



**Statement of Accounts  
for the PCC for Essex Group and PCC  
2014/15 FINANCIAL YEAR**

**Produced 30 September 2015**

# **Police & Crime Commissioner for Essex**

## **and**

# **Police & Crime Commissioner for Essex Group**

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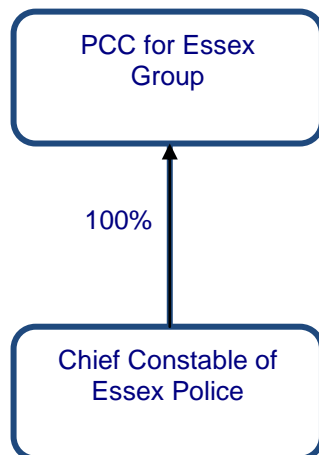
## Foreword to the Accounts for the PCC for Essex and the PCC for Essex Group

The Police and Crime Commissioner for Essex (PCC) was established in November 2012 as a corporation sole with a separate body of Chief Constable, also as a corporation sole. Nick Alston was elected PCC and he appointed Lindsay Whitehouse as Deputy PCC. The Police Reform and Social Responsibility Act 2011 requires that each corporation sole has its own Statement of Accounts for the financial year and that these be brought together in a group statement of accounts. The accounts presented in this document cover those of the PCC and the Group for Essex Police which includes the corporation soles of the Chief Constable for Essex and the PCC for Essex.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2014/15' and the 'Service Reporting Code of Practice' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts also comply with International Financial Reporting Standards (IFRS) and the CIPFA LAAP Bulletin 103.

The PCC is responsible for the formal oversight of Essex Police Service, including budget setting, performance scrutiny and strategic policy development and for ensuring that Essex Police is run efficiently and effectively, so that citizens of Essex are getting the best service possible from their police. Operational decision-making on day-to-day policing remains the responsibility of the Chief Constable.

One of the duties of the PCC is to hold the Chief Constable to account to secure the maintenance of an efficient and effective police force. For accounting purposes the PCC is the parent entity of the Chief Constable and together they form 'the Group'.



From 1<sup>st</sup> April 2014 all assets, liabilities and contracts remain in the name and ownership of the PCC but the majority of police staff, formally under the direction of the PCC, had their employment contracts formally transferred to the Chief Constable. The staff of the office of the PCC remain employed by the PCC. The transfer of staff employment contracts to the Chief Constable was approved by the Home Secretary.

### Financial analysis of 2014/15

In summary, the outturn budget for 2014/15 was £266.955m with no withdrawal of funds from the General Reserve. Total spending for 2014/15 was £269.058m giving an overspend of £2.103m resulting in a contribution of £2.103m from the General Reserve and giving a balance of £15.2m at 31st March 2015.

Overall there were no significant variances in addition to the two major operations in Colchester. The main spend on these operations were overtime and forensic analysis.

The capital outturn is £6.967m, which is £5.330m less than the original payments forecast of £12.297m. The main reason for the reduction in spend is some project spend has moved into future years, for example, Southend Police Station refurbishment and some projects were removed from the programme. Capital expenditure is mainly financed from the capital resources of government grants and capital receipts. The capital financing balance is £11.048m at 31st March 2015. This, together with forecast capital income in 2015/16, is sufficient to finance the current capital expenditure forecast in 2015/16.

## Foreword to the Accounts for the PCC for Essex and the PCC for Essex Group

### Net Revenue Expenditure and Sources of Funding 2014/15

The table below shows budgeted and actual net revenue expenditure, the sources of funding and the transfers from earmarked reserves and the General Reserve in a form that is recognisable in setting the PCC budget and precept.

The Net Revenue Expenditure excludes depreciation, pension liabilities, accumulated absences and other items. These charges are included and accounted for in the Core Financial Statements (pages 20-25) in accordance with proper accounting practice.

The Group deficit of £3.727m is £2.103m more than anticipated in the budget. The main reason for this is the additional expenditure arising from the two major operations in Colchester. The transfer from Earmarked Reserves of £1.621m relates mainly to Carry Forwards explained in note 6.

	Group			PCC		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Police Officer Pay and Allowances	169,419	170,454	1,035	0	0	0
PCSO and Police Staff Pay and Allowances	72,830	73,228	398	1,718	1,906	188
Police Pensions	4,259	4,686	427	0	0	0
Training	846	859	13	846	853	7
Other Employees Expenses	828	910	82	62	154	92
Premises	11,273	11,169	(104)	11,273	11,169	(104)
Transport	6,523	5,344	(1,179)	5,520	4,401	(1,119)
Supplies And Services	22,121	24,327	2,206	21,817	23,825	2,008
Third Party Payments	5,971	6,426	455	5,931	5,912	(19)
Other Expenditure	3,084	3,088	4	1,635	1,640	5
<b>Gross Revenue Expenditure</b>	<b>297,154</b>	<b>300,491</b>	<b>3,337</b>	<b>48,802</b>	<b>49,860</b>	<b>1,058</b>
Income	(28,576)	(29,810)	(1,234)	(26,501)	(27,493)	(992)
<b>Net Revenue Expenditure</b>	<b>268,578</b>	<b>270,681</b>	<b>2,103</b>	<b>22,301</b>	<b>22,367</b>	<b>66</b>
<b>Sources of Funding</b>						
Police Grant	(110,111)	(110,111)	0	(110,111)	(110,111)	0
DCLG Grant	(58,110)	(58,110)	0	(58,110)	(58,110)	0
Council Tax Precept	(84,545)	(84,545)	0	(84,545)	(84,545)	0
Council Tax Freeze Scheme	(2,133)	(2,133)	0	(2,133)	(2,133)	0
Council Tax Support Grant	(10,992)	(10,992)	0	(10,992)	(10,992)	0
Collection Fund Surplus	(1,065)	(1,065)	0	(1,065)	(1,065)	0
<b>Total Sources of Funding</b>	<b>(266,956)</b>	<b>(266,956)</b>	<b>0</b>	<b>(266,956)</b>	<b>(266,956)</b>	<b>0</b>
<b>Deficit / (surplus) before transfer to Earmarked Reserves</b>	<b>1,622</b>	<b>3,725</b>	<b>2,103</b>	<b>(244,655)</b>	<b>(244,589)</b>	<b>66</b>
<b>Transfer from Earmarked Reserves</b>	<b>(1,622)</b>	<b>(1,622)</b>	<b>0</b>	<b>(1,622)</b>	<b>(1,622)</b>	<b>0</b>
<b>Transfer from/(to) General Reserve</b>	<b>0</b>	<b>2,103</b>	<b>2,103</b>	<b>(246,277)</b>	<b>(246,211)</b>	<b>66</b>

## Foreword to the Accounts for the PCC for Essex and the PCC for Essex Group

### Financial Outlook

The Essex Police precept in 2014/15 was the second lowest of all 35 shire forces. In setting the budget and precept for 2014/15 the PCC had to comply with the Government's limit for excessive rises in council tax. This was set at increases of 2% or above. In January 2015 the PCC set a precept increase of 1.99% resulting in a band D Council Tax of £147.15. The planned Net Revenue Expenditure for 2015/16 is £262.512m.

Following the Government's 2010 & 2013 Comprehensive Spending Reviews (CSRs), the PCC must make recurring revenue savings of £47.3m over the four years ending 2014/15. By April 2014 £41.8m savings had been delivered and during 2014/15 further savings of £8.9m had been achieved resulting in on-going annual saving of just over £50m since 2010. These plans include on-going collaborative activity with Kent Police.

The PCC and Chief Constable are developing medium term financial plans to cover the five year period 2015/16 to 2019/20 in order to facilitate strategic planning and enable operational plans to take shape in a timely fashion.

Specific strategic investment plans are taking shape following the comprehensive Estates Review and IT Review. At the time of writing investment plans for IT amounting to £8.4m for Essex and Kent Police over the next four years has been approved and the investment in the estate, including plans to replace the Force headquarters, were advancing. The capital programme will be developed alongside the medium term revenue plans in order to deliver the requirements of the Police and Crime Plan.

For each year in office the PCC has increased the precept up to, but not exceeding, the level determined by the Government to be excessive. This policy is to help address the historic low precept base in Essex in the light of substantial budget savings necessary to support the Governments fiscal plan and also to support local investment in services. After several years of increasing the precept by the former Police Authority the level of the precept in Essex was still one of the lowest of the shire forces. The PCC has increased the precept each year by 3.49%, 1.9% and 1.9% respectively for 2013/14, 2014/15 and 2015/16.

### General Reserve

The following table identifies the movements on the General Reserve during the year. The balance on the General Reserve represents 5.62% of the 2014/15 Net Revenue Expenditure.

	<b>£000</b>
<b>General Reserve at start of year</b>	<b>18,046</b>
<b><u>Movement in Reserves</u></b>	
Transfer to CIES from General Reserve	(2,103)
Transfer to Insurance Provision	(1,019)
Net transfer from Earmarked Reserves to General Reserve	303
<b>Net use of General Reserve</b>	<b>(2,819)</b>
<b>General Reserve at end of year</b>	<b>15,227</b>

The General Reserve is held to provide sufficient liquid resources to fund day-to-day cash requirements, to fund unexpected and/or planned operational requirements and to manage the timing of savings and redundancy costs.

### Earmarked Reserves

The PCC's Earmarked Reserves total £5.491m at 31 March 2015. The movement on Earmarked Reserves is shown in note 6 on page 33. The levels of all reserves are reviewed on a regular basis.

The PCC's revenue reserves at the start of the year were the lowest as a percentage of net revenue expenditure of all shire forces.

## Foreword to the Accounts for the PCC for Essex and the PCC for Essex Group

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### Capital Programme

During 2014/15 capital expenditure amounted to £6.967m across a range of projects:

- Automatic Number Plate Recognition (ANPR) – Various projects across the county to enhance the existing infrastructure.
- Estates – A project to refurbish the Force Command Room (FCR) and to improve arrangements to ensure business continuity for FCR was started during the year. In addition work to create a Chemical Enhancement Laboratory started in January 2015 and is planned for completion in June 2015.
- IT - Annual programmes for replacement servers, printers, docking stations, desktop and laptop computers were undertaken together with further development of the PCC's core data and telephony network.
- Transport - A total of 131 vehicles were purchased at a cost of £2.515m.

Capital expenditure was financed using the following sources:

- |   |                         |
|---|-------------------------|
| i) Home Office and other governmental body grants         | (77% of total payments) |
| ii) Contributions from partners and other third parties   | ( 6% of total payments) |
| iii) Receipts generated from the disposal of fixed assets | ( 8% of total payments) |
| iv) Contributions from revenue                            | ( 9% of total payments) |

Capital investment was contained in 2014/15 pending the outcome of strategic reviews into future Estates and IT investment. The five year capital programme covering the period 2015/16 to 2019/20 does reflect information emerging from the reviews, but is expected to be subject to change as business cases for investments are developed.

The programme of disposal of assets continued during 2014/15 with £1.4m capital receipts generated from the sale of 4 properties, surplus marine equipment and National Police Air Service (NPAS) airframe credits for the force's helicopter transferred to NPAS in 2012/13.

### Pension Liabilities

Accounting standards require that the total future liabilities for the cost of pension payments to past and present police officers and police staff are fully reflected in the Balance Sheet. Accordingly, the Balance Sheet (see page 22 and note 28 on page 62) includes net liabilities of £143.980m (2013/14 £109.496m) for police staff and £2,387.920m (2013/14 £2,009.561m) for police officers. The statutory arrangements for funding the police officer deficit and the PCC's arrangements for funding the police staff deficit, however, mean that the financial position of the PCC remains sound.

### Treasury Management

The PCC invests surplus funds in accordance with the Treasury Management Strategy, which is agreed each year. The strategy sets out a clear set of investment parameters in order to minimise the risk of financial loss. In summary these parameters are:

- i) Country Limits: UK financial institutions only
- ii) Monetary limits as follows:
  - a. Debt Management Office – up to 100% of total investment portfolio
  - b. All other financial institutions - £10m limit to principal investment with each institution
- iii) Durational limits: maximum duration 12 months

The PCC had fixed term investments totalling £16.015m and liquid investments totalling £12.335m at 31 March 2015. During 2014/15 the PCC earned investment income of £0.212m, representing an average return of 0.53%.

The PCC did not undertake any short or long term external borrowing during 2014/15. The PCC has, however, inherited internal borrowings from the former Essex Police Authority of approximately £9.1m. This arises from occasions in previous years when the practice was to utilise surplus cash balances to finance the capital programme in lieu of borrowing these funds externally from financial institutions. If the practice had been to borrow funds externally, the investments at 31 March 2015 would have been higher, and they would be offset by an equivalent amount of external debt.

## **Statement of Responsibilities for the Statement of Accounts for the PCC for Essex and the PCC for Essex Group**

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### **The Commissioner's responsibilities**

The Commissioner is required:

- to make arrangements for the proper administration of his financial affairs and to ensure that one of his officers (the Treasurer to the Police & Crime Commissioner for Essex) 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.

### **Completion of the Approval Process by the PCC for Essex**

I approve these Statement of Accounts.

Nick Alston  
Police and Crime Commissioner for Essex  
30 September 2015

### **Completion of the Approval Process by the Commissioner The Treasurer to the PCC's Responsibilities**

The Treasurer is responsible for the preparation of the Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in The United Kingdom ('The Code of Practice'). In preparing this Statement of Accounts, the Treasurer 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 Treasurer 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, on pages 20 – 86, have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Commissioner at 31 March 2015 and its income and expenditure for the year then ended.

Charles Garbett BA (Hons) CPFA  
Treasurer to the PCC for Essex  
30 September 2015

## Annual Governance Statement

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### Introduction

This statement sets out the office of the Police and Crime Commissioner's (PCC) and Chief Constable (CC) arrangements in relation to the six core principles of good governance, namely:

1. Focussing on the purpose of the PCC and CC and on outcomes for the community including citizens and service users, creating and implementing a vision for the local area.
2. Ensuring that both the PCC and CC perform effectively in clearly defined roles, responsibilities and functions in order to support the aims and objectives of the PCC, whilst achieving a common purpose.
3. Promoting the values for the PCC and CC and demonstrating good governance through practise and behaviour.
4. Making informed and transparent decisions which will stand up to risk management and robust examination by the public and the Police and Crime Panel (PCP).
5. Developing the capacity and capability of the PCP to ensure the PCC and his office deliver effectively.
6. Engaging with the people of Essex, key stakeholders, partners and the third sector to guarantee robust local accountability.

Each section of the Annual Governance Statement recognises that the PCC and CC, wherever possible, share a common set of policies and procedures underpinning the Scheme of Governance. Moreover, there are the joint use of systems and procedures therefore only exceptions to this arrangement will be highlighted.

The statement is in five main parts covering:

The scope of responsibility

- a) The purpose of the Governance Framework
- b) The Governance Framework
- c) Value for Money Arrangements
- d) Significant Governance Issues

There are a number of statutory responsibilities that flow from the Police Reform and Social Responsibility (PRSR) Act 2011 that set out specific responsibilities for the PCC, CC, Chief Executive, Treasurer and Chief Finance Officer (CFO).



## Annual Governance Statement

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### 1. Scope of Responsibility

1.1 The PCC is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 The CC is responsible for maintaining the Queen's Peace and has discretion over the direction and control over the force's officers and staff. Further, the CC is responsible to the public and accountable to the PCC for supporting the PCC in the delivery of the Police and Crime Plan.

1.3 In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. In exercising this responsibility the PCC places reliance on the CC of Essex Police to support the governance and risk management processes.

1.4 During the year there was regular contact on a two weekly basis between the PCC and CC in order to ensure that matters are dealt with within their respective responsibilities. Every month the minutes of the meeting are published on the OPCC website. In addition, the formal meetings are interspersed with informal contact between the PCC and CC.

1.5 There were formal governance meetings between senior OPCC and Force officers and staff each month dealing separately with financial and performance monitoring. The minutes of these meetings are publicised on the PCC's website.

1.6 The PCC's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012). The Treasurer and CFO are bound by professional standards and specific legislative responsibilities. In Attorney General v De Winton 1908 it was established that the Treasurer/CFO is not merely a servant of the authority (PCC/CC) but holds a fiduciary responsibility to local taxpayers. The PRSR Act 2011 requires the Treasurer/CFO to comply with relevant provisions within the Local Government Acts.

1.7 The Scheme of Governance operating during the year incorporated the following:

1. Constitution and Scheme of Consent
2. Specified Information Order
3. Information Sharing Agreement: Essex Police and the Police and Crime Commissioner for Essex
4. Information Sharing Agreement: Police and Crime Commissioner for Essex and Police and Crime Panel for Essex
5. Financial Management Code of Practice for the Police Service of England and Wales
6. Scheme of Delegation
7. Policing Protocol Order 2011
8. Voluntary Code of Conduct
9. The Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012
10. Appointment of Chief Constables
11. The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
12. The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012
13. Protective Marking Procedure
14. Financial Regulations
15. Anti-Fraud & Corruption Strategy
16. Statutory Guidance for Police Collaboration
17. Police Reform and Social Responsibility Act 2011

## Annual Governance Statement

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1.8 This statement is compliant with regulation 4(2) of the Accounts and Audit 2011 (England) Regulations in relation to the publication of a statement on internal control.

### 2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values by which the OPCC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the OPCC to monitor the achievement of its Police and Crime Plan and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the PCC's and CC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, managing them effectively, efficiently and economically.

2.3 The PCC's scheme of Governance incorporates a framework of arrangements that ensures value for money is achieved for the people in Essex. One of the ways this is delivered is through the Essex and Kent collaboration.

### 3. The Governance Framework

3.1 The good governance standard for public service sets out the six core principles. The key elements of the systems and processes that comprise the governance arrangements have been put in place by the PCC and how they adhere to them is set out as follows:

**1) *Focussing on the purpose of the PCC and on outcomes for the community including citizens and service users, creating and implementing a vision for the local area.***

The PCC made his commitments and areas of focus for policing clear in his Police and Crime Plan (the Plan), which has been widely consulted upon. The Plan indicates how these areas of focus will be delivered, paying due regard to the Strategic Policing Requirement, as set by the Home Secretary.

The PCC has developed a performance framework that will monitor and support the delivery of the areas of focus set within the Plan. This framework, which is fully supported by the CC, provides the mechanism for monitoring the implementation of the PCC's areas of focus together with defining activities that are routine and considered as business as usual, i.e. fulfilling the legal obligations of the PCC.

## Annual Governance Statement

The PCC has clear contact detail on the website for members of the community to raise issues or concerns with him. A process is in place to respond to any issues/ concerns raised, aiding the focus on outcomes for the local community. The PCC visited each district to meet with local people to understand and respond to their specific needs, aiding the creation of a vision for the local area.

### **2) Ensuring the PCC performs effectively in clearly defined roles, responsibilities and functions in order to support the aims and objectives of the PCC, whilst achieving a common purpose**

The governance arrangements for the PCC have been developed in accordance with the PRSR Act 2011 statutory Policing Protocol, Home Office Financial Management Code of Practise (FMCP) and existing guidance on financial and governance matters which continue to apply. A scheme of delegation, financial regulations and contract regulations is in accordance with the FMCP to enable effective accountability and to govern the relationship between the OPCC and Essex Police. There was a decision making framework that ensures all PCC decisions are published and available for public scrutiny.

In September 2014 the term of office of independent members of the Joint Audit Committee (JAC) came to an end. Four new members were appointed. Since their appointment the members have made a positive contribution to the work of the JAC through their independent and objective viewpoint.

There are agreed terms of reference for the PCC and CC Joint Audit Committee which forms a part of the PCC's Constitution:

### **“Article 15 - Independent Audit Committee**

#### **15.1 General Provisions**

- (1) The PCC and the Chief Constable, in accordance with The Financial Management Code of Practice (Schedule 4) have established a combined independent Audit Committee.
- (2) The combined Audit Committee will consider the internal and external audit reports of both the PCC and the Chief Constable.
- (3) The role of the Audit Committee is to advise the PCC and the Chief Constable according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices.
- (4) In setting up the Audit Committee, the PCC and the Chief Constable have had regard to the CIPFA Guidance on Audit Committees [Audit Committees: Practical Guidance for Local Authorities, CIPFA, 2005].
- (5) The terms of reference of the Audit Committee along with the committee's overall performance will be reviewed on an annual basis
- (6) The PCC and the Chief Constable will be represented at meetings of the Audit Committee.

#### **15.2 Membership**

The Audit Committee will comprise four members appointed jointly by the PCC and the Chief Constable but who are independent of the PCC and the Chief Constable

#### **15.3 Quorum**

To be quorate the Committee requires three Committee members to be present.

#### **15.4 Terms of Reference:**

##### **Audit Activity**

- a) Advising the PCC and Chief Constable on the appropriate arrangements for internal audit and approving the Internal Audit Strategy

## Annual Governance Statement

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- b) Approving (but not directing) the internal audit annual Programme
- c) Overseeing and giving assurance to the PCC and Chief Constable on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk
- d) Considering the Head of Internal Audit's Annual Report and annual opinion on the internal control environment for the PCC and Force; ensuring appropriate action is taken to address any areas for improvement
- e) Reviewing and monitoring the effectiveness of policies on fraud, irregularity and corruption
- f) To consider reports dealing with the management and performance of the providers of internal audit services
- g) To consider as appropriate the OPCC and force strategic risk registers
- h) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
- i) To consider specific reports as agreed with the external auditor
- j) To comment on the scope and depth of external audit work and to ensure it gives value for money
- k) To commission work from internal and external audit

### Regulatory Framework

- l) To maintain an overview of the constitution in respect of contract procedures rules, financial regulations and codes of conduct and behaviour
- m) To review any issue referred to it by the PCC or Chief Constable
- n) To comment on the effective development and operation of risk management and corporate governance exercised by the PCC and Chief Constable
- o) To comment on the production of the PCC Annual Governance Statement and to recommend its adoption
- p) To have regard to PCC and Essex Police policies on "Raising Concerns at Work" and the anti-fraud and corruption strategy and the PCC's complaints process
- q) To have regard to the PCC's and Chief Constable's arrangements for corporate governance and make recommendations to ensure compliance with best practice

### Accounts

- r) To review the draft annual statement of accounts including the annual governance statement
- s) To consider the external auditor's report on issues arising from the audit of accounts

### **15.5 Meetings**

The Audit Committee shall meet a minimum of four times per year and its meetings shall be held in private with minutes being published within three weeks of the meeting.

## Annual Governance Statement

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### **3) *Promoting the values for the PCC and demonstrating good governance through practise and behaviour.***

The PCC has signed up to a Code of Conduct incorporating the 7 Nolan principles relating to Public Life. Moreover, the PCC has approved and adopted a policy on anti-fraud and corruption which clearly sets out the procedures that will be in operation. This policy is designed to encourage prevention, promote detection and identify a clear pathway for investigation of fraudulent and/ or corrupt activities or behaviour.

There is a PCC policy on reporting wrongdoing (Handling of Qualifying Disclosures) for the OPCC. The CC has several policies which cover discipline, standards, use of social media and an anonymous e-mail for confidential reporting to Professional Standards Department.

### **4) *Making informed and transparent decisions which will stand up to risk management and robust scrutiny by the public and the Police and Crime Panel (PCP)***

The PCC and CC's decision making process is set out in the Scheme of Governance. All significant PCC decisions are taken following a written report on the subject matter which includes consideration of risk. All decisions taken are published on the PCC's website.

In addition, the PCC's performance against the Plan is regularly reported to the Police and Crime Panel for their challenge and support as appropriate.

The Joint Audit Committee (JAC) have responsibility for monitoring the effectiveness of arrangements in place for risk management processes and programmes receiving regular updates on risk management. The PCC and CC continue to use the risk management policy and framework that complies with CIPFA guidance.

During the financial year the JAC met on four occasions with each meeting having a pre-planned agenda to reflect the cycle of the business. Each meeting contained an update from both the internal and external auditors. The JAC continues to deliver the PCC and CC's responsibility for enhancing public trust and confidence in the governance of the OPCC and Essex Police.

The OPCC have a duty to ensure that it acts in accordance to the law and legislation. This has been fulfilled through the Financial Regulations and Contract Standing Orders, and supporting policies and procedures were produced to ensure officers and staff within both the OPCC and Force understood their responsibilities. Compliance with them was and will continue to be reviewed.

## Annual Governance Statement 2014/15

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The PCC complied with a clear decision making policy that requires the oversight of both statutory officers within the OPCC, namely the Monitoring Officer and Treasurer. This ensures that both legal and financial implications are clearly stated prior to any decision being taken. All decisions made by the PCC are formally recorded and made available on the website for public information and scrutiny.

### **5) *Developing the capacity and capability of the PCC to ensure the PCC and his office deliver effectively.***

The transition to 'stage two' was successfully delivered from 1st April 2014. All staff, with the exception of the OPCC, were transferred to the CC.

Staff continue to receive annual performance reviews, in which personal objectives are set. The objectives considered the role individual staff members had within the OPCC. Strategic objectives that focus on and help deliver the areas of focus within the Police and Crime Plan are included. The reviews take into account any training undertaken during the year.

The OPCC and CC continue to use the risk management policy and framework that complies with CIPFA guidance.

### **6) *Engaging with the people of Essex, key stakeholders, partners and the third sector to guarantee robust local accountability.***

Since taking office the PCC has held public meetings in each of the fourteen districts, twice yearly, where the people of Essex were able to challenge the PCC in how he is holding the Chief Constable to account for the delivery of policing. Notes for each of the meetings are made available on the website, along with issues raised at each of these events and any subsequent outcomes.

Quarterly public scrutiny meetings were established where the PCC will openly challenge and scrutinise the Chief Constable on police performance, not limited to those areas of focus within the Police and Crime Plan. The public were invited to pose questions to the PCC for him to raise with the Chief Constable providing further robust local accountability.

The PCC met with key stakeholders, partners and the third sector to gauge their views and work collaboratively wherever possible. Forums continue to be held with specific groups, discussing issues such as victim support, rural crime and business crime. These forums enhanced the partnership working across all areas and link directly with the delivery of the Police and Crime Plan.

Consultation with the public, partners, key stakeholders and the third sector all feed into the strategic planning cycle to ensure that the views of those consulted will continue to influence the delivery of the PCC's priorities.

## **4. Value for Money Arrangements**

The PCC has responsibility for ensuring that the governance arrangements support good value for money and thereby conducting a review of the effectiveness of the governance framework, including:

- The system of internal audit
- The system of internal control

The governance framework is subject to on-going monitoring for effectiveness by the PCC's Treasurer and Chief Executive. This will be further informed by the work of the External Auditors and by continuing Internal Audit reviews. There are also monthly performance and finance monitoring meetings between the PCC, DPCC, CC and senior staff whereby the CC is held to account for ensuring value for money for the provision of policing services.

## Annual Governance Statement

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The PCC established an advisory Strategic Policing Board supported by a Finance Committee and Ethics and Integrity Committee with members from the wider community, including industry and people with specialist knowledge. The main role of the Board and Committees is to advise on the strategic direction and approach taken by the PCC and CC on a critical friend basis.

The roles and processes applied in maintaining and reviewing effectiveness of the governance framework are outlined as follows:

### **OPCC**

The PCC has overall responsibility for the discharge of all powers and duties placed upon it, including a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework is undertaken by the OPCC in a close working relationship with the Chief Constable and his senior staff including the Chief Financial Officer. The PCC's and CC's JAC has responsibility for overseeing these arrangements and will continue to discuss governance issues, referring reports to the PCC and CC when appropriate.

### **Essex Police**

The Chief Constable has responsibility for reviewing the effectiveness of the governance framework within the Force. This review is informed by the work of the Head of Corporate Services and the Risk Manager within the Force who have responsibility for the development and maintenance of the governance environment. In preparing this Annual Governance Statement a joint approach has been adopted by the PCC and CC.

### **Internal Audit**

In maintaining and reviewing the governance framework the PCC's Treasurer and CC's Chief Finance Officer place reliance on the work undertaken by Internal Audit and in particular, Internal audit's independent opinion on the adequacy and effectiveness of the system of internal control. All Internal Audit recommendations are tracked and a regular review is undertaken by both the OPCC and the Force on the status of each recommendation made. The 'Audit Tracker' is presented to each meeting of the JAC.

For 2014/15 the Internal Auditor's opinion is as follows:

#### Police and Crime Commissioner

The PCC has adequate governance arrangements. Our Governance review focussing on the police integrity model received a reasonable assurance opinion.

The PCC has adequate risk management arrangements in place. Our risk management review was undertaken in an advisory capacity, we made 3 medium priority recommendations that related to the OPCC.

The PCC has adequate internal control arrangements. Our audits of the internal audit environment all resulted in positive assurance opinions.

#### Essex Police

The Force had adequate assurance arrangements. Our Governance review focussing on the police integrity model received a positive assurance opinion.



## Annual Governance Statement

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The Force had adequate risk management arrangements in place. Our Risk Management review was undertaken in an advisory capacity. We made 3 medium and 3 low priority recommendations which related to the Force.

The Force had adequate internal control arrangements. Our audits of the internal control environment all resulted in positive assurance opinions.

### External Audit

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the OPCC's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports.

### HM Inspectorate for Constabulary (HMIC)

Furthermore, other review/assurance mechanisms such as HMIC who are charged with promoting the effectiveness and efficiencies of policing, improving performance and sharing good practise nationally have stated that Essex Police have no significant issues to address.

### 5. Significant Governance Issues

A foundation for good governance has been established that will have a positive and lasting impact on the work of the PCC and CC. There are, however, a number of issues that are worth highlighting.

There are significant transformation projects in progress. In particular, the strategic review of Estates and IT commenced during 2014/15 and will be progressed during 2015/16 and beyond. Significant investment plans amounting to over £100m over the next five years means that it will be essential business plans demonstrate affordability and viability of policing services through the realisation of benefits that the investment enables.

Each of these projects will have robust governance arrangements in place in order that a measured approach is taken to undertaking significant investment during the medium term when government grant support for policing, along with many other public services is expected to continue reducing in accordance with the Governments ten year fiscal plan.

**The Police & Crime Commissioner for Essex**

**Chief Constable of Essex**

**Treasurer to the PCC for Essex**

**Chief Finance Officer of the Chief Constable of Essex**



## **Independent Auditor's Report to the Police & Crime Commissioner for Essex**

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### **Opinion on the Police and Crime Commissioner for Essex financial statements**

We have audited the financial statements of the Police and Crime Commissioner for Essex for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Police and Crime Commissioner for Essex and Group Comprehensive Income and Expenditure Statements, the Police and Crime Commissioner for Essex and Group Balance Sheets, the Police and Crime Commissioner for Essex and Group Movement in Reserves Statements, the Police and Crime Commissioner for Essex and Group Cash Flow Statements, the related notes 1 to 34.27 and the Group 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 Police and Crime Commissioner for 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 Police and Crime Commissioner for Essex, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the Treasurer 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 Police and Crime Commissioner for Essex and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the PCC for Essex Group and PCC 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 Police & Crime Commissioner for Essex**

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### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Essex as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group 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 Statement of Accounts for the PCC for Essex Group and PCC 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 Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Police and Crime Commissioner and the auditor**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Independent Auditor's Report to the Police & Crime Commissioner for Essex**

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### **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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Independent Auditor's Report to the Police & Crime Commissioner for Essex**

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### **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 Police and Crime Commissioner for Essex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner'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.

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

## Comprehensive Income and Expenditure Statement for the PCC for Essex Group

This Statement shows the full cost in the year of providing policing services rather than the amount to be funded from taxation. It includes liabilities such as pensions and employee benefits where there is a neutral impact upon the amounts funded from council tax.

	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	127,797	(3,067)	124,730	117,683	(3,749)	113,934
Dealing with the Public	20,809	(409)	20,400	28,379	(298)	28,081
Criminal Justice Arrangements	27,358	(978)	26,380	29,085	(1,705)	27,380
Road Policing	13,963	(2,018)	11,945	14,930	(2,555)	12,375
Specialist Operations	32,747	(8,834)	23,913	30,625	(8,455)	22,170
Intelligence	13,784	(194)	13,590	19,225	(180)	19,045
Investigations	72,887	(2,257)	70,630	60,119	(2,482)	57,637
Investigative Support	10,484	(128)	10,356	9,758	(98)	9,660
National Policing	17,570	(12,534)	5,036	13,580	(10,000)	3,580
Police & Crime Commissioner	1,155	(4)	1,151	1,539	(81)	1,458
<b>Net Cost of Services</b>	<b>338,554</b>	<b>(30,423)</b>	<b>308,131</b>	<b>324,923</b>	<b>(29,603)</b>	<b>295,320</b>
<b>Other Operating Expenditure</b>						
Gain/(loss) on the disposal of non current assets	20	207	227	38	462	500
<b>Financing and Investment Income and Expenditure</b>						
Interest payable and similar charges	3	0	3	0	0	0
Net interest on the defined benefit pensions liability						
- Police Officers	91,762	0	91,762	89,134	0	89,134
- Police Staff	5,404	0	5,404	4,730	0	4,730
Interest receivable and similar income	0	(223)	(223)	0	(208)	(208)
	<b>97,169</b>	<b>(223)</b>	<b>96,946</b>	<b>93,864</b>	<b>(208)</b>	<b>93,656</b>
<b>Taxation and Non Specific Grant Income</b>						
Police grant	0	(114,441)	(114,441)	0	(110,111)	(110,111)
DCLG Grant	0	(60,950)	(60,950)	0	(58,110)	(58,110)
Council tax	0	(83,828)	(83,828)	0	(86,453)	(86,453)
Council tax support grant	0	(10,966)	(10,966)	0	(10,992)	(10,992)
Council tax freeze grant	0	(2,133)	(2,133)	0	(2,133)	(2,133)
Community safety grant	0	(1,246)	(1,246)	0	0	0
Pensions top up grant	0	(18,136)	(18,136)	0	(27,440)	(27,440)
Capital grant	0	(2,711)	(2,711)	0	(2,942)	(2,942)
<b>Taxation and Non Specific Grant Income</b>	<b>0</b>	<b>(294,411)</b>	<b>(294,411)</b>	<b>0</b>	<b>(298,181)</b>	<b>(298,181)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>435,743</b>	<b>(324,850)</b>	<b>110,893</b>	<b>418,825</b>	<b>(327,530)</b>	<b>91,295</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	10	0	10	(2,046)	0	(2,046)
Remeasurement of the net defined benefit liability						
- Police Officers	(303,636)	0	(303,636)	298,980	0	298,980
- Police Staff	(22,112)	0	(22,112)	26,868	0	26,868
Other losses	0	0	0	1,277	0	1,277
	<b>(325,738)</b>	<b>0</b>	<b>(325,738)</b>	<b>325,079</b>	<b>0</b>	<b>325,079</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>110,005</b>	<b>(324,850)</b>	<b>(214,845)</b>	<b>743,904</b>	<b>(327,530)</b>	<b>416,374</b>

## Comprehensive Income and Expenditure Statement for the PCC for Essex

This Statement shows the full cost in the year of providing policing services rather than the amount to be funded from taxation. This means that it includes liabilities such as pensions and employee benefits where there is a neutral impact upon the amounts funded from council tax.

	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	32,252	(3,067)	29,185	17,662	(3,424)	14,238
Dealing with the Public	14,654	(409)	14,245	4,870	(298)	4,572
Criminal Justice Arrangements	16,518	(977)	15,541	6,216	(1,688)	4,528
Road Policing	4,245	(2,018)	2,227	2,329	(2,555)	(226)
Specialist Operations	8,126	(8,834)	(708)	5,006	(7,907)	(2,901)
Intelligence	6,170	(194)	5,976	2,452	(180)	2,272
Investigations	21,495	(2,257)	19,238	8,309	(2,468)	5,841
Investigative Support	7,853	(128)	7,725	3,495	(98)	3,397
National Policing	5,930	(12,533)	(6,603)	1,984	(8,589)	(6,605)
Corporate and Democratic Core	1,039	(4)	1,035	1,297	(81)	1,216
<b>Cost of Services</b>	<b>118,282</b>	<b>(30,421)</b>	<b>87,861</b>	<b>53,620</b>	<b>(27,288)</b>	<b>26,332</b>
Intra Group Funding for Chief Constable's Net Service Cost	208,260	0	208,260	275,755	0	275,755
<b>Net Cost of Services</b>	<b>326,542</b>	<b>(30,421)</b>	<b>296,121</b>	<b>329,375</b>	<b>(27,288)</b>	<b>302,087</b>
<b>Other Operating Expenditure</b>						
Gain/(loss) on the disposal of non current assets	20	207	227	38	462	500
<b>Financing and Investment Income and Expenditure</b>						
Interest payable and similar charges	3	0	3	0	0	0
Net interest on the defined benefit pensions liability						
- Police Staff	5,404	0	5,404	14	0	14
Interest receivable and similar income	0	(223)	(223)	0	(208)	(208)
	<b>5,407</b>	<b>(223)</b>	<b>5,184</b>	<b>14</b>	<b>(208)</b>	<b>(194)</b>
<b>Taxation and Non Specific Grant Income</b>						
Police grant	0	(114,441)	(114,441)	0	(110,111)	(110,111)
DCLG Grant	0	(60,950)	(60,950)	0	(58,110)	(58,110)
Council tax	0	(83,828)	(83,828)	0	(86,453)	(86,453)
Council tax support grant	0	(10,966)	(10,966)	0	(10,992)	(10,992)
Council tax freeze grant	0	(2,133)	(2,133)	0	(2,133)	(2,133)
Community safety grant	0	(1,246)	(1,246)	0	0	0
Pensions top up grant	0	(18,136)	(18,136)	0	(27,440)	(27,440)
Capital grant	0	(2,711)	(2,711)	0	(2,942)	(2,942)
<b>Taxation and Non Specific Grant Income</b>	<b>0</b>	<b>(294,411)</b>	<b>(294,411)</b>	<b>0</b>	<b>(298,181)</b>	<b>(298,181)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>331,969</b>	<b>(324,848)</b>	<b>7,121</b>	<b>329,427</b>	<b>(325,215)</b>	<b>4,212</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	10	0	10	(2,046)	0	(2,046)
Remeasurement of the net defined benefit liability						
- Police Staff	(22,112)	0	(22,112)	145	0	145
Other losses	0	0	0	1,277	0	1,277
	<b>(22,102)</b>	<b>0</b>	<b>(22,102)</b>	<b>(624)</b>	<b>0</b>	<b>(624)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>309,867</b>	<b>(324,848)</b>	<b>(14,981)</b>	<b>328,803</b>	<b>(325,215)</b>	<b>3,588</b>

Following the phase two transfer from the PCC to the Chief Constable, the PCC's 2014/15 accounts excludes the costs of police officers, PCSO, police staff (except those directly working for the PCC), seconded officers, PCSO funding and mutual aid. These costs are reported in the Group Comprehensive Income & Expenditure Statement of Group and the Chief Constable's Statement of Accounts.

## Balance Sheet for the PCC for Essex and the PCC for Essex Group

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC. The net liabilities of the PCC are matched by the reserves held by the PCC.

Note	31 March 2014		31 March 2015	
	£000 PCC	£000 Group	£000 PCC	£000 Group
<b>Long-term assets</b>				
13	87,465	87,465	86,395	86,395
14	662	662	708	708
17	58	58	54	54
	<b>88,185</b>	<b>88,185</b>	<b>87,157</b>	<b>87,157</b>
<b>Current assets</b>				
15	22,513	22,513	16,015	16,015
16	817	817	767	767
17	16,690	17,953	22,993	24,403
18	12,996	12,996	12,545	12,545
19	0	0	2,811	2,811
	<b>53,016</b>	<b>54,279</b>	<b>55,131</b>	<b>56,541</b>
<b>Current liabilities</b>				
20	(20,420)	(26,086)	(22,890)	(29,992)
	<b>(20,420)</b>	<b>(26,086)</b>	<b>(22,890)</b>	<b>(29,992)</b>
<b>Long term liabilities</b>				
21	(2,943)	(2,943)	(4,136)	(4,136)
26	(56)	(56)	0	0
28	0	(2,009,561)	0	(2,387,920)
28	(109,496)	(109,496)	(556)	(143,980)
11	(735)	(735)	(457)	(457)
	<b>(113,230)</b>	<b>(2,122,791)</b>	<b>(5,149)</b>	<b>(2,536,493)</b>
	<b>7,551</b>	<b>(2,006,413)</b>	<b>114,249</b>	<b>(2,422,787)</b>
<b>Net liabilities</b>				
<b>Usable reserves</b>				
22	(18,046)	(18,046)	(15,227)	(15,227)
	(7,395)	(7,395)	(5,187)	(5,187)
	(22)	(22)	(304)	(304)
	(7,700)	(7,700)	(8,534)	(8,534)
	(4,428)	(4,428)	(1,752)	(1,752)
	<b>(37,591)</b>	<b>(37,591)</b>	<b>(31,005)</b>	<b>(31,005)</b>
<b>Unusable reserves</b>				
	(3,096)	(3,096)	(3,811)	(3,811)
	(75,111)	(75,111)	(77,038)	(77,038)
	(298)	(298)	(27)	(27)
	0	2,009,561	0	2,387,920
	109,496	109,496	556	143,980
	(2,100)	(2,100)	(2,944)	(2,944)
	1,149	5,552	19	5,711
	<b>30,040</b>	<b>2,044,004</b>	<b>(83,245)</b>	<b>2,453,791</b>
	<b>(7,551)</b>	<b>2,006,413</b>	<b>(114,249)</b>	<b>2,422,787</b>
	<b>Total reserves</b>			

Charles Garbett BA (Hons) CPFA, Treasurer to the PCC for Essex  
30 September 2015

## Movement In Reserves Statement for the PCC for Essex Group

This statement shows the movement in the year on the different reserves held by the PCC Group, analysed into 'usable reserves' and 'unusable reserves'.

The (surplus)/deficit on the provision of services line shows the true economic cost of providing policing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Reserve for council tax setting purposes. The (Increase)/Decrease before Transfers to Earmarked Reserves line shows the General Reserve Balance before any discretionary transfers to or from earmarked reserves.

		2013/14							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2013</b>	<b>(19,129)</b>	<b>(2,553)</b>	<b>(13)</b>	<b>(7,399)</b>	<b>(7,102)</b>	<b>(36,196)</b>	<b>2,257,420</b>	<b>2,221,224</b>
	(Surplus)/deficit on provision of services (accounting basis)	110,893	0	0	0	0	110,893	0	110,893
	Other Comprehensive Income and Exp	0	0	0	0	(129)	(129)	(325,573)	(325,702)
	<b>Total Comprehensive Income and Expenditure</b>	<b>110,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(129)</b>	<b>110,764</b>	<b>(325,573)</b>	<b>(214,809)</b>
5	Adjustments between accounting basis and funding basis under regulations	(114,660)	0	0	(301)	2,803	(112,158)	112,158	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(3,767)</b>	<b>0</b>	<b>0</b>	<b>(301)</b>	<b>2,674</b>	<b>(1,394)</b>	<b>(213,415)</b>	<b>(214,809)</b>
6	Transfers (to)/from Earmarked Reserves	4,851	(4,842)	(9)	0	0	0	0	0
	<b>(Increase)/Decrease in Year</b>	<b>1,083</b>	<b>(4,842)</b>	<b>(9)</b>	<b>(301)</b>	<b>2,674</b>	<b>(1,395)</b>	<b>(213,416)</b>	<b>(214,811)</b>
	<b>Balance at 31 March 2014 carried forward</b>	<b>(18,046)</b>	<b>(7,395)</b>	<b>(22)</b>	<b>(7,700)</b>	<b>(4,428)</b>	<b>(37,591)</b>	<b>2,044,004</b>	<b>2,006,413</b>

		2014/15							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2014</b>	<b>(18,046)</b>	<b>(7,395)</b>	<b>(22)</b>	<b>(7,700)</b>	<b>(4,428)</b>	<b>(37,591)</b>	<b>2,044,004</b>	<b>2,006,413</b>
	(Surplus)/deficit on provision of services (accounting basis)	91,295	0	0	0	0	91,295	0	91,295
	Other Comprehensive Income and Exp	1,019	0	0	0	0	1,019	324,060	325,079
	<b>Total Comprehensive Income and Expenditure</b>	<b>92,314</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92,314</b>	<b>324,060</b>	<b>416,374</b>
5	Adjustments between accounting basis and funding basis under regulations	(87,570)	0	0	(835)	2,676	(85,729)	85,729	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>4,744</b>	<b>0</b>	<b>0</b>	<b>(835)</b>	<b>2,676</b>	<b>6,585</b>	<b>409,789</b>	<b>416,374</b>
6	Transfers (to)/from Earmarked Reserves	(1,925)	2,208	(282)	0	0	0	0	0
	<b>(Increase)/Decrease in year</b>	<b>2,819</b>	<b>2,208</b>	<b>(282)</b>	<b>(835)</b>	<b>2,676</b>	<b>6,586</b>	<b>409,787</b>	<b>416,374</b>
	<b>Balance at 31 March 2015 carried forward</b>	<b>(15,227)</b>	<b>(5,187)</b>	<b>(304)</b>	<b>(8,534)</b>	<b>(1,752)</b>	<b>(31,005)</b>	<b>2,453,791</b>	<b>2,422,787</b>

During 2014/15 £1.019m was transferred from the General Reserve to the Insurance Provision to fund the potential cost of outstanding claims.



## Movement In Reserves Statement for the PCC for Essex

This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' and 'unusable reserves'.

The (surplus)/deficit on the provision of services line shows the true economic cost of providing policing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Reserve for council tax setting purposes. The (Increase)/Decrease before Transfers to Earmarked Reserves line shows the General Reserve Balance before any discretionary transfers to or from earmarked reserves.

		2013/14							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2013</b>	<b>(19,129)</b>	<b>(2,553)</b>	<b>(13)</b>	<b>(7,399)</b>	<b>(7,102)</b>	<b>(36,196)</b>	<b>43,594</b>	<b>7,398</b>
	(Surplus)/deficit on provision of services (accounting basis)	7,121	0	0	0	0	7,121	0	7,121
	Other Comprehensive Income and Exp	0	0	0	0	(130)	(130)	(21,937)	(22,067)
	<b>Total Comprehensive Income and Expenditure</b>	<b>7,121</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(130)</b>	<b>6,991</b>	<b>(21,937)</b>	<b>(14,946)</b>
5	Adjustments between accounting basis and funding basis under regulations	(10,885)	0	0	(301)	2,804	(8,382)	8,382	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(3,764)</b>	<b>0</b>	<b>0</b>	<b>(301)</b>	<b>2,674</b>	<b>(1,391)</b>	<b>(13,555)</b>	<b>(14,946)</b>
6	Transfers (to)/from Earmarked Reserves	4,851	(4,842)	(9)	0	0	0	0	0
	<b>(Increase)/Decrease in Year</b>	<b>1,087</b>	<b>(4,842)</b>	<b>(9)</b>	<b>(301)</b>	<b>2,674</b>	<b>(1,391)</b>	<b>(13,555)</b>	<b>(14,945)</b>
	<b>Balance at 31 March 2014 carried forward</b>	<b>(18,046)</b>	<b>(7,395)</b>	<b>(22)</b>	<b>(7,700)</b>	<b>(4,428)</b>	<b>(37,591)</b>	<b>30,040</b>	<b>(7,547)</b>
		2014/15							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2014</b>	<b>(18,046)</b>	<b>(7,395)</b>	<b>(22)</b>	<b>(7,700)</b>	<b>(4,428)</b>	<b>(37,591)</b>	<b>30,040</b>	<b>(7,551)</b>
	<b>Reclassification of CC balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(110,286)</b>	<b>(110,286)</b>
	(Surplus)/deficit on provision of services (accounting basis)	4,212	0	0	0	0	4,212	0	4,212
	Other Comprehensive Income and Exp	1,019	0	0	0	0	1,019	(1,643)	(624)
	<b>Total Comprehensive Income and Expenditure</b>	<b>5,231</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,231</b>	<b>(1,643)</b>	<b>3,588</b>
5	Adjustments between accounting basis and funding basis under regulations	(487)	0	0	(835)	2,676	1,354	(1,354)	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>4,744</b>	<b>0</b>	<b>0</b>	<b>(835)</b>	<b>2,676</b>	<b>6,585</b>	<b>(2,997)</b>	<b>3,588</b>
6	Transfers (to)/from Earmarked Reserves	(1,925)	2,208	(282)	0	0	0	0	0
	<b>(Increase)/Decrease in year</b>	<b>2,819</b>	<b>2,208</b>	<b>(282)</b>	<b>(835)</b>	<b>2,676</b>	<b>6,586</b>	<b>(2,998)</b>	<b>3,588</b>
	<b>Balance at 31 March 2015 carried forward</b>	<b>(15,227)</b>	<b>(5,187)</b>	<b>(304)</b>	<b>(8,534)</b>	<b>(1,752)</b>	<b>(31,005)</b>	<b>(83,245)</b>	<b>(114,249)</b>

During 2014/15 £1.019m was transferred from the General Reserve to the Insurance Provision to fund the potential cost of outstanding claims. 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 PCC for Essex and the PCC for Essex Group

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

Note	2013/14		2014/15		2013/14		2014/15	
	£000	£000	£000	£000	£000	£000	£000	£000
	PCC		PCC		Group		Group	
<b>Deficit on the provision of services:-</b>		7,121		4,212		110,893		91,295
<b>Adjustments for non cash movements:-</b>								
Depreciation/amortisation of non current assets	(7,266)		(6,479)		(7,266)		(6,479)	
Movement in pension liability	(8,885)		(52)		(112,705)		(86,994)	
Increase/(decrease) in inventories	39		(50)		39		(50)	
Increase/(decrease) in debtors	(2,761)		6,041		(2,761)		6,041	
(Increase)/decrease in creditors	(764)		(3,405)		(765)		(3,405)	
(Increase) in provisions	(1,731)		(173)		(1,731)		(173)	
Other non cash movements	2,005		1,785		2,054		1,645	
<b>Total adjustments for non cash movements</b>		<b>(19,363)</b>		<b>(2,333)</b>		<b>(123,135)</b>		<b>(89,415)</b>
<b>Net cash flows from operating activities</b>		<b>(12,242)</b>		<b>1,879</b>		<b>(12,242)</b>		<b>1,880</b>
<b>Financing Activities</b>								
Release of capital grants		(81)		278		(81)		278
<b>Investing Activities</b>								
Purchase of property, plant and equipment and intangible assets	5,955		6,208		5,955		6,208	
Proceeds from the sale of property, plant and equipment	(389)		(1,394)		(389)		(1,394)	
Proceeds from short term investments	7,500		(6,500)		7,500		(6,500)	
<b>Sub total</b>		<b>13,066</b>		<b>(1,686)</b>		<b>13,066</b>		<b>(1,686)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>743</b>		<b>471</b>		<b>743</b>		<b>472</b>
18 Cash and cash equivalents at the beginning of the reporting period		13,732		12,989		13,732		12,989
18 Cash and cash equivalents at the end of the reporting period		12,989		12,517		12,989		12,517
<b>Movement in cash equivalents</b>		<b>(743)</b>		<b>(472)</b>		<b>(743)</b>		<b>(472)</b>

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## Notes to the Accounts

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### 1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 34 on pages 76-86, 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 joint arrangements in accordance with the Code of Practice and the Essex Police financial share of the arrangements are recognised in the accounts accordingly.

The Athena Agreement with six other forces has been considered not to be a joint arrangement, therefore it is outside the scope of IFRS11. As it is not a separate entity, IFRS 12 disclosures do not apply. The transactions are recognised in the accounts as they are incurred.

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 24 on page 57.

- b) Impairment of assets: Further information can be found at note 27 on page 61.

### 2. 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 means 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.

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

The Statement of Accounts was authorised for issue on 30 September 2015 by Charles Garbett BA (Hons) CPFA, Treasurer to the PCC for Essex and Deborah Martin BA (Hons), CPFA, Chief Finance Officer of the Chief Constable.

## Notes to the Accounts

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.035m for every year that useful lives had to be reduced.</p>
<b>Insurance Provision</b>	The PCC has made a provision of £2.667m for the settlement of outstanding insurance claims that fall to be met under the 'excess' clauses of the PCC's Insurance Policies. It is not certain that all valid claims have yet been received by the PCC. Estimates of outstanding claims payments depends on a number of factors and assumptions around future claims development. An actuarial review of the appropriateness of the provision is undertaken annually by insurance consultants.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.267m to the provision needed.
<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 PCC with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption for Police Staff pension would result in a decrease in the pension liability of £7.993m. An increase of one year on mortality rate assumptions for members of the Police Officer 1987 Pension Scheme would result in a decrease in the pension liability for that scheme of £67.412m. It should be noted, however, that the various assumptions interact in complex ways.
<b>Severance Provision</b>	The PCC has made a provision of £1.468m for severance payments that will be incurred as a result of the savings programme	If the provision is too low, there will be additional costs in 2015/16 which are not met by the provision. If the provision is too high and there are no further provision requirements at the end of 2014/15, the balance of the provision will be transferred to the General Reserve. A 10% change equates to £0.147m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## Notes to the Accounts

### 5. Adjustments between Accounting Basis and Funding Basis under Regulations

The following tables identify the adjustments that have been made to the total comprehensive income and expenditure recognised by the PCC Group 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 PCC Group to meet future capital and revenue expenditure.

PCC Group - 2013/14	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	IAS19 Pensions Reserve- Police Officers £000	IAS19 Pensions Reserve- Police Staff £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
<b>Adjustments involving the Capital Adjustment Account</b>												
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>												
Charges for depreciation and impairment of non current assets	(7,153)	0	0	(7,153)	0	7,153	0	0	0	0	7,153	0
Amortisation of intangible assets	(306)	0	0	(306)	0	306	0	0	0	0	306	0
Revaluation gains on reclassification of Property, Plant & Equipment	320	0	0	320	0	(320)	0	0	0	0	(320)	0
Amortisation of capital contribution	(57)	0	0	(57)	0	57	0	0	0	0	57	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	146	(146)	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>												
Statutory provision for the financing of capital investment	521	0	0	521	0	(521)	0	0	0	0	(521)	0
Capital Expenditure charged against the General Reserve	19	0	0	19	0	(19)	0	0	0	0	(19)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>												
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,711	0	(8)	2,703	0	(2,703)	0	0	0	0	(2,703)	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure	0	0	2,811	2,811	0	(2,811)	0	0	0	0	(2,811)	0
<b>Adjustments involving the Capital Receipts Reserve</b>												
Accumulated gains on assets sold or scrapped				0							0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(207)	(389)	0	(596)	0	596	0	0	0	0	596	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	88	0	88	0	(88)	0	0	0	0	(88)	0
<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	(169,656)	0	0	(169,656)	0	0	153,445	16,211	0	0	169,656	0
Employers' pension contributions and direct payments to pensioners payable in the year	56,951	0	0	56,951	0	0	(49,625)	(7,326)	0	0	(56,951)	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>												
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,948	0	0	1,948	0	0	0	0	(1,948)	0	(1,948)	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	249	0	0	249	0	0	0	0	0	(249)	(249)	0
<b>Total</b>	<b>(114,660)</b>	<b>(301)</b>	<b>2,803</b>	<b>(112,158)</b>	<b>146</b>	<b>1,504</b>	<b>103,820</b>	<b>8,885</b>	<b>(1,948)</b>	<b>(249)</b>	<b>112,158</b>	<b>0</b>

## Notes to the Accounts

### 5. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

PCC - 2013/14	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	IAS19 Pensions Reserve- Police Officers £000	IAS19 Pensions Reserve- Police Staff £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(7,153)	0	0	(7,153)	0	7,153	0	0	0	0	0	7,153	0
Amortisation of intangible assets	(306)	0	0	(306)	0	306	0	0	0	0	0	306	0
Revaluation gains on reclassification of Property, Plant & Equipment	320	0	0	320	0	(320)	0	0	0	0	0	(320)	0
Amortisation of capital contribution	(57)	0	0	(57)	0	57	0	0	0	0	0	57	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	146	(146)	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	521	0	0	521	0	(521)	0	0	0	0	0	(521)	0
Capital Expenditure charged against the General Reserve	19	0	0	19	0	(19)	0	0	0	0	0	(19)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,711	0	(7)	2,704	0	(2,704)	0	0	0	0	0	(2,704)	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure	0	0	2,811	2,811	0	(2,811)	0	0	0	0	0	(2,811)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Accumulated gains on assets sold or scrapped				0								0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(207)	(389)	0	(596)	0	596	0	0	0	0	0	596	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	88	0	88	0	(88)	0	0	0	0	0	(88)	0
<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	(16,211)	0	0	(16,211)	0	0	0	0	16,211	0	0	16,211	0
Employers' pension contributions and direct payments to pensioners payable in the year	7,326	0	0	7,326	0	0	0	0	(7,326)	0	0	(7,326)	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,948	0	0	1,948	0	0	0	0	0	(1,948)	0	(1,948)	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	249	0	0	249	0	0	0	0	0	0	(249)	(249)	0
<b>Total</b>	<b>(10,840)</b>	<b>(301)</b>	<b>2,804</b>	<b>(8,337)</b>	<b>146</b>	<b>1,503</b>	<b>0</b>	<b>0</b>	<b>8,885</b>	<b>(1,948)</b>	<b>(249)</b>	<b>8,337</b>	<b>0</b>

## Notes to the Accounts

### 5. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

PCC Group - 2014/15	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	IAS19 Pensions Reserve-Police Officers £000	IAS19 Pensions Reserve-Police Staff £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(6,630)	0	0	(6,630)	0	6,630	0	0	0	0	0	6,630	0
Amortisation of intangible assets	(305)	0	0	(305)	0	305	0	0	0	0	0	305	0
Revaluation gains on reclassification of Property, Plant & Equipment	1,104	0	0	1,104	0	(1,104)	0	0	0	0	0	(1,104)	0
Reversal of previous impairments on revaluation of Property, Plant & Equipment	489	0	0	489	1,154	(1,643)	0	0	0	0	0	(489)	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	106	(106)	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	1,000	0	0	1,000	0	(1,000)	0	0	0	0	0	(1,000)	0
Capital Expenditure charged against the General Reserve	602	0	0	602	0	(602)	0	0	0	0	0	(602)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,942	0	(10)	2,932	0	(2,932)	0	0	0	0	0	(2,932)	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure	0	0	2,686	2,686	0	(2,686)	0	0	0	0	0	(2,686)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Accumulated gains on assets sold or scrapped	0	0	0	0	71	(71)	0	0	0	0	0	0	0
Transfer of sale proceeds	1,394	(1,394)	0	0	0	0	0	0	0	0	0	0	0
Write out asset disposals	(1,856)	0	0	(1,856)	0	1,856	0	0	0	0	0	1,856	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	559	0	559	0	(559)	0	0	0	0	0	(559)	0
<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	(154,272)	0	0	(154,272)	0	0	0	137,611	16,661	0	0	154,272	0
Employers' pension contributions and direct payments to pensioners payable in the year	67,278	0	0	67,278	0	0	0	(58,233)	(9,046)	0	0	(67,278)	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	844	0	0	844	0	0	0	0	0	(844)	0	(844)	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	(160)	0	0	(160)	0	0	0	0	0	0	160	160	0
<b>Total</b>	<b>(87,570)</b>	<b>(835)</b>	<b>2,676</b>	<b>(85,729)</b>	<b>1,331</b>	<b>(1,912)</b>	<b>0</b>	<b>79,378</b>	<b>7,615</b>	<b>(844)</b>	<b>160</b>	<b>85,729</b>	<b>0</b>



## Notes to the Accounts

### 5. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

PCC - 2014/15	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	IAS19 Pensions Reserve- Police Officers £000	IAS19 Pensions Reserve- Police Staff £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(6,630)	0	0	(6,630)	0	6,630	0	0	0	0	0	6,630	0
Amortisation of intangible assets	(305)	0	0	(305)	1,154	305	0	0	0	0	0	305	0
Revaluation gains on reclassification of Property, Plant & Equipment	1,104	0	0	1,104	0	(1,104)	0	0	0	0	0	(1,104)	0
Reversal of previous impairments on revaluation of Property, Plant & Equipment	489	0	0	489	0	(489)	0	0	0	0	0	(489)	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	106	(106)	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	1,000	0	0	1,000	0	(1,000)	0	0	0	0	0	(1,000)	0
Capital Expenditure charged against the General Reserve	602	0	0	602	0	(602)	0	0	0	0	0	(602)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,942	0	(10)	2,932	0	(2,932)	0	0	0	0	0	(2,932)	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure	0	0	2,686	2,686	0	(2,686)	0	0	0	0	0	(2,686)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Accumulated gains on assets sold or scrapped	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of sale proceeds	1,394	(1,394)	0	0	0	0	0	0	0	0	0	0	0
Write out asset disposals	(1,856)	0	0	(1,856)	0	1,856	0	0	0	0	0	1,856	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	559	0	559	0	(559)	0	0	0	0	0	(559)	0
<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	(52)	0	0	(52)	0	0	0	0	52	0	0	52	0
Employers' pension contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	844	0	0	844	0	0	0	0	0	(844)	0	(844)	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	(19)	0	0	(19)	0	0	0	0	0	0	19	19	0
<b>Total</b>	<b>(487)</b>	<b>(835)</b>	<b>2,676</b>	<b>1,354</b>	<b>1,260</b>	<b>(1,841)</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>(844)</b>	<b>19</b>	<b>(1,354)</b>	<b>0</b>

## Notes to the Accounts

### 6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Reserve in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Revenue Expenditure in 2014/15.

See note 7 on page 34 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-13 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31-Mar-14 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31-Mar-15 £000
<b>Earmarked Reserves</b>							
<b>Held for revenue purposes</b>							
Athena Reserve	0	0	1,740	1,740	(1,106)	110	744
Estates Programme	0	(155)	2,501	2,346	(1,087)	0	1,259
Force Central Carry Forward Reserve	1,100	(1,076)	1,833	1,857	(2,092)	1,482	1,247
Forfeiture Monies Reserve	30	(2)	30	58	0	17	75
Investment in Estates and IT Strategies				0	0	241	241
Leased Property Dilapidations Reserve	175	0	0	175	0	0	175
Leased Property Maintenance Reserve	420	0	100	520	0	15	535
Pay Equalisation Reserve				0	0	262	262
Proceeds of Crime Act (POCA) Reserve	563	(164)	210	609	(324)	326	611
Redundancy & Relocation Reserve				0	0	38	38
Support Services Convergence Programme	265	(250)	75	90	(90)	0	0
<b>Sub total</b>	<b>2,553</b>	<b>(1,647)</b>	<b>6,489</b>	<b>7,395</b>	<b>(4,699)</b>	<b>2,491</b>	<b>5,187</b>
<b>Held for capital purposes</b>							
Future Capital Funding Reserve	13	(8)	17	22	(368)	650	304
<b>Sub total</b>	<b>2,566</b>	<b>(1,655)</b>	<b>6,506</b>	<b>7,417</b>	<b>(5,067)</b>	<b>3,141</b>	<b>5,491</b>
<b>General Reserve</b>	<b>19,129</b>	<b>(1,083)</b>	<b>0</b>	<b>18,046</b>	<b>(3,129)</b>	<b>310</b>	<b>15,227</b>
<b>Total Specific &amp; General Reserves</b>	<b>21,695</b>	<b>(2,738)</b>	<b>6,506</b>	<b>25,463</b>	<b>(8,196)</b>	<b>3,451</b>	<b>20,718</b>

## Notes to the Accounts

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### 7. Purpose of Earmarked Reserves

The following notes explain the purpose of the earmarked reserves on which there was a balance at the end of 2014/15:-

- 1.. The Athena Reserve was created in 2013/14. It holds funds set aside for the implementation of the Athena system. See the Related Party note on pages 57-59 for more details of the Athena system.
- 2.. The Estates Reserve was created in 2013/14 to fund improvements to the Essex Police estate.
- 3.. The Force Central Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments. The commitments to be funded from this reserve in 2015/16 are as follows:-
  - PCC Grants £704,000
  - Operational Activities £475,000
  - Serious Offences Investigation Team £ 68,000
- 4.. The Forfeiture Monies Reserve holds funds transferred to the PCC from the Misuse of Drugs Act Seizures Fund. These funds are subsequently transferred from the reserve into the Comprehensive Income & Expenditure Statement in order to fund the costs of operations mounted to tackle drug related crime and drug abuse.
5. The Investment in Estates and IT Strategies was set up at 2015/16 budget setting and will help to fund the one off costs of implementing the Estates and IT Strategies.
6. The Leased Property Dilapidations Reserve Original funds the cost of future major repairs to a multi occupancy building. The PCC is responsible for the maintenance of this building, and it is intended to restore the building back to its original condition at the end of the lease.
7. The Leased Property Dilapidation & Maintenance Reserve funds the cost of minor repairs to the multi occupancy building. The funds transferred into the Reserve represent service charges collected from the tenants in respect of outstanding balances.
8. The Pay Equalisation Reserve was created in 2014/15 to help fund in-year shortfalls on pay due to the cost of turnover activity.
9. The Proceeds of Crime Act (POCA) Reserve holds receipts received through the Asset Recovery Incentive Scheme, to fund crime reduction related expenditure.
10. The Redundancy and Relocation Reserve was created in 2014/15 to help fund the cost of the savings programme.
11. The Support Services Convergence Programme Reserve funded a project team set up to deliver an integrated support services directorate between Essex and Kent. The reserve was closed at the end of 2014/15.
12. The Future Capital Funding Reserve funds future capital programmes.

## Notes to the Accounts

### 8. Officers' Remuneration

The following tables identify the number of police officers and police staff whose remuneration was £50,000 or more during 2014/15. The tables are presented for the PCC for Essex Group and for the PCC. 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:-

#### PCC for Essex Group

Remuneration Band	2013-14			2014-15		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	212	14	226	212	19	231
£55,000 - £59,999	134	11	145	116	7	123
£60,000 - £64,999	33	3	36	26	1	27
£65,000 - £69,999	10	2	12	9	1	10
£70,000 - £74,999	6	1	7	4	2	6
£75,000 - £79,999	7	2	9	4	4	8
£80,000 - £84,999	4	0	4	7	0	7
£85,000 - £89,999	2	0	2	3	0	3
£90,000 - £94,999	2	0	2	1	0	1
<b>Total for Group</b>	<b>410</b>	<b>33</b>	<b>443</b>	<b>382</b>	<b>34</b>	<b>416</b>

#### PCC for Essex

Remuneration Band	2013-14	2014-15
	Police Staff	Police Staff
£50,000 - £54,999	14	1
£55,000 - £59,999	11	1
£60,000 - £64,999	3	0
£65,000 - £69,999	2	0
£70,000 - £74,999	1	0
£75,000 - £79,999	2	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
<b>Total for PCC</b>	<b>33</b>	<b>2</b>

The reduction in the numbers in the PCC for Essex table is due to the transfer of police staff on 1 April 2014 to the Chief Constable.

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

## Notes to the Accounts

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

The tables below identify the remuneration of the Chief Officers and senior employees of the Group and the PCC:-

#### Group – 2013/14

2013/14					
	Salary (including allowances) (note 1)	Benefits in Kind (note 2)	Other Payments	Employers Pension Contributions	Total Remuneration
	£	£	£	£	£
Chief Constable - J Barker McCardle (note 3)	27,863			0	27,863
Chief Constable - S Kavanagh (note 4)	171,312	5,960		35,918	213,190
Deputy Chief Constable	143,585	3,611		29,759	176,955
Assistant Chief Constable (note 5)	124,799	1,939	7,806	23,558	158,102
Assistant Chief Constable	115,287			22,821	138,108
Temporary Assistant Chief Constable (note 6)	23,975	514		5,630	30,119
Director of ICT (note 7)	101,946			9,042	110,988
Chief Finance Officer of the Chief Constable (note 8)	75,219	1,798		7,672	84,689
Finance Director (note 9)	16,617		49,765	1,532	67,914
Police & Crime Commissioner (note 10)	79,000			8,058	87,058
Deputy Police & Crime Commissioner (note 11)	45,528			4,644	50,172
Executive Director (note 12)	46,447			4,738	51,185
Treasurer	77,687			7,924	85,611
<b>Total for Group</b>	<b>1,049,265</b>	<b>13,822</b>	<b>57,571</b>	<b>161,296</b>	<b>1,281,954</b>

#### PCC – 2013/14

2013/14					
	Salary (including allowances) (note 1)	Benefits in Kind (note 2)	Other Payments	Employers Pension Contributions	Total Remuneration
	£	£	£	£	£
Police & Crime Commissioner (note 10)	79,000			8,058	87,058
Deputy Police & Crime Commissioner (note 11)	45,528			4,644	50,172
Executive Director (note 12)	46,447			4,738	51,185
Treasurer	77,687			7,924	85,611
<b>Total for PCC</b>	<b>248,662</b>	<b>0</b>	<b>0</b>	<b>25,364</b>	<b>274,026</b>

#### 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 earning 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 earning 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.

## Notes to the Accounts

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- 7) The Director of ICT was in post until 31 January 2014. The costs shown are the earnings up to that day. If he had been in post for the whole year, the salary would have been £106,379 plus allowances.
- 8) The Chief Finance Officer was deemed to be an employee of the Chief Constable. This post holder's costs are included in the Chief Constable's Statement of Accounts.
- 9) The Finance Director was in post until 25 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 £99,978. The figure in the Other Payments column is a redundancy payment.
- 10) The Police & Crime Commissioner did not draw his full salary entitlement of £85,000. This reflects time spent as a remunerated non-Executive Director of Mid Essex Hospital Services NHS Trust.
- 11) The Deputy Police & Crime Commissioner came into post on 3 June 2013. His salary for the whole year would have been £55,000.
- 12) The Executive Director came into post on 2 September 2013. Her salary for the whole year would have been £80,000.

### Members of the Essex Police Chief Officer Team

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

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

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

## Notes to the Accounts

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

#### Group – 2014/15

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	237,019
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	105,184
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	87,550
Police & Crime Commissioner	79,000	0	10,349	89,349
Deputy Police & Crime Commissioner	58,333	0	7,642	65,975
Chief Executive (note 5)	80,923	0	10,601	91,524
Treasurer	52,969	0	6,939	59,908
<b>Total for PCC for Essex Group</b>	<b>1,032,795</b>	<b>22,380</b>	<b>187,296</b>	<b>1,242,471</b>

#### PCC – 2014/15

2014/15				
	Salary (including allowances) (note 1) £	Benefits in Kind (note 2) £	Employers Pension Contributions £	Total Remuneration £
Police & Crime Commissioner	79,000	0	10,349	89,349
Deputy Police & Crime Commissioner	58,333	0	7,642	65,975
Chief Executive (note 5)	80,923	0	10,601	91,524
Treasurer	52,969	0	6,939	59,908
<b>Total for PCC for Essex</b>	<b>271,225</b>	<b>0</b>	<b>35,531</b>	<b>306,756</b>

#### Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) This Assistant Chief Constable 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.
- 5) During 2014/15 the post of Executive Director was renamed to Chief Executive.

## Notes to the Accounts

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

#### 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)	Group											
	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					
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14			2014-15		
							Severance	Pension Strain	Total	Severance	Pension Strain	Total
£0 - £20,000	4	1	0	1	4	2	£51,517	£0	£51,517	£30,881	£0	£30,881
£20,001 - £40,000	0	4	3	0	3	4	£87,532	£0	£87,532	£81,552	£28,413	£109,965
£40,001 - £60,000	0	0	2	1	2	1	£72,043	£30,075	£102,118	£31,103	£14,596	£45,699
£60,001 - £80,000	0	0	0	0	0	0	£0	£0	£0	£0	£0	£0
£80,001 - £100,000	0	0	0	1	0	1	£0	£0	£0	£35,092	£52,289	£87,381
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>9</b>	<b>8</b>	<b>£211,092</b>	<b>£30,075</b>	<b>£241,167</b>	<b>£178,628</b>	<b>£95,298</b>	<b>£273,926</b>

### 9. Termination Benefits

There were 8 employees contracts terminated in 2014/15 (9 employees in 2013/14), incurring the following liabilities:

- £0.179m severance payments (£0.211m in 2013/14)
- £0.095m enhancement of retirement benefits (£0.030m in 2013/14)

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.

### 10. External Audit Costs

	2013/14 £000 PCC	2013/14 £000 Group	2014/15 £000 PCC	2014/15 £000 Group
<u>Fees payable to Ernst &amp; Young LLP</u>				
- with regard to external audit services carried out by the appointed auditor	53	78	55	80
	<b>53</b>	<b>78</b>	<b>55</b>	<b>80</b>



## Notes to the Accounts

### 11. Grant Income

The PCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2014/15 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Police Grant	(114,441)	(110,111)
DCLG Grant	(60,950)	(58,110)
Council Tax Precepts	(83,828)	(86,453)
Council Tax Support Grant	(10,966)	(10,992)
Council Tax Freeze Grant	(2,133)	(2,133)
Community Safety Fund	(1,246)	0
Pension top up Grant	(18,136)	(27,440)
Capital Grants	(2,711)	(2,942)
<b>Total</b>	<b>(294,411)</b>	<b>(298,181)</b>
<b>Credited to Services</b>		
ACPO Terrorism and Allied Matters Committee (TAM)	(4,971)	0
Dedicated Security Grant	(5,394)	0
Local Partnership Funding	(621)	(1,328)
Other Grants	(1,756)	(4,050)
<b>Total</b>	<b>(12,742)</b>	<b>(5,378)</b>

The PCC has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the contributor. The balances at the year-end are shown in the table below:

	2013/14 £000	2014/15 £000
<b>Capital Grants Receipts in Advance</b>		
ACPO (TAM) - for various capital projects	489	404
ANPR project 1	25	39
ANPR project 2	3	3
ANPR project 3	30	0
ANPR project 4	2	2
ANPR project 5	0	6
In car video project	3	3
Police Innovation Fund	183	0
<b>Total</b>	<b>735</b>	<b>457</b>

The Police Innovation Fund grant was initially paid by the Home Office to Kent Police as the lead force on a joint capital project. Kent Police then paid 50% of the grant to the PCC.

## Notes to the Accounts

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### 12. Amounts Reported for Resource Allocation Decisions

The Police and Crime Commissioner 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 the reports includes:

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

## Notes to the Accounts

### 12. Amounts Reported for Resource Allocation Decisions (contd.)

The income and expenditure of the portfolios for the year is as follows: -

2013/14 - Group										
Portfolio Analysis - Income and Expenditure	Policing Operations £000	Special Operations £000	Serious Crime Directorate £000	Support Services £000	Deputy Chief Constable £000	PCC Grants and Allocations £000	Office of the PCC £000	Corporate Budgets £000	Total £000	
Fees, charges & other service income	0	(1,741)	(756)	(14,883)	(38)	0	0	(263)	(17,681)	
Interest and investment income	0	0	0	0	0	0	0	(223)	(223)	
Government grants & contributions	0	0	(382)	(1,787)	(10,573)	0	0	0	(12,742)	
Pension interest cost & return on assets	0	0	0	0	0	0	0	(130,949)	(130,949)	
<b>Total Income</b>	<b>0</b>	<b>(1,741)</b>	<b>(1,138)</b>	<b>(16,670)</b>	<b>(10,611)</b>	<b>0</b>	<b>0</b>	<b>(131,435)</b>	<b>(161,595)</b>	
Employee expenses	2,390	2,330	616	243,084	2,693	0	735	33,460	285,308	
Other service expenses	0	4,403	3,469	30,208	562	0	243	3,149	42,034	
Support Service recharges	0	574	0	319	41	2,883	95	0	3,912	
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	(57)	(57)	
Interest Payments	0	0	0	0	0	0	0	3	3	
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	227	227	
Contribution to reserves and provisions	0	0	0	0	0	0	0	28,097	28,097	
Pension interest cost & return on assets	0	0	0	0	0	0	0	97,166	97,166	
<b>Total Expenditure</b>	<b>2,390</b>	<b>7,307</b>	<b>4,085</b>	<b>273,611</b>	<b>3,296</b>	<b>2,883</b>	<b>1,073</b>	<b>162,045</b>	<b>456,690</b>	
<b>Net Expenditure</b>	<b>2,390</b>	<b>5,566</b>	<b>2,947</b>	<b>256,941</b>	<b>(7,315)</b>	<b>2,883</b>	<b>1,073</b>	<b>30,610</b>	<b>295,095</b>	
2014/15 - Group										
Portfolio Analysis - Income and Expenditure	Policing Operations £000	Special Operations £000	Serious Crime Directorate £000	Director of HR £000	Director of Support Services £000	Deputy Chief Constable £000	Corporate Budgets £000	PCC Grants and Allocations £000	Office of the PCC £000	Total £000
Fees, charges & other service income	0	(2,189)	(5)	(1,972)	(19,645)	(50)	(364)	0	0	(24,225)
Interest and investment income	0	0	0	0	0	0	(208)	0	0	(208)
Government grants & contributions	0	0	(484)	0	(2,776)	0	(2)	(2,043)	(73)	(5,378)
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>(2,189)</b>	<b>(489)</b>	<b>(1,972)</b>	<b>(22,421)</b>	<b>(50)</b>	<b>(114,770)</b>	<b>(2,043)</b>	<b>(73)</b>	<b>(144,007)</b>
Employee expenses	1,954	5,033	2,092	235,522	2,115	1,608	21,533	14	833	270,704
Other service expenses	0	4,281	3,810	576	30,853	1,100	494	4,424	441	45,979
Support Service recharges	0	574	0	1	340	16	0	322	0	1,253
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	500	0	0	500
Contribution to reserves and provisions	0	0	0	0	0	0	30,035	0	0	30,035
Pension interest cost & return on assets	0	0	0	0	0	0	93,716	0	0	93,716
<b>Total Expenditure</b>	<b>1,954</b>	<b>9,888</b>	<b>5,902</b>	<b>236,099</b>	<b>33,308</b>	<b>2,724</b>	<b>146,278</b>	<b>4,760</b>	<b>1,274</b>	<b>442,187</b>
<b>Net Expenditure</b>	<b>1,954</b>	<b>7,699</b>	<b>5,413</b>	<b>234,127</b>	<b>10,887</b>	<b>2,674</b>	<b>31,508</b>	<b>2,717</b>	<b>1,201</b>	<b>298,180</b>

## Notes to the Accounts

### 12. Amounts Reported for Resource Allocation Decisions (contd.)

#### Reconciliation to Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the portfolio analysis relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14 - Group							
	Portfolio Analyses £000	Amounts not reported to management for decision making £000	Amounts Not included in Cost of Services in CI&E £000	Total Cost of Services In CI&E £000	Other Operating, Financing, Investment Amounts £000	Taxation and Non Specific Grants £000	Surplus or Deficit on Provision of Services £000
Fees, charges & other service income	(17,681)	0	0	(17,681)	0	0	(17,681)
Interest and investment income	(223)	0	223	0	(223)	0	(223)
Income from council tax	0	0	0	0	0	(83,828)	(83,828)
Government grants and contributions	(12,742)	0	0	(12,742)	0	(210,583)	(223,325)
Pension interest cost & return on assets	(130,949)	0	130,949	0	0	0	0
<b>Total Income</b>	<b>(161,595)</b>	<b>0</b>	<b>131,172</b>	<b>(30,423)</b>	<b>(223)</b>	<b>(294,411)</b>	<b>(325,057)</b>
Employee expenses	285,308	0	(34)	285,274	0	0	285,274
Other service expenses	42,034	0	0	42,034	0	0	42,034
Support Service recharges	3,912	0	0	3,912	0	0	3,912
Depreciation, amortisation and impairment	(57)	0	7,196	7,139	0	0	7,139
Interest Payments	3	0	(3)	0	3	0	3
Gain or Loss on Disposal of Fixed Assets	227	0	(227)	0	227	0	227
Contribution to reserves and provisions	28,097	0	(27,902)	195	0	0	195
Pension interest cost & return on assets	97,166	0	(97,166)	0	97,166	0	97,166
<b>Total Expenditure</b>	<b>456,690</b>	<b>0</b>	<b>(118,136)</b>	<b>338,554</b>	<b>97,396</b>	<b>0</b>	<b>435,950</b>
<b>Surplus or deficit on the provision of services</b>	<b>295,095</b>	<b>0</b>	<b>13,036</b>	<b>308,131</b>	<b>97,173</b>	<b>(294,411)</b>	<b>110,893</b>
2014/15 - Group							
	Portfolio Analyses £000	Amounts not reported to management for decision making £000	Amounts Not included in Cost of Services in CI&E £000	Total Cost of Services In CI&E £000	Other Operating, Financing, Investment Amounts £000	Taxation and Non Specific Grants £000	Surplus or Deficit on Provision of Services £000
Fees, charges & other service income	(24,225)	0	0	(24,225)	0	0	(24,225)
Interest and investment income	(208)	0	208	0	(208)	0	(208)
Income from council tax	0	0	0	0	0	(86,453)	(86,453)
Government grants and contributions	(5,378)	0	0	(5,378)	0	(211,728)	(217,106)
Pension interest cost & return on assets	(114,196)	0	114,196	0	0	0	0
<b>Total Income</b>	<b>(144,007)</b>	<b>0</b>	<b>114,404</b>	<b>(29,603)</b>	<b>(208)</b>	<b>(298,181)</b>	<b>(327,992)</b>
Employee expenses	270,704	0	160	270,864	0	0	270,864
Other service expenses	45,979	0	0	45,979	0	0	45,979
Support Service recharges	1,253	0	0	1,253	0	0	1,253
Depreciation, amortisation and impairment	0	0	5,342	5,342	0	0	5,342
Interest Payments	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	500	0	(500)	0	500	0	500
Contribution to reserves and provisions	30,035	0	(28,550)	1,485	0	0	1,485
Pension interest cost & return on assets	93,716	0	(93,716)	0	93,864	0	93,864
<b>Total Expenditure</b>	<b>442,187</b>	<b>0</b>	<b>(117,264)</b>	<b>324,923</b>	<b>94,364</b>	<b>0</b>	<b>419,287</b>
<b>Surplus or deficit on the provision of services</b>	<b>298,180</b>	<b>0</b>	<b>(2,860)</b>	<b>295,320</b>	<b>94,156</b>	<b>(298,181)</b>	<b>91,295</b>

## Notes to the Accounts

### 12. Amounts Reported for Resource Allocation Decisions (contd.)

2013/14 - PCC										
Portfolio Analysis - Income and Expenditure	Policing	Special	Serious Crime	Director of	Deputy Chief	Corporate	PCC Grants	and	Office of the	Total
	Operations	Operations	Directorate	Support	Constable	Budgets	Allocations	PCC		
	£000	£000	£000	Services	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	0	(1,741)	(756)	(14,881)	(38)	(263)	0	0	0	(17,679)
Interest and investment income	0	0	0	0	0	(223)	0	0	0	(223)
Government grants & contributions	0	0	(382)	(1,787)	(10,573)	0	0	0	0	(12,742)
Pension interest cost & return on assets	0	0	0	0	0	(130,949)	0	0	0	(130,949)
<b>Total Income</b>	<b>0</b>	<b>(1,741)</b>	<b>(1,138)</b>	<b>(16,668)</b>	<b>(10,611)</b>	<b>(131,435)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(161,593)</b>
Employee expenses	0	127	0	60,507	438	3,229	0	735	0	65,036
Other service expenses	0	4,403	3,469	30,208	562	3,149	0	243	0	42,034
Support Service recharges	0	574	0	319	41	0	2,883	95	0	3,912
Depreciation, amortisation and impairment	0	0	0	0	0	(57)	0	0	0	(57)
Interest Payments	0	0	0	0	0	3	0	0	0	3
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	227	0	0	0	227
Contribution to reserves and provisions	0	0	0	0	0	28,097	0	0	0	28,097
Pension interest cost & return on assets	0	0	0	0	0	97,166	0	0	0	97,166
<b>Total Expenditure</b>	<b>0</b>	<b>5,104</b>	<b>3,469</b>	<b>91,034</b>	<b>1,041</b>	<b>131,814</b>	<b>2,883</b>	<b>1,073</b>	<b>1,073</b>	<b>236,418</b>
<b>Net Expenditure</b>	<b>0</b>	<b>3,363</b>	<b>2,331</b>	<b>74,366</b>	<b>(9,570)</b>	<b>379</b>	<b>2,883</b>	<b>1,073</b>	<b>1,073</b>	<b>74,825</b>
2014/15 - PCC										
Portfolio Analysis - Income and Expenditure	Policing	Special	Serious	Director of	Deputy	Corporate	PCC Grants	and	Office of	Total
	Operations	Operations	Crime	Director	Chief	Budgets	Allocations	the PCC		
	£000	£000	£000	of HR	Constable	£000	£000	£000	£000	£000
Fees, charges & other service income	0	(2,189)	(5)	(311)	(18,991)	(50)	(364)	0	0	(21,910)
Interest and investment income	0	0	0	0	0	0	(208)	0	0	(208)
Government grants & contributions	0	0	(484)	0	(2,776)	0	(2)	(2,043)	(73)	(5,378)
Pension interest cost & return on assets	0	0	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>0</b>	<b>(2,189)</b>	<b>(489)</b>	<b>(311)</b>	<b>(21,767)</b>	<b>(50)</b>	<b>(574)</b>	<b>(2,043)</b>	<b>(73)</b>	<b>(27,496)</b>
Employee expenses	0	0	0	2,066	0	0	38	14	832	2,950
Other service expenses	0	4,281	3,810	505	29,042	1,100	416	4,424	441	44,019
Support Service recharges	0	574	0	1	340	16	0	322	0	1,253
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	500	0	0	500
Contribution to reserves and provisions	0	0	0	0	0	0	28,587	0	0	28,587
Pension interest cost & return on assets	0	0	0	0	0	0	(134)	0	0	(134)
<b>Total Expenditure</b>	<b>0</b>	<b>4,855</b>	<b>3,810</b>	<b>2,572</b>	<b>29,382</b>	<b>1,116</b>	<b>29,407</b>	<b>4,760</b>	<b>1,273</b>	<b>77,175</b>
<b>Net Expenditure</b>	<b>0</b>	<b>2,666</b>	<b>3,321</b>	<b>2,261</b>	<b>7,615</b>	<b>1,066</b>	<b>28,833</b>	<b>2,717</b>	<b>1,200</b>	<b>49,679</b>

## Notes to the Accounts

### 12. Amounts Reported for Resource Allocation Decisions (contd.)

2013/14 - PCC				
	Portfolio Analyses £000	Amounts not reported to management for decision making £000	Amounts Not included in Cost of Services in CI&E £000	Total Net Cost of Services In CI&E £000
Fees, charges & other service income	(17,679)	0	0	(17,679)
Interest and investment income	(223)	0	223	0
Income from council tax	0	0	0	0
Government grants and contributions	(12,742)	0	0	(12,742)
Pension interest cost & return on assets	(130,949)	0	130,949	0
<b>Total Income</b>	<b>(161,593)</b>	<b>0</b>	<b>131,172</b>	<b>(30,421)</b>
Employee expenses	65,036	0	(34)	65,002
Other service expenses	42,034	0	0	42,034
Support Service recharges	3,912	0	0	3,912
Depreciation, amortisation and impairment	(57)	0	7,196	7,139
Interest Payments	3	0	(3)	0
Gain or Loss on Disposal of Fixed Assets	227	0	(227)	0
Contribution to reserves and provisions	28,097	0	(27,902)	195
Pension interest cost & return on assets	97,166	0	(97,166)	0
<b>Total Expenditure</b>	<b>236,418</b>	<b>0</b>	<b>(118,136)</b>	<b>118,282</b>
<b>Total</b>	<b>74,825</b>	<b>0</b>	<b>13,036</b>	<b>87,861</b>

2014/15 - PCC				
	Portfolio Analyses £000	Amounts not reported to management for decision making £000	Amounts Not included in Cost of Services in CI&E £000	Total Net Cost of Services In CI&E £000
Fees, charges & other service income	(21,910)	0	0	(21,910)
Interest and investment income	(208)	0	208	0
Income from council tax	0	0	0	0
Government grants and contributions	(5,378)	0	0	(5,378)
Pension interest cost & return on assets	0	0	0	0
<b>Total Income</b>	<b>(27,496)</b>	<b>0</b>	<b>208</b>	<b>(27,288)</b>
Employee expenses	2,950	0	19	2,969
Other service expenses	44,019	0	0	44,019
Support Service recharges	1,253	0	0	1,253
Depreciation, amortisation and impairment	0	0	5,342	5,342
Interest Payments	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	500	0	(500)	0
Contribution to reserves and provisions	28,587	0	(28,550)	37
Pension interest cost & return on assets	(134)	0	134	0
<b>Total Expenditure</b>	<b>77,175</b>	<b>0</b>	<b>(23,555)</b>	<b>53,620</b>
<b>Total</b>	<b>49,679</b>	<b>0</b>	<b>(23,347)</b>	<b>26,332</b>

## Notes to the Accounts

### 13. Property, Plant and Equipment

The following two tables show the movements for 2013/14.

Operational land and buildings are valued at fair value in existing use. All other assets are valued at historic cost.

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation At 1 April 2013</b>	<b>70,752</b>	<b>22,121</b>	<b>16,166</b>	<b>6,351</b>	<b>1,220</b>	<b>116,610</b>
Additions	(157)	3,146	2,097	0	389	5,475
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(10)	0	0	0	0	(10)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(50)	0	0	371	0	321
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(411)	0	0	0	0	(411)
Derecognition - Disposals	(260)	(35)	(2,016)	(608)	0	(2,919)
Derecognition - Other	0	(42)	0	(97)	0	(139)
Assets reclassified (to)/from						
- within PPE	134	988	0	336	(1,458)	0
- Held for Sale	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>69,998</b>	<b>26,178</b>	<b>16,247</b>	<b>6,353</b>	<b>151</b>	<b>118,927</b>

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment At 1 April 2013</b>	<b>(1,096)</b>	<b>(14,172)</b>	<b>(10,273)</b>	<b>(1,653)</b>	<b>0</b>	<b>(27,194)</b>
Depreciation Charge	(1,605)	(3,363)	(1,895)	(96)	0	(6,959)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	194	0	0	19	0	213
Derecognition - Disposals	5	34	1,728	585	0	2,352
Derecognition - Other	0	28	0	97	0	125
Other movements in Depreciation and Impairment	11	36	0	(47)	0	0
<b>At 31 March 2014</b>	<b>(2,491)</b>	<b>(17,437)</b>	<b>(10,440)</b>	<b>(1,095)</b>	<b>0</b>	<b>(31,463)</b>
<b>Net Book Value At 31 March 2014</b>	<b>67,507</b>	<b>8,741</b>	<b>5,807</b>	<b>5,258</b>	<b>151</b>	<b>87,464</b>
<b>At 31 March 2013</b>	<b>69,656</b>	<b>7,949</b>	<b>5,893</b>	<b>4,698</b>	<b>1,220</b>	<b>89,416</b>

## Notes to the Accounts

### 13. Property, Plant and Equipment (PPE) (contd)

The following two tables show the movements for 2014/15:  
Operational land and buildings are valued at fair value in existing use. All other assets are valued at historic cost.

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation At 1 April 2014</b>	<b>69,998</b>	<b>26,178</b>	<b>16,247</b>	<b>6,354</b>	<b>151</b>	<b>118,928</b>
Additions	0	2,262	2,515	0	1,771	6,548
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,729	0	0	324	0	2,053
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	147	0	0	1,102	0	1,249
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(401)	0	0	0	0	(401)
Derecognition - Disposals	(416)	(1,263)	(2,806)	(382)	0	(4,867)
Derecognition - Other	(60)	(3,128)	(1,236)	(31)	0	(4,455)
Assets reclassified (to)/from						
- within PPE	1,927	103	0	(1,243)	(787)	0
- Held for Sale	(297)	0	0	(2,712)	0	(3,009)
Other movements	(1)	0	0	(1)	(5)	(7)
<b>At 31 March 2015</b>	<b>72,626</b>	<b>24,152</b>	<b>14,720</b>	<b>3,411</b>	<b>1,130</b>	<b>116,039</b>

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment At 1 April 2014</b>	<b>(2,491)</b>	<b>(17,437)</b>	<b>(10,440)</b>	<b>(1,095)</b>	<b>0</b>	<b>(31,463)</b>
Depreciation Charge	(1,606)	(2,799)	(1,727)	(96)	0	(6,228)
Depreciation written out to the Revaluation Reserve	435	0	0	47	0	482
Depreciation written out to the Surplus/Deficit on the Provision of Services	30	0	0	24	0	54
Derecognition - Disposals	13	1,252	2,634	99	0	3,998
Derecognition - Other	19	2,862	604	28	0	3,513
Other movements in Depreciation and Impairment	(44)	20	0	24	0	0
<b>At 31 March 2015</b>	<b>(3,644)</b>	<b>(16,102)</b>	<b>(8,929)</b>	<b>(969)</b>	<b>0</b>	<b>(29,644)</b>
<b>Net Book Value At 31 March 2015</b>	<b>68,983</b>	<b>8,050</b>	<b>5,791</b>	<b>2,442</b>	<b>1,130</b>	<b>86,395</b>
<b>At 31 March 2014</b>	<b>67,507</b>	<b>8,741</b>	<b>5,807</b>	<b>5,259</b>	<b>151</b>	<b>87,465</b>

The PCC has a programme of regularly revaluing its land and property assets in accordance with the Code. A total of eighteen of the PCC's existing land and building assets were revalued as at 31 March 2015 by external professionally qualified valuers, Peter Whittington MRICS of Lambert Smith Hampton. Valuations were completed in accordance with the Code and measured at fair value in existing use. As required by the Code and the PCC's accounting policy, significant components were separately valued in relation to selected property assets.



## Notes to the Accounts

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### 13. Property, Plant and Equipment (contd.)

As part of the collaborative arrangements between Essex Police and Kent Police, a number of assets have been jointly purchased specifically for joint/collaborative operations. The following table sets out jointly controlled assets that were held at 31 March 2015 and which are included in tables on the previous pages.

Jointly Controlled Assets with Kent Police	Total value of the Joint Assets as of 31 March 2015	% contributed by Essex
	£000	
CSI - Software Application	22	50
DNA Clean Room	90	50
IT Service Management Tool	53	50
Laser for Forensics	18	50
Mobile Data Terminals	120	50
Network Infrastructure Upgrade	565	50
SCD - Fingerprint Cabinet	14	50
Single Desktop Programme	65	50
Video Conferencing	133	50
Visual Media Evidence	611	50
<b>Total</b>	<b>1,691</b>	

## Notes to the Accounts

### 14. Intangible Assets

The PCC accounts for his software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software developed for the PCC by third parties. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PCC. The useful lives assigned to the major software suites used by the PCC are:

	Internally Generated Assets	Other Assets
5 years	none	Athena Mobile Data Single Desktop Programme

The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on Intangible Asset balances during the year is as follows:

	2013/14	2014/15
	Purchased Software Licences	Purchased Software Licences
	£000	£000
<b>Gross book value at start of year</b>	5,850	5,854
<b>Movement in Year</b>		
Additions	244	424
Disposals and deletions	(240)	(397)
Transfers	0	(178)
<b>Gross Book Value at end of year</b>	<b>5,854</b>	<b>5,703</b>
Accumulated dep'n and amortisation from earlier years	(5,110)	(5,192)
Depreciation on disposals and deletions	224	387
Depreciation on transfers	0	115
Amortisation for the year	(306)	(305)
<b>Net Book Value at end of year</b>	<b>662</b>	<b>708</b>
<b>Net Book Value at end of previous year</b>	<b>740</b>	<b>662</b>

	Carrying Amount		Remaining Amortisation Period at 31 March 2015
	31 March 2014	31 March 2015	
	£000	£000	
Athena	0	286	4 years
Mobile Data	21	0	-
Mobile Data	60	48	4 years
Single Desktop Programme	51	86	4 years

## Notes to the Accounts

### 15. Financial Instruments

#### Categories of Financial Instruments

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

	Short Term	
	2013/14 £000	2014/15 £000
<b>Investments</b>		
Loans and receivables	39,521	28,350
<b>Total investments</b>	<b>39,521</b>	<b>28,350</b>
<b>Debtors</b>		
Financial assets carried at contract amounts	7,595	7,926
<b>Total debtors</b>	<b>7,595</b>	<b>7,926</b>
<b>Creditors</b>		
Financial liabilities carried at contract amounts	(14,272)	(14,056)
<b>Total creditors</b>	<b>(14,272)</b>	<b>(14,056)</b>

#### Investments

The investments can be analysed as follows:-

	2013/14 £000	2014/15 £000
<u>Current assets</u>		
Short term investments	22,513	16,015
Liquid investments	17,008	12,335
<b>Total Current assets</b>	<b>39,521</b>	<b>28,350</b>

The short term investments are for periods of up to one year. All of these will mature during 2015/16. There were six short term investments at 31 March 2015.

The liquid investments represent funds held in instant-access deposit accounts.

All of these investments and deposits were with UK banks and building societies. Where applicable, the above figure included the interest accrued at the year end.

The values shown in the above table are carrying values, i.e. principal outstanding plus accrued interest at 31 March 2015. These are deemed to be approximately equal to their fair value (i.e. the present value of the cash flows that will take place over the remaining term of the investments) in the current low and flat interest rate environment.

The PCC does not hold any external borrowings but has a historic internal borrowing requirement of approximately £9m (see the Treasury Management Section of the Foreword, page 5).

## Notes to the Accounts

### 15. Financial Instruments (contd.)

#### Gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

<b>Financial Assets - loans and receivables</b>		
	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Interest expense	3	0
Interest receivable	(223)	(208)
<b>Net gain for the year</b>	<b>(220)</b>	<b>(208)</b>

#### Nature and extent of risks arising from financial instruments

These are disclosed in note 30 on page 70-72.

### 16. Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	131	141	530	553	117	123	778	817
Purchases	1,207	1,214	508	275	289	132	2,004	1,621
Recognised as an expense in the year	(1,197)	(1,224)	(485)	(311)	(283)	(136)	(1,965)	(1,671)
<b>Balance outstanding at year end</b>	<b>141</b>	<b>131</b>	<b>553</b>	<b>517</b>	<b>123</b>	<b>119</b>	<b>817</b>	<b>767</b>

### 17. Debtors

#### Long term debtors

The long-term debtors' figure of £0.054m (2013/14 £0.058m) represents pay advances made in previous years to new police officers, which are recoverable at the end of the officers' service with Essex Police. These advances are no longer made and the balance will therefore reduce over time as officers retire or transfer to other police forces.

#### Short term debtors

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

	<b>2013/14</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>PCC</b>	<b>Group</b>	<b>PCC</b>	<b>Group</b>
Central Government Bodies	4,985	4,985	9,555	9,555
Other Local Authorities	3,035	4,297	6,761	8,171
NHS Bodies	0	0	16	16
Public Corporations and Trading Funds	7	7	0	0
Other Entities & Individuals	8,664	8,664	6,661	6,661
<b>Balance at year end</b>	<b>16,691</b>	<b>17,953</b>	<b>22,993</b>	<b>24,403</b>

## Notes to the Accounts

### 18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2013/14 £000	2014/15 £000
<b>Current Assets</b>		
Liquid investments	17,008	12,335
Operational bank accounts	(4,262)	(40)
Petty cash advances	250	250
<b>Total as per Balance Sheet</b>	<b>12,996</b>	<b>12,545</b>
Less accrued interest on net short term deposits	(8)	(28)
<b>Total excluding accrued interest</b>	<b>12,988</b>	<b>12,517</b>
<b>Balance at year end</b>	<b>12,988</b>	<b>12,517</b>

### 19. Assets Held for Sale

	2013/14 £000	2014/15 £000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	0	2,811
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>2,811</b>

Assets qualify as being held for sale where they meet all of the following criteria:

- available for immediate sale
- a sale is highly probable
- the asset is being actively marketed
- completion of the sale is expected within one year of the date of classification.

No assets met the above criteria at 31 March 2014.

At 31 March 2015 9 properties met the above criteria.

### 20. Short-Term Creditors

	2013/14 £000	2013/14 £000	2014/15 £000	2014/15 £000
	PCC	Group	PCC	Group
Central Government Bodies	(5,535)	(5,535)	(6,965)	(6,965)
Other Local Authorities	(3,415)	(3,415)	(4,497)	(4,497)
Public Corporations & Trading Funds	(135)	(135)	0	0
Other Entities & Individuals	(11,335)	(17,001)	(11,428)	(18,530)
<b>Balance at year end</b>	<b>(20,420)</b>	<b>(26,086)</b>	<b>(22,890)</b>	<b>(29,992)</b>

## Notes to the Accounts

### 21. Provisions

The PCC maintains two provisions totalling £4.136m as follows:

**a) Insurance Provision** (see note 34.13 on page 81 for further details):-

	£000
<b>Balance at 1 April 2013</b>	<b>1,192</b>
Additional provisions made in 2013/14	3,102
Amounts used in 2013/14	(1,371)
<b>Balance at 31 March 2014</b>	<b>2,923</b>
<b>Balance at 1 April 2014</b>	<b>2,923</b>
Additional provisions made in 2014/15	1,075
Amounts used in 2014/15	(1,330)
<b>Balance at 31 March 2015</b>	<b>2,668</b>

**b) Severance payments provision**

	£000
<b>Balance at 1 April 2013</b>	<b>20</b>
Additional provisions made in 2013/14	20
Amounts used in 2013/14	(20)
<b>Balance at 31 March 2014</b>	<b>20</b>
<b>Balance at 1 April 2014</b>	<b>20</b>
Additional provisions made in 2014/15	1,468
Amounts used in 2014/15	(20)
<b>Balance at 31 March 2015</b>	<b>1,468</b>

### 22. Usable Reserves

The year-end balances and the movements in the Group's usable reserves are detailed in the Movement in Reserves Statement on page 23. Transfers to/from earmarked reserves are shown in note 6 on page 33.

### 23. Unusable Reserves

The tables on the following pages describe the unusable reserves.

## Notes to the Accounts

### 23. Unusable Reserves (Contd.)

#### 23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The restatement of opening balance is an adjustment between the Revaluation Reserve and the Capital Adjustment Account to correct prior year errors in relation to asset impairments and revaluations. . .

	2013/14 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(3,253)</b>	<b>(3,096)</b>
<b>Restatement of opening balance</b>	0	1,155
<b>Surplus or deficit on revaluation of non-current assets not</b>		
Upward revaluation of assets	0	(2,102)
Downward revaluation of assets and impairment losses	10	55
<b>Amount written off to the Capital Adjustment Account</b>		
Depreciation of revaluation gains	144	106
Accumulated gains on assets sold or scrapped	3	71
<b>Balance at 31 March</b>	<b>(3,096)</b>	<b>(3,811)</b>

#### 23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the PCC as finance for the costs of acquisition, construction and enhancement.

The Account contains gains recognised on donated assets that have yet to be consumed by the PCC.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 on page 29 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Note 23.1 above explains the restatement of opening balance.

## Notes to the Accounts

### 23. Unusable Reserves (Contd.)

	2013/14 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(76,612)</b>	<b>(75,111)</b>
<b>Restatement of opening balance</b>		<b>(1,155)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	7,151	5,090
Revaluation (gains)/losses on Property, Plant and Equipment	(320)	(31)
Amortisation of intangible assets	306	305
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	596	1,822
Capital contributions written out	57	0
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(146)</b>	<b>(178)</b>
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(68,968)</b>	<b>(69,258)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(88)	(559)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,704)	(2,932)
Application of grants to capital financing from the Capital Grants Unapplied account	(2,811)	(2,686)
Statutory provision for the financing of capital investment charged against the General Reserve	(521)	(1,000)
Capital expenditure charged against the General Reserve	(19)	(603)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31 March</b>	<b>(75,111)</b>	<b>(77,038)</b>

#### 23.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has not yet taken place. Under statutory arrangements, the PCC does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2013/14 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(463)</b>	<b>(298)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	165	271
<b>Balance at 31 March</b>	<b>(298)</b>	<b>(27)</b>

The above balance refers to the transfer of the force helicopter to the National Police Air Service (NPAS) in October 2012 when the NPAS service to Essex commenced. The Essex Air Support Unit discontinued operations with effect from 30 September 2012. Under the transfer arrangements NPAS pay forces an amount in recognition of the value of transferred asset over its remaining operational life. The final instalment is due to be paid in 2017/18.



## Notes to the Accounts

### 23. Unusable Reserves (Contd.)

#### 23.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The PCC accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PCC makes employer's contributions to pension funds or eventually pay any pensions when police officers retire.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the PCC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14 Group			2014/15 Group		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>2,209,377</b>	<b>122,724</b>	<b>2,332,101</b>	<b>2,009,561</b>	<b>109,496</b>	<b>2,119,057</b>
Actuarial (gains)/losses on pensions assets and liabilities	(303,636)	(22,112)	(325,748)	298,980	26,868	325,848
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	16,210	169,655	137,611	16,661	154,272
Employer's pensions contributions and direct payments to pensioners payable in the year	(49,625)	(7,326)	(56,951)	(58,232)	(9,045)	(67,277)
<b>Balance at 31 March</b>	<b>2,009,561</b>	<b>109,496</b>	<b>2,119,057</b>	<b>2,387,920</b>	<b>143,980</b>	<b>2,531,900</b>

	2013/14 PCC			2014/15 PCC		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>0</b>	<b>122,724</b>	<b>122,724</b>	<b>0</b>	<b>109,496</b>	<b>109,496</b>
Transfer of Police Staff to Chief Constable			0		(109,137)	(109,137)
Actuarial (gains)/losses on pensions assets and liabilities	0	(22,112)	(22,112)	0	145	145
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	0	16,210	16,210	0	146	146
Employer's pensions contributions and direct payments to pensioners payable in the year	0	(7,326)	(7,326)	0	(94)	(94)
<b>Balance at 31 March</b>	<b>0</b>	<b>109,496</b>	<b>109,496</b>	<b>0</b>	<b>556</b>	<b>556</b>

#### 23.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2013/14 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(151)</b>	<b>(2,100)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,949)	(844)
<b>Balance at 31 March</b>	<b>(2,100)</b>	<b>(2,944)</b>

## Notes to the Accounts

### 23.6 Compensated 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. Statutory arrangements require that the impact on the General Reserve is neutralised by transfers to or from the Account.

	2013/14	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>5,800</b>	<b>5,552</b>
Settlement or cancellation of accrual made at the end of the preceding year	(5,800)	(5,552)
Amounts accrued at the end of the current year	5,552	5,711
<b>Balance at 31 March</b>	<b>5,552</b>	<b>5,711</b>

### 24. Related Parties

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

Central government has effective control over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates and provides the majority of its funding in the form of general and specific grants. Details of central government funding are identified within the core financial statements and accompanying notes. Amounts due to and from central government are shown in the debtor and creditor notes on pages 51 and 52.

The PCC's and Chief Constable's Joint Audit Committee is responsible for monitoring the effectiveness of arrangements in place for risk management. During the year no members of the Committee have undertaken any material transactions with the Group.

During the year no Chief Officers have undertaken any material transactions with the PCC.

#### Other Public Bodies (subject to common control by central government)

a) Essex County Council provides a coroner service and police officer and police staff pensions administration service to the Group. The total value of services provided in 2014/15 was £0.925m.

b) Essex Police has collaborative agreements with Kent Police covering Serious Crime Directorate and Support Services Directorate which includes Information Services, Procurement, Transport Services, HR, Property Services and Payroll Services. The Marine Unit was restructured in 2014/15 and is no longer a joint activity. Payroll Services became a joint department during 2014/15. Each of these are categorised as joint operations as decisions are made with the unanimous consent of both forces. Therefore each forces share of assets, liabilities, income and expenditure are consolidated into their own financial statements.

The amount received from Kent Police during 2014/15 in respect of contributions to joint departments was £1.693m (2013/14 £1.124m). The amount paid to Kent Police for the year 2014/15 in respect of contributions to joint departments was £2.961m (2013/14 £2.217m).

## Notes to the Accounts

### 24. Related Parties (contd.)

The following table shows the total costs incurred by the PCC for Essex Group in respect of collaborative activities with Kent. These costs are included in the Group's core financial statements and the corresponding notes to the accounts:

	2013/14 £000	2014/15 £000
<b>Collaborative Activity</b>		
Joint Serious Crime Directorate	28,801	29,451
Joint Marine Unit	530	0
Joint Support Services Directorate:		
Business Services	0	9,566
Head of Directorate and Project Team	259	226
Human Resources	6,775	7,536
IT Services	9,899	10,304
Payroll Services	0	103
Procurement Services	271	289
Property Services	7,657	8,214
Transport Services	2,821	2,837
<b>Total</b>	<b>57,013</b>	<b>68,526</b>

#### c) The Eastern Region Special Operations Unit (ERSOU)

ERSOU was established 1 April 2010 as a joint arrangement between 6 forces – Hertfordshire, Cambridgeshire, Essex, Suffolk, Norfolk and Bedfordshire to provide one serious and organised crime unit for the eastern region. ERSOU is run by a management board where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces share of costs are consolidated into their own financial statements. In 2014/15 the net expenditure for Essex was £0.428m.

#### d) Athena

Athena is an IT development covering case preparation, custody, investigation management, intelligence and property. It is a one stop policing solution for intelligence, investigative management, custody and case preparation. The contract between Essex and Northgate Information Systems Ltd was signed in December 2011 and was initially developed for seven founder forces within the region, but with the clear expectation that Athena will then be used as a national system. The benefits and liabilities of the Athena contract are shared between the founder forces through a Section 22 Athena Collaborative Service Agreement largely in proportion to their net revenue expenditure.

The Strategic Athena Management Board (SAMB) consists of the PCC and Chief Constable of the founder forces with equal voting rights. Project implementation and eventual day to day management of Athena is delegated by participating forces to the Athena Management Organisation (AMO). Essex acts as the lead force for managing all income and expenditure incurred by the AMO. This mainly covers payments to suppliers, salary costs of the personnel seconded to the AMO from founder forces, together with other overheads. All costs and refunds to forces for their seconded staff are then aggregated and net costs recovered from participating forces in accordance with the terms of the Athena Collaborative Service Agreement. To avoid overstating income and expenditure for Essex Police activities only the costs relevant to Essex Police are included in the Comprehensive Income and Expenditure Statements.

The original Athena contract period envisaged a go live date of 2013 followed by a ten year maintenance contract. Moreover, during the first four years of the contract Essex owns the master licence and any additional force joining the Athena family would lower the cost for all member forces.

Essex went live with Athena on 1 April 2015 and the other founder forces will go live during 2015 and 2016. A joint team between the two forces has been set up to manage the local implementation of the system with costs of shared resources being met on an equal basis. The net amount received from Kent during 2014/15 for the local implementation was £32k.

## Notes to the Accounts

### 24. Related Parties (contd.)

The Athena Agreement has been assessed against the criteria in IFRS 11 and concluded that it is outside the scope of IFRS 11 as a 'joint arrangement' is an arrangement over which two or more parties have 'joint control'. Joint control is the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Strategic Athena Management Board (SAMB), the highest level board consisting of the PCCs and Chief Constables of each of the seven founder forces have one vote each (14 votes in total) has control over significant activities and funding arrangements of Athena. Decisions by the SAMB do not need to be unanimous but require a majority. On this basis, the Athena arrangement is not classified as a 'joint arrangement'.

IFRS 12 disclosures do not apply to Athena as there is no separate entity.

The total value of the contract signed in December 2011 was £31.8m excluding the cost of the AMO. Despite the two year delay in going live the revised cost was £31.4m. Additional service requirements approved by the SAMB to meet new legislative and service requirements amounted to £3.4m.

The cost of the AMO for the financial year ending 31 March 2015 amounted to £1.3m and is subject to review as originally envisaged.

The following table identifies the shared costs of the Athena system:-

	2013/14		2014/15	
	Share of Athena system costs £	Recharge of AMO Management costs £	Share of Athena system costs £	Recharge of AMO Management costs £
Bedfordshire	48,193	103,759	559,625	114,458
Cambridgeshire	60,984	131,298	647,090	142,208
Hertfordshire	89,096	191,822	839,316	212,505
Kent	134,513	289,605	1,149,878	294,106
Norfolk	69,461	149,549	705,052	157,155
Suffolk	53,568	115,331	596,376	112,318
Essex	125,701	270,629	1,089,612	270,240
<b>Total</b>	<b>581,516</b>	<b>1,251,993</b>	<b>5,586,949</b>	<b>1,302,990</b>

### 25. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table on the following page, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the PCC, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

## Notes to the Accounts

### 25. Capital Expenditure and Capital Financing (contd.)

	2013/14 £000	2014/15 £000
<b>Opening Capital Financing Requirement</b>	<b>9,561</b>	<b>9,040</b>
Adjustment		838
<b>Adjusted Opening Capital Financing Requirement</b>	<b>9,561</b>	<b>9,878</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	5,475	6,543
Intangible Assets	244	424
Capital grant paid to other Authorities	57	0
<b>Total Capital Investment</b>	<b>5,776</b>	<b>6,967</b>
<b>Sources of Finance</b>		
Capital receipts	(88)	(559)
Government grants and other contributions	(5,515)	(5,619)
Revenue funding	(19)	(602)
Capital creditors	(154)	0
Minimum revenue provision	(521)	(1,000)
<b>Total Sources of Finance</b>	<b>(6,297)</b>	<b>(7,780)</b>
<b>Closing Capital Financing Requirement</b>	<b>9,040</b>	<b>9,065</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(521)	(813)
<b>Decrease in Capital Financing Requirement</b>	<b>(521)</b>	<b>(813)</b>

The adjustment of £0.838m is a correction to the opening Capital Financing Requirement, which had been understated in previous years.

The estimated value of significant commitments under capital contracts totalled £1.787m at 31 March 2015 (£0.055m at 31 March 2014). This primarily covers a building contract to create a Chemical Enhancement Laboratory and a contract to refurbish the Force Command Room. The comparative figure for 2013/14 relates to retention payments on completed property projects only.

### 26. Leases

#### PCC as Lessee **Finance Leases**

The PCC held one property lease which had been accounted for as finance lease. This has been reviewed, in recognition of changes to the agreement, and no longer meets the criteria for a finance lease. The asset acquired under the lease was carried as Property, Plant and Equipment in the Balance Sheet, but has been removed in 2014/15. The 2013/14 amount is included in the PPE balances in note 13 on pages 46-48.

	2013/14 £000	2014/15 £000
Other Land and Buildings	29	0
<b>Total</b>	<b>29</b>	<b>0</b>

## Notes to the Accounts

### 26. Leases (contd.)

#### Operating Leases

The PCC has a number of property leases that are accounted for as operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2013/14	2014/15
	£000	£000
Not later than one year	29	72
Later than one year and not later than five years	106	919
Later than five years	1,171	304
<b>Total</b>	<b>1,306</b>	<b>1,295</b>

### 27. Impairment of Assets

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

A review of property assets which were not formally revalued in 2014/15 was undertaken in conjunction with the PCC's valuers. The review of asset valuations comprised an assessment of the PCC's property portfolio and general movement in property values. This concluded that there are no grounds to substantiate any material change in values on non-residential properties. It also concluded that there had been a material annual increase in residential price values for Essex and based on these market conditions it would be reasonable to apply an increase of 8.3% or 11% dependent upon location.

A similar review by the valuers had been completed in 2013/14 and reached similar conclusions with a suggested increase of 6% for residential properties. This increase was not applied to the PCC's police house values in 2013/14, a decision that was based on evidence at that time from recently completed and planned house disposals and a prudent approach in light of the expected impact of new mortgage controls on the housing market.

The continued upward movement in the housing market, as evidenced by the outcome of the 2014/15 review, has led to a reassessment of the previous decision. As a consequence, the PCC's police house values have been increased by 6% for 2013/14 market changes and up to 11% for 2014/15 changes.

Impairment losses were also charged in 2014/15 where capital expenditure on completed minor improvements works to property assets was not considered to have made any material change to the assets' value. Impairment disclosures are consolidated in notes 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## Notes to the Accounts

### 28. Defined Benefit Pension Schemes

#### Transactions Relating to Retirement Benefits

The PCC Group recognises the cost of retirement benefits in the Net Cost of Services when they are earned by serving police officers and police staff, rather than when the benefits are eventually paid as pensions. The charge the PCC Group is required to make against the council tax, 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 PCC Group'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
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>								
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
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>134,824</b>	<b>122,511</b>	<b>13,072</b>	<b>9,146</b>	<b>5,549</b>	<b>5,954</b>	<b>153,445</b>	<b>137,611</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	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
<b>Remeasurements</b>	<b>(254,900)</b>	<b>263,783</b>	<b>(22,480)</b>	<b>25,587</b>	<b>(26,256)</b>	<b>9,610</b>	<b>(303,636)</b>	<b>298,980</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(120,076)</b>	<b>386,294</b>	<b>(9,408)</b>	<b>34,733</b>	<b>(20,707)</b>	<b>15,564</b>	<b>(150,191)</b>	<b>436,591</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	(134,824)	(122,511)	(13,072)	(9,146)	(5,549)	(5,954)	(153,445)	(137,611)
<b><u>Actual amount charged against the General Reserve for pensions in the year</u></b>								
Retirement benefits payable to retired police officers	49,754	57,931	(3,554)	(3,261)	3,425	3,562	49,625	58,232

#### Actuarial gains and losses

In addition to the recognises gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £298.890m (gains of £303.636m in 2013/14) have been included in the Comprehensive Income & Expenditure Statement (see page 20).



## Notes to the Accounts

### 28. Defined Benefit Pension Schemes (contd.)

#### Local Government Pension Scheme

	Local Government Pension Scheme		
	2013/14 £000 Group	2014/15 £000 PCC	2014/15 £000 Group
<b>Comprehensive Income &amp; Expenditure Statement</b>			
Service cost	10,807	132	11,835
Financing and Investment Income & Expenditure:			
Net interest on the defined liability	5,373	14	4,729
Administration expenses	31	0	96
	<b>5,404</b>	<b>14</b>	<b>4,825</b>
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>16,211</b>	<b>146</b>	<b>16,660</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>			
Remeasurement of the net defined benefit liability comprising:			
Return on plan assets in excess of interest	(8,413)	(84)	(19,900)
Other actuarial (gains)/losses on assets	3,219	0	0
Change in financial assumptions	16,923	229	46,755
Change in demographic assumptions	(23,583)	0	0
Experience (gain)/loss) on defined benefit obligation	(10,258)	0	13
<b>Total Remeasurements</b>	<b>(22,112)</b>	<b>145</b>	<b>26,868</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(5,901)</b>	<b>291</b>	<b>43,528</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	<b>(16,211)</b>	<b>(146)</b>	<b>(16,660)</b>
<b>Actual amount charged against the General Reserve for pensions in the year</b>			
Employer's contribution payable to scheme	7,326	94	9,045

#### Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £26.868m for the Group and £0.145m for the PCC (£22.112m gains for the Group in 2013/14) 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 £324.395m (£325.738m gains in 2013/14).



## Notes to the Accounts

### 28. Defined Benefit Pension Schemes (contd.)

#### Pension Assets and Liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the PCC'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		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
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)
<b>Defined Benefit Obligation at start of year</b>	<b>(1,859,123)</b>	<b>(2,187,486)</b>	<b>(71,827)</b>	<b>(109,821)</b>	<b>(78,611)</b>	<b>(90,613)</b>	<b>(2,009,561)</b>	<b>(2,387,920)</b>
Unrecognised past service cost	0	0	0	0	0	0	0	0
<b>Net liability in balance sheet</b>	<b>(1,859,123)</b>	<b>(2,187,486)</b>	<b>(71,827)</b>	<b>(109,821)</b>	<b>(78,611)</b>	<b>(90,613)</b>	<b>(2,009,561)</b>	<b>(2,387,920)</b>

	Local Government Pension Scheme		
	2013/14 £000 Group	2014/15 £000 PCC	2014/15 £000 Group
Present value of funded obligation	(319,394)	(1,656)	(388,862)
Fair value of scheme assets (bid value)	211,470	1,100	246,555
<b>Net liability</b>	<b>(107,924)</b>	<b>(556)</b>	<b>(142,307)</b>
Present value of unfunded obligation	(1,572)	0	(1,673)
<b>Net liability in balance sheet</b>	<b>(109,496)</b>	<b>(556)</b>	<b>(143,980)</b>

## Notes to the Accounts

### 28. Defined Benefit Pension Schemes (contd.)

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

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

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

	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
Contributions by Employer	49,754	57,931	(3,554)	(3,261)	3,425	3,562	49,625	<b>58,232</b>
Contributions by Participants	11,162	11,137	3,406	3,566	0	0	14,568	<b>14,703</b>
Net Benefits Paid in/(out)	(60,916)	(69,068)	148	(305)	(3,425)	(3,562)	(64,193)	<b>(72,935)</b>
<b>Closing Fair Value of Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

### 28. Defined Benefit Pension Schemes (contd.)

The following tables reconciles the present value of the liabilities and assets of the Local Government Pension Scheme attributable to the PCC

<u>Liabilities</u>	Local Government Pension Scheme		
	2013/14 £000	2014/15 £000 PCC	2014/15 £000 Group
<b>Balance at start of year</b>	<b>(315,740)</b>	<b>(1,193)</b>	<b>(320,966)</b>
Current Service Cost	(10,446)	(132)	(11,733)
Interest Cost	(14,159)	(55)	(14,372)
Change in financial assumptions	(16,923)	(229)	(46,755)
Change in demographic assumptions	23,583	0	0
Experience gain on defined benefit obligation	10,258	0	(13)
Contributions by scheme participants	(3,329)	(47)	(3,488)
Benefits/transfers paid	6,066	0	6,806
Unfunded pension payments	85	0	88
Past service costs/(gains)	(361)	0	(102)
<b>Balance at end of year</b>	<b>(320,966)</b>	<b>(1,656)</b>	<b>(390,535)</b>

<u>Assets</u>	Local Government Pension Scheme		
	2013/14 £000 Group	2014/15 £000 PCC	2014/15 £000 Group
<b>Balance at start of year</b>	<b>193,016</b>	<b>834</b>	<b>211,469</b>
Interest on assets	8,786	41	9,642
Return on assets less interest	8,413	84	19,900
Other actuarial losses	(3,219)	0	0
Administration expenses	(31)	0	(96)
Employer contributions including unfunded	7,326	94	9,045
Contributions by scheme participants	3,329	47	3,488
Benefits paid	(6,151)	0	(6,893)
<b>Balance at end of year</b>	<b>211,469</b>	<b>1,100</b>	<b>246,555</b>
<b>Net liability at start of year</b>	<b>(122,724)</b>	<b>(359)</b>	<b>(109,497)</b>
<b>Net liability at end of year</b>	<b>(109,497)</b>	<b>(556)</b>	<b>(143,980)</b>

#### 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.

## Notes to the Accounts

### 28. 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:

	2013/14 Group		2014/15 PCC		2014/15 Group	
	£000	%	£000	%	£000	%
Equities	141,002	67.0%	741	67.0%	165,861	67.0%
Government Bonds	16,836	8.0%	48	4.0%	10,832	4.0%
Other Bonds	16,836	8.0%	105	10.0%	23,598	10.0%
Property	24,168	11.0%	119	11.0%	26,779	11.0%
Cash/Liquidity	4,209	2.0%	24	2.0%	5,405	2.0%
Alternative Assets	8,418	4.0%	63	6.0%	14,079	6.0%
<b>Total</b>	<b>211,469</b>	<b>100.0%</b>	<b>1,100</b>	<b>100.0%</b>	<b>246,554</b>	<b>100.0%</b>

The liabilities show the underlying commitments that the PCC has in the long term to pay retirement benefits. The total liability of £2,531.900m has a substantial impact upon the net worth of the PCC as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Group 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 in the year to 31 March 2016 is £0.079m for the PCC and £9.870m for the Group. The expected contributions for the Police Officer Pension Schemes in the year to 31 March 2016 by the employer is £26.757m.

#### Basis for Estimating Assets and Liabilities

The assets and liabilities of the Local Government Pension Scheme and the 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:

- Essex County Council Pension Fund: 31 March 2013
- 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.

## Notes to the Accounts

### 28. Defined Benefit Pension Schemes (contd.)

The principal assumptions used by the actuaries are as follows:

	Local Government Pension Scheme			Police Officer Pension Schemes		
	2013/14 Group	2014/15 PCC	2014/15 Group	2013/14 Group	2014/15 PCC	2014/15 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)						
Retiring in 20 years time:						
Male	24.9	25.1	25.1	29.7	n/a	29.8
Female	27.4	27.6	27.6	32.2	n/a	32.3
Retiring today:						
Male	22.7	22.8	22.8	27.2	n/a	27.4
Female	25.1	25.2	25.2	29.7	n/a	29.8
Rate of Inflation (RPI)	3.7%	3.4%	3.3%	3.6%	n/a	3.3%
Rate of Inflation (CPI)	2.9%	2.5%	2.4%	2.8%	n/a	2.4%
Rate of Increase in Salaries	4.7%	4.3%	4.2%	4.4%	n/a	4.1%
Rate of Increase in Pensions	2.9%	2.5%	2.4%	2.8%	n/a	2.4%
Discount Rate	4.5%	3.5%	3.4%	4.5%	n/a	3.4%

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.

## Notes to the Accounts

### 28. Defined Benefit Pension Schemes (contd.)

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table on the previous page. The following table identifies the impact of a variance of +0.1% and -0.1% in the assumptions:-

Police Staff	£000	£000	£000	£000	£000	£000			
		PCC			Group				
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%			
Present value of total obligation	1,615	1,656	1,698	380,886	388,879	397,048			
Projected service cost	157	161	165	13,516	13,851	14,194			
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%			
Present value of total obligation	1,668	1,656	1,644	389,994	388,879	397,048			
Projected service cost	161	161	161	13,858	13,851	13,844			
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%			
Present value of total obligation	1,686	1,656	1,627	396,055	388,879	381,861			
Projected service cost	165	161	157	14,191	13,851	13,519			
<u>Adjustment to mortality age rating assumption</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%			
Present value of total obligation	1,600	1,656	1,713	375,434	388,879	402,445			
Projected service cost	156	161	167	13,381	13,851	14,325			
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
Projected service cost									
<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
Projected service cost									
<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
Projected service cost									
<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

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### 29. Contingent Liabilities

Following the announcement of further reductions in public services over the next few years, further restructuring programmes are being reviewed. A provision of £1.5m is available in 2015/16 to fund probable severance costs. It is estimated there may be additional severance costs up to £2.4m during 2015/16. As restructuring plans are still being finalised and the Force's aim to minimise severance payments by re-deploying staff where possible, the £2.4m costs are treated as a contingent liability. The PCC has sufficient funds in the General Reserve to meet these costs.

There has been an Employment Appeal Tribunal case on the calculation of holiday pay. There is leave to appeal its decision to the Court of Appeal. The timing of the appeal decision and impact is uncertain. In the event of an adverse outcome, the PCC has sufficient funds in the General Reserve to meet any additional costs.

### 30. Nature and Extent of Risks Arising from Financial Instruments

The Code of Practice states that the amortised cost measurement basis should be applied to:

- all financial liabilities
- financial assets represented by loans and receivables

All of the PCC's investments and other financial instruments fall into one of the above two categories, and are therefore carried in the Balance Sheet at amortised cost.

The fair value of the investments held by the PCC is deemed to be approximately equal to their carrying value in the current low and flat interest rate environment.

The Code states that fair value disclosures are not required for short-term trade payables and receivables on the basis that the carrying value in the Balance Sheet (i.e. invoiced or billed amount) can be taken to be a reasonable approximation of fair value. Accordingly, no fair value disclosures are given for any of the PCC's other financial instruments.

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

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

## Notes to the Accounts

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### 30. Nature and Extent of Risks Arising from Financial Instruments (contd.)

#### Liquidity risk

The PCC manages his liquidity position through a comprehensive cash management system.

The PCC did not have any short or long term external borrowings at 31 March 2015. Should there be a need for the PCC to raise borrowings in future years, it would have ready access to funds from the money markets and the Public Works Loans Board. There is therefore no significant risk that the PCC would be unable to raise finance to meet his commitments under financial instruments. The risk would be that the PCC would be bound to replenish a significant proportion of any future borrowings at a time of unfavourable interest rates. The PCC would mitigate this risk by spreading the maturity date of its loans over a period of years by a combination of careful planning of new loans taken out and, where it is economic to do so, making early repayments.

#### Market risk

##### Interest rate risk

The PCC is exposed to some risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex effect on the PCC. For instance, a rise in interest rates would:

- decrease the fair value of assets at fixed rates
- increase the interest income credited to the Comprehensive Income and Expenditure Statement in respect of investments at variable rates

The Corporate Finance Department works closely with its treasury advisers to ensure that interest rate movement risks are minimised by actively assessing likely future interest rate movements in the financial markets and making investment decisions accordingly.

##### Price risk

The PCC does not invest in equity shares or other similar financial instruments and therefore has no exposure to losses arising from movements in the price of shares.

##### Foreign exchange risk

The PCC has no financial assets (investments) or liabilities (borrowings) that are denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates. From time to time the PCC purchases specialist goods and services from countries outside the United Kingdom. These goods and services are denominated in Euros and therefore there is a modest exchange rate risk in respect of outstanding balances.



## Notes to the Accounts

### 30. Nature and Extent of Risks Arising from Financial Instruments (contd.)

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers.

This risk is minimised through the annual Treasury Management Strategy. Under the strategy, investments are restricted to UK financial institutions only, and no more than £10m is invested with any single institution, with the exception of the institutions identified on page 6. Two monetary limit periods of lending are limited to twelve months.

In addition, the PCC uses market data, information on government support for financial institutions and the credit rating of that government support to assess the creditworthiness of his investments.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the PCC.

The analysis below summarises the PCC's potential maximum exposure to credit risk, based on experience of default and non-collection over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2015	Historical experience of default	Historical experience market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability
	<b>£000</b>	%	%	<b>£000</b>
Deposits with banks and financial institutions	28,349	0.00	0.00	0
Sundry debtors	1,820	0.05	0.00	1
<b>Total</b>	<b>30,169</b>			<b>1</b>

The PCC does not expect any losses from non performance by any of its counterparties in relation to deposits.

The PCC does not generally allow credit for sundry debtors beyond 30 days, such that £0.350m of the £1.820m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days           £0.204m
- between 61 and 90 days       £0.017m
- over 90 days                       £0.129m

## Notes to the Accounts

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### 31. Heritage Assets

The PCC is the owner of the collection of exhibits held by the Essex Police Museum. Many of the items held are considered to be heritage assets, i.e. assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held principally for their contribution to knowledge and culture. The collection comprises over 1700 objects, plus a large quantity of archive material and photographs. Although there is no information on cost or value, it is considered that individually the items held are low value. The cost of obtaining reliable valuations on collection items is considered to be disproportionate in relation to the benefits from such valuations. As a result these assets are not disclosed in the balance sheet.

Two of the PCC's police stations, at Saffron Walden and Thorpe le Soken, are Grade II buildings. The buildings are held for operational purposes rather than for heritage reasons, they have therefore been valued on the same basis as other operational premises.

## Notes to the Accounts

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### 32. Creation of Police & Crime Commissioner and Chief Constable Single Entities

#### Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act) Essex Police Authority was replaced on 22<sup>nd</sup> 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 22<sup>nd</sup> November 2012, the assets, liabilities and reserves of the Police Authority were transferred directly to the PCC and during the 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.

This year the Chief Constable and PCC have adopted a new accounting policy and have recognised the expenditure and income associated with day-to-day direction and control and the PCC's funding to support the Chief Constable in the Chief Constable's Accounts, with the main sources of funding (i.e. central government grants and Council Tax) and the majority of balances being shown in the PCC's Accounts. Transactions in respect of operational police officer and staff costs, and associated operational incomes, and transfer 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 police staff, it follows that the employment liabilities are therefore shown in the Chief Constable's Balance Sheet.

Revised legislation came into effect on 1<sup>st</sup> 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 had no impact on the Group accounts.

## Notes to the Accounts

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### 33. Intra Group Adjustments

#### Intra group adjustments

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 <sup>st</sup> April	0	0	0	0	0	0
PCC resources consumed at the request of the Chief Constable	(208,260)	208,260	0	(275,555)	275,555	0
PCC Intra group adjustment	208,260	(208,260)	0	275,555	(275,555)	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>

### 34. Summary of Significant Accounting Policies

These are categorised as follows:-

#### **Policies applying to the PCC Group**

- 34.1 General Principles
- 34.2 Accruals of Income and Expenditure
- 34.3 Overhead and Support Services
- 34.4 Employee Benefits
- 34.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 34.6 Revenue Recognition
- 34.7 Post Balance Sheet Events
- 34.8 Retirement Benefits – Police Staff
- 34.9 Contingent Assets and Liabilities
- 34.10 Income

#### **34.1 General Principles**

The Statement of Accounts summarises the PCC's and the CC's transactions for the year 2014/15 and the position at the year ending 31 March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2014/15*. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

#### **34.2 Accruals of Income and Expenditure Group**

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.
- Fees, charges and rents due from customers are accounted for as income at the date the PCC provides the relevant goods or services.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

#### **34.3 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)*.

#### **34.4 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 PCC.

The PCC 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 and the amount chargeable to Council Tax payers. 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 PCC 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 Commissioner 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 PCC 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.

### **34.5 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 PCC'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.

### **34.6 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.

### **34.7 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.

### 34.8 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 Group 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.

Statutory provisions limit the PCC to raising Council Tax to cover the amounts payable by the PCC to the pension fund in the year. In the Movement in Reserves Statement there are, therefore, 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.

### 34.9 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. Details of the extent of the potential liabilities are described in note 29 on page 70.

### 34.10 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 PCC

- 34.11 Council Tax Income
- 34.12 Reserves
- 34.13 Provisions
- 34.14 Value Added Tax
- 34.15 Provision for Bad Debts
- 34.16 Inventories
- 34.17 Property, Plant and Equipment
- 34.18 Intangible assets
- 34.19 Assets held for sale
- 34.20 Non-current assets out of use
- 34.21 Capital grants and contributions
- 34.22 Donated Assets
- 34.23 Minimum revenue provision
- 34.24 Revenue expenditure funded from capital
- 34.25 Leases
- 34.26 Financial Assets and Liabilities
- 34.27 Cash and Cash Equivalents



### **34.11 Council Tax Income**

The PCC raises Council Tax income by precepting upon the fourteen district and borough councils in Essex. In their capacity as billing authorities, these councils are regarded as acting as agents for the PCC. Each billing authority credits the Council Tax income that it collects to its Collection Fund, and pays to the PCC the precept or demand for the year, plus or less the PCC's share of the surplus or deficit on the Collection Fund for the previous year. The PCC is required to include in his Comprehensive Income & Expenditure Statement its share of the accrued Council Tax income of each billing authority, i.e. the PCC's precept upon the billing authority plus or less its share of Council Tax debtors and creditors.

Council Tax income is accounted for in the PCC's financial statements as follows:

#### Comprehensive Income & Expenditure Statement and Movement in Reserves Statement

The accrued Council Tax income is credited to the Comprehensive Income & Expenditure Statement. In order that there is a neutral impact upon the General Reserve, the difference between the accrued Council Tax income and the amount to be credited to the General Reserve under statute is transferred to the Collection Fund Adjustment Account via an adjusting item in the Movement in Reserves Statement.

#### Balance Sheet

The PCC's share of each billing authority's Council Tax debtor and creditor balances and impairment allowance for doubtful debts is recognised in the balance sheet.

The Council Tax income adjustment on the Movement in Reserves Statement is taken to the Collection Fund Adjustment Account.

### **34.12 Reserves**

The PCC maintains a General Reserve to cover contingencies and for cash flow management, and earmarked reserves representing funds set aside for specific purposes. Reserves are created by appropriating amounts in the Movements in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement and the reserve is then appropriated back into the Movements in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, which do not represent usable resources for the PCC. These reserves are explained in the relevant policies.

### **34.13 Provisions**

The PCC has set aside provision for future insurance claims and staff severance payments, which are likely to be incurred but cannot yet be determined precisely.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the PCC becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and where it becomes more likely that a payment will not now be required, or a lower settlement than anticipated will be made, the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

When some or all of the payment required to settle a provision is expected to be met by a third party, this is only recognised as income in the Comprehensive Income and Expenditure Statement if it is certain that reimbursement will be received if the obligation is settled.

### **34.14 Value Added Tax**

The Comprehensive Income and Expenditure Statement excludes all amounts related to VAT as VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

### 34.15 Provision for Bad Debts

A provision is made in the balance sheet for bad and doubtful debts, based on an age analysis of the outstanding debt at the balance sheet date. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Comprehensive Income and Expenditure Statement for the income that may not be collected.

A share of the impairment allowances for the doubtful Council Tax debts in respect of each billing authority is also included in the balance sheet. These allowances are determined by each billing authority in accordance with its own policy for doubtful debts.

### 34.16 Inventories

Inventories are included in the Balance Sheet on an average cost basis with the exception of vehicle parts, which are included at historic cost.

### 34.17 Property, Plant and Equipment

Property, plant and equipment are tangible assets that have a physical substance and are held for use in the provision of services on a continuing basis.

Recognition: Expenditure on the acquisition or creation of new assets or the enhancement of existing assets is capitalised, provided that these assets yield benefit to the PCC for a period of more than one year.

The PCC operates a de-minimis limit below which items will not be charged to capital on the grounds of materiality. The limit for individual items is £10,000 except for vehicles where a £5,000 limit applies. An exception to this covers equipment items which are individually below the de-minimis, but when aggregated exceed the limit, e.g. IT hardware, body armour.

Expenditure that maintains, but does not add to, the future economic benefits or service potential of the asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

From 1 April 2010, where a significant component of an asset is replaced or enhanced, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount of the asset.

Measurement: Assets and components are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset or component into working condition for its intended use.

Assets are carried in the Balance Sheet using the following measurement bases:

- Assets under construction - historic cost.
- Land, buildings and force helicopter (held until 30 September 2012) – fair value, for which existing use value is used, net of accumulated depreciation.
- Vehicles, plant and equipment - historic cost less depreciation as a proxy for fair value.

Land and buildings are revalued at least every 5 years by an external valuer in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S.) Valuation Standards.

An increase in an asset value following revaluation is matched by credit to the Revaluation Reserve to recognise unrealised gains, unless the increase reverses a previous impairment loss or revaluation decrease on the same asset.

A reduction in an asset value following revaluation, which is not identified as impairment, is matched by a debit to the Revaluation Reserve to the extent of any credit balance in respect of the asset. Any difference is charged to the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the Capital Adjustment Account.

When an asset is disposed of the residual value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account and reported through the Movement in Reserves Statement.

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

Capital Receipts: Proceeds from the disposal of assets in excess of £10,000 are categorised as capital receipts and can be used to fund new capital expenditure. Any unused receipts are held in the Usable Capital Receipts Reserve.

Depreciation: All assets with a determinable finite life are depreciated by allocating the value of each asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is not provided on freehold land, where it is deemed to have an unlimited useful life. For all other assets a depreciation charge is made from the date they become available for use and up to the date of disposal.

Components of an asset are recognised for depreciation purposes where the cost of the component is significant in relation to the total cost of the asset.

Depreciation is calculated on the following basis:

- Buildings –straight line allocation over the economic life of the building as determined by the PCC's property advisors, assuming no residual value.
- Plant, vehicles and equipment - straight line allocation over the economic life of the assets, assuming no residual value.
- Components - straight line allocation over the economic life of the assets, assuming no residual value.

The residual value, useful life and depreciation method are reviewed at each financial year end.

Although depreciation is calculated on the estimated economic life of the specific individual asset concerned, approximate average depreciation periods are as follows:

- |   |             |
|---|-------------|
| • buildings                                 | 20-60 years |
| • helicopter (held until 30 September 2012) | 10 years    |
| • vehicles                                  | 6-8 years   |
| • plant, IT and equipment                   | 3-30 years  |
| • marine vessels                            | 10-25 years |

### **Componentisation Policy**

The componentisation policy applies from 1 April 2010 where an item of property, plant and equipment is enhanced, acquired or revalued. Recognition will follow capital expenditure where:

- a new component is added to an asset
- an existing component of an asset is refurbished or upgraded
- a component of an asset is replaced
- a new asset is acquired or constructed
- an existing asset is revalued.

To be separately recognised a component must be identified as part of a material asset and exceed the PCC's de-minimis level.

In accordance with the Code, the carrying amount of a replaced or restored component of an asset is derecognised, with the carrying amount of the new component being recognised. This accounting treatment applies regardless of whether the replaced part had been depreciated separately. Where it is not possible to determine the carrying amount of the replaced part, the cost of the new part is used as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

### Material assets and the Authority's de-minimis for components

The PCC operates a policy of only separately identifying components which are 20% or more (and greater than £100,000) of the total asset value.

### Property assets

Where appropriate the PCC separates assets between the following components :-

- Land
- Main building structure/fabric (to include roof)
- Windows
- Plant and engineering (including IT infrastructure)
- Custody facilities
- Radio masts

All police houses will only be separated into land and buildings under the component policy. This reflects the relatively low value of individual assets and the PCC's policy of disposal of police housing.

All other property assets will only be separated into separate components where the total asset value is equal to or greater than £500,000. Assets below this value will continue to be separated into land and buildings only. This reflects the relatively low value of individual assets and significant proportion of each assets value that relates to land, which is not depreciated.

The impact of the above exclusions is unlikely to result in a material misstatement of the accounts (i.e. depreciation charges and the assets carrying amount).  
operating leases.

### Equipment assets

The PCC analyses all capital equipment purchases and separates these into components as appropriate. This continues the policy applied before the introduction of IFRS. As an example, IT projects are separated between hardware and software components.

### Vehicle and marine assets

All of the fleet is below the £100,000 de-minimis set for the componentisation policy.

### Revaluation Reserve balances

Reserve balances on property were recorded by asset with separate balances for land and building elements of an asset.

In accordance with guidance contained within *LAAP Bulletin 86 - Componentisation of Property, Plant & Equipment under the 2010/11 IFRS-based Code*, the revaluation reserve balance for a building will not be allocated across the various components that are recognised.

The reserve balance on the helicopter, held until 30 September 2012 was not separated between individual component parts but allocated to the airframe.

All other assets are held at historic cost and are not revalued.

Future revaluation gains or losses on property are to be allocated across components.

### Impairment of assets

At the end of each financial year the PCC assesses its assets for indication of impairment. This occurs where an asset is carried at an amount which exceeds the amount that could be recovered through use or sale of the asset.

Derecognition: An asset is derecognised when it is disposed of or when no future economic benefits or service potential are expected from its use or disposal.

Any impairment loss identified as part of this review, or as a result of a valuation exercise, is accounted for as follows:

- An impairment loss on a revalued asset is recognised in the Revaluation Reserve to the extent of any credit balance for that asset. The difference is then accounted for in Comprehensive Income and Expenditure Statement.
- A loss which does not result from revaluation is recognised in the Comprehensive Income and Expenditure Statement.

As an impairment loss is not a proper charge to Council Tax, the amount is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

At the end of each financial year the PCC also assesses whether an impairment loss from previous reporting periods may no longer exist. In such circumstances, an estimate of the recoverable amount of the asset(s) is made. The reversal of an impairment loss is made up to the carrying amount that would have been determined for the asset if no impairment had been previously recognised. Any excess above the carrying amount is treated as a revaluation gain and taken to the Revaluation Reserve.

Charges to revenue for fixed assets - The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets
- impairment losses on assets
- amortisation of intangible assets such as software licences

The PCC is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However the PCC is required to make a prudent provision from revenue to contribute towards the reduction in its overall borrowing requirements, which is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the

Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two amounts.

### **34.18 Intangible assets**

Expenditure on the PCC's intangible fixed assets, covering purchased computer software licences, is capitalised and disclosed separately. These assets are measured at cost as fair value cannot easily be determined. Intangible assets are amortised to the Comprehensive Income and Expenditure Statement from when the asset is available for use on an equal basis over their economic lives. The residual value assumed for intangible assets is normally zero. The amortisation period and method is reviewed at least at the end of each financial year.

An asset is derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss from derecognition is recognised in the Comprehensive Income and Expenditure Statement. These amounts are then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **34.19 Assets held for sale**

Assets are classified as held for sale where they meet strict criteria in accordance with the Code. Assets held for sale are measured at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date (i.e. 31 March), and are not subject to depreciation.

Where a plan to sell an asset changes, (i.e. the strict criteria under the Code are no longer met), the asset is reclassified and valued at the lower of its; recoverable amount at the date of the decision not to sell, and carrying amount before the asset was classified as held for sale (i.e. adjusted for depreciation or revaluations that would have occurred if the asset had not been reclassified as 'held for sale'). Where the carrying amount before the asset was classified as held for sale was based on a re-valued amount (i.e. there is a balance on the Revaluation Reserve), the adjustments are treated as a revaluation increase or decrease and posted to the Revaluation Reserve. Where the carrying amount before the asset was classified as held for sale was based on Historic Cost or below Historic Cost (i.e. there is no balance on the Revaluation Reserve), the adjustments are posted to the Comprehensive Income and Expenditure Statement.

### 34.20 Non-current assets out of use

Where an asset does not qualify as held for sale there may be a circumstance where the asset will not be reclassified back to the asset classification from where it originally came i.e. assets that are surplus to service needs but that do not meet the definition of either investment property or assets held for sale. In this instance the asset is held as a 'surplus asset' under Property, Plant and Equipment.

### 34.21 Capital grants and contributions

All capital grants and contributions received by the PCC are accounted for on an accruals basis and are initially recognised as income in the Comprehensive Income and Expenditure Statement.

Where the grant or contribution has a condition attached then the grant is not recognised as income until that condition is met. In those circumstances the grant is recognised as a receipt in advance. A condition is assumed to be attached where it conveys a requirement to return the grant if the condition is not met.

Where the grant is used to finance capital expenditure it is credited to the Capital Adjustment Account.

Where capital expenditure has not yet been incurred the grant is reversed out of the Comprehensive Income and Expenditure Statement and credited to the Capital Grants Unapplied Account.

A grant or contribution that becomes repayable is accounted for as a revision to an accounting estimate and is therefore recognised prospectively.

### 34.22 Donated assets

Assets which are transferred to the PCC at nil value or acquired at less than fair value are treated as donated assets. Donated assets transferred to the PCC for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet. Where there are no conditions attached to the transfer, or the PCC has already matched the conditions, the asset is recognised in the Comprehensive Income and Expenditure Statement as income. Where conditions have not been satisfied the asset is credited to the Donated Assets Account and only recognised in the Comprehensive Income and Expenditure Statement once the conditions are satisfied.

Where a donated asset is acquired for less than fair value, the difference between the fair value of the asset and the consideration paid is recognised in the Comprehensive Income and Expenditure Statement as income. Where the transfer has a condition(s) the difference is recognised in the Donated Assets Reserve until the condition(s) is met.

Donated assets are revalued and depreciated in line with the accounting policies for Property, Plant and Equipment.

### 34.23 Minimum revenue provision

The former Police Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10, and assessed the MRP for each financial year in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. The PCC has continued this policy. The MRP relates to the historic debt liability that continues to be charged at the rate of 4%, in accordance with option 2 of the guidance.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the PCC. However, the PCC reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the PCC may not be capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

### 34.24 Revenue expenditure funded from capital

Some items of expenditure are permitted to be funded from capital resources that under accounting practice would be charged to the Comprehensive Income and Expenditure Statement. This expenditure does not result in a fixed asset on the balance sheet.



These charges will normally be grants or expenditure on property not owned by the PCC. This expenditure is charged to the Comprehensive Income and Expenditure Statement. To avoid any impact on council tax, the charge is then moved to the Capital Adjustment Account.

### 34.25 Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Where the lease transfers substantially all In determining the accounting arrangements for an agreement where the PCC is the lessee, consideration is given to substance of the transaction rather than the form of the agreement. The PCC applies a number of tests to help determine the classification of the lease at its inception.

Where material, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is normally classified as an operating lease.

**Finance leases:** The PCC recognises finance leases as assets and liabilities at the lower of the fair value of the property or the present value of the minimum lease payments. Assets recognised as finance leases are depreciated in accordance with the policy for depreciation of owned assets and are revalued in the same way as the PCC's other assets.

**Operating leases:** Rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

**Arrangements containing a lease:** An arrangement that conveys the right to use an asset in return for payment, but which does not take the legal form of a lease, may be accounted for as an embedded lease. An assessment is made whether fulfilment of the arrangement is dependent on the use of a specific asset(s) and the arrangement conveys a right to use that asset(s). This assessment is made at the inception of the arrangement. Where an embedded lease is identified it is assessed to determine whether this is a finance or operating lease. The accounting treatment applied is in accordance with the lease accounting policy.

### 34.26 Financial Assets and Liabilities

The PCC's financial assets are classed as:

- loans and receivables, i.e. assets that have fixed or determinable payments but are not quoted in an active market: these are represented by term deposits in the money markets at fixed rate of interest
- short term trade receivables

The PCC does not hold any financial assets that would be classifiable as available for sale assets under the Code.

Loans and receivables are initially measured at fair value and carried at their amortised cost. The amounts credited to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. In effect, this means that the amount shown in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The PCC's financial liabilities are classed entirely as short term trade payables. The PCC does not hold any borrowings or other instruments that would be classifiable as financial liabilities.

### 34.27 Cash and Cash Equivalents

The PCC treats cash as representing cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours.

The PCC defines cash equivalents as those funds that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The features of these funds are as follows:

- fixed term investments that mature in no more than one month or less from the date of acquisition
- deposits with call accounts that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 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
<b>Contributions receivable</b>		
Employer	(27,270)	(26,197)
Serving police officers	(14,569)	(14,703)
Capital equivalent payment for ill health	(642)	(1,124)
<b>Transfers in</b>		
Individual transfers in from other schemes	(1,081)	(288)
<b>Total Receipts</b>	<b>(43,562)</b>	<b>(42,312)</b>
<b>Benefits payable</b>		
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
<b>Payments to and on account of leavers</b>		
Refund of contributions	13	24
Individual transfers out to other schemes	129	1,243
<b>Total Payments</b>	<b>61,698</b>	<b>69,752</b>
<b>Sub total for the year before transfer from the PCC of amount equal to the deficit</b>	<b>18,136</b>	<b>27,440</b>
<b>Transfer of amount from the PCC of amount equal to the deficit</b>	<b>(18,136)</b>	<b>(27,440)</b>
<b>Net amount payable for the year</b>	<b>0</b>	<b>0</b>



## Police Officer Pension Fund Account

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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
<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 11 (pages 21-28) to the Group's core financial statements.

## Glossary of Terms

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**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.

**ACCRUED BENEFITS** – The benefits for service up to a given point in time, whether vested rights or not.

**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.

**AGENCY SERVICES** – The provision of services by an authority (the agent) on behalf of another authority, which is legally responsible for providing those services. The responsible authority reimburses the authority providing the service.

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

**ASSET** - An item owned by the PCC, which has a value, for example, land & buildings, vehicles, equipment, cash.

**AUDIT COMMISSION** – An independent body established under the Local Government Finance Act 1982 with the responsibility of appointing external auditors to the PCC and the CC. The Audit Commission closed on 31 March 2015 and the Secretary of State for Communities and Local Government delegated statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Ltd (PSAA). The company is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims.

**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.

**BUSINESS RATES** – The business rate in the pound is the same for all business ratepayers and is set annually by the Government. Income from business rates goes into a central Government pool that is then distributed to authorities according to resident population.

**CAPITAL ADJUSTMENT ACCOUNT** – An account which reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

**CAPITAL EXPENDITURE** - Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

**CAPITAL GRANT** – Grant from Central Government used to finance schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

**CAPITAL RECEIPTS** – The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

**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.

**CONTINGENCY** – The sum of money set aside to meet unforeseen expenditure or liability.

**COLLECTION FUND** – A fund administered by each District Council into which individuals' Council Tax payments are paid. The PCC precepts on the Fund to finance part of the net revenue expenditure.

**COMPONENTISATION** – The separate recognition, depreciation and derecognition of parts (components) of assets. This is based on the concept that various components of an asset are identified and depreciated separately if they have differing patterns of benefits, useful lives and are significant relative to the total cost of the asset.

## **Glossary of Terms**

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**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.

**CURRENT SERVICE COSTS (PENSIONS)** – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

**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.

**DEFERRED LIABILITIES** – Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

**DEFERRED PENSIONS** – Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

**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.

**DIRECT REVENUE FINANCING** – Resources provided from the PCC's revenue budget to finance the cost of capital projects.

**DISCRETIONARY BENEFITS** – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the PCC's discretionary powers.

**earmarked reserves** – These represent monies set aside that can only be used for a specific purpose.

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

**EXTRAORDINARY ITEMS** – Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the PCC and are not expected to recur.

**FINANCE AND OPERATING LEASE** – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the Income & Expenditure Account.

**FINANCIAL INSTRUMENTS** – contracts that give rise to a financial asset of one entity and a financial liability of another entity.

**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

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**FLOOR** – The minimum increase in Government grants guaranteed to all PCCs. There is also a ceiling (i.e) a maximum increase above which Police Authorities will lose government grant. This is used to offset those below the 'floor' and bring them up to the minimum level of funding.

**FORMULA SPENDING SHARE (FSS)** – An assessment by central government of how much a PCC needs to spend to provide a common level of service having regard to the individual circumstances. It is used to distribute Police Grant.

**FUTURE CAPITAL FUNDING RESERVE** – Created to provide an alternative source of financing capital expenditure, and to ensure some stability in the level of capital programmes that can be financed each year.

**GOING CONCERN** – The concept that the PCC will remain in operational existence for the foreseeable future, in particular that the Comprehensive Income & Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operations.

**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.

**INVESTMENTS (PENSION FUND)** – The investments of the Pension Fund will be accounted for in the statements of that Fund. Authorities, however, are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

**MINIMUM REVENUE PROVISION (MRP)** – The statutory minimum amount which the PCC is required to set aside on an annual basis as a provision to redeem debt.

**NET BOOK VALUE** – The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET CURRENT REPLACEMENT COST** – The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

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

**NON OPERATIONAL ASSETS** – Non operational assets are fixed assets held by the PCC but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

**OPERATIONAL ASSETS** – Fixed assets held and occupied, used or consumed by the PCC in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**OUTTURN** – The actual amount spent in the financial year.

## Glossary of Terms

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**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.

**PAYMENTS IN ADVANCE** – These represent payments prior to 31 March for supplies and services received after 1 April.

**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.

**PUBLIC WORKS LOAN BOARD (PWLB)** – A government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RECEIPTS IN ADVANCE** – These represent income received prior to 31 March for supplies and services provided by the Authority after 1 April.

**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.

**REVALUATION RESERVE** – The account records unrealised net gains (if any) from revaluations made after 1 April 2007.

**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.

**REVENUE CONTRIBUTIONS TO CAPITAL** – Contribution from the Comprehensive Income & Expenditure Statement to finance capital expenditure and thus reduce the requirement to borrow.

**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.

**SPONSORSHIP** – The voluntary provision of non-public fund, services, equipment or other resources that enables the police to enhance or extend the normal service provided.

**TRANSFER VALUES** – Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

**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.

## Glossary of Terms

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

**VESTED RIGHTS** – In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme.
- b) for deferred pensioners, their preserved benefits.
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

**WORK IN PROGRESS** – The cost of work done on an uncompleted project at the balance sheet date.

## Further Information

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Further information about the PCC for Essex Group and PCC'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 that appears on pages 16 - 19.

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