Police and Crime Commissioner for Gloucestershire

Statement of accounts 2015/16

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NARRATIVE REPORT BY THE PCC CHIEF FINANCE OFFICER

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the PCC's and the Group's financial activities during 2015/16 and the financial position as at 31st March 2016.

On 15th September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament. One of the key reforms was to replace the Gloucestershire Police Authority with the Police and Crime Commissioner (PCC) for Gloucestershire on the 22nd November 2012. At the same time the Chief Constable was established as a separate body, whose primary function is the exercising of operational policing duties under the Police Act 1996. The PCC's function is to hold the Chief Constable to account for the exercise of these duties and he has a duty to provide an efficient and effective police service. The PCC sets his own budget and his own council tax precept to finance expenditure not met by central government funding. He is responsible for managing overall expenditure within the budget.

Both the PCC and the Chief Constable are separate legal entities (corporation sole) and are required to publish statement of accounts. For accounting purposes the PCC and the Chief Constable together are known as the Group. The accounts which follow show the results for the PCC and the Group for 2015/16. Comparative results for 2014/15 are also shown.

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

The Chief Constable has full operational control of officers and from 1st April 2014 the employment of most staff was transferred to the Chief Constable. 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.

The format and content of the Accounts are laid down by the Code of Practice on Local Authority Accounting in the UK 2015/16 (the 'Code') based on International Financial Reporting Standards, issued by CIPFA (the professional body of public sector accountants). The accounting policies adopted by the PCC comply with recommended accounting practices and are explained on pages 11 to 18. The Code sets out the minimum requirements considered necessary for the Statement of Accounts. These are:

- Narrative Report
- Responsibilities for the Statement of Accounts
- Accounting Statements
- Notes to the Accounts

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

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

The core financial statements comprise:

- The Movement in Reserves Statements (MIRS). These two statements show, for the PCC and Group, the movement in the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC's and Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statements. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC. The PCC MIRS differs from the Group MIRS in the treatment of pensions entries which appear in the Chief Constable's statement.

- The Comprehensive Income and Expenditure Statements (CIES). These two statements show, for the PCC and Group, 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.

- The Balance Sheet. The Balance Sheet shows the value of the assets and liabilities recognised by the PCC and Group at the Balance Sheet date. The net assets of the PCC and Group (assets less liabilities) are matched by the reserves held by the PCC and Group. Reserves are reported in two categories. The first category of reserves is usable reserves. These are reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the PCC is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- The Cash Flow Statement. The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC during the accounting period. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC are funded by way of taxation and grant income or from the recipients of services provided by the PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC.

The Police Pension Fund Accounts, which comprise the Fund Account, the Net Assets Statement and the related notes are shown at the end of this Statement of Accounts.

The Annual Governance Statement gives an assessment of internal control procedures.

Financial Performance

In February 2015 the PCC approved a revenue expenditure budget for 2015/16 of £105.09 million. This was funded by £60.31 million from central government and £44.78 million from Council Tax. The police element of the Band D Council Tax was set at £207.73, the same as that set for 2014/15.

The Group's actual net expenditure for 2015/16 was £125.69m as shown in Note 7 to the accounts. After adjusting for the contribution to the Pension Fund of £19.77 million (funded through the Home Office top up grant) and capital grants and contributions (£0.82m) the expenditure for the year was £105.10 million. The table on page 35 provides a summary of the final outturn for 2015/16 for the Group compared with the budget of £105.10 million. The Group delivered an underspend of £0.025 million which was transferred into reserves. This is in addition to a £0.840 million transfer into reserves undertaken during the year – total transfer to reserves £0.865 million.

The main points to note in the accounts are:

- In the Group CIES the total financial resources consumed by the Group reduced from £100.9m in 2014/15 to £96.6m in 2015/16. This is mainly due to a reduction in IAS Pension Costs (Page 34), which is due to changes in financial actuarial assumptions.
- In the Balance Sheet Long term Liabilities have decreased from £1,306 million to £1,137 million. These liabilities relate to the Police Pension schemes and the reduction is due to changes in financial actuarial assumptions. Without the pension liabilities the net assets in the Balance Sheet at 31st March 2016 are £77 million.
- All bank accounts are held by the PCC and all income and funding is received by the PCC. The Cash Flow Statement shows an increase in cash and cash equivalents during the year of £0.982 million.

The reserves of the Group are held by the PCC and at 31st March 2016 the total reserves were £27.215 million. At 31st March 2016 the general reserve was £5.326 million, which represents 5% of the Group's revenue budget for 2016/17 (£106.5 million), which is adequate in relation to a risk assessment carried out by the Constabulary of its operational needs. Specific, earmarked reserves at 31st March 2016 totalled £21.889 million. The specific reserves include:

- £3.0m reserve to support future revenue budgets
- £2.7m reserve to support the Group's Estates Strategy
- £7.9m reserve to support the Group's ICT strategy
- £1.5m reserve for vehicle replacement
- £6.2m carry forward reserve
- £0.5m insurance reserve

Significant provisions, contingencies and write-offs

The Group had a provision for outstanding legal cases included in the accounts as at 31st March 2016. The estimated value of these cases was £269k.

A contingent liability exists in relation to payments due to a group of police officers with respect to on-call duties. There are twelve affected officers for whom a detailed analysis of payments due will be undertaken during 2016/17. Due to the low number of officers affected the amount owing is unlikely to be material.

Contingent liabilities relating to employee legislation liability were estimated at £43k as at 31st March 2015. Contingent liabilities were also calculated for employers and public liability at 31st March 2015 totalling £418k. As at 31st March 2016 the equivalent figures have been included as a provision in the accounts.

The only significant payment defaults relate to the PCC's share of council tax receipts administered by local councils. Council tax impairments at 31st March 2016 were estimated at £466k, increasing from £442k at 31st March 2015.

Post Balance Sheet Events

The Group sold its land at Eastern Avenue, Gloucester in June 2016 (£1.5m) and a sale has been agreed for the majority of the Lansdown Road site later in 2016. The referendum decision to leave the European Union is likely to impact on the Group, for example through changes in interest rates. The value of this impact is not quantifiable.

Capital Expenditure

Capital expenditure of £7.358 million was incurred in 2015/16. £2.504 million was spent on the replacement of vehicles and the development or replacement of existing systems and equipment. The remaining expenditure of £4.854 million was on new development work. The main items of this expenditure were £1.87 million on the purchase of the Phoenix House storage facility and £0.76m on the mobile frontline policing project. This capital expenditure was financed by a combination of borrowing (£2.00m), grants (£1.97m), revenue contributions (£1.02m), transfers from reserves (£2.34m) and capital receipts (£0.03m). An analysis of the expenditure and financing is given in Note 29.

A Prudential Code for Capital Finance was introduced in 2004/05, which allows the PCC to determine the level of borrowing that is acceptable and sustainable, as opposed to the previous system of borrowing approvals where central government determined the maximum amounts that authorities were allowed to borrow each year.

The PCC's authorised borrowing limit under the Prudential Code for 2015/16 was £15.85 million. New temporary borrowing of £2m was taken at the year end, in addition to the £4m originally taken out at 31st March 2015. Total loans outstanding at 31st March 2016 (including accrued interest) were £14.864 million; of which £6.014 million is repayable within 12 months, being accrued interest and temporary borrowing. The costs of servicing debt in the year were £2.284 million (including PFI interest payable).

The Group has received a claim from the main contractor involved in the construction of the Custody Suite, which opened in January 2015. Following the receipt of independent legal advice the Group has rebutted the claim and accepts no liability.

Operational Performance

During 2015/16 local policing went through its biggest upheaval in decades. Among the changes were:

- A new structure for operational policing
- More effective mobile working to allow officers and Police Community Support Officers (PCSOs) to spend more time on patrol.
- Common working practices across the entire Force area
- A single neighbourhood command replacing six local policing commands.
- Officers and PCSOs deployed beyond their own neighbourhood policing area should the need arise.

The changes are currently under review, but the reorganisation will keep more officers out on patrol for longer.

There has been a significant increase in satisfaction rates over 2015/16. Victim satisfaction with the overall service received increased from 81.4% in the previous year to 86.2% for the year to 31st March 2016. Nationally compared to other forces, Gloucestershire has improved from being placed 37th out of 43 forces for victim satisfaction twelve months ago to 15th currently – an increase of 22 places.

During the 2015/16 financial year there was an overall increase in recorded crime in England and Wales of 8.8%. Recorded crime in Gloucestershire during this period increased by 2.5%. Nationally there have been increases in recorded crimes for violence against the person and sexual offences and this was mirrored within Gloucestershire. There were reductions in acquisitive crime (with a notable reduction in burglaries), robbery, criminal damage and thefts of motor vehicles. Although there were increases in violence, sexual offences and public order, the volume of these crimes within Gloucestershire is low compared to other forces nationally.

HMIC's 2015 PEEL assessment for Gloucestershire rated the force as follows for the three strands of the inspection:

- Effectiveness – requires improvement
- Efficiency (incorporating value for money) – good
- Legitimacy – good.

Within the Efficiency inspection the Force was rated outstanding for the question "how sustainable is the force's financial position for the short and long term?"

Developments

Prism House opened during the year, incorporating parts of the Specialist Crime operations unit. A new storage facility, Phoenix House, was purchased during 2015/16. These new facilities will enable the Group to dispose of most of the Lansdown Road site, planned for 2016/17. The Group has also surrendered its interest in the majority of the Gloucester Central police station at Bearland to Gloucestershire County Council.

Looking Ahead

The Budget for 2016/17 was set by the PCC in February 2016. The budget of £106.5m is funded by £60.0 million from government grant and £46.5 million from the Council Tax. The police element of the Band D Council Tax was set at £210.31, an increase of 1.24% from the previous year.

The Autumn Statement and the grant announcement were far better than expected. The Home Secretary announced that police spending "will be protected in real terms over the Spending Review period, when local precept income is taken into account."

The Budget includes £4.9 million savings in 2016/17, and it is anticipated that further savings of £4.9 million will be required for the three years from 2017/18 to 2019/20. These savings will enable growth of £3 million, notably to increase officer numbers by 2020 and to double the number of Special Constables.

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 scheme, meaning that there are no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pensions payments as they fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension funds for the year are less than the amounts payable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government top-up grant. The Group received a top up grant for 2015/16 of £19.768m for 100% of the deficit.

The Group is required to include the police pension accounts in their statement of accounts, and the Fund Account and Notes are shown on pages 71 and 72.

In accordance with the requirements of International Accounting Standard No 19 – Employee Benefits (IAS19), as amended, the Group Statement of Accounts includes net pension liabilities and a pensions reserve in the Balance Sheet, and entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement to reflect movements in the assets and liabilities relating to the pension schemes. These entries are more fully explained in note 9 to the Accounts.

The Actuarial valuations for the schemes at 31st March 2016 shows a combined liability of £1,137m (2015 - £1,282 million). This reduced liability is principally due to changes in financial actuarial assumptions since 2014/15. This liability has a substantial impact on the net worth of the Group, reducing the net worth of the Group from net assets of £77m to a negative overall balance of £1,060m. However, statutory arrangements for funding this deficit mean that the financial position of the Group remains healthy.

The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 14 claims lodged against her 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 Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

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

- writing to the PCC Chief Finance Officer, Police Headquarters, 1 Waterwells Drive, Quedgeley, Gloucester. GL2 2AN.
- e-mailing the PCC Chief Finance Officer at peter.skelton@gloucestershire.police.uk, or
- viewing the PCC website at www.gloucestershire-pcc.gov.uk

P.Skelton, ACA
PCC Chief Finance Officer

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The PCC's Responsibilities

The PCC is required to:

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

The PCC Chief Finance Officer's Responsibilities

The PCC Chief Finance Officer is responsible for the preparation of the PCC'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 PCC 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 PCC Chief Finance Officer has also:

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

CERTIFICATION OF THE ACCOUNTS BY THE PCC CHIEF FINANCE OFFICER

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner for Gloucestershire as at 31st March 2016 and his income and expenditure for the year then ended.

P Skelton, ACA
PCC Chief Finance Officer

Date 9th September 2016

CERTIFICATION OF THE ACCOUNTS BY THE POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE

I approve the Statement of Accounts.

M Surl
Police and Crime Commissioner

Date 9th September 2016

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR GLOUCESTERSHIRE

We have audited the financial statements of the Police and Crime Commissioner for Gloucestershire (the "Police and Crime Commissioner") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Police and Crime Commissioner Movement in Reserves Statements, the Group and Police and Crime Commissioner Comprehensive Income and Expenditure Statements, the Group and Police and Crime Commissioner Balance Sheets, the Group and Police and Crime Commissioner Cash Flow Statements and the related notes and include the police pension fund financial statements of Gloucestershire Police comprising the Fund Account, the Net Assets Statement and the related notes 1 to 2. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

As explained more fully in the Statement of the PCC's Chief Financial Officer's Responsibilities, the PCC's Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Police and Crime Commissioner and Group as at 31 March 2016 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Police and Crime Commissioner and auditor

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

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

Scope of the review of the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Police and Crime Commissioner* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner in accordance with the requirements of the Act and the Code.

Iain Murray

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

Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

22nd September 2016

STATEMENT OF ACCOUNTING POLICIES 2015/16

1. General principles

The Statement of Accounts summarises the Group and PCC's transactions for the 2015/16 financial year and the position at the year-end of 31st March 2016. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.* The Comprehensive Income and Expenditure Statement has been prepared in the format required under the Service Reporting Code of Practice for Local Authorities 2015/16. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

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 Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The Financial Statements cover the twelve months to 31st March 2016. The term 'Group' is used to indicate individual transactions and policies of the PCC and Chief Constable for the year ended 31st March 2016. The identification of the PCC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

Whilst all expenditure is paid for by the PCC, including the wages of police staff and officers, the actual recognition in the respective PCC and Chief Constable Accounts is based on economic benefit.

2. Estimation Techniques

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

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

3. Accruals of expenditure & Income

The Balance Sheet and the Comprehensive Income and Expenditure Statement are maintained on an accruals basis in accordance with the Code of Practice. This means that the accounts are prepared on the basis of income due and expenditure payable in the year to 31st March 2016, whether or not the cash has actually been received or paid in the year. Debtors have been included where an invoice has been raised but not paid.

Interest payable and receivable is accrued within the accounts up to and including 31st March 2016.

4. Exceptional Items

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

5. VAT

It is the PCC's policy to reclaim VAT based on the tax date of a creditor invoice and when it is entered into the creditor system for payment rather than the point the invoice is actually paid.

6. Provisions and Contingent Liabilities

Provisions are made when an event has taken place that gives the PCC 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 PCC 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.

A contingent liability arises where an event has taken place that gives the PCC a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the PCC. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

7. Reserves

The PCC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC.

8. Property, plant and equipment

Non-current assets are assets that have physical substance and are held for use in the provision of services, or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis, provided that it yields benefits to the PCC and that it provides services for more than one financial year. Assets are capitalised when they are operationally ready for service. Prior to this they are categorised as Assets under Construction (Work in Progress). The PCC has selected a de minimis threshold of £20,000 below which assets are not capitalised, apart from vehicle purchases, which are all capitalised.

The PCC for Gloucestershire has no material heritage assets that require separate classification under FRS 30.

Measurement

Non-current assets are valued as recommended by CIPFA and in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Assets are classified into the groupings required by the Code. Assets are valued as follows:

1. Land and property

The capital outlay is shown on the basis of a full valuation of the PCC's freehold and leasehold property at 31st March 2014, undertaken by BNP Paribas, Chartered Surveyors updated by a desktop exercise at 31st March 2016 undertaken by the same company. A "de minimis" limit of £20,000 was used for these purposes.

Operational property and plant are measured for their service potential at current value i.e. existing use value. Where no market is in existence or where assets are specialised a Depreciated Replacement Cost measurement is used. All surplus assets are measured at fair value. Under IFRS 13 Fair Value is a market based assessment which uses the assumptions that market participants would use when pricing the asset under current market conditions. Where applicable the valuations reflect evidence of recent market transactions involving similar properties in each locality. Depreciated Replacement Cost is recognised as an acceptable method of estimating Market Value where more reliable methods cannot be applied.

The Balance Sheet includes the impact from the assessment of impairments to buildings.

2. Vehicles and equipment

Vehicles, plant and equipment are included at historical cost, less accumulated depreciation.

When an asset is re-valued, any increase in value is credited to the Revaluation Reserve unless the asset has previously been re-valued downwards, in which case it is credited to the Comprehensive Income & Expenditure account up to the value of the previous loss. Land and buildings are subject to a full revaluation exercise every five years with interim annual desktop valuations to assess the impact of general market movements. The last full valuation took place at 31st March 2014. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

In between valuations an annual impairment review is undertaken of properties with less than 40 years life to identify any significant drop in value. Where impairment is identified as part of the annual review or as a result of a valuation exercise, this is accounted for by:

- An impairment loss on a re-valued asset shall be recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount in the revaluation reserve for the same asset and thereafter in Surplus or Deficit on the provision of Services.
- An impairment loss on a non-revalued asset shall be recognised in Surplus or Deficit on the Provision of Services.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The Asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale. When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line also as part of the net gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts from the disposal of assets are accounted for on an accrual basis where the receipt is certain.

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement).

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties and assets held for sale), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated on the following bases:

Land	No depreciation
Operational buildings	Straight-line allocation over the life of the property as estimated by the valuer.
Vehicles	Reducing balance method over the expected useful life of the asset. A life of between 3 and 5 years is allocated to vehicles and depreciation is calculated as 30% per annum following advice from the Fleet Manager.
Equipment	Straight-line allocation over the expected useful life of the asset as advised by a suitably qualified officer. A life of 5 years is allocated to all equipment.

In addition to the reducing balance depreciation allocation of vehicles they are depreciated fully in their year of disposal where there is no capital receipt.

Where a significant Property, Plant and Equipment asset (> £1m) has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

9. Intangible Assets

Expenditure on the right to use a computer programme is treated as expenditure for capital purposes. Amortisation is calculated in the same way as equipment depreciation for tangible assets. At the end of the life of these assets they are treated as though they were disposed of with no capital receipt.

10. Charges to Revenue for Non-Current Assets

Depreciation for the year is charged to the Comprehensive Income and Expenditure Account. The PCC is not required to raise funds to cover depreciation. However, he is required by law to set aside a Minimum Revenue Provision (MRP) for the repayment of external debt. The PCC has adopted the Regulatory Method for supported borrowing on capital expenditure incurred prior to 1st April 2008. Borrowing since 1st April 2008 uses the Asset Life Method. Provision for MRP is made over the estimated life of the asset for which the borrowing is undertaken, using the equal instalment method.

Depreciation is therefore replaced by a revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11. Grants and contributions

Grants and contributions, including donated assets, shall not be recognised until there is reasonable assurance that the PCC will comply with the conditions attached to them and that the grants or contributions will be received. Grants and contributions relating to capital and revenue expenditure 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 PCC has not satisfied. Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the balance sheet date, the grant or contribution shall be transferred from the General Fund to the Capital Adjustment Account reported through the Movement in Reserves Statement. Where no expenditure has been incurred at the balance sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Account through the Movement in Reserves Statement. Where conditions remain outstanding at the balance sheet date the grant or contribution will be recognised as part of the Capital Grants Receipt in Advance.

12. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the PCC's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets
Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The PCC does not have any available-for-sale financial assets. Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

13. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Investments maturing within six months of the balance sheet date are deemed to fall under the definition of cash equivalents.

The PCC's Financial Assets are classified as loans and receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the PCC has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

14. 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. The current practice is to fully finance capital assets in the year of purchase, other than for Police Headquarters, Waterwells and the Firearms training centre, Blackrock which are PFI based contracts. Other than these PFI contracts all 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. Liabilities under “operating” leases are not required under the Code to be shown in the Balance Sheet since significant residual value to the lessor under such arrangements implies no effective transfer of ownership of assets. Where the PCC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. No property interests held under operating leases are classified as investment property.

15. Inventory

The main inventories held by the Constabulary are uniforms, cleaning tokens, postage in franking machines, IT equipment, fleet spares and items in the stationery store. With the exception of uniforms, inventory is valued at original purchase price. In respect of uniforms, new inventory is valued at original purchase price and returned inventory that can be re-issued is valued at 50% of the original purchase price.

16. Overheads

The PCC has a policy of not recharging support service overhead costs to front line service providing departments. However for the purposes of the preparation of the Comprehensive Income and Expenditure Account the full cost of support service overheads are shared between users in proportion to the benefits received, with the exception of Corporate & Democratic Core and Non Distributed Costs. These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of the Net Cost of Service.

17. Employee Benefits

<u>Pensions</u>

As part of the terms and conditions for its officers and for other 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 civilian employees, administered locally by Gloucestershire County Council. This is a funded defined benefit salary scheme, meaning that the PCC 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.

This is an unfunded defined benefit final salary scheme, administered by the Group, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions funds for the year are less than the amounts payable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group, which must then repay the amount to central government.

The 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 in the Movement in Reserves Statement.

External actuaries are appointed to provide the necessary information, and their assumptions and calculations are detailed in the pensions note (pages 40 to 47). 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 pension schemes have been based on the latest full valuation of the schemes as at 31st March 2013 for the LGPS and 31st March 2015 for the Police Pension Schemes. The long term expected rate of return on assets is derived by the actuary using their own proprietary stochastic asset model.

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 and are debited to the Pensions Reserve.

Short term compensated absences

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 PCC 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.

18. Private Finance Initiative (PFI)

The PCC has entered into a long-term contractual agreement under PFI whereby the Contractor is responsible to design, build, finance, operate and maintain the new headquarters building at Waterwells, Gloucester. The Constabulary took up occupancy of the new headquarters in December 2005, the contract runs for thirty years until 2035. The PCC has also entered into a long term agreement in collaboration with the PCC for Avon & Somerset and the PCC for Wiltshire under PFI for the provision of a tri-force Firearms training facility situated at Portishead, North Somerset.

The Code requires that these contracts are accounted for in a manner that is consistent with the adaptation of IFRIC 12 – Service concession arrangements. This applies where:

a. the PCC controls or regulates what services the operator must provide with the property, to whom it must provide them and at what price; and where
b. the PCC controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the property at the end of the term of the arrangement.

The Police Headquarters PFI and Firearms training facility contracts meet these criteria and as such are recognised as assets on the balance sheet along with a related liability. The PFI contracts are treated as finance leases in these accounts. The PCC has reviewed all other contracts with a value of more than £100,000 per annum and has concluded that none fall within the scope of IFRIC 12.

The PFI transactions in the accounts are detailed in Note 25.

19. Events after the Balance Sheet date

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

Movement in Reserves Statement for the PCC Group for the year ended 31st March 2016

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 5) £000	Unusable Reserves (Note 6) £000	Total Authority Reserves £000
Balance at 31st March 2014 carried forward	5,068	25,883	702	1,844	0	301	**33,798**	**(1,030,692)**	**(996,894)**
Movement in reserves during 2014/15									
Surplus or (deficit) on provision of services	(40,708)	0	0	0	0	0	**(40,708)**	**0**	**(40,708)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	**(168,294)**	**(168,294)**
Total Comprehensive Expenditure and Income	(40,708)	0	0	0	0	0	**(40,708)**	**(168,294)**	**(209,002)**
Adjustments between accounting basis & funding basis under regulations	38,378	0	302	(253)	0	883	**39,310**	**(39,310)**	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	(2,330)	0	302	(253)	0	883	**(1,398)**	**(207,604)**	**(209,002)**
Transfers to/from Earmarked Reserves	3,362	(3,275)	0	0	0	0	**87**	**(87)**	**0**
Increase/Decrease (movement) in Year	1,032	(3,275)	302	(253)	0	883	**(1,311)**	**(207,691)**	**(209,002)**
Balance at 31st March 2015 carried forward	6,100	22,608	1,004	1,591	0	1,184	**32,487**	**(1,238,383)**	**(1,205,896)**

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 5) £000	Unusable Reserves (Note 6) £000	Total Authority Reserves £000
Balance at 31st March 2015	6,100	22,608	1,004	1,591	0	1,184	**32,487**	**(1,238,383)**	**(1,205,896)**
Movement in reserves during 2015/16									
Surplus or (deficit) on provision of services	(33,737)	0	0	0	0	0	**(33,737)**	**0**	**(33,737)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	**179,924**	**179,924**
Total Comprehensive Expenditure and Income	(33,737)	0	0	0	0	0	**(33,737)**	**179,924**	**146,187**
Adjustments between accounting basis & funding basis under regulations (Notes 5 & 6)	32,265	0	365	41	0	(1,152)	**31,519**	**(31,519)**	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	(1,472)	0	365	41	0	(1,152)	**(2,218)**	**148,405**	**146,187**
Transfers to/from Earmarked Reserves (Note 5)	698	(719)	0	0	0	0	**(21)**	**21**	**0**
Increase/Decrease (movement) in Year	(774)	(719)	365	41	0	(1,152)	**(2,239)**	**148,426**	**146,187**
Balance at 31st March 2016 carried forward	5,326	21,889	1,369	1,632	0	32	**30,248**	**(1,089,957)**	**(1,059,709)**

Movement in Reserves Statement for the PCC for the year ended 31st March 2016

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 5) £000	Unusable Reserves (Note 6) £000	Total Authority Reserves £000
Balance at 31st March 2014 carried forward	5,068	25,883	702	1,844	0	301	**33,798**	**(1,030,692)**	**(996,894)**
<u>Movement in reserves during 2014/15</u>									
Surplus or (deficit) on provision of services	(211,777)	0	0	0	0	0	**(211,777)**	**0**	**(211,777)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	**2,775**	**2,775**
Total Comprehensive Expenditure and Income	(211,777)	0	0	0	0	0	**(211,777)**	**2,775**	**(209,002)**
Adjustments between accounting basis & funding basis under regulations	209,447	0	302	(253)	0	883	**210,379**	**(210,379)**	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	(2,330)	0	302	(253)	0	883	**(1,398)**	**(207,604)**	**(209,002)**
Transfers to/from Earmarked Reserves	3,362	(3,275)	0	0	0	0	**87**	**(87)**	**0**
Increase/Decrease (movement) in Year	1,032	(3,275)	302	(253)	0	883	**(1,311)**	**(207,691)**	**(209,002)**
Balance at 31st March 2015 carried forward	6,100	22,608	1,004	1,591	0	1,184	**32,487**	**(1,238,383)**	**(1,205,896)**

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 5) £000	Unusable Reserves (Note 6) £000	Total Authority Reserves £000
Balance at 31st March 2015	6,100	22,608	1,004	1,591	0	1,184	**32,487**	**(1,238,383)**	**(1,205,896)**
Movement in reserves during 2015/16									
Surplus or (deficit) on provision of services	145,835	0	0	0	0	0	**145,835**	**0**	**145,835**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	**352**	**352**
Total Comprehensive Expenditure and Income	145,835	0	0	0	0	0	**145,835**	**352**	**146,187**
Adjustments between accounting basis & funding basis under regulations	(147,307)	0	365	41	0	(1,152)	**(148,053)**	**148,053**	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	(1,472)	0	365	41	0	(1,152)	**(2,218)**	**148,405**	**146,187**
Transfers to/from Earmarked Reserves	698	(719)	0	0	0	0	**(21)**	**21**	**0**
Increase/Decrease (movement) in Year	(774)	(719)	365	41	0	(1,152)	**(2,239)**	**148,426**	**146,187**
Balance at 31st March 2016 carried forward	5,326	21,889	1,369	1,632	0	32	**30,248**	**(1,089,957)**	**(1,059,709)**

Group Comprehensive Income and Expenditure Statement for the year ended 31st March 2016

2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s		2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
			Gross expenditure, gross income and net expenditure of continuing operations			
47,663	(2,806)	44,857	Local Policing	44,232	(2,824)	41,408
9,336	(450)	8,886	Dealing with the Public	9,142	(425)	8,717
7,334	(1,129)	6,205	Criminal Justice Arrangements	7,544	(1,217)	6,327
3,406	(791)	2,615	Road Policing	3,482	(899)	2,583
9,400	(1,370)	8,030	Operations Support	9,441	(2,271)	7,170
7,350	(627)	6,723	Intelligence	6,968	(785)	6,183
17,446	(1,380)	16,066	Investigations	18,069	(1,695)	16,374
3,354	(159)	3,195	Investigative Support	3,505	(151)	3,354
5,275	(3,558)	1,717	National Policing	4,812	(2,969)	1,843
919	(31)	888	Corporate and democratic core	827	0	827
1,758	0	1,758	Non distributed costs - other	1,797	0	1,797
113,241	(12,301)	100,940	**Net Cost Of Service**	109,819	(13,236)	96,583
			Other Operating Expenditure			
0	(122)	(122)	Gain/loss on disposal of non current assets	0	176	176
0	(122)	(122)	**Total Other operating expenditure**	0	176	176
			Financing and Investment Income and Expenditure			
1,938	0	1,938	Interest payable and similar charges (Note 12)	2,284	0	2,284
45,818	0	45,818	Net Interest on the net defined benefit liability (note 9)	41,000	0	41,000
0	(180)	(180)	Investment Interest income	0	(175)	(175)
0	(15)	(15)	Changes in the fair value of investment properties (note 27)	0	(35)	(35)
47,756	(195)	47,561	**Total Financing and Investment Income and Expenditure**	43,284	(210)	43,074
			Taxation and Non-Specific Grant Income			
0	(911)	(911)	Recognised capital grants and contributions	0	(818)	(818)
0	(36,842)	(36,842)	Police revenue grant (Note 14)	0	(34,587)	(34,587)
15,963	(15,963)	0	Police Pension Fund Top-Up Grant (Note 15)	19,768	(19,768)	0
0	(20,310)	(20,310)	National non-domestic rates redistribution (Note 16)	0	(20,131)	(20,131)
0	(5,595)	(5,595)	Council tax support grant (Note 17)	0	(5,595)	(5,595)
0	(44,013)	(44,013)	Precepts (Note 18)	0	(44,965)	(44,965)
15,963	(123,634)	(107,671)	**Total Taxation and Non-Specific Grant Income**	19,768	(125,864)	(106,096)
176,960	(136,252)	40,708	**Surplus/Deficit on Provision of Services**	172,871	(139,134)	33,737
0	(2,775)	(2,775)	Surplus/deficit on the revaluation of non-current assets (note 27)	0	(899)	(899)
0	0	0	Impairment losses on non-current assets charged to the revaluation reserve (note 27)	547	0	547
171,069	0	171,069	Remeasurement of the net defined benefit liability (note 9)	(179,572)	0	(179,572)
171,069	(2,775)	168,294	**Other Comprehensive Income and Expenditure**	(179,025)	(899)	(179,924)
348,029	**(139,027)**	**209,002**	**Total Comprehensive Income and Expenditure**	**(6,154)**	**(140,033)**	**(146,187)**

The statement above shows the accounting cost in the year to 31st March 2016 of providing services for the Group, in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income.

PCC Comprehensive Income and Expenditure Statement for the year ended 31st March 2016

2014/15 Gross Expenditure £000s	2014/15 PCC Gross Income £000s	2014/15 Net Expenditure £000s	2014/15 CC Net Expenditure £000s		2015/16 Gross Expenditure £000s	2015/16 PCC Gross Income £000s	2015/16 Net Expenditure £000s	2015/16 CC Net Expenditure £000s
				Gross expenditure, gross income and net expenditure of continuing operations				
1,021	(2,806)	(1,785)	46,642	Local Policing	1,947	(2,824)	(877)	42,285
0	(450)	(450)	9,336	Dealing with the Public	0	(425)	(425)	9,142
302	(1,129)	(827)	7,032	Criminal Justice Arrangements	264	(1,217)	(953)	7,280
37	(791)	(754)	3,369	Road Policing	93	(899)	(806)	3,389
12	(1,370)	(1,358)	9,388	Operational Support	0	(2,271)	(2,271)	9,441
26	(627)	(601)	7,324	Intelligence	0	(785)	(785)	6,968
214	(1,380)	(1,166)	17,232	Investigations	206	(1,695)	(1,489)	17,863
0	(159)	(159)	3,354	Investigative Support	0	(151)	(151)	3,505
0	(3,558)	(3,558)	5,275	National Policing	0	(2,969)	(2,969)	4,812
761	(31)	730	158	Corporate and democratic core	704	0	704	123
0	0	0	1,758	Non distributed costs - other	0	0	0	1,797
2,373	(12,301)	(9,928)	110,868	**Net Cost of Service before funding**	3,214	(13,236)	(10,022)	106,605
110,868	0	110,868	(110,868)	Intra-group funding	106,605	0	106,605	(106,605)
113,241	(12,301)	100,940	0	**Net Cost of Service**	109,819	(13,236)	96,583	0
				Other Operating Expenditure				
0	(122)	(122)	0	Gain on disposal of non current assets	0	176	176	0
0	(122)	(122)	0	**Total Other operating expenditure**	0	176	176	0
				Financing and Investment Income and Expenditure				
1,938	0	1,938	0	Interest payable and similar charges (Note 12)	2,284	0	2,284	0
0	0	0	45,818	Net Interest on the net defined benefit liability (note 9)	0	0	0	41,000
45,818	0	45,818	(45,818)	Intra-group funding pensions interest	41,000	0	41,000	(41,000)
0	(180)	(180)	0	Investment Interest income	0	(175)	(175)	0
0	(15)	(15)	0	Changes in the fair value of investment properties (note 27)	0	(35)	(35)	0
47,756	(195)	47,561	0	**Total Financing and Investment Income and Expenditure**	43,284	(210)	43,074	0
				Taxation and Non-Specific Grant Income				
0	(911)	(911)	0	Recognised capital grants and contributions	0	(818)	(818)	0
0	(36,842)	(36,842)	0	Police revenue grant (Note 14)	0	(34,587)	(34,587)	0
15,963	(15,963)	0	0	Police Pension Fund Top-Up Grant (Note 15)	19,768	(19,768)	0	0
0	(20,310)	(20,310)	0	National non-domestic rates redistribution (Note 16)	0	(20,131)	(20,131)	0
0	(5,595)	(5,595)	0	Council tax support grant (Note 17)	0	(5,595)	(5,595)	0
0	(44,013)	(44,013)	0	Precepts (Note 18)	0	(44,965)	(44,965)	0
171,069	0	171,069	(171,069)	Intra-Group funding actuarial losses	(179,572)	0	(179,572)	179,572
187,032	(123,634)	63,398	(171,069)	**Total Taxation and Non-Specific Grant Income**	(159,804)	(125,864)	(285,668)	179,572
348,029	**(136,252)**	**211,777**	**(171,069)**	**Surplus/Deficit on Provision of Services**	**(6,701)**	**(139,134)**	**(145,835)**	**179,572**
0	(2,775)	(2,775)	0	Surplus/deficit on the revaluation of non-current assets (note 27)	0	(899)	(899)	0
0	0	0	0	Impairment losses on non-current assets charged to the revaluation reserve (note 27)	547	0	547	0
0	0	0	171,069	Remeasurement of the net defined benefit liability (note 9)	0	0	0	(179,572)
348,029	**(139,027)**	**209,002**	**0**	**Total Comprehensive Income and Expenditure**	**(6,154)**	**(140,033)**	**(146,187)**	**0**

The statement above shows the accounting cost in the year to 31st March 2016 of providing services in accordance with generally accepted accounting practices for the PCC, in addition to the amount of funding by way of grant income. Resources of the PCC consumed at the request of the Chief Constable (CC) are shown for comparative purposes. The consolidated accounting cost and funding for the PCC Group to 31st March 2016 is shown on the previous page.

Balance Sheet as at 31st March 2016

31st March 2015 CC £'000	31st March 2015 PCC £'000	31st March 2015 Group £'000		31st March 2016 CC £'000	31st March 2016 PCC £'000	31st March 2016 Group £'000
			Property, Plant & Equipment (Note 27)			
0	53,460	53,460	- land, buildings and plant	0	56,628	56,628
0	2,320	2,320	- vehicles	0	2,944	2,944
0	3,799	3,799	- equipment	0	4,086	4,086
0	5,697	5,697	- assets under construction	0	3,526	3,526
0	3,050	3,050	**Investment Property (Note 27)**	0	2,500	2,500
0	1,959	1,959	**Intangible Assets (note 28)**	0	2,295	2,295
1,282,331	0	0	**Pensions intra-group adjustment**	1,136,633	0	0
1,282,331	70,285	70,285	**Total Long Term Assets**	1,136,633	71,979	71,979
			Current Assets			
0	372	372	- Inventories	0	325	325
3,560	7,869	11,429	- Short Term Debtors (Note 32)	3,505	8,069	11,574
1,454	3,560	0	- Intra-group adjustment	1,363	3,505	0
0	29,204	29,204	- Cash and Cash Equivalents (Note 33)	0	30,186	30,186
0	200	200	- Assets held for sale less than 1yr	0	6,860	6,860
5,014	41,205	41,205	**Total Current Assets**	4,868	48,945	48,945
			Current Liabilities			
1,236	6,139	7,375	- Short Term Creditors (Note 34)	1,363	8,641	10,004
0	4,013	4,013	- Short Term Borrowing (Note 35)	0	6,014	6,014
3,560	1,454	0	- Intra-group adjustment	3,505	1,363	0
218	0	218	- Provisions (Note 37)	0	269	269
5,014	11,606	11,606	**Total Current Liabilities**	4,868	16,287	16,287
			Long Term Liabilities			
0	14,599	14,599	- Long Term Creditors (Note 25)	0	18,863	18,863
0	8,850	8,850	- Long Term Borrowing (Note 35)	0	8,850	8,850
0	1,282,331	0	- Pensions intra-group adjustment	0	1,136,633	0
1,282,331	0	1,282,331	- Other Long Term Liabilities (Note 9)	1,136,633	0	1,136,633
1,282,331	1,305,780	1,305,780	**Total Long Term Liabilities**	1,136,633	1,164,346	1,164,346
0	**(1,205,896)**	**(1,205,896)**	**Net Assets**	**0**	**(1,059,709)**	**(1,059,709)**
			Usable reserves (Note 5)			
0	6,100	6,100	- General Fund	0	5,326	5,326
0	22,608	22,608	- Earmarked reserves	0	21,889	21,889
0	1,004	1,004	- Capital Receipts Reserve	0	1,369	1,369
0	1,591	1,591	- Revenue contribution to capital reserve unapplied	0	1,632	1,632
0	1,184	1,184	- Capital Grants Unapplied	0	32	32
0	32,487	32,487	**Total Usable reserves**	0	30,248	30,248
			Unusable Reserves (Note 6)			
0	11,339	11,339	- Revaluation Reserve	0	11,087	11,087
0	(1,282,331)	(1,282,331)	- Pensions Reserve	0	(1,136,633)	(1,136,633)
0	32,413	32,413	- Capital Adjustment Account	0	35,194	35,194
0	904	904	- Collection Fund Adjustment Account	0	1,082	1,082
0	(708)	(708)	- Short-term Accumulating Compensated Absences	0	(687)	(687)
0	(1,238,383)	(1,238,383)	**Total Unusable Reserves**	0	(1,089,957)	(1,089,957)
0	**(1,205,896)**	**(1,205,896)**	**Total Reserves**	**0**	**(1,059,709)**	**(1,059,709)**

The Balance Sheet incorporates balances on the funds and accounts of the Chief Constable, PCC and Group as at 31st March 2016. Note that the intra-group pension adjustment has been removed on consolidation at the Group level.

PCC and Group Cash Flow Statement for the year ended 31st March 2016

2014/15 £'000		2015/16 £'000	£'000
	Operating Activities (Note 41)		
	Cash inflows		
(43,742)	Council Tax receipts	(44,787)	
(20,310)	National non-domestic rates received	(20,131)	
(36,842)	Police grant	(34,587)	
(5,595)	Council Tax support grant	(5,595)	
(6,650)	Other grants	(6,627)	
(4,953)	Cash received for goods and services	(3,238)	
(180)	Interest received	(175)	
(1,776)	Other operating cash receipts	(2,078)	
(120,048)			(117,218)
	Cash outflows		
68,406	Cash paid to and on behalf of employees	68,351	
19,404	Cash paid to suppliers of goods & services	18,808	
1,980	Interest paid	2,284	
24,110	Other operating cash payments	22,722	
113,900			112,165
(6,148)	**Net cash flows from operating activities**		**(5,053)**
	Investing Activities		
12,339	Purchase of property, plant & equipment, investment property and intangible assets (Note 42)	6,933	
(302)	Sale of property, plant & equipment	(400)	
(911)	Other receipts from investing activities	(818)	
11,126	**Net cash flow from Investing Activities**		**5,715**
	Financing Activities (Note 43)		
(4,000)	New loans raised	(6,000)	
222	Capital element of PFI payment	356	
0	Repayments of amounts borrowed	4,000	
(3,778)	**Net cash flow from Financing Activities**		**(1,644)**
1,200	**Net (increase)/decrease in cash and cash equivalents (Note 44)**		**(982)**
(30,404)	**Cash and cash equivalents at the beginning of the reporting period**		**(29,204)**
(29,204)	**Cash and cash equivalents at the end of the reporting period**		**(30,186)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the PCC during the reporting period. As there is no distinction between the Group and the PCC movements there is no separate statement for the PCC.

NOTES TO THE ACCOUNTS

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

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

The 2015/16 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 CIES 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 2015/16 as the resources consumed at the request of the Chief Constable are completely offset by the intra-group adjustment.

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group 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 items in the Group Balance Sheet at 31st March 2016 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 value of these pension scheme liabilities at 31st March 2016 was £1,137m. A sensitivity analysis on the assumptions made is detailed in note 9.

b. Council tax impairments (£0.5m at 31st March 2016). A doubling of the level of impairment would result in a further £0.5m being recognised on the Balance Sheet.

c. Short Term Compensated Absences (£0.7m at 31st March 2016). A 50% increase in the level of short term compensated absences will result in a further £0.35m being recognised on the Balance Sheet.

d. Property valuation. A full revaluation of property is undertaken every five years. The last full revaluation was undertaken as at 31st March 2014. In the intervening years desktop valuations are undertaken as at 31st March by professional valuers. A 10% change in the value of operational land would result in a £1.0m increase/decrease in the value of property, plant and equipment. A 10% change in the value of buildings would result in a £4.1m increase/decrease in the value of property, plant and equipment.

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

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

- Amendments to IAS 19 Employee benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 28 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out earlier in this document, the Group 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:

- In 2011/12 the CIPFA Code has adopted FRS 30 in respect of heritage assets. These are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical association. The PCC has reviewed all of his assets at 31st March 2016 and established that there are no heritage assets with a material impact on the financial statements.

- When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (Level 1), their fair value is measured using valuation techniques. Where level 1 inputs are not available, where significant, the Group employs relevant experts to identify the most appropriate valuation techniques to determine fair value (excluding PFI assets).

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

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

- A judgement has been made with regard to the contingent liability in relation to payments owing to a small group of police officers (12 in total) in relation to on-call duties. An exercise will be undertaken during 2016/17 to ascertain the payments due to each officer. Until that exercise is completed it is not possible to assess the liability. It has been judged that due to the low number of officers involved the liability will not be significant.

- The Group has received a claim from the main contractor involved in the construction of the Custody Suite, which opened in January 2015. Following the receipt of independent legal advice the Group has rebutted the claim, accepts no liability and has judged that no provision is required in the accounts.

- The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 14 claims lodged against her 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 Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

5. Analysis of Usable Reserves

2015/16	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Revenue Contribution to capital unapplied £000	Capital Contributions Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Balance at 31st March 2015	6,100	22,608	1,004	1,591	0	1,184	**32,487**
Movement in reserves during 2015/16							
Surplus or (deficit) on provision of services	(33,737)	0	0	0	0	0	**(33,737)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**
Total Comprehensive Expenditure and Income	(33,737)	0	0	0	0	0	**(33,737)**
Adjustments between accounting basis & funding basis under regulations							
Depreciation/amortisation	4,614	0	0	0	0	0	**4,614**
Impairment/revaluation losses (charged to I&E)	(1,072)	0	0	0	0	0	**(1,072)**
Capital grant and contributions	(818)	0	0	0	0	(1,152)	**(1,970)**
Sale of non current assets	176	0	400	0	0	0	**576**
Net retirement benefits per IAS19 (FRS17)	33,874	0	0	0	0	0	**33,874**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(178)	0	0	0	0	0	**(178)**
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(937)	0	0	0	0	0	**(937)**
Revenue contribution to finance capital	(3,394)	0	0	41	0	0	**(3,353)**
Use of capital receipts reserve to finance capital expenditure	0	0	(35)	0	0	0	**(35)**
Total adjustments between accounting basis & funding basis under regulations	32,265	0	365	41	0	(1,152)	**31,519**
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,472)	0	365	41	0	(1,152)	**(2,218)**
Transfers to/from Earmarked Reserves							
All other movements in reserves	719	(719)	0	0	0	0	**0**
Compensated absences	(21)	0	0	0	0	0	**(21)**
Total transfers to/from Earmarked Reserves	698	(719)	0	0	0	0	**(21)**
Increase/Decrease (movement) in Year	(774)	(719)	365	41	0	(1,152)	**(2,239)**
Balance at 31st March 2016 carried forward	5,326	21,889	1,369	1,632	0	32	**30,248**

2014/15	**General Fund Balance £000**	**Earmarked GF Reserves £000**	**Capital Receipts Reserve £000**	**Revenue Contribution to capital unapplied £000**	**Capital Contributions Unapplied £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**
Balance at 31 March 2014	5,068	25,883	702	1,844	0	301	**33,798**
Movement in reserves during 2014/15							
Surplus or (deficit) on provision of services	(40,708)	0	0	0	0	0	**(40,708)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**
Total Comprehensive Expenditure and Income	(40,708)	0	0	0	0	0	**(40,708)**
Adjustments between accounting basis & funding basis under regulations							
Depreciation/amortisation	4,423	0	0	0	0	0	**4,423**
Impairment/revaluation losses (charged to I&E)	(1,692)	0	0	0	0	0	**(1,692)**
Capital grant and contributions	(911)	0	0	0	0	883	**(28)**
Sale of non current assets	(122)	0	302	0	0	0	**180**
Net retirement benefits per IAS19 (FRS17)	44,798	0	0	0	0	0	**44,798**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(271)	0	0	0	0	0	**(271)**
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(578)	0	0	0	0	0	**(578)**
Revenue contribution to finance capital	(7,269)	0	0	(253)	0	0	**(7,522)**
Use of capital receipts reserve to finance capital expenditure	0	0	0	0	0	0	**0**
Total adjustments between accounting basis & funding basis under regulations	38,378	0	302	(253)	0	883	**39,310**
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,330)	0	302	(253)	0	883	**(1,398)**
Transfers to/from Earmarked Reserves							
All other movements in reserves	3,275	(3,275)	0	0	0	0	**0**
Compensated absences	87	0	0	0	0	0	**87**
Total transfers to/from Earmarked Reserves	3,362	(3,275)	0	0	0	0	**87**
Increase/Decrease (movement) in Year	1,032	(3,275)	302	(253)	0	883	**(1,311)**
Balance at 31 March 2015 carried forward	6,100	22,608	1,004	1,591	0	1,184	**32,487**

The total of £5.3 million in the General Fund Balance as at 31st March 2016 represents the working balance requirement of the PCC, held at 5% of the revenue budget.

The earmarked general fund reserves are further analysed below:

Reserve	Balance at 1st April 2014 £000	Net Movement 2014/15 £000	Balance at 31st March 2015 £000	Net Movement 2015/16 £000	Balance at 31st March 2016 £000
Vehicle Reserve (note a)	1,527	0	1,527	0	1,527
Estates Reserve (note b)	11,559	(9,785)	1,774	921	2,695
Carry Forward Reserve (note c)	6,041	(259)	5,782	439	6,221
ICT reserve (note d)	6,757	(1,232)	5,525	2,397	7,922
Revenue Support Reserve (note e)	0	8,000	8,000	(4,976)	3,024
Insurance Reserve (note f)	0	0	0	500	500
Total	25,884	(3,276)	22,608	(719)	21,889

a) Vehicle reserve
This reserve was created in 2008/09, funded from the Medium Term Financial Strategy Reserve.

b) Estates Reserve
This reserve was created in 2011/12 to fund the Estates programme over the medium term.

c) Carry Forward Reserve
The carry forward reserve represents amounts not spent in the revenue budget, which are transferred to the following year to meet planned expenditure.

d) ICT Reserve
This reserve was created in 2012/13 to cover anticipated costs arising from the Group’s IT strategy.

e) Revenue Support Reserve
This reserve was created in 2014/15 to provide transitional support during the period of future significant budget reductions.

f) Insurance Reserve
This reserve was established during 2015/16 to mitigate against increased insurance premiums in future years.

The main elements of the carry forward balance at 31st March 2016 are listed below:

	£000
Asset replacement	1,732
Six priorities fund	1,047
Commissioning fund	408
Victim services	400
Asset recovery incentivisation	400
Transition fund	358
Other specific carry forwards	1,876
	6,221

6. Analysis of Unusable Reserves

2015/16	**Revaluation Reserve £000**	**Pensions Reserve £000**	**Capital Adjustment Account £000**	**Collection Fund Adjustment Account £000**	**Short term Compensated Absences £000**	**Total Unusable Reserves £000**
Balance at 31st March 2015	11,339	(1,282,331)	32,413	904	(708)	**(1,238,383)**
Movement in reserves during 2015/16						
Surplus or (deficit) on provision of services	0	0	0	0	0	**0**
Other Comprehensive Expenditure and Income						
Revaluation gains / losses	352	0	0	0	0	**352**
Movement in pensions reserve	0	179,572	0	0	0	**179,572**
Total Comprehensive Expenditure and Income	352	179,572	0	0	0	**179,924**
Adjustments between accounting basis & funding basis under regulations						
Depreciation/amortisation	(428)	0	(4,186)	0	0	**(4,614)**
Impairment/revaluation losses (charged to I&E)	0	0	1,072	0	0	**1,072**
Capital grant and contributions	0	0	1,970	0	0	**1,970**
Sale of non current assets	(176)	0	(400)	0	0	**(576)**
Net retirement benefits per IAS19 (FRS17)	0	(33,874)	0	0	0	**(33,874)**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	0	0	0	178	0	**178**
Statutory Provision for the repayment of debt - (Minimum revenue provision)	0	0	937	0	0	**937**
Revenue contribution to finance capital	0	0	3,353	0	0	**3,353**
Use of capital receipts reserve to finance capital expenditure	0	0	35	0	0	**35**
Total adjustments between accounting basis & funding basis under regulations	(604)	(33,874)	2,781	178	0	**(31,519)**
Net Increase/Decrease before Transfers to Earmarked Reserves	(252)	145,698	2,781	178	0	**148,405**
Transfers to/from Earmarked Reserves						
Compensated absences	0	0	0	0	21	**21**
Total transfers to/from Earmarked Reserves	0	0	0	0	21	**21**
Increase/Decrease (movement) in Year	(252)	145,698	2,781	178	21	**148,426**
Balance at 31st March 2016 carried forward	11,087	(1,136,633)	35,194	1,082	(687)	**(1,089,957)**

2014/15	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	Short term Compensated Absences £000	Total Unusable Reserves £000
Balance at 31 March 2014	8,898	(1,066,463)	26,861	633	(621)	**(1,030,692)**
Movement in reserves during 2014/15						
Surplus or (deficit) on provision of services	0	0	0	0	0	**0**
Other Comprehensive Expenditure and Income						
Revaluation gains / losses	2,775	0	0	0	0	**2,775**
Movement in pensions reserve	0	(171,069)	0	0	0	**(171,069)**
Total Comprehensive Expenditure and Income	2,775	(171,069)	0	0	0	**(168,294)**
Adjustments between accounting basis & funding basis under regulations						
Depreciation/amortisation	(334)	0	(4,088)	0	0	**(4,422)**
Impairment/revaluation losses (charged to I&E)	0	0	1,692	0	0	**1,692**
Capital grant and contributions	0	0	28	0	0	**28**
Sale of non current assets	0	0	(180)	0	0	**(180)**
Net retirement benefits per IAS19 (FRS17)	0	(44,799)	0	0	0	**(44,799)**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	0	0	0	271	0	**271**
Statutory Provision for the repayment of debt - (Minimum revenue provision)	0	0	578	0	0	**578**
Revenue contribution to finance capital	0	0	7,522	0	0	**7,522**
Use of capital receipts reserve to finance capital expenditure	0	0	0	0	0	**0**
Total adjustments between accounting basis & funding basis under regulations	(334)	(44,799)	5,552	271	0	**(39,310)**
Net Increase/Decrease before Transfers to Earmarked Reserves	2,441	(215,868)	5,552	271	0	**(207,604)**
Transfers to/from Earmarked Reserves						
Compensated absences	0	0	0	0	(87)	**(87)**
Total transfers to/from Earmarked Reserves	0	0	0	0	(87)	**(87)**
Increase/Decrease (movement) in Year	2,441	(215,868)	5,552	271	(87)	**(207,691)**
Balance at 31 March 2015 carried forward	11,339	(1,282,331)	32,413	904	(708)	**(1,238,383)**

7. Subjective analysis of spending

2014/15 CC £000	2014/15 PCC £000	2014/15 GROUP £000		2015/16 CC £000	2015/16 PCC £000	2015/16 GROUP £000
52,783	0	52,783	Police pay and allowances	51,282	0	51,282
24,342	621	24,963	Staff pay and allowances	25,530	612	26,142
1,106	0	1,106	Other employee expenses	836	0	836
10,122	0	10,122	Police pensions	10,392	0	10,392
(1,020)	0	(1,020)	IAS19 Pension costs	(7,126)	0	(7,126)
5,185	0	5,185	Premises	5,683	0	5,683
2,013	16	2,029	Transport	2,056	24	2,080
10,932	104	11,036	Supplies and services	12,218	89	12,307
982	1,632	2,614	Agency and contracted services	1,120	2,489	3,609
4,423	0	4,423	Depreciation	4,614	0	4,614
110,868	**2,373**	**113,241**	**Gross Operating Expenditure**	**106,605**	**3,214**	**109,819**
			Income			
0	(5,612)	(5,612)	Specific grants ***(Note 10)***	0	(6,867)	(6,867)
0	(5,012)	(5,012)	Income from fees and charges ***(Note 11)***	0	(5,332)	(5,332)
0	(1,677)	(1,677)	Revaluation losses/gains	0	(1,037)	(1,037)
(110,868)	110,868	0	Intra group adjustment	(106,605)	106,605	0
0	**100,940**	**100,940**	**Net Cost of Service**	**0**	**96,583**	**96,583**
		1,938	Interest paid ***(Note 12)***			2,284
		(2,790)	Gain/Loss on revaluation of assets			(387)
		(180)	Interest and investment income			(175)
		45,818	Net interest on the net defined benefit liability and expected return on pension assets			41,000
		145,726	**Net operating expenditure**			**139,305**
		3,472	Transfers to earmarked and general reserves			865
		1,467	Revenue contributions to capital			1,057
		1,533	Transfer to/from capital adjustment account/ revaluation reserve ***(Note 13)***			(1,435)
		15,963	Contribution to Pension Fund Account in respect of deficit			19,768
		(44,798)	Contribution from IAS19 pensions reserve			(33,874)
		123,363	**Net expenditure to be met from Grants & Taxation**			**125,686**
		(911)	Recognised capital grants & contributions			(818)
		(36,842)	Police Revenue Grant ***(Note 14)***			(34,587)
		(15,963)	Police Pension Fund Top-Up Grant ***(Note 15)***			(19,768)
		(20,310)	National non-domestic rates redistribution ***(Note 16)***			(20,131)
		(5,595)	Council tax support grant ***(Note 17)***			(5,595)
		(43,742)	Precepts ***(Note 18)***			(44,787)
		0	**(Increase) in General Fund Balance for the year**			**0**

The subjective analysis in the table above has been split between the PCC and Chief Constable to separately identify the financial resources of the PCC consumed at the request of the Chief Constable for the years ended 31st March 2015 and 2016 from those costs exclusively incurred by the PCC.

8. Segmental reporting

2015/16

The PCC had one reporting segment, incorporating both PCC and Chief Constable costs for which the outturn report was presented to the Finance Panel on 26th May 2016 as detailed below.

Revenue Budget	Feb PCC Budget £000's	Variation to Budget £000's	Latest Budget £000's	Outturn Expend £000's	Variance £000's
Police Officers	58,778	284	59,062	58,326	-736
Police Staff	19,815	1,695	21,511	21,537	26
PCSOs	3,974	0	3,975	3,820	-154
Other employee costs	1,285	573	1,857	2,479	622
Training	480	-28	452	439	-13
Major Incidents	288	60	348	380	32
Total Employee Costs	**84,621**	**2,584**	**87,205**	**86,982**	**-223**
Premises	6,948	648	7,595	7,391	-205
Transport - Fleet	1,812	-58	1,754	1,666	-89
Transport - Other	312	58	370	352	-17
Supplies & Services	10,446	1,672	12,118	11,779	-339
Agency Costs	565	61	625	587	-39
Contracts for Support Services	344	22	366	385	19
Force Development Contingency	2,840	-2,582	258	0	-258
Savings Required for New Growth		-1,682	-1,682	0	1,682
Capital Financing Cost	982	0	982	1,001	19
Revenue Contribution to Capital	1,057	0	1,057	1,057	0
PCC Costs	700	7	707	682	-25
PCC Commissioning Fund	1,205	570	1,776	1,776	0
Transfer to Revenue Support Reserve	0	0	0	0	0
Total Expenditure	**111,830**	**1,299**	**113,130**	**113,656**	**526**
Income	-1,681	-875	-2,556	-3,031	-475
Interest Receipts	-150	0	-150	-175	-25
Specific Grants	-4,905	-1,239	-6,144	-6,195	-51
Net Budget/Expenditure	**105,095**	**-815**	**104,280**	**104,255**	**-25**
Support from Reserves	0	820	820	820	0
Budget Requirement	**105,095**	**6**	**105,100**	**105,076**	**-25**

A reconciliation between the Net Expenditure in this analysis (£104,255k) and the Net Cost of services included in the Comprehensive Income and Expenditure Statement (£96,583k) is detailed in the following table.

	£'000
Net Expenditure in Service Analysis	**104,255**
Amounts not included in service analysis but included in the Comprehensive Income and Expenditure Statement	
IAS19 pension costs	(7,126)
Gains/losses on revaluation of non-current assets	(1,037)
IFRS adjustment - short term compensated absences	(21)
IFRS adjustment - capital grants	818
	(7,366)
Amounts included in service analysis and not included in Net Cost of Services in Comprehensive Income and Expenditure Statement	
Interest paid	(2,284)
Investment income	175
Transfer to Revenue support reserve	0
Revenue contribution to capital	(1,056)
Transfer from Capital Adjustment Account	2,859
	(306)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**96,583**

A reconciliation between Net expenditure in the service analysis (£104,255k) and Net expenditure to be met from Grants and Taxation in note 7 (£125,686k) is detailed below:

	Service Analysis £'000	Amounts not included in service analysis £'000	Allocation of Recharges £'000	TOTAL £'000
Fees, charges & other service income	(3,031)	(260)	(2,041)	**(5,332)**
Interest and investment income	(175)	0	0	**(175)**
Revaluation gains/losses	0	(1,037)	0	**(1,037)**
Government grants and contributions	(6,195)	0	(672)	**(6,867)**
Total Income	**(9,401)**	**(1,297)**	**(2,713)**	**(13,411)**
Employee expenses	86,982	(21)	1,691	**88,652**
Other service expenses	24,618	(1,961)	1,022	**23,679**
Transfer to reserves	0	865	0	**865**
Pension Fund Account	0	19,768	0	**19,768**
Depreciation, amortisation and impairment	4,613	1	0	**4,614**
Interest Payments	419	1,865	0	**2,284**
Capital financing	(2,976)	2,211	0	**(765)**
Total operating expenses	**113,656**	**22,728**	**2,713**	**139,097**
Net expenditure	**104,255**	**21,431**	**0**	**125,686**

For budget monitoring purposes budget is presented in a different format to that approved by the PCC in February 2015. The two formats are reconciled in the following table.

Revenue Budget	Budget paper £000's	Major Incidents £000s	Contingency £000s	Other Adjustments £000s	Monitoring Statement £000s
Police Officers	60,586	-658	-200	-949	58,778
Police Staff	21,035	-57	-1,162		19,816
PCSOs	3,974				3,974
Other employee costs	335			949	1,284
Training	700		-220		480
Major Incidents	0	288			288
Total Employee Costs	**86,630**				**84,621**
Premises	6,948				6,948
Transport - Fleet	1,812				1,812
Transport - Other	312				312
Supplies & Services	11,002	-48	-758	250	10,446
Agency Costs	815			-250	565
Contracts for Support Services	344				344
Force Development Contingency	0		2,840		2,840
Savings Required for New Growth	0				0
Capital Financing Cost	982				982
Revenue Contribution to Capital	1,557		-500		1,057
PCC Costs	700				700
PCC Commissioning Fund	1,205				1,205
Transfer to Revenue Support Reserve	0				0
Total Expenditure	**112,306**				**111,831**
Income	-2,156	475			-1,681
Interest Receipts	-150				-150
Specific Grants	-4,905				-4,905
Net Budget/Expenditure	**105,095**	**0**	**0**	**0**	**105,095**
Support from Reserves	0				0
Budget Requirement	**105,095**	**0**	**0**	**0**	**105,095**

2014/15

The PCC had one reporting segment, incorporating both PCC and Chief Constable costs for which the outturn report was presented to the Finance Panel on 22nd June 2015 as detailed below.

Revenue Budget	Feb PCC Budget £000's	Variation to Budget £000's	Latest Budget £000's	Outturn Expend £000's	Variance £000's
Police Officers	61,418	-26	61,392	60,336	-1,055
Police Staff	19,876	1,057	20,934	20,262	-672
PCSOs	3,952	0	3,952	3,911	-41
Other employee costs	1,348	-45	1,303	1,786	483
Training	669	-59	610	566	-43
Major Incidents	280	158	438	169	-270
Total Employee Costs	**87,543**	**1,085**	**88,628**	**87,030**	**-1,598**
Premises	6,587	-35	6,552	6,387	-165
Transport - Fleet	1,916	-25	1,891	1,604	-288
Transport - Other	388	-26	361	344	-17
Supplies & Services	9,985	1,331	11,316	10,403	-913
Agency Costs	652	-75	577	484	-93
Contracts for Support Services	367	-2	365	315	-50
Force Development Contingency	2,518	-2,203	315	0	-315
Savings Required for New Growth		-1,228	-1,228	0	1,228
Capital Financing Cost	756	0	756	758	2
Revenue Contribution to Capital	1,057	391	1,447	1,447	0
PCC Costs	706	-16	690	608	-82
PCC Commissioning Fund	805	487	1,292	1,292	0
Transfer to Revenue Support Reserve	0	0	0	1,724	1,724
Total Expenditure	**113,281**	**-317**	**112,964**	**112,397**	**-567**
Income	-1,469	-438	-1,907	-2,317	-410
Interest Receipts	-200	0	-200	-180	20
Specific Grants	-5,123	-47	-5,170	-5,246	-76
Net Budget/Expenditure	**106,489**	**-802**	**105,687**	**104,653**	**-1,033**
Support from Carry Forward Reserves	0	802	802	961	159
Transfer to General reserve	0	0	0	874	874
Budget Requirement	**106,489**	**0**	**106,489**	**106,489**	**0**

A reconciliation between the Net Expenditure in this analysis (£104,653k) and the Net Cost of services included in the Comprehensive Income and Expenditure Statement (£100,940k) is detailed below.

	£'000
Net Expenditure in Service Analysis	**104,653**
Amounts not included in service analysis but included in the Comprehensive Income and Expenditure Statement	
IAS19 pension costs	(1,020)
Gains/losses on revaluation of non-current assets	(1,677)
IFRS adjustment - short term compensated absences	87
IFRS adjustment - capital grants	911
	(1,699)
Amounts included in service analysis and not included in Net Cost of Services in Comprehensive Income and Expenditure Statement	
Interest paid	(1,937)
Investment income	180
Transfer to Revenue support reserve	(1,724)
Revenue contribution to capital	(1,467)
Transfer from Capital Adjustment Account	2,934
	(2,014)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**100,940**

A reconciliation between Net expenditure in the service analysis (£104,653k) and Net expenditure to be met from Grants and Taxation in note 7 (£123,363k) is detailed below:

	Service Analysis	Amounts not included in service analysis	Allocation of Recharges	TOTAL
	£'000	£'000	£'000	£'000
Fees, charges & other service income	(2,317)	(234)	(2,461)	**(5,012)**
Interest and investment income	(180)	0	0	**(180)**
Revaluation gains/losses	0	(1,677)	0	**(1,677)**
Government grants and contributions	(5,246)	0	(366)	**(5,612)**
Total Income	**(7,743)**	**(1,911)**	**(2,827)**	**(12,481)**
Employee expenses	87,030	87	1,857	**88,974**
Other service expenses	21,437	(1,524)	951	**20,864**
Transfer to reserves	1,724	1,748	0	**3,472**
Pension Fund Account	0	15,963	0	**15,963**
Depreciation, amortisation and impairment	4,423	0	0	**4,423**
Interest Payments	402	1,536	0	**1,938**
Capital financing	(2,620)	2,811	19	**210**
Total operating expenses	**112,396**	**20,621**	**2,827**	**135,844**
Net expenditure	**104,653**	**18,710**	**0**	**123,363**

9. Pension costs

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

The Group participates in two separate pension schemes:

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

- The Police Pension Scheme, comprising three elements: 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. Both schemes are operated under the regulatory framework for the Police Pension Schemes and the governance of the scheme is the responsibility of the Chief Constable, who is the Scheme Manager for the Force. From April 2015 the Scheme Manager is assisted by a Pensions Board. As stated above, there are no investment assets, so investment managers have not been appointed.

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

Transactions relating to post-employment benefits

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

	2014/15 £000	2015/16 £000
<u>Local Government Pension Scheme (LGPS)</u>		
Comprehensive Income and Expenditure Account		
Net cost of services		
Current service cost	4,109	5,484
Past service costs (including curtailments)	0	0
Amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	(3,629)	(3,910)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	4,995	4,748
Expected return on assets in the scheme	(3,577)	(3,148)
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	23,947	(16,833)
Other experience	(720)	(1,369)
Return on plan assets (excluding the amount included in the net interest expense	(8,657)	3,030
Net charge to the Comprehensive Income & Expenditure Account	16,468	(11,998)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(16,468)	11,998

	2014/15 £000	2015/16 £000
<u>Police Pension Schemes (PPS, NPPS & CARE)</u>		
Comprehensive Income and Expenditure Account		
Net cost of services		
Current service cost	26,000	23,300
Past service costs (including curtailments)	200	200
Amount charged against the General Fund Balance for pensions in the year: Retirement benefits payable to pensioners	(27,700)	(32,200)
Financing and investment income and expenditure		
Net interest on the net defined benefit liability	44,400	39,400
Remeasurement of the net defined benefit liability		
Actuarial gains and losses arising on changes in demographic assumptions	0	(3,300)
Actuarial gains and losses arising on changes in financial assumptions	155,400	(121,400)
Other experience	1,100	(39,700)
Net charge to the Comprehensive Income & Expenditure Account	199,400	(133,700)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(199,400)	133,700

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	
	2014/15	**2015/16**	**2014/15**	**2015/16**
	£000	**£000**	**£000**	**£000**
As at 1st April	(114,680)	(146,080)	(1,033,700)	(1,233,100)
Current service cost	(4,109)	(5,484)	(26,000)	(23,300)
Net interest on the net defined benefit liability	(4,995)	(4,748)	(44,400)	(39,400)
Contributions by scheme participants	(1,178)	(1,246)	(5,700)	(5,600)
Transfers (in)out	0	0	100	(300)
Remeasurement of the net defined benefit liability				
- Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	3,300
- Actuarial gains/losses arising from changes in financial assumptions	(23,947)	16,833	(155,400)	121,400
- Other experience	720	1,369	(1,100)	39,700
Benefits paid	2,109	2,100	33,300	38,100
Past service cost (including curtailments)	0	0	(200)	(200)
As at 31st March	(146,080)	(137,256)	(1,233,100)	(1,099,400)

Lump sum commutation payments are based on the position at the time of calculation, 31st December 2015.

Reconciliation of fair value of the scheme assets:

	LGPS	
	2014/15	**2015/16**
	£000	**£000**
As at 1st April	81,917	96,849
Expected rate of return	3,577	3,148
Remeasurement of the net defined benefit liability	8,657	(3,030)
Employers contributions	3,629	3,910
Contributions by scheme participants	1,178	1,246
Benefits paid	(2,109)	(2,100)
As at 31st March	96,849	100,023

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The scheme has made a positive return on assets in the year of £3.174m (2014/15: £14.932m positive return).

Scheme History

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of liabilities						
- LGPS	(69,985)	(80,689)	(100,767)	(114,680)	(146,080)	(137,256)
- Police pension schemes	(738,300)	(795,800)	(929,200)	(1,033,700)	(1,233,100)	(1,099,400)
- Total	(808,285)	(876,489)	(1,029,967)	(1,148,380)	(1,379,180)	(1,236,656)
Fair value of assets in LGPS	54,626	59,946	71,898	81,917	96,849	100,023
Surplus (deficit) in the scheme						
- LGPS	(15,359)	(20,743)	(28,869)	(32,763)	(49,231)	(37,233)
- Police pension schemes	(738,300)	(795,800)	(929,200)	(1,033,700)	(1,233,100)	(1,099,400)
- Total	(753,659)	(816,543)	(958,069)	(1,066,463)	(1,282,331)	(1,136,633)

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 reduced liability as at 31st March 2016 is primarily a result of changes in financial actuarial assumptions since 2014/15. The total liability of £1,137m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,060m. 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 2017 is £4.00m and the projected current service cost is £4.60m.

The projected current service costs for the Police Pension Schemes for 2016/17 are £20.7 million (from £23.5 million in 2015/16). 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 2015 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 2013. Estimates for the Police pension schemes are based on the latest full valuation of the scheme as at 31st March 2015. The principal assumptions used by the Actuary have been:

	LGPS		Police Pension Schemes	
	2014/15	**2015/16**	**2014/15**	**2015/16**
Long term expected rate of return on assets in the scheme:				
Equity investments	3.2%	3.5%	-	-
Bonds	3.2%	3.5%	-	-
Property	3.2%	3.5%	-	-
Cash	3.2%	3.5%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Male	22.5	22.5	24.5	24.7
Female	24.6	24.6	26.7	26.6
Longevity at 65 for future pensioners:				
Male	24.4	24.4	26.1	26.2
Female	27.0	27.0	28.2	28.2
Rate of inflation	2.4%	2.2%	3.3% (3.4% new)	3.2%
Rate of increase in salaries	3.8%	3.7%	3.4% (3.5% new)	3.2%
Rate of increase in pensions	2.4%	2.2%	2.4% (2.5% new)	2.2%
Expected return on assets	3.2%	3.5%	-	-
Rate for discounting scheme liabilities	3.2%	3.5%	3.2% (3.3% new)	3.5%
Take-up of option to convert annual pension into retirement lump sum	50% pre 1/4/08 75% post 31/3/08	50% pre 1/4/08 75% post 31/3/08	90% old scheme, no allowance new scheme	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 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13	18,190
1 year increase in member life expectancy	3	4,118
0.5% increase in the Salary Increase Rate	5	6,667
0.5% increase in the Pension Increase Rate	8	11,177

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 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9	102,600
1 year increase in member life expectancy	3	32,700
0.5% increase in the Salary Increase Rate	1	15,400
0.5% increase in the Pension Increase Rate (CPI)	8	85,700

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 2016	Approximate % increase to projected current service cost	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9	1,760
1 year increase in member life expectancy	2	400
0.5% increase in the Salary Increase Rate	1	200
0.5% increase in the Pension Increase Rate (CPI)	7	1,550

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 2015			Fair value of scheme assets at 31st March 2016		
Asset Category	**Quoted prices in active markets (£000)**	**Quoted prices not in active markets (£000)**	**Total (£000)**	**Quoted prices in active markets (£000)**	**Quoted prices not in active markets (£000)**	**Total (£000)**
Cash & cash equivalents	**1,464.8**	**-**	**1,464.8**	**1,097.5**	**-**	**1,097.5**
Equity securities						
Consumer	5,197.2	-	5,197.2	6,156.0	-	6,156.0
Manufacturing	2,310.6	-	2,310.6	3,015.0	-	3,015.0
Energy & utilities	2,456.4	-	2,456.4	1,813.4	-	1,813.4
Financial institutions	4,597.8	-	4,597.8	4,834.1	-	4,834.1
Health & care	921.0	-	921.0	785.3	-	785.3
Information technology	0	-	0	541.7	-	541.7
Other	2,321.8	-	2,321.8	2,075.4	-	2,075.4
Total Equity securities	**17,804.8**	**-**	**17,804.8**	**19,220.9**	**-**	**19,220.9**
Debt securities						
Corporate (investment grade)	4,916.8	-	4,916.8	5,156.5	-	5,156.5
Corporate (non-investment grade)	370.5	-	370.5	388.4	-	388.4
UK Government	9,116.7	-	9,116.7	9,139.8	-	9,139.8
Other	1,586.1	-	1,586.1	1,376.9	-	1,376.9
Total Debt securities	**15,990.1**		**15,990.1**	**16,061.6**	**-**	**16,061.6**
Property						
UK	4,803.0	1,662.5	6,465.5	5,455.7	1,965.2	7,420.9
Overseas	-	498.2	498.2	-	512.7	512.7
Total Property	**4,803.0**	**2,160.7**	**6,963.7**	**5,455.7**	**2,477.9**	**7,933.6**
Private equity	**-**	**289.0**	**289.0**	**-**	**293.7**	**293.7**
Investment funds and Unit trusts						
Equities	3,198.0	42,256.7	45,454.7	3,340.6	42,767.0	46,107.6
Bonds	4,198.6	257.1	4,455.7	4,377.2	256.8	4,634.0
Other	-	4,432.1	4,432.1	-	4,683.1	4,683.1
Total Investment funds and Unit trusts	**7,396.6**	**46,945.9**	**54,342.5**	**7,717.8**	**47,706.9**	**55,424.7**
Derivatives						
Other	(5.9)	-	(5.9)	(9.0)	-	(9.0)
Total Derivatives	**(5.9)**	**-**	**(5.9)**	**(9.0)**	**-**	**(9.0)**
TOTAL ASSETS	**47,453.4**	**49,395.6**	**96,849.0**	**49,544.5**	**50,478.5**	**100,023.0**

None of the property assets included in the scheme are occupied by the Police and Crime Commissioner for Gloucestershire. The LGPS year-end asset values are indexed from their position on 31st December 2015.

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 20 years. Funding levels are monitored on an annual basis. The latest triennial valuation for the LGPS was completed on 31st March 2013 and for the Police pension schemes on 31st March 2015.

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

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

	Weighted average duration as at 31st March 2015 (years)	Weighted average duration as at 31st March 2016 (years)
LGPS	22.9	22.9
Police pension schemes	19.5	18.0

10. Specific Grants

	2014/15 £000	2015/16 £000
Security Grant – Home Office	2,823	2,708
Private Finance Initiative (PFI) – Home Office	2,261	2,710
Other grants	528	1,449
	5,612	6,867

11. Income from Fees and Charges

	2014/15 £000	2015/16 £000
Special Services	1,693	1,239
Camera Project	379	364
Road safety	552	329
Hypothecation – POCA	191	597
RIU/RART	476	660
Vehicle Recovery	234	260
Sales Income	65	86
Firearms Certificates	100	192
Rents	126	34
Crime Records Bureau	176	164
Abstraction Reports	115	102
Tri Service Recharge	432	381
Miscellaneous	473	924
TOTAL	**5,012**	**5,332**

In addition to the above income the Group received goods and services from sponsors and donors during the year to a value of £8,833 (£10,000 in 2014/15).

12. Interest payable and similar charges

	2014/15 £000	2015/16 £000
PFI interest	1,536	1,865
Interest on loans	402	419
TOTAL	**1,938**	**2,284**

13. Income & Expenditure Account – Transfers to/from capital adjustment account & revaluation reserve

The Group is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. For 2015/16 the amount is £937,470.

	2014/15 £000	2015/16 £000
Provision for depreciation	4,423	4,614
Provision for (gain)loss on revaluation of assets	(4,467)	(1,424)
Capital grant	(911)	(818)
Less: Minimum Revenue Provision (MRP)	(578)	(937)
Transfer to/from Capital Adjustment Account	(1,533)	1,435

14. Police revenue grant

The revenue grant is provided by the Home Office as part of the funding required by a Group to finance a budget in line with the Government's assessment. The balance of funding in 2015/16 is from non-domestic rates and Council Tax.

15. Police Pension Top-Up Grant

The Group operates a Pension Fund, which is balanced to nil at the end of the year. The Group receives a Top-Up Grant from the Home Office equal to this deficit to balance the fund.

16. National non-domestic rates income

The national non-domestic rates (or business rates) are collected by District Councils, paid to the Government, and then distributed to all local authorities in proportion to population.

17. Council Tax Support Grant

The Council Tax Support Grant is paid in recognition of the reductions in precept income raised as a result of recent legislative changes.

18. Precepts

The difference between the budget and the funding provided by the Government is met from local taxpayers via the Council Tax. The amount required from the local taxpayers is "precepted" by the PCC on the District Councils in Gloucestershire who include this in their Council Tax levies. For 2015/16 the PCC's budget gave rise to a Council Tax (police element) at Band D of £207.73 per dwelling (compared with £207.73 per dwelling in 2014/15). From 1st April 2009 the Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year. In previous years Council Tax income included in the Income and Expenditure Account represented the amount paid from the Collection Fund. Note 7 contains the amount paid from the Collection Fund.

19. Income & Expenditure Account – PCC administrative costs and members' allowances

	2014/15 £	2015/16 £
Costs directly attributable to administration of PCC (including members allowances)	739,782	733,383
Allowances & expenses paid to members	5,035	4,632
Number of members	3	3

The members are appointed by the PCC and Chief Constable to form an Audit Committee to advise the PCC and Chief Constable. The Audit Committee do not have any decision making powers. The allowance scheme was based on the payment of salary reflecting the role undertaken by each of the Members. The PCC had chosen to make payments based on the lowest point on each band.

20. Exit packages

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

2015/16

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages £000
0 – 50,000	4	1	5	92

2014/15

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages £000
0 – 80,000	2	1	3	120

21. Remuneration of Senior Staff

The Group 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	**2014/15**	**2015/16**
£50,000 - £54,999	53	46
£55,000 - £59,999	40	42
£60,000 - £64,999	5	7
£65,000 - £69,999	4	5
£70,000 - £74,999	4	0
£75,000 - £79,999	3	4
£80,000 - £84,999	4	4
£85,000 - £89,999	0	2
£90,000 - £94,999	2	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	2	0
£110,000 - £114,999	0	1
£115,000 - £119,999	1	1
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	1	1

The Group is required, under the Accounts and Audit (England) Regulations 2014, to disclose individual remuneration details for senior employees and relevant police officers. Details for 2015/16 and 2014/15 are as follows:

2015/16 Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind £	Other Payments £	Total Remuneration excluding pension contributions 2015/16 £	Employers pension contributions £	Total Remuneration including pension contributions 2015/16 £	MEMO: Employees pension contributions £
Chief Constable	**136,457**	**0**	**8,612**	**0**	**348**	**0**	**145,417**	**21,286**	**166,703**	**15,040**
Deputy Chief Constable	**116,028**	**0**	**780**	**0**	**8,113**	**0**	**124,921**	**23,797**	**148,718**	**16,812**
ACC - Operational Services	**105,678**	**0**	**8,540**	**0**	**0**	**0**	**114,218**	**21,592**	**135,810**	**15,256**
ACC - Organisation (to 22/07/15)	**31,887**	**0**	**2,537**	**0**	**0**	**0**	**34,425**	**6,426**	**40,851**	**4,541**
Police & Crime Commissioner	**60,000**	**0**	**0**	**0**	**0**	**0**	**60,000**	**7,680**	**67,680**	**5,940**
Chief Executive	**77,485**	**0**	**46**	**0**	**0**	**0**	**77,531**	**9,918**	**87,449**	**7,671**
PCC Chief Finance Officer	**35,661**	**0**	**32**	**0**	**0**	**0**	**35,693**	**4,565**	**40,257**	**2,425**
CC Chief Finance Officer	**68,000**	**0**	**0**	**0**	**0**	**0**	**68,000**	**8,704**	**76,704**	**6,732**

Notes:
1. The expense allowances includes the lump sum car allowance paid to officers who do not take up their entitlement for a provided car and the taxable value of payments made to officers for business mileage undertaken in their private vehicles.
2.The benefits in kind entries do not refer to cash payments made to the officers but to the notional value of the benefit provided instead of cash payments. The benefits refer to the provision of home security alarms, a vehicle and a telephone line
3. The employees pension contribution represents a deduction made from each individuals salary.
4. The Chief Executive post was combined with that of the Force Solicitor. The figures included in the table reflect the cost of this combined role.

2014/15 Post holder information	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Payment in lieu of notice £	Benefits in Kind £	Other Payments £	Total Remuneration excluding pension contributions 2014/15 £	Employers Pension Contributions £	Total remuneration including pension contributions 2014/15 £	MEMO: Employees Pension Contributions £
Chief Constable	**139,254**	**0**	**8,410**	**0**	**168**	**0**	**147,832**	**31,983**	**179,815**	**19,882**
Deputy Chief Constable	**114,911**	**0**	**780**	**0**	**6,554**	**0**	**122,245**	**26,766**	**149,011**	**16,646**
ACC - Operational Services	**99,552**	**0**	**8,428**	**0**	**0**	**0**	**107,980**	**23,049**	**131,029**	**14,334**
ACC - Organisation	**99,562**	**0**	**8,249**	**0**	**245**	**0**	**108,056**	**23,049**	**131,105**	**14,334**
Police & Crime Commissioner	**59,996**	**0**	**0**	**0**	**0**	**0**	**59,996**	**7,679**	**67,675**	**5,940**
Chief Executive A (to 01/09/14)	30,213	0	0	0	0	0	30,213	0	30,213	0
Chief Executive B (from 01/09/14)	43,409	0	0	0	0	0	43,409	5,556	48,965	4,298
Post total	**73,622**	**0**	**0**	**0**	**0**	**0**	**73,622**	**5,556**	**79,178**	**4,298**
PCC Chief Finance Officer	**34,903**	**0**	**0**	**0**	**0**	**0**	**34,903**	**4,467**	**39,370**	**2,373**
CC Chief Finance Officer	**67,457**	**0**	**0**	**0**	**0**	**0**	**67,457**	**8,634**	**76,091**	**6,678**

Notes:
1. The expense allowances includes the lump sum car allowance paid to officers who do not take up their entitlement for a provided car and the taxable value of payments made to officers for business mileage undertaken in their private vehicles.
2.The benefits in kind entries do not refer to cash payments made to the officers but to the notional value of the benefit provided instead of cash payments. The main benefit being the provision of home security alarms.
3. The employees pension contribution represents a deduction made from each individuals salary.
4. Chief Executive A was paid via a recruitment agency. No separate Employers pension contributions are made.
5. Chief Executive B's post is combined with that of the Force Solicitor. The figures included in the table reflect the cost of this combined role.

22. Related Party Transactions

The Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group.

Her Majesty's Government has significant influence over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates and provides the majority of funding in the form of grants (details of which can be found in notes 7 and 10).

Officers – during 2015/16 there were no material declared related party transactions to disclose.

23. Payments to External Auditors

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

	2014/15 £000	2015/16 £000
External Audit services - PCC	41	31
External Audit services – Chief Constable	20	15
Audit Commission rebate	(6)	0
Total	55	46

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

24. Joint arrangements

During the year the Group undertook joint arrangements with partners in eight areas. These joint arrangements are where the Group works in collaboration with other organisations to deliver activities which are agreed through a shared control (a shared Board).

Joint arrangements are classified as either joint operations or joint ventures. Joint ventures are managed through a separate vehicle. There are no separate vehicles in place for the Group's joint arrangements and they are all classified as joint operations. Details of each of these joint operations are given below.

a. Gloucestershire Tri Service Emergency Centre (GTEC)

This is a control room centre shared by Police, Fire and Ambulance Services within Gloucestershire, situated at the Waterwells Business Park, Gloucester. As part of the Legal Agreement, Police are the lead body on the purchase of facility management services for the building. These costs are then recharged to the other two services on the basis agreed within the legal document.

	2014/15 £'000	2015/16 £'000
Group Fixed Asset valuation at 31st March	6,250	6,610
Group Premises Expenditure (net of partners contributions)	204	172
Group Income from partners	(367)	(319)

The percentage interest of each party as measured by contribution value was:

	2014/15 %	2015/16 %
Group	36	35
Gloucestershire County Council (Fire service)	39	40
South Western Ambulance Service	25	25

b. Tri Service Fleet Workshops

This is a fleet workshop shared by Police, Fire and Ambulance Services within Gloucestershire, situated at the Waterwells Business Park, Gloucester. As part of the Legal Agreement, Police are the lead body on the purchase of facility management services for the building. These costs are then recharged to the other two services on the basis agreed within the legal document.

	2014/15	2015/16
	£'000	£'000
Group Fixed Asset valuation at 31st March	1,910	1,970
Group Premises Expenditure (net of partners contributions)	78	61
Group Income from partners	(65)	(62)

The percentage interest of each party as measured by contribution value was:

	2014/15	2015/16
	%	%
Group	36	50
Gloucestershire County Council (Fire service)	39	29
South Western Ambulance Service	25	21

c. Gloucestershire Camera Safety Partnership

The partnership is led and administered by Gloucestershire County Council (GCC). The Group is reimbursed by GCC for the eligible running costs of the camera system. The Group received £364k from the GCC budget in 2015/16 (£379k in 2014/15).

d. Firearms training

This joint operation was established from April 2014 to provide firearms training across three Force areas (Gloucestershire, Wiltshire and Avon & Somerset). Each Force provides firearms trainers to the operation which is provided out of the new Firearms facility based in Avon & Somerset. The 2015/16 costs of this operation were:

	£'000	%
Gloucestershire	779	33
Avon & Somerset	996	42
Wiltshire	607	25
TOTAL	**2,382**	

e. Tri-service operations

Three forces (Gloucestershire, Wiltshire and Avon & Somerset) established a joint operation from April 2014 to provide Firearms, Roads Policing and Dog services across all three Force areas. These services are based at four separate locations (two in Avon & Somerset and one each in Gloucestershire and Wiltshire). Each Force provides officers and staff to the joint operation. The 2015/16 costs of the operation were:

	£'000	%
Gloucestershire	5,017	23
Avon & Somerset	11,609	54
Wiltshire	5,017	23
TOTAL	**21,643**	

f. Zephyr

Zephyr is a region wide serious and organised crime collaboration with officers and staff being provided by Gloucestershire, Wiltshire, Avon & Somerset, Devon & Cornwall and Dorset. The collaboration agreement includes the following shares of costs for each Force:

	%
Gloucestershire	11
Wiltshire	12
Avon & Somerset	32
Devon & Cornwall	33
Dorset	12

The costs incurred by the joint operation as a whole and the Gloucestershire costs are summarised below.

	2014/15 £'000	**2015/16 £'000**
Gloucestershire	461	552
Total Operation	4,245	4,807

g. Major Crime Investigation Team (MCIT)

Gloucestershire joined the regional Major Crime Investigation team in December 2015. This collaboration is between 3 forces, Avon & Somerset, Wiltshire and Gloucestershire. The collaboration agreement includes the following shares of costs for each Force:

	%
Gloucestershire	17
Wiltshire	19
Avon & Somerset	64

The costs incurred from December 2015 to March 2016 by the joint operation as a whole and the Gloucestershire costs are summarised below.

	2014/15 £'000	**2015/16 £'000**
Gloucestershire	0	447
Total Operation	0	2,362

h. Regional programme team

A regional programme team has been established to facilitate collaborative working. During 2015/16 the team were involved in developing the MCIT, Storm, Emergency Services Network and Regional Organised Crime Unit arrangements. The costs incurred by Gloucestershire in 2016/17 were £66k out of a total regional cost of £540k.

25. Private Finance Initiative (PFI)

The Group has entered into two long term contractual agreements under PFI, for the headquarters building at Waterwells and the Blackrock Firearms training facility.

<u>Headquarters, Waterwells</u>

The Group has entered into a long-term contractual agreement under PFI whereby the Contractor is responsible to design, build, finance, operate and maintain the new headquarters building at Waterwells, Gloucester. The agreement imposes a 30 year commitment on the Group from occupation of the building in December 2005. From 1st April 2009, in accordance with IFRIC 12, the headquarters building has been treated as an asset on the balance sheet with a corresponding liability created at the same time. The Group has no control over the Contractor established to run this PFI scheme.

With regard the rights to use specific assets if termination of this PFI Agreement occurs for whatever reason then the Group may require the Contractor to transfer its rights, title and interest in and to the Assets to the Group at no cost to the Group.

With effect from the Actual Service Commencement Date the Contractor shall provide to the Group, or procure the provision to the Group, of the Services at the Site in accordance with the Service Delivery Plan and on the terms of this PFI Agreement. The Contractor will at all times ensure that the Services are performed by appropriately qualified and trained personnel, to such high standard of performance as it is reasonable to expect and in accordance with the terms of this PFI Agreement, the Service Delivery Plan and the Service Specification. The PCC for Gloucestershire has no obligation to provide the contractor with service concession or other revenue generating assets.

As outlined in the PFI Churn Management Service Delivery Plan the contractor (currently Gloucestershire FM Services Ltd) remains responsible for Churn Management from inception to implementation and the service includes the co-ordination of estate management, communication, logistics, analysis of electrical load implications and asset management.

As outlined in the Lead-Out Plan the Contractor will ensure that the building and all equipment which falls within its remit to maintain, is fit for transfer to the PCC for Gloucestershire at the end of the contract period. The facilities provider, (currently Gloucestershire FM Services Ltd), will hand over all relevant data and information on all existing services to enable a seamless transition of FM services to the subsequent incumbent. The contractor will provide a register of intellectual property rights including the Help Desk (hardware and software) and transfer of software licences for which the PCC will reimburse the contractor for the remainder of the licence period. Staff transfer will take place in accordance with employment law at that time.

The Group may terminate this Agreement voluntarily at any time on or before the Expiry Date by complying with its obligations as follows; If the Group wishes to terminate this Agreement it must give notice to the Contractor stating that the Group is terminating this Agreement and that this Agreement will terminate on the date falling 20 Business Days after the date of receipt of the notice.

If a breach (other than any breach for which performance points could have been awarded and/or deductions could have been made) of the Contractor’s obligations has occurred more than once then the Group may serve a notice on the Contractor specifying that the notice is a formal warning notice, giving reasonable details of the breach; and stating that the breach is a breach which, if it recurs frequently or continues, may result in a termination of this Agreement.

The Contractor shall obtain the Group’s prior written consent to any Qualifying Refinancing and both the Group and the Contractor shall at all times act in good faith with regard to any Refinancing. The Group shall be entitled to receive a 50 per cent share of any Refinancing Gain arising from a Qualifying Refinancing. The Group shall have the right to elect to receive its share of any Refinancing Gain as either a single payment in an amount less than or equal to any Distribution made on or about the date of the Refinancing, a reduction in the Unitary Charge over the remainder of the Contract Period, or a combination of the two.

The annual unitary charge for 2015/16 was £3.35 million (£1.58m service charge, £1.51m interest & £0.26m principal). The PCC will receive notional credit approvals totalling £28 million from the Home Office over the life of the arrangement. The PCC has opted for payment of these credits on an annuity basis. The PCC will receive a constant level amount of £2.26 million per year over the life of the contract.

<u>Firearms training facility, Blackrock</u>
The Group has contracted with the Blue Light Partnership for the provision of a new facility which is being built under a Private Finance Initiative (PFI). A serious fire occurred at the specialist training centre construction site in August 2013. The fire caused considerable damage, which resulted in a delay in the service availability of the facility until June 2015. This building will provide operational facilities over a 25 year contract life. The contract includes the provision of services including building maintenance and provides for asset lifecycle replacement.

The annual unitary charge for 2015/16 was £0.56 million (£0.12m service charge, £0.35m interest & £0.09m principal). The PCC will receive notional credit approvals totalling £12 million from the Home

Office over the life of the arrangement. The PCC received £0.45 million PFI credits in 2015/16 for this facility.

The building and site assets, as provided under the contract, will remain the property of the Blue Light Partnership during the period of the contract. The assets are recognised on our balance sheet and are matched initially by a liability to the Blue Light Partnership. This liability will be written down over the life of the contract when payments which are identified as settling the liability, the capital element of the unitary charge, are made to the operator. The specialist training centre is shared with Avon & Somerset and Wiltshire police. Only the Gloucestershire proportion of the facility is reflected in these accounts.

The movement in the value of assets held under PFI is detailed below.

2014/15 £000	**Value of assets held under PFI (**excluding land)	**2015/16 £000**
10,345	Balance at 1st April	11,055
0	Additions/transfers in year	5,004
1,033	Revaluation in year	1,703
(323)	Depreciation in year	(346)
11,055	Balance at 31st March	17,416

The movement in the value of the liability associated with PFI is detailed below.

2014/15 £000	**Value of liabilities resulting from PFI**	**2015/16 £000**
15,083	Balance at 1st April	14,861
	Additions	4,762
(222)	Lease repayment	(356)
14,861	Balance at 31st March	19,267

The fair value of the PFI liability at 31st March 2016 was £32.282m, compared to the carrying amount of £19.267m.

The payments due to be made under the PFI contract are analysed below assuming a 2.5% annual indexation rate.

	Repayment of liability £000	**Interest £000**	**Service charges (inc lifecycle) £000**	**Total £000**
Within one year	404	1,802	1,759	3,965
Within 2 to 5 years	1,696	6,690	7,970	16,356
Within 6 to 10 years	3,258	7,496	10,909	21,663
Within 11 to 15 years	4,954	5,775	12,449	23,178
Within 16 to 20 years	7,810	3,421	12,194	23,425
Within 21 to 25 years	1,145	239	951	2,335
TOTAL	**19,267**	**25,423**	**46,232**	**90,922**

£404,000 of the liability repayment is classified as a short term creditor.

26. Acquisition of assets, liabilities and reserves

The PCC was formed on 22nd November 2012 together with the Chief Constable as a result of the Police Reform and Social Responsibility Act 2011. Together they form the 'Group'. In line with the CIPFA Code of Practice for Local Authority Accounting 2012/13 the carrying values of the assets and liabilities were not adjusted to fair value on the transfer date and that the results and cash flows were brought into the financial statements of the new body from the beginning of the year that the transfer occurred which was 1st April 2012. Subsequently all land, property and plant was revalued as at 31st March 2014 as part of the five yearly revaluation process. An interim desktop valuation was undertaken by external valuers at 31st March 2016 in order to ascertain the impact of trends in market values on the land, property and plant of the PCC. The results of this valuation have been reflected in the value of land, property and plant at 31st March 2016.

27. Property, Plant, Equipment & Investment Property

2015/16	Operational assets				Non-operational assets			
	Land & Buildings £'000	Plant £'000	Vehicles £'000	Equipment £'000	Surplus Assets not held for sale £'000	Investment Properties £'000	Assets under Construction £'000	**Total £'000**
Cost								
Balance as at 1st April 2015	48,802	4,658	7,770	14,032	0	3,050	5,697	**84,009**
Additions	4,682	1,000	2,071	1,505	0	0	2,216	**11,474**
Transfers	-2,401	0	0	13	0	-665	-4,387	**-7,440**
Disposals	-576	0	-752	0	0	0	0	**-1,328**
Revaluations	-306	769	0	0	0	115	0	**578**
Balance as at 31st March 2016	50,201	6,427	9,089	15,550	0	2,500	3,526	**87,293**
Accumulated Depreciation and Impairment								
Balance as at 1st April 2015	0	0	5,450	10,233	0	0	0	**15,683**
Depreciation in the year	893	328	1,447	1,231	0	0	0	**3,899**
Transfers	0	0	0	0	0	0	0	**0**
Disposals	0	0	-752	0	0	0	0	**-752**
Impairments	547	0	0	0	0	0	0	**547**
Revaluations	-1,440	-328	0	0	0	0	0	**-1,768**
Balance as at 31st March 2016	0	0	6,145	11,464	0	0	0	**17,609**
Balance sheet amount at 31st March 2016	50,201	6,427	2,944	4,086	0	2,500	3,526	**69,684**
Balance sheet amount at 31st March 2015	48,802	4,658	2,320	3,799	0	3,050	5,697	**68,326**

Transfers in 2015/16 include two properties transferring out to assets held for less than one year as part of the Group's estate rationalisation programme. Assets held for sale less than one year at 31st March 2016 comprise:

	£'000
Lansdown Road (part)	6,000
Eastern Avenue land	700
Cinderford station	160
Total assets held for sale less than one year	**6,860**

Land and Buildings includes the land for the Police Headquarters at a value of £2.3m at 31st March 2016. The Police HQ building and Joint Firearms facility are supplied under PFI agreements (note 25). All other assets are owned by the Group.

The revaluation of assets at 31st March 2016 realised an increase in asset values of £1.424m (including a reduction of £0.375m in assets held for sale less than one year). This is reflected in the Comprehensive Income and Expenditure Statement as follows:

	£'000
Net cost of Services	1,037
Changes in fair value of investment properties	35
Surplus on revaluation of non-current assets	352
TOTAL	**1,424**

The surplus on revaluation of non-current assets is net of an impairment applied to Bearland police station (£547k) prior to the sale of the majority of the asset.

The fair value of the Group's three investment properties is measured annually at each reporting date by an external valuer in line with the professional standards of the Royal Institute of Chartered Surveyors. The Group's investment properties, all of which are land, have been valued at 31st March 2016 at Level 2 (other significant observable inputs) in the fair value hierarchy, with a total value of £2,500k. The fair value for this land is based on market conditions and sales prices for similar land in the Group area at the time of the last full valuation, updated to 31st March 2016 using relevant market indices.

2014/15	**Operational assets**				**Non-operational assets**			
	Land & Buildings £'000	Plant £'000	Vehicles £'000	Equipment £'000	Surplus Assets not held for sale £'000	Investment Properties £'000	Assets under Construction £'000	**Total £'000**
Cost								
Balance as at 1st April 2014	33,401	3,824	8,237	13,393	0	2,870	8,766	**70,491**
Additions	6,625	1,000	241	639	0	0	2,726	**11,231**
Transfers	5,572	0	0	0	0	0	-5,795	**-223**
Disposals	-180	0	-708	0	0	0	0	**-888**
Revaluations	3,384	-166	0	0	0	180	0	**3,398**
Balance as at 31st March 2015	48,802	4,658	7,770	14,032	0	3,050	5,697	**84,009**
Accumulated Depreciation								
Balance as at 1st April 2014	0	0	5,040	8,738	0	0	0	**13,778**
Depreciation in the year	864	195	1,118	1,495	0	0	0	**3,672**
Transfers	0	0	0	0	0	0	0	**0**
Disposals	0	0	-708	0	0	0	0	**-708**
Revaluations	-864	-195	0	0	0	0	0	**-1,059**
Balance as at 31st March 2013	0	0	5,450	10,233	0	0	0	**15,683**
Balance sheet amount at 31st March 2015	48,802	4,658	2,320	3,799	0	3,050	5,697	**68,326**
Balance sheet amount at 31st March 2014	33,401	3,824	3,197	4,655	0	2,870	8,766	**56,713**

The following assets were disposed of during 2015/16:

	Sales Proceeds £000	Net Book Value £000	Gain (Loss) £000
Land and Buildings (part of 1 premise)	400	576	(176)
Vehicles	85	0	85
Total	485	576	(91)

Any gains or losses on the disposal of land and buildings are recognised in the Comprehensive Income and Expenditure Statement. The gain on the disposal of vehicles is not included in the Comprehensive Income and Expenditure Statement unless the sale proceeds are greater than £10k. Sale proceeds for vehicles under £10k for an individual vehicle are not classified as capital receipts. Income from the sale of vehicles is included in Income from Fees and Charges (Note 11).

The value of land & buildings, plant and investment properties excluding the effect of revaluation (with a 1st April 2015 baseline) is detailed below.

Land & buildings £'000	Plant £'000	Investment properties £'000	Total £'000
49,068	5,330	2,385	56,783

28. Intangible Assets

Intangible Fixed Assets for the Group relate to purchased software licences. All intangible fixed assets are judged to have a finite life of five years and are amortised using a straight line allocation over the expected useful life. Amortisation is apportioned across the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

	Cost £000	Accumulated depreciation £000	Total £000
2014/15			
Balance at 1st April 2014	4,595	(2,238)	2,357
Expenditure in year	319	0	319
Transfers	33	0	33
Disposals	0	0	0
Depreciation in year	0	(750)	(750)
Balance at 31st March 2015	4,947	(2,988)	1,959
2015/16			
Balance at 1st April 2015	4,947	(2,988)	1,959
Expenditure in year	646	0	646
Transfers	405	0	405
Disposals	0	0	0
Depreciation in year	0	(715)	(715)
Balance at 31st March 2016	5,998	(3,703)	2,295

29. Summary of capital expenditure and method of finance

<u>**Capital Expenditure**</u>	**2014/15 £000**	**2015/16 £000**
Replacement and Refurbishment of Assets		
Vehicles	241	2,072
Equipment - IT upgrade/development of existing systems	683	432
	924	2,504
New Development Work		
Custody suite	7,626	85
ANPR	147	99
Electronic custody record	124	64
Mobile working project	0	757
Prism House	0	136
Road safety equipment	0	71
Electric charging points	0	155
PSNP	0	278
IPT call software	0	228
Operating model estate relocation	0	224
Holland House refurbishment	0	475
Other schemes	3	67
	7,900	2,639
Assets under Construction		
Land & buildings	1,818	2,180
IT Systems	908	35
	2,726	2,215
Total Capital Expenditure	11,550	7,358

The capital expenditure for 2015/16 detailed in the above table excludes the Blackrock Firearms facility PFI development. This facility, shared with the PCCs for Avon & Somerset and Wiltshire has been included on the balance sheet at a cost of £4,762k.

2014/15 £'000	Capital Financing (including Blackrock PFI facility)	2015/16 £'000	£'000
23,311	**Opening capital financing requirement**		**26,733**
	Capital investment		
9,444	Land & buildings	7,863	
241	Vehicles	2,071	
1,546	Equipment	1,540	
319	Intangible assets	646	
11,550			12,120
	Sources of finance		
(27)	Government grants	(1,970)	
0	Capital receipts	(35)	
(7,523)	Revenue contribution	(3,353)	
(578)	MRP	(937)	
(8,128)			(6,295)
3,422	Increase/(decrease) in capital financing requirement for the year		5,825
26,733	**Closing capital financing requirement**		**32,558**
	In year movement represented by		
4,000	External borrowing (unsupported by government financial assistance)		2,000
(356)	Internal borrowing (unsupported by government financial assistance)		(582)
(222)	Assets acquired under PFI contracts		4,407
3,422			5,825

30. Commitments under capital contracts

As at 31st March 2016 capital commitments totalled £1,190k. Of this £682k related to the purchase of vehicles, £172k related to IT projects and £336k to building projects.

31. Operational Assets owned by the PCC include the following:

	31/03/2015	31/03/2016
Police Headquarters	1	1
Resource Centre	1	1
Training Centre	1	2
Tri-Service Control Room	1	1
Tri-Service Workshops	1	1
Interview Suite	1	1
Specialist Crime centre	0	1
Operational Stations	15	15
Car park	0	1
Assets held for sale	1	3
Radio Stations & Aerials	3	3
Vehicles	414	444

The Police Headquarters building and Joint Firearms facility have been capitalised and are recognised as PFI assets on the asset register. Vehicles, equipment and assets under construction are valued on the basis of historic cost. Operational land and buildings and the surplus asset were valued on the basis of current value as at 31st March 2016. Investment properties were valued on the basis of current Market Value (MV) as at 31st March 2016.

32. Short term debtors

	2014/15 £000	2015/16 £000
Debtors		
Central government bodies	5,161	4,635
Local Authorities	594	1,141
NHS bodies	64	32
All other bodies	2,553	2,687
Payments in advance		
All other bodies	3,057	3,079
Total	**11,429**	**11,574**

Government Debtors includes £3.51 million owed by the Home Office for the Pension Top-Up Grant. This is reflected as an intra-group adjustment in the accounts between the Chief Constable and PCC

33. Cash and Cash Equivalents

	2014/15 £000	2015/16 £000
Cash	126	546
Temporary Investments	29,078	29,640
Total	**29,204**	**30,186**

The sum of £29.64 million represents loans to the money market of temporary cash balances at 31st March 2016.

34. Short Term Creditors

	2014/15 £000	2015/16 £000
Creditors		
Central government bodies	1,647	1,874
Local Authorities	821	1,933
NHS bodies	103	66
Capital (all other bodies)	206	631
PFI liability	262	404
All other bodies	4,242	4,742
Total creditors	**7,281**	**9,650**
Receipts in advance		
Central government bodies	94	250
Local Authorities	0	25
NHS bodies	0	46
All other bodies	0	33
Total receipts in advance	**94**	**354**
Total	**7,375**	**10,004**

35. Analysis of external borrowing

Source of loan	Average interest rate payable	Total outstanding at 31st March 2015 £000	2016 £000
Public Works Loan Board		3,863	3,864
Dexia Public Finance Bank		5,000	5,000
Rhondda Cynon Taf Council		4,000	0
Bridgend BC		0	2,000
Basildon BC		0	2,000
Cheshire East Council		0	2,000
Total outstanding	4.51%	**12,863**	**14,864**
Analysis of loans by maturity			
Short term – less than one year		4,013	6,014
Between 1 and 2 years		0	0
Between 2 and 5 years		137	337
Between 5 and 10 years		1,436	1,645
Between 10 and 15 years		1,051	1,868
Between 15 and 20 years		1,226	0
Between 20 and 25 years		0	0
More than 25 years		5,000	5,000
Total		**12,863**	**14,864**

As at 31st March 2016 there were no defaults or breaches against any of the loans in the above schedule. In the event of a default against the Dexia loan the registered holder may call for immediate repayment of the amount of Principal together with all interest accrued and together with any broken funding costs and associated financing costs thereby incurred.

In the event of a default against Public Works Loan Board (PWLB) loans advanced after 31st March 2004, interest will be charged on late payments at the Bank of England 'repo' rate for the day from the relevant payment date to the date on which the Board's account is credited. The same term applies to delayed premature payments. For loans advanced on or after 1st March 1985 but before 1st April 2004, interest will be charged on late payments of fixed rate loans on the whole of the late payment (i.e. both principal and interest) from the relevant payment date at the appropriate fixed rate in force on that date for loans repayable at maturity after one year, to the date on which the Board's account is credited.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value of the Dexia loan has been calculated with reference to information published by Sector as at 31st March 2010. The interest rate applied is 3.96% based on a 60 year loan with the first option at 10 years and semi annual calls thereafter. The fair value of the PWLB loans have been calculated by reference to the 'premature repayment' set of rates in force on 31st March 2016 and 31st March 2015. Carrying amounts for instruments maturing in the next twelve months is assumed to approximate fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of external borrowings is as follows:

External Borrowings	31 March 2015 Carrying amount £'000	31 March 2015 Fair Value £'000	31 March 2016 Carrying amount £'000	31 March 2016 Fair Value £'000
Dexia	5,000	5,481	5,000	5,477
Public Works Loan Board	3,863	5,327	3,864	5,278
Rhondda Cynon Taf Council	4,000	4,000	0	0
Bridgend BC	0	0	2,000	2,000
Basildon BC	0	0	2,000	2,000
Cheshire East Council	0	0	2,000	2,000

36. Financial instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long-term 31/3/15 £'000	Long-term 31/3/16 £'000	Current 31/3/15 £'000	Current 31/3/16 £'000
Investments				
Loans and receivables	0	0	29,204	30,186
Debtors				
Financial assets carried at contract amounts	0	0	1,287	1,297
Borrowings				
Financial liabilities at amortised cost	8,850	8,850	4,013	6,014
Other long-term liabilities				
PFI	14,599	18,863	0	0
Creditors				
Financial liabilities carried at contract amounts	0	0	3,579	3,772

The Group's activities expose it to a variety of financial risks:

- credit risk, the possibility that other parties may fail to pay amounts due to the Group
- liquidity risk, the possibility that the Group might not have funds available to meet its commitments to make payments
- market risk, the possibility that financial loss might arise for the Group as a result of changes in such measures as interest rates and stock market movements

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by staff in the Finance department, under policies approved by the Group in the Annual Treasury Management report. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. Deposits are not made with foreign banks and financial institutions unless they are rated independently and meet the minimum credit rating criteria as set out in the Annual Investment Strategy, approved by the PCC in February 2015. The Group has a policy of not lending more than £6m of its surplus balances to any one building society, £8m to any one bank and £5m to any wholly owned subsidiary of a clearing bank. The credit criteria in respect of financial assets held by the Group are as detailed below:

Financial asset category	Criteria	Maximum investment
Deposits with UK banks	Minimum total assets - £1,000m	£35m
Deposits with UK building societies	Minimum total assets - £1,000m	£30m
Deposits with wholly owned subsidiaries of clearing banks	Minimum total assets - £1,000m	£10m

The PCC's current approved lending list includes all UK banks and building societies with assets in excess of £1 billion and many of these do not have a credit rating. In addition, the list includes wholly owned subsidiaries of UK clearing banks.

The following analysis summarises the PCC's potential maximum exposure to credit risk, based on historical experience of default and write-offs.

	Amount at 31st March 2016 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2016 %	Estimated maximum exposure to default and uncollectability £000	Estimated maximum exposure at 31st March 2015 £'000
Deposits with banks and financial institutions	30,186	0	0	0	0
Other Customers	1,297	0.2	0.2	2.3	2.8

No credit limits were exceeded during the reporting period and the PCC does not expect any losses from non-performance by any counterparties in relation to deposits.

The PCC does not generally allow credit for customers, such that £0.08m of the £0.85m balance on the Accounts Receivable ledger at 31st March 2016 was past its due date for payment (i.e. 30 day payment terms). The past due amount can be analysed by age as follows:

	31st March 2015 £000	31st March 2016 £'000
Less than three months	12	23
More than three months	31	56
Total	**43**	**79**

<u>Liquidity risk</u>

The Group has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Group has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Group may replenish its borrowings at a time of unfavourable interest rates. The strategy is to ensure there are adequate though not excessive cash resources, borrowing arrangements and overdraft facilities to enable the Group at all times to have the level of funds available to it which are necessary for the achievement of its business objectives. The Group's financial liabilities are as follows:

	31st March 2015 £000	31st March 2016 £000
PFI Finance Lease (long term liability)	14,599	18,863
Short Term Creditors	3,579	3,772
Borrowing	12,863	14,864
Total	**31,041**	**37,499**

The maturity analysis of these financial liabilities is as follows:

	31st March 2015 £'000	31st March 2016 £'000
Less than one year	7,592	9,786
Between one and two years	302	454
Between two and five years	1,132	1,579
Between five and ten years	3,685	4,903
More than ten years	18,330	20,777
Total	**31,041**	**37,499**

All creditors and receipts in advance are due for settlement in less than one year.

<u>Market risk</u>

Interest rate risk

The Group is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Group. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates, the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates, the fair value of the liabilities borrowings will fall
- investments at variable rates, the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates, the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and effect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

The Group has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans and limits are set on the maturity structure of its borrowings. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Group's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. Because the Group, as at 31 March 2016, had no variable rate borrowings or investments the impact of any interest rate changes on the Comprehensive Income and Expenditure Statement would be zero. A sensitivity analysis on this portfolio of investments and borrowings would therefore show no impact on the Comprehensive Income and Expenditure Statement.

Price risk
The Group does not invest in equity shares nor does it have shareholdings in joint ventures or local industry. There is, therefore, no exposure to price risk.

Foreign exchange risk
The Group has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. Income received in a foreign currency is banked immediately and converted using the exchange rate applicable at the time of banking.

37. Provisions

Provision has been made for legal cases at the Balance Sheet date.

	2014/15	2015/16
	£000	£000
Balance as at 1st April	0	218
Additional provisions made in year	218	269
Amount used during the period	0	(218)
Balance as at 31st March	218	269

38. Contingent liabilities

A contingent liability exists in relation to payments due to a group of police officers with respect to on-call duties. There are twelve affected officers for whom a detailed analysis of payments due will be undertaken during 2016/17. Due to the low number of officers affected the amount owing is unlikely to be material.

Contingent liabilities relating to employee legislation liability were estimated at £43k as at 31st March 2015. Contingent liabilities were also calculated for employers and public liability at 31st March 2015 totalling £418k. As at 31st March 2016 the equivalent figures have been included as a provision in the accounts.

39. Trust and other funds

The Group is responsible for various trusts and other funds, summarised below. These balances, which are appropriately invested, are not included in the Balance Sheet.

	Balance at 01/04/2015	2015/16 Income	2015/16 Expenditure	Balance at 31/03/2016
	£	£	£	£
Property Act	65,667	18,939	20,359	64,247
Court Orders	254,243	543,395	201,531	596,107
	319,910	562,334	221,890	660,354

(i) **Property Act**
The fund holds the proceeds from the sale of unclaimed property, believed to have been stolen. The proceeds, after defraying the costs of handling the property, are available for distribution each year to local charities as directed by the Group.

(ii) **Court Orders**
Money seized in connection with possible criminal activity is held pending a decision, by the courts, on the lawful owner, or distribution if no legal owner is identified.

40. Post Balance Sheet Events

Non adjusting events –The Group sold its land at Eastern Avenue, Gloucester in June 2016 (£1.5m) and a sale has been agreed for the majority of the Lansdown Road site later in 2016. The referendum decision to leave the European Union is likely to impact on the Group, for example through changes in interest rates. The value of this impact is not quantifiable.

41. Cash Flow Statement – Reconciliation of Comprehensive Income and Expenditure Account deficit to net cash flow from operating activities

	2014/15 £000	2015/16 £000
Surplus/(Deficit) for the year	**(209,002)**	**146,187**
Adjustment for non-cash transactions:		
Actuarial (gains)/losses on pension assets/liabilities	171,069	(179,572)
Net charges made for retirement benefits in accordance with IAS19	44,798	33,874
Depreciation	4,423	4,614
Loss (gain) on revaluation of fixed assets	(4,467)	(1,424)
Gain on disposal of fixed assets	(122)	176
	215,701	(142,332)
Capital grant to investing activities	(911)	(818)
(Increase)/decrease in stock	3	47
(Increase)/decrease in debtors	2,898	(145)
Increase/(decrease) in creditors/provisions	(2,541)	2,114
	360	2,016
Net Cash Flow from operating activities	**6,148**	**5,053**

42. Cash Flow Statement - Purchase of non-current assets

	2014/15 £000	2015/16 £000
Capital expenditure - per Balance Sheet on accruals basis	11,550	7,358
Add: Capital creditors brought forward	995	206
Less: Capital creditors carried forward	(206)	(631)
Capital expenditure - on cash basis (per Cash Flow Statement)	12,339	6,933

43. Cash Flow Statement – Net Cash Flow from Financing Activities

	As at 31/03/2015 £000	As at 31/03/2016 £000	Movement in year £000
Short term borrowing - repayable within one year	4,000	6,000	2,000
Long term borrowing - repayable after more than one year	8,850	8,850	0
Capital element of finance lease payment	19,623	19,267	(356)
	32,473	34,117	1,644

44. Cash Flow Statement - Movement in cash and cash equivalents

	As at 31/03/2015 £000	As at 31/03/2016 £000	Movement in year £000
Movement in cash			
Bank overdraft	(4)	(5)	(1)
Bank accounts	94	515	421
Imprest accounts	36	36	0
Increase in cash	126	546	420
Movement in temporary investments	29,078	29,640	562
Movement in cash and cash equivalents	29,204	30,186	982

Gloucestershire Police Pension Fund Account
For the year ended 31st March 2016

2014/15 £'000		2015/16 £'000
	Contributions receivable	
	From employer	
10,218	- contributions at 24.2% of pensionable pay	9,813
677	- other (maternity/paternity/sickness, capital charge ill health & the 30+ scheme)	707
10,895		10,520
5,835	From members	5,569
	Transfers in	
225	Individual transfers in from other schemes	242
78	Transfer from Avon & Somerset Constabulary	50
303		292
17,033		**16,381**
	Benefits payable	
25,557	Pensions	26,696
7,133	Commutations and lump sum retirement benefits	9,448
32,690		36,144
	Payments to and on account of leavers	
306	Individual transfers out to other schemes	5
32,996		**36,149**
(15,963)	**Sub-total for the year before transfer from the PCC of amount equal to the deficit**	**(19,768)**
15,963	**Additional funding payable by PCC to meet deficit for the year**	**19,768**
0	**Net amount payable for the year**	**0**

Gloucestershire Police Pension Fund Net Assets Statement
as at 31st March 2016

2014/15 £'000		2015/16 £'000
	Current Assets	
3,560	Funding to meet deficit receivable from PCC	3,505
2,281	Other current assets – Pensions prepaid	2,278
5,841		5,783
	Current Liabilities	
5,841	Other current liabilities	5,783
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 2016 the percentage comprised a 21.3% initial Employer contribution supplemented by a further contribution equating to 2.9% (reflected through a reduction in HMT pensions top up funding), giving a combined total of 24.2%. Under IAS19 the Police Pension Scheme is classed as a defined benefit scheme. Therefore the risk of shortfall remains with the Group. Accordingly the Group has obtained an actuarial valuation for the scheme.

Benefits payable during 2015/16 included those relating to the Government Actuary's Department v Milne case whereby retired Police Officer commutation payments have been judged to be incorrectly calculated between 2001 and 2006. Payments made totalled £3m.

The Chief Constable of Gloucestershire, along with other Chief Constables and the Home Office, currently has 14 claims lodged against her 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 Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

2. Accounting Policies

a. The Accounts have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit (England) Regulations 2014 which states that the Group is obliged to include the police pensions account in its statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

c. The Accounts do not take account of liabilities to pay pensions and other benefits in the future. This is reported upon separately in the Actuary's statement, details of which can be found in note 9 of the main statement of accounts.

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

PCC Annual Governance Statement

The Annual Governance Statement was reviewed by the Audit Committee members in June 2016 and is available on the Gloucestershire Constabulary website.

GLOSSARY OF ACCOUNTING TERMINOLOGY

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

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:
- recognising
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves.

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

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

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
(b) The actuarial assumptions have changed.

ACTUARIAL VALUATION
An independent report on the financial status of a Pension Fund, which shows the estimated cost today of providing benefits in the future.

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

AMORTISATION
The writing down in value of intangible fixed assets (e.g. software licences), which is charged to service revenue accounts to reflect the cost of such assets, used in the provision of those services. This is the equivalent of depreciation for fixed assets.

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

ASSETS HELD FOR SALE
Under IFRS 5 a split is made of surplus assets, between those where there is a clear intention for disposal within the following 12 months (Assets Held for Sale) and those assets with longer term disposal plans. Assets for immediate sale are classified as current assets rather than non-current assets.

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

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

BUDGET
The PCC's plan for providing resources to meet his service obligations. The PCC has recently set an annual budget within a four year financial strategy covering the period 2016/17 to 2019/20.

CAPITAL ADJUSTMENT ACCOUNT
In general this reflects the amount already used to finance fixed assets. Further information on this, including the actual figures for the financial year, is given in the full Statement of Accounts.

CAPITAL EXPENDITURE
The cost of buying or building significant assets (e.g. land and buildings) which have a long-term value to the PCC.

CAPITAL GRANTS
Grants received by the PCC that can only be used to pay for capital projects.

CAPITAL RECEIPTS
Proceeds from the sale of fixed assets, such as land or buildings.

CARRYING AMOUNT
This is the amount of a financial asset or liability that should be recorded in the Balance Sheet for a given date based upon the correct measurement approach for the financial asset or liability.

CASH & CASH EQUIVALENTS
Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOW STATEMENT
This statement summarises the Group'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.

COLLECTION FUND
District and unitary councils pay all receipts from local taxpayers into a "collection fund". They then pay county, police, fire, district, unitary and parish council precepts from the fund.

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.

CONTINGENT LIABILITY
A contingent liability is either:
(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Group's control,
or
(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE (CDC)
The costs associated with corporate policy making and member based activities, together with costs relating to corporate management, public accountability and treasury management.

COUNCIL TAX
A tax based on the value of property, which is administered by District and Unitary authorities.

CREDITORS
Amounts owed by the Group for goods received, or services rendered to it within the accounting period, but for which payment has not been made at the end of that period.

CURRENT ASSETS
Current assets are items that can be readily converted into cash.

CURRENT LIABILITES
Current liabilities are amounts which will become payable or could be called in within the next accounting period.

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.

DEBTORS
Amounts of income due to the PCC within the accounting period but not received at the balance sheet, or period end, date.

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.

EARMARKED GENERAL FUND RESERVES
Money set aside for a clearly defined purpose, and which is available to meet future expenditure in that area.

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.

EXISTING USE VALUE
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXPERIENCE GAINS & LOSSES (Pensions disclosure)
This shows the impact of actual experience differing from the accounting assumptions, such as pension increases differing from those assumed and unexpected membership movements.

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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.

FINANCIAL INSTRUMENTS
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

GENERAL FUND
The main revenue fund of the PCC. Day-to-day spending on services is met from the fund.

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.

IMPAIRMENT
A reduction in the value of a non-current asset below its value brought forward in the balance sheet. Examples of factors which may cause such a reduction in value include, general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

INTANGIBLE ASSETS
An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Purchased intangible assets (e.g. software licences) should be capitalised as assets. Intangible assets should be amortised on a systematic basis over their economic lives.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES (STOCKS)
The amount of unused or unconsumed goods held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

INVESTMENT PROPERTY
Property held solely to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes; or
(b) sale in the ordinary course of operations.

LONG TERM ASSETS
Non-current assets that yield benefits to the Group and the services it provides for a period of more than one year.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the Group's revenue account each year so as to set aside for the repayment of external loans.

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

NATIONAL NON-DOMESTIC RATE (NNDR) or 'BUSINESS RATES'
National non-domestic rate poundages for commercial premises are set annually by the Government and collected by the district councils. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are paid into a national pool and redistributed by the Government between local authorities, mainly in proportion to their adult populations.

NET ASSETS
Assets less liabilities, which are matched by the reserves held by the Group.

NON CURRENT ASSETS
Assets that yield benefits to the Group and the services it provides for a period of more than one year.

NON DISTRIBUTED COSTS
For the Group these are principally past service costs relating to pensions benefits earned in prior periods.

NON OPERATIONAL ASSETS
Non current assets that are not used to deliver direct services. For example, assets that are still being built or are no longer used and about to be sold.

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.

OPERATIONAL ASSETS
Non-current assets held and occupied, used or consumed by the Group in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

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.

PENSIONS RESERVE
Unlike other 'Reserves' this is a negative reserve (debit balance). It is equal in amount to, and offsets, the net pensions liability.

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.

PRECEPT
The levy made by precepting authorities, such as PCCs, on billing Authorities requiring the latter to collect income from Council Taxpayers on their behalf.

PRINCIPAL
The amount of a loan that was actually borrowed, before interest is added.

PRIVATE FINANCE INITIATIVE (PFI)
The private finance initiative is a way of creating public/private partnerships by funding public infrastructure projects with private capital.

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.

PRUDENTIAL CODE FOR CAPITAL FINANCE
This code was introduced from 1st April 2004. The basic principle of the code is that PCCs are free to borrow so long as their capital spending plans are affordable, prudent and sustainable. The prudential code sets out indicators that the PCC must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

PUBLIC WORKS LOAN BOARD (PWLB)
A Government agency that provides longer-term loans to PCCs.

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.

RESERVE
Amounts, where cash-backed, set aside in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, which may be incurred in future period(s). Any amounts set aside for purposes falling outside the definition of Provisions have been accounted for as reserves.

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.

REVALUATION RESERVE
This account, from 1st April 2007, replaced the (former) Fixed Asset Restatement Account. The revaluation reserve deals with the impact of increases or decreases in the values of fixed assets.

REVENUE CONTRIBUTIONS
A method of financing capital expenditure through the revenue account.

SCHEME LIABILITIES (PENSION SCHEME)
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities reflect the benefits that the employer is committed to provide for service up to the valuation date.

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

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

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

SHORT–TERM BORROWINGS
Loans that a borrower needs to pay back within 12 months.

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 CIES.

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

TREASURY MANAGEMENT
This relates to borrowing and cash activities, including Investment, of the PCC, and the effective management of any associated risks. Local authorities' treasury management activities are prescribed by statute. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment for the purpose of the prudent management of its financial affairs.

UNUSABLE RESERVES
Reserves that the PCC is not able to use to provide services, as they reflect unrealised gains and losses.

USABLE RESERVES
Reserves that the PCC may use to provide services, subject to maintaining a prudent level and to any statutory limitations. They are cash backed.