



**Chief Constable of Essex  
Statement of Accounts  
2015/16 FINANCIAL YEAR**

**Produced 23 September 2016**

# Chief Constable of Essex Statement of Accounts for 2015/16

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## NARRATIVE REPORT

### Introduction

The Narrative Statement is prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The statement must include comment by the Chief Constable on financial performance, economy, efficiency and effectiveness in its use of resources over the financial year.

These Accounts set out the overall financial position of the Chief Constable of Essex Police, who is responsible for the Essex Police for the year ended 31 March 2016. The overriding purpose of this Narrative Statement is to inform readers on matters that are most significant to our financial position as well as our financial and non-financial performance.

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 2015/16 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 2015/16, 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.

It should be noted that the HMIC (Her Majesty's Inspectorate of Constabulary) Value for Money Profile 2015 confirmed that Essex Police costs £149 per head of the population, which is the lowest net revenue expenditure per head of population in England and Wales, as well as having one of the lowest levels of Band D council tax in the country. The force has been historically underfunded but remains committed to investing in the future; the saving plans focus on rationalisation of buildings and modernising the workforce which in turn will allow investment in the IT infrastructure, the estate, improved digital working and public protection.

The Chief Constable has a statutory duty to approve and publish this Statement of Accounts covering the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 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.

## NARRATIVE REPORT

### 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. With effect from 22nd 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 took place on 1 April 2014 and all staff, except those working directly in the Office of the PCC (OPCC), 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, PCSOs, Police Staff (excluding OPCC staff) and income for seconded officers, PCSO funding and mutual aid. The PCC has strategic control of all assets, OPCC 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  
2015/16: Based on International Financial Reporting Standards (IFRS).

### Revenue Summary

	Budget	Actual	Variance
	£000	£000	£000
Police Officer Pay and Allowances	163,812	163,681	(131)
PCSO and Police Staff Pay and Allowances	75,192	74,418	(774)
Police Pensions	4,561	3,933	(628)
Training	1	7	6
Other Employees Expenses	2,771	2,701	(70)
Premises	0	0	0
Transport	872	915	43
Supplies And Services	220	391	171
Third Party Payments	5	186	181
Other Expenditure	21	(1)	(22)
<b>Gross Revenue Expenditure</b>	<b>247,455</b>	<b>246,231</b>	<b>(1,224)</b>
Income	(3,268)	(2,952)	316
<b>Net Revenue Expenditure</b>	<b>244,187</b>	<b>243,279</b>	<b>(908)</b>

The Chief Constable is responsible for delivering policing having regard to the requirements of the PCC as set out in his Police and Crime Plan, and other statutory needs including the Strategic Policing Requirement.

## NARRATIVE REPORT

### Performance Report

The PCC measures performance across the eight themes of the Police and Crime Plan on a formal basis each month. The themes are:

1. Reducing Domestic Abuse
2. Supporting Our Victims of Crime
3. Reducing Youth Offending and Re-Offending in General
4. Tackling Consequences of Alcohol and Drug Abuse, and Mental Health Issues
5. Improving Road Safety
6. Improving Crime Prevention
7. Increasing Efficiency in Policing through Collaborative Working and Innovation
8. Ensuring Local Solutions meet Local Problems

The performance achieved during 2015/16 on the themes is highlighted below:

#### ***Reducing Domestic Abuse***

In July 2015, HMIC conducted their Police Effectiveness Efficiency and Legitimacy (PEEL), Vulnerability inspection of Essex Police. In addition, HMIC returned in September 2015 to conduct a child protection inspection.

The PEEL vulnerability report was published on 15<sup>th</sup> December 2015 and Essex was one of four forces to be rated as “inadequate”. The force was revisited in March 2016 and was commended by HMIC for responding so swiftly to its findings – described as a ‘sea change’ in Essex Police’s approach. The full report of the vulnerability revisit will be published in summer 2016. The Essex Police child protection report was published on 24<sup>th</sup> March 2016 and inspectors found that the force was not adequately protecting all children who are at risk due to widespread serious and systemic failings.

Essex Police accepted all of the recommendations made by HMIC and have invested significant resource, commitment and focus to delivering the improvements set out in the reports. A force improvement plan has been implemented under the leadership of the new Deputy Chief Constable, and monitored by the OPCC. Essex Police will be re-inspected on how it protects vulnerable people including children in the summer/autumn of 2016. The force continues to work hard to improve the way it protects children and vulnerable people.

#### ***Supporting our Victims of Crime***

This presents a key priority for the PCC.

Essex Police surveys victims through an independent research company and seeks consent from victims who are dissatisfied with the level of service to have their information passed to the Quality of Service Team. This provides an opportunity to help improve the service they originally received as far as is possible, with the aim of leaving victims feeling better supported, listened to and confident in Essex Police.

The rolling year results show that victims’ satisfaction levels have fallen compared to the previous 12 months across all aspects of service delivery currently measured (initial contact, actions, follow-up, treatment, plus the whole experience). However, the survey only covers certain crime types; dwelling burglary, vehicle crime and non-serious violent crime and the force is looking to extend the breadth of victim feedback in the future.

Essex is placed 43<sup>rd</sup> nationally for ‘whole experience,’ and it is recognised that there is considerable scope for improvement. A key area of focus for the force is the timeliness and quality of feedback to victims of crime. We aim to better support, inform and manage the expectations of victims, and agree with them how often they will receive updates on the status of their case. This will ensure the force continues to meet its statutory obligations under the Victims’ Code.

The force encourages feedback from all victims, both positive and negative, to ensure it continues to learn how services can be improved. In addition, the OPCC seeks feedback from victims through the services that it commissions, to ensure that victims receive the best possible service from local providers.

## NARRATIVE REPORT

<b>2. Supporting Victims of Crime Data to Mar 2016 (unless stated otherwise)</b>	<b>12m Last Year</b>	<b>12m This Year</b>	<b>Better/ Worse % or % pt. diff.</b>	<b>Yr on Yr diff. Improved/ Worsened since Feb 2016</b>
User Satisfaction - Making contact with the police	92.8%	<b>90.4%</b>	-2.4	Improved (0.4% pt.)
Confidence interval	1.4%	1.6%		
User Satisfaction - Action taken by the police	81.5%	<b>72.8%</b>	-8.7	Worsened (-0.4% pt.)
Confidence interval	1.8%	2.1%		
User Satisfaction - Being kept informed of progress	75.0%	<b>65.3%</b>	-9.7	Worsened (-0.6% pt.)
Confidence interval	2.0%	2.3%		
User Satisfaction - Their treatment by staff	92.2%	<b>88.4%</b>	-3.8	Same
Confidence interval	1.2%	1.5%		
User Satisfaction - The overall service provided	80.4%	<b>73.8%</b>	-6.6	Worsened (-0.2% pt.)
Confidence interval	1.8%	2.0%		
Emergency incidents attended within standard (90% attended within 15 mins in urban areas or 20 mins in rural areas)	82.1%	<b>76.2%</b>	-5.9	Improved (1.0% pt.)
Emergency calls answered within standard (90% within 10 seconds)	83.8%	<b>83.6%</b>	-0.2	Improved (0.4% pt.)
Ensure that the average waiting time for a person calling our switchboard (non-emergency calls) is no more than 15 seconds	7	<b>6</b>	-1	Improved (-1.0)

### ***Reducing Youth Offending and Re-offending in General***

The adult Re-Offending and Integrated Offender Management (IOM) programme is adapting to the on-going national and local changes to the Probation Service – now called the Essex Community Rehabilitation Company (CRC). The new CRC, under the management of the company Sodexo, is implementing significant changes to the service to offer a more end-to-end approach to reducing reoffending. A new IOM co-ordinator is now in post funded by the PCC and working across partners to help develop and deliver a reducing reoffending strategy and delivery plan for Essex.

IOM continues to support prolific acquisitive crime offenders whilst increasing its involvement and intelligence submissions concerning Control Strategy offences (force priorities). Despite a recent IOM restructure, the IOM team has maintained a high level of intelligence submissions on child sexual abuse, domestic abuse, gangs and organised crime groups. The highest return from the team was in March, with 475 intelligence submissions for the month. This accounts for 9.3% of all intelligence reports submitted in that month. Of the 475 submissions, 192 (40.4%) related to the Control Strategy.



## NARRATIVE REPORT

<b>3. Reducing Youth Offending and Reoffending in General Data for Sep 2015</b>	<b>Monthly Last Year</b>	<b>Monthly This Year</b>	<b>Monthly Better/ Worse % or % pt. diff.</b>	<b>Yr on Yr diff. Improved/ Worsened since Aug 2015</b>
The number of youth offenders	305	<b>255</b>	-16.4	<b>Worsened (9.9% pt.)</b>
The number of adult offenders	1593	<b>1286</b>	-19.3	<b>Improved (-1.2% pt.)</b>
The number of youth offenders who re-offend	87	<b>49</b>	-43.7	<b>Worsened (1.0% pt.)</b>
The number of adult offenders who re-offend	417	<b>272</b>	-34.8	<b>Improved (-0.4% pt.)</b>
Youth re-offending rate	28.5%	<b>19.2%</b>	-9.3%	<b>Improved (-1.1% pt.)</b>
Adult re-offending rate	26.2%	<b>21.2%</b>	-5.0%	<b>Improved (-0.1% pt.)</b>

### Tackling Consequences of Alcohol and Drug Abuse and Mental Health Issues

<b>4. Tackling Consequences of Alcohol and Drug Abuse, and Mental Health Issues Data to Mar 2016 (unless stated otherwise)</b>	<b>12m Last Year</b>	<b>12m This Year</b>	<b>Better/ Worse % or % pt. diff.</b>	<b>Yr on Yr diff. Improved/ Worsened since Feb 2016</b>
The number of night-time economy crimes	5169	<b>6812</b>	31.8	<b>Worsened (5.2% pt.)</b>
% Positive for drug testing on arrest	N/A	<b>40.1%</b>	N/A	N/A
Prosecution of Class A drug suppliers	196	<b>198</b>	1.0	<b>Worsened (-0.5% pt.)</b>

Each area is working with partners (particularly local community safety partnerships) to address the problems associated with the night-time economy (NTE). A robust approach to licensing inspection by local authorities and police is a key element in support of reducing offences within the NTE. The licensing inspection process (Operation Benison) has been reviewed and developed further since January 2016, ensuring a more targeted and intrusive inspection process for those premises identified as needing more support to reduce incidents of crime associated with their premises.

Essex Police, together with partner agencies, is committed to addressing the harm alcohol causes to young people. As a follow-up to December 2015 Operation Benison visits (which concentrated on age-related alcohol sales), Essex Police in association with Essex County Council Trading Standards conducted test purchase operations during the February 2016 half-term. This utilised volunteers from the force's Voluntary Police Cadets. Under-age test purchases were conducted within Chelmsford, Epping Forest and Tendring local authority areas. Two premises were found to have sold alcohol to under age people. One person received a fixed penalty notice and the other was interviewed by Trading Standards. Whilst court proceedings were pending, Essex Police initiated a review of the premises licence and, at the review hearing, the licensing sub-committee removed the Designated Premises Supervisor (DPS) from the licence.

A subsequent test purchase operation was carried out and under new management this was successfully passed. In the light of police action, Trading Standards decided to discontinue the prosecution and instead issued a final warning letter to the former DPS.

From the Proceeds of Crime Act (POCA) sourced monies, Essex Police has now purchased a number of Alcoblow units calibrated at twice the drink/drive limit. These devices are being made available to local licensed premises to provide a 'depersonalised' and non-subjective way of door staff refusing entry to people that are already intoxicated, whether that be from 'pre-loading' or consumption at other premises. Trials in other force areas have shown that these devices can be successful in reducing violent crime. It is also suggested that those refused entry are likely to be less aggressive when refusal is based on the use of a device rather than the opinion of door staff. It is intended that, in conjunction with the use of the Alcoblow units, door staff using the devices will be provided with alcohol awareness/treatment leaflets to assist them in providing support to intoxicated people.

Drug testing on arrest has now been running across Essex for 12 months. During this period there has been 5135 persons arrested and tested for drugs, of which 2060 have been positive; with every effort made to divert them into treatment.

### ***Improving Road Safety***

During the first three months of 2016 there have been 22 fatalities. This compares to an average of 11.2 for the same period over the last five years. Compared to fatalities recorded in 2015, there has been a notable shift towards car occupant fatalities, with 14 of the 22 fatalities being car occupants.

During this time there has been an apparent 'mode shift' with vulnerable transport modes (walking, cycling and P2Ws (motorcycle/powered two wheel vehicles)) making up a larger proportion of parties involved in collisions of all severity. The higher vulnerability of these groups is one factor in Killed or Seriously Injured (KSIs) accounting for a higher proportion of total injuries than they used to.

There has been a 32% increase in cycling since 2010, albeit from very low starting numbers, but most of the increase in vulnerable road users has come from pedestrians and P2W riders, which have seen very little change in miles travelled in recent years.

In light of the increase in KSIs, a review of roads policing enforcement has been undertaken. As a result, Roads Policing Units across the county are now undertaking increased enforcement activity at KSI hotspots, in support of, and in addition to, the work of the Casualty Reduction Teams.

### ***Crime Prevention***

Overall crime has increased by 11.3% year on year. This increase is broadly in line with the national average. The force is 28<sup>th</sup> nationally (out of 43 forces in England and Wales) in terms of crime increase (in a range of 3.9% decrease to 29% increase). Only four forces showed a crime decrease for the year.

There was no increase in overall burglary compared to the previous year. This was below the average national increase of 2.7% in the same period.

Essex has seen a 29.0% increase in violent crime. These figures reflect a national upward trend in violent crime of 27.6%. Essex Police is working with partners and other forces to tackle specific areas of violent crime. For example, there are several periods of activity planned for 2016 to tackle knife crime.

The force continues to campaign to address under-reporting of offences, including a number of high profile campaigns regarding domestic violence, burglary, knife and gang crime that we have run jointly with partners such as Community Safety Partnerships, Crimestoppers, Trading Standards and various charities. Additionally, the work of the National Retail Crime Group encourages major retailers to be more robust in reporting offences. Those businesses who have signed up to this scheme have seen a marked increase in their reported offences.

The Community Policing Teams (CPTs) which launched on Monday 4<sup>th</sup> April 2016, are intended to act as 'problem-solvers' to tackle community crime. These teams will form part of the district based partnership hubs where they will work closely with councils, charities and emergency service colleagues to resolve local issues in the most effective way possible.



In addition, the force is working with Essex County Fire and Rescue Service to develop the Parish Safety Volunteer scheme. This involves training members of the local community to provide low-level crime prevention and fire safety advice, allowing Crime Prevention and Fire Safety Officers more time to focus on crimes involving vulnerable or high-risk victims.

### ***Increased efficiency through collaborative working***

Essex Police was rated 'good' by HMIC in their 2015 efficiency inspection. The force has continued to improve efficiency and has launched a new neighbourhood policing model. The formation of multi-agency partnership hubs in ten locations is already underway and will enhance partnership working. A post-implementation review will take place at the end of the summer.

The business case for mobile policing has been completed and sent to both Essex and Kent chief officer groups and Police and Crime Commissioners. Once the business case has been approved by all stakeholders we will begin the procurement process to identify the software supplier. Once a supplier has been identified, a full business case will be completed with detailed costs. We are planning to start the rollout of the initial phase of mobile technology prior to the end of 2016.

The Strategic Change Team is in the process of carrying out a number of post implementation reviews, including the changes that were made to firearms officer numbers, the Local Policing Team shift pattern, use of Essex Community Messaging, and a review of middle management.

### **The Future**

The new Police and Crime Commissioner for Essex took up office on 11<sup>th</sup> May 2016. He is committed to providing clear strategic leadership and ensuring that Essex police is run efficiently and effectively. His manifesto pledges are being incorporated into his developing Police and Crime Plan, which includes the following seven priorities:

- i) Crack down on Anti-Social Behaviour
- ii) Tough on Domestic Abuse
- iii) Reverse the Trend in Serious Violent Crime
- iv) Tackle Gangs and Organised Crime
- v) Make the Police more Local, Visible and Accessible
- vi) Support Victims
- vii) Improve Road Safety

In the emerging Police and Crime Plan each of the above priorities will have the following clear outcomes to enable progress to be measured.

### ***Crack down on anti-social behaviour***

The work in this area will be closely aligned with the increased emphasis on local policing in order to increase the community feeling of safety and to increase community resilience.

### ***Domestic abuse***

Increased attention will be given to preventative measures, bringing perpetrators to justice and supporting domestic violence victims.

### ***Serious violent and sexual crime***

Raising the solved crime rate, bringing perpetrators to justice and reducing re-offending will be a priority in this area, particularly where children are involved.

### ***Gangs & organised crime***

Disrupting gangs and addressing gang related violence, reducing people trafficking, supporting vulnerable people and increasing community resilience.

***Local, visible and accessible***

Increased visibility of officers and better more accessible channels of communication with the Police.

***Supporting victims***

A focus on helping victims to cope and recover after crime. .

***Improving road safety***

Reduce the number of killed and seriously injured people through a range of measures including road safety awareness.

The Police and Crime Plan will expand on the above priorities within a programme of targeted investment and recognition that savings will need to be made in order to ensure that the overall plan is affordable. Key cross cutting enablers such as Blue Light integration, effective use of IT and digital engagement, strategic finance, partnership working and transformation of the police estate will underpin the effective delivery of the police crime plan.

**European Union Referendum**

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. The Treasury Strategy, as outlined in note 29, means the PCC's and Chief Constables surplus and net assets are well protected against currency fluctuations in the short to medium term. There is likely to be an impact on our investment property valuations if confidence in the wider UK property market falls; and the valuation of £2.5m defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant on-going uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.

## STATEMENT OF RESPONSIBILITIES

### **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 2016.

### **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.

Chief Constable of Essex  
23 September 2016

### **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 of the Chief Constable 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 2016.

Deborah A. Martin BA (Hons), CPFA  
Chief Finance Officer of the Chief Constable  
23 September 2016

## ANNUAL GOVERNANCE STATEMENT

The PCC for Essex and the Chief Constable of Essex have agreed a combined Annual Governance Statement for 2015/16.

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

### **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 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable for Essex Movement in Reserves Statement;
- Chief Constable for Essex Comprehensive Income and Expenditure Statement;
- Chief Constable for Essex Balance Sheet;
- Chief Constable for Essex Cash Flow Statement;
- Related notes 1 to 19; and
- Chief Constable for Essex Pension Fund Account.

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 Chief Constable of Essex in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 of the Chief Constable of the Chief Constable and auditor**

As explained more fully in the Statement of Responsibilities set out on page 10, the Chief Finance Officer of the Chief Constable 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, 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 of the Chief Constable; 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 2015/16 Financial Year 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:

- give a true and fair view of the financial position of the Chief Constable of Essex as at 31 March 2016 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 2015/16.

**Opinion on other matters**

In our opinion, the information given in the Chief Constable of Essex Statement of Accounts 2015/16 Financial Year 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 if:

- In our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Chief Constable of Essex Police;
- We issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- We make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- We make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- We issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;or
- We make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

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**

Chief Constable's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Chief Constable 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 this criterion as that 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 2016.

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 issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**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 Chief Constable's 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.

**Mark Hodgson (senior statutory auditor)  
for and on behalf of Ernst & Young LLP,  
Appointed Auditor Cambridge**

**Date: 23rd September 2016**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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.

	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
Local Policing	100,023	(326)	99,697	101,930	(347)	101,583
Dealing with the Public	23,509	0	23,509	26,861	(40)	26,821
Criminal Justice Arrangements	22,869	(17)	22,852	21,334	(18)	21,316
Road Policing	12,600	0	12,600	11,318	(22)	11,296
Operations Support	25,619	(549)	25,070	21,987	(161)	21,826
Intelligence	16,773	0	16,773	14,550	(18)	14,532
Investigations	51,811	(13)	51,798	63,035	(72)	62,963
Investigative Support	6,263	0	6,263	6,002	(7)	5,995
National Policing	11,596	(1,412)	10,184	11,353	(1,104)	10,249
Corporate & Democratic Core	242	0	242	19	0	19
<b>Financial Resources Consumed</b>	<b>271,305</b>	<b>(2,317)</b>	<b>268,988</b>	<b>278,389</b>	<b>(1,789)</b>	<b>276,600</b>
Intra Group Adjustment for Chief Constable's Net Service Cost	0	(275,755)	(275,755)	0	(280,998)	(280,998)
<b>Net Cost of Services</b>	<b>271,305</b>	<b>(278,072)</b>	<b>(6,767)</b>	<b>278,389</b>	<b>(282,787)</b>	<b>(4,398)</b>
Net interest on the defined benefit pensions liability						
- Police Officers	89,134	0	89,134	80,199	0	80,199
- Police Staff	4,716	0	4,716	4,719	0	4,719
<b>Financing and Investment Income and Expenditure</b>	<b>93,850</b>	<b>0</b>	<b>93,850</b>	<b>84,918</b>	<b>0</b>	<b>84,918</b>
<b>Deficit on Provision of Services</b>	<b>365,155</b>	<b>(278,072)</b>	<b>87,083</b>	<b>363,307</b>	<b>(282,787)</b>	<b>80,520</b>
<b>Other Comprehensive Income and Expenditure</b>						
Remeasurement of the net defined benefit liability						
- Police Officers	298,980	0	298,980	(129,585)	0	(129,585)
- Police Staff	26,723	0	26,723	(22,603)	0	(22,603)
	<b>325,703</b>	<b>0</b>	<b>325,703</b>	<b>(152,188)</b>	<b>0</b>	<b>(152,188)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>690,858</b>	<b>(278,072)</b>	<b>412,786</b>	<b>211,119</b>	<b>(282,787)</b>	<b>(71,668)</b>

Following the phase two transfer from the PCC to the Chief Constable on 1<sup>st</sup> April 2014, the transactions in the accounts relate to: -

- Police Officer pay and allowances
- PCSO pay and allowances
- Police Staff pay and allowances
- Police Officer pension liabilities
- Police Officer and PCSO accumulative absences liabilities
- The Chief Constables External Audit costs
- Operational income

There were actuarial gains of £129.585m in 2015/16 compared to actuarial losses of £298.980m in 2014/15. Note 18 provides further information on the Defined Benefit Pension Scheme.



## BALANCE SHEET

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

		2014/15	2014/15	2015/16	2015/16
Note		£000	£000	£000	£000
	Long-term assets		0		0
	Current assets				
12	Short term debtors	1,410		1,585	
	Current assets total		<b>1,410</b>		<b>1,585</b>
	Current liabilities				
13	Short term creditors	(7,102)		(4,732)	
	Current liabilities total		<b>(7,102)</b>		<b>(4,732)</b>
	Long term liabilities				
18	Pensions Liabilities - Police Officers	(2,387,920)		(2,331,316)	
18	Pensions Liabilities - Police Staff	(143,424)		(130,906)	
	Long term liabilities total		<b>(2,531,344)</b>		<b>(2,462,222)</b>
	Net liabilities		<b><u>(2,537,036)</u></b>		<b><u>(2,465,369)</u></b>
15	Unusable reserves				
	Pensions Liabilities - Police Officers	2,387,920		2,331,316	
	Pensions Liabilities - Police Staff	143,424		130,906	
	Accumulating Compensated Absences				
	Adjustment Account	5,692		3,147	
	Unusable reserves total		<b>2,537,036</b>		<b>2,465,369</b>
	<b>Total reserves</b>		<b>2,537,036</b>		<b>2,465,369</b>

I certify that the statement of accounts give a true and fair view of the financial position of the Chief Constable's accounts at 31 March 2016 and its income and expenditure for the year ended 31 March 2016. These financial statements replace the unaudited financial statements certified by Deborah Martin, Chief Finance Officer of the Chief Constable on 30 June 2016.

Deborah A Martin BA (Hons) CPFA  
 Chief Finance Officer of the Chief Constable  
 23 September 2016

## MOVEMENT IN RESERVES STATEMENT

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

2014/15								
	Usable Reserves						Total Unusable £000	Total Reserves £000
	General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000	Total Usable £000		
<b>Balance at 1 April 2014</b>	0	0	0	0	0	0	2,013,964	2,013,964
<b>Reclassification of CC balances</b>	0	0					110,286	110,286
Deficit on provision of services (accounting basis)	87,083	0	0	0	0	87,083		87,083
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	325,703	0
<b>Total Comprehensive Income and Expenditure</b>	<b>87,083</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>87,083</b>	<b>325,703</b>	<b>412,786</b>
Adjustments between accounting basis and funding basis under regulations	(87,083)	0	0	0	0	(87,083)	87,083	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>412,786</b>	<b>412,786</b>
Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>412,786</b>	<b>412,786</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,537,036</b>	<b>2,537,036</b>

The reclassification of CC balances represents pensions and compensated absences liabilities in respect of the police staff who transferred to the Chief Constable on 1 April 2015.

2015/16								
	Usable Reserves						Total Unusable £000	Total Reserves £000
	General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000	Total Usable £000		
<b>Balance at 1 April 2015</b>	0	0	0	0	0	0	2,537,037	2,537,037
Deficit on provision of services (accounting basis)	80,520	0	0	0	0	80,520	0	80,520
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(152,188)	(152,188)
<b>Total Comprehensive Income and Expenditure</b>	<b>80,520</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,520</b>	<b>(152,188)</b>	<b>(71,668)</b>
Adjustments between accounting basis and funding basis under regulations	(80,520)	0	0	0	0	(80,520)	80,520	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(71,668)</b>	<b>(71,668)</b>
Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(71,668)</b>	<b>(71,668)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,465,369</b>	<b>2,465,369</b>

## CASH FLOW STATEMENT

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

	2014/15		2015/16	
	£000	£000	£000	£000
<b>Deficit on the provision of services:-</b>		<b>87,083</b>		<b>80,520</b>
<b>Adjustments for non cash movements:-</b>				
Movement in pension liability	(86,942)		(83,066)	
Movement in accumulated absences liability	(141)		2,546	
<b>Total adjustments for non cash movements</b>		<b>(87,083)</b>		<b>(80,520)</b>
<b>Net cash flows from operating activities</b>		<b>0</b>		<b>0</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>		<b>0</b>		<b>0</b>
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
<b>Movement in cash equivalents</b>		<b>0</b>		<b>0</b>

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## 1. 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 was the Government's intention that the reforms under the Act were phased in over a period of several years. These financial statements for 2015/16 show the financial positions of the Chief Constable for the fourth 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 remained 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.

In 2013/14 the first phase of the transfer took place and the Chief Constable and PCC adopted a new accounting policy and 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 most 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 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.

A second stage transfer took place on 1 April 2014 and all staff, except those working directly in the Office of the PCC, transferred to the corporation sole of Chief Constable.



## 2. Intra Group Adjustments

The table below shows the movement through an intra group account within the respective accounts during 2014/15 and 2015/16. 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 2014/15			Intra group balances for 2015/16		
	PCC £000	Chief Constable £000	Group £000	PCC £000	Chief Constable £000	Group £000
Opening balance as at 1 <sup>st</sup> April	0	0	0	0	0	0
PCC resources consumed at the request of the Chief Constable	(275,555)	275,555	0	(280,998)	280,998	0
PCC Intra group adjustment	275,555	(275,555)	0	280,998	(280,998)	0
<b>Closing balance as at 31<sup>st</sup> March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 19, the PCC and Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- a) Joint Activities. The PCC and Chief Constable participates in some joint activities with the Police and Crime Commissioner for Kent, in particular a shared Serious Crime Directorate and Support Services Directorate. The PCC and Chief Constable also participates in some joint activities with other Eastern Region Authorities. These activities are deemed by the PCC and the Chief Constable to be jointly controlled activities in accordance with the Code of Practice. Accordingly, the Statement of Accounts does not include group accounts for these activities. Further details of these activities are shown in the Related Party Transactions note 30 in the PCC accounts.

## 4. Events after the Reporting Period

There have been no material post balance sheet events between the year-end and the date of approval of these accounts which require adjustment to these financial statements.

## 5. Date of Authorisation of the Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 23 September 2016 by Deborah Martin BA (Hons), CPFA, Chief Finance Officer of the Chief Constable.

**6. 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 set out in the table on the following page:-

Item	Uncertainties	Effect if Actual Results Differ from
<b>Pensions Liability</b>	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 Chief Constable with expert advice about the assumptions to be applied.	These are illustrated on the table on note 18 that shows a variance of +1% or -1% in the assumptions.

## NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

### **7. 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:

- Transfers to reserves and provisions
- Reversals of depreciation, revaluations, impairment losses and employee benefits

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

**7. Resources Allocated for Decision Making (cont.)**

<b>2014/15</b>										
<b>Portfolio Analysis - Income and Expenditure</b>	<b>Policing Operations</b>	<b>Special Operations</b>	<b>Serious Crime Directorate</b>	<b>Director of HR</b>	<b>Director of Support Services</b>	<b>Deputy Chief Constable</b>	<b>Corporate Budgets</b>	<b>PCC Grants and Allocations</b>	<b>Office of the PCC</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	0	0	0	(1,661)	(656)	0	0	0	0	(2,317)
Interest and investment income	0	0	0	0	0	0	0	0	0	0
Government grants & contributions	0	0	0	0	0	0	0	0	0	0
Pension interest cost & return on assets	0	0	0	0	0	0	(114,196)	0	0	(114,196)
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,661)</b>	<b>(656)</b>	<b>0</b>	<b>(114,196)</b>	<b>0</b>	<b>0</b>	<b>(116,513)</b>
Employee expenses	1,954	5,033	2,092	233,459	2,115	1,608	21,495	0	1	267,757
Other service expenses	0	0	0	71	1,810	0	78	0	0	1,959
Support Service recharges	0	0	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0	0	0
Interest Payments	0	0	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0	0
Contribution to reserves and provisions	0	0	0	0	0	0	1,448	0	0	1,448
Pension interest cost & return on assets	0	0	0	0	0	0	93,850	0	0	93,850
<b>Total Expenditure</b>	<b>1,954</b>	<b>5,033</b>	<b>2,092</b>	<b>233,531</b>	<b>3,926</b>	<b>1,608</b>	<b>116,870</b>	<b>0</b>	<b>1</b>	<b>365,014</b>
<b>Net Expenditure</b>	<b>1,954</b>	<b>5,033</b>	<b>2,092</b>	<b>231,870</b>	<b>3,270</b>	<b>1,608</b>	<b>2,675</b>	<b>0</b>	<b>1</b>	<b>248,502</b>

<b>2014/15</b>				
	<b>Portfolio Analyses</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts Not included in Cost of Services in CI&amp;E</b>	<b>Total Financial Resources Consumed</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	(2,317)	0	0	(2,317)
Interest and investment income	0	0	0	0
Income from council tax	0	0	0	0
Government grants and contributions	0	0	0	0
Pension interest cost & return on assets	(114,196)	0	114,196	(0)
<b>Total Income</b>	<b>(116,513)</b>	<b>0</b>	<b>114,196</b>	<b>(2,317)</b>
Employee expenses	267,757	0	141	267,898
Other service expenses	1,959	0	0	1,959
Support Service recharges	0	0	0	0
Depreciation, amortisation and impairment	0	0	0	0
Interest Payments	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0
Contribution to reserves and provisions	1,448	0	0	1,448
Pension interest cost & return on assets	93,850	0	(93,850)	0
<b>Total Expenditure</b>	<b>365,014</b>	<b>0</b>	<b>(93,709)</b>	<b>271,305</b>
<b>Total</b>	<b>248,502</b>	<b>0</b>	<b>20,487</b>	<b>268,988</b>

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

**7. Resources Allocated for Decision Making (cont.)**

<b>2015/16</b>									
<b>Portfolio Analysis - Income and Expenditure</b>									
	<b>Territorial Policing</b>	<b>Criminal Justice and Offender Management Command and Strategic Projects</b>	<b>Serious Crime Directorate</b>	<b>Director of Support Services</b>	<b>Deputy Chief Constable</b>	<b>Corporate Budgets</b>	<b>PCC Grants and Allocations</b>	<b>Office of the PCC</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	0	0	0	(1,788)	0	(1)	0	0	(1,789)
Interest and investment income	0	0	0	0	0	0	0	0	0
Government grants & contributions	0	0	0	0	0	0	0	0	0
Pension interest cost & return on assets	0	0	0	0	0	(120,787)	0	0	(120,787)
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,788)</b>	<b>0</b>	<b>(120,788)</b>	<b>0</b>	<b>0</b>	<b>(122,576)</b>
Employee expenses	2,375	2,882	776	234,449	2,207	37,919	0	(0)	280,606
Other service expenses	0	0	0	1,405	0	87	0	0	1,492
Support Service recharges	0	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0	0
Interest Payments	0	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0
Contribution to reserves and provisions	0	0	0	0	0	(1,163)	0	0	(1,163)
Pension interest cost & return on assets	0	0	0	0	0	84,918	0	0	84,918
<b>Total Expenditure</b>	<b>2,375</b>	<b>2,882</b>	<b>776</b>	<b>235,854</b>	<b>2,207</b>	<b>121,760</b>	<b>0</b>	<b>(0)</b>	<b>365,853</b>
<b>Net Expenditure</b>	<b>2,375</b>	<b>2,882</b>	<b>776</b>	<b>234,066</b>	<b>2,207</b>	<b>972</b>	<b>0</b>	<b>(0)</b>	<b>243,277</b>

<b>2015/16</b>				
	<b>Portfolio Analyses</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts Not included in Cost of Services in CI&amp;E</b>	<b>Total Financial Resources Consumed</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	(1,789)	0	0	(1,789)
Interest and investment income	0	0	0	0
Income from council tax	0	0	0	0
Government grants and contributions	0	0	0	0
Pension interest cost & return on assets	(120,787)	0	120,787	0
<b>Total Income</b>	<b>(122,576)</b>	<b>0</b>	<b>120,787</b>	<b>(1,789)</b>
Employee expenses	280,606	0	(2,546)	278,060
Other service expenses	1,492	0	0	1,492
Support Service recharges	0	0	0	0
Depreciation, amortisation and impairment	0	0	0	0
Interest Payments	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0
Contribution to reserves and provisions	(1,163)	0	0	(1,163)
Pension interest cost & return on assets	84,918	0	(84,918)	0
<b>Total Expenditure</b>	<b>365,853</b>	<b>0</b>	<b>(87,464)</b>	<b>278,389</b>
<b>Total</b>	<b>243,277</b>	<b>0</b>	<b>33,323</b>	<b>276,600</b>

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

**8. Officers' Remuneration**

The following table identifies the number of police officers and staff whose remuneration was £50,000 or more during 2015/16. The numbers of officers and staff are shown in remuneration bands of £5,000. They include officers and staff seconded to other police forces, government departments and other public bodies.

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	2014-15			2015-16		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	212	18	230	208	10	218
£55,000 - £59,999	116	6	122	122	8	130
£60,000 - £64,999	26	1	27	29	4	33
£65,000 - £69,999	9	1	10	11	1	12
£70,000 - £74,999	4	2	6	5	2	7
£75,000 - £79,999	4	4	8	3	2	5
£80,000 - £84,999	7	0	7	3	1	4
£85,000 - £89,999	3	0	3	7	1	8
£90,000 - £94,999	1	0	1	0		0
<b>Total</b>	<b>382</b>	<b>32</b>	<b>414</b>	<b>388</b>	<b>29</b>	<b>417</b>

These numbers exclude police officers and staff disclosed in the following remuneration tables.

The role of Digital Investigating and Intelligence Co-Ordinator is included in the above table but is a shared partnership post. During 2015/16 the related costs of this post were split three ways with contributions received from the Home Office and the College of Policing.

**ACPO rank officer's remuneration**

2014/15				
	Salary (including allowances) (note 1)	Benefits in Kind (note 2)	Employers Pension Contributions (note 3)	Total Remuneration
	£	£	£	£
Chief Constable - S Kavanagh (note 4)	189,355	7,775	39,889	237,020
Deputy Chief Constable (note 5)	146,103	3,611	30,057	179,771
Assistant Chief Constable	126,142	1,603	24,034	151,779
Assistant Chief Constable	119,843	0	23,702	143,545
Assistant Chief Constable (note 6)	79,821	6,858	18,505	105,183
Temporary Assistant Chief Constable (note 7)	24,636	566	5,665	30,867
Chief Finance Officer of the Chief Constable	75,670	1,967	9,913	87,549
<b>Total</b>	<b>761,569</b>	<b>22,380</b>	<b>151,764</b>	<b>935,713</b>

<b>NOTES RELATING TO THE COMPREHENSIVE INCOME &amp; EXPENDITURE STATEMENT</b>
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**8. Officers' Remuneration (cont.)**

- 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) Employer pension contributions are an employer cost and is not received by the employee.
- 4) The salary and allowances figure of £189,355 for the Chief Constable is net of contributions paid by the Chief Constable for his lease car. The salary and allowance excluding the lease car contributions paid by the Chief Constable was £194,336.
- 5) The salary and allowance figure of £146,103 for the Deputy Chief Constable is net of contributions paid by the Deputy Chief Constable for their lease car. The salary and allowance excluding the lease car contributions paid by the Deputy Chief Constable was £148,603.
- 6) This Assistant Chief Constable came into post on 30 June 2014 and the costs shown are the earnings from that day. If they had been in post for the whole year, their salary would have been £101,805 plus allowances.
- 7) The Temporary Assistant Chief Constable was in post between 1 April 2014 and 29 June 2014. They reverted to their substantive post of Detective Chief Superintendent on 30 June 2014 and retired on 2 January 2015.  
If they had remained as Temporary Assistant Chief Constable for the whole year, the salary would have been £94,692 plus allowances.

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) Director of Essex/Kent Support Services
- b) Director of Essex/Kent Human Resources

These post holders were on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2014/15. Their remuneration is disclosed in full in the Kent Police Statements of Accounts.

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

**8. Officers' Remuneration (cont.)**

**ACPO rank officers' remuneration**

2015/16				
	Salary (including allowances) (note 1)	Benefits in kind (note 2)	Employers Pension contributions (note 3)	Total remuneration  £
Chief Constable - S Kavanagh (note 4)	196,780	7,755	0	204,535
Deputy Chief Constable (note 5 and 6)	98,277	1,697	17,329	117,303
Deputy Chief Constable (note 7)	46,003	3,092	9,391	58,486
Temporary Deputy Chief Constable (note 8)	59,352	806	11,259	71,417
Assistant Chief Constable (note 9)	71,223	4,282	14,412	89,917
Assistant Chief Constable (note 10)	73,460	0	12,685	86,145
Assistant Chief Constable	124,081	0	21,730	145,810
Temporary Assistant Chief Constable (note 11)	42,140	14	7,740	49,894
Chief Finance Officer of the Chief Constable (note 12)	82,661	2,412	10,829	95,902
Director of Strategic Change (note 13)	0	0	0	0
<b>Total</b>	<b>793,977</b>	<b>20,058</b>	<b>105,374</b>	<b>919,409</b>

- 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) Employer pension contributions are an employer cost and is not received by the employee.
- 4) The salary and allowance figure of £196,780 for the Chief Constable excludes the lease car contributions paid by the Chief Constable. The 2014/15 figure of £189,355 shows the pay net of the Chief Constable's lease car contributions. The net figure for 2015/16 is £192,230.
- 5) This Deputy Chief Constable retired on 25<sup>th</sup> November 2015. If they had been in post for the whole year, their salary would have been £125,964 plus allowances.
- 6) The salary and allowance figure of £98,277 for the Deputy Chief Constable excludes the lease car contributions paid by the Deputy Chief Constable. The 2014/15 table shows the figure net of the Deputy Chief Constable's lease car contributions. The net figure for 2015/16 is £97,069.
- 7) An Assistant Chief Constable was promoted to Deputy Chief Constable on 25<sup>th</sup> November 2015 and the costs shown are the earnings from that day. If they had been in post for the whole year, their salary would have been £125,964 plus allowances.
- 8) An Assistant Chief Constable was promoted to Temporary Deputy Chief Constable of the Seven Force Strategic Collaboration Programme on 2<sup>nd</sup> November 2015 and the costs shown are the earnings from that day. Although 100% of the costs are shown, each of the seven collaborating forces contribute. If they had been in post for the whole year, their salary would have been £125,964 plus allowances.
- 9) This Assistant Chief Constable was promoted to Deputy Chief Constable on 25<sup>th</sup> November 2015 (note 4 refers) and the costs shown are the earnings up to that day. If they had been in post for the whole year, their salary would have been £105,945 plus allowances.
- 10) This Assistant Chief Constable was promoted to Temporary Deputy Chief Constable of the Seven Force Strategic Collaboration Programme on 2<sup>nd</sup> November 2015 (note 5 refers) and the costs shown are the earnings up to that day. If they had been in post for the whole year, their salary would have been £102,822 plus allowances.



## NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

11) This Temporary Assistant Chief Constable came into post on 30<sup>th</sup> October 2015 and the costs shown are the earning from that day. If they had been in post for the whole year, their salary would be £96,597 plus allowances.

### 8. Officers' Remuneration (cont.)

12) During 2015/16 the Chief Finance Officer received back pay of £1,260 relating to 2014/15.

13) The Director of Strategic Change and Performance came into post on 21<sup>st</sup> March 2016. No costs are included in the 2015/16 accounts for this post. If they had been in post for the whole year, their salary would have been £96,597 plus allowances.

#### 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) Director of Essex/Kent Support Services
- b) Director of Essex/Kent Human Resources

These post holders were on the Kent payroll and 50% of their costs were recharged to Essex Police during 2015/16. Their remuneration is disclosed in full in the Kent Statements of Accounts.

### 9. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies that have been charged to the Comprehensive Income and Expenditure Statement are set out in the table below:-

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
£0 - £20,000	1	93	1	10	2	103
£20,001 - £40,000	4	21	0	2	4	23
£40,001 - £60,000	0	11	1	1	1	12
£60,001 - £80,000	0	1	0	0	0	1
£80,001 - £100,000	0	0	1	0	1	0
<b>Total</b>	<b>5</b>	<b>126</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>139</b>

  

Total Cost of Exit Packages in Each Band						
	2014-15			2015-16		
	Severance	Pension Strain	Total	Severance	Pension Strain	Total
£0 - £20,000	£30,881	£0	£30,881	£926,572	£13,540	£940,112
£20,001 - £40,000	£81,552	£28,413	£109,965	£350,498	£294,106	£644,604
£40,001 - £60,000	£31,103	£14,596	£45,699	£190,590	£381,755	£572,345
£60,001 - £80,000	£0	£0	£0	£20,995	£46,040	£67,035
£80,001 - £100,000	£35,092	£52,289	£87,381	£0	£0	£0
<b>Total</b>	<b>£178,628</b>	<b>£95,298</b>	<b>£273,926</b>	<b>£1,488,655</b>	<b>£735,441</b>	<b>£2,224,096</b>

It should be noted that the pension strain is an employer cost and is not received by the employee.

### 10. Termination Benefits

There were 139 employees contracts terminated in 2015/16 (8 employees in 2014/15), incurring the following liabilities:

- £1.489m severance payments (£0.179m for 2014/15)
- £0.735m enhancement of retirement benefits/pension strain (£0.095m for 2014/15)

## NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

In addition to the amounts included in the bandings, an amount of £1,653 was credited to the Comprehensive Income and Expenditure Statement in 2015/16, representing the difference between estimates recognised in the previous year and actual amount paid in the current year.

NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE  
STATEMENT

**11. External Audit Costs**

	2014/15 £000	2015/16 £000
<u>Fees payable to Ernst &amp; Young LLP</u>		
- with regard to external audit services carried out by the appointed auditor	25	19
	<b>25</b>	<b>19</b>

**12. Short-Term Debtors**

	2014/15 £000	2015/16 £000
Central Government Bodies	0	0
Other Local Authorities	1,410	1,585
Public Corporations and Trading Funds	0	0
Other Entities & Individuals	0	0
<b>Balance at year end</b>	<b>1,410</b>	<b>1,585</b>

**13. Short-Term Creditors**

	2014/15 £000	2015/16 £000
Central Government Bodies	0	0
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations & Trading Funds	0	0
Other Entities & Individuals	(7,102)	(4,732)
<b>Balance at year end</b>	<b>(7,102)</b>	<b>(4,732)</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES TABLE

### 14. 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 2014/15 and 2015/16 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.

	General Reserve £000	Total Usable Reserves £000	IAS19 Pensions Reserve- Police Officers £000	IAS19 Pensions Reserve- Police Staff £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
<b>2014/15</b>							
<b>Adjustments involving the IAS19 Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(154,220)	(154,220)	137,611	16,609	0	154,220	0
Less direct payments to pensioners payable in the year	67,278	67,278	(58,233)	(9,045)	0	(67,278)	(0)
<b>Adjustments involving the Accumulating Absences Account</b>							
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	(141)	(141)	0	0	141	141	0
<b>Total</b>	<b>(87,083)</b>	<b>(87,083)</b>	<b>79,388</b>	<b>7,564</b>	<b>141</b>	<b>87,083</b>	<b>0</b>
<b>2015/16</b>							
<b>Adjustments involving the IAS19 Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(159,214)	(159,214)	139,587	19,627	0	159,214	0
Less direct payments to pensioners payable in the year	76,148	76,148	(66,606)	(9,542)	0	(76,148)	0
<b>Adjustments involving the Accumulating Absences Account</b>							
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	2,546	2,546	0	0	(2,546)	(2,546)	0
<b>Total</b>	<b>(80,520)</b>	<b>(80,520)</b>	<b>72,981</b>	<b>10,085</b>	<b>(2,546)</b>	<b>80,520</b>	<b>0</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES TABLE

### 15. Unusable Reserves

#### 15.1 Compensating Absences Adjustment Account

The Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Reserve from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

	2014/15	2015/16
	£000	£000
<b>Balance at 1 April</b>	<b>4,403</b>	<b>5,692</b>
Transfer of balance from PCC	1,148	0
Settlement or cancellation of accrual made at the end of the preceding year	(5,551)	(5,692)
Amounts accrued at the end of the current year	5,692	3,147
<b>Balance at 31 March</b>	<b>5,692</b>	<b>3,147</b>

#### 15.2 Pensions Reserve

	2014/15			2015/16		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
<b>Balance at 1 April</b>	<b>2,009,561</b>	<b>0</b>	<b>2,009,561</b>	<b>2,387,920</b>	<b>143,424</b>	<b>2,531,344</b>
Transfer of Police Staff from PCC		109,137	109,137	0	0	0
Actuarial (gains)/losses on pensions assets and liabilities	298,980	26,723	325,703	(129,585)	(22,603)	(152,188)
Reversal of items relating to retirement benefits debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	137,611	16,515	154,126	139,587	19,627	159,214
Employer's pensions contributions and direct payments to pensioners payable in the year	(58,232)	(8,951)	(67,183)	(66,606)	(9,542)	(76,148)
<b>Balance at 31 March</b>	<b>2,387,920</b>	<b>143,424</b>	<b>2,531,344</b>	<b>2,331,316</b>	<b>130,906</b>	<b>2,462,222</b>

## 16. Contingent Liabilities

The Chief Constable of Essex, along with other Chief Constables and the Home Office, currently has over 70 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. 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.

## 17. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced a change in accounting policy which will be required from 1<sup>st</sup> April 2016. If these had been adopted for the financial year 2015/16 there would be no known material changes. Once further information becomes available, any 2015/16 changes will be restated in the 2016/17 financial statements.

These standards are:-

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS1 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

## 18. 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.

#### Police Officer Pension Schemes

	<b>Police Officer Pension Scheme</b>	
	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Cost of Services:		
Service cost	48,477	59,388
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	89,134	80,199
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>137,611</b>	<b>139,587</b>
<b><u>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</u></b>		
Remeasurement of the net defined benefit liability comprising:		
Change in financial assumptions	298,980	(137,471)
change in demographic assumptions	0	0
Experience (gain)/loss on defined benefit obligation	0	7,886
<b>Remeasurements</b>	<b>298,980</b>	<b>(129,585)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>436,591</b>	<b>10,002</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	(137,611)	(139,587)
<b><u>Actual amount charged against the General Reserve for pensions in the year</u></b>		
Retirement benefits payable to retired police officers	<b>58,232</b>	<b>66,606</b>

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £129.585m (losses of £298.980m in 2014/15) have been included in Other Comprehensive Income & Expenditure.



**18. Defined Benefit Pension Schemes (contd.)**

**Local Government Pension Scheme**

	Local Government Pension Scheme	
	2014/15 £0	2015/16 £000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Service cost	11,703	14,788
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	4,716	4,719
Administration expenses	96	120
	<b>4,812</b>	<b>4,839</b>
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>16,515</b>	<b>19,627</b>
<b><u>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</u></b>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets in excess of interest	(19,816)	2,480
Change in financial assumptions	46,526	(25,070)
Experience (gain)/loss)on defined benefit obligation	13	(13)
<b>Total Remeasurements</b>	<b>26,723</b>	<b>(22,603)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>43,238</b>	<b>(2,976)</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	<b>(16,515)</b>	<b>(19,627)</b>
<b>Actual amount charged against the General Reserve for pensions in the year</b>		
Employer's contribution payable to scheme	<b>8,951</b>	<b>9,542</b>

Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £22.603m (£26.723m losses in 2014/15) have been included in Other Comprehensive Income & Expenditure.

Total actuarial gains and losses

The total actuarial gains recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes are £152.188m (£325.703m losses in 2014/15).

**18. Defined Benefit Pension Schemes (contd.)**

**Pension Assets and Liabilities recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Chief Constable's obligation in respect of defined benefit plans are:-

	<b>Police Officer Pension Scheme</b>	
	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Present value of the defined benefit obligation	(2,387,920)	<b>(2,331,316)</b>
<b>Defined Benefit Obligation at start of year</b>	<b>(2,387,920)</b>	<b>(2,331,316)</b>
Unrecognised past service cost	0	0
<b>Net liability in balance sheet</b>	<b>(2,387,920)</b>	<b>(2,331,316)</b>

	<b>Local Government Pension Scheme</b>	<b>Local Government Pension Scheme</b>
	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Present value of funded obligation	<b>(387,206)</b>	<b>(385,378)</b>
Fair value of scheme assets (bid value)	<b>245,454</b>	<b>256,045</b>
<b>Net liability</b>	<b>(141,752)</b>	<b>(129,333)</b>
Present value of unfunded obligation	(1,672)	<b>(1,574)</b>
<b>Net liability in balance sheet</b>	<b>(143,424)</b>	<b>(130,907)</b>

**18. Defined Benefit Pension Schemes (contd.)**

**Assets and Liabilities in Relation to Retirement Benefits**

The following tables reconcile the present values of the liabilities and assets of the police officer pension schemes:

	<b>Police Officer Pension Scheme</b>	
	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Defined Benefit Obligation at start of year</b>	<b>(2,009,561)</b>	<b>(2,387,920)</b>
Current Service Cost	(48,477)	<b>(59,388)</b>
Interest Cost	(89,134)	<b>(80,199)</b>
Change in Financial Assumptions	(298,980)	<b>137,471</b>
Change in Demographic Assumptions	0	<b>0</b>
Experience gain/loss on defined benefit obligation	0	<b>(7,886)</b>
Estimated benefits paid net of transfers in	72,935	<b>80,742</b>
Contributions by Scheme Participants	(14,703)	<b>(14,136)</b>
<b>Defined Benefit Obligation at end of year</b>	<b>(2,387,920)</b>	<b>(2,331,316)</b>

	<b>Police Officer Pension Scheme</b>	
	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Contributions by Employer	58,232	<b>66,606</b>
Contributions by Participants	14,703	<b>14,136</b>
Net Benefits Paid Out	(72,935)	<b>(80,742)</b>
<b>Closing Fair Value of Assets</b>	<b>0</b>	<b>0</b>

**18. Defined Benefit Pension Schemes (contd.)**

The following table reconciles the present value of the liabilities and assets of the Local Government Pension Scheme attributable to the Chief Constable.

<u>Liabilities</u>	Local Government Pension Scheme	
	2014/15 £000	2015/16 £000
<b>Balance at start of year</b>	<b>(319,773)</b>	<b>(388,879)</b>
Current Service Cost	(11,601)	(14,617)
Interest Cost	(14,317)	(13,145)
Change in financial assumptions	(46,526)	25,070
Experience gain on defined benefit obligation	(13)	13
Contributions by scheme participants	(3,441)	(3,612)
Benefits/transfers paid	6,806	8,301
Unfunded pension payments	88	88
Past service costs/(gains)	(102)	(171)
<b>Balance at end of year</b>	<b>(388,879)</b>	<b>(386,952)</b>

<u>Assets</u>	Local Government Pension Scheme	
	2014/15 £000	2015/16 £000
<b>Balance at start of year</b>	<b>210,635</b>	<b>245,454</b>
Interest on assets	9,601	8,426
Return on assets less interest	19,816	(2,480)
Administration expenses	(96)	(120)
Employer contributions including unfunded	8,951	9,542
Contributions by scheme participants	3,441	3,612
Benefits paid	(6,894)	(8,389)
<b>Balance at end of year</b>	<b>245,454</b>	<b>256,045</b>
<b>Net liability at start of year</b>	<b>(109,138)</b>	<b>(143,425)</b>
<b>Net liability at end of year</b>	<b>(143,425)</b>	<b>(130,907)</b>

**18. Defined Benefit Pension Schemes (contd.)**

Expected return on scheme assets

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 assets investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

**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:

1. Essex County Council Pension Fund: 31 March 2013
2. 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:

	Local Government Pension Scheme		Police Officer Pension Schemes	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Life expectancy from age 65 (police staff) and age 60 (police officers) Retiring in 20 years time:				
Male	25.1	25.2	29.8	30.0
Female	27.6	27.7	32.3	32.4
Retiring today:				
Male	22.8	22.9	27.4	27.5
Female	25.2	25.3	29.8	29.9
Rate of Inflation (RPI)	3.3%	3.4%	3.3%	3.3%
Rate of Inflation (CPI)	2.4%	2.5%	2.4%	2.4%
Rate of Increase in Salaries	4.2%	4.3%	4.1%	4.1%
Rate of Increase in Pensions	2.4%	2.5%	2.4%	2.4%
Discount Rate	3.4%	3.8%	3.4%	3.7%

**18. Defined Benefit Pension Schemes (contd.)**

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

	2014/15		2015/16	
	£000	%	£000	%
Equities	165,120	67.0%	173,293	68.0%
Government bonds	10,784	4.0%	7,549	3.0%
Other bonds	23,493	10.0%	12,290	5.0%
Property	26,660	11.0%	30,492	12.0%
Cash/Liquidity	5,381	2.0%	8,318	3.0%
Alternative assets	14,016	6.0%	11,384	4.0%
Other managed funds	0	0.0%	12,719	5.0%
<b>Total</b>	<b>245,454</b>	<b>100.0%</b>	<b>256,045</b>	<b>100.0%</b>

The liabilities show the underlying commitments that the Chief Constable has in the long term to pay retirement benefits. The total liability of £2,462.222m has a substantial impact upon the net worth of the Chief Constable as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Chief Constable remains healthy:

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

Police Pensions are charged to the Police Pensions Fund Account, and any shortfall between the value of pensions paid in year and the receipts into the Account from employer and employee contributions is funded from top-up grant from the government.

The total contribution expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2017 is £8.712m. Expected contributions for the Police Officer Pension Schemes in the year to 31 March 2017 by the employer are £26.696m.

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.

**NOTES TO THE ACCOUNTS – SUPPLEMENTARY NOTES**

**18. Defined Benefit Pension Schemes (contd.)**

The following tables identify the impact of a variance of +0.1% and -0.1% in the assumptions:-

<b>Police Officers</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,286,965	2,331,316	2,376,614
Projected service cost	52,186	53,654	55,169
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,336,575	2,331,316	2,326,090
Projected service cost	53,872	53,654	53,437
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,371,891	2,331,316	2,291,591
Projected service cost	54,969	53,645	52,383
<u>Adjustment to mortality age rating assumption</u>	+1 Year	None	-1 Year
Present value of total obligation	2,406,124	2,331,316	2,258,898
Projected service cost	55,023	53,654	52,319

<b>Police Staff</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	379,029	386,952	395,048
Projected service cost	12,220	12,521	12,830
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	387,885	386,952	386,023
Projected service cost	12,527	12,521	12,515
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	394,211	386,952	379,850
Projected service cost	12,828	12,521	12,222
<u>Adjustment to mortality age rating assumption</u>	+1 Year	None	-1 Year
Present value of total obligation	398,120	386,952	376,106
Projected service cost	12,841	12,521	12,209

### **19. 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)**

- 19.1 General Principles
- 19.2 Accruals of Income and Expenditure
- 19.3 Overhead and Support Services
- 19.4 Employee Benefits
- 19.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 19.6 Revenue Recognition
- 19.7 Events after the Reporting Period
- 19.8 Retirement Benefits – Police Staff
- 19.9 Contingent Assets and Liabilities
- 19.10 Income
- 19.11 Retirement Benefits

#### **19.1 General Principles**

The Statement of Accounts summarises the PCC's and the CC's financial transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. Essex Police is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and this requires the preparation to be in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Accounting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historic cost modified by the revaluation of certain categories of non-current assets and financial.

#### **19.2 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.

#### **19.3 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)*.

#### **19.4 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

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 Benefit

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.

#### **19.5 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.

#### **19.6 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.

#### **19.7 Events After the Reporting Period**

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 are 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

### **19.8 Retirement Benefits - 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.

The Scheme is accounted for as follows:

- The liabilities of the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits, based on the same set of assumptions as identified for police officers.
- Liabilities are discounted to their value at current prices, based on the market yields at the reporting date on high quality corporate bonds.
- The assets of the Fund are included in the Balance Sheet as follows:
- Quoted securities are included at realisable values (i.e. bid values). In previous financial periods they have been included at fair value (i.e. mid-market value).
- All other assets are included at fair value
- The change in the net pension liability is analysed into the following components:
  - a. Current service cost: the increase in liabilities as a result of years of retirement benefits earned this year –charged to the Comprehensive Income and Expenditure Statement.
  - b. Past service cost (gain): the increase (decrease) in liabilities from current year decisions, the effect of which relate to retirement benefits earned in previous years – charged (credited) to the Comprehensive Income and Expenditure Statement as Non-Distributed Costs.
  - c. Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  - d. Expected return on assets: the annual investment return on the fund assets based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  - e. Gains/losses on settlement and curtailments: the result of actions to relieve the CC of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the Comprehensive Income and Expenditure Statement as Non-Distributed Costs.
  - f. Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated assumptions – charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Statement.
  - g. Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### **19.9 Contingent Assets and Liabilities**

The Group recognises material contingent assets and liabilities which arise from past events whose existence can only be confirmed by the occurrence of one of more uncertain future events, which are not wholly within the Group's control. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **19.10 Income**

The PCC is the recipient of most funding, including government grants, precept and other sources of income, related to policing and crime reduction and most funding for the Chief Constable 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. The Chief Constable is responsible for the income from seconded officers, mutual aid and PCSO funding.

## **Policies applying to the Chief Constable**

### **19.11 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 between 1 April 2006 and 31<sup>st</sup> March 2015 are admitted to the 2006 Police Pension Scheme
- c) Police Officers in service on or after the 1<sup>st</sup> April 2015 are admitted to the 2015 Police Pension Scheme
- d) 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 Pensions Top Up Grant, receivable by the Fund, is initially credited to the Comprehensive Income and Expenditure Statement, and then transferred to the Police Pensions Fund Account via the Movement in Reserves 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.

### **19.12 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.

## 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.

	2014/15		2015/16	
	£000	£000	£000	£000
<b>Contributions receivable</b>				
Employer (21.3% of Pensionable Pay in 2015/16, 24.2% in 2014/15)	(26,197)		(22,051)	
Serving police officers	(14,703)		(14,136)	
Capital equivalent payment for ill health	(1,124)		(388)	
<b>Transfers in</b>				
Individual transfers in from other schemes	(288)		(784)	
<b>Total Receipts</b>		<b>(42,312)</b>		<b>(37,359)</b>
<b>Benefits payable</b>				
Pensions	53,921		56,328	
Commutations and lump sum payments	14,391		13,577	
Lump sum death benefits	167		76	
NIC on pension funds	6		10	
<b>Payments to and on account of leavers</b>				
Refund of contributions	24		25	
Individual transfers out to other schemes	1,243		182	
<b>Payments in respect of 2015/16 benefits</b>		69,752		70,198
<b>Benefits payable - backdated in respect of Milne v GAD</b>				
Pensions	0		97	
Commutations and lump sum payments	0		6,360	
Interest on commutations and lump sum payments	0		1,428	
<b>Payments in respect of Milne v GAD</b>		0		7,885
<b>Total Payments</b>		<b>69,752</b>		<b>78,083</b>
<b>Sub total for the year before transfer from the PCC of amount equal to the deficit</b>		<b>27,440</b>		<b>40,724</b>
Transfer of amount from the PCC of amount equal to the deficit - 2015/16 benefits (21.3%)	(27,440)		(29,837)	
Transfer of amount from the PCC of amount equal to the deficit - additional funding payable (2.9%)	0		(3,002)	
Transfer of amount from the PCC of amount equal to the deficit - Milne v GAD	0		(7,885)	
<b>Transfer of amount from the PCC of amount equal to the deficit - Total</b>		<b>(27,440)</b>		<b>(40,724)</b>
<b>Net Amount Payable for the year</b>		<b>0</b>		<b>0</b>

## POLICE OFFICER PENSION FUND ACCOUNT

### CARE Scheme

The CARE (Career Average Revalued Earnings) scheme was introduced from 1 April 2015. This is the only scheme open to new officers. Existing officers will be brought into the scheme on 1 April 2015 unless they have full transitional protection or tapered protection. Injury and ill health awards continue to be paid from the PCC's operating account. The employer rate is 21.3% (with an additional 2.9% top up contribution payable by the PCC, directly to the Home Office).

### Milne v GAD

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors issued by GAD, including adjustments for interest.

The 2015/16 financial statements include benefits payable totalling £7.886m in respect of this matter, with all of this cost fully refundable from the Home Office.

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

	2014/15 £000	2015/16 £000
Unpaid pension benefits	0	0
Amounts owing from the General Reserve	0	0
<b>Total Net Assets</b>	<b>0</b>	<b>0</b>

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 16 to the Chief Constable's core financial statements.

## GLOSSARY OF TERMS

**ACCRUAL** – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

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

**ACTUARIAL VALUATION** – A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**APPROPRIATIONS** - Amounts transferred to or from revenue or capital reserves.

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

**BUDGET** – A 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.

**CASHFLOW STATEMENT** – This statement summarises the inflows and outflows of 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.

**COUNCIL TAX** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

**CREDITORS** – Individuals or organisations to whom the PCC owes money at the end of the financial year.

**CURRENT ASSETS AND LIABILITIES** – Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.

**CURTAILMENT** – For a defined benefit 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.

**DEBTORS** – Individuals or organisations who owe the PCC money at the end of the financial year.

**DEFINED BENEFIT SCHEME** – A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

**DEPRECIATION** – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

**FINANCIAL REGULATIONS** – A written code of procedures approved by the PCC, intended to provide a framework for proper financial management.

**FINANCIAL REPORTING STANDARDS (FRS)** – These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

**FINANCIAL YEAR** - The period of twelve months for the accounts commencing 1<sup>st</sup> April.

**FIXED ASSETS** – Tangible assets that yield benefits to the PCC for a period of more than one year.

## GLOSSARY OF TERMS

**GOVERNMENT GRANTS** - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a PCC in return for past or future compliance with certain conditions relating to the activities of the PCC.

**IAS19 RETIREMENT BENEFITS** – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned.

**IMPAIRMENT** – Where events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable, e.g. a significant decline in market value or evidence of obsolescence or physical damage. The impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**INCOME & EXPENDITURE ACCOUNT** – The main revenue fund of the PCC into which the precept, government grants and other income are paid, and from which the costs of providing services are met.

**INTEREST INCOME** – The money earned from the investment of surplus cash.

**INTEREST COSTS (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.

**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.

**NON DISTRIBUTED COSTS** – Overheads not charged or apportioned to activities within the Service Expenditure Analysis.

**PAST SERVICE COST** – For a defined benefit 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.

**PENSION FUND** – A fund which makes pension payments on retirement of its participants.

**POLICE GRANT** – A grant paid by the Government to PCCs as a proportion of the Formula Spending Share or FSS.

**PRECEPT** – The income which the Authority requires the District Council to raise from Council Tax on its behalf.

**PROJECTED UNIT METHOD** – An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases.
- b) the accrued benefits for members in service at the valuation date.

**PROVISION** – An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.



## GLOSSARY OF TERMS

**RESERVES** – Monies set aside by the PCC either to be earmarked for specific purposes, or generally held to meet unforeseen or emergency expenditure (General Reserve).

**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.

**REVENUE EXPENDITURE AND INCOME** – Day to day expenses mainly salaries and wages, general running expenses and the minimum revenue provision cost. Charges for goods and services.

**SERVICE REPORTING CODE OF PRACTICE** – A code of practice issued by CIPFA, which provides a consistent and comparable basis for financial reporting across local authorities in the United Kingdom.

**SCHEME LIABILITIES** – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT** – An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

**UNUSABLE RESERVES** – Reserves that represent the net value of fixed assets and pensions & other liabilities, but which cannot be applied to fund expenditure or reduce local taxation.

**USABLE RESERVES** – Reserves that can be applied to fund expenditure or reduce local taxation.



## 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](mailto: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..

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