,860)	3,538
Transformation	1,863	380	(96)	(878)	1,269
AV/Radios	513	0	(18)	(60)	435
Grant Funded	398	107	0	(333)	172
TOTAL	7,907	15,178	(476)	(14,882)	7,727

This expenditure was financed by:



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 2021 the PCC held total usable reserves of £25.716M. 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.

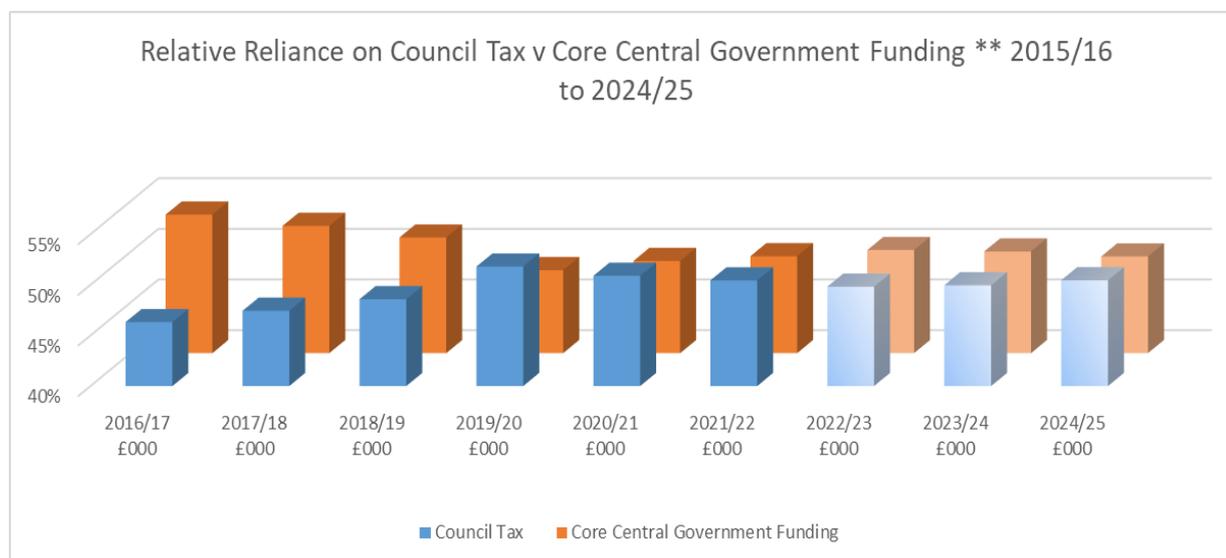
The main points to note in these accounts are that:

- 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.

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Strategy and Resource Allocation

The Budget for Policing in Gloucestershire for 2021/22 has been set at £132.4 million, funded by £69.7 million (52%) from government grant and £62.9 million (48%) from Council Tax. This continues a trend in Gloucestershire towards a greater reliance on local funding and specific grant allocation from central government and less reliance on the traditional source of funding for Policing which was 'unringfenced' central government grant.¹



The issue arising from this funding balance is that the national funding and the national voice which sets the targets and performance goals for Policing become somewhat separated. Essentially if there is a difference between Local policing priorities and National policing priorities, when local taxes account for an increasing proportion of the financing, the important contract with the public could come under strain.

The grant settlement for 2021/22 provides £415m for police forces, for the recruitment of 6,000 additional officers by the end of March 2022. For Gloucestershire this funding was split between core grant funding (£3.042m) and ring fenced funding (£0.800). The ring fenced funding is to be paid to forces in line with the progress in recruiting their additional officers.

A Medium Term Financial Plan for the four years to 2024/25 was developed and approved alongside the budget in February 2021. It makes assumptions across the planning period around the cost pressures and levers in the financial environment which create risk and also provide opportunities for the Constabulary.

The assumptions are all within tolerance and do not rely on the use of reserves to balance the budgets:

KEY ASSUMPTIONS in the MTFP	2021/22	2022/23	2023/24	2024/25
Pay increase (September)	0.0%	1.0%	1.0%	1.0%
Pay increase (in year)	1.3%	0.6%	1.0%	1.0%
Increments	0.3%	0.3%	0.3%	0.3%
Inflation	2.0%	2.0%	2.0%	2.0%
Government Grant (excluding uplift funding)	0.0%	0.0%	0.0%	0.0%
Council Tax Increase	2.7%	2.0%	2.0%	2.0%
Council Tax Base Increase	0.3%	0.5%	0.5%	0.5%
SAVINGS REQUIRED to balance				
Savings Target	£1.420M	£2.508M	£3.288M	£2.925M
Reserves Used	0	0	0	0

¹ ** only core Home Office settlement funding has been compared with Council tax in the table: this excludes uplift funding, legacy council tax grant and pension grant allocations which are to achieve specific funding targets and have not yet been baselined into the core funding

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The budgeted establishment and increase over this period is as follows:

Establishment Numbers	Officers	PCSOs	Constab-ulary Staff	OPCC Staff	TOTAL
Apr-20	1,104	116	725	17	1,962
Apr-21	1,153	116	745	20	2,034
Apr-22	1,198	116	817	21	2,152
Apr-23	1,258	116	817	21	2,212
Apr-24	1,258	116	817	21	2,212
Increase	154	-	92	4	250

Of that increase, precept funding accounts for 3 Officers and 27 Staff and the Uplift Grant accounts for 149 Officers and 27 Staff. So to the extent that the funding is not permanently baselined into the Home Office grant settlement, the Force's medium term plan is exposed to that risk.

As a condition of the council tax increase the PCC agreed with the Chief Constable that the Constabulary Efficiency Plan for 2021/22 would be presented to the Finance Panel in order to identify the process to deliver on the savings targets behind the significant increases. The Force is confident that this process will deliver savings and is embarking upon a joint programme with colleagues in Business Planning and the Analysis Research and Planning teams to deliver a new approach to medium term planning for 2022/23. This will see a rolling programme of review of 2/3 incremental budgeting and 1/3 'Smarter Ways of Working' approach to setting budgets and business plans over a three year cycle.

A Capital Strategy has been published by the PCC which centres around two significant capital projects currently in 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. The estimated capital costs of these projects will be funded from a combination of capital receipts, reserves and additional borrowing.

The global pandemic will have financial and operational consequences and also opportunities for public sector spending and funding and for the way the organisation operates. We anticipate a Spending Review in the near to medium term which may also provide some challenge in terms of either the way we operate or the funding envelope. The Government is also proposing to put in place a remedy to the claims lodged against the Chief Constable as the Police Pensions Scheme administrator due to the unlawful discrimination arising from the implementation of the Transitional Provisions in the Police Pension Regulations 2015. The next Medium Term Financial Plan will reference and respond to these issues.

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Operational Performance

In the 12 months to March 2021, Gloucestershire Constabulary recorded 37,014 crimes. This represents a -10.6 per cent reduction on the previous year and is in line with the National reduction of -12.7 per cent. These significant reductions locally and nationally are primarily as a result of the three lockdown periods. Crime types such as burglary had been reducing prior to the first lockdown with it being an operational priority. Burglary has reduced -31.7 per cent in the 12 months to March 2021.

The Constabulary receives approximately 16,383 101 calls per month and 6,717 999 calls per month (based on a three year average). Our officers arrive at the scene of an emergency incident on average within 11 minutes, and at a "prompt" incidents within 56 minutes.

Our Force operational priorities are set based upon understanding the threat, harm and risk posed by criminality within the county. They are:

- Child Sexual Exploitation & Abuse
- Domestic Abuse
- Missing & Mental Health
- Serious and Organised Crime
- Dwelling Burglary.

Each priority has an operational lead and has developed a plan to prevent crime, protect victims and pursue offenders.

Operational performance is monitored through the Operational Policing Board co-chaired by Assistance Chief Constable's Rhiannon Kirk and Craig Holden. This board is enabled by the support of Analysis, Research and Planning who provide a pack of information that contains a performance scorecard and exception report, business plan, research and survey insights and environmental scanning.

The Operational Policing scorecard contains almost 100 measures across key areas of the Constabulary such as the Force Control Room, Local Policing, Vulnerability, Criminal Justice, Custody, Roads Policing and Professional Standards.

There is a clear and defined methodology for identifying performance exceptions within the data. The Operational Policing Board escalates matters affecting Force performance to the Performance Improvement Meeting, the primary performance governance board, chaired by the Deputy Chief Constable.

The Performance Improvement Meeting exists to provide strategic oversight and direction of Force Performance and delivery of the Police and Crime Plan, Corporate Strategy and the National Crime and Policing performance measures.

The board also reviews HMICFRS inspections and lessons learned, sets direction for improvement activity, ensures preparedness for future inspections and provides oversight of the FMS and Business Planning Cycle.

The Performance Improvement Meeting is also informed by the People Development Board which receives similar documentation that assists enabling services senior leaders to manage their performance.

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Managing the Pandemic

As a frontline service, Policing was inevitably changed during 2020/21 by the need to police a pandemic created by the worldwide spread and high infection and mortality rates of the coronavirus COVID-19.

All departmental heads were brought together on 14 February 2020 to review business continuity plans. An operational command structure quickly followed, allowing early decisions on segregated teams, agile working, manual-to-digital processes and COVID-secure working environments. Almost overnight, as an early adopter of social distancing, we split our operational teams, purchased dozens of extra laptops and enabled our staff to work more flexibly and remain productive. We embraced technology such as Microsoft Teams and arguably 'skipped a generation of change' regarding its implementation and the cultural acceptance of it.

We have been a good partner to Public Health England in their efforts to confront the pandemic whilst playing our part as a police service within the community. The public were anxious, frightened and uncertain and we were all ill equipped to respond; no PPE, no experience or even a lexicon to help us articulate what we needed to do to keep ourselves safe. We were not familiar with terms such as social distancing, organisational distancing, self-isolation or 'bubbles' let alone furlough. We set a responsible style and tone in the way that we supported the public and used enforcement proportionately.

Overall crime did reduce during the pandemic, the greatest reductions occurring in acquisitive crime. However violent crime made up a much greater proportion of all crime in 2020 (37%) compared to in 2018 (28%).

An additional burden has been placed on policing with the introduction of Virtual Remand Hearings. Gloucestershire was the first force to go live with this initiative and has been employing additional staff to run a service that would previously have been delivered by the Ministry of Justice. The impact of reduced court time is already having a significant impact on the Criminal Justice system and I remain concerned about the long-term implications for victims, suspects and witnesses as justice is further delayed. The erosion of confidence in Policing as a result of these backlogs will become a critical issue for us to manage in the next few years.

We have taken the opportunity to pause, re-group and understand the impact of the pandemic on our immediate and future demand. Learning has been built into our FMS. Internal and external surveys were commissioned to understand the views of staff and the public. We are already using the wealth of information to highlight strategic opportunities and mainstream short term response measures. We are also gathering information on the environmental benefits to home working and the savings that accrued both for the organisation and staff, for example by reduced travel. This will feed into our agile working policy which is being shaped and contributes to our desire to be carbon neutral by 2035.

The pressure on our finances was met through reserves and with a small contribution in direct grant from the Home Office but this cannot occur again and we would strongly seek assurance from government that in the event of a further event of this kind a different approach to funding was adopted.

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Basis of Preparation and Presentation

The Statement of Accounts are prepared on a going concern basis, assuming that Gloucestershire Constabulary will continue in operation for the foreseeable future.

It is the purpose of the statement of accounts to demonstrate that the Chief Constable has accounted for public money properly and in accordance with all relevant financial standards. The accounts provide useful information to a wide range of users about the financial position, financial performance and cash flows of Gloucestershire Constabulary because they are in the same format as those prepared by others and therefore directly comparable. The accounts are, therefore, necessarily detailed and technical with explanatory notes.

The Chief Constable is required by statute to make funding decisions on a different basis from the way in which these decisions are reported within the Statement of Accounts. The Expenditure and Funding Analysis statement shows how the managed costs differ from the reported costs in these statements. This is because a number of adjustments are made in the statement of accounts to incorporate accounting adjustments in the areas of pensions, employee benefits and depreciation which are not funded by statute.

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 format and content of the Accounts are laid down by the Code of Practice on Local Authority Accounting in the UK 2020/21 (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 26 to 29.

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 2021 (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 2020/21. 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 2021. 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.

STATEMENT OF ACCOUNTS 2020/21

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 pension's 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 2020/21 of £17.3m 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 44 and 45.

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 pension's 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.

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.

J Heppel FCPFA

Section 151 and Chief Constable's Chief Finance Officer
25 October 2021

STATEMENT OF ACCOUNTS 2020/21

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 2021 and his income and expenditure for the year then ended.

J Heppel FCPFA

Chief Constable's Chief Finance Officer
25 October 2021

CERTIFICATION OF THE ACCOUNTS BY THE CHIEF CONSTABLE FOR GLOUCESTERSHIRE

I approve the Statement of Accounts.

R Hansen

Chief Constable

25 October 2021

Independent auditor's report to the Chief Constable for Gloucestershire

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable for the Chief Constable for Gloucestershire (the 'Chief Constable') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and the Net Assets Statement and 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

STATEMENT OF ACCOUNTS 2020/21

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements' section of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the 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 in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Joint Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' 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 Joint 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, the other information published together with the financial statements in the Statement of Accounts and 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 Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance

STATEMENT OF ACCOUNTS 2020/21

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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011). We also identified the following additional regulatory frameworks in respect of the police pension fund; Public Service Pensions Act 2013, the Police Pension Fund Regulations 2007, the Police Pensions Regulations 2015 and the [Police Pensions Regulations 2006](#).
- We enquired of senior officers and the Chief Constable, concerning the Chief Constable's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Chief Constable, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Chief Constable for Gloucestershire's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override

STATEMENT OF ACCOUNTS 2020/21

of controls and revenue and expenditure recognition. We determined that the principal risks were in relation to:

- journal entries posted by senior officers; and
 - the significant accounting estimates in the financial statements, including those related to the valuation of the net pensions liability and significant year and accruals.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of the net pension liability.
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
 - The significant accounting estimates in the financial statements, including those related to the valuation of the net pension liability. These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
 - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the net pension liability.
 - Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the police sector
 - understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements - the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

STATEMENT OF ACCOUNTS 2020/21

Our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Chief Constable's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Chief Constable for Gloucestershire for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources and have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2021. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2021.

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.

Alex Walling, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol 26 October 2021

STATEMENT OF ACCOUNTS 2020/21

Chief Constable Comprehensive Income and Expenditure Statement for the year ended 31st March 2021

2019/20			2020/21		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Financial resources of the PCC consumed at the request of the Chief Constable					
130,698	0	130,698	137,380	0	137,380
Total financial resources of the PCC consumed at the request of the Chief Constable (Note 8)					
130,698	0	130,698	137,380	0	137,380
0	(130,698)	(130,698)	0	(137,380)	(137,380)
130,698	(130,698)	0	137,380	(137,380)	0
Net Cost of Service					
36,128	0	36,128	31,828	0	31,828
0	(36,128)	(36,128)	0	(31,828)	(31,828)
36,128	(36,128)	0	31,828	(31,828)	0
Total Financing and Investment Income and Expenditure					
20,937	(20,937)	0	17,311	(17,311)	0
156,363	0	156,363	0	(328,325)	(328,325)
177,300	(20,937)	156,363	17,311	(345,636)	(328,325)
177,300	(20,937)	156,363	17,311	(345,636)	(328,325)
Surplus/deficit on provision of services					
0	(156,363)	(156,363)	328,325	0	328,325
0	(156,363)	(156,363)	328,325	0	328,325
Other Comprehensive Income and Expenditure					
Total Comprehensive Income and Expenditure					
177,300	(177,300)	0	345,636	(345,636)	0

The Comprehensive Income & Expenditure Statement above reflects the PCC financial resources consumed at the request of the Chief Constable for 2020/21. 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.

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Movement in Reserves Statement for the Chief Constable 2019/20 and 2020/21

	General Fund Balance	Capital Receipts Reserve	Revenue Contribution to capital unapplied	Capital Contributions Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Movement in reserves during 2019/20</u>								
Total Comprehensive Expenditure and Income	(156,363)	0	0	0	0	(156,363)	156,363	0
Adjustments between accounting basis & funding basis under regulations	156,363	0	0	0	0	156,363	(156,363)	0
Increase or (decrease) in 2018/19	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 31st March 2020 carried forward	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

STATEMENT OF ACCOUNTS 2020/21

	General Fund Balance	Capital Receipts Reserve	Revenue Contribution to capital unapplied	Capital Contributions Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2020	0	0	0	0	0	0	0	0
<u>Movement in reserves during 2020/21</u>								
Total Comprehensive Expenditure and Income	328,325	0	0	0	0	328,325	(328,325)	0
Adjustments between accounting basis & funding basis under regulations	(328,325)	0	0	0	0	(328,325)	328,325	0
Increase or (decrease) in 2019/20	0	0	0	0	0	0	0	0
Balance at 31st March 2021 carried forward	0	0	0	0	0	0	0	0

These statements show only the remeasurement of the net defined benefit liability relating to pensions for the years ended 31st March 2020 and 31st March 2021. 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.

STATEMENT OF ACCOUNTS 2020/21

Chief Constable Balance Sheet as at 31st March 2021

31st March 2020 £'000		31st March 2021 £'000
1,384,867	Long Term Debtors - Intra group adjustment	1,739,353
<u>1,384,867</u>	Total Long Term Assets	<u>1,739,353</u>
5,802	Short term Debtors	4,057
<u>5,802</u>	Total Current Assets	<u>4,057</u>
5,802	Short term creditors & provisions	4,057
<u>5,802</u>	Total Current Liabilities	<u>4,057</u>
1,384,867	Pension Liabilities	1,739,353
<u>1,384,867</u>	Total Long Term Liabilities	<u>1,739,353</u>
<u><u>0</u></u>	Net Assets	<u><u>0</u></u>
Financed by:		
0	Usable reserves	0
0	Unusable Reserves	0
<u>0</u>	Total Reserves	<u>0</u>

The Balance Sheet includes:

31st March 2020 £'000		31st March 2021 £'000
1,384,867	<u>Long term assets/liabilities</u> Police officer and staff pension liabilities	1,739,353
4,195	<u>Short term assets/liabilities</u> Police pension fund Home Office grant	1,043
1,137	Short term compensated absences	2,614
413	March pay paid in April	400
57	Enhanced holiday pay	0
5,802	Total short term assets/liabilities	4,057

J Heppel FCPFA
Chief Finance Officer
25 October 2021

STATEMENT OF ACCOUNTS 2020/21

Chief Constable Cash Flow Statement for the year ended 31st March 2021

2019/20 £'000		2020/21 £'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 2020 and 2021 as all payments were made from the Police Fund which is held by the PCC and similarly all income and funding is received by the PCC during the year. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement

STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE ACCOUNTS

1. Statement of accounting policies 2020/21

a. General principles

These financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21*.

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 2021.

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.

STATEMENT OF ACCOUNTS 2020/21

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

Post employment benefits

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:

- o 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.
- o 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.

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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

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- 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 2020/21 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 2020/21 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 2020/21 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 judgement and GMP has been estimated for the pension schemes. The value of these pension scheme liabilities at 31st March 2021 was £1.739 billion. A sensitivity analysis on the assumptions made is detailed in note 9.
- b. Short Term Compensated Absences (£2.61m at 31st March 2021). A 50% increase in the level of short term compensated absences will result in a further £1.3m being recognised on the Balance Sheet.

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:

- Definition of a business: Amendments to IFRS 3 Business Combinations
- Interest rate benchmark reform: Amendments to IFRS 9, IAS39 and IFRS 7
- Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16

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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 (£145.7m) apart from that generated directly by the Office of the Police and Crime Commissioner (£8.4m). 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 91 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

Net expenditure chargeable to the General Fund £000s	2019/20		Net expenditure in the Comprehensive Income and Expenditure Statement £000s		2020/21		Net expenditure chargeable to the General Fund £000s	Net expenditure in the Comprehensive Income and Expenditure Statement £000s
	Pensions Adjustments between the Funding and Accounting basis £000s				Pensions Adjustments between the Funding and Accounting basis £000s			
0	0	0	0	Police Services	0	0	0	0
0	0	0	0	Net Cost of Services	0	0	0	0
0	156,363	156,363	156,363	Other income & Expenditure	0	(328,325)	(328,325)	(328,325)
0	156,363	156,363	156,363	Surplus or deficit	0	(328,325)	(328,325)	(328,325)
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

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7. Expenditure and Income analysed by nature

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

Expenditure and Income analysed by nature

	2019/20 £'000	2020/21 £'000
<u>Expenditure</u>		
Actuarial gain/loss on police pensions	156,363	(328,325)
Police Pension fund	20,937	17,311
Total Expenditure	177,300	(311,014)
<u>Income</u>		
Government grants & contributions	(20,937)	(17,311)
Total Income	(20,937)	(17,311)
<u>Surplus/Deficit on the provision of services</u>	<u>156,363</u>	<u>(328,325)</u>

8. Subjective analysis of spending

2019/20 £000		2020/21 £000
	Financial resources of the PCC consumed at the request of the CC	
54,733	Police pay and allowances	58,938
31,738	Staff pay and allowances	35,107
2,196	Other employee expenses	3,335
12,701	Police pensions	13,805
(1,095)	IAS19 Pension costs	(5,667)
6,412	Premises	6,527
2,326	Transport	2,023
15,752	Supplies and services	17,180
1,215	Agency and contracted services	1,267
4,720	Depreciation	4,865
130,698	Total financial resources of the PCC consumed at the request of the CC	137,380
(130,698)	Intra group adjustment	(137,380)
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 staff, 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.

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The Group participates in two separate pension schemes:

- o The Local Government Pension Scheme (LGPS) for police staff, 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 scheme 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 Investment Partners Limited
Grantham, Mayo, Van Otterloo & Co LLC
Hermes Real Estate Investment Management Limited
Standard Life Investments Limited
Western Asset Management Company Limited
Yorkshire Fund Managers Equity Partners LLP

- o The Police Pension Scheme, comprising three elements: 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 pensions 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 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. The scheme is 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 91 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.

These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant ruling, but were lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, a Written Ministerial Statement on 25 March 2020 made clear that non-claimants who are in the same position as claimants will also be entitled to remedy.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or

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before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

For giving full transitional protection to members would lead to an increase in the Police Pension Scheme liabilities. In 2018/19 scheme actuaries estimated the potential increase in scheme liabilities to be £63.2m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. In 2019/20, scheme actuaries reviewed these assumptions at a force level. The change in assumptions was reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant ruling will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change. Funding arrangements are under consideration by the Home Office. With regard to the LGPS a similar adjustment was made in the 2018/19 accounts to reflect an increase in the present value of the defined benefit obligation, this increase was shown as a past service cost. In 2019/20, scheme actuaries have reviewed these assumptions at a force level. The change in assumptions is reported in the Comprehensive Income and Expenditure Statement (CIES).

Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

No allowance has been made for any changes to the benefits in the schemes arising from Her Majesty's Treasury's cost management exercise, as these have been put on hold at time of writing. Neither has allowance been made for any changes to the benefits in the schemes arising from other legal cases such as the Goodwin and O'Brien tribunals, as the rectifications are not yet known and the expected impact is likely to be immaterial.

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:

	2019/20 £000	2020/21 £000
<u>Local Government Pension Scheme (LGPS)</u>		
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	11,276	9,152
Past service costs (including curtailments)	479	99
Amount charged against the General Fund Balance for	(5,750)	(6,018)

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pensions in the year: Employers' contributions payable to the scheme

Financing and investment income and expenditure		
Net interest on the net defined benefit liability	5,162	4,300
Expected return on assets in the scheme	(3,434)	(3,172)
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	(7,264)	3,227
Actuarial gains and losses arising on changes in financial assumptions	(25,806)	62,058
Other experience	(8,189)	(1,698)
Return on plan assets (excluding the amount included in the net interest expense)	13,396	(33,462)
Net charge to the Comprehensive Income & Expenditure Statement	(20,130)	34,486

Movement in Reserves Statement

Reversal of net charges made for retirement benefits in accordance with IAS19	20,130	(34,486)
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2019/20
£000

2020/21
£000

Police Pension Schemes (PPS, NPPS & CARE)

Comprehensive Income and Expenditure Statement

Net cost of services		
Current service cost	26,700	22,800
Past service costs (including curtailments)	0	300
Amount charged against the General Fund Balance for pensions in the year: Retirement benefits payable to pensioners	(33,800)	(32,000)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	34,400	30,700
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	(10,500)	16,600
Actuarial gains and losses arising on changes in financial assumptions	(131,500)	350,400
Other experience	13,500	(68,800)
Net charge to the Comprehensive Income & Expenditure Statement	(101,200)	320,000

Movement in Reserves Statement

Reversal of net charges made for retirement benefits in accordance with IAS19	101,200	(320,000)
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An intra-group adjustment transfers these costs from the Chief Constable accounts to those of the PCC.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	LGPS		Police Pension Schemes	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
As at 1st April	(209,210)	(183,118)	(1,438,600)	(1,337,400)
Current service cost	(11,276)	(9,152)	(26,700)	(22,800)

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Net interest on the net defined benefit liability	(5,162)	(4,300)	(34,400)	(30,700)
Contributions by scheme participants	(1,553)	(1,761)	(5,500)	(5,800)
Transfers (in)/out	0	0	(200)	(600)
<u>Remeasurement of the net defined benefit liability</u>				
- Actuarial gains/losses arising from changes in demographic assumptions	7,264	(3,227)	10,500	(16,600)
- Actuarial gains/losses arising from changes in financial assumptions	25,806	(62,058)	131,500	(350,400)
- Other experience	8,189	1,698	(13,500)	68,800
Benefits paid	3,303	3,071	39,500	38,400
Past service cost (including curtailments)	(479)	(99)	0	(300)
As at 31st March	<u>(183,118)</u>	<u>(258,946)</u>	<u>(1,337,400)</u>	<u>(1,657,400)</u>

Lump sum commutation payments are based on the position at the time of calculation, 31st December 2020.

Reconciliation of fair value of the scheme assets:

	LGPS	
	2019/20	2020/21
	£000	£000
As at 1st April	141,613	135,651
Expected rate of return	3,434	3,172
Remeasurement of the net defined benefit liability	(13,396)	33,462
Employers contributions	5,750	6,018
Contributions by scheme participants	1,553	1,761
Benefits paid	<u>(3,303)</u>	<u>(3,071)</u>
As at 31st March	<u>135,651</u>	<u>176,993</u>

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

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Present value of liabilities						
- LGPS	(137,256)	(169,974)	(177,522)	(209,210)	(183,118)	(258,946)
- Police Pension Schemes	(1,099,400)	(1,181,600)	(1,331,700)	(1,438,600)	(1,337,400)	(1,657,400)
- Total	<u>(1,236,656)</u>	<u>(1,351,574)</u>	<u>(1,509,222)</u>	<u>(1,647,810)</u>	<u>(1,520,518)</u>	<u>(1,916,346)</u>
Fair value of assets in LGPS	<u>100,023</u>	<u>121,269</u>	<u>130,042</u>	<u>141,613</u>	<u>135,651</u>	<u>176,993</u>
Surplus/(deficit) in the scheme						
- LGPS	(37,233)	(48,705)	(47,480)	(67,597)	(47,467)	(81,953)
- Police Pension Schemes	(1,099,400)	(1,181,600)	(1,331,700)	(1,438,600)	(1,337,400)	(1,657,400)
- Total	<u>(1,136,633)</u>	<u>(1,230,305)</u>	<u>(1,379,180)</u>	<u>(1,506,197)</u>	<u>(1,384,867)</u>	<u>(1,739,353)</u>

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 present value of the Defined Benefit Obligation and projected pension expense have increased as at 31st March 2021. This is a result of a fall in bond yields coupled with a rise in expectations of future inflation and an update to the life expectancy assumption. The total liability of £1,739m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,676m. 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

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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 2022 is £5.6m and the projected current service cost is £14.1m.

The projected current service costs for the Police Pension Schemes for 2021/22 are £37.9m (from £21.4m in 2020/21). 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.

Lump sum commutation payments are based on the position at 31st December 2020 i.e. nine months of actual data.

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 2019. Estimates for the Police Pension schemes are based on the latest full valuation of the scheme as at 31st March 2020. The principal assumptions used by the Actuary have been:

	LGPS		Police Pension Schemes	
	2019/20	2020/21	2019/20	2020/21
Long term expected rate of return on assets in the scheme:				
Equity investments	2.3%	2.1%	-	-
Bonds	2.3%	2.1%	-	-
Property	2.3%	2.1%	-	-
Cash	2.3%	2.1%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Male	21.7	21.9	22.2	22.4
Female	23.9	24.3	24.2	24.7
Longevity at 65 for future pensioners:				
Male	22.4	22.9	23.3	23.7
Female	25.3	26.0	25.4	26.0
Rate of inflation	1.8%	2.8%	2.8%	3.3%
Rate of increase in salaries	2.1%	3.1%	2.8%	3.3%
Rate of increase in pensions	1.8%	2.8%	1.9%	2.85%
Expected return on assets	2.3%	2.1%	-	-
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.0%
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.

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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 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12	31,000
1 year increase in member life expectancy	4	10,300
0.5% increase in the Salary Increase Rate	1	3,493
0.5% increase in the Pension Increase Rate	10	26,862

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 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10	166,903
1 year increase in member life expectancy	3	49,638
0.5% increase in the Salary Increase Rate	1	12,816
0.5% increase in the Pension Increase Rate (CPI)	8	133,132

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 2021	Approximate % increase to projected current service cost	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	20	7,608
1 year increase in member life expectancy	3	1,138
0.5% increase in the Salary Increase Rate	<1	0
0.5% increase in the Pension Increase Rate (CPI)	9	3,445

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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:

Asset Category	Fair value of scheme assets at 31st March 2020			Fair value of scheme assets at 31st March 2021		
	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	1,566.2	-	1,566.2	4,917.2	-	4,917.2
Debt securities						
Corporate (investment grade)	15,071.3	-	15,071.3	19,965.9	-	19,965.9
Corporate (non-investment grade)	324.1	-	324.1	440.8	-	440.8
UK Government	2,487.3	-	2,487.3	2,264.6	-	2,264.6
Other	374.9	-	374.9	678.8	-	678.8
Total Debt securities	18,257.6	-	18,257.6	23,350.1	-	23,350.1
Property						
UK	7,524.5	2,405.6	9,930.1	8,569.0	2,635.5	11,204.5
Overseas	-	699.0	699.0	0	828.5	828.5
Total Property	7,524.5	3,104.6	10,629.1	8,569.0	3,464.0	12,033.0
Private equity	-	447.4	447.4	-	903.7	903.7
Investment funds and Unit trusts						
Equities	-	86,155.1	86,155.1	-	117,440.6	117,440.6
Bonds	10,716.9	-	10,716.9	12,883.7	439.5	13,323.2
Other	-	7,835.7	7,835.7	-	4,969.1	4,969.1
Total Investment funds and Unit trusts	10,716.9	93,990.8	104,707.7	12,883.7	122,849.2	135,732.9
Derivatives						
Foreign exchange	29.1	-	29.1	43.5	-	43.5
Other	13.9	-	13.9	12.6	-	12.6
Total Derivatives	43.0	-	43.0	56.1	-	56.1
TOTAL ASSETS	38,108.2	97,542.8	135,651.0	49,776.1	127,216.9	176,993.0

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 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 latest triennial valuation for the LGPS was completed on 31st March 2019 and for the Police Pension schemes on 31st March 2020.

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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 2020 (years)	Weighted average duration as at 31st March 2021 (years)
LGPS	n/a	n/a
Police pension schemes	18.7	19.1

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.

<u>2020/21</u>				
Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages £000
1 – 10,000	1	1	2	9
75,001 – 155,000	2	1	3	324

<u>2019/20</u>				
Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages £000
20,000 – 40,000	1	0	1	37

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

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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.

Remuneration Band	Number of Employees	
	2019/20	2020/21
£50,000 - £54,999	86	102
£55,000 - £59,999	60	86
£60,000 - £64,999	16	21
£65,000 - £69,999	9	12
£70,000 - £74,999	7	5
£75,000 - £79,999	5	5
£80,000 - £84,999	6	7
£85,000 - £89,999	2	4
£90,000 - £94,999	1	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1
£125,000 - £129,999	0	1
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	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 2020/21 and 2019/20 are as follows:

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<u>2020/21</u>								Total		
Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind £	Other Payments £	Remuneration excluding pension contributions 2020/21 £	Employers pension contributions £	Total Remuneration including pension contributions 2020/21 £	
Chief Constable - R Hansen	155,314	0	780	0	17,158	0	173,252	0	173,252	
Deputy Chief Constable	125,689	0	0	0	0	0	125,689	37,628	163,317	
ACC - Crime, Justice and Vulnerability	121,933	0	1,779	0	0	0	123,712	36,289	160,001	
ACC - LPP&P from 27/04/2020	112,143	0	676	0	0	0	112,819	33,700	146,519	
ACC - NDIC secondment retired 08/12/2020	83,465	0	6,314	0	0	0	89,778	24,959	114,737	
PCC & CC Chief Finance Officer	78,552	0	0	30,000	0	0	108,552	15,553	124,105	

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 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

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<u>2019/20</u>							Total			Total
Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind £	Other Payments £	Remuneration excluding pension contributions 2019/20 £	Employers pension contributions £	Remuneration including pension contributions 2019/20 £	
Chief Constable	145,751	0	780	0	11,533	0	158,064	0	158,064	
Deputy Chief Constable	122,728	0	0	0	217	0	122,945	36,710	159,655	
ACC - Operations - A until 06/01/2020	91,779	0	591	0	4,867	0	97,237	27,161	124,398	
ACC - Operations - B from 06/01/2020	26,696	0	185	0	0	0	26,881	8,042	34,923	
ACC - NDIC secondment	119,438	0	9,262	0	0	0	128,700	35,690	164,390	
PCC & CC Chief Finance Officer	76,634	0	0	0	0	0	76,634	13,641	90,274	

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 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

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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 (%) 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 2020/21.

Officers – during 2020/21 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:

	2019/20	2020/21
	£000	£000
External Audit services – Chief Constable Scale Fee	12	12

Additional fees of £8003 were billed for the CC in relation to the 2019/20 statutory audit.

Additional fees of £6,552 are expected to be billed for the CC in relation to the 2020/21 statutory audit.

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

A claim has been made by a group of Police Officers for injury to feelings in relation to the McCloud pension scheme. A provision has been made in the accounts at a lower level than the full claim, totalling £91k. A contingent liability remains for the residual claim of a further £400k.

STATEMENT OF ACCOUNTS 2020/21**Gloucestershire Police Pension Fund Account
For the year ended 31st March 2021**

2019/20 £'000		2020/21 £'000
	Contributions receivable	
	From employer	
12,691	- basic contributions at 31% of pensionable pay	13,807
	- other (maternity/paternity/sickness, capital charge ill health & the 30+ scheme)	495
637		
<u>13,328</u>		<u>14,302</u>
5,513	From members	5,967
	Transfers in	
395	Individual transfers in from other schemes	715
51	Transfer from Avon & Somerset Constabulary	50
<u>446</u>		<u>765</u>
<u>19,287</u>		<u>21,034</u>
	Benefits payable	
32,087	Pensions	33,168
7,919	Commutations and lump sum retirement benefits	5,149
119	Lump sum death benefits	0
<u>40,125</u>		<u>38,317</u>
	Payments to and on account of leavers	
99	Individual transfers out to other schemes	28
<u>40,224</u>		<u>38,345</u>
(20,937)	Sub-total for the year before transfer from the PCC of amount equal to the deficit	(17,311)
20,937	Additional funding payable by PCC to meet deficit for the year	17,311
<u>0</u>	Net amount payable for the year	<u>0</u>

**Gloucestershire Police Pension Fund Net Assets Statement
as at 31st March 2021**

2019/20 £'000		2020/21 £'000
	Current Assets	
4,195	Funding to meet deficit receivable from PCC	1,043
2,715	Other current assets – Pensions prepaid	2,800
<u>6,910</u>		<u>3,843</u>
	Current Liabilities	
6,910	Other current liabilities	3,843
<u>0</u>	Net Assets	<u>0</u>

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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 2021 the percentage Employer contribution was 31%. 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 91 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 2020/21.
- 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.

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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.

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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 2021/22 to 2024/25.

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

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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

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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

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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.