

PCC and Chief Constable

Avon and Somerset

2023/24 Financial Performance Statement

In the independent review into local authority financial reporting and external audit, completed by Sir Tony Redmond (known as the “Redmond Review”), several recommendations were made. These included the publication of a simplified summary statement on financial performance alongside the IFRS compliant Statement of Accounts to enhance transparency.

The Government in their response agreed that a standardised statement of service information and costs should be prepared and published alongside the statutory accounts and have asked CIPFA to develop this product in consultation with local authorities. To date this work has yet to be concluded.

In recognition of this intent, we have produced this document as a draft “mock-up” of what a simplified financial statement might look like for the PCC and CC of Avon and Somerset. In so doing we have relied upon the format published as an [appendix](#) to the Redmond Review itself.



Our Financial Performance Statement

We have a responsibility to feed back to you, as a local resident or taxpayer, on how we spend and manage the resources of the Police and Crime Commissioner (PCC) and Chief Constable for Avon and Somerset.

The financial performance statement compares the budget (what we planned to spend) at the start of the year with what we actually spent and explains the changes. If we have over or under spent, we have explained why.

As well as our annual expenditure, this statement also includes information about our longer-term financial sustainability. This is important so that you know the resources we have available to provide services into the future. The summary shows you what we own and what we owe, and what we have put aside to make sure we can deliver services beyond this year.

You can have confidence in the figures in this report because we must follow regulations and standards in compiling them, and the information from our accounts is independently audited.

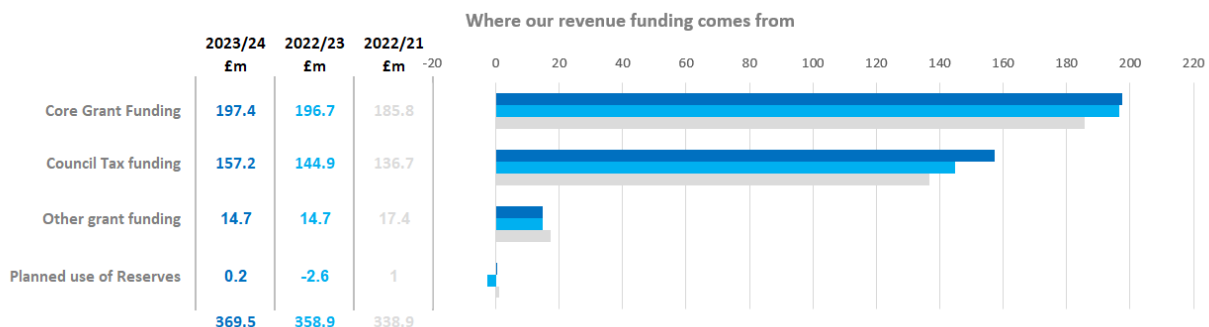
This information is consistent with that reported in the audited accounts. A full set of [Avon and Somerset Chief Constable's](#) and [Avon and Somerset PCC's Statement of Accounts](#) are available from our respective websites.

ABOUT AVON AND SOMERSET PCC AND CHIEF CONSTABLE

The PCC is elected by the public every four years to secure the maintenance of an efficient and effective police force, and to hold the Chief Constable to account. The Chief Constable is responsible for delivering operational policing for the Avon and Somerset area and reports to the PCC. We both work closely with our 5 local councils, Avon Fire and Rescue Service, Somerset and Devon Fire and Rescue Service, other local partners and other police forces and PCCs.

WHERE THE PCC AND CHIEF CONSTABLE GET THEIR MONEY FROM

We primarily get our money from council tax and grants from the government.



We must make sure that when we set the budget for the year, we can afford to pay for the services we offer. This includes any plans we make where we need to include longer-term commitments. We must balance our budgets each year (make sure expenditure can be fully paid for) and setting council tax is an important part of this process.

Our total external funding in 2023/24 is £369.5m. With this funding we must support the services for a population of 1.7m who live within the 1,844 square miles covered by the Avon and Somerset area.

ANALYSIS OF FINANCIAL PERFORMANCE

Table 1 below shows what the PCC and Chief Constable planned to spend (its budget) against what we actually spent in the year.

Where we generate income, such as fees and charges, that income will be included net of the police services it relates to. Where we receive grant funding for specific purpose that also will be included within our net revenue spend.

The net revenue spend (expenditure less income) can be compared to the budget, and the difference between the two is shown in the final column of Table 1 below. The positive figures are those where we have spent more than planned and the negative figures are where we have spent less than planned.

The differences are explained in Table 2 below.

Table 1 – Avon and Somerset Police Budget - what we planned to spend against what we finally spent.

	Budget (what we planned to spend)	Net Spend (what we actually spent)	Difference from budget
	£m	£m	£m
PCC budgets	4.6	4.6	0
Chief Constable budgets	364.9	362.1	-2.8
Total net revenue spend	369.5	366.7	-2.8
Less, core grant funding	-197.4		
Less, other grant funding	-14.7		
Less, planned use of reserves	-0.2		
Less, Council tax funding	-157.2		
Total funding	-369.5		

WHAT WERE THE DIFFERENCES

Table 2 – Explanations for the significant differences between what we planned to spend and what we spent.

We spent £2.8m less than budget due to the following significant differences:	
Explanation	Difference £m
Officer pay award higher than expected	+4.9
Greater use of officer overtime to support operations	+3.3
Staff pay award higher than budgeted	+1.6
Greater use of staff overtime for vacancies and abstractions	+1.2
Movement of Ill health retirement provision	-0.6

We spent £2.8m less than budget due to the following significant differences:

Explanation	Difference £m
Underspends on both energy costs and on rent and rates costs	-0.5
Inflationary increases of repairs & maintenance of our fleet of vehicles, and travel overspends for student Officers	+0.5
Underspends in communications & computing driven by lower cloud consumption costs	-0.6
Underspend against forensics budget for backlog in forensics submissions, reflects delay in return of outsourced work	-0.3
Overspends on supplies and services	+1.5
Underspends against collaboration costs	-0.9
Transfer of surplus funding for Hinkley Point policing to reserve	+0.4
Transfer of ringfenced funds for Learning business case to reserve	+0.4
In year savings	-0.6
Additional grant funding to support pay award	-7.5
Additional grant funding to support software license costs	-0.4
Overachievement of investment income due to higher interest rates	-1.9
Overachievement of income for mutual aid and rechargeable operations	-1.3
Other income overachievements including Hinkley Point, Op Safeguard (use of Custody facilities by Ministry of Justice) and Operational Training courses	-2.0
TOTAL POLICE SERVICES	-2.8

The underlying revenue financial performance reported showed that we had spent £2.8m/0.8% less than we had budgeted for at the start of the year.

As the table above shows, there were a number of both underspending and overspending areas of the budget. The most significant overspend relate to pay for police officers and police staff, where the pay award was higher than originally budgeted. This pressure was offset by the provision of additional grant funding from the government.

There were also pressures on our overtime spend, which was greater than budgeted, reflecting both operational demands and resourcing challenges, as well as some operations and events in force and outside of force (e.g. policing for the Kings coronation) for which we were able to recover costs through fees and charges.

Analysis of our Financial Position

The PCC and Chief Constable use your money to provide necessary local services. The summary financial position below (also known as the balance sheet) represents a summary, or 'snapshot', of our financial position at a single point in time. Each year, at 31 March, it sets out what the PCC and Chief Constable (known collectively as the Group) own and how much is owed and the resources it has left to support the provision of future services.

Below we show the group financial position at the year end, which is a summary of the balance sheet in the audited accounts. This information supports the assessment of whether or not the group has a sustainable financial position and is able to support and maintain services on an on-going basis. The net financial position helps inform future financial planning and sustain the services we deliver.

GROUP FINANCIAL POSITION

Table 3 – A snapshot of our financial position at 31st March 2024.

	Excluding Pensions	Pensions	Including Pensions
	£m	£m	£m
What we own (held as assets)	342	565	907
What we owe (held as liabilities)	-158	-3,199	-3,357
Net financial position (assets less liabilities)	184	-2,634	-2,450
The net financial position is held in reserves as follows:			
Reserves available for future spend	60	-	60
Non-useable reserves held to comply with accounting regulations	124	-2,634	-2,510
Total Reserves	184	-2,634	-2,450

The group financial position must be presented in accordance with international accounting standards, thereby ensuring we comply with a consistent standard of financial presentation used by organisations around the world.

One of the standards we are required to use establishes that we account for retirement benefits (pensions) when we are committed to give them, even if the actual giving will be many years to come.

We have two different pensions' schemes in place:

- The police officer pension scheme – this is the pension scheme for police officers, into which they make employee contributions, and the Chief Constable makes employer contributions. The payment of pensions to pensioners remains the responsibility of the Home Office, although the Chief Constable is required to account for this liability under the current arrangements for the management of this pension scheme.
- The police staff pension scheme – both the PCC and Chief Constable are members of the Somerset County Council Local Government Pension Scheme which provides a pension scheme for police staff, and into which they make an employee

contribution and the Chief Constable, and the PCC make an employer contribution. These contributions are invested to grow over time to match the future cost of pensions. Unlike the police pension scheme, the costs of this are wholly the responsibility of the PCC and Chief Constable.

Across both pension schemes we account for all pension payments accumulated to date (including those paid and the entitlements to future payments). In the case of the police staff pension scheme, we then offset this liability against the value of the pension investments (assets) as measured at 31st March.

Included within our reported financial position is a pension fund net liability (a deficit) of £2.63bn, of which £2.62bn relates to police officers (and is ultimately a liability for the Home Office), and £13.1m to police staff.

These values can only ever be a “snapshot” at a given point in time. A truer reflection of a pensions fund’s actual position comes from a more detailed assessment made by an actuary. These more detailed actuarial assessments are carried out periodically and are used to review the contribution rates to the Fund made by us as the employer, to ensure that existing assets and future contributions will be sufficient to meet future pension payments. We can do this, because by its very nature, the Pension Fund is ongoing and long-term and gives employers time to act so that any deficit is spread and paid-off over a number of years.

Financial Sustainability

We must plan for the long term to ensure that we can continue to deliver our services in future years and be able to deal with any unexpected events. As a result, it is important that our financial standing (or sustainability) is robust.

Each year we develop a [five-year financial plan](#), which includes looking at risks, the future demands on our services and the maintenance of our police officer numbers. This forward projection is produced in support of the annual budget setting and precept decision making.

The biggest risks identified in our 2024/25 MTFP are:

- **Staff costs** – nearly 80% of everything we spend is on staffing. Our future financial plans are therefore heavily dependent on what annual inflationary changes are made to pay, and whether these are funded through increases to our funding. In keeping with the assumptions made by most PCCs across the country, we forecast in our plan a pay award of 3.0% for both officers and staff in 2024/25, 2.5% in 2025/26 and 2026/27. Thereafter we forecast a pay award of 2.0% p.a.
- **Pension costs** – the Government has accepted the finding of the courts that the transitional arrangements into the 2015 public sector pension’s schemes were discriminatory. We are working with other forces to determine what this means in relation to police pensions. The Government announced in December 2023 that employer contributions on police officer pensions would increase from 31% to 35.3% and at the same time announced that the pensions grant would increase to fund this extra cost.
- **Delivering savings and efficiencies** – the Chief Constable and the PCC are both considering how we continue to improve the efficiency of the services we provide.

We have a strong track record of delivering savings and balancing our budgets, and we intend to continue to build on this to bring forward further proposals that ensure that at the same time as growing our officer numbers we remain efficient and productive in the provision of policing services.

- **Inflation and market pressures** – at the time our projections were made we were already seeing the impact of inflation and wider market pressures on our non-pay costs. Our plans recognised ongoing increases in utilities costs (electricity and gas in particular), fuel costs and in specific contractual areas such as forensic science services costs.

RESERVES

The PCC holds reserves in order to:

- Support capital and revenue investment to continue to transform and change.
- Manage uncertainty and risk in our future; and
- Comply with accounting practice and convention.

Table 4 – A snapshot of our useable reserves at 31st March 2024.

	£m
Earmarked reserves – discretionary	5.4
Earmarked reserves – non-discretionary	8.3
Capital and PFI reserves (incl. capital receipts)	34.1
Unallocated reserves – general fund	12.0
Total useable reserves	59.8

The majority of reserves held at the balance sheet date are ring-fenced to support future capital investment, reflecting our conscious decision to use reserves to support planned investment particularly across our estate and in our ongoing digital transformation.

Some reserves are earmarked for specific purposes, including funds which are received with specific conditions attached that remain unspent at the end of the financial year and those funds which we account for as the lead body acting on behalf of a partnership.

The general fund value is set annually with the approval of the PCC following a risk assessment which considers the wider general and specific context within which we are operating and quantifies the risk associated with this.

RAISING DEBT TO FINANCE INVESTMENT

The PCC can borrow to invest in property or other infrastructure that supports the delivery of services, but we must ensure that we can pay this amount back. We have an underlying need to borrow to finance these assets (this excludes assets funded through PFI) of £47m. We must set aside a prudent amount of resources each year so we can pay back the borrowing, and this must be affordable when compared to our annual income.

We compare what it is costing to cover our borrowing costs (both interest and provision for pay back of the borrowing) for these assets against the funding we receive from council

tax and grants (our income streams) to show you what proportion of income is required to fund our investments.

Table 5 – Borrowing costs as a proportion of income.

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Actual	Actual	Actual	Forecast	Forecast	Forecast
1.02%	0.96%	0.91%	0.86%	0.94%	1.11%

You can find more on these balance sheet items in [Avon and Somerset PCC's Statement of Accounts](#).

Financial Metrics

The table below provides some key financial metric data based on the 2023/24 budget for Avon and Somerset to provide further context.

Table 6 – Financial Metric information

Measure	Avon and Somerset		National Average	
Police officer costs (£/pop)	£102.24	46.79%	£142.07	56.14%
PCSO costs (£/pop)	£8.05	3.68%	£5.86	2.32%
Police staff costs (£/pop)	£59.70	27.32%	£57.79	22.84%
Other employment costs (£/pop)	£7.40	3.39%	£6.14	2.43%
Premises costs (£/pop)	£10.10	4.62%	£11.70	4.62%
Transport costs (£/pop)	£3.31	1.51%	£4.40	1.74%
Supplies and services costs (£/pop)	£18.36	8.40%	£26.19	10.35%
Partnership costs (£/pop)	£10.86	4.97%	£6.98	2.76%
Capital financing costs (£/pop)	£8.03	3.68%	£7.06	2.79%
Local income (£/pop)	-£9.56	-4.38%	-£15.13	-5.98%
Total cost of policing (£/pop)	£218.49	100.00%	£253.06	100.00%
Core police grant funding (£/pop)	£111.81	51.17%	£144.86	57.24%
Legacy council tax grant funding (£/pop)	£8.33	3.81%	£8.51	3.36%
Council tax funding (£/pop)	£89.03	40.75%	£89.09	35.21%
Other funding (£/pop)	£9.32	4.27%	£10.60	4.19%
Total funding of policing (£/pop)	£218.49	100.00%	£253.06	100.00%

The above information is taken from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services published [value for money profiles](#) based on 2023/24 budgets.