

Chief Constable of Essex Statement of Accounts for 2013/14

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Foreword to the Accounts for the Chief Constable of Essex

Introduction

These Accounts set out the overall financial position of the Chief Constable of Essex Police, who is responsible for the Essex Police Service for the year ended 31 March 2014.

It is vital that the Chief Constable has the right resources to deliver an effective and efficient police service to the people of Essex. Having the right level of funding is a key part of that and each year the Police and Crime Commissioner (PCC) sets the budget for policing in the county. The majority of the PCC's funding is provided by Government grant with around one third of gross expenditure in 2013/14 being met by local council tax payers.

The key duty of the PCC is to oversee the provision of an efficient and effective police service. The PCC is responsible for producing an annual Crime and Policing Plan and for managing overall expenditure within the budget, although responsibility for day to day financial management is delegated to the Chief Constable within the annual budget set and the financial framework agreed by the PCC.

The PCC has worked hard with the Chief Constable to deliver policing services that represent good value for money and ensure a healthy financial position remains strong during these challenging economic conditions. In the light of the continuing reduction in grant funding over the medium-term it has needed to have strong financial management controls in place during 2013/14 so as to reduce planned spending to a level that is sustainable in future years. The Chief Constable has a successful record of delivery of sustainable efficiency savings over a number of years and the need to maintain this strong record will be important in the years ahead in view of the reduction in public sector spending.

The Chief Constable has a statutory duty to approve and publish this Statement of Accounts covering the period 1st April 2013 to 31st March 2014 and it has been compiled in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom.

The Accounting Statements

In 2011/12 the Police Reform and Social Responsibility Act 2011 was passed and introduced new elected local policing bodies in the form of PCCs, for each policing area, to replace the previous Police Authorities. At midnight on 21st November 2012, all property, rights and liabilities which immediately before that time were property, rights and liabilities of the Essex Police Authority were transferred to the PCC as the new PCC for Essex. A second stage transfer was to take place by April 2014 to transfer relevant staff to the Chief Constable. This has taken place, and all staff, except those working directly in the Office of the PCC, have transferred to the corporation sole of Chief Constable.

These phased transfers are of a legal consideration and for accounting purposes the concept 'substance over form' requires that 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 and present the entity's financial position as set out in its financial regulations, scheme of delegations and other local arrangements.

The Chief Constable has operational control of Police Officers, PCSO's and the Chief Finance Officer of the Chief Constable. The PCC has strategic control of all assets, staff and liabilities and is responsible for establishing most reserves and controlling all cashflow.

The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14: Based on International Financial Reporting Standards (IFRS).

To assist the reader an explanation of the various sections and key financial statements contained within the Statement of Accounts is set out below.

Foreword to the Accounts for the Chief Constable of Essex

Auditor's Report (pages 7 to 9) – This sets out the opinion of the Chief Constable's external auditor on whether the accounts of Essex Police give a true and fair view of the financial position and operations of the Force for 2013/14.

Statement of Responsibilities (page 5) - This sets out the respective responsibilities of the Chief Constable and the Director of Finance

Comprehensive Income and Expenditure Statement (CIES) (page 10) – This summarises the resources generated and consumed in the year.

Balance Sheet (page 11) – This shows the assets and liabilities of the force as at 31st March 2014 and its overall financial position at that date.

Movement in Reserves Statement (page 12) - This statement shows the movement in the year on the reserves. The surplus or (deficit) on the Provision of Services line shows the economic [rather than cash] cost of providing policing services, more details of which are shown on the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

Cash Flow Statement (page 13) – This statement shows the inflows and outflows of cash to the force. The Chief Constable does not operate a bank account and therefore the balance on this statement is £nil

Notes to the Accounts (pages 14 to 32) – These notes are of fundamental importance to the correct interpretation and understanding of the Statement of Accounts and the presentation of a true and fair view. They have 3 significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclosing the information required by the CIPFA Code of Practice that is not provided elsewhere in the financial statements; and
- providing information that is not provided elsewhere in the financial statements, but is relevant to the understanding of them.

Police Pension Fund Accounts (pages 33 to 34) – Sets out the financial position of the Police Pension Fund as at 31st March 2014

Glossary of Terms (page 35) – Wherever possible the use of technical jargon has been avoided. However, the Statement of Accounts does contain some accounting and local government terminology and a glossary of terms is provided at the end of this document which aims to simplify and explain such terminology.

Foreword to the Accounts for the Chief Constable of Essex

Accounting changes in 2013/14

There have been two changes in accounting policy that have required the 2012/13 accounts to be restated:

- A change to the accounting for retirement benefits as a result of the update to IAS 19, the standard which governs retirement costs; and
- A change to the recognition of employee benefits. These are now shown in the Chief Constable's accounts instead of the PCC's accounts.

Further details on all of these changes can be found in note 13.5 on page 30.

The Chief Constable manages the Police Officer Pension Fund. From 1 April 2013 the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 enables the Police Officer Pension Reserve to be classified as unusable. The 2013/14 accounts recognise this statutory override and to enable comparative representation the override has been applied to the 2012/13 accounts retrospectively.

Whilst the change in arrangements from Police Authority to PCC was implemented mid-year during 2012/13, as "ownership" before and after the change was 100% public sector, merger accounting has been applied as set out in Local Authority Accounting (LAAP) bulletin 95 by CIPFA. This approach requires the Chief Constable to account for the new arrangements as if they had been in place for the whole of 2012/13.

The PCC sets strategic direction through his Police and Crime Plan and exercising control of funding by delegation to the Chief Constable. This is reflected in accounting terms by the existence of a group relationship between the two corporation soles. Group relationships require the completion of a consolidated group Statement of Accounts in addition to those for the individual entities.

Salary transactions of Police Officer's, PCSO's and the Chief Finance Officer of the Chief Constable incurred during 2012/13 and 2013/14 for policing Essex have been recognised and recorded within the Chief Constables Accounts. All other financial transactions are shown in the PCC Accounts, which sets-out the overall group position of the Police and Crime Commissioner Group for the year ending 31st March 2014. The group position "Police and Crime Commissioner Group" reflects the consolidated accounts of the PCC for Essex and its accounting subsidiary the Chief Constable of Essex.

Statement of Responsibilities for the Statement of Accounts

The Chief Constable's responsibilities

The Chief Constable is required:

- to make arrangements for the proper administration of his financial affairs and to ensure that one of his officers (the Chief Finance Officer of the Chief Constable) has the responsibility for the administration of those affairs;
- to manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts by 30 September 2014.

Completion of the Approval Process by the Chief Constable of Essex

I confirm that I approve these Statement of Accounts following completion of the audit.

Derek Benson
Deputy Chief Constable of Essex
30 September 2014

The Chief Finance Officer of the Chief Constable's Responsibilities

The Chief Finance Officer of the Chief Constable is responsible for the preparation of the Statement of Accounts for the Chief Constable of Essex 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 of Practice'). In preparing this Statement of Accounts, the 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 Code of Practice.

The Chief Finance Officer of the Chief Constable has also:

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

I certify that the Statement of Accounts have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Chief Constable at 31 March 2014.

Deborah A. Martin BA (Hons), CPFA
Chief Finance Officer of the Chief Constable
30 September 2014

Chief Constable of Essex: Annual Governance Statement 2013/14

The PCC for Essex and the Chief Constable of Essex have agreed a combined Annual Governance Statement for 2013/14.

This statement is set out in the Statement of Accounts for the Police and Crime Commissioner for Essex Group.

Independent Auditor's Report to the Chief Constable of Essex

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF ESSEX

Opinion on the Chief Constable for Essex financial statements

We have audited the financial statements of the Chief Constable of Essex for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Chief Constable of Essex Comprehensive Income and Expenditure Statement, the Chief Constable of Essex Balance Sheet, the Chief Constable of Essex Movement in Reserves Statement, the Chief Constable of Essex Cash Flow Statement, the related notes 1 to 14 and the Chief Constable for Essex Pension Fund Account Statements. 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 2013/14.

This report is made solely to the Chief Constable of Essex in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Essex, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 5, the Chief Finance 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 2013/14, and for being satisfied that they 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 Chief Constable of Essex circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chief Constable of Essex Statement of Accounts for 2013/14 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.

Independent Auditor's Report to the Chief Constable of Essex

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Essex as at 31 March 2014 and of its 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Chief Constable of Essex Statement of Accounts for 2013/14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable and the auditor

The Chief Constable 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Independent Auditor's Report to the Chief Constable of Essex

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Chief Constable of Essex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police & Crime Commissioner Group Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion

Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton

30 September 2014

Comprehensive Income and Expenditure Statement for the Chief Constable of Essex

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 accounts.

	Restated 2012/13 Gross Expenditure £000	Restated 2012/13 Gross Income £000	Restated 2012/13 Net Expenditure £000	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
Local Policing	81,650	0	81,650	95,545	0	95,545
Dealing with the Public	3,312	0	3,312	6,155	0	6,155
Criminal Justice Arrangements	8,370	0	8,370	10,840	0	10,840
Road Policing	12,211	0	12,211	9,718	0	9,718
Specialist Operations	26,459	0	26,459	24,621	0	24,621
Specialist Operations - Air Support	220	0	220	0	0	0
Intelligence	7,370	0	7,370	7,614	0	7,614
Investigations	60,449	0	60,449	51,393	0	51,393
Investigative Support	3,424	0	3,424	2,630	0	2,630
National Policing	11,786	0	11,786	11,640	0	11,640
Corporate and Democratic Core	24	0	24	116	0	116
Non Distributed Costs	0	0	0	0	0	0
Financial Resources Consumed	215,275	0	215,275	220,272	0	220,272
Intra Group Adjustment for Chief Constable's Net Service Cost	0	(211,439)	(211,439)	0	(208,260)	(208,260)
Net Cost of Services	215,275	(211,439)	3,836	220,272	(208,260)	12,012
Financing and Investment Income and Expenditure						
Net interest on the defined benefit pensions liability						
- Police Officers	88,874	0	88,874	91,762	0	91,762
Deficit on Provision of Services	304,149	(211,439)	92,710	312,034	(208,260)	103,774
Other Comprehensive Income and Expenditure						
Remeasurement of the net defined benefit liability						
- Police Officers	158,428	0	158,428	(303,636)	0	(303,636)
	158,428	0	158,428	(303,636)	0	(303,636)
Total Comprehensive Income and Expenditure	462,577	(211,439)	251,138	8,398	(208,260)	(199,862)

Balance Sheet for the Chief Constable of Essex

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable.

	Restated		2013/14	2013/14
	2012/13	2012/13		
	£000	£000	£000	£000
Long-term assets		0		0
Current assets				
Short term debtors	5,554		1,263	
Current assets total	<u>5,554</u>	5,554	<u>1,263</u>	1,263
Current liabilities				
Short term creditors	(10,003)		(5,666)	
Current liabilities total	<u>(10,003)</u>	(10,003)	<u>(5,666)</u>	(5,666)
Long term liabilities				
Pensions Liabilities - Police Officers	(2,209,377)		(2,009,561)	
Long term liabilities total	<u>(2,209,377)</u>	(2,209,377)	<u>(2,009,561)</u>	(2,009,561)
Net liabilities		<u><u>(2,213,826)</u></u>		<u><u>(2,013,964)</u></u>
Unusable reserves				
Pensions reserve	2,209,377		2,009,561	
Accumulating Compensated Absences				
Adjustment Account	4,449		4,403	
Unusable reserves total	<u>4,449</u>	2,213,826	<u>4,403</u>	2,013,964
Total reserves		<u><u>2,213,826</u></u>		<u><u>2,013,964</u></u>

Deborah A Martin BA (Hons) CPFA
 Chief Finance Officer of the Chief Constable
 30 September 2014

Movement in Reserves Statement for the Chief Constable of Essex

This statement shows the movement during the year on the different reserves held by the Chief Constable.

2012/13 - Restated								
	Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
	General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
Balance at 1 April 2012	0	0	0	0	0	0	1,962,689	1,962,689
Deficit on provision of services (accounting basis)	92,709	0	0	0	0	92,709	0	92,709
Other Comprehensive Income and Exp	0	0	0	0	0	0	158,428	158,428
Total Comprehensive Income and Expenditure	92,709	0	0	0	0	92,709	158,428	251,137
Adjustments between accounting basis and funding basis under regulations	(92,709)	0	0	0	0	(92,709)	92,709	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	251,137	251,137
Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	0	0	0	0	0	0	251,137	251,137
Balance at 31 March 2013 carried forward	0	0	0	0	0	0	2,213,826	2,213,826

2013/14								
	Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
	General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
Balance at 1 April 2013	0	0	0	0	0	0	2,213,826	2,213,826
(Surplus)/deficit on provision of services (accounting basis)	103,774	0	0	0	0	103,774	0	103,774
Other Comprehensive Income and Exp	0	0	0	0	0	0	(303,636)	(303,636)
Total Comprehensive Income and Expenditure	103,774	0	0	0	0	103,774	(303,636)	(199,862)
Adjustments between accounting basis and funding basis under regulations	(103,774)	0	0	0	0	(103,774)	103,774	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	(199,862)	(199,862)
Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	0	0	0	0	0	0	(199,862)	(199,862)
Balance at 31 March 2014 carried forward	0	0	0	0	0	0	2,013,964	2,013,964

Cash Flow Statement for the Chief Constable of Essex

The Cash Flow Statement shows the changes in cash equivalents of the Chief Constable during the reporting period.

The Chief Constable does not operate a bank account and therefore the overall balance on this statement is nil

	Restated 2012/13		2013/14	
	£000	£000	£000	£000
Surplus/deficit on the provision of services:-		92,710		103,774
Adjustments for non cash movements:-				
Movement in pension liability	(93,054)		(103,820)	
Other non cash movements	344		46	
Total adjustments for non cash movements		(92,710)		(103,774)
Net cash flows from operating activities		0		0
Net decrease/(increase) in cash and cash equivalents		0		0
Cash and cash equivalents at the beginning of the reporting period		0		0
Cash and cash equivalents at the end of the reporting period		0		0
Movement in cash equivalents		0		0

Notes to the Accounts for the Chief Constable of Essex

The notes to the accounts on the Creation of the New Police and Crime Commissioner and Prior Period Adjustments for 2012/13 are shown on note 11 on pages 26-27 and note 12 on pages 27-28.

1. Date of Authorisation of the Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 30 September 2014 by Mrs Deborah Martin BA (Hons), CPFA, Chief Finance Officer of the Chief Constable.

2. Officers' Remuneration

The following table identifies the number of police officers whose remuneration was £50,000 or more during 2013/14. The numbers of officers and staff are shown in remuneration bands of £5,000.

Remuneration includes basic salary, overtime, allowances, expenses (so far as the expenses are chargeable to United Kingdom Income Tax) and, where applicable, redundancy payments. It excludes employer's pension contributions:-

Remuneration Band	2012/13	2013/14
	Police Officers	Police Officers
£50,000 - £54,999	213	212
£55,000 - £59,999	119	134
£60,000 - £64,999	38	33
£65,000 - £69,999	9	10
£70,000 - £74,999	8	6
£75,000 - £79,999	8	7
£80,000 - £84,999	5	4
£85,000 - £89,999	2	2
£90,000 - £94,999	3	2
£95,000 - £99,999	0	0
£100,000 - £104,999	1	0
Total	406	410

Notes to the Accounts for the Chief Constable of Essex

3. Officers' Remuneration (contd.)

2012/13					
	Salary (including allowances) (note 1) £	Benefits in kind (note 2) £	Other payments	Employers Pension contributions £	Total remuneration £
Chief Constable - J Barker McCardle	182,554			0	182,554
Deputy Chief Constable	142,847	3,611		29,586	176,044
Assistant Chief Constable	126,295	2,913		25,615	154,823
Assistant Chief Constable (note 3)	88,454	1,169	20,000	17,129	126,752
Assistant Chief Constable	114,520			22,688	137,208
Chief Finance Officer of the Chief Constable (note 4)	27,675	505		4,046	32,226
Total for CC	682,345	8,198	20,000	99,064	809,607

Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) This Assistant Chief Constable, previously on secondment from Hertfordshire, was taken onto the Essex payroll in July 2012. The remuneration shown above covers the period from July 2012 to March 2013. The £20,000 shown in Other Payments represents relocation expenses.
- 4) The Chief Finance Officer of the Chief Constable came into post on 22 November 2012. The costs disclosed are the post holder' earnings from that time. Prior to 22 November 2012, the post holder was the Head of Finance for Essex Police. The total remuneration for 2012/13 was £89,999.

2013/14					
	Salary (including allowances) (note 1) £	Benefits in kind (note 2) £	Other payments	Employers Pension contributions £	Total remuneration £
Chief Constable - J Barker McCardle (note 3)	27,863			0	27,863
Chief Constable - S Kavanagh (note 4)	171,312	5,960		35,918	213,190
Deputy Chief Constable	143,585	3,611		29,759	176,955
Assistant Chief Constable (note 5)	124,799	1,939	7,806	23,558	158,102
Assistant Chief Constable	115,287			22,821	138,108
Temporary Assistant Chief Constable (note 6)	23,975	514		5,630	30,119
Chief Finance Officer of the Chief Constable (note 7)	75,219	1,798		7,672	84,689
Total for CC	682,040	13,822	7,806	125,358	829,026

Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.

Notes to the Accounts for the Chief Constable of Essex

- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) Mr James Barker McCardle completed his term of office as Chief Constable on 2 May 2013. The costs shown are his earnings up to that day. If he had been in post for the whole year, his salary would have been £148,194 plus allowances.
- 4) Mr Stephen Kavanagh commenced his term of office as Chief Constable on 3 May 2013. The costs shown are his earnings from that day. If he had been in post for the whole year, his salary would have been £162,902 plus allowances
- 5) The £7,806 shown in the Other payments column is in respect of relocation expenses.
- 6) The Temporary Assistant Chief Constable came into post on 24 December 2013. The costs shown are his earnings from that day. Prior to this day this officer held the post of Detective Chief Superintendent. The total remuneration for the year for this officer was £87,495 plus allowances
- 7) The Chief Finance Officer is deemed to be an employee of the Chief Constable. This post holder's costs are included in the Chief Constable's Statement of Accounts.

Members of the Essex Police Chief Officer Team

In addition to the police officers and police staff shown in the table on the previous page, the Essex Police Chief Officer Management Team also included the following shared posts:-

- a) Assistant Chief Constable (Head of Essex/Kent Serious Crime Directorate)
- b) Director of Essex/Kent Support Services
- c) Director of Human Resources

These post holders were on the Kent payroll and 50% of their costs were recharged to Essex during 2013/14. Their remuneration is disclosed in full in the Statements of Account of the Police & Crime Commissioner for Kent.

4. External Audit Costs

	2012/13	2013/14
	£000	£000
<u>Fees payable to Ernst & Young LLP</u>		
- with regard to external audit services carried out by the appointed auditor	24	25
	24	25

Notes to the Accounts for the Chief Constable of Essex

5. Debtors

Short term debtors

The short-term debtors disclosed in the balance sheet are classified as follows:

	2012/13	2013/14
	£000	£000
	Restated	
Central Government Bodies	0	0
Other Local Authorities	1,694	1,263
Public Corporations and Trading Funds	0	0
Other Entities & Individuals	3,860	0
Balance at year end	5,554	1,263

6. Short-Term Creditors

	2012/13	2013/14
	£000	£000
	Restated	
Central Government Bodies	0	0
Other Local Authorities	(3,860)	(5,666)
NHS Bodies	0	0
Public Corporations & Trading Funds	0	0
Other Entities & Individuals	(6,143)	0
Balance at year end	(10,003)	(5,666)

Notes to the Accounts for the Chief Constable of Essex

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note identifies the adjustments that have been made to the total comprehensive income and expenditure recognised by the Chief Constable during 2012/13 and 2013/14 in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure.

2012/13	General Reserve £000	Total Usable Reserves £000	IAS19 Pensions Reserve £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
Adjustments involving the IAS19 Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(145,352)	(145,352)	145,352	0	145,352	0
Less direct payments to pensioners payable in the year	52,297	52,297	(52,297)	0	(52,297)	0
Adjustments involving the Accumulating Absences Account						
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	346	346	0	(346)	(346)	0
Total	(92,709)	(92,709)	93,055	(346)	92,709	0

2013/14	General Reserve £000	Total Usable Reserves £000	IAS19 Pensions Reserve £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
Adjustments involving the IAS19 Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(153,445)	(153,445)	153,445	0	153,445	0
Less direct payments to pensioners payable in the year	49,625	49,625	(49,625)	0	(49,625)	(0)
Adjustments involving the Accumulating Absences Account						
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	46	46	0	(46)	(46)	0
Total	(103,774)	(103,774)	103,820	(46)	103,774	0

Notes to the Accounts for the Chief Constable of Essex

8. Resources Allocated for Decision Making

The PCC sets the annual budget. The day-to-day management of the budget is delegated to the Chief Constable. The Force monitors the financial position and produces monthly and ad hoc reports for the PCC and the Chief Constable.

The analysis of income and expenditure in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Chief Constable on the basis of budget reports analysed across Chief Officer portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

The transactions in the tables below relate to:

- Police Officer pay and allowances
- PCSO pay and allowances
- Chief Finance Officer of the Chief Constable pay and allowances
- Police Officer pension liabilities
- Police Officer and PCSO accumulative absences liabilities
- The Chief Constables External Audit costs

Notes to the Accounts for the Chief Constable of Essex

8. Resources Allocated for Decision Making (contd.)

2012/13							
Portfolio Analysis							
	Policing Operations £000	Special Operations £000	Serious Crime Directorate £000	Director of Support Services £000	Deputy Chief Constable £000	Corporate Budgets £000	Total £000
Employee expenses	2,563	2,887	862	183,774	2,255	22,934	215,275

2013/14							
Portfolio Analysis							
	Policing Operations £000	Special Operations £000	Serious Crime Directorate £000	Director of Support Services £000	Deputy Chief Constable £000	Corporate Budgets £000	Total £000
Employee expenses	2,390	2,203	616	182,578	2,255	30,231	220,272

Notes to the Accounts for the Chief Constable of Essex

9. Defined Benefit Pension Schemes

Transactions Relating to Retirement Benefits

The Chief Constable recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge the Chief Constable is required to make against the General Reserve, however, is based on the cash payable in the year, and therefore the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement. The following transactions have been made in the Chief Constable's accounts during the year.

The 2012/13 figures in the following tables have been restated in accordance with a revised IAS19 standard that applies to accounting periods on or after 1 January 2013. In general, these changes are simply presentational changes. Where there has been an impact upon the 2012/13 core financial statements, however, this is described in the text to the relevant table.

Police Officer Pension Schemes

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Totals	
	2012/13 £000 Restated	2013/14 £000	2012/13 £000 Restated	2013/14 £000	2012/13 £000 Restated	2013/14 £000	2012/13 £000 Restated	2013/14 £000
<u>Comprehensive Income & Expenditure Statement</u>								
Cost of Services:								
Service cost	46,747	50,642	8,255	9,736	1,476	1,305	56,478	61,683
Financing and Investment Income & Expenditure:								
Net interest on the defined liability	81,868	84,182	2,655	3,336	4,351	4,244	88,874	91,762
Total Post Employment Benefit charged to the Deficit on the Provision of Services	128,615	134,824	10,910	13,072	5,827	5,549	145,352	153,445
Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
Change in financial assumptions	146,703	1,725	7,697	91	4,028	(1,250)	158,428	566
change in demographic assumptions	0	(6,877)	0	(2,538)	0	(1,673)	0	(11,088)
Experience (gain)/loss on defined benefit obligation	0	(249,748)	0	(20,033)	0	(23,333)	0	(293,114)
Remeasurements	146,703	(254,900)	7,697	(22,480)	4,028	(26,256)	158,428	(303,636)
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	275,318	(120,076)	18,607	(9,408)	9,855	(20,707)	303,780	(150,191)
<u>Movement in Reserves Statement</u>								
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	(128,615)	(134,824)	(10,910)	(13,072)	(5,827)	(5,549)	(145,352)	(153,445)
<u>Actual amount charged against the General Reserve for pensions in the year</u>								
Retirement benefits payable to retired police officers	51,622	49,754	(2,668)	(3,554)	3,343	3,425	52,297	49,625

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £303.636m (losses of £158.428m in 2012/13) have been included in the Comprehensive Income & Expenditure Statement.

Notes to the Accounts for the Chief Constable of Essex

9. Defined Benefit Pension Schemes (contd.)

Pension Assets and Liabilities recognised in the balance sheet

The following table reconciles the present values of the liabilities and assets of the police officer pension schemes:-

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2012/13 £000 Restated	2013/14 £000	2012/13 £000 Restated	2013/14 £000	2012/13 £000 Restated	2013/14 £000	2012/13 £000 Restated	2013/14 £000
Defined Benefit Obligation at start of year	1,805,257	2,028,953	56,406	77,681	96,231	102,743	1,957,894	2,209,377
Current Service Cost	46,747	50,642	8,255	9,736	1,476	1,305	56,478	61,683
Interest Cost	81,868	84,182	2,655	3,336	4,351	4,244	88,874	91,762
Change in Financial Assumptions	146,703	1,725	7,697	91	4,028	(1,250)	158,428	566
Change in Demographic Assumptions	0	(6,877)	0	(2,538)	0	(1,673)	0	(11,088)
Experience gain/loss on defined benefit obligation	0	(249,748)	0	(20,033)	0	(23,333)	0	(293,114)
Estimated benefits paid net of transfers in	(61,468)	(60,916)	(115)	148	(3,343)	(3,425)	(64,926)	(64,193)
Contributions by Scheme Participants	9,846	11,162	2,783	3,406	0	0	12,629	14,568
Defined Benefit Obligation at end of year	2,028,953	1,859,123	77,681	71,827	102,743	78,611	2,209,377	2,009,561

Restatements

All of the restatements are technical presentational changes. There have been no changes to the liabilities recognised in the Balance Sheet.

Notes to the Accounts for the Chief Constable of Essex

9. Defined Benefit Pension Schemes (contd.)

Assets and Liabilities in Relation to Retirement Benefits

The following table reconciles the present values of the liabilities of the police officer pension schemes:

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	2,028,953	1,859,123	77,681	71,827	102,743	78,611	2,209,377	2,009,561
Defined Benefit Obligation at start of year	2,028,953	1,859,123	77,681	71,827	102,743	78,611	2,209,377	2,009,561
Unrecognised past service cost	0	0	0	0	0	0	0	0
Net liability in balance sheet	2,028,953	1,859,123	77,681	71,827	102,743	78,611	2,209,377	2,009,561

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Contributions by Employer	51,622	49,754	(2,668)	(3,554)	3,343	3,425	52,297	49,625
Contributions by Participants	9,846	11,162	2,783	3,406	0	0	12,629	14,568
Net Benefits Paid Out	(61,468)	(60,916)	(115)	148	(3,343)	(3,425)	(64,926)	(64,193)
Closing Fair Value of Assets	0	0	0	0	0	0	0	0

Notes to the Accounts for the Chief Constable of Essex

9. Defined Benefit Pension Schemes (contd.)

Basis for Estimating Assets and Liabilities

The assets and liabilities of the Police Pension Schemes have been assessed by Barnett Waddingham, an independent firm of actuaries.

The dates of the last full valuations are:

- Police Pension Schemes: 31 March 2014

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and other factors.

The principal assumptions used by the actuaries are as follows:

	Police Officer Pension Schemes	
	2012/13 £000	2013/14 £000
Long-term expected rate of return on asset in the scheme:		
Equity investments	n/a	n/a
Government Bonds	n/a	n/a
Other Bonds	n/a	n/a
Property	n/a	n/a
Cash/Liquidity	n/a	n/a
Alternative Assets		
Total		
Life expectancy from age 60 (police officers)		
Retiring in 20 years time:		
Male	28.5	29.7
Female	30.8	32.2
Retiring today:		
Male	26.9	27.2
Female	29.2	29.7
Rate of Inflation (RPI)	3.3%	3.6%
Rate of Inflation (CPI)	2.5%	2.8%
Rate of Increase in Salaries	4.1%	4.4%
Rate of Increase in Pensions	2.5%	2.8%
Discount Rate	5.0%	4.5%

The Police Officer Pension Schemes have no assets to cover their liabilities.

Notes to the Accounts for the Chief Constable of Essex

9. Defined Benefit Pension Schemes (contd.)

The following assumptions have also been made:

- police officers will exchange half their commutable pension for cash at retirement
- police staff will exchange 60% of their commutable pension for cash at retirement
- police officers will retire when they are first eligible to do so without reduction
- police staff will retire at one retirement age for all tranches of benefit, which will be the pension weighted average retirement age
- 10% of police staff will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table on the previous page.

The following table identifies the impact of a variance of +0.1% and -0.1% in the assumptions:-

Police Officers	1987 Scheme			2006 Scheme			Injury & Ill Health Awards		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	1,824,677	1,859,123	1,894,253	70,496	71,827	73,184	77,154	78,611	80,096
Projected service cost	40,129	41,170	42,239	5,565	5,709	5,858	988	1,013	1,040
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	1,863,766	1,859,123	1,854,507	72,284	71,827	71,373	78,611	78,611	78,611
Projected service cost	41,190	41,170	41,150	5,712	5,709	5,706	1,014	1,013	1,013
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	1,890,162	1,859,123	1,828,696	72,749	71,827	70,927	80,120	78,611	77,129
Projected service cost	42,236	41,170	40,130	5,857	5,709	5,565	1,039	1,013	988
<u>Adjustment to mortality age rating assumption</u>	+1 year	None	-1 year	+1 year	None	-1 year	+1 year	None	-1 year
Present value of total obligation	1,801,536	1,859,123	1,916,790	69,671	71,827	73,986	76,121	78,611	81,105
Projected service cost	39,936	41,170	42,406	5,538	5,709	5,881	983	1,013	1,044

Notes to the Accounts for the Chief Constable of Essex

10. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation of uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	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 PCC with expert advice about the assumptions to be applied.	These are illustrated on the table on page 25 that shows a variance of +1% or -1% in the assumptions.

11. Creation of New Police and Crime Commissioner and Chief Constable

Following the Police Reform and Social Responsibility Act 2011 (The Act) Essex Police Authority was replaced on 22nd November 2012 with two 'corporation sole' bodies, the PCC for Essex and the Chief Constable. It is the Government's intention that the reforms under the Act will be phased in over a period of several years. These financial statements for 2013/14 show the financial positions of the PCC and the PCC Group for the second year of operation.

Accounting principles

The accounting recognition of assets, liabilities and reserves during the first period of transition, reflects the powers and responsibilities of the PCC as designated by the Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting relationship is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22nd November 2012, the assets, liabilities and reserves of the Police Authority were transferred directly to the PCC and during this first phase of transition remain under the PCC's control. Statutory and local arrangements determine that the PCC holds all assets, liabilities and the reserves except for the IAS 19 pension and the accumulated absences liabilities. All payments for the Group are made by the PCC from the police fund and all income and funding is received by the PCC. The PCC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

This year the Chief Constable and PCC have adopted a new accounting policy and have recognised the operational police officer and PCSO expenditure and the PCC's funding to support the Chief Constable in the Chief Constable's Accounts, with police staff pay, other expenditure and income, including the main sources of funding (i.e. central government grants and Council Tax) being shown in the PCC's Accounts. Transactions in respect of operational police officer and PCSO costs and liabilities to the Chief Constable's Balance Sheet for employment and post-employment

Notes to the Accounts for the Chief Constable of Essex

benefits are also recognised in the Chief Constable's Comprehensive Income and Expenditure Statement (CIES) in accordance with International Accounting Standard 19 (IAS19).

The rationale behind transferring the liability for employment benefits is that IAS19 states that the employment liabilities should follow employment costs. Because employment costs are shown in the Chief Constable's CIES, on the grounds that the Chief Constable is exercising day-to-day direction and control over police officers and PCSOs, it follows that the employment liabilities are therefore shown in the Chief Constable's Balance Sheet.

Revised legislation came into effect on 1st April 2013 granting the Chief Constable the same status as local authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits. As a result the prior year figures have been restated solely for comparative purposes.

Intra group adjustments

The table below shows the movement through an intra group account within the respective accounts during 2012/13 and 2013/14. There are no outstanding intra group balances at year end, as the PCC paid all financial resources consumed at the request of the Chief Constable and an intra group adjustment was made to offset the Chief Constable's consumption of resources

	Intra group balances for 2012/13			Intra group balances for 2013/14		
	PCC £000	Chief Constable £000	Group £000	PCC £000	Chief Constable £000	Group £000
Opening balance as at 1 st April	0	0	0	0	0	0
PCC resources consumed at the request of the Chief Constable	(215,275)	215,275	0	(220,272)	220,272	0
PCC Intra group adjustment	215,275	(215,275)	0	220,272	(220,272)	0
Closing balance as at 31st March	0	0	0	0	0	0

12. Prior Period Adjustment

There have been two changes in accounting policy that have required the 2012/13 accounts to be restated.

1. There has been a change in accounting policy for post employment benefits as a result of the Code's adoption of the amendments to IAS 19; the standard governing retirement costs. There is a new measurement of the net defined benefit liability which now includes the return on plan assets. Additionally, the administrative expenses of pension schemes are now charged to the cost of services in the CIES (whereas they were previously offset against the expected return on assets in the balance sheet).

2. Further to the changes in the code, the Chief Constable and PCC have adopted a new accounting policy and have recognised police officer, PCSO and the Chief Finance Officer of the Chief Constable's salary and pension costs and accumulated absences expenses in the Chief Constable's accounts in accordance with IAS 19 (Employee benefits). Revised legislation came into effect on 1st April 2013 granting the Chief Constable the same status as local authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits (otherwise the impact of these costs would remain a charge to the Chief Constable). The prior year figures have been restated solely for comparative purposes.

Notes to the Accounts for the Chief Constable of Essex

The financial implication of these changes are summarised in the tables that follow.

Chief Constable's 2012/13 Balance Sheet Restatement					
	Published figures 2012/13 £000	Adjustments relating to IAS changes £000	Adjustments relating to employee benefits in CC accounts instead of PCC accounts £000	Other adjustments relating recognition of items in CC accounts instead of PCC accounts £000	Restated figures £000
Short term debtors	0	0	0	5,554	5,554
Short term creditors	0	0	(4,449)	(5,554)	(10,003)
Pension liability	0	0	0	(2,209,377)	(2,209,377)
Net Liabilities	0	0	(4,449)	(2,209,377)	(2,213,826)
Accumulated absences reserve	0	0	4,449	0	4,449
Pensions reserve	0	0	0	2,209,377	2,209,377
Total Reserves	0	0	4,449	2,209,377	2,213,826
Chief Constable's 2012/13 Comprehensive Income & Expenditure Statement, Movement in Reserves Statement and Cash Flow Statement Restatement					
	Published figures 2012/13	Adjustments relating to IAS changes	Adjustments relating to employee benefits in CC accounts instead of PCC accounts	Other adjustments relating to items in CC accounts instead of PCC accounts	Restated figures
	£'000	£'000	£'000	£'000	£'000
CIES					
Financial resources consumed	0	0	(344)	215,619	215,275
Intra group funding	0	0	344	(215,619)	(215,275)
Financing and investment income and expenditure (Pensions interest cost on net defined pension liability)	0	0	0	88,874	88,874
Surplus/deficit on provision of services	0	0	0	88,874	88,874
Other comprehensive income and expenditure (Remeasurements of the net defined benefit liability (asset))	0	0	0	158,428	158,428
Total comprehensive income and expenditure	0	0	0	247,302	247,302
MIRS					
Surplus/deficit on provision of services	0	0	0	88,874	88,874
Other Comprehensive Income and Expenditure	0	0	0	158,428	158,428
Adjustments between accounting and funding basis under regulation					
- General Reserve	0	0	0	(88,874)	(88,874)
- Unusable Reserves	0	0	(344)	93,055	92,711
Net (Increase)/Decrease before Transfers to Earmarked Reserves	0	0	(344)	251,481	251,137
Cash Flow Statement					
Adjustment for non cash movement	0	0	0	(88,874)	(88,874)

Notes to the Accounts for the Chief Constable of Essex

13. Summary of Significant Accounting Policies

The Chief Constable applies the same significant accounting policies as the PCC (see PCC's Statement of Accounts), insofar as these are relevant to his accounts. They are:

Policies applying to the PCC Group (these policies also apply to the PCC and Chief Constable)

- 13.1 General Principles
- 13.2 Accruals of Income and Expenditure
- 13.3 Overhead and Support Services
- 13.4 Employee Benefits
- 13.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 13.6 Revenue Recognition
- 13.7 Post Balance Sheet Events
- 13.8 Retirement Benefits
- 13.9 Income

13.1 General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the year 2013/14 and the position at the year ending 31 March 2014. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2013/14*. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

13.2 Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

13.3 Overhead and Support Services

The costs of overhead and support services are included within the service expenditure analysis shown in the Comprehensive Income & Expenditure Statement, in accordance with the CIPFA *Service Reporting Code of Practice (SeRCOP)*.

13.4 Employee Benefits

Short Term Benefits

Short-term benefits are those due to be settled within twelve months of the year end. They include such benefits as salaries, allowances, paid annual leave and paid sick leave, and they are recognised as an expense for services in the year in which police officers and police staff provide service to the Chief Constable.

The Chief Constable recognises liabilities at the balance sheet date in respect of the following benefits:-

- outstanding annual leave entitlements
- time off in lieu

Notes to the Accounts for the Chief Constable of Essex

These are measured at the average pay rate per grade of police officer/police staff.

The initial accruals at the IFRS adoption date are recognised on the balance sheet in the Short Term Accumulating Absences Account, matched by a corresponding liability in the Accumulating Absences Adjustment Account within the Unusable Reserves section.

Subsequent increases and decreases in these liabilities are recognised as a charge or credit to the Comprehensive Income and Expenditure Statement, which are then reversed out through the Movement in Reserves Statement to ensure that there is no impact upon the General Reserve. Within the balance sheet there is a corresponding increase or decrease in the Short Term Accumulating Absences Account and the Accumulating Absences Adjustment Account.

Long Term Benefits

The Chief Constable recognises liabilities at the balance sheet date in respect of long term disability benefits (i.e. injury and ill health award) for police officers.

The Chief Constable regards the measurement of long term disability benefits as being subject to the same degree of uncertainty as the measurement of other post employment benefits.

In accordance with this view, the Chief Constable has adopted an IPSAS 25 (International Public Sector Accounting Standards) interpretation of long term disability benefits, which means that it accounts for these benefits in the same way as defined post employment benefits, i.e. as actuarial gains and losses, through the police officer pensions scheme liabilities and the police officer pension scheme reserve.

13.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

13.6 Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many aspects and revenue is only recognised when all related work has been completed. Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released as income is earned. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Notes to the Accounts for the Chief Constable of Essex

13.7 Post Balance Sheet Events

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:-

- a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- b) those that are an indication of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

13.8 Retirement Benefits

Police Officers

The following schemes are:

- a) Police Officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme
- b) Police Officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme
- c) Police Officers forced to retire through injury are admitted to the Police Officer Injury awards Scheme

These schemes are defined benefit schemes, administered by Essex County Council. The schemes are unfunded, meaning that there are no investment assets built up to meet pensions liabilities.

The expenditure and income in respect of this scheme is accounted for in the Police Pensions Fund Account with the exception of injury and some ill health retirement payments, which are charged to the Comprehensive Income and Expenditure Statement.

The liability for future payments that will be made in relation to retirement benefits has been assessed by the Scheme's actuaries based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

The cost of future retirement benefits when they are earned by serving police officers are recognised in the Comprehensive Income and Expenditure Statement in accordance with IAS19, Accounting for Retirement Benefits, and therefore form part of the Net Deficit for the Year. They are subsequently reversed out in the Movement in Reserves Statement.

Police Staff

Police Staff (including Police Community Support Officers) are eligible to join the Local Government Pension Scheme (LGPS). This is also a defined benefits scheme administered by Essex County Council. The scheme is funded, meaning that there are investment assets built up to meet future pension liabilities.

PCSO and the Chief Finance Officer's current service costs and interest costs are recognised in the Chief Constable's CIES.

Net pension liabilities are recognised in the Group Balance Sheet.

Notes to the Accounts for the Chief Constable of Essex

13.9 Income

The PCC is the recipient of all funding, including government grants, precept and other sources of income, related to policing and crime reduction and all funding for the Force is via the PCC. The PCC is responsible for allocating this funding in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations.

Policies applying to the Chief Constable

14. Police Pension Reserve

From 1 April 2013 the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 enables the Police Officer Pension Reserve to be classified as unusable. We recognise this statutory override in the 2013/14 accounts, however to enable comparative representation to 2012/13 we have applied this retrospectively to the 2012/13 accounts.

Police Officer Pension Fund Account

Introduction

The Police Officer Pensions Fund Account was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932). It is administered on behalf of the Chief Constable by Essex County Council.

The Fund receives income each year from:

- Contributions from the employer based on a percentage of pay
- Contributions from serving police officers
- Other receipts

Pensions to retired police officers, lump sum payments and other benefits are paid from the Fund.

The Fund 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 Fund.

The Fund is not backed by any investment assets, and its outgoings are funded entirely from the receipts identified above. The Fund accounts solely for the benefits payable in the financial year, and does not account for benefits payable after the period end.

The following table identifies the movements on the Police Officer Pension Fund Account for the year.

	2012/13 £000	2013/14 £000
Contributions receivable		
Employer	(28,262)	(27,270)
Serving police officers	(13,759)	(14,569)
Capital equivalent payment for ill health	(632)	(642)
Transfers in		
Individual transfers in from other schemes	(969)	(1,081)
Total Receipts	(43,622)	(43,562)
Benefits payable		
Pensions	48,925	51,297
Commutations and lump sum payments	12,386	10,252
Lump sum death benefits	252	0
NIC on pension funds	6	7
Payments to and on account of leavers		
Refund of contributions	13	13
Individual transfers out to other schemes	710	129
Total Payments	62,292	61,698
Sub total for the year before transfer from the PCC of amount equal to the deficit	18,670	18,136
Transfer of amount from the PCC of amount equal to the deficit	(18,670)	(18,136)
Net amount payable for the year	0	0

Police Officer Pension Fund Account

The following table identifies the net assets and liabilities of the Fund:

	2012/13 £000	2013/14 £000
Unpaid pension benefits	0	0
Amounts owing from the General Reserve	0	0
Total Net Assets	0	0

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirement benefits are disclosed in note 9 (pages 21-25) to the Chief Constable's core financial statements.

Glossary of Terms

ASSET - An item that has a value, for example, land & buildings, vehicles, equipment, cash.

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

CORPORATION SOLE – A legal entity consisting of a single incorporated office, occupied by a single individual.

INTERNATIONAL ACCOUNTING STANDARDS – Standards for the preparation and presentation of financial statements, published between 1973 and 2000 by the International Accounting Standards Committee.

LIABILITY – An obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of service statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

MERGER ACCOUNTING – A method of accounting for a business combination.

Further Information

Further information about the Chief Constable's accounts is available from:

Corporate Finance
Business Centre
Chelmsford Road
Great Dunmow
Essex
CM6 1LW

Telephone 01245 452615

E-mail: PublicfinanceenquiriesEssex@essex.pnn.police.uk

In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report that appears on pages 7-9.

General information about the Chief Constable can be obtained by visiting: <http://www.essex.police.uk/>