



**Chief Constable of Essex
Statement of Accounts
2014/15 FINANCIAL YEAR**

Produced 30 September 2015

Chief Constable of Essex Statement of Accounts for 2014/15

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Foreword to the Accounts for the Chief Constable of Essex

Introduction

These Accounts set out the overall financial position of the Chief Constable of Essex Police, who is responsible for the Essex Police Service for the year ended 31 March 2015.

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 2014/15 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 2014/15, so as to reduce planned spending to a level that is sustainable in future years. The Chief Constable has a successful record of delivery of sustainable efficiency savings over a number of years and the need to maintain this strong record will be important in the years ahead, in view of the reduction in public sector spending.

The Chief Constable has a statutory duty to approve and publish this Statement of Accounts covering the period 1st April 2014 to 31st March 2015 and it has been compiled in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom.

The Accounting Statements

In 2011/12 the Police Reform and Social Responsibility Act 2011 was passed and introduced new elected local policing bodies in the form of PCCs, for each policing area, to replace the previous Police Authorities. At midnight on 21st November 2012, all property, rights and liabilities which immediately before that time were property, rights and liabilities of the Essex Police Authority were transferred to the PCC as the new PCC for Essex. A second stage transfer 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 2013/14 accounts have not been restated as there was no change in statutory reporting requirements. However, note 14 demonstrates the key changes to the accounts if the 2013/14 had been restated to match the transfer on 1st April 2014, thereby giving a comparison to the 2014/15 accounts. This transfer has no impact on the Group Accounts.

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 2014/15: Based on International Financial Reporting Standards (IFRS).

Foreword to the Accounts for the Chief Constable of Essex

Revenue Summary

	Budget	Actual	Variance
	£000	£000	£000
Police Officer Pay and Allowances	169,419	170,454	1,035
PCSO and Police Staff Pay and Allowances	71,112	71,322	210
Police Pensions	4,259	4,686	427
Training	0	6	6
Other Employees Expenses	766	756	(10)
Premises	0	0	0
Transport	1,003	943	(60)
Supplies And Services	304	502	198
Third Party Payments	40	514	474
Other Expenditure	1,449	1,448	(1)
Gross Revenue Expenditure	248,352	250,631	2,279
Income	(2,075)	(2,317)	(242)
Net Revenue Expenditure	246,277	248,314	2,037

Statement of Responsibilities for the Statement of Accounts

The Chief Constable's responsibilities

The Chief Constable is required:

- to make arrangements for the proper administration of his financial affairs and to ensure that one of his officers (the Chief Finance Officer of the Chief Constable) has the responsibility for the administration of those affairs;
- to manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts by 30 September 2015.

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

30 September 2015

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 2015.

Deborah A. Martin BA (Hons), CPFA
Chief Finance Officer of the Chief Constable
30 September 2015

Chief Constable of Essex: Annual Governance Statement 2013/14

The PCC for Essex and the Chief Constable of Essex have agreed a combined Annual Governance Statement for 2014/15.

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

Independent Auditor's Report to the Chief Constable of Essex

Opinion on the Chief Constable of Essex financial statements

We have audited the financial statements of the Chief Constable of Essex for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Chief Constable of Essex Comprehensive Income and Expenditure Statement, the Chief Constable of Essex Balance Sheet, the Chief Constable of Essex Movement in Reserves Statement, the Chief Constable of Essex Cash Flow Statement, the related notes 1 to 17.12 and the Chief Constable of Essex Police Officer 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 2014/15.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Essex circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chief Constable of Essex Statement of Accounts 2014/15 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.

Independent Auditor's Report to the Chief Constable of Essex

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Essex as at 31 March 2015 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 2014/15.

Opinion on other matters

In our opinion, the information given in the Chief Constable of Essex Statement of Accounts 2014/15 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 to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Chief Constable and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

Independent Auditor's Report to the Chief Constable of Essex

This page is left intentionally blank 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 criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under its 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 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Chief Constable of Essex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Essex in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
30 September 2015*

Comprehensive Income and Expenditure Statement for the Chief Constable of Essex

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation accounts.

	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
Local Policing	95,545	0	95,545	100,023	(326)	99,697
Dealing with the Public	6,155	0	6,155	23,509	0	23,509
Criminal Justice Arrangements	10,840	0	10,840	22,869	(17)	22,852
Road Policing	9,718	0	9,718	12,600	0	12,600
Specialist Operations	24,621	0	24,621	25,619	(549)	25,070
Intelligence	7,614	0	7,614	16,773	0	16,773
Investigations	51,393	0	51,393	51,811	(13)	51,798
Investigative Support	2,630	0	2,630	6,263	0	6,263
National Policing	11,640	0	11,640	11,596	(1,412)	10,184
Corporate & Democratic Core	116	0	116	242	0	242
Financial Resources Consumed	220,272	0	220,272	271,305	(2,317)	268,988
Intra Group Adjustment for Chief Constable's Net Service Cost	0	(208,260)	(208,260)	0	(275,755)	(275,755)
Net Cost of Services	220,272	(208,260)	12,012	271,305	(278,072)	(6,767)
Net interest on the defined benefit pensions liability						
- Police Officers	91,762	0	91,762	89,134	0	89,134
- Police Staff	0	0	0	4,716	0	4,716
Financing and Investment Income and Expenditure	91,762	0	91,762	93,850	0	93,850
Deficit on Provision of Services	312,034	(208,260)	103,774	365,155	(278,072)	87,083
Other Comprehensive Income and Expenditure						
Remeasurement of the net defined benefit liability						
- Police Officers	(303,636)	0	(303,636)	298,980		298,980
- Police Staff	0	0	0	26,723	0	26,723
	(303,636)	0	(303,636)	325,703	0	325,703
Total Comprehensive Income and Expenditure	8,398	(208,260)	(199,862)	690,858	(278,072)	412,786

Following the phase two transfer from the PCC to the Chief Constable on 1st April 2014, the transactions in the 2014/15 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 losses of £298.980m in 2014/15 compared to actuarial gains of £303.636m in 2013/14. Note 11 provides further information on the Defined Benefit Pension Scheme.

Balance Sheet for the Chief Constable of Essex

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

Note	2013/14 £000	2013/14 £000	2014/15 £000	2014/15 £000
Long-term assets		0		0
Current assets				
6 Short term debtors	1,263		1,410	
Current assets total		1,263		1,410
Current liabilities				
7 Short term creditors	(5,666)		(7,102)	
Current liabilities total		(5,666)		(7,102)
Long term liabilities				
11 Pensions Liabilities - Police Officers	(2,009,561)		(2,387,920)	
11 Pensions Liabilities - Police Staff	0		(143,424)	
Long term liabilities total		(2,009,561)		(2,531,344)
Net liabilities		(2,013,964)		(2,537,036)
Unusable reserves				
8 Pensions Liabilities - Police Officers	2,009,561		2,387,920	
8 Pensions Liabilities - Police Staff	0		143,424	
Accumulating Compensated Absences				
12 Adjustment Account	4,403		5,692	
Unusable reserves total		2,013,964		2,537,036
Total reserves		2,013,964		2,537,036

Deborah A Martin BA (Hons) CPFA
 Chief Finance Officer of the Chief Constable
 30 September 2015

Movement in Reserves Statement for the Chief Constable of Essex

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

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

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

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 2014.

Cash Flow Statement for the Chief Constable of Essex

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

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

	2013/14		2014/15	
	£000	£000	£000	£000
Deficit on the provision of services:-		103,774		87,083
Adjustments for non cash movements:-				
Movement in pension liability	(103,820)		(86,942)	
Movement in accumulated absences liability	46		(141)	
Total adjustments for non cash movements		<u>(103,774)</u>		<u>(87,083)</u>
Net cash flows from operating activities		<u>0</u>		<u>0</u>
Net decrease/(increase) in cash and cash equivalents		<u><u>0</u></u>		<u><u>0</u></u>
Cash and cash equivalents at the beginning of the reporting period		0		0
Cash and cash equivalents at the end of the reporting period		0		0
Movement in cash equivalents		<u>0</u>		<u>0</u>

Notes to the Accounts for the Chief Constable of Essex

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

The Statement of Accounts was authorised for issue on 30 September 2015 by Deborah Martin BA (Hons), CPFA, Chief Finance Officer of the Chief Constable.

2. Officers' Remuneration

The following table identifies the number of police officers and staff whose remuneration was £50,000 or more during 2014/15. 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	2013-14	2014-15		
	Police Officers	Police Officers	Police Staff	Total
£50,000 - £54,999	212	212	18	230
£55,000 - £59,999	134	116	6	122
£60,000 - £64,999	33	26	1	27
£65,000 - £69,999	10	9	1	10
£70,000 - £74,999	6	4	2	6
£75,000 - £79,999	7	4	4	8
£80,000 - £84,999	4	7	0	7
£85,000 - £89,999	2	3	0	3
£90,000 - £94,999	2	1	0	1
Total	410	382	32	414

The inclusion of Police Staff in the numbers in the above table is due to the transfer of police staff on 1 April 2014 to the Chief Constable from the PCC.

These numbers exclude police officers and staff disclosed in the tables on the following two pages.

Notes to the Accounts for the Chief Constable of Essex

2. Officers' Remuneration (contd.)

ACPO rank officer's remuneration

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

Notes

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

Members of the Essex Police Chief Officer Team

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

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

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

Notes to the Accounts for the Chief Constable of Essex

2014/15				
	Salary (including allowances) (note 1)	Benefits in kind (note 2)	Employers Pension contributions	Total remuneration £
Chief Constable - S Kavanagh	189,355	7,775	39,889	237,020
Deputy Chief Constable	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 3)	79,821	6,858	18,505	105,183
Temporary Assistant Chief Constable (note 4)	24,636	566	5,665	30,867
Chief Finance Officer of the Chief Constable	75,670	1,967	9,913	87,549
Total	761,569	22,380	151,764	935,713

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) This Assistant Chief Constable came into post on 30 June 2014 and the costs shown are his earnings from that day. If he had been in post for the whole year, his salary would have been £101,805 plus allowances.
- 4) The Temporary Assistant Chief Constable was in post between 1 April 2014 and 29 June 2014. He reverted to his substantive post of Detective Chief Superintendent on 30 June 2014 and retired on 2 January 2015. If he has remained as Temporary Assistant Chief Constable for the whole year, his 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 payroll and 50% of their costs were recharged to Essex during 2014/15. Their remuneration is disclosed in full in the Kent Statements of Accounts.

Notes to the Accounts for the Chief Constable of Essex

3. External Audit Costs

	2013/14 £000	2014/15 £000
<u>Fees payable to Ernst & Young LLP</u>		
- with regard to external audit services carried out by the appointed auditor	25	25
	25	25

4. 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 (including special payments)	2014-15					
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band		
				Severance Payments	Enhancement of Retirement Benefit	Total
£0 - £20,000	1	1	2	£30,881	£0	£30,881
£20,001 - £40,000	4	0	4	£81,552	£28,413	£109,965
£40,001 - £60,000	0	1	1	£31,103	£14,596	£45,699
£60,001 - £80,000	0	0	0	£0	£0	£0
£80,001 - £100,000	0	1	1	£35,092	£52,289	£87,381
Total	5	3	8	£178,628	£95,298	£273,926

2013/14 Exit Packages are shown in the PCC of Essex Group accounts

5. Termination Benefits

There were 8 employees contracts terminated in 2014/15, incurring the following liabilities:

- £0.179m severance payments
- £0.095m enhancement of retirement benefits

In addition to the amounts included in the bandings, an amount of £10,410 was credited to the Comprehensive Income and Expenditure Statement in 2014/15, representing the difference between estimates recognised in the previous year and actual amount paid in the current year.

2013/14 Termination Benefits are shown in the PCC for Essex Group accounts

Notes to the Accounts for the Chief Constable of Essex

6. Short-Term Debtors

	2013/14 £000	2014/15 £000
Central Government Bodies	0	0
Other Local Authorities	1,263	1,410
Public Corporations and Trading Funds	0	0
Other Entities & Individuals	0	0
Balance at year end	1,263	1,410

7. Short-Term Creditors

	2013/14 £000	2014/15 £000
Central Government Bodies	0	0
Other Local Authorities	(5,666)	0
NHS Bodies	0	0
Public Corporations & Trading Funds	0	0
Other Entities & Individuals	0	(7,102)
Balance at year end	(5,666)	(7,102)

8. Pensions Reserve

	2013/14			2014/15		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
Balance at 1 April	2,209,377	0	2,209,377	2,009,561	0	2,009,561
Transfer of Police Staff from PCC					109,137	109,137
						0
Actuarial (gains)/losses on pensions assets and liabilities	(303,636)	0	(303,636)	298,980	26,723	325,703
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	153,445	0	153,445	137,611	16,515	154,126
Employer's pensions contributions and direct payments to pensioners payable in the year	(49,625)	0	(49,625)	(58,232)	(8,951)	(67,183)
Balance at 31 March	2,009,561	0	2,009,561	2,387,920	143,424	2,531,344

Notes to the Accounts for the Chief Constable of Essex

9. 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 2013/14 and 2014/15 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
2013/14							
Adjustments involving the IAS19 Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(153,445)	(153,445)	153,445	0	0	153,445	0
Less direct payments to pensioners payable in the year	49,625	49,625	(49,625)	0	0	(49,625)	(0)
Adjustments involving the Accumulating Absences Account							
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	46	46	0	0	(46)	(46)	0
Total	(103,774)	(103,774)	103,820	0	(46)	103,774	0
2014/15							
Adjustments involving the IAS19 Pensions Reserve							
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
Adjustments involving the Accumulating Absences Account							
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	(141)	(141)	0	0	141	141	0
Total	(87,083)	(87,083)	79,378	7,564	141	87,083	0

Notes to the Accounts for the Chief Constable of Essex

10. 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

2013/14

Portfolio Analysis

	Policing Operations £0	Special Operations £0	Serious Crime Directorate £0	Support Services £0	Deputy Chief Constable £0	Corporate Budgets £0	Total £0
Employee expenses	2,390	2,203	616	182,578	2,255	30,231	220,272

Notes to the Accounts for the Chief Constable of Essex

10. Resources Allocated for Decision Making (cont.)

2014/15										
Portfolio Analysis - Income and Expenditure	Policing Operations	Special Operations	Serious Crime Directorate	Director of HR	Director of Support Services	Deputy Chief Constable	Corporate Budgets	PCC Grants and Allocations	Office of the PCC	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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)
Total Income	0	0	0	(1,661)	(656)	0	(114,196)	0	0	(116,513)
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
Total Expenditure	1,954	5,033	2,092	233,531	3,926	1,608	116,870	0	1	365,014
Net Expenditure	1,954	5,033	2,092	231,870	3,270	1,608	2,675	0	1	248,502

2014/15				
	Portfolio Analyses	Amounts not reported to management for decision making	Amounts Not included in Cost of Services in CI&E	Total Financial Resources Consumed
	£000	£000	£000	£000
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
Total Income	(116,513)	0	114,196	(2,317)
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
Total Expenditure	365,014	0	(93,709)	271,305
Total	248,502	0	20,487	268,988

Notes to the Accounts for the Chief Constable of Essex

11. 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

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Totals	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
<u>Comprehensive Income & Expenditure Statement</u>								
Cost of Services:								
Service cost	50,642	40,140	9,736	5,841	1,305	2,496	61,683	48,477
Financing and Investment Income & Expenditure:								
Net interest on the defined liability	84,182	82,371	3,336	3,305	4,244	3,458	91,762	89,134
Total Post Employment Benefit charged to the Deficit on the Provision of Services	134,824	122,511	13,072	9,146	5,549	5,954	153,445	137,611
<u>Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement</u>								
Remeasurement of the net defined benefit liability comprising:								
Change in financial assumptions	1,725	263,783	91	25,587	(1,250)	9,610	566	298,980
change in demographic assumptions	(6,877)	0	(2,538)	0	(1,673)	0	(11,088)	0
Experience (gain)/loss on defined benefit obligation	(249,748)	0	(20,033)	0	(23,333)	0	(293,114)	0
Remeasurements	(254,900)	263,783	(22,480)	25,587	(26,256)	9,610	(303,636)	298,980
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	(120,076)	386,294	(9,408)	34,733	(20,707)	15,564	(150,191)	436,591
<u>Movement in Reserves Statement</u>								
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	(134,824)	(122,511)	(13,072)	(9,146)	(5,549)	(5,954)	(153,445)	(137,611)
<u>Actual amount charged against the General Reserve for pensions in the year</u>								
Retirement benefits payable to retired police officers	49,754	57,931	(3,554)	(3,261)	3,425	3,562	49,625	58,232

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £298.980m (gains of £303.636m in 2013/14) have been included in the Comprehensive Income & Expenditure Statement.

Notes to the Accounts for the Chief Constable of Essex

11. Defined Benefit Pension Schemes (contd.)

Local Government Pension Scheme

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

Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £26.723m have been included in the Comprehensive Income & Expenditure Statement.

Total actuarial gains and losses

The total actuarial losses recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes are £325.703m.

Notes to the Accounts for the Chief Constable of Essex

11. 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:-

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Present value of the defined benefit obligation	(1,859,123)	(2,187,486)	(71,827)	(109,821)	(78,611)	(90,613)	(2,009,561)	(2,387,920)
Defined Benefit Obligation at start of year	(1,859,123)	(2,187,486)	(71,827)	(109,821)	(78,611)	(90,613)	(2,009,561)	(2,387,920)
Unrecognised past service cost	0	0	0	0	0	0	0	0
Net liability in balance sheet	(1,859,123)	(2,187,486)	(71,827)	(109,821)	(78,611)	(90,613)	(2,009,561)	(2,387,920)

	Local Government Pension Scheme 2014/15 £000
Present value of funded obligation	(387,206)
Fair value of scheme assets (bid value)	245,454
Net liability	(141,752)
Present value of unfunded obligation	(1,672)
Net liability in balance sheet	(143,424)

Notes to the Accounts for the Chief Constable of Essex

11. 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:

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Defined Benefit Obligation at start of year	(2,028,953)	(1,859,123)	(77,681)	(71,827)	(102,743)	(78,611)	(2,209,377)	(2,009,561)
Current Service Cost	(50,642)	(40,140)	(9,736)	(5,841)	(1,305)	(2,496)	(61,683)	(48,477)
Interest Cost	(84,182)	(82,371)	(3,336)	(3,305)	(4,244)	(3,458)	(91,762)	(89,134)
Change in Financial Assumptions	(1,725)	(263,783)	(91)	(25,587)	1,250	(9,610)	(566)	(298,980)
Change in Demographic Assumptions	6,877	0	2,538	0	1,673	0	11,088	0
Experience gain/loss on defined benefit obligation	249,748	0	20,033	0	23,333	0	293,114	0
Estimated benefits paid net of transfers in	60,916	69,068	(148)	305	3,425	3,562	64,193	72,935
Contributions by Scheme Participants	(11,162)	(11,137)	(3,406)	(3,566)	0	0	(14,568)	(14,703)
Defined Benefit Obligation at end of year	(1,859,123)	(2,187,486)	(71,827)	(109,821)	(78,611)	(90,613)	(2,009,561)	(2,387,920)

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Contributions by Employer	49,754	57,931	(3,554)	(3,261)	3,425	3,562	49,625	58,232
Contributions by Participants	11,162	11,137	3,406	3,566	0	0	14,568	14,703
Net Benefits Paid Out	(60,916)	(69,068)	148	(305)	(3,425)	(3,562)	(64,193)	(72,935)
Closing Fair Value of Assets	0	0	0	0	0	0	0	0

Notes to the Accounts for the Chief Constable of Essex

11. 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
Balance at start of year	(319,773)
Current Service Cost	(11,601)
Interest Cost	(14,317)
Change in financial assumptions	(46,526)
Experience gain on defined benefit obligation	(13)
Contributions by scheme participants	(3,441)
Benefits/transfers paid	6,806
Unfunded pension payments	88
Past service costs/(gains)	(102)
Balance at end of year	(388,879)

<u>Assets</u>	Local Government Pension Scheme
	2014/15 £000
Balance at start of year	210,635
Interest on assets	9,601
Return on assets less interest	19,816
Administration expenses	(96)
Employer contributions including unfunded	8,951
Contributions by scheme participants	3,441
Benefits paid	(6,894)
Balance at end of year	245,454
Net liability at start of year	(109,137)
Net liability at end of year	(143,424)

Notes to the Accounts for the Chief Constable of Essex

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	2013/14 £000	2014/15 £000
Life expectancy from age 65 (police staff) and age 60 (police officers) Retiring in 20 years time:			
Male	25.1	29.7	29.8
Female	27.6	32.2	32.3
Retiring today:			
Male	22.8	27.2	27.4
Female	25.2	29.7	32.3
Rate of Inflation (RPI)	3.3%	3.6%	3.3%
Rate of Inflation (CPI)	2.4%	2.8%	2.4%
Rate of Increase in Salaries	4.2%	4.4%	4.1%
Rate of Increase in Pensions	2.4%	2.8%	2.4%
Discount Rate	3.4%	4.5%	3.4%

Notes to the Accounts for the Chief Constable of Essex

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	
	£000	%
Equities	165,120	67.0%
Government Bonds	10,784	4.0%
Other Bonds	23,493	10.0%
Property	26,660	11.0%
Cash/Liquidity	5,381	2.0%
Alternative Assets	14,016	6.0%
Total	245,454	100.0%

The liabilities show the underlying commitments that the Chief Constable has in the long term to pay retirement benefits. The total liability of £2,531.344m 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 2016 is £8.791m. Expected contributions for the Police Officer Pension Schemes in the year to 31 March 2016 by the employer are £26.757m.

The following assumptions have also been made:

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

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

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

Police Officers	1987 Scheme			2006 Scheme			Injury & Ill Health Awards		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,147,724	2,187,486	2,228,023	105,865	109,821	113,929	89,185	90,613	92,066
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,192,388	2,187,486	2,182,611	110,951	109,821	108,703	90,631	90,613	90,595
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,223,481	2,187,486	2,152,176	112,836	109,821	106,941	92,060	90,613	89,187
<u>Adjustment to mortality age rating assumption</u>	+1 Year	None	-1 Year	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	2,120,074	2,187,486	2,254,688	106,640	109,821	112,986	87,708	90,613	93,513

Notes to the Accounts for the Chief Constable of Essex

11. Defined Benefit Pension Schemes (contd.)

Police Staff	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	380,886	388,879	397,048
Projected service cost	13,516	13,851	14,194
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	389,944	388,879	387,819
Projected service cost	13,858	13,851	13,844
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	396,055	388,879	381,861
Projected service cost	14,191	13,851	13,519
<u>Adjustment to mortality age rating assumption</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	375,434	388,879	402,445
Projected service cost	13,381	13,851	14,325

12. 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.

	2013/14	2014/15
	£000	£000
Balance at 1 April	4,449	4,403
Transfer of balance from PCC	0	1,148
Settlement or cancellation of accrual made at the end of the preceding year	(4,449)	(5,551)
Amounts accrued at the end of the current year	4,403	5,692
Balance at 31 March	4,403	5,692

13. 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:-

Notes to the Accounts for the Chief Constable of Essex

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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.</p>	<p>These are illustrated on the table on page 28 that shows a variance of +1% or -1% in the assumptions.</p>

14. 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 2014/15 show the financial positions of the PCC and the PCC Group for the third 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.

Notes to the Accounts for the Chief Constable of Essex

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. The 2013/14 accounts have not been restated as there was no change in statutory reporting requirements and the transfer has no impact on the Group accounts.

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

The table below shows the movement through an intra group account within the respective accounts during 2013/14 and 2014/15. 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 2013/14			Intra group balances for 2014/15		
	PCC £000	Chief Constable £000	Group £000	PCC £000	Chief Constable £000	Group £000
Opening balance as at 1 st April	0	0	0	0	0	0
PCC resources consumed at the request of the Chief Constable	(208,260)	208,260	0	(275,755)	275,755	0
PCC Intra group adjustment	208,260	(208,260)	0	275,755	(275,755)	0
Closing balance as at 31st March	0	0	0	0	0	0

16. Events after the Balance Sheet Date

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 to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the necessary payments by 31/03/2016. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014/15.

Notes to the Accounts for the Chief Constable of Essex

17. 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)

- 17.1 General Principles
- 17.2 Accruals of Income and Expenditure
- 17.3 Overhead and Support Services
- 17.4 Employee Benefits
- 17.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 17.6 Revenue Recognition
- 17.7 Post Balance Sheet Events
- 17.8 Retirement Benefits – Police Staff
- 17.9 Contingent Assets and Liabilities
- 17.10 Income

17.1 General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the year 2014/15 and the position at the year ending 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2014/16*. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

17.2 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.

17.3 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)*.

17.4 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.

Notes to the Accounts for the Chief Constable of Essex

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

Long Term Benefits

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

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

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

17.5 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.

17.6 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.

17.7 Post Balance Sheet Events

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

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

Notes to the Accounts for the Chief Constable of Essex

17.8 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:
 - a) 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).
 - b) All other assets are included at fair value
- The change in the net pension liability is analysed into seven 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 their assumptions – charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure 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.

17.9 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.

Notes to the Accounts for the Chief Constable of Essex

17.10 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, PCSO funding and police officer Home Office top-up grant.

Policies applying to the Chief Constable

17.11 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 on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme
- c) Police Officers forced to retire through injury are admitted to the Police Officer Injury awards Scheme

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

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

17.12 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.

	2013/14 £000	2014/15 £000
Contributions receivable		
Employer	(27,270)	(26,197)
Serving police officers	(14,569)	(14,703)
Capital equivalent payment for ill health	(642)	(1,124)
Transfers in		
Individual transfers in from other schemes	(1,081)	(288)
Total Receipts	(43,562)	(42,312)
Benefits payable		
Pensions	51,297	53,921
Commutations and lump sum payments	10,252	14,391
Lump sum death benefits		167
NIC on pension funds	7	6
Payments to and on account of leavers		
Refund of contributions	13	24
Individual transfers out to other schemes	129	1,243
Total Payments	61,698	69,752
Sub total for the year before transfer from the PCC of amount equal to the deficit	18,136	27,440
Transfer of amount from the PCC of amount equal to the deficit	(18,136)	(27,440)
Net amount payable for the year	0	0

Police Officer Pension Fund Account

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

	2013/14 £000	2014/15 £000
Unpaid pension benefits	0	0
Amounts owing from the General Reserve	0	0
Total Net Assets	0	0

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirement benefits are disclosed in note 11 (pages 21-28) to the Chief Constable's core financial statements.

Glossary of Terms

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

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

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

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

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

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

Further Information

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

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

Telephone 01245 452615

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

In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report that appears on pages 6-8.

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