

# **ESSEX POLICE AUTHORITY STATEMENT OF ACCOUNTS FOR 2011/12 CONTENTS**

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## Foreword to the Accounts

This Statement of Accounts sets out the income and expenditure of Essex Police Authority during the financial year 2011/12 and its financial position at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Expenditure Code of Practice published by CIPFA. The Statement of Accounts consists of the following sections:

### Foreword to the Accounts (Pages 2 - 5)

This is a brief explanation of the financial aspects of the Authority's activities and highlights the significant features of its financial position.

### Statement of Responsibilities for the Statement of Accounts (Page 6)

This states the Authority's and the Treasurer's responsibilities in the administration of the financial affairs and in the preparation of the Statement of Accounts for the Authority.

### Independent Auditor's Report to Essex Police Authority (Page 7 - 9)

This states the auditor's opinion on whether the Statement of Accounts gives a true and fair view of the financial position and operations of the Authority.

### Core Financial Statements (Pages 10 - 13)

These comprise:

- Movement in Reserves Statement - this shows the movement in the year on the different reserves held by the Authority
- Comprehensive Income and Expenditure Statement - this shows the economic cost in the year of providing services
- Balance Sheet - this sets out the net assets of the Authority and its reserves and balances as at 31 March 2012
- Cash Flow Statement – this summarises the inflows and outflows of cash with third parties

### Notes to the Financial Statements (Pages 14 - 62)

These comprise an index of notes and a detailed analysis of the summarised financial information in the Core Financial Statements. These also set out the accounting policies adopted by the Authority, which explain the basis on which the Authority's financial transactions are presented.

### Police Officer Pension Fund Account (Pages 63 - 64)

This identifies the payments in and out of the Police Officers Pension Fund Account for the year.

### Annual Governance Statement (Pages 65- 76)

This sets out the Authority's governance arrangements and a review of the effectiveness of those arrangements.

### Glossary of Terms (Pages 77 - 81).

This is a list of accounting terms that appear throughout the Accounts.

## Foreword to the Accounts

### Net revenue service expenditure and sources of funding

The table below shows budgeted and actual net revenue service expenditure, the sources of funding and the transfers from earmarked reserves and the General Reserve:

	£000	£000	£000
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Police Pay And Allowances	186,762	185,227	(1,535)
Police Staff Pay and Allowances	79,782	76,117	(3,665)
Police Pensions	3,491	4,273	782
Training	523	339	(184)
Other Employee Expenses	7,131	5,033	(2,098)
Premises	10,037	9,789	(248)
Transport	6,819	7,282	463
Supplies And Services	27,735	24,063	(3,672)
Agency Services	902	885	(17)
Support Services	996	1,021	25
Other Expenditure	1,026	1,002	(24)
<b>Total Expenditure</b>	<b>325,204</b>	<b>315,031</b>	<b>(10,173)</b>
Income	(37,961)	(38,098)	(137)
<b>Net Expenditure</b>	<b>287,243</b>	<b>276,933</b>	<b>(10,310)</b>
<b>Taxation and Non Specific Grant Income</b>			
Police Grant	(117,610)	(117,610)	0
National Non Domestic Rates	(50,180)	(50,180)	0
Revenue Support Grant	(15,511)	(15,511)	0
Council Tax Freeze Grant	(2,133)	(2,133)	0
Council Tax Precept	(85,319)	(85,319)	0
Collection Fund Surplus	(329)	(329)	0
	<b>(271,082)</b>	<b>(271,082)</b>	<b>0</b>
<b>Deficit before transfer from Earmarked Reserves</b>	<b>16,161</b>	<b>5,851</b>	<b>(10,310)</b>
<b>Transfer from Earmarked Reserves</b>	<b>(1,030)</b>	<b>(353)</b>	<b>677</b>
<b>Transfer from General Reserve</b>	<b>15,131</b>	<b>5,498</b>	<b>(9,633)</b>

The Net Expenditure excludes depreciation, pension liabilities, accumulated absences and other items. These charges are included in the Core Financial Statements (pages 10-13). The Net Expenditure includes the following third party contributions and items of income:-

	£000
Young Offenders Teams	322
Eastern Region Intelligence Unit	255
Other Regional Working	51
Crime Stoppers	47
Victim Support	20
South West Essex PCT	88
Safeguarding Children & Vulnerable Adults Committees	184
<b>Total</b>	<b>967</b>

	£000
Neighbourhood Policing Fund	(7,213)
Dedicated Security Grant	(4,324)
Stansted Airport Contribution	(6,449)
<b>Total</b>	<b>(17,986)</b>

## Foreword to the Accounts

### Financial Outlook

In February 2012, Essex Police Authority set its 2012/13 revenue budget. The planned Net Revenue Expenditure for 2012/13 is £269.862m, and the band D Council Tax for 2012/13 is £136.71. Full details of the Authority's 2012/13 budget are available in its 2012/13 Budget Book, which can be obtained via download from the Essex Police Authority website (<http://www.essex.police.uk/authority/publications.aspx>) or from the address shown on page 83 of this document.

Following the Government's 2010 Comprehensive Spending Review (CSR), the Authority must make recurring revenue savings of £42.2m (15%) per annum by 2014/15. This is due to a combination of continuing reductions in Government grant funding and unavoidable cost increases, including contractual and inflation-related payments.

A Reform Programme has been set up to identify and deliver these savings. As a result, a new policing model or "Blueprint" for Essex was implemented in March 2012 to meet the required savings whilst preserving policing services as far as possible. A number of functional commands have been established, each responsible for delivering a specific policing service across the county. In 2011/12, savings of £18.3m were achieved, whilst further savings of £13.8m have been identified for 2012/13, giving a total of £32.1m/pa after 2 years. The balance of £10.1m/pa will be found during 2013/14 and 2014/15, of which £8.3m has already been identified.

In order to make these savings, Essex is at the forefront of collaborative activity with Kent Police Authority. There are several joint departments including Serious Crime, IT and for "back-office" support services. This programme will be extended further. However, savings on this scale have required a reduction in personnel. The current estimated reductions in numbers by 2014/15 are 350 police officers, 100 PCSOs and 400 police staff.

### Police and Crime Commissioner for Essex

The Essex Police Authority will be replaced by a Police and Crime Commissioner for Essex on 22 November 2012. All services, assets and liabilities will transfer from the Authority to the Police and Crime Commissioner, although police officers will remain under the direction and control of the Chief Constable.

The accounts have been prepared on a going concern basis, and the Comprehensive Income and Expenditure Statement and Balance Sheet assume that all services will continue for the foreseeable future.

### General Reserve

The following table identifies the movements on the General Reserve during the year. The balance on the General Reserve represents 8.0% of the 2011/12 Net Revenue Expenditure.

	<b>£000</b>
<b>General Reserve at start of year</b>	<b>(27,377)</b>
<b><u>Movement in Reserves</u></b>	
Use of General Reserve to support revenue expenditure	5,498
Transfer from Olympics reserve to General Reserve	(1,158)
<b>Net use of General Reserve</b>	<b>4,340</b>
<b>General Reserve at end of year</b>	<b>(23,037)</b>

The General Reserve is held for the following reasons:-

- to ensure that the Authority has sufficient liquid resources to fund its day-to-day cash requirements
- to fund unexpected and/or planned operational requirements
- to manage the timing of Reform savings and redundancy costs.

The Authority intends to run down its General Reserve balance to approximately £17.0m by 31 March 2015.

### Earmarked Reserves

The Authority maintains a number of earmarked reserves, totalling £3.074m at 31 March 2012. This includes £1.000m in a reserve set aside to fund the costs of policing the 2012 London Olympic Games. The movement on earmarked reserves is shown in note 5 on page 19.

## Foreword to the Accounts

### Capital Programme

In 2011/12, capital expenditure amounted to £7.638m.

Expenditure was incurred on a range of projects. Building projects included work at Police Headquarters to convert canteen areas to office accommodation. In addition, Reform projects at Dunmow Police Station and Laindon Traffic Garage were in progress at year end. Programmes of essential fire precautions, electrical upgrade and gates and barriers works continued across the force. A major custody upgrade project at Chelmsford Police Station continued during 2011/12.

A programme to provide mobile data terminals across the force to support the Blueprint model commenced during 2011/12. A project to implement an Enterprise Resource Planning (ERP) system was also started during 2011/12. Annual programmes for replacement servers, printers, docking stations, desktop and laptop computers were undertaken together with further development of the Authority's core data and telephony network.

A number of other equipment purchases were completed in 2011/12 including specialist equipment items for the Counter Terrorism and Serious Crime Departments. Finally, a total of 154 vehicles were purchased at a cost of £1.735m.

Capital expenditure was financed using the following sources:-

Home Office and other governmental body grants	(72% of total payments)
Contributions from partners and other third parties	( 2%)
Receipts generated from the disposal of fixed assets	(25%)
Contributions from revenue	( 1%)

### 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 12 and note 31 on page 42) includes net liabilities of £115.0m for police staff and £1,957.9m for police officers.

The statutory arrangements for funding the police officer deficit and the Authority's arrangements for funding the police staff deficit, however, mean that the financial position of the Authority remains sound.

### Treasury Management

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

1. Country Limits: UK financial institutions only
2. Monetary limits
  - Debt Management Office – up to 50% of total investment portfolio
  - Part nationalised banks - £15m limit to principal investment with each banking group
  - All other financial institution - £10m limit to principal investment with each institution
3. Durational limits: maximum duration 12 months

The Authority had fixed term investments totalling £35.112m and liquid investments totalling £8.592m at 31 March 2012. During 2011/12 the Authority earned net investment income of £0.641m, representing an average return of 1.07%.

The Authority did not undertake any short or long term external borrowing during 2011/12. The Authority does, however, have historic internal borrowing of approximately £10.5m. This arises from occasions in previous years when it utilised surplus cash to finance its capital programme instead of borrowing these funds externally

## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer;
- to manage its 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 Authority

I certify that the following financial statements have been approved through the appropriate channels of The Authority. The opinion of the Treasurer is shown below. The opinion of the appointed auditors can be found on pages 7 – 9.

In accordance with the requirements of Section 8 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of the Finance and Audit Committee of Essex Police Authority on 17 September 2012.

Charles Cochrane  
Chairman of Finance and Audit Committee  
17 September 2012

### Completion of the Approval Process by the Authority

#### The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority'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 10 – 62, have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year then ended.

Charles Garbett BA IPFA  
Acting Chief Executive and Treasurer to Essex Police Authority  
17 September 2012

# **Independent Auditor's Report to the Members of Essex Police Authority**

## **Opinion on the Authority and Pension Fund financial statements**

I have audited the financial statements and the police pension fund financial statements of Essex Police Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund financial statements comprise the Fund Account, the net assets and liabilities of the Fund and the related notes. 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 2011/12.

This report is made solely to the members of Essex Police Authority 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.

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

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the police pension fund 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, and for being satisfied that they give a true and fair view. My 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 me 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 Authority and Pension Fund'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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Essex Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent Auditor's Report to the Members of Essex Police Authority

## Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

## Other matters on which I am required to conclude

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

- my review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on my responsibilities; and
- my locally determined risk-based work on collaboration, transition planning, financial management, performance management, risk management and the Reform Programme and Blueprint model of delivery.

As a result, I have concluded that there are no matters to report.



# Independent Auditor's Report to the Members of Essex Police Authority

## Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Debbie Hanson  
District Auditor

Audit Commission  
3rd Floor  
Eastbrook  
Shaftesbury Road  
Cambridge CB2 8BF

28 September 2012

## Movement In Reserves Statement

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

The (Surplus)/Deficit on the Provision of Services line shows the true economic cost of providing the Authority's 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.

		2010/11						
Note		Usable Reserves				Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes				
		General £000	Earmarked £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2010</b>	<b>(15,638)</b>	<b>(15,477)</b>	<b>(3,918)</b>	<b>(10,892)</b>	<b>(45,925)</b>	<b>1,830,344</b>	<b>1,784,419</b>
	(Surplus)/deficit on provision of services (accounting basis)	(30,148)	0	0	0	(30,148)	0	(30,148)
	Other Comprehensive Income and Exp	0	0	0	0	0	(100,278)	(100,278)
	<b>Total Comprehensive Income and Expenditure</b>	<b>(30,148)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30,148)</b>	<b>(100,278)</b>	<b>(130,426)</b>
4	Adjustments between accounting basis and funding basis under regulations	29,301	0	(695)	98	28,704	(28,704)	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(847)</b>	<b>0</b>	<b>(695)</b>	<b>98</b>	<b>(1,444)</b>	<b>(128,982)</b>	<b>(130,426)</b>
5	Transfers (to)/from Earmarked Reserves	(10,892)	10,892	0	0	0	0	0
	(Increase)/Decrease during year	(2,398)	10,892	(695)	98	7,897	(128,982)	(121,085)
	(Increase)/Decrease at year end	(9,341)	0	0	0	(9,341)	0	(9,341)
	<b>(Increase)/Decrease in Year</b>	<b>(11,739)</b>	<b>10,892</b>	<b>(695)</b>	<b>98</b>	<b>(1,444)</b>	<b>(128,982)</b>	<b>(130,426)</b>
	<b>Balance at 31 March 2011 carried forward</b>	<b>(27,377)</b>	<b>(4,585)</b>	<b>(4,613)</b>	<b>(10,794)</b>	<b>(47,369)</b>	<b>1,701,362</b>	<b>1,653,993</b>

		2011/12						
Note		Usable Reserves				Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes				
		General £000	Earmarked £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2011</b>	<b>(27,377)</b>	<b>(4,585)</b>	<b>(4,613)</b>	<b>(10,794)</b>	<b>(47,369)</b>	<b>1,701,362</b>	<b>1,653,993</b>
	(Surplus)/deficit on provision of services (accounting basis)	97,283	0	0	0	97,283	0	97,283
	Other Comprehensive Income and Exp	0	0	0	0	0	203,862	203,862
	<b>Total Comprehensive Income and Expenditure</b>	<b>97,283</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,283</b>	<b>203,862</b>	<b>301,145</b>
4	Adjustments between accounting basis and funding basis under regulations	(91,432)	0	(3,213)	2,070	(92,575)	92,575	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>5,851</b>	<b>0</b>	<b>(3,213)</b>	<b>2,070</b>	<b>4,708</b>	<b>296,437</b>	<b>301,145</b>
5	Transfers (to)/from Earmarked Reserves	(1,511)	1,511	0	0	0	0	0
	(Increase)/Decrease during year	15,131	0	0	0	15,131	0	15,131
	(Increase)/Decrease at year end	(10,791)	1,511	(3,213)	2,070	(10,423)	296,437	286,014
	<b>(Increase)/Decrease in Year</b>	<b>4,340</b>	<b>1,511</b>	<b>(3,213)</b>	<b>2,070</b>	<b>4,708</b>	<b>296,437</b>	<b>301,145</b>
	<b>Balance at 31 March 2012 carried forward</b>	<b>(23,037)</b>	<b>(3,074)</b>	<b>(7,826)</b>	<b>(8,724)</b>	<b>(42,661)</b>	<b>1,997,799</b>	<b>1,955,138</b>

## Comprehensive Income and Expenditure Statement

This Statement shows the full cost in the year of providing policing services. 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.

Note	2010/11 Gross Expenditure <b>Restated</b> £000	2010/11 Gross Income <b>Restated</b> £000	<b>2010/11 Net Expenditure</b> £000	2011/12 Gross Expenditure £000	2011/12 Gross Income £000	<b>2011/12 Net Expenditure</b> £000
Local Policing	202,395	(17,811)	<b>184,584</b>	184,813	(10,600)	<b>174,213</b>
Dealing with the Public	18,573	(1,528)	<b>17,045</b>	17,391	(635)	<b>16,756</b>
Criminal Justice Arrangements	14,430	(1,303)	<b>13,127</b>	12,425	(1,004)	<b>11,421</b>
Road Policing	24,005	(3,939)	<b>20,066</b>	21,266	(1,476)	<b>19,790</b>
Specialist Operations	27,588	(11,302)	<b>16,286</b>	30,662	(10,713)	<b>19,949</b>
Intelligence	6,854	(282)	<b>6,572</b>	6,734	(59)	<b>6,675</b>
Specialist Investigations	23,228	(1,026)	<b>22,202</b>	25,598	(302)	<b>25,296</b>
Investigative Support	11,239	(441)	<b>10,798</b>	10,136	(87)	<b>10,049</b>
National Policing	17,270	(13,291)	<b>3,979</b>	17,017	(12,584)	<b>4,433</b>
Corporate and Democratic Core	1,474	(49)	<b>1,425</b>	1,338	(3)	<b>1,335</b>
Non Distributed Costs	515	0	<b>515</b>	817	0	<b>817</b>
<b>Sub Total</b>	<b>347,571</b>	<b>(50,972)</b>	<b>296,599</b>	<b>328,197</b>	<b>(37,463)</b>	<b>290,734</b>
Non Distributed Costs Past Service Gains	(155,533)	0	<b>(155,533)</b>	0	0	<b>0</b>
<b>Cost of Services</b>	<b>192,038</b>	<b>(50,972)</b>	<b>141,066</b>	<b>328,197</b>	<b>(37,463)</b>	<b>290,734</b>
<b>6 Other Operating Expenditure</b>	<b>79</b>	<b>(345)</b>	<b>(266)</b>	<b>101</b>	<b>(441)</b>	<b>(340)</b>
<b>7 Financing and Investment Income and Expenditure</b>	<b>107,866</b>	<b>(666)</b>	<b>107,200</b>	<b>95,384</b>	<b>(641)</b>	<b>94,743</b>
<b>8 Taxation and Non Specific Grant Income</b>	<b>0</b>	<b>(278,148)</b>	<b>(278,148)</b>	<b>0</b>	<b>(287,854)</b>	<b>(287,854)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>299,983</b>	<b>(330,131)</b>	<b>(30,148)</b>	<b>423,682</b>	<b>(326,399)</b>	<b>97,283</b>
<b>9 Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(100,278)</b>	<b>(100,278)</b>	<b>203,862</b>	<b>0</b>	<b>203,862</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>299,983</b>	<b>(430,409)</b>	<b>(130,426)</b>	<b>627,544</b>	<b>(326,399)</b>	<b>301,145</b>

The 2010/11 figures have been restated due to a change in accounting treatment of pensions top up grant. The 2010/11 receipt (£6.409m) has been reclassified from Other Operating Expenditure to Taxation and Non Specific Grant Income. This is considered to be a more appropriate way for accounting for this income, as it is a grant income that funds the Authority's pension liabilities.

The impact of this change in accounting treatment on the 2010/11 accounts is to increase Other Operating Expenditure by £6.409m and to increase Taxation and Non Specific Grant Income by the same amount.

The full accounting treatment of this grant is explained in note 35.6 on page 52.

Notes 6 and 8, which correspond to these lines, have also been restated.

## Balance Sheet

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

Note	1 April 2010		31 March 2011		31 March 2012	
	Restated £000	£000	Restated £000	£000	£000	£000
<b>Long-term assets</b>						
10	Property, Plant & Equipment	91,354	84,500		89,001	
11	Intangible Assets	1,845	1,575		1,143	
12	Long term investments	5,000	5,000		0	
14	Long term debtors	71	67		62	
	<b>Long-term assets total</b>		<b>98,270</b>	<b>91,142</b>		<b>90,206</b>
<b>Current assets</b>						
12	Short term investments	30,363	30,190		35,211	
13	Inventories	751	830		778	
14	Short term debtors	13,140	10,938		13,576	
15	Cash and cash equivalents	8,585	20,480		6,762	
16	Assets held for sale	1,517	1,218		2,466	
	<b>Current assets total</b>		<b>54,356</b>	<b>63,656</b>		<b>58,793</b>
<b>Current liabilities</b>						
17	Short term creditors	(28,294)	(34,510)		(28,810)	
	<b>Current liabilities total</b>		<b>(28,294)</b>	<b>(34,510)</b>		<b>(28,810)</b>
<b>Long term liabilities</b>						
18	Provisions	(1,488)	(3,081)		(1,521)	
28	Finance Leases	(68)	(61)		(56)	
31	Pensions Liabilities	(1,906,704)	(1,770,508)		(2,072,818)	
25	Capital Grants-Receipts in Advance	(489)	(631)		(932)	
	Donated Assets Account	(2)	0		0	
	<b>Long term liabilities total</b>		<b>(1,908,751)</b>	<b>(1,774,281)</b>		<b>(2,075,327)</b>
	<b>Net liabilities</b>		<b>(1,784,419)</b>	<b>(1,653,993)</b>		<b>(1,955,138)</b>
<b>Usable reserves</b>						
19	General reserve	(15,637)	(27,377)		(23,037)	
	Earmarked revenue reserves	(15,477)	(4,585)		(3,074)	
	Usable capital receipts	(3,918)	(4,613)		(7,826)	
	Capital grants unapplied	(10,893)	(10,794)		(8,724)	
	<b>Usable reserves total</b>		<b>(45,925)</b>	<b>(47,369)</b>		<b>(42,661)</b>
<b>Unusable reserves</b>						
20	Revaluation Reserve	(2,858)	(3,412)		(5,195)	
	Capital Adjustment Account	(80,562)	(72,767)		(76,305)	
	Pensions Reserve	1,906,704	1,770,508		2,072,818	
	Collection Fund Adjustment Account	99	(72)		192	
	Accumulating Compensated Absences Adjustment Account	6,961	7,105		6,289	
			<b>1,830,344</b>	<b>1,701,362</b>		<b>1,997,799</b>
	<b>Total reserves</b>		<b>1,784,419</b>	<b>1,653,993</b>		<b>1,955,138</b>

The 31 March 2011 balance sheet has been restated due to the correction of two accounting errors.

- 1) The accumulated absences account, previously treated as a provision, now treated as a short term creditor. The balance on this account was £7.105m at 31 March 2011 and £6.961m at 1 April 2010.
- 2) Seized monies balances, previous treated as cash & cash equivalents, now treated as a short term creditor. The balances were £2.446m at 31 March 2011 and £0.921m at 1 April 2010.

As these are material changes, a restated opening balance sheet (1 April 2010) has been produced.

These financial statements replace the unaudited financial statements certified by Charles Garbett, Treasurer to Essex Police Authority, on 25 June 2012

Charles Garbett, Treasurer to Essex Police Authority  
27 September 2012

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

The 2010/11 Cash Flow Statement has been restated to include the movement in seized monies balances as a consequence of the correction of the accounting error described in the note at the foot of page 12.

Note	2010/11 Restated		2011/12	
	£000	£000	£000	£000
<b>Cash outflows generated from operating activities</b>				
Cash paid to and on behalf of employees	147,174		146,498	
Cash paid to suppliers of goods and services	58,845		60,041	
Other operating cash payments	127,415		138,159	
Interest paid	6		0	
<b>Sub total</b>		<b>333,440</b>		<b>344,698</b>
<b>Cash inflows generated from operating activities</b>				
Taxation	(147,190)		(135,828)	
Grants	(165,597)		(164,228)	
Sales of goods and rendering of services	(36,033)		(31,260)	
Interest received	(816)		(623)	
<b>Sub total</b>		<b>(349,636)</b>		<b>(331,939)</b>
<b>Net cash outflows/(inflows) generated from operating activities</b>		<b>(16,196)</b>		<b>12,759</b>
Purchase of property, plant and equipment and intangible assets	7,129		5,201	
Proceeds from the sale of property, plant and equipment	(2,805)		(4,262)	
<b>Net cash outflow from Investing Activities</b>		<b>4,324</b>		<b>939</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>		<b>(11,872)</b>		<b>13,698</b>
15 Cash and cash equivalents at the beginning of the reporting period		8,585		20,457
15 Cash and cash equivalents at the end of the reporting period		20,457		6,759
<b>Movement in cash equivalents</b>		<b>11,872</b>		<b>(13,698)</b>

## Notes to the Accounts

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## Notes to the Accounts

### 1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 35 on pages 51-61, the Authority 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. Essex Police Authority participates in some joint activities with Kent Police Authority, in particular a shared IT Department, Transport Department, Serious Crime Directorate and Procurement Department. The Authority also participates in some joint activities with other Eastern Region Authorities. These activities are deemed by Essex Police Authority to be jointly controlled activities in accordance with the Code of Practice. Accordingly, the Statement of Accounts does not include group accounts. Further details of these activities are shown in the Related Party Transactions note 26 on page 38.
- b) Impairment of assets. Further information can be found at note 29 on page 41.
- c) Future levels of funding for local government. There is a high degree of uncertainty about future levels of funding for local government. The Authority, however, has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision

## Notes to the Accounts

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
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 Authority 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 £0.050m for every year that useful lives had to be reduced.</p>
The Authority has made a provision of £1.458m for the settlement of outstanding insurance claims that fail to be met under the 'excess' clauses of the Authority's Insurance Policies. It is not certain that all valid claims have yet been received by the Authority. 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 £0.146m to the provision needed.
The Authority has made a provision of £0.062m for a severance payment where the date is still to be confirmed but will be in 12/13.	The actual payment may differ but not by a material amount.
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 Authority 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 £6.735m. A 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 £56.793m. It should be noted, however, that the various assumptions interact in complex ways.

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

### 3. Events after the Balance Sheet Date

There are no post balance sheet events requiring disclosure.



## Notes to the Accounts

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11

	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	FRS17 Pensions Reserve £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	(11,729)	0	0	(11,729)	0	11,729	0	0	0	11,729	0
Amorisation of intangible assets	(471)	0	0	(471)	0	471	0	0	0	471	0
Revaluation gains on reclassification of Property, Plant & Equipment	158	0	0	158	0	(158)	0	0	0	(158)	0
Accumulated gains on assets sold or scrapped	0	0	0	0	28	(28)	0	0	0	0	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	401	(401)	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	(521)	0
Capital Expenditure charged against the General Reserve	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>											
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	3,698	0	98	3,796	0	(3,796)	0	0	0	(3,796)	0
<b>Adjustments involving the Capital Receipts Reserve</b>											
Transfer of sale proceeds credited as past of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	198	(2,804)	0	(2,606)	0	2,606	0	0	0	2,606	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,109	0	2,109	0	(2,109)	0	0	0	(2,109)	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	(11,107)	0	0	(11,107)	0	0	11,107	0	0	11,107	0
Employers' pension contributions and direct payments to pensioners payable in the year	48,007	0	0	48,007	0	0	(48,007)	0	0	(48,007)	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	171	0	0	171	0	0	0	(171)	0	(171)	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	(145)	0	0	(145)	0	0	0	0	145	145	0
<b>Total</b>	<b>29,301</b>	<b>(695)</b>	<b>98</b>	<b>28,704</b>	<b>429</b>	<b>7,793</b>	<b>(36,900)</b>	<b>(171)</b>	<b>145</b>	<b>(28,704)</b>	<b>0</b>

## Notes to the Accounts

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

2011/12

	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 £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	(1,975)	0	0	(1,975)	0	1,975	0	0	0	1,975	0
Amorisation of intangible assets	(407)	0	0	(407)	0	407	0	0	0	407	0
Revaluation gains on reclassification of Property, Plant & Equipment	1,516	0	0	1,516	29	(1,545)	0	0	0	(1,516)	0
Amortisation of capital contribution	(12)	0	0	(12)	0	12	0	0	0	12	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	(521)	0
Capital Expenditure charged against the General Reserve	472	0	0	472	0	(472)	0	0	0	(472)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>											
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,761	0	2,070	4,831	0	(4,831)	0	0	0	(4,831)	0
<b>Adjustments involving the Capital Receipts Reserve</b>											
Transfer of sale proceeds credited as past of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	345	(4,980)	0	(4,635)	0	4,635	0	0	0	4,635	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,767	0	1,767	0	(1,767)	0	0	0	(1,767)	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	(152,177)	0	0	(152,177)	0	0	152,177	0	0	152,177	0
Employers' pension contributions and direct payments to pensioners payable in the year	56,972	0	0	56,972	0	0	(56,972)	0	0	(56,972)	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	(264)	0	0	(264)	0	0	0	264	0	264	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	816	0	0	816	0	0	0	0	(816)	(816)	0
<b>Total</b>	<b>(91,432)</b>	<b>(3,213)</b>	<b>2,070</b>	<b>(92,575)</b>	<b>29</b>	<b>(2,107)</b>	<b>95,205</b>	<b>264</b>	<b>(816)</b>	<b>92,575</b>	<b>0</b>

## Notes to the Accounts

### 5. 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 2011/12.

See note 36 on page 62 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-10 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31-Mar-11 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31-Mar-12 £000
<b>Earmarked Reserves</b>							
(i) New Development/Change Programme Reserve	5,703	(5,703)	0	0	0	0	0
(ii) Future Capital Funding Reserve	3,153	(3,153)	0	0	0	116	116
(iii) Non Devolved Carry Forward Reserve	380	(162)	0	218	(218)	677	677
(iv) Devolved Carry Forward Reserve	938	(771)	0	167	(167)	0	0
(v) Insurance Reserve	239	(239)	0	0	(314)	403	89
(vi) Officers' Backpay Reserve	685	(685)	0	0	0	0	0
(vii) Mobile Data Reserve	717	0	200	917	(421)	200	696
(viii) Restructure Reserve	451	(16)	0	435	(435)	0	0
(ix) 2012 Olympic Games Reserve	2,158	0	0	2,158	(1,158)	0	1,000
(x) New Pension Reserve	472	(472)	0	0	0	0	0
(xi) Collaboration Reserve	250	0	0	250	(250)	0	0
(xii) Leased Property Dilapidations Reserve Original	175	0	0	175	0	0	175
(xiii) Leased Property Dilapidation and Maintenance Reserve	141	0	96	237	0	51	288
(xiv) Forfeiture Monies Reserve	15	0	13	28	0	5	33
<b>Total Earmarked Reserves</b>	<b>15,477</b>	<b>(11,201)</b>	<b>309</b>	<b>4,585</b>	<b>(2,963)</b>	<b>1,452</b>	<b>3,074</b>
<b>General Reserve</b>	<b>15,638</b>	<b>0</b>	<b>11,739</b>	<b>27,377</b>	<b>(15,131)</b>	<b>10,791</b>	<b>23,037</b>
<b>Total Earmarked &amp; General Reserves</b>	<b>31,115</b>	<b>(11,201)</b>	<b>12,048</b>	<b>31,962</b>	<b>(18,094)</b>	<b>12,243</b>	<b>26,111</b>

### 6. Other Operating Expenditure

	Restated 2010/11 £000	2011/12 £000
Gains on the disposal of non current assets	(266)	(340)
<b>Total</b>	<b>(266)</b>	<b>(340)</b>

### 7. Financing and Investment Income and Expenditure

	2010/11 £000	2011/12 £000
Interest payable and similar charges	8	5
Pensions interest cost and expected return on pensions assets	107,858	95,379
Interest receivable and similar income	(666)	(641)
<b>Total</b>	<b>107,200</b>	<b>94,743</b>

## Notes to the Accounts

### 8. Taxation and Non Specific Grant Income

	Restated 2010/11 £000	2011/12 £000
Capital grants and contributions	(3,698)	(2,761)
Pensions top up grant	(6,409)	(14,275)
Police Grant	(111,626)	(117,610)
Revenue Support Grant	(9,054)	(15,511)
National Non-Domestic Rates	(62,349)	(50,180)
Council Tax Freeze Grant	0	(2,133)
Council Tax Precept	(84,796)	(85,319)
Collection Fund Surplus/Deficit	(216)	(65)
<b>Total</b>	<b>(278,148)</b>	<b>(287,854)</b>

The accounting treatment for pensions top up grant is set out in note 35.6 on page 53. There is some inconsistency between the Code of Practice on Local Authority Accounting 2011/12 and the Guidance Notes to the Code with regard to the treatment of pensions top up grant. The Authority has opted to follow the Guidance notes.

### 9. Other Comprehensive Income & Expenditure

	2010/11 £000	2011/12 £000
Actuarial (gains)/losses on pension fund assets and liabilities		
- police officers	(96,853)	163,082
- police staff	(2,443)	44,023
Surplus arising on revaluation of fixed assets	(982)	(3,243)
<b>Total</b>	<b>(100,278)</b>	<b>203,862</b>

### 10. Property, Plant and Equipment (PPE)

The following two tables show the movements for 2010/11:

	Land and Buildings £000	Plant and Equipment £000	Vehicles £000	Helicopter £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation At 1 April 2010</b>	<b>72,298</b>	<b>20,304</b>	<b>14,714</b>	<b>3,336</b>	<b>3,915</b>	<b>751</b>	<b>115,318</b>
Additions	0	3,308	1,686	0	0	1,041	6,035
Revaluation increases/(decreases) recognised in the Revaluation Reserve	933	0	0	0	47	0	980
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,617)	0	0	0	(164)	0	(4,781)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(395)	0	0	0	0	0	(395)
Derecognition - Disposals	(339)	(2,388)	(1,458)	0	(80)	0	(4,265)
Derecognition - Other	0	(23)	(9)	0	(94)	0	(126)
Assets reclassified (to)/from							
- within PPE	1,114	60	0	0	142	(1,355)	(39)
- Held for Sale	(3,098)	0	0	0	1,369	0	(1,729)
Other movements in Cost or Valuation	1	0	0	0	1	0	2
<b>At 31 March 2011</b>	<b>65,897</b>	<b>21,261</b>	<b>14,933</b>	<b>3,336</b>	<b>5,136</b>	<b>437</b>	<b>111,000</b>

## Notes to the Accounts

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

	Land and Buildings	Plant and Equipment	Vehicles	Helicopter	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2010</b>	<b>7</b>	<b>(13,684)</b>	<b>(8,399)</b>	<b>(1,229)</b>	<b>(659)</b>	<b>0</b>	<b>(23,964)</b>
Depreciation Charge	(1,244)	(2,839)	(1,776)	(716)	(55)	0	(6,630)
Depreciation written out to the Surplus/Deficit on the Provision of Services	271	0	0	0	25	0	296
Derecognition - Disposals	1	2,325	1,279	0	80	0	3,685
Derecognition - Other	0	23	5	0	94	0	122
Other movements in Depreciation and Impairment	20	95	(1)	0	(123)	0	(9)
<b>At 31 March 2011</b>	<b>(945)</b>	<b>(14,080)</b>	<b>(8,892)</b>	<b>(1,945)</b>	<b>(638)</b>	<b>0</b>	<b>(26,500)</b>
Net Book Value							
<b>At 31 March 2011</b>	<b>64,952</b>	<b>7,181</b>	<b>6,041</b>	<b>1,391</b>	<b>4,498</b>	<b>437</b>	<b>84,500</b>
<b>At 31 March 2010</b>	<b>72,305</b>	<b>6,620</b>	<b>6,315</b>	<b>2,107</b>	<b>3,256</b>	<b>751</b>	<b>91,354</b>

The following two tables show the movements for 2011/12:-

	Land and Buildings	Plant and Equipment	Vehicles	Helicopter	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2011</b>	<b>65,897</b>	<b>21,261</b>	<b>14,933</b>	<b>3,336</b>	<b>5,136</b>	<b>437</b>	<b>111,000</b>
Additions	31	2,350	1,735	7	0	3,500	7,623
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,252	0	0	(700)	309	0	861
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	4,273	0	0	0	186	0	4,459
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(186)	0	0	0	0	0	(186)
Derecognition - Disposals	(310)	(2,554)	(1,067)	0	(587)	0	(4,518)
Derecognition - Other	0	(293)	(161)	0	(111)	0	(565)
Assets reclassified (to)/from							
- within PPE	526	(173)	0	0	728	(1,040)	41
- Held for Sale	(2,282)	0	0	0	(2,970)	0	(5,252)
<b>At 31 March 2012</b>	<b>69,201</b>	<b>20,591</b>	<b>15,440</b>	<b>2,643</b>	<b>2,691</b>	<b>2,897</b>	<b>113,463</b>

## Notes to the Accounts

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

	Land and Buildings	Plant and Equipment	Vehicles	Helicopter	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
	£000	£000	£000	£000	£000	£000	<b>£000</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2011</b>	<b>(945)</b>	<b>(14,080)</b>	<b>(8,892)</b>	<b>(1,945)</b>	<b>(638)</b>	<b>0</b>	<b>(26,500)</b>
Depreciation Charge	(1,256)	(2,580)	(1,803)	(700)	(43)	0	(6,382)
Depreciation written out to the Revaluation Reserve	442	0	0	1,875	35	0	2,352
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,735	0	0	0	27	0	1,762
Derecognition - Disposals	1	2,506	985	0	333	0	3,825
Derecognition - Other	0	264	144	0	110	0	518
Other movements in Depreciation and Impairment	5	252	0	0	(294)	0	(37)
<b>At 31 March 2012</b>	<b>(18)</b>	<b>(13,638)</b>	<b>(9,566)</b>	<b>(770)</b>	<b>(470)</b>	<b>0</b>	<b>(24,462)</b>
Net Book Value							
<b>At 31 March 2012</b>	<b>69,183</b>	<b>6,953</b>	<b>5,874</b>	<b>1,873</b>	<b>2,221</b>	<b>2,897</b>	<b>89,001</b>
<b>At 31 March 2011</b>	<b>64,952</b>	<b>7,181</b>	<b>6,041</b>	<b>1,391</b>	<b>4,498</b>	<b>437</b>	<b>84,500</b>

The Authority has a programme of regularly revaluing its land and property assets in accordance with the Code. A total of 23 of the Authority's existing land and building assets were revalued as at 31 March 2012 by an external professionally qualified valuer, Peter Whittington, MRICS, of Lambert Smith Hampton. In addition, the Authority's helicopter was revalued on 22 March 2012 using an experienced valuer, Paul Smith of Helimech Ltd. This resulted in a revaluation gain, although the valuer has advised that the flying hours of the aircraft are high and this would see a reduction in its value during 2012/13 when it is expected to exceed 10,000 total flying hours.

Valuations were completed in accordance with the Code and measured at fair value in existing use. As required by the Code and the Authority's accounting policy, significant components were separately valued in relation to selected property assets.

### 11. Intangible Assets

The Authority accounts for its 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 Authority 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 Authority. The useful lives assigned to the major software suites used by the Authority are:

	<b>Internally Generated Assets</b>	<b>Other Assets</b>
7 years	none	Operational Data Store Mobile Data Image transfer solution

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

## Notes to the Accounts

### 11. Intangible Assets (contd.)

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

	2010/11 Purchased Software Licences £000	2011/12 Purchased Software Licences £000
<b>Balance at start of year:</b>		
Gross carrying amounts	6,614	6,670
Restatement	0	0
<b>Restated Gross book value</b>	<b>6,614</b>	<b>6,670</b>
<b>Movement in Year</b>		
Additions	210	5
Disposals and deletions	(193)	(127)
Transfers	39	(41)
<b>Gross Book Value at end of year</b>	<b>6,670</b>	<b>6,507</b>
Accumulated dep'n and amortisation from earlier years	(4,769)	(5,095)
Depreciation on disposals	130	102
Depreciation on transfers	14	36
Amortisation for the year	(470)	(407)
<b>Net Book Value at end of year</b>	<b>1,575</b>	<b>1,143</b>
<b>Net Book Value at end of previous year</b>	<b>1,845</b>	<b>1,575</b>

	Carrying Amount		Remaining Amortisation Period at 31 March 2012
	31 March 2011 £000	31 March 2012 £000	
Operational Data Store	173	146	4 years
Mobile Data	263	213	4 years
Image transfer solution	124	103	5 years

## Notes to the Accounts

### 12. Financial Instruments

#### Categories of Financial Instruments

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

	Long Term		Current	
	2010/11	2011/12	2010/11 Restated	2011/12
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables	5,000	0	51,508	43,803
<b>Total investments</b>	<b>5,000</b>	<b>0</b>	<b>51,508</b>	<b>43,803</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	0	0	4,323	4,052
<b>Total debtors</b>	<b>0</b>	<b>0</b>	<b>4,323</b>	<b>4,052</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	0	(13,857)	(9,411)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(13,857)</b>	<b>(9,411)</b>

#### Investments

The investments can be analysed as follows:-

	2010/11	2011/12	2010/11 Restated	2011/12
	£000	£000	£000	£000
<u>Long term assets</u>				
Long term investment	5,000	0	0	0
<b>Total long term assets</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Current assets</u>				
Short term investments			30,190	35,211
Liquid investments			21,318	8,592
<b>Total Current assets</b>			<b>51,508</b>	<b>43,803</b>

The investment previously classified as long term has been reclassified as a short-term investment because it will mature prior to 31 March 2013.

The short term investments are for periods of up to one year. All of these will mature during 2012/13. There were seven short term investments at 31 March 2012, including the reclassified investment.

The liquid investments form part of the Authority's cash and cash equivalents (see page 26, note 15).

All of these investments 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 2012. Note 33 on page 47-50 discloses the fair value of these investments, i.e. the present value of the cash flows that will take place over the remaining term of the investments.

The Authority does not hold any external borrowings but has a historic internal borrowing requirement of approximately £10.5m (see the Treasury Management Section of the Foreword, page 5).



## Notes to the Accounts

### 12. 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:

	Financial Assets - loans and receivables	
	2010/11 £000	2011/12 £000
Interest expense	8	6
<b>Total expense in surplus/deficit on provision of services</b>	<b>8</b>	<b>6</b>
Interest receivable	(666)	(641)
<b>Total income in surplus/deficit on provision of services</b>	<b>(666)</b>	<b>(641)</b>
<b>Net gain for the year</b>	<b>(658)</b>	<b>(635)</b>

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

These are disclosed in note 33 on page 47-50.

### 13. Inventories

	Vehicle Parts		Uniform		Stock Forms		CS Spray Prisoner Supplies General Stock		Total	
	10/11 £000	11/12 £000	10/11 £000	11/12 £000	10/11 £000	11/12 £000	10/11 £000	11/12 £000	10/11 £000	11/12 £000
<b>Balance outstanding at start of year</b>	154	164	503	564	57	64	37	38	751	830
Purchases	1,044	1,065	543	263	155	121	193	180	1,935	1,629
Recognised as an expense in the year	(1,034)	(1,075)	(482)	(304)	(148)	(134)	(192)	(168)	(1,856)	(1,681)
<b>Balance outstanding at year end</b>	<b>164</b>	<b>154</b>	<b>564</b>	<b>523</b>	<b>64</b>	<b>51</b>	<b>38</b>	<b>50</b>	<b>830</b>	<b>778</b>

### 14. Debtors

#### Long term debtors

The long-term debtors' figure of £0.062m represents pay advances to new officers, which are recovered at the end of the officers' service with Essex Police Authority. The Authority has discontinued offering these advances, and the balance will therefore reduce over time as officers retire or transfer to other police authorities.

#### Short term debtors

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

	2010/11 £000	2011/12 £000
Central Government Bodies	3,141	2,415
Other Local Authorities	2,625	2,515
Other Entities & Individuals	5,172	8,646
<b>Balance at year end</b>	<b>10,938</b>	<b>13,576</b>

## Notes to the Accounts

### 15. Cash and Cash Equivalents

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

	2010/11 Restated £000	2011/12 £000
<b>Current Assets</b>		
Liquid investments	21,318	8,592
Operational bank accounts	(1,194)	(2,183)
Petty cash advances	356	353
<b>Total as per Balance Sheet</b>	<b>20,480</b>	<b>6,762</b>
Less accrued interest on net short term deposits	(23)	(3)
<b>Total excluding accrued interest</b>	<b>20,457</b>	<b>6,759</b>
<b>Balance at year end</b>	<b>20,457</b>	<b>6,759</b>

### 16. Assets Held for Sale

	2010/11 £000	2011/12 £000
<b>Balance outstanding at start of year</b>	<b>1,517</b>	<b>1,218</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,530	5,429
Revaluation losses	(44)	(138)
Assets declassified as held for sale:		
Property, Plant and Equipment	(825)	(172)
Assets sold	(1,960)	(3,871)
<b>Balance outstanding at year-end</b>	<b>1,218</b>	<b>2,466</b>

### 17. Short-Term Creditors

	2010/11 Restated £000	2011/12 £000
Central Government Bodies	(12,320)	(5,483)
Other Local Authorities	(3,172)	(4,674)
Other Entities & Individuals	(19,018)	(18,653)
<b>Balance at year end</b>	<b>(34,510)</b>	<b>(28,810)</b>

## Notes to the Accounts

### 18. Provisions

The Authority maintains two provisions totalling £1.521m as follows:

**a) Insurance Provision** (see note 35.10 on page 54 for further details):-

	£000
<b>Balance at 1 April 2010</b>	<b>1,488</b>
Additional provisions made in 2010/11	660
Amounts used in 2010/11	(620)
<b>Balance at 31 March 2011</b>	<b>1,528</b>
<b>Balance at 1 April 2011</b>	<b>1,528</b>
Additional provisions made in 2011/12	794
Amounts used in 2011/12	(864)
<b>Balance at 31 March 2012</b>	<b>1,458</b>

**b) Severance payments provision** (see note 2 page 16)

	£000
<b>Balance at 1 April 2010</b>	<b>0</b>
Additional provisions made in 2010/11	1,553
Amounts used in 2010/11	0
<b>Balance at 31 March 2011</b>	<b>1,553</b>
<b>Balance at 1 April 2011</b>	<b>1,553</b>
Additional provisions made in 2011/12	0
Amounts used in 2011/12	(1,490)
<b>Balance at 31 March 2012</b>	<b>63</b>

### 19. Usable Reserves

The year-end balances and the movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 10. Transfer to/from earmarked reserves are shown in note 5 on page 19.

### 20. Unusable Reserves

The following table summarises the year-end balances for the unusable reserves:-

	2010/11 £000	2011/12 £000
Revaluation Reserve	(3,412)	(5,195)
Capital Adjustment Account	(72,767)	(76,305)
Pensions Reserve	1,770,508	2,072,818
Collection Fund Adjustment Account	(72)	192
Accumulating Compensated Absences Adjustment Account	7,105	6,289
<b>Balance at year end</b>	<b>1,701,362</b>	<b>1,997,799</b>

Each reserve is explained in more detail on the following pages.

## Notes to the Accounts

### 20. Unusable Reserves (Contd.)

#### 20.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

	2010/11	2011/12
	£000	£000
<b>Balance at 1 April</b>	<b>(2,858)</b>	<b>(3,412)</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		
Upward revaluation of assets	(1,442)	(3,249)
Downward revaluation of assets and impairment losses	460	35
<b>Amount written off to the Capital Adjustment Account</b>		
Depreciation of revaluation gains	400	424
Accumulated gains on assets sold or scrapped	28	1,007
<b>Balance at 31 March</b>	<b>(3,412)</b>	<b>(5,195)</b>

#### 20.2 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 Authority 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 Authority.

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 4 on page 17 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Notes to the Accounts

### 20. Unusable Reserves (Contd.)

	2010/11 £000	2011/12 £000
<b>Balance at 1 April</b>	<b>80,562</b>	<b>72,767</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	(7,024)	(6,572)
Revaluation gains/losses on Property, Plant and Equipment	(4,547)	6,135
Amortisation of intangible assets	(471)	(407)
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	(2,606)	(4,635)
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>428</b>	<b>1,425</b>
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>66,342</b>	<b>68,713</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,110	1,768
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,120	2,511
Application of grants to capital financing from the Capital Grants Unapplied account	1,674	2,320
Statutory provision for the financing of capital investment charged against the General Reserve	521	521
Capital expenditure charged against the General Reserve	0	472
<b>Balance at 31 March</b>	<b>72,767</b>	<b>76,305</b>

### 20.3 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 Authority 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 Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

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 Authority 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.

	2010/11 £000	2011/12 £000
<b>Balance at 1 April</b>	<b>1,906,704</b>	<b>1,770,508</b>
Actuarial (gains) or losses on pensions assets and liabilities	(99,295)	207,105
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	10,953	152,177
Employer's pensions contributions and direct payments to pensioners payable in the year	(47,854)	(56,972)
<b>Balance at 31 March</b>	<b>1,770,508</b>	<b>2,072,818</b>

## Notes to the Accounts

### 20. Unusable Reserves (Contd.)

#### 20.4 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.

	2010/11	2011/12
	£000	£000
<b>Balance at 1 April</b>	<b>99</b>	<b>(72)</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	(171)	264
<b>Balance at 31 March</b>	<b>(72)</b>	<b>192</b>

#### 20.5 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.

	2010/11	2011/12
	£000	£000
<b>Balance at 1 April</b>	<b>6,961</b>	<b>7,105</b>
Settlement or cancellation of accrual made at the end of the preceding year	(6,961)	(7,105)
Amounts accrued at the end of the current year	7,105	6,289
<b>Balance at 31 March</b>	<b>7,105</b>	<b>6,289</b>

## Notes to the Accounts

### 21. Amounts Reported for Resource Allocation Decisions

The Police Authority sets the annual budget and the day-to-day management of the budget is delegated to the Force. The Force reports regularly to the Authority on the financial position and recommends to the Authority changes to the financial budgets which exceed the Force's delegated limits. To enable the Force to make recommendations on reallocating financial resources to the Authority, the Director of Finance and Administration receives monthly monitoring reports based on Chief Officer portfolios.

The analysis of income and expenditure by service within the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice and not by the Chief Officer portfolios. The Chief Officer portfolio reports are prepared on a different basis from the accounting policies used in the financial statements. In particular the Chief Officer portfolio reports includes:

- transfers to reserves and provisions
- investment income
- reversals of depreciation, revaluations, impairment losses and employee benefits

## Notes to the Accounts

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

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

2010/11									
Portfolio Analysis - Income and Expenditure									
	Policing Operations	Operational Support	Serious Crime Directorate	Information Technology	Finance & Admin	Deputy Chief Constable	Police Authority	Corporate Budgets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,590)	(3,465)	(6)	(98)	(1,745)	(132)	0	(18,013)	<b>(26,049)</b>
Interest and investment income	0	0	0	0	0	0	0	(666)	<b>(666)</b>
Income from council tax	0	0	0	0	0	0	0	0	<b>0</b>
Government grants & contributions	(10,424)	(9,218)	(184)	0	0	(445)	0	(20,249)	<b>(40,520)</b>
<b>Total Income</b>	<b>(13,014)</b>	<b>(12,683)</b>	<b>(190)</b>	<b>(98)</b>	<b>(1,745)</b>	<b>(577)</b>	<b>0</b>	<b>(38,928)</b>	<b>(67,235)</b>
Employee expenses	36,453	23,603	7,398	4,329	4,951	5,760	575	186,423	<b>269,492</b>
Other service expenses	8,739	6,812	5,024	7,336	12,611	1,926	575	2,292	<b>45,315</b>
Support Service recharges	0	642	0	0	144	19	82	203	<b>1,090</b>
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	88	<b>88</b>
Interest Payments	0	0	0	0	0	0	0	8	<b>8</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	(266)	<b>(266)</b>
Contribution to reserves and provisions	0	0	0	0	0	0	0	23,247	<b>23,247</b>
<b>Total Expenditure</b>	<b>45,192</b>	<b>31,057</b>	<b>12,422</b>	<b>11,665</b>	<b>17,706</b>	<b>7,705</b>	<b>1,232</b>	<b>211,995</b>	<b>338,974</b>
<b>Net Expenditure</b>	<b>32,178</b>	<b>18,374</b>	<b>12,232</b>	<b>11,567</b>	<b>15,961</b>	<b>7,128</b>	<b>1,232</b>	<b>173,067</b>	<b>271,739</b>
2011/12									
Portfolio Analysis - Income and Expenditure									
	Policing Operations	Operational Support	Serious Crime Directorate	Information Technology	Finance & Admin	Deputy Chief Constable	Police Authority	Corporate Budgets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(8,836)	(3,136)	(5)	(12)	(1,744)	(93)	(1)	(18,967)	<b>(32,794)</b>
Interest and investment income	0	0	0	0	0	0	0	(641)	<b>(641)</b>
Income from council tax	0	0	0	0	0	0	0	0	<b>0</b>
Government grants & contributions	(7,961)	(9,907)	(215)	0	0	(652)	0	(19,279)	<b>(38,014)</b>
<b>Total Income</b>	<b>(16,797)</b>	<b>(13,043)</b>	<b>(220)</b>	<b>(12)</b>	<b>(1,744)</b>	<b>(745)</b>	<b>(1)</b>	<b>(38,887)</b>	<b>(71,449)</b>
Employee expenses	32,633	24,694	7,605	4,203	4,583	5,679	588	191,003	<b>270,988</b>
Other service expenses	7,130	6,979	4,681	5,838	12,132	1,873	545	3,443	<b>42,621</b>
Support Service recharges	0	631	0	0	149	(7)	59	188	<b>1,020</b>
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	359	<b>359</b>
Interest Payments	0	0	0	0	0	0	0	6	<b>6</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	(340)	<b>(340)</b>
Contribution to reserves and provisions	0	0	0	0	0	0	0	28,241	<b>28,241</b>
<b>Total Expenditure</b>	<b>39,763</b>	<b>32,304</b>	<b>12,286</b>	<b>10,041</b>	<b>16,864</b>	<b>7,545</b>	<b>1,192</b>	<b>222,900</b>	<b>342,895</b>
<b>Net Expenditure</b>	<b>22,966</b>	<b>19,261</b>	<b>12,066</b>	<b>10,029</b>	<b>15,120</b>	<b>6,800</b>	<b>1,191</b>	<b>184,013</b>	<b>271,446</b>



## Notes to the Accounts

### 21. 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.

2010/11							
	Amounts not reported to Portfolio Analyses	Amounts not included in Cost of Services in CI&E	Total Cost of Services In CI&E	Other Operating, Financing, Investment Amounts	Taxation and Non Specific Grants	Surplus or Deficit on Provision of Services	
	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(26,049)	0	9,188	(16,861)	0	(16,861)	
Interest and investment income	(666)	0	666	0	(666)	(666)	
Income from council tax	0	0	0	0	(85,012)	(85,012)	
Government grants and contributions	(40,520)	0	6,409	(34,111)	0	(227,247)	
<b>Total Income</b>	<b>(67,235)</b>	<b>0</b>	<b>16,263</b>	<b>(50,972)</b>	<b>(666)</b>	<b>(329,786)</b>	
Employee expenses	269,492	16,669	145	286,306	0	286,306	
Other service expenses	45,315	0	0	45,315	0	45,315	
Support Service recharges	1,090	(155,018)	0	(153,928)	0	(153,928)	
Depreciation, amortisation and impairment	88	0	12,044	12,132	0	12,132	
Interest Payments	8	0	(8)	0	8	8	
Gain or Loss on Disposal of Fixed Assets	(266)	0	266	0	(266)	(266)	
Contribution to reserves and provisions	23,247	0	(21,034)	2,213	0	2,213	
Pension interest cost & return on assets	0	0	0	0	107,858	107,858	
<b>Total expenditure</b>	<b>338,974</b>	<b>(138,349)</b>	<b>(8,587)</b>	<b>192,038</b>	<b>107,600</b>	<b>0</b>	
<b>Surplus on the provision of services</b>	<b>271,739</b>	<b>(138,349)</b>	<b>7,676</b>	<b>141,066</b>	<b>106,934</b>	<b>(278,148)</b>	
2011/12							
	Amounts not reported to Portfolio Analyses	Amounts not included in Cost of Services in CI&E	Total Cost of Services In CI&E	Other Operating, Financing, Investment Amounts	Taxation and Non Specific Grants	Surplus or Deficit on Provision of Services	
	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(32,794)	0	16,937	(15,857)	0	(15,857)	
Interest and investment income	(641)	0	641	0	(641)	(641)	
Income from council tax	0	0	0	0	(85,384)	(85,384)	
Government grants and contributions	(38,014)	0	16,408	(21,606)	0	(224,076)	
<b>Total Income</b>	<b>(71,449)</b>	<b>0</b>	<b>33,986</b>	<b>(37,463)</b>	<b>(641)</b>	<b>(325,958)</b>	
Employee expenses	270,988	13,284	(816)	283,456	0	283,456	
Other service expenses	42,621	0	0	42,621	0	42,621	
Support Service recharges	1,020	817	0	1,837	0	1,837	
Depreciation, amortisation and impairment	359	0	884	1,243	0	1,243	
Interest Payments	6	0	(6)	0	6	6	
Gain or Loss on Disposal of Fixed Assets	(340)	0	340	0	(340)	(340)	
Contribution to reserves and provisions	28,241	0	(29,201)	(960)	0	(960)	
Pension interest cost & return on assets	0	0	0	0	95,378	95,378	
<b>Total Expenditure</b>	<b>342,895</b>	<b>14,101</b>	<b>(28,799)</b>	<b>328,197</b>	<b>95,044</b>	<b>0</b>	
<b>Deficit on the provision of services</b>	<b>271,446</b>	<b>14,101</b>	<b>5,187</b>	<b>290,734</b>	<b>94,403</b>	<b>(287,854)</b>	

## Notes to the Accounts

### 22. Members' Allowances and Expenses

The total amount of allowances and expenses paid to members of Essex Police Authority were:-

	2010/11	2011/12
	£000	£000
Allowances	234	235
Expenses	20	5
<b>Total</b>	<b>254</b>	<b>240</b>

The 2011/12 expenses figure is net of the repayment of £9,999.99 overpaid expenses by the former Chairman.

### 23. Officers' Remuneration

The following table identifies the number of police officers and police staff whose remuneration was £50,000 or more during 2011/12. The numbers of officers and staff are shown in remuneration bands of £5,000.

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

Remuneration Band	2010-11			2011-12		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	167	19	186	207	23	<b>230</b>
£55,000 - £59,999	116	17	133	121	17	<b>138</b>
£60,000 - £64,999	24	5	29	48	10	<b>58</b>
£65,000 - £69,999	8	5	13	7	3	<b>10</b>
£70,000 - £74,999	13	1	14	8	2	<b>10</b>
£75,000 - £79,999	7	1	8	9	3	<b>12</b>
£80,000 - £84,999	7	0	7	8	2	<b>10</b>
£85,000 - £89,999	1	0	1	3	1	<b>4</b>
£90,000 - £94,999	6	1	7	4	1	<b>5</b>
£95,000 - £99,999	2	0	2	1	0	<b>1</b>
£100,000 - £104,999	1	1	2	1	0	<b>1</b>
<b>Total</b>	<b>352</b>	<b>50</b>	<b>402</b>	<b>417</b>	<b>62</b>	<b>479</b>

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

## Notes to the Accounts

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

The following tables set out the remuneration (including employer's pension contributions) for the chief officers and senior employees of Essex Police Authority.

Regulations require that the Chief Constable is identified by name. Other officers and employees are identified by post.

2010/11						
	Salary (including allowances) (note 1) £	Bonus £	Benefits in kind (note 2) £	Other payments (note 3) £	Employers Pension contributions £	Total remuneration £
Chief Constable - J Barker McCardle	170,570	0	0	0	35,491	206,061
Deputy Chief Constable	143,066	0	2,055	9,089	29,279	183,489
Assistant Chief Constable	124,372	0	3,658	0	25,080	153,110
Assistant Chief Constable	118,268	0	3,937	0	25,350	147,555
Assistant Chief Constable	117,467	0	6,161	0	25,350	148,978
Temp Assistant Chief Constable (note 4)	89,298	3,539	0	0	19,564	112,401
Chief Executive (note 5) - <b>restated</b>	100,859	0	6,008	0	13,830	120,697
Treasurer (note 6)	33,920	0	0	0	4,620	38,540
Monitoring Officer (note 7)	29,599	0	0	0	0	29,599
Director of Finance & Administration	103,257	0	0	0	12,637	115,894
Director of ICT (note 8) - <b>restated</b>	109,240	0	0	0	13,452	122,692
<b>Total</b>	<b>1,139,916</b>	<b>3,539</b>	<b>21,819</b>	<b>9,089</b>	<b>204,653</b>	<b>1,379,016</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 leased cars.
- 3) The other payments figure represents relocation expenses paid to the Deputy Chief Constable in post during 2010/11.
- 4) The Temporary Assistant Chief Constable held this post with effect from 1 January 2011. Prior to this date the post holder held the post of Superintendent. The remuneration shown is the full remuneration for the whole year. The bonus figure in the second column represents performance related bonus earned as a Superintendent.
- 5) The Chief Executive's remuneration has been restated by the inclusion of the benefits in kind value, which was not included in the 2010/11 Statement of Accounts.
- 6) The Treasurer was appointed on 5 April 2010, contracted for two and a half days per week. His annualised salary for 2010/11 on a full time basis was £74,781
- 7) The Monitoring Officer was contracted for two days per week. His annualised basic salary for 2010/11 on a full time basis was £74,781 (2009/10 £72,900).
- 8) The Director of ICT is a shared post between Essex and Kent Police Authorities. The post holder is on the Essex payroll and 50% of the costs are recharged to Kent. The figures in the above table have been restated to show the total amount of the remuneration earned by the post holder. The table in the 2010/11 Statement of Accounts showed the 50% element funded by Essex.

## Notes to the Accounts

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

2011/12						
	Salary (including allowances) (note 1) £	Bonus £	Benefits in kind (note 2) £	Other payments £	Employers Pension contributions £	Total remuneration £
Chief Constable - J Barker McCardle	174,658	0	0	0	26,897	201,555
Deputy Chief Constable (note 3)	135,531	0	3,450	0	29,095	168,076
Assistant Chief Constable	120,139	0	2,894	0	25,615	148,648
Assistant Chief Constable	106,471	0	0	0	22,236	128,707
Assistant Chief Constable (note 4)	108,069	0	5,890	0	23,481	137,440
Chief Executive (note 5)	105,937	0	6,008	0	14,493	126,438
Acting Chief Executive/Treasurer (note 5)	81,802	0	0	0	11,125	92,927
Director of Finance & Administration	104,337	0	0	0	12,750	117,087
Director of ICT	113,412	0	0	0	13,985	127,397
<b>Total</b>	<b>1,050,356</b>	<b>0</b>	<b>18,242</b>	<b>0</b>	<b>179,677</b>	<b>1,248,275</b>

#### Notes

- 1) See 2010/11 note 1.
- 2) See 2010/11 note 2.
- 3) The current Deputy Chief Constable was appointed to this post in June 2011. The 2010/11 costs, including the relocation expenses payment, are for the previous post holder.
- 4) This Assistant Chief Constable retired on 29 February 2012.
- 5) The Chief Executive was suspended from July 2011 to the end of the financial year (he resigned in June 2012). An outcome was that the Treasurer also performed the role of Acting Chief Executive from this date. The earnings disclosed for the Acting Chief Executive/Treasurer have increased because he performed this dual role and because his contracted hours increased to full time from July 2011. His annualised salary from this date was £90,000.
- 6) The Essex Police command structure includes two posts shared with Kent Police: a) Assistant Chief Constable; b) Director of Resources.  
The post holders are on the Kent payroll, and 50% of the costs are recharged to Essex. The remuneration is disclosed in full in the Kent Police Authority Statement of Accounts.
- 7) The command structure also includes one Assistant Chief Constable, on secondment from Hertfordshire Police Authority since December 2011. The post holder is on the Hertfordshire payroll and the remuneration is disclosed in the Hertfordshire Police Authority Statement of Accounts.

#### Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	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	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
£0 - £20,000	7	15	14	153	21	168	£227,967	£1,592,901
£20,001 - £40,000	8	4	8	72	16	76	£486,235	£2,096,310
£40,001 - £60,000	2	0	8	13	10	13	£503,015	£617,454
£60,001 - £80,000	1	0	4	5	5	5	£346,296	£342,343
£80,001 - £100,000	1	1	1	1	2	2	£166,788	£165,381
£100,001 - £150,000	0	0	1	1	1	1	£115,359	£100,376
<b>Total</b>	<b>19</b>	<b>20</b>	<b>36</b>	<b>245</b>	<b>55</b>	<b>265</b>	<b>£1,845,661</b>	<b>£4,914,764</b>

## Notes to the Accounts

### 24. External Audit Costs

	2010/11 £000	2011/12 £000
<u>Fees payable to the Audit Commission:</u>		
- with regard to external audit services carried out by the appointed auditor	116	93
	<b>116</b>	<b>93</b>

### 25. Grant Income

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

	2010/11 £000	2011/12 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Capital Grants	(3,698)	(2,761)
Pensions top up grant	(6,409)	(14,275)
Police Grant	(111,626)	(117,610)
Revenue Support Grant	(9,054)	(15,511)
National Non Domestic Rates	(62,349)	(50,180)
Council Tax Freeze Grant	0	(2,133)
Council Tax Precepts	(85,012)	(85,384)
<b>Total</b>	<b>(278,148)</b>	<b>(287,854)</b>
<b>Credited to Services</b>		
Neighbourhood Policing Grant	(7,215)	(7,214)
Crime Fighting Fund	(6,067)	0
Additional Rule 2 Grant	(3,311)	0
ACPO Terrorism and Allied Matters Committee (TAM)	(4,715)	(4,420)
Dedicated Security Grant	(4,048)	(4,324)
Local Partnership Funding	(2,887)	(909)
Safety Roads Bureau	(1,468)	(577)
Basic Command Unit Fund	(827)	0
Olympic Grant	0	(862)
Other Grants	(3,497)	(3,298)
<b>Total</b>	<b>(34,035)</b>	<b>(21,604)</b>

The Authority has received a number of 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 on the table on the following page:

## Notes to the Accounts

### 25. Grant Income (contd.)

	2010/11 £000	2011/12 £000
<b>Capital Grants Receipts in Advance</b>		
ACPO (TAM) - for various capital projects	257	544
Learning Skills Council - Probationer Training project	144	144
3D laser scanning equipment	0	144
Home Office - Air Support grant	44	37
ANPR project 1	25	25
ANPR project 2	17	17
ANPR project 3	0	16
In car video project	40	3
Other contributions	2	2
Security services - shared accomodation project	90	0
Essex Casualty Reduction Partnership - IT project	12	0
<b>Total</b>	<b>631</b>	<b>932</b>

### 26. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority 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 25 and 26.

Members of the Police Authority have direct control over the Authority's financial and operating policies. The Authority maintains a register of members' interests, which is open to public inspection. During the year no Members of the Authority have undertaken any material transactions with the Authority.

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

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

a) Essex County Council provides a coroner service and police officer & police staff pensions administration service to the Authority under service level agreement. The total value of services provided in 2011/12 was £0.962m.

b) The Authority works in partnership with District and Borough Councils within Essex via Crime and Disorder Reduction Partnerships and other local partnership arrangements. The total value of transactions paid by the Authority attributable to these partnership arrangements during 2011/12 was £0.723m.

## Notes to the Accounts

### 26. Related Parties (contd.)

c) Essex Police has five main collaborative agreements with Kent Police covering Marine Services, Air Support, Information Services, Procurement and Transport Services. Each of these are categorised as jointly controlled operations as each Authority uses and retains its own assets in the provision of the joint service rather than creating a legal entity separate to Essex Police and Kent Police. The amount received from Kent Police for the year 2011/12 for Air Support and as contributions to joint heads of department was £0.6m. The amount paid to Kent Police for the year 2011/12 as contributions to joint departments was £0.858m.

	<b>2011/12</b>
	<b>£000</b>
<b>Essex Police costs for collaboration activities with Kent</b>	
The joint Serious Crime Directorate	25,454
The joint Procurement Unit	308
The joint Information Services Directorate	10,021
The joint Marine Unit	710
The joint Transport Services Department	2,736
<b>Total</b>	<b>39,229</b>

### 27. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	11,522	11,002
<b>Capital Investment</b>		
Property, Plant and Equipment	6,035	7,621
Intangible Assets	211	5
capital grant paid to other Authorities	0	12
<b>Sources of finance</b>		
Capital receipts	(2,110)	(1,767)
Government grants and other contributions	(3,794)	(4,733)
Transfer from Mobile Data Reserve	0	(421)
Revenue funding	0	(51)
Capital creditors	94	(449)
Capital debtor	(19)	(99)
Capital payment in advance	(416)	(118)
Minimum revenue provision	(521)	(521)
<b>Closing Capital Financing Requirement</b>	<b>11,002</b>	<b>10,481</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(520)	(521)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(520)</b>	<b>(521)</b>

The estimated value of significant commitments under capital contracts totalled £1.477m at 31 March 2012 (1.862m at 31 March 2011). A commitment of £0.932m relates to the custody refurbishment project at Chelmsford Police Station.

## Notes to the Accounts

### 28. Leases

#### Authority as Lessee

##### Finance Leases

The Authority holds one property and one equipment lease which are accounted for as finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts. These amounts are included in the PPE balances in note 10 on page 20.

	2010/11 £000	2011/12 £000
Other Land and Buildings	44	40
Vehicles, Plant, Furniture and Equipment	12	8
<b>Total</b>	<b>56</b>	<b>48</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2010/11 £000	2011/12 £000
<b>Finance lease liabilities (net present value of minimum lease payments):</b>		
* Non current	83	10
Finance costs payable in future years	30	2
<b>Minimum lease payments</b>	<b>113</b>	<b>12</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Not later than one year	0	0	0	0
Later than one year and not later than five years	14	10	3	2
Later than five years	69	0	27	0
<b>Total</b>	<b>83</b>	<b>10</b>	<b>30</b>	<b>2</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

##### Operating Leases

The Authority 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:

	2010/11 £000	2011/12 £000
Not later than one year	193	116
Later than one year and not later than five years	200	25
Later than five years	842	952
<b>Total</b>	<b>1,235</b>	<b>1,093</b>



## Notes to the Accounts

### 29. 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 2011/12 was undertaken in conjunction with the Authority's valuers. The valuer's 2011/12 review of asset valuations comprised an assessment of the Authority's property portfolio and general movement in property values. This concluded that a modest upward adjustment of carried forward values on non-residential properties of 2% would be appropriate. It also concluded that whilst it may be reasonable to make no change to police house property values, a reduction of 1% would be appropriate. A prudent approach has been taken and a 1% impairment applied to police house values.

Impairment losses were also charged in 2011/12 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 10 and 11 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

### 30. Termination Benefits

The Authority terminated the contracts of 265 employees in 2011/12 (55 employees in 2010/11), incurring the following liabilities:-

- £3.817m severance payments (£1.447m in 2010/11)
- £1.098m enhancement of retirement benefits (£0.399m in 2010/11)

Details of exit packages are shown in note 23, page 36.

## Notes to the Accounts

### 31. Defined Benefit Pension Schemes

#### Transactions Relating to Retirement Benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge the Authority 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 Authority'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		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>								
Cost of Services:								
Current service cost	35,340	37,744	9,346	7,460	3,090	2,078	47,776	47,282
Past service cost/(gain)	(130,442)	0	(3,664)	0	(6,905)	0	(141,011)	0
Financing and Investment Income & Expenditure:								
Interest cost	95,824	86,472	2,048	2,280	6,518	4,842	104,390	93,594
<b>Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>722</b>	<b>124,216</b>	<b>7,730</b>	<b>9,740</b>	<b>2,703</b>	<b>6,920</b>	<b>11,155</b>	<b>140,876</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>								
Actuarial losses/(gains)	(67,204)	151,739	(4,130)	7,525	(25,518)	3,818	(96,852)	163,082
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(66,482)</b>	<b>275,955</b>	<b>3,600</b>	<b>17,265</b>	<b>(22,815)</b>	<b>10,738</b>	<b>(85,697)</b>	<b>303,958</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(722)	(124,216)	(7,730)	(9,740)	(2,703)	(6,920)	(11,155)	(140,876)
<b>Actual amount charged against the General Reserve for pensions in the year</b>								
Retirement benefits payable to pensioners	23,034	22,316	6,876	7,217	2,977	3,005	32,887	32,538

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £163,082m (£96.852m gains in 2010/11) have been included in the Comprehensive Income & Expenditure Statement (see page 11).

## Notes to the Accounts

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

#### Local Government Pension Scheme

	Local Government Pension Scheme	
	2010/11 £000	2011/12 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services:		
Current Service cost	10,491	8,699
Past Service gain	(14,522)	0
Loss on curtailments and settlements	515	817
Financing and Investment Income & Expenditure		
Interest cost	13,560	12,684
Expected return on assets in the scheme	(10,092)	(10,899)
<b>Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>(48)</b>	<b>11,301</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>		
Actuarial losses / (gains)	(2,443)	44,023
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(2,491)</b>	<b>55,324</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	<b>48</b>	<b>(11,301)</b>
<b>Actual amount charged against the General Reserve for pensions in the year</b>		
Employer's contribution payable to scheme	8,710	<b>8,745</b>

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £44.023m (£2.443m gains in 2010/11) have been included in the Comprehensive Income & Expenditure Statement. The cumulative amount of actuarial losses recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes is £207.105m (£99.296m gains in 2010/11).

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

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

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Totals	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Benefit Obligation at start of year	1,683,187	1,577,239	29,680	36,426	114,291	88,499	1,827,158	<b>1,702,164</b>
Current Service Cost	35,340	37,891	9,346	7,460	3,090	2,072	47,776	<b>47,423</b>
Interest on Pension Liabilities	95,824	86,472	2,048	2,280	6,518	4,842	104,390	<b>93,594</b>
Actuarial (Gains)/Losses	(67,204)	151,739	(4,130)	7,525	(25,518)	3,818	(96,852)	<b>163,082</b>
Contributions by Scheme Participants	10,389	10,191	2,686	2,812	0	0	13,075	<b>13,003</b>
Past Service Gains	(130,442)	0	(3,664)	0	(6,905)	0	(141,011)	<b>0</b>
Benefits Paid/(Received)	(49,855)	(58,275)	460	(97)	(2,977)	(3,000)	(52,372)	<b>(61,372)</b>
<b>Benefit Obligation at end of year</b>	<b>1,577,239</b>	<b>1,805,257</b>	<b>36,426</b>	<b>56,406</b>	<b>88,499</b>	<b>96,231</b>	<b>1,702,164</b>	<b>1,957,894</b>

## Notes to the Accounts

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

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Totals	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Opening Fair Value of Assets	0	0	0	0	0	0	0	0
Expected Return on Assets	0	0	0	0	0	0	0	0
Actuarial Gains/(Losses) on Assets	0	0	0	0	0	0	0	0
Contributions by Employer	39,466	48,084	(3,146)	(2,715)	2,977	3,000	39,297	48,369
Contributions by Participants	10,389	10,191	2,686	2,812	0	0	13,075	13,003
Net Benefits Paid Out	(49,855)	(58,275)	460	(97)	(2,977)	(3,000)	(52,372)	(61,372)
<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>

The following tables reconciles the present value of the liabilities and assets of the Local Government Pension Scheme attributable to Essex Police Authority:

<b>Liabilities</b>	<b>Local Government Pension Scheme</b>	
	<b>2010/11 £000</b>	<b>2011/12 £000</b>
<b>Balance at start of year</b>	<b>237,670</b>	<b>226,662</b>
Current Service Cost	10,491	8,699
Interest Cost	13,560	12,684
Contributions by Scheme Participants	3,894	3,649
Actuarial (Gains)/Losses	(19,521)	34,932
Benefits/Transfers Paid	(5,425)	(5,388)
Curtailments	515	817
Past Service Costs/(Gains)	(14,522)	0
<b>Balance at end of year</b>	<b>226,662</b>	<b>282,055</b>

<b>Assets</b>	<b>Local Government Pension Scheme</b>	
	<b>2010/11 £000</b>	<b>2011/12 £000</b>
<b>Balance at start of year</b>	<b>158,124</b>	<b>158,317</b>
Expected Return on Assets	10,092	10,899
Actuarial Gains/(Losses)	(17,078)	(9,091)
Employer Contributions	8,710	8,745
Contributions by Scheme Participants	3,894	3,649
Benefits Paid	(5,425)	(5,388)
<b>Balance at end of year</b>	<b>158,317</b>	<b>167,131</b>

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.

The actual return on scheme assets for 2011/12 was £1.808m (2010/11 £15.638m).

## Notes to the Accounts

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

#### Scheme history

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
Present value of liabilities					
Local Government Pension Scheme	(182.0)	(158.6)	(237.6)	(226.7)	(282.2)
Police Officer Pension Schemes	(1,514.7)	(1,253.1)	(1,827.2)	(1,702.2)	(1,957.9)
	<u>(1,696.7)</u>	<u>(1,411.7)</u>	<u>(2,064.8)</u>	<u>(1,928.9)</u>	<u>(2,240.1)</u>
Fair value of assets in the Local Government Pension Scheme	129.7	110.0	158.1	158.3	167.2
Deficit in the scheme					
Local Government Pension Scheme	(52.3)	(48.6)	(79.5)	(68.4)	(115.0)
Police Officer Pension Schemes	(1,514.7)	(1,253.1)	(1,827.2)	(1,702.2)	(1,957.9)
<b>Total</b>	<b><u>(1,567.0)</u></b>	<b><u>(1,301.7)</u></b>	<b><u>(1,906.7)</u></b>	<b><u>(1,770.6)</u></b>	<b><u>(2,072.9)</u></b>

The liabilities show the underlying commitments that the Authority has in the long term to pay retirement benefits. The total liability of £2,072.818m has a substantial impact upon the net worth of the Authority as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Authority 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 contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £7.399m. Expected contributions for the Police Pension Schemes in the year to 31 March 2013 by the employer are £22.5m for the 1987 Scheme and £7.2m for the 2006 Scheme.

#### 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 2010
- Police Pension Schemes: 31 March 2008

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

The principal assumptions used by the actuaries are shown in the table on the following page:

## Notes to the Accounts

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

	Local Government Pension Scheme		Police Officer Pension Schemes	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Long-term expected rate of return on asset in the scheme:				
Equity investments	7.5%	6.4%	n/a	n/a
Government Bonds	4.4%	3.3%	n/a	n/a
Other Bonds	5.1%	4.6%	n/a	n/a
Property	6.5%	5.4%	n/a	n/a
Cash/Liquidity	0.5%	0.5%	n/a	n/a
Life expectancy of a pensioner aged 65 (LGPS)/60 (Officers) retiring in 20 years time (Police injury award scheme in brackets):				
Male	24.0	24.1	28.4 (25.8)	28.4 (25.8)
Female	26.8	26.8	30.7 (28.0)	30.7 (28.1)
Life expectancy of a pensioner aged 65 (LGPS)/60 (Officers) retiring today				
Male	22.6	22.7	26.8 (24.3)	26.8 (24.3)
Female	25.2	25.3	29.1 (24.3)	29.1 (26.5)
Rate of Inflation (RPI)	3.4%	3.3%	3.5%	3.3%
Rate of Inflation (CPI)	2.9%	2.5%	3.0%	2.5%
Rate of Increase in Salaries	4.4%	4.3%	4.3%	4.1%
Rate of Increase in Pensions	2.9%	2.5%	3.0%	2.5%
Discount Rate	5.5%	4.6%	5.5%	4.6%
Take up of option to convert annual pension into retirement lump sum (Police injury award scheme in brackets)	50%	50%	50% (0%)	50%

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

	2010/11 £000	2011/12 £000
Equities	69.5%	70.0%
Government Bonds	6.7%	4.0%
Other Bonds	9.5%	10.0%
Property	11.2%	14.0%
Cash/Liquidity	3.1%	2.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of each of the following years:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
<u>Differences between the expected and actual return on assets</u>					
Local Government Pension Scheme	(11)	(34)	(21)	11	5
<u>Experience gains and (losses) on liabilities</u>					
Local Government Pension Scheme	4	0	0	7	0
Police Officer Pension Schemes	6	0	0	3	4

## Notes to the Accounts

### 32. Contingent Liabilities

- a) There are two legal claims against the Authority with an estimated value of £3.0m. The timing of when these claims will be concluded is uncertain. The Authority strongly disputes the validity of both of these claims, and accordingly has set aside no provision in its accounts. In the event of an adverse outcome, the Authority has sufficient funds in its General Reserve to meet the cost of these claims.
- b) Following the announcement during 2010/11 of a reduction in government funding over the next four years, the Authority has been undergoing a major restructuring programme. It is estimated there may be additional severance costs up to £0.2m during 2012/13. With the introduction of the Police and Crime Commissioner in November 2012 and plans to minimise severance payments by re-deploying staff where possible, the £0.2m costs are treated as a contingent liability.

The Authority sets aside funds in the Severance Payments Provision towards the costs of severance payments. This had a balance at 31 March 2012 of £0.063m (see note 18 on page 27).

### 33. 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 Authority'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 financial instruments held by the Authority can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. Accordingly, the fair value of the Authority's investments as at 31 March 2012 has been calculated to be £43.815m (2010/11 £56.531m).

This is higher than the carrying amount of £43.803m (2010/11 £56.508m) because the Authority's portfolio of investments is made up of fixed rate deals where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount that the Authority would receive if it agreed to early repayment of the investments.

The discount rate used in the calculation is the prevailing rate of a similar instrument with a published market rate to each of the individual investments making up the portfolio. The valuation assumes that no early repayment of impairment is recognised.

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 Authority's other financial instruments.

## Notes to the Accounts

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

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

The Authority'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 Authority
- liquidity – the possibility that the Authority might not have funds available to meet its commitment to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

#### Credit risk

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

This risk is minimised through the Treasury Management Strategy, which is set annually by the Authority. 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 5. 2 monetary limit periods of lending are limited to twelve months.

In addition, the Authority uses the creditworthiness service provided by Sector Treasury Services Ltd, supplemented by market data, information on government support for financial institutions and the credit rating of that government support.

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 Authority. The analysis on the following page summarises the Authority'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.



## Notes to the Accounts

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

	Amount at 31 March 2012	Historical experience of default	Historical experience market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	43,803	0.00	0.00	0
Sundry debtors	1,658	0.05	0.05	83
<b>Total</b>	<b>45,461</b>			<b>83</b>

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

The Authority does not generally allow credit for sundry debtors beyond 30 days, such that £0.096m of the £1.658m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days           £1.562m
- between 61 and 90 days       £0.006m
- over 90 days                     £0.090m

#### Liquidity risk

The Authority manages its liquidity position through a comprehensive cash management system.

The Authority did not have any short or long term external borrowings at 31 March 2012. Should there be a need for the Authority 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 Authority would be unable to raise finance to meet its commitments under financial instruments. The risk would be that the Authority would be bound to replenish a significant proportion of any future borrowings at a time of unfavourable interest rates. The Authority 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 Authority 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 Authority. 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 fair value of the Authority's investments is subject to increases/decreases in market rates. For example, if market rates had been 1% higher, at 31 March 2012 the fair value of investments would have been reduced by £0.134m. If interest rates had been 1% lower, the fair value would have been increased by the same amount.

The Authority's Financial Services 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.

## Notes to the Accounts

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

#### Price risk

The Authority 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 Authority 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 Authority purchases specialist goods and services (e.g. helicopter service costs) 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.

### 34. Heritage Assets

The Authority does not hold any material 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.

Two of the Authority's police stations are grade II buildings. The buildings are held for operational purposes rather than for heritage reasons, and they have therefore been valued on the same basis as other operational premises.

## Notes to the Accounts

### 35. Summary of Significant Accounting Policies

#### 35.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the year 2011/12 and its position at the year ending 31 March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2011/12*. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

#### 35.2 Accruals of Income and Expenditure

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

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Fees, charges and rents due from customers are accounted for as income at the date the Authority 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.

#### 35.3 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.

#### 35.4 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)*.

#### 35.5 Council Tax Income

The Authority 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 Authority. Each billing authority credits the Council Tax income that it collects to its Collection Fund, and pays to the Authority the precept or demand for the year, plus or less the Authority's share of the surplus or deficit on the Collection Fund for the previous year.

The Authority is required to include in its Comprehensive Income & Expenditure Statement its share of the accrued Council Tax income of each billing authority, i.e. the Authority'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 Authority'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.

## Notes to the Accounts

### Balance Sheet

The Authority'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.

### **35.6 Retirement Benefits**

#### **Police Officers**

The Authority participates in the following schemes:

- a) Police Officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme
- b) Police Officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme

Both of these schemes are defined benefit schemes, administered on behalf of the Authority by Essex County Council. The schemes are unfunded, meaning that there are no investment assets built up to meet pensions liabilities.

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

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

The cost of future retirement benefits when they are earned by serving police officers are recognised in the CIES in accordance with IAS19, Accounting for Retirement Benefits, and therefore form part of the Net Deficit for the Year. In order to ensure that these costs have a neutral impact upon the amount raised from Council Tax, they are reversed out in the Movement in Reserves Statement (MIRS).

The Authority follows the accounting treatment for pensions top-up grant as set out in the Guidance to the Code of Practice. The grant is:

- credited to Taxation and Non Specific Grant Income in the CIES
- charged to the General Reserve and credited to the Pensions Reserve in the MIRS

This is a departure from the Code of Practice, which states that states that the payment of top up grant should be reported against the same line item as the top-up grant receivable within the CIES.

#### **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 attributable to the Authority 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 attributable to the Authority 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:

## Notes to the Accounts

- a) Current service cost: the increase in liabilities as a result of years of retirement benefits earned this year – charged to the CIES.
- 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 CIES 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 CIES.
- d) Expected return on assets: the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the CIES.
- e) Gains/losses on settlement and curtailments: the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the CIES 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 CIES.
- g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Authority to raising Council Tax to cover the amounts payable by the Authority to the pension fund in the year. In the MIRS 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.

### 35.7 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.

### 35.8 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 the risks and rewards to the Authority it is accounted for as finance lease. All other lease arrangements are treated as operating leases.

In determining the accounting arrangements for an agreement where the Authority is the lessee, consideration is given to substance of the transaction rather than the form of the agreement. The Authority 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 Authority 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.

Assets recognised under a finance lease are also revalued in the same way as the Authority's other assets.

## Notes to the Accounts

Operating leases: Rentals payable are charged to the Income and Expenditure Account 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.

### 35.9 Reserves

The Authority 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 Authority. These reserves are explained in the relevant policies.

### 35.10 Provisions

The Authority 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 Authority 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.

### 35.11 Value Added Tax

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

### 35.12 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 Authority for a period of more than one year.

The Authority 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.

## Notes to the Accounts

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 – 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. The force helicopter is also revalued every 5 years and the value of the helicopter is written down over its useful life.

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.

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.

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 Authority's property advisors, assuming no residual value.
- Plant, helicopter, 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.

## Notes to the Accounts

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 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 Authority'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 Authority 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 Authority 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 Authority'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 mis-statement of the accounts (i.e. depreciation charges and the assets carrying amount).



## Notes to the Accounts

### Equipment assets

The Authority 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.

### Helicopter

The Authority separates the asset between the following components :-

- Airframe
- Major mechanical components, e.g. gearbox, engines
- Role equipment, e.g. mission pod, surveillance equipment

Fitted equipment, avionics and minor mechanical components will be included as part of the airframe component, as the value of these items are not significant.

### Revaluation Reserve balances

Prior to 2011/12 balances on the revaluation reserve covered property assets and the Authority's helicopter.

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 is 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 and the Authority's helicopter are to be allocated across components.

### Impairment of assets

At the end of each financial year the Authority 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.

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 Authority 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:

## Notes to the Accounts

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

The Authority is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However it 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.

### 35.13 Intangible assets

Expenditure on the Authority'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.

### 35.14 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.

### 35.15 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.

### 35.16 Capital grants and contributions

All capital grants and contributions received by the Authority 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.

## Notes to the Accounts

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

### 35.17 Donated assets

Assets which are transferred to the Authority at nil value or acquired at less than fair value are treated as donated assets.

Donated assets transferred to the Authority 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 Authority 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.

### 35.18 Minimum revenue provision

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10, and assesses 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 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 Authority. However, the Authority 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 Authority 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.

### 35.19 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 Authority. 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.

### 35.20 Financial Assets and Liabilities

The Authority'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

## Notes to the Accounts

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

### 35.21 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 Authority.

The Authority 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 Authority 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 Authority 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 Authority 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.

### 35.22 Cash and Cash Equivalents

The Authority 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 Authority 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:

## Notes to the Accounts

- 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and which form an integral part of the Authority's cash management.

### 35.23 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 Authority'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.

### 35.24 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.

### 35.25 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.

### 35.26 Contingent Assets and Liabilities

The Authority recognises material contingent assets and liabilities which arise from past events whose existence can only be confirmed by the occurrence of one or more uncertain future events, which are not wholly within the Authority's control. Details of the extent of the potential liabilities are described in note 32 on page 47.

## Notes to the Accounts

### **36. Purpose of Earmarked Reserves**

The following notes explain the purpose of earmarked reserves that had a closing balance at 31 March 2012:-

1. The Insurance Reserve finances the self-insurance element of any future claims against the Authority.
2. The Mobile Data Reserve funds the future years costs of the use of mobile data devices throughout the force, including the replacement of devices.
3. The 2012 Olympics Reserve funds the shortfall between the costs to the Authority of policing the 2012 Olympic Games and funding bids to central government.
4. The Leased Property Dilapidations Reserve funds the cost of future major repairs to a multi occupancy building. The Authority 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.
5. The Leased Property 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.
6. The Forfeiture Monies Reserve holds funds transferred to the Authority 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.

### **37. Date of Authorisation of the Statement of Accounts for Issue**

The Statement of Accounts was authorised for issue on 27 September 2012 by Mr Charles Garbett BA, IPFA, Acting Chief Executive and Treasurer to Essex Police Authority.

## 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 Authority by Essex County Council.

The Fund receives income each year from:

- Employer's contributions from Essex Police Authority 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 Account is balanced to nil at the end of the year either by receiving contributions from Essex Police Authority which the Authority recoups from central government, or by paying the surplus over to the Police Authority which pays it over to central government.

The top-up grant is paid initially into the Essex Police Comprehensive Income and Expenditure Statement, and then transferred into the Police Officer Pension Fund Account as an additional contribution from Essex Police Authority.

The Account 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.

	2010/11 £000	2011/12 £000
<b>Contributions receivable</b>		
Essex Police Authority	(29,763)	(29,680)
Serving police officers	(13,075)	(13,003)
Capital equivalent payment for ill health	(146)	(1,267)
<b>Transfers in</b>		
Individual transfers in from other schemes	(692)	(610)
<b>Total Receipts</b>	<b>(43,676)</b>	<b>(44,560)</b>
<b>Benefits payable</b>		
Pensions	42,708	45,012
Commutations and lump sum payments	6,930	13,054
Lump sum death benefits	220	149
NIC on pension funds	30	6
<b>Payments to and on account of leavers</b>		
Refund of contributions	46	10
Individual transfers out to other schemes	151	605
<b>Total Payments</b>	<b>50,085</b>	<b>58,835</b>
<b>Sub total for the year before transfer from Essex Police Authority of amount equal to the deficit</b>	<b>6,409</b>	<b>14,275</b>
<b>Transfer of amount from Essex Police Authority of amount equal to the deficit</b>	<b>(6,409)</b>	<b>(14,275)</b>
<b>Net amount payable for the year</b>	<b>0</b>	<b>0</b>

## Police Officer Pension Fund Account

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

	2010/11 £000	2011/12 £000
Contributions due from employers	0	0
Transfer receivable from Essex Police Authority	6,409	14,275
Unpaid pension benefits	0	0
Amount due to sponsoring department	0	0
Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	0	0
<b>Total Net Assets</b>	<b>6,409</b>	<b>14,275</b>

The additional contribution receivable from Essex Police Authority relates to the police officer pensions top-up grant, which is paid into the Essex Police Comprehensive Income and Expenditure Statement and then transferred into the Police Officer Pension Fund Account.

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 31 (pages 42-46) to the Authority's core financial statements.



# Annual Governance Statement

## Introduction

This statement sets out the Authority's governance arrangements in relation to the 6 core principles of good governance, namely:

- A. Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- B. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- C. Promoting the values of the Authority and demonstrating the values of good governance through behaviour.
- D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- E. Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively.
- F. Engaging with local people and other stakeholders to ensure robust, local public accountability.

The statement is in 5 parts, covering:

- 1. Scope of responsibilities
- 2. The purpose of the governance framework
- 3. The governance framework described
- 4. Review of the effectiveness of the framework
- 5. Actions to address any significant governance weaknesses

# Annual Governance Statement

## **1. Scope of responsibilities**

- 1.1. Essex Police Authority (“the Authority”) is responsible for ensuring its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions. This includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 1.3. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework: Delivering Good Governance in Local Government. A copy can be obtained from The Chief Executive, Essex Police Authority, 3 Hoffmanns Way, Chelmsford, Essex, CM1 1GU.
- 1.4. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2011, in relation to the publication of a statement on internal control.
- 1.5. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework

## **2. The Purpose of the Governance Framework**

- 2.1. The governance framework comprises the systems and processes and culture and values by which the Authority is directed and controlled as well as the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those 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 that 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. Therefore, it can only provide reasonable and not absolute, assurance of effectiveness.
- 2.3. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks occurring, the impact should they occur and to manage them effectively, efficiently and economically. The governance framework has been in place at the Authority for the year ended 31 March 2012.

## **3. The Governance Framework**

- 3.1. Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel and for putting in place proper arrangements for the governance of the force, the Authority is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It follows that the Authority must satisfy itself that the force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.
- 3.2. The following sections (A-F) describe the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and force.

## Annual Governance Statement

### A. Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

#### A1. Agree and regularly review a statement of purpose, vision and values.

The Authority produces its own business plan on an annual basis. This sets out its purpose, vision and values and as well as priorities for the Authority to ensure it remains an effective body for oversight of the force.

#### A2. Agree and regularly review a statement of the force's culture, vision and values.

The Authority and force jointly prepare and publish annually a three year strategy and annual plan setting out local policing priorities and targets. The Authority also keeps under review key force plans and strategies such as the Community Engagement Strategy.

#### A3. Ensure that partnership working is underpinned by a common vision that is understood by all parties.

The three year strategy and annual plan includes priorities to be delivered in partnership. The Authority and force work to support common aims with a variety of stakeholders.

#### A4. Measure and keep under review the quality of policing services.

The Authority seeks information on service quality through its own and the force's engagement activity. Use is also made of the results from the force user satisfaction survey and mystery shopping programme as well as national public perception surveys. This feedback is considered, together with a range of other information, to determine local policing priorities.

The three year strategy and annual plan includes priorities relating to the quality of policing services in Essex with associated measures and targets. The Authority has endorsed service standards in support of these priorities, with the following commitments:

- Delivering a high quality service
- Protecting the public
- Providing a local service
- Keeping victims of crime informed

The Performance Committee and its constituent panels keep the quality of policing services under review. For example the Professional Standards Department oversees or investigates misconduct and complaints concerning the conduct of officers and staff and the Authority oversee this work through the Complaints and Professional Standards Panel.

The Authority has recourse to independent performance information, including information from external audit, inspection and review reports and through the national quantitative analysis tool, to support its robust review of performance.

#### A5. Measure and review value for money.

The Authority and force regularly monitor key performance indicators that provide a broad measure of value for money.

## Annual Governance Statement

Value for money is constantly sought through channelling resources to priority areas, particularly to the front line. The work of the Reform Programme which oversees savings and efficiencies within the force and the collaboration programmes seek to challenge existing practices, drive out inefficiencies and ensure resources and assets are used more effectively.

The Authority oversees these work areas through its committee oversight role and by participation at programme board level. The Authority also monitors on a regular basis the progress of all major revenue investments to ensure that service benefits are delivered as planned.

### A6. Undertake environmental scanning to identify local and national expectations.

The Authority actively participates in the work of the Association of Police Authorities (APA), contributing to issues as they emerge and assisting the development of policy and guidance at a national level. Advice, guidance and information from the APA are disseminated to all members on a regular basis, usually through a regular newsletter, or through the formal committee process as necessary.

The Police Reform and Social Responsibility Bill has been enacted and Police and Crime Commissioners (PCCs) will replace police authorities in November 2012. Authorities are obliged to prepare for the transfer to PCCs and make the necessary resources available.

Other monitoring services are used to oversee parliamentary and legislative developments.

Locally the Authority and force use their engagement activities to capture local issues. In particular the Authority will use the Independent Advisory Group (IAG) to engage with 'hard to reach' minority groups and youth forums to engage with young people. Active engagement with key partners, particularly CSPs, Local Strategic Partnerships (LSPs), and the local airport operator ensures that key local stakeholders' views are known.

### A7. Hold the Chief Constable to account for the delivery of effective policing services, including effective arrangements to identify and deal with failure in service delivery.

The Authority formally oversees the production of and progress against all targets and priorities set out in the local policing strategy and plan.

Performance is measured against targets, over time and compared with peers. The Authority pro-actively challenges areas of poor performance and seeks detailed reports on these areas to monitor progress and ensure improvement. This is achieved primarily through the Authority's Performance committee and its constituent panels but the Authority is also represented on the force Performance, Review and Intervention meeting (PRISM) which considers and takes action in relation to monthly data.

The Authority has a lead member scheme that assigns individual members to support and challenge on specific themes and districts in Essex. The Authority also oversees key change programmes designed to improve specific services.

The Authority contributes to the force's programme of reviews to ensure they are rigorous and oversees any resulting action plan to ensure that improvements are implemented.

The Chief Constable is subject to a performance appraisal system overseen by the Authority and HMIC.

The Authority has a joint Risk Management Strategy in place with the force for the robust and effective management of risks with regular monitoring at police Authority meetings and by the lead member for risk management. The Authority has its own Business Continuity Plan and seeks assurance about the force's arrangements.

## Annual Governance Statement

### B. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

#### B1. Demonstrate it understands its role and functions.

The Authority produces a business plan on an annual basis that sets out its mission, statement of purpose and values. The plan sets objectives and an action plan, the outcomes from which are reviewed on a regular basis and reported on each year

The Authority maintains a members' handbook setting out the Authority's constitution, working arrangements and responsibilities of individual members. A scheme of delegation exists setting out the respective level of responsibilities of the Chief Constable, Chief Executive and Treasurer.

The Authority's members and staff, regularly work with the force through both formal structures and informal arrangements to ensure that the Authority effectively discharges its duty to ensure the provision of an efficient and effective police service.

The Authority uses an induction programme to ensure new members understand the work of the Authority and their role in it.

#### B2. Set out the role and responsibilities of members, the Chief Constable, the Chief Executive, the Treasurer and the monitoring officer.

The roles and responsibilities of all statutory officers are set out in role profiles. Delegation arrangements are set out in the Authority's constitution and financial regulations.

Members' roles and responsibilities are set out in the constitution.

#### B3. Make the Chief Constable and Chief Executive responsible and accountable for the operational arrangements of the force and Authority, respectively.

The Policing Strategy and Plan and the Essex Police Authority Business Plan set out the key objectives and targets for which the officers are responsible.

The Authority has a formal committee structure for reporting progress and informal arrangements with the chairman and other lead members to discuss relevant matters. Both the Chief Constable and the Chief Executive are subject to a performance appraisal system as are members of the Authority.

#### B4. Demonstrate how it fulfils its statutory responsibilities.

- a) **Planning:** the Authority works with the force, stakeholders and local communities to set the strategy and priorities for policing. A Policing Strategy and Plan is published annually. The Authority and force produce a medium term financial strategy setting out the likely available resources to ensure that resources are directed to address the strategic priorities.
- b) **Finance and Budget:** the Authority ensures the force has the budget to deliver its objectives. It sets an annual revenue budget and manages its financial resources, land and other assets through a capital strategy and appropriate asset management plans. Financial regulations and contract standing orders are in place for the proper administration of the Authority's financial affairs. The Authority is subject to the Audit Commission's independent assessment of its use of resources. The Authority and force are also subject to the HMIC review of plans and preparedness to meet the budget reduction.

## Annual Governance Statement

- c) **Community engagement:** A joint Community Engagement Strategy is in place, which sets out force and Authority arrangements to inform, consult and engage with the people of Essex. The Authority and force regularly attend or hold public events to inform the public and to seek the views of various communities or groups on policing priorities. The Authority oversees the work of the force's engagement through the formal committee structure. The Authority and force maintain websites to inform and to seek the views and concerns of the public. The Authority supports the attendance by the public at its meetings, which include an opportunity for public questions.
- d) **Performance management and continuous improvement:** the Authority has arrangements in place to monitor, assess and challenge performance through its committee structure, lead member roles, consultation and external inspections. The Authority routinely identifies good and bad performance issues and seeks to address poor performance or areas of concern through appropriate and robust scrutiny arrangements.
- e) **Complaints and Professional Standards:** the Authority has arrangements in place to deal with complaints against chief officers of the Force. The Authority's Chief Officers' Committee considers any complaint or misconduct charge against a chief officer. The Chief Executive is delegated to undertake any necessary preliminary enquiries. The Authority regularly monitors complaints raised against police officers and staff through its committee structure.
- f) **Equality and diversity:** equality schemes and equality analysis are in place for the force and Authority. The HR and Diversity Panel and lead member for equality and diversity monitor delivery against the schemes and consider the outcomes of equality analysis when making decisions.
- g) **Collaboration:** the Authority and force jointly exploit the opportunities presented by collaboration to make efficiency improvements and better use of existing resources and assets. A formal decision making process with collaborative partners has been established to oversee developments and ensure that anticipated benefits are realised in a timely fashion.

B5. Ensure that policing is appropriately delivered in partnership with other agencies, with clear governance arrangements within those partnerships.

The Authority and force work to support common aims with a variety of stakeholders, including:

- Community Safety Partnerships (CSPs)
- Local Criminal Justice Board
- Stansted Airport Limited
- Safer Roads Partnerships
- District, Town and Parish Councils
- Essex County Council and Unitary Councils
- Essex County Neighbourhood Watch Executive Committee

The Authority is actively engaged with other forces and police authorities in the eastern region and with Kent to pursue collaborative benefits. Joint statutory committees have been established to formalise the governance of this work.

## Annual Governance Statement

### B6. Have in place an effective independent custody visiting scheme.

The Authority has a review group to oversee all arrangements of the independent custody visiting scheme, ensuring the scheme is maintained, kept under review and remains effective.

## **C. Promoting the values of the Authority and demonstrating the value of good governance through behaviour.**

### C1. Ensure its work is underpinned by ethical values and a climate of openness, support and respect.

The Authority sets out its values in its business plan which is updated and reviewed annually. Members are governed by codes of conduct which are overseen by the Authority's Standards Committee. Corporate governance arrangements are kept under review by the Authority. Members of staff are subject to clear standards of behaviour overseen by the Chief Executive.

The constitution sets out the Authority's working arrangements, ensuring full participation by members in the work of the Authority.

### C2. Ensure that standards of conduct and personal behaviour expected between members, Authority staff and force personnel are defined, communicated and monitored.

Each member has a defined set of roles and responsibilities.

Documented policies exist on codes of conduct for members and standards of behaviour for staff. All new members and staff receive induction training, including responsibilities relating to conduct and standards of behaviour.

Member attendance records are maintained for all formal meetings of the Authority.

### C3. Actively promote and maintain high standards of conduct.

The Authority follows approved procedures and competency standards for the appointment of all staff and independent members.

Procedures are in place for declaring interests, claiming expenses and recording hospitality received.

The Authority has whistle blowing and grievance procedures in place.

### C4. Ensure that the force sets high standards of ethical behaviour and that complaints are dealt with effectively.

The Authority has procedures in place to deal with complaints against chief officers. The Authority also oversees complaints against the force and its officers through its Complaints and Professional Standards Panel, which complies with national guidance.

The Force has whistle blowing and grievance procedures in place.

Moreover, underpinning all of the above governance standards is the active involvement of the Authority's Monitoring Officer. The Monitoring Officer is the seconded Essex County Council Solicitor and is responsible for ensuring compliance with all relevant laws, regulations and best practice guidelines. During the course of the year the services of the Monitoring Officer has been supplemented by specialist lawyers from Essex Legal Services on a wide range of cases.

## Annual Governance Statement

### D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

#### D1. Have in place a formal mechanism to take required decisions.

The Authority has a formal committee structure with clear terms of reference and a scheme of delegation. Standing orders and financial regulations set out responsibilities, various controls and approval procedures. Formal reports are presented to the appropriate Authority meetings and all decisions are formally recorded in the minutes of each meeting.

#### D2. Maintain effective audit arrangements

The Authority oversees audit arrangements through the Finance & Audit Committee, which considers the annual audit plans of both the external auditors and internal audit. Both plans are risk based.

Progress against the internal audit plan is monitored on a regular basis. The external auditor presents the annual audit letter to members of the Finance and Audit Committee each year.

#### D3. Have access to up-to-date information to support decision making.

Formal reports are presented to the Authority's meetings in a timely fashion.

Members have access to independent legal advice from the Authority's solicitor who is also the monitoring officer and financial advice from the Treasurer. They also have access to independent policy advice and research. Members are briefed by officers of the Authority to support independent scrutiny and decision making at meetings.

Members, through their link roles, and attendance at force meetings have access to key senior force personnel to discuss progress and areas of concern.

Regular briefings and workshops are arranged to provide information on topical issues or areas of concern.

#### D4. Have in place an effective system to manage risks.

The Authority has approved a risk management strategy and oversees its implementation through its Finance & Audit Committee. All members receive training on risk management.

The force and Authority maintain a corporate risk register and both have Business Continuity Plans.

Risk assessments are performed for all major initiatives and projects.



## Annual Governance Statement

### **E. Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively.**

#### E1. Demonstrate that it plans for how it will deliver its own role and functions.

The Authority contributes to and subsequently approves the Policing Strategy and Plan as well as preparing its own business plan which is updated annually.

#### E2. Demonstrate that it plans and makes appropriate allocation and use of funding to deliver its role and functions.

The Authority's business plan identifies the resources and funding needed to perform its own role. The budget is monitored throughout the year.

#### E3. Demonstrate that it provides or has access to the range of capabilities necessary to fulfil its role and functions.

The Authority appoints its independent members and officers using an open competency based recruitment process.

A dedicated team of staff supports the work of the Authority. Members and officers receive induction and on-going training and development to maintain their effectiveness.

Where appropriate, additional support is obtained from Essex Police to fulfil specific roles, particularly for media and public relations activities and human resources support.

#### E4. Demonstrate that it effectively communicates.

The Authority has its own dedicated website describing its work and activities, including public meetings, agendas and reports and all key policy documents.

Regular internal communication is undertaken via formal and informal meetings and the weekly newsletter. The use of staff appraisal, team meetings and circulating management team notes ensures that staff are engaged on a regular basis.

The Authority and force maintain regular communication through the intranet, regular meetings between chief officers and members and Essex Police's newspaper 'Upbeat'.

#### E5. Demonstrate that it has operational policies, procedures and processes to deliver its role and functions and that these are regularly reviewed.

The Authority has a written constitution setting out its structure, standing orders, contract standing orders, financial regulations, member responsibilities, scheme of delegation and code of conduct.

It has also developed HR policies, adopting force policies and procedures where appropriate. The Authority has an office procedures manual setting out procedures key to the smooth running of the Authority's offices. Training records and records of attendance are monitored.

The Force's blueprint for reorganising and maximising police service provision within the context of significant funding reductions draws upon the key skills across the Authority and Force. The regular review and management of the Blueprint implementation through the Reform Programme Board has been markedly successful.

In addition, the preparation and review of the Authority's estate strategy and need to move the strategy forward will draw upon specialist skills available within the organisation.

#### E6. Demonstrate that it has the physical resources to deliver its role and functions and that these are regularly reviewed.

The Authority has its own dedicated modern office facilities and car park. The office is fully equipped with IT, printing and communications facilities.

## Annual Governance Statement

### F. Engaging with local people and other stakeholders to ensure robust local public accountability.

#### F1. Understand to whom it is accountable and for what it is accountable and make this known to the communities it serves.

The role and functions of the Authority are communicated to the public and other stakeholders through the publication of its meetings, reports and policies and through a system of regular public engagement activities and events. The Authority's website includes information about the role of the Authority, including information about its plans and achievements and how the public can get involved. It is maintained to ensure that all public reports and notices of forthcoming meetings and events are readily available.

The Authority and force publish a council tax leaflet which includes the local policing summary and is distributed to every council tax paying household in Essex. The force also publishes an annual report which is a general report on policing of the force area in the previous year.

#### F2. Ensure arrangements are in place to enable effective engagement with all sections of the community.

The Authority has a joint community engagement strategy with the force and undertakes a number of specific activities to engage with the diverse and hard to reach groups within its community. Data shows that these arrangements are effective in terms of reaching a representative sample of the communities in Essex.

The Authority actively engages with the press and media to ensure widespread coverage of its activities. Survey outcomes and other feedback mechanisms are regularly reported to the Authority to monitor the effectiveness of feedback arrangements and the quality of service provided.

#### F3. Ensure arrangements are in place to enable effective engagement with partners, stakeholders and other organisations.

A link member role has been established for individual members to engage with each CSP in the force's area and for youth services. The Authority is also engaged with the Essex Criminal Justice Board (CJB) to develop a closer working relationship. In addition, it is a member of the Essex Partnership forum.

#### F4. Have a clear policy on how and when it consults and involves staff and their representatives in decision making, policies and procedures.

The Authority holds regular meetings with each staff association.

The Authority's staff are engaged through team meetings and the appraisal scheme. Trade union liaison is maintained at all appropriate occasions.

The Authority has whistle-blowing arrangements and grievance procedures in place for all staff.

#### F5. Regularly publish information on the Authority's work and achievements.

The Authority publishes reports, minutes and key publications such as the policing plan on its website. The Authority has a Freedom of Information Publication Scheme in place.

The statement of accounts is published and the council tax leaflet is distributed to every household, as well as being available on the website.

#### F6. Ensure that the Chief Constable regularly publishes information on the force's work, achievements and satisfaction of users.

The policing strategy and plan is published and available on the Authority's website. Performance against the policing plan targets, including comparisons over time and against peers, is regularly reported to the Authority and available on the Authority's website.

Action plans arising from various inspections are monitored by the Authority, with reports and minutes available on the website.

The Authority and force regularly issue press releases about key work and achievements.

## Annual Governance Statement

### 4. Review of Effectiveness

#### 4.1 Police Authority

4.1.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

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

4.1.2 These reviews have been informed by the work of the Authority's Audit Panel and internal audit during the course of the year. Managers within the Authority who have responsibility for the development and maintenance of the governance environment have contributed to this work. In addition, comments made by the external auditors and other review agencies and inspectorates have informed this review.

4.1.3 The Audit Panel has specific responsibilities for corporate governance arrangements, internal audit and risk management. The panel oversees the progress of internal audit and as a body independent of the internal audit service, it provides an appropriate means of assessing the effectiveness of internal audit. Progress on risk management is regularly reported to the panel.

#### 4.2 The Force

4.2.1 Chief Officers are responsible for determining force strategies and key policy decisions. They identify the service improvement programmes necessary to deliver the three year policing strategy and the mechanisms for authorising, monitoring and controlling the corporate projects needed to deliver the necessary improvements in the service.

4.2.2 A key focus for the year has been the delivery of financial savings and other efficiencies through the Reform Programme and the delivery of efficiencies through collaborative work with other forces.

#### 4.3 Internal Audit

4.3.1 Internal audit have maintained a continuous review of the internal control environment throughout the year.

They have delivered a risk based internal audit programme, including reviews of corporate governance, risk management and key financial systems.

4.3.2 The view of the internal auditors is that they consider that Essex Police have established a sound control framework.

4.3.3 The Authority places reliance on the annual programme of internal audits summarised in the Annual Report of RSM Tenon in determining its level of assurance on these issues. An extract from RSM Tenon's opinion for 2011/12 is set out below:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Essex Police Authority's arrangements. For the 12 months ended 31 March 2012, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Essex Police Authority's arrangements for governance, risk management and control is as follows:

Governance - The authority has adequate and effective Governance arrangements in place

Risk Management - Our risk maturity review concluded a risk defined opinion and made 11 medium category recommendations for further improvement

Control - The results of our work indicate an improving control framework and application of controls across a range of financial and operational areas. Our reports continue to identify weaknesses in some areas

Scope of the Internal Audit opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2012;
- The results of follow-up action taken in respect of audits from previous years;
- Whether high or medium recommendations have been accepted by management and, if not, the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;

## Annual Governance Statement

### 5. Significant Governance Issues

5.1 The definition of a significant governance issue is one where the issue has:

- seriously prejudiced or prevented achievement of a principle objective
- resulted in a need to seek additional funding to allow it to be resolved
- resulted in a significant diversion of resources from another aspect of the business
- led to a material impact on the accounts
- resulted in the Audit Panel advising that it should be considered significant for this purpose
- resulted in the Head of Audit Services reporting it as significant, for this purpose, in the annual assurance statement
- resulted in formal action being taken by the Treasurer and/or the monitoring officer
- or its impact has, attracted significant public interest or has seriously damaged the reputation of the Authority and/or the force

### 5.2 Governance of Collaboration

5.2.1 Given the development of significant collaboration arrangements across numerous partners there is a need to ensure that governance arrangements remain robust with regard to the number of agencies involved.

5.2.2 The Authority proposes, over the coming year, to take steps to review its governance arrangements in order to facilitate and support collaboration initiatives with the potential to enhance policing services in Essex.

5.2.3 This includes the support of any particular collaboration which benefits other authorities to a much greater extent than this Authority but which will lead to a wider overall benefit.

### 5.3 Police and Crime Commissioners

5.3.1 The timetable for implementation of the revised governance arrangements relating to the directly elected Police and Crime Commissioners (PCCs) will represent a significant challenge. The Authority is preparing for the introduction of PCCs and a seamless transition to the new governance arrangements

Signed:

Anthony Jackson  
Chairman  
Essex Police Authority

Jim Barker-McCardle  
Chief Constable  
Essex Police

Charles Garbett  
Acting Chief Executive  
Essex Police Authority

17 September 2012

17 September 2012

17 September 2012

## Glossary of Terms

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

**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 Authority, which has a value, for example, land & buildings, vehicles, equipment, cash.

**AUDIT COMMISSION** – An independent body, established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to the Police Authority. The Audit Commission has a duty to ensure that the Police Authority makes proper arrangements for ensuring the economy, efficiency and effectiveness in their use of resources and has the power to undertake special 'value for money' studies.

**BUDGET** – A statement of the Authority's plans in financial terms. A budget is prepared and approved by the Police Authority 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 Police Authority precept on the fund to finance part of their net revenue expenditure.

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

## Glossary of Terms

**CREDITORS** – Individuals or organisations to whom the Authority 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 Authority 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 Authority'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 Authority'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 authority 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 REGULATIONS** – A written code of procedures approved by the Authority, 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 Authority for a period of more than one year.

## Glossary of Terms

**FLOOR** – The minimum increase in Government grants guaranteed to all Police Authorities. 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 an authority needs to spend to provide a common level of service having regard to its individual circumstances. It is used to distribute Revenue Support Grant and 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 Authority will remain in operational existence for the foreseeable future, in particular that the Income & Expenditure Account 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 an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**IAS17 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 Authority 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 an authority 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 Authority 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 Police Authority 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

**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 Police Authorities 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 Authority 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 Income & Expenditure Account to finance capital expenditure and thus reduce the requirement to borrow.

**REVENUE SUPPORT GRANT (RSG)** - General government grant support towards police authority expenditure.

**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.

**SERVICE REPORTING CODE OF PRACTICE** – A CIPFA guide to accounting which provides a consistent and comparable calculation of the total costs of services.

**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.



## **Glossary of Terms**

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

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

**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 Authority's accounts is available from:

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

Telephone 01245 452615

E-mail: [financehelp@essex.pnn.police.uk](mailto:financehelp@essex.pnn.police.uk)

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

General information about Essex Police Authority can be obtained from its website: [www.essex.police.uk/authority](http://www.essex.police.uk/authority)