Chief Constable for Gloucestershire

Statement of accounts 2021/22

Subject to audit

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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.

The Chief Constable holds 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.

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 2021/22 for policing Gloucestershire. The accounts which follow show the Chief Constable's financial results for 2021/22.

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 that 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.

In addition during 2021/22 Gloucestershire officers policed the G7 and COP26 gatherings, putting them on a national stage.

CORPORATE AIMS AND PRIORITIES

The Home Office does not set targets for Policing on an operational level but during 2021/22 it set a significant target for Policing to meet to attract, recruit and employ a further 6,000 officers nationally, of which the local target for Gloucestershire was 46 new officers.

The Police and Crime Prevention Plan also sets a really important part of the direction for the Constabulary in the year and this was rewritten following the election of a new Police and Crime Commissioner. The PCC set out six priorities:

1. Creating safer communities: reducing crime and anti-social behaviour and increasing feelings of safety
2. Tackling violence against women and girls: challenging unacceptable attitudes and behaviour
3. Strengthening your Constabulary: a trusted visible and responsive policing family
4. Targeting the causes of crime: prioritising those most at risk of harm
5. Supporting victims and reducing reoffending: a people centred justice system
6. Empowering local communities: giving you a voice in policing

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.

MISSION, VISION AND INTENT

In line with the Competency and Values framework for Policing, published by the College of Policing, and the Policing Vision 2025 adopted by the National Police Chiefs Council, we have a mission, a vision, and we openly share how we intend to deliver that.

Our **mission** is to keep people safe from harm, and our **vision** is that we do that by:

- upholding the law fairly and firmly
- preventing crime and antisocial behaviour
- keeping the peace
- protecting and reassuring communities
- investigating crime
- bringing offenders to justice

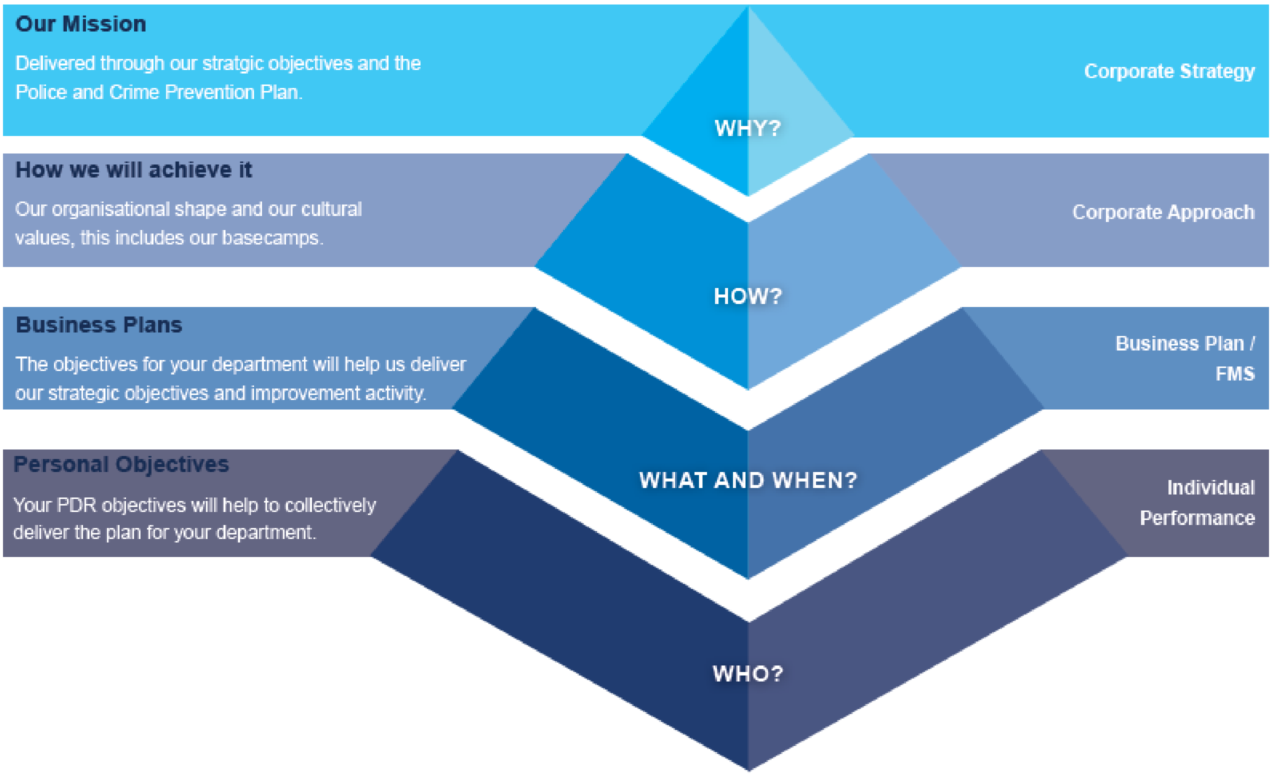
Our **intent** is to be a Constabulary that inspires trust, confidence and pride because we:

- serve the public and place them at the heart of everything we do
- make decisions based on our values, principles and doing the right thing
- have capable, motivated and professional people working for us
- are financially sound, sustainable and resilient, with the right technology, estate and equipment.

The Constabulary has recently adopted the following statement which describes its approach to diversity:
"We are committed to being an anti-discriminatory organisation. This means not only acting in a non-discriminatory way, but addressing systemic inequalities, disadvantage and discrimination."

IMPLEMENTING THE MISSION

We implement the mission through our corporate strategy, our corporate approach, business plans for each area and by setting individual performance targets on an annual basis.



The force is headed by Chief Constable Rod Hansen who is supported by a Deputy Chief Constable and two Assistant Chief Constables with three Chief Superintendents who lead on thematic areas of development and focus for the Force. 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.

The corporate strategy includes our Strategic Objectives, which are:

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 Wellbeing) 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 invested £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 has embedded and further developed 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.

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 33 to 36.

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.

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 2021/22 of £19.932M 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 53 and 54.

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.

POLICING FINANCE

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

Revenue budgets pay for the staffing and day to day running costs of the organisation and allow prudent provisions to be 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.

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

In February 2021 the outgoing PCC approved a revenue expenditure budget for April 2021 to March 2022 of £132.4 million made up of £69.4 million (52%) from central government and £63.0 million (48%) from Council Tax. The police element of the Band D Council Tax was set at £270.08, an increase of £12.83 or 4.99% on 2020/21.

This revenue budget was split:

- Constabulary budget - £129.9 m
- OPCC budget - £1.2 m
- PCC’s Commissioning fund - £1.3m.

Contributions to future pensions costs for existing staff and officers are met from contributions from the revenue budget today. Existing officer 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.

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 2021 the PCC approved a capital expenditure budget for April 2021 to March 2022 of £12.0M made up of £0.5M capital grant, £1.5M revenue contributions, £8.8M of new borrowing and £1.2M of reserves.

The capital budget was split:

- £1.9M on replacing vehicles going out of service
- £0.4M on replacing IT replacements
- £0.6M on new IT systems and Transformation projects
- £0.4M for the national project to replace Airwave radios (ESMCP)
- £8.8M to complete the main elements of the Bamfurlong operations centre

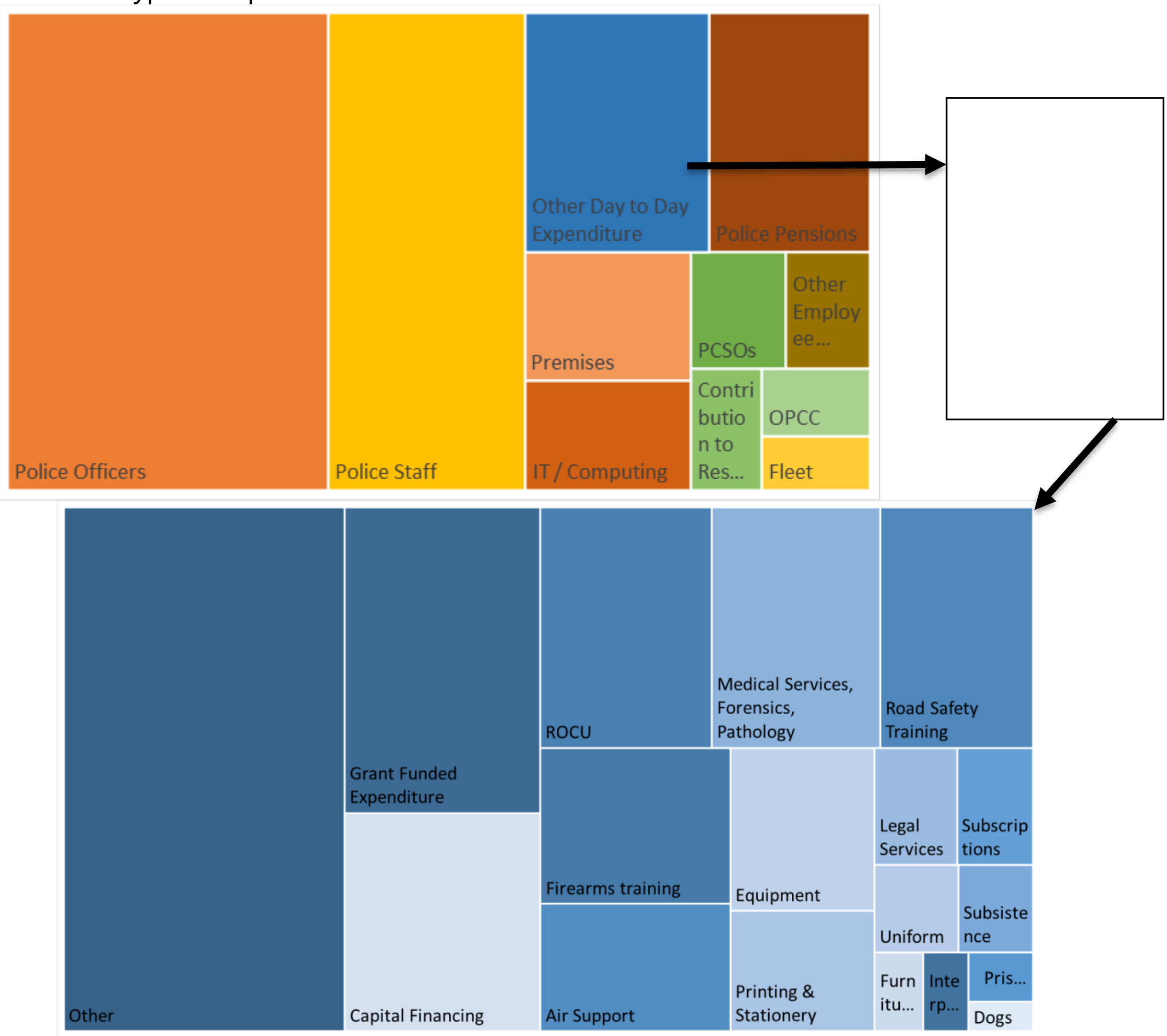
HIGH LEVEL OUTTURN – REVENUE

The total net revenue expenditure in 2021/22 was an underspend against the net revenue budget of 2%).

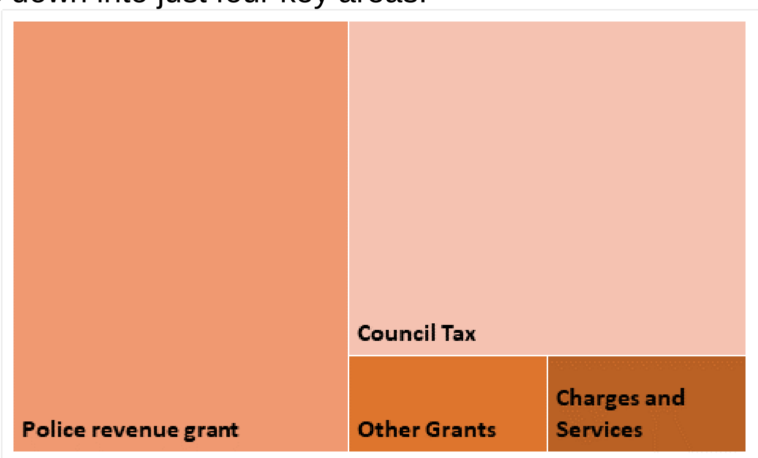
Revenue Budget	Budget £000's	Actual £000's	Variance £000's	Variance %
Police Officers	55,442	55,293	-149	0%
Police Staff	33,678	33,173	-504	-1%
PCSOs	4,252	4,034	-218	-5%
Other employee costs	16,294	16,294	0	0%
Training	682	682	-	0%
Major Incidents	488	488	-	0%
Total Employee Costs	**110,835**	**109,964**	**-871**	**-1%**
Premises	7,756	7,740	-16	0%
Transport - Fleet	1,690	1,852	162	10%
Transport - Other	298	263	-36	-12%
Supplies & Services	16,565	18,558	1,993	12%
Agency Costs	803	803	-	0%
Contracts for Support Services	716	716	-	0%
Central Items	2,845	0	-2,845	-100%
Capital Financing Cost	1,034	839	-195	-19%
Revenue Contribution to Capital	505	505	-	0%
PCC Costs	2,163	2,163	-	0%
PCC Commissioning Fund	508	508	-	0%
Total Expenditure	**145,717**	**143,871**	**-1,808**	**-1%**
Income	-3,834	-8,905	-5,070	132%
LCTS Grant	-	-749	-749	
Interest Receipts	-200	-7	193	-97%
Specific Grants	-7,057	-7,057	-465	7%
Net Budget/Expenditure	**134,626**	**127,153**	**-7,899**	**-6%**
Support to/(from) Reserves	-2,215	2,430	4,645	-210%
Support to/(from) General Fund	-	704	704	0%
Budget Requirement	**132,411**	**130,287**	**-2,509**	**-2%**

OUR EXPENDITURE AND INCOME 2021/22

The main type of expenditure were:



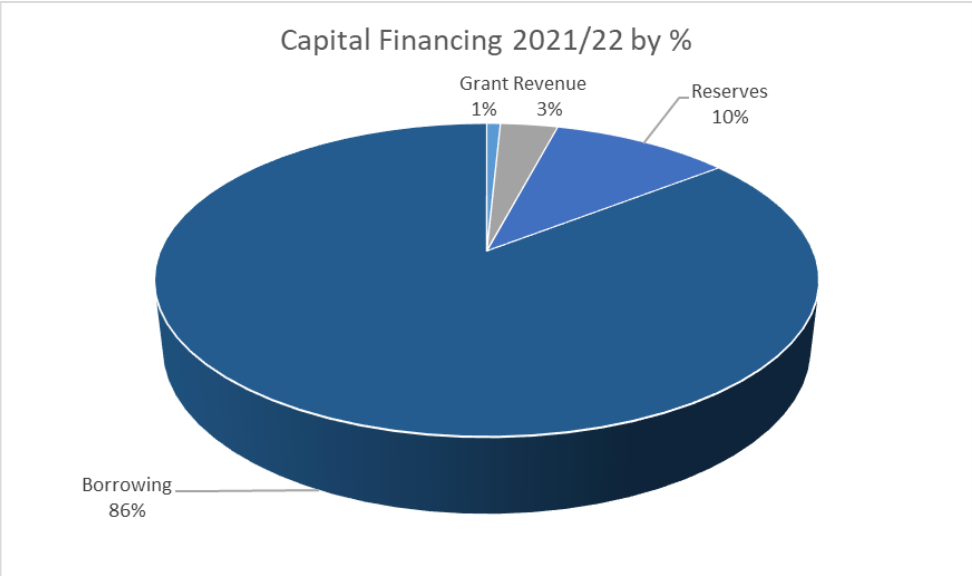
Income breaks down into just four key areas:



HIGH LEVEL OUTTURN – CAPITAL

	2021/22 Budget £M	Bfwd from 2020/21 £M	New Approvals £M	Variations £M	Actual Spend in Year £M
Vehicles	1.925	0.971		(0.288)	1.465
Estates	8.800	0.812			9.467
Transformation	0.557	0.311	1.095		0.613
ICT	0.380	0.840	1.975		0.928
Grant Funded	0.385	0.332			0.026
TOTAL	**12.047**	**3.266**	**3.070**	**(0.288)**	**12.499**

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 2022 the PCC held total usable reserves of £30.04M. 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.

STRATEGY AND RESOURCE ALLOCATION

The Constabulary has now set a net budget for 2022/23 of £139.9M, funded by £66.5M of Council Tax (47%) and £73.5M of Government Grant (53%).

The Police and Crime Prevention Plan sets out the Police and Crime Commissioner's targets and plans for the spending of that money.

In July 2019 the Prime Minister promised 20,000 extra police officers, recruited over the next three years. In 2020/21 6,000 additional officers were announced and Gloucestershire was allocated 46 additional officers. These officers have been recruited. In 2021/22 a further 6,000 of officers were announced and Gloucestershire was allocated 43 additional officers plus 2 for the Regional Organised Crime Unit (ROCU) and later in the year 1 for Counter Terrorism. These officers have been recruited. For the coming year of the 8,000 additional officers nationally, Gloucestershire has been allocated 58 officers plus a further 3 for ROCU. During the year we were offered and took advantage of the opportunity to bid for a further allocation of 4 officers. Due to the nature of the way we construct the budgets we do NOT include the ROCU officers in our deployable establishment. Therefore the total increase in deployable establishment from uplift grant is 46+43+1+58 = 148 FTE.

In return for their significant increase in investment in policing, the Home Office expects the police to continue to build on the progress made on improving efficiency and productivity. The Government expects to see:

- 8,000 further officers recruited by the end of March 2023
- £80 million of efficiency savings from across the law enforcement sector, which are reflected in the funding set out in the 2022/23 settlement
- Policing improving data collection and use across the sector and with key delivery partners such as the criminal justice agencies.

A Medium Term Financial Plan for the four years to 2025/26 was developed and approved alongside the budget in February 2022. 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 – the use of reserves is specifically to achieve the PCC's targets as early as possible:

KEY ASSUMPTIONS in the MTFP	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Pay increase (September)	2.5%	2.5%	2.5%	2.5%
Increments	0.3%	0.3%	0.3%	0.3%
Inflation – general	4%	2.6%	2.1%	2%
Gas / Electricity	84%/48%	2.6%	2.1%	2%
Government Grant (excluding uplift funding)	2.0%	1.2%	1.7%	0.0%
Council Tax Increase	3.7%	3.6%	3.4%	5.2%
Council Tax Base Increase	1.22%	1.41%	1.41%	1.41%
SAVINGS REQUIRED to balance				
Savings Target	0.630M	2.116M	1.639M	-
Reserves Used	0.455M	1.398M	0M	£0M

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

Establishment Numbers	Officers	PCSOs	Constabulary Staff	TOTAL
Apr 20	1,104	116	725	
Apr-21	1,153	116	742	
Apr-22	1,197	116	838	
Apr-23	1,255	120	914	
Apr-24	1,255	120	914	
Apr 25	1,255	120	914	
Apr 26	1,266	120	914	
Increase	**162**	**4**	**189**	**355**

Of that increase the Police Officer Uplift Grant accounts for 149 officers. The Uplift grant remains a separate element to the Core Grant and we are uncertain how it will be treated in future therefore this is an ongoing risk to future funding for the Force.

In 2020, the Constabulary amended its operating model to create a Local Police Area (LPA) model with three dedicated geographic Superintendent leads. It is recognised that this works well in some areas but less well in others. Incident response is intrinsically linked to an effective Force Control Room (FCR) and incident dispatch function and this forms another of our PEEL priorities. It will be considered as part of the continuous improvement and innovation programme, linked to our work on demand and efficiency. Intelligent alignment of our precious resources to demand is a priority for the year ahead.

Going forwards we will continue to develop our approach to budget setting, which began with making closer links to business planning for the 2022/23 budget. Risk assessments begin the process, starting with looking at performance, unmet service delivery, undertaking Organisational Risk Assessment (“ORA”), benchmarking with other similar Forces and horizon scanning on policy development. The risks are monitored at a corporate level through the risk review group, and budget proposals based on the business plans and risk assessment. During 2021/22 we developed data dashboards which have provided a firm understanding of current demand and have had impact with frontline managers. This will develop during 2022/23 using data analysis techniques to support Forcewide demand planning. This will then be matured alongside the Demand and Efficiency review led by a Chief Supt, moving across the Constabulary during 2022/23.

RISKS AND OPPORTUNITIES

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.

The process of writing the Force Management Statement is unique to Policing, and it provides a rich picture of the risks and opportunities facing the Force in terms of operational service delivery. Our FMS4 clearly states which risks have a financial aspect or require investment and which have been mitigated and are in the budget for 2022/23 and which are not.

In relation to financial risks and opportunities the approach is to maintain a register which is regularly reviewed by the Finance Panel, and incorporates unmet demand from the preparation of the Force Management Statement, with reporting by exception to the Strategic Planning 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. These risks are also reported to the Joint Independent Audit Committee.

The highest risk in the medium term is that of inflation and pay awards. The underspend from 2021/22 has been set aside in an inflation reserve to help us meet the short term pressures, but in the longer term we will have to amend our delivery plans, according to the priorities in the FMS, in order to shape our cost base to our needs. In addition to focussing on continuous improvement and demand management to deliver our services in the most efficient way and according to the THRIVE principles.

The first call on this reserve is to fund the unfunded element of the pay rises now announced although this can only be done as a one-off and like other Forces we expect to have to cut elsewhere in order to afford this in the longer term.

The only mitigation on contract inflation is to hold back non essential spend and drive forward essential spend before prices rise. With this in mind in 2022/23 we have already ordered the total fleet requirement for the year before prices rise.

The risk of interest rates rising is limited as although the capital programme depends on notional borrowing to fund capital development, as in the old financial year much of this can be done through internal borrowing (the use of cash balances which back our useable general fund reserves) rather than borrowing direct from the market. Where that does have to happen then Policing bodies have access to the PWLB which minimises the borrowing cost. We have also completed the forward forecast of borrowing which also delivers a discount on borrowing rates. Interest rate rises do however mean more positive returns from the market and an improvement on the rate of return on investments.

An ever present risk in the public sector is the risk of unknown future funding. This has been mitigated through the three year comprehensive spending review issued in December 2021, which gave a three year settlement to Policing, and which provided a clear guideline on the precept cap in that period. The PCC has given a letter of support to the Chief to provide assurance that our plans can be made secure in the knowledge that we are likely to have the levels of precept income which appear in our MTFP.

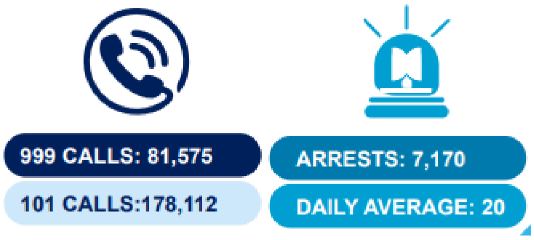
The Government has begun a review of the funding formula, the impact of which is likely to be positive for the Force as we hope it will address the inaccuracies in the current formula which reduced the amount the Force received in annual grant – this will only be addressed over time though as the floors and ceilings adjust the overall amount that each Force grows or shrinks by, to make that a manageable adjustment.

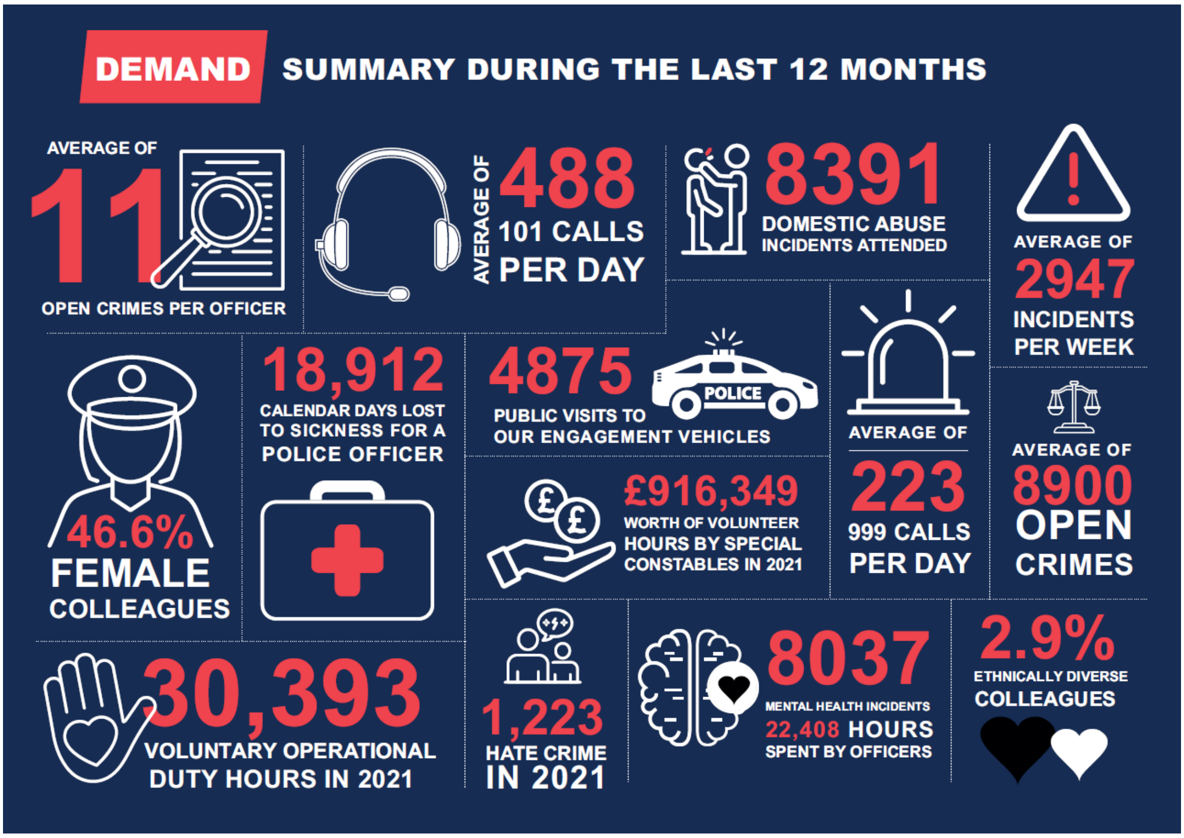
OPERATIONAL PERFORMANCE

Crime rates in Gloucestershire are the second highest in comparison to the average of its most similar forces. Volume of recorded crime has increased by 10% from 2020 to 2021, 23 forces have seen increases. There are approximately 150,000 incidents annually, with high volume around violent crime, theft and arson/criminal damage.

CRIME DATA

4,923	ARSON AND CRIMINAL DAMAGE
2,406	BURGLARY
1,310	DRUG OFFENCES
307	FRAUD
1,022	MISCELLANEOUS
4,124	PUBLIC ORDER
312	ROBBERY
1,752	SEXUAL OFFENCES
6,636	THEFT
18,668	VIOLENCE
303	POSSESSION OF WEAPONS
1,837	VEHICLE OFFENCES





In the 12 months to March 2022, Gloucestershire Constabulary recorded 47,607 crimes. This represents a 28.6% increase on the previous year. The year to March 2021 saw a decrease in several crime types following the three national lockdowns, and so 2022 has seen crime return to pre Covid-19 levels. Burglary levels have remained lower than previous years following the impact of the lockdown.

The Constabulary receives approximately 15,492 “101” calls per month and 6,782 “999” calls per month (based on a three year average). Our officers arrive at the scene of an emergency incident on average within 15.5 minutes, and at a “prompt/Priority” incident within 9 hours 23 minutes.

Our Force Strategic objectives are set to ensure a culture of continuous improvement and innovation, with the recognition that change is required for us to progress. They are:

- Making our communites safer
- High professional standards
- People are our greatest asset

These form the basis of the new corporate strategy, which was redeveloped following the outcome of the pandemic and the HMICFRS assessment. Each area has dedicated business plans that work towards the strategic objectives, with measurements in place to capture improvements.

Operational performance is monitored through the Operational Policing Board co-chaired by the two Assistant Chief Constables. The Analysis, Research and Planning team contribute to this, providing a Scorecard reporting on performance measures. A new Performance Framework has recently been introduced, with a focus on locally defined targets set against Most Similar Force (MSF) averages and assessments of what can be achieved in the current climate. The aim of this is to maximise accountability and focus efforts on area specific desired outcomes. The Research team contribute the satisfaction data to this meeting, particularly for Anti Social Behaviour, Domestic Abuse and Burglary.

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. The Operational Policing Board escalates matters affecting Force performance to the Chief Constable’s Performance Board, chaired by the Chief Constable. The Performance Scorecard is the focus of this meeting and enables senior leaders to monitor performance closely.

The Chief Constable has a scorecard which covers all relevant National and Local measures. As of March 2022, on the National Measures, Gloucestershire was reporting performance as follows:

- Reduce Murder / Homicide	Red
- Reduce Serious Violence	Green
- Reduce Neighbourhood Crime	Green
- Disrupt Drugs Supply & County Lines	definition not yet provided
- Cyber Crime	Red

OUTLOOK

The future is uncertain for all Policing bodies as we await legislation in the upcoming Bills going through Parliament, to learn what must be provided as a basic service standard. At the same time the College of Policing will continue to drive up standards around, for example, the way we deal with rape cases, that will set new codes of practice and adhering to them will take a different approach and potentially more time.

At the same time though, the difficulties of providing and preparing case files for colleagues in the Crown Prosecution Service (“CPS”) and the opportunities on offer from digital case file development provide access to new and better ways of working.

The approved capital spend for the upcoming year is lower than in the previous twelve months. After assessing the slippage from 2021/22 the coming year looks likely to reduce capital outlay significantly, which will mean slower borrowing unless Core Records Management System (“RMS”) implementation costs start to ramp up earlier than expected.

As discussed in earlier sections, in order to reduce the price risk, we have bought some larger stock items early in the year such as laptops and mobile phones, which is a cash disadvantage but a price advantage and one worth taking when price rises are at 10% but borrowing is still at 1%.

We do not anticipate a major change in assets or liabilities during the year although we may be awarded grant monies which could lead to expenditure before the grants are drawn down and potentially higher trade debtor figures at yearend. We do however anticipate using reserves balances which will lead to a reduction in cash available and potentially push ahead the need to catchup on historic under borrowing for the capital programme.

The Medium Term Financial Plan has improved as the new PCC has indicated a wish to strengthen the constabulary’s resources as much as possible, allowing us to plan for council tax increases at a higher level than before. The taxbase is also forecast to recover from the hit that it took in Covid, which again closes some of the gap. We will still need a savings programme to deliver efficiency savings commensurate with the national savings targets and are looking to write a savings plan with fully accountable targets for all parts of the business which will be live across the Medium Term, allowing us to access hard to reach and difficult to achieve savings and not just any remaining low hanging fruit.

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
13 September 2022

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.

Independent auditor's report to the Chief Constable for Gloucestershire

Report on the Audit of the Financial Statements

Chief Constable Comprehensive Income and Expenditure Statement for the year ended 31st March 2022

2020/21 Gross Expenditure £000s	2020/21 Gross Income £000s	2020/21 Net Expenditure £000s		2021/22 Gross Expenditure £000s	2021/22 Gross Income £000s	2021/22 Net Expenditure £000s
			Financial resources of the PCC consumed at the request of the Chief Constable			
137,380	0	137,380	Policing Services	157,420	0	157,420
137,380	**0**	**137,380**	**Total financial resources of the PCC consumed at the request of the Chief Constable (Note 8)**	**157,420**	**0**	**157,420**
0	(137,380)	(137,380)	Intra-group funding	0	(157,420)	(157,420)
137,380	**(137,380)**	**0**	**Net Cost of Service**	**157,420**	**(157,420)**	**0**
31,828	0	31,828	Net Interest on the net defined benefit liability (note 9)	34,969	0	34,969
0	(31,828)	(31,828)	Intra-group funding pensions interest costs	0	(34,969)	(34,969)
31,828	**(31,828)**	**0**	**Total Financing and Investment Income and Expenditure**	**34,969**	**(34,969)**	**0**
17,311	(17,311)	0	Police Pension Fund Top-Up Grant/Contribution	19,932	(19,932)	0
0	(328,325)	(328,325)	Intra-group funding (actuarial loss on police pensions)	151,298	0	151,298
17,311	**(345,636)**	**(328,325)**	**Non-specific grant income and contributions**	**171,230**	**(19,932)**	**151,298**
17,311	**(345,636)**	**(328,325)**	**Surplus/deficit on provision of services**	**171,230**	**(19,932)**	**151,298**
328,325	0	328,325	Remeasurement of the net defined benefit liability (Note 9)	0	(151,298)	(151,298)
328,325	**0**	**328,325**	**Other Comprehensive Income and Expenditure**	**0**	**(151,298)**	**(151,298)**
345,636	**(345,636)**	**0**	**Total Comprehensive Income and Expenditure**	**171,230**	**(171,230)**	**0**

The Comprehensive Income & Expenditure Statement above reflects the PCC financial resources consumed at the request of the Chief Constable for 2021/22. In practice all the respective costs are paid for by the PCC and the Comprehensive Income and Expenditure Statement includes the intra-group adjustments referred to below in the Notes to the Accounts (Note 2), resulting in a nil balance for Total Comprehensive Income and Expenditure.

Movement in Reserves Statement for the Chief Constable 2020/21 and 2021/22

	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 2020/21	0	0	0	0	0	**0**	**0**	**0**
Balance at 31st March 2021 carried forward	0	0	0	0	0	**0**	**0**	**0**

	General Fund Balance £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2021	0	0	0	0	0	0	**0**	**0**
Movement in reserves during 2021/22								
Total Comprehensive Expenditure and Income	(151,298)	0	0	0	0	**(151,298)**	**151,298**	**0**
Adjustments between accounting basis & funding basis under regulations	151,298	0	0	0	0	**151,298**	**(151,298)**	**0**
Increase or (decrease) in 2021/22	0	0	0	0	0	**0**	**0**	**0**
Balance at 31st March 2022 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 2021 and 31st March 2022. All reserves are held by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income & Expenditure Statement.

Chief Constable Balance Sheet as at 31st March 2022

31st March 2021 £'000		31st March 2022 £'000
1,739,353	Long Term Debtors - Intra group adjustment	1,635,700
1,739,353	**Total Long Term Assets**	**1,635,700**
4,057	Short term Debtors	8,142
4,057	**Total Current Assets**	**8,142**
4,057	Short term creditors & provisions	8,142
4,057	**Total Current Liabilities**	**8,142**
1,739,353	Pension Liabilities	1,635,700
1,739,353	**Total Long Term Liabilities**	**1,635,700**
0	**Net Assets**	**0**
	Financed by:	
0	**Usable reserves**	0
0	**Unusable Reserves**	0
0	**Total Reserves**	**0**

The Balance Sheet includes:

31st March 2021 £'000		31st March 2022 £'000
	Long term assets/liabilities	
1,739,353	Police officer and staff pension liabilities	1,635,700
	Short term assets/liabilities	
1,043	Police pension fund Home Office grant	5,623
2,614	Short term compensated absences	1,923
400	March pay paid in April	520
0	Backdated pay award	76
4,057	**Total short term assets/liabilities**	**8,142**

J Heppel FCPFA
Chief Finance Officer
Date 13 September 2022

Chief Constable Cash Flow Statement for the year ended 31st March 2022

2020/21 £'000		2021/22 £'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 2021 and 2022 as all payments were made from the Police Fund which is held by the PCC and similarly all income and funding is received by the PCC during the year. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement

NOTES TO THE ACCOUNTS

1. Statement of accounting policies 2021/22

a. General principles

These financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.*

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 2022.

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

b. Estimation Techniques

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

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

c. Accruals of expenditure & Income

Activity is accounted for in the year it takes place, not simply when cash payments are made. Supplies are recorded as expenditure when they are consumed and the provision of services (including services provided by employees) are recorded as expenditure when the service is received rather than when payments are made. All manual accruals with a value of £500 or more will be processed in the accounts. For manual accruals with a value of less than £500 inclusion in the accounts will be at the discretion of the relevant finance officer.

d. Exceptional Items

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

e. Provisions

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

f. Grants and contributions

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

g. Leases

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

h. Overheads

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

i. Employee Benefits

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:

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

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

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

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

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

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

Benefits payable during employment

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

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

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

Termination benefits

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

j. VAT

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

k. Events after the Balance Sheet date

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

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

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

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

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

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

The 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 2021/22 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 2021/22 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 2022 was £1.636 billion (2020/21: £1.739 billion). A sensitivity analysis on the assumptions made is detailed in note 11.

b. Short Term Compensated Absences (£1.92m at 31st March 2022 (2020/21: £2.61m). A 50% increase in the level of short term compensated absences will result in a further £0.96m 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:

- IFRS 16 Leases
- IFRS 1 (First-time adoption)
- IAS 37 (Onerous contracts)
- IAS 41 (Agriculture)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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 (£162.2m (2020/21: £145.7m)) apart from that generated directly by the Office of the Police and Crime Commissioner (£4.8m (2020/21: £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.

- In 2020/21, the Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, had 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 11.

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

2020/21 Net expenditure chargeable to the General Fund £000s	2020/21 Pensions Adjustments between the Funding and Accounting basis £000s	2020/21 Net expenditure in the Comprehensive Income and Expenditure Statement £000s		2021/22 Net expenditure chargeable to the General Fund £000s	2021/22 Pensions Adjustments between the Funding and Accounting basis £000s	2021/22 Net expenditure in the Comprehensive Income and Expenditure Statement £000s
0	0	0	Police Services	0	0	0
0	**0**	**0**	**Net Cost of Services**	**0**	**0**	**0**
0	(328,325)	328,325	Other income & Expenditure	0	151,298	(151,298)
0	**(328,325)**	**328,325**	**Surplus or deficit**	**0**	**151,298**	**(151,298)**
0			**Opening General Fund balance**	**0**		
0			Less/plus surplus/deficit on general fund balance in year	0		
0			**Closing General Fund balance at 31st March**	**0**		

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

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

7. Expenditure and Income analysed by nature

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

Expenditure and Income analysed by nature

	2020/21 £'000	2021/22 £'000
Expenditure		
Actuarial gain/loss on police pensions	(328,325)	151,298
Police Pension fund	17,311	19,932
Total Expenditure	**(311,014)**	**171,230**
Income		
Government grants & contributions	(17,311)	(19,932)
Total Income	**(17,311)**	**(19,932)**
Surplus/Deficit on the provision of services	**(328,325)**	**151,298**

8. Subjective analysis of spending

2020/21 £000		2021/22 £000
	Financial resources of the PCC consumed at the request of the CC	
58,938	Police pay and allowances	60,233
35,107	Staff pay and allowances	37,297
3,335	Other employee expenses	948
13,805	Police pensions	13,921
(5,667)	IAS19 Pension costs	12,676
6,527	Premises	6,330
2,023	Transport	2,137
17,180	Supplies and services	17,732
1,267	Agency and contracted services	1,505
4,865	Depreciation	4,641
		0
137,380	**Total financial resources of the PCC consumed at the request of the CC**	**157,420**
(137,380)	Intra group adjustment	(157,420)
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.

The Group participates in two separate pension schemes:

- 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

- 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 receivable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group, which must then repay the amount to central government. 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 and other judgements

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

On 4 February 2022, 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.

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members.

The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:
    - Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the "remedy period" of April 2015 to 31 March 2022.
    - From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
    - Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. For Gloucestershire Constabulary, remedy effects circa. 1347 members (of which, circa. 414 are protected). 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. The pension expense for the period to 31 March 2022 allows for the current schemes' benefit design, but with a further 1 years estimated allowance for resolution of the McCloud case. The allowance for the extra year of accrual in 2021/22 can be seen flowing through the MiRS. This has been based on the same underlying methodology adopted for the disclosures as at 31 March 2021.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement 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.

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

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 2021/22, scheme actuaries have reviewed these assumptions at a force level. No change in assumptions was required in the Comprehensive Income and Expenditure Statement (CIES) for that period.

Legal Claims

Claimants have lodged claims for compensation under two separate litigation cases, namely: Aarons and Others; Roderick and Slade and Others.

- Aarons & Others

  In 2020/21, the Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, had 91 claims lodged against them with the Central London Employment Tribunal. The claims were 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 applied 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.

The Government Legal Department, who legally represent the Secretary of State for the Home Department in these proceedings, settled the injury to feelings claims for Aarons and Others on behalf of Chief Constables and without seeking any financial contributions from forces. A Preliminary Hearing for the pecuniary loss claims is listed for 20 December 2022. The settlement of the injury to feelings claims for Aarons and Others has set a helpful precedent to also settling pecuniary loss.

Therefore no liability in respect of compensation claims is recognised in these accounts.

- Roderick and Slade

  As at 31 March 2022, 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.

- Other outstanding claims

  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.

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

The costs of retirement benefits are included in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the council tax precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Group and Chief Constable Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	2020/21 £000	2021/22 £000
<u>Local Government Pension Scheme (LGPS)</u>		
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	9,152	14,906
Past service costs (including curtailments)	99	49
Amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	(6,018)	(6,079)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	4,300	5,441
Expected return on assets in the scheme	(3,172)	(3,672)
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	3,227	(1,266)

	2020/21 £000	2021/22 £000
Local Government Pension Scheme (LGPS)		
Actuarial gains and losses arising on changes in financial assumptions	62,058	(21,534)
Other experience	(1,698)	438
Return on plan assets (excluding the amount included in the net interest expense)	(33,462)	(8,736)
Net charge to the Comprehensive Income & Expenditure Statement	34,486	(20,453)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(34,486)	20,453

	2020/21 £000	2021/22 £000
Police Pension Schemes (PPS, NPPS & CARE)		
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current service cost	22,800	37,300
Past service costs (including curtailments)	300	100
Amount charged against the General Fund Balance for pensions in the year: Retirement benefits payable to pensioners	(32,000)	(33,600)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	30,700	33,200
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	16,600	(15,900)
Actuarial gains and losses arising on changes in financial assumptions	350,400	(108,200)
Other experience	(68,800)	3,900
Net charge to the Comprehensive Income & Expenditure Statement	320,000	(83,200)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(320,000)	83,200

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

Assets and liabilities in relation to retirement benefits
Reconciliation of present value of the scheme liabilities:

	LGPS		Police Pension Schemes	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
As at 1st April	(183,118)	(258,946)	(1,337,400)	(1,657,400)
Current service cost	(9,152)	(14,906)	(22,800)	(37,300)
Net interest on the net defined benefit liability	(4,300)	(5,441)	(30,700)	(33,200)
Contributions by scheme participants	(1,761)	(1,879)	(5,800)	(6,100)
Transfers (in)out	0	0	(600)	(200)
Remeasurement of the net defined benefit liability				
- Actuarial gains/losses arising from changes in demographic assumptions	(3,227)	1,266	(16,600)	15,900
- Actuarial gains/losses arising from changes in financial assumptions	(62,058)	21,534	(350,400)	108,200
- Other experience	1,698	(438)	68,800	(3,900)
Benefits paid	3,071	3,470	38,400	39,900
Past service cost (including curtailments)	(99)	(49)	(300)	(100)
As at 31st March	(258,946)	(255,389)	(1,657,400)	(1,574,200)

Lump sum commutation payments are based on the position at the time of calculation, 31st December 2021.

Reconciliation of fair value of the scheme assets:

	LGPS	
	2020/21 £000	2021/22 £000
As at 1st April	135,651	176,993
Expected rate of return	3,172	3,672
Remeasurement of the net defined benefit liability	33,462	8,736
Employers contributions	6,018	6,079
Contributions by scheme participants	1,761	1,879
Benefits paid	(3,071)	(3,470)
As at 31st March	176,993	193,889

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

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000
Present value of liabilities						
- LGPS	(169,974)	(177,522)	(209,210)	(183,118)	(258,946)	(255,389)
- Police Pension Schemes	(1,181,600)	(1,331,700)	(1,438,600)	(1,337,400)	(1,657,400)	(1,574,200)
- Total	(1,351,574)	(1,509,222)	(1,647,810)	(1,520,518)	(1,916,346)	(1,829,589)
Fair value of assets in LGPS	121,269	130,042	141,613	135,651	176,993	193,889
Surplus/(deficit) in the scheme						
- LGPS	(48,705)	(47,480)	(67,597)	(47,467)	(81,953)	(61,500)
- Police Pension Schemes	(1,181,600)	(1,331,700)	(1,438,600)	(1,337,400)	(1,657,400)	(1,574,200)
- Total	(1,230,305)	(1,379,180)	(1,506,197)	(1,384,867)	(1,739,353)	(1,635,700)

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 decreased as at 31st March 2022 due to the corporate bond yield (upon which the discount rate is derived) rising over the period, coupled with a rise in expectations of future inflation and an update to the life expectancy assumption. The total liability of £1,636m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,565m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

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

The total contributions expected to be made to the LGPS by the Group in the year to 31st March 2023 is £5.746m and the projected current service cost is £13.197m.

The projected current service costs for the Police Pension Schemes for 2022/23 are £32.6m (from £37.9m in 2021/22). 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 2022 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	
	2020/21	2021/22	2020/21	2021/22
Long term expected rate of return on assets in the scheme:				
Equity investments	2.1%	2.75%	-	-
Bonds	2.1%	2.75%	-	-
Property	2.1%	2.75%	-	-

	LGPS 2020/21	LGPS 2021/22	Police Pension Schemes 2020/21	Police Pension Schemes 2021/22
Cash	2.1%	2.75%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Male	21.9	21.7	22.4	22.1
Female	24.3	24.1	24.7	24.4
Longevity at 65 for future pensioners:				
Male	22.9	22.6	23.7	23.4
Female	26.0	25.8	26.0	25.8
Rate of inflation	2.8%	3.15%	3.3%	3.65%
Rate of increase in salaries	3.1%	3.45%	3.3%	3.65%
Rate of increase in pensions	2.8%	3.15%	2.85%	3.20%
Expected return on assets	2.1%	2.75%	-	-
Rate for discounting scheme liabilities	2.1%	2.75%	2.0%	2.70%
Take-up of option to convert annual pension into retirement lump sum	35% pre 1/4/08 68% post 31/3/08	35% pre 1/4/08 68% post 31/3/08	90% all schemes	90% all schemes

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

LGPS

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

Change in financial assumptions at year ended 31st March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2	5,877
1 year increase in member life expectancy	4	10,216
0.1% increase in the Salary Increase Rate	0	637
0.1% increase in the Pension Increase Rate (CPI)	2	5,201

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 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10	160,574
1 year increase in member life expectancy	3	47,101
0.5% increase in the Salary Increase Rate	<1	12,013

Change in financial assumptions at year ended 31st March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% increase in the Pension Increase Rate (CPI)	8	126,319

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 2022	Approximate % increase to projected current service cost	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	22	7,201
1 year increase in member life expectancy	3	978
0.5% increase in the Salary Increase Rate	<1	0
0.5% increase in the Pension Increase Rate (CPI)	9	2,925

Local Government Pension Scheme Assets

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

	Fair value of scheme assets at 31st March 2021			**Fair value of scheme assets at 31st March 2022**		
Asset Category	**Quoted prices in active markets (£000)**	**Quoted prices not in active markets (£000)**	**Total (£000)**	**Quoted prices in active markets (£000)**	**Quoted prices not in active markets (£000)**	**Total (£000)**
Cash & cash equivalents	**4,917.2**	**-**	**4,917.2**	**2,582.9**	**-**	**2,582.9**
Debt securities						
Corporate (investment grade)	19,965.9	-	19,965.9	-	-	-
Corporate (non-investment grade)	440.8	-	440.8	-	-	-
UK Government	2,264.6	-	2,264.6	-	-	-
Other	678.8	-	678.8	-	-	-
Total Debt securities	**23,350.1**	**-**	**23,350.1**	**-**	**-**	**-**
Property						
UK	8,569.0	2,635.5	11,204.5	8,072.5	5,625.2	13,697.7
Overseas	0	828.5	828.5	-	1,349.5	1,349.5
Total Property	**8,569.0**	**3,464.0**	**12,033.0**	**8,072.5**	**6,974.7**	**15,047.2**
Private equity	**-**	**903.7**	**903.7**	**-**	**2,114.2**	**2,114.2**
Investment funds and Unit trusts						
Equities	-	117,440.6	117,440.6	-	131,851.5	131,851.5
Bonds	12,883.7	439.5	13,323.2	12,383.5	23,347.5	35,731.0
Other	-	4,969.1	4,969.1	-	6,562.2	6,562.2
Total Investment funds and Unit trusts	**12,883.7**	**122,849.2**	**135,732.9**	**12,383.5**	**161,761.2**	**174,144.7**
Derivatives						
Foreign exchange	43.5	-	43.5	-	-	-
Other	12.6	-	12.6	-	-	-
Total Derivatives	**56.1**	**-**	**56.1**	**-**	**-**	**-**
TOTAL ASSETS	**49,776.1**	**127,216.9**	**176,993.0**	**23,039.0**	**170,850.0**	**193,889.0**

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 2020 and for the Police Pension schemes on 31st March 2022.

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 2021 (years)	Weighted average duration as at 31st March 2022 (years)
LGPS	n/a	n/a
Police pension schemes	19.1	19.3

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.

2020/21

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

2021/22

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	7

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

11. Remuneration of Senior Staff

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

	Number of Employees	
Remuneration Band	**2020/21**	**2021/22**
£50,000 - £54,999	102	131
£55,000 - £59,999	86	76
£60,000 - £64,999	21	33
£65,000 - £69,999	12	18
£70,000 - £74,999	5	5
£75,000 - £79,999	5	9
£80,000 - £84,999	7	6
£85,000 - £89,999	4	3
£90,000 - £94,999	1	3
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	2
£125,000 - £129,999	1	1
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	1
£155,000 - £159,999	1	0

The Chief Constable is required, under the Accounts and Audit (England) Regulations 2014, to disclose individual remuneration details for senior employees and relevant police officers. Details for 2020/21 and 2021/22 are as follows:

2021/22 Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind £	Other Payments £	Total Remuneration excluding pension contributions 2021/22 £	Employers pension contributions £	Total Remuneration including pension contributions 2021/22 £
Mr. Hansen Chief Constable	**150,776**	**0**	**780**	**0**	**12,486**	**0**	**164,042**	**0**	**164,042**
Deputy Chief Constable	**126,935**	**0**	**0**	**0**	**504**	**0**	**127,439**	**38,015**	**165,454**
ACC - Crime Command	**122,410**	**0**	**780**	**0**	**494**	**0**	**123,684**	**36,958**	**160,643**
ACC - Local Policing	**122,921**	**0**	**0**	**0**	**494**	**0**	**123,415**	**36,958**	**160,373**
PCC & CC Chief Finance Officer to 31/05/21	**25,190**	**0**	**0**	**0**	**0**	**0**	**25,190**	**3,505**	**28,696**
CC Chief Finance Officer from 06/04/2021	**93,681**	**0**	**0**	**0**	**0**	**0**	**93,681**	**18,549**	**112,229**

Notes:
1. The expense allowances includes the taxable value of payments made.
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

2020/21 Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind £	Other Payments £	Total Remuneration excluding pension contributions 2020/21 £	Employers pension contributions £	Total Remuneration including pension contributions 2020/21 £
Mr. Hansen Chief Constable	**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 - Operations CJ & V	**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 employees pension contribution represents a deduction made from each individuals salary.
4. The Chief Constable's Chief Finance Officer has also covered the role of PCC Chief Finance Officer. Of the total cost detailed above 30% is attributable to the PCC

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 2021/22.

Officers and staff – during 2021/22 there were no material declared related party transactions to disclose (2020/21: none).

13. Payments to External Auditors

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

	2020/21	2021/22
	£000	£000
External Audit services – Chief Constable Scale Fee	12	12

Additional fees of £6,552 were 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

In 2020/21, a claim was made by a group of Police Officers relating to injury to feelings in relation to the McCloud pension case. A provision was made in the accounts at a lower level than the full claim, totalling £91k. In 2021/22, a contingent liability was also included for the residual claim of a further £400k. Both the provision and the contingent liability have been released in 2021/22, as the current expectation is that the Home Office will account for the liabilities, see Note 9.

Gloucestershire Police Pension Fund Account

For the year ended 31st March 2022

2020/21 £'000		2021/22 £'000
	Contributions receivable	
	From employer	
13,807	- basic contributions at 31% of pensionable pay	13,961
495	- other (maternity/paternity/sickness, capital charge ill health & the 30+ scheme)	759
14,302		14,720
5,967	From members	6,033
	Transfers in	
715	Individual transfers in from other schemes	188
50	Transfer from Avon & Somerset Constabulary	45
765		233
21,034		**20,985**
	Benefits payable	
33,168	Pensions	33,810
5,149	Commutations and lump sum retirement benefits	6,947
0	Lump sum death benefits	123
38,317		40,879
	Payments to and on account of leavers	
28	Individual transfers out to other schemes	38
38,345		**40,917**
-17,311	**Sub-total for the year before transfer from the PCC of amount equal to the deficit**	**-19,932**
17,311	**Additional funding payable by PCC to meet deficit for the year**	**19,932**
0	**Net amount payable for the year**	**0**

Gloucestershire Police Pension Fund Net Assets Statement

as at 31st March 2022

2020/21 £'000		2021/22 £'000
	Current Assets	
1,043	Funding to meet deficit receivable from PCC	5,623
2,800	Other current assets – Pensions prepaid	2,922
3,843		8,546
	Current Liabilities	
3,843	Other current liabilities	8,546
0	**Net Assets**	**0**

Notes to the Gloucestershire Police Pension Fund Accounts

1. General Description of Fund's Operations

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

It should be noted that the Police Pension Fund has no investment assets, and pensions are paid from employer and employee contributions, plus additional funding from the Group. Employer contributions are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. For the year ended 31st March 2022 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.

In 2020/21, the Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently had 91 claims lodged against him with the Central London Employment Tribunal. The claims were 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 2021/22.

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 11 of the main statement of accounts.

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

Joint Annual Governance Statement

The Accounts and Audit Regulations 2015 require that the Annual Governance Statement accompanies the Statement of Accounts. The Chief Constable and the PCC have prepared a joint statement and have elected to publish the Joint Annual Governance Statement as a separate document to the Statement of Accounts.

The Annual Governance Statement is a statutory document, which explains the governance processes and procedures in place to enable the Chief Constable and the PCC to carry out his functions effectively. The Statement is available on the Constabulary website.

GLOSSARY OF ACCOUNTING TERMINOLOGY

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

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

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

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

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

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

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

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

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

BUDGET
The PCC's plan for providing resources to meet his service obligations. The PCC has most recently set an annual budget within a four year financial strategy covering the period 2022/23 to 2025/26.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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