

POLICE & CRIME COMMISSIONER FOR ESSEX

POLICE & CRIME COMMISSIONER FOR ESSEX GROUP

STATEMENT OF ACCOUNTS FOR 2012/13 CONTENTS

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

This Statement of Accounts sets out the income and expenditure of the PCC for Essex and the PCC for Essex Group during the financial year 2012/13 and the financial position at 31 March 2013.

During 2012/13 Essex Police Authority was abolished by statute and replaced by the PCC. These are therefore the first set of accounts for the PCC for Essex. The accounts have been prepared on a merger accounting basis, treating the merger as having taken place on 1 April 2012. All transactions have been recognised in the accounts of the PCC.

Where the accounts refer to the "PCC for Essex Group" or "the Group", this refers to the combination of the PCC and the Chief Constable.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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 PCC's and the Group's activities and highlights the significant features of their financial positions.

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

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

Independent Auditor's Report to the PCC for Essex and to the Chief Constable of Essex (Page 7 - 10)

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 PCC, the Group and the Chief Constable.

Core Financial Statements (Pages 11 - 14)

These comprise:

- Movement in Reserves Statement - this shows the movement in the year on the different reserves held by the PCC and the Group
- Comprehensive Income and Expenditure Statements - these shows the economic cost in the year to the PCC and the Group of providing services
- Balance Sheet - this sets out the net assets of the PCC and the Group and the reserves and balances as at 31 March 2013
- Cash Flow Statement – this summarises the inflows and outflows of cash with third parties

Notes to the Financial Statements (Pages 15 - 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 PCC, which explain the basis on which the PCC'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.

Combined Annual Governance Statement for the PCC for Essex and the Chief Constable of Essex (Pages 65-72) This sets out the PCC's and Chief Constable's governance arrangements and a review of the effectiveness of those arrangements.

Glossary of Terms (Pages 63- 78)

This explains the technical accounting and financial terms used in this document.

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

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
	Budget	Actual	Variance
Police Pay And Allowances	179,951	180,689	738
Police Staff Pay and Allowances	72,900	73,292	392
Police Pensions	3,718	4,080	362
Training	643	552	(91)
Other Employees Expenses	1,451	896	(555)
Premises	10,423	10,091	(332)
Transport	7,340	6,949	(391)
Supplies And Services	24,328	23,000	(1,328)
Agency Services	3,181	3,098	(83)
Support Services	1,004	1,115	111
Other Expenditure	1,768	1,733	(35)
Total Expenditure	306,707	305,495	(1,212)
Income	(38,293)	(39,103)	(810)
Net Expenditure	268,414	266,392	(2,022)
Taxation and Non Specific Grant Income			
Police Grant	(109,534)	(109,534)	0
National Non Domestic Rates	(62,404)	(62,404)	0
Revenue Support Grant	(1,210)	(1,210)	0
Council Tax Precept	(88,725)	(88,725)	0
Collection Fund Surplus	(102)	(102)	0
	(261,975)	(261,975)	0
Deficit before transfer from Earmarked Reserves	6,439	4,417	(2,022)
Transfer from Earmarked Reserves	(311)	491	802
Transfer from General Reserve	6,128	4,908	(1,220)

The Net Expenditure excludes depreciation, pension liabilities, accumulated absences and other items. These charges are included in the Core Financial Statements (pages 11-14). The Net Expenditure includes the following contributions to partners and significant items of income:-

Contributions to partners:-

	£000
Young Offenders Teams	322
Eastern Region Intelligence Unit	262
Other Regional Working	87
Crime Stoppers	48
Safeguarding Children & Vulnerable Adults Committees	175
Total	894

Significant sources of income:-

	£000
Neighbourhood Policing Fund	(7,171)
Dedicated Security Grant	(4,717)
Stansted Airport Contribution	(6,175)
Total	(18,063)

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

Police and Crime PCC for Essex

The Police Reform and Social Responsibility Act 2011 established new policing arrangements in England and Wales. Under the Act, police authorities were abolished in November 2012 and were replaced with directly elected PCCs. The Act also established PCCs and Chief Constables as separate legal entities.

The PCC for Essex took up office on 22 November 2012. He is responsible for securing the maintenance of an effective and efficient police force, setting the PCC's and force's budgets, making community safety grants and holding the Chief Constable to account for the delivery of policing within Essex.

The Chief Constable is responsible for the delivery of the policing service having regard to the PCC's policing priorities as set out in his Police and Crime Plan.

Stage 1 and Stage 2 transfers

As part of these arrangements, all land, assets, contracts, rights and liabilities that were held by the former Essex Police Authority transferred to the PCC. This included the transfer of all police staff with the exception of the Chief Finance Officer of the Chief Constable. This was referred to as the Stage 1 transfer.

The Act sets out a second Stage 2 transfer, which refers to the subsequent movement of certain staff, property, rights and liabilities from the PCC to the Chief Constable. The Government has set a deadline of 1 April 2014 for Stage 2 transfers to be completed.

The PCC and Chief Constable have established a Stage 2 Board to draw up proposals for which staff etc. will transfer to the Chief Constable and to set out a programme to carry out these transfers. Proposals must be submitted to the Home Office in September 2013.

Financial Outlook

In January 2013, the PCC for Essex set his 2013/14 revenue budget. The planned Net Revenue Expenditure for 2013/14 is £271.573m, and the band D Council Tax for 2013/14 is £141.48. Full details of the PCC's 2013/14 budget are available in the 2013/14 Budget Book, which can be downloaded from the PCC's website (<http://www.essex.pcc.police.uk/>) or from the address shown on page 83.

Following the Government's 2010 Comprehensive Spending Review (CSR), the PCC must make recurring revenue savings of £42.2m over the four years ending 2014/15. By April 2013 £34.9m savings had been delivered and plans had been identified to achieve the remaining £7.3m. These plans include ongoing collaborative activity with Kent Police.

General Reserve

The following table identifies the movements on the General Reserve during the year. The balance on the General Reserve represents 7.2% of the 2012/13 Net Revenue Expenditure.

	£000
General Reserve at start of year	(23,037)
<u>Movement in Reserves</u>	
Use of General Reserve to support revenue expenditure	4,908
Transfer from Olympics Reserve to General Reserve	(1,000)
Net use of General Reserve	3,908
General Reserve at end of year	(19,129)

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

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

Earmarked Reserves

The PCC inherited a number of earmarked reserves from the former Police Authority, totalling £2.566m at 31 March 2013. The movement on earmarked reserves is shown in note 5 on page 20.

Capital Programme

In 2012/13, capital expenditure amounted to £7.801m.

Building projects included completion of a custody refurbishment at Chelmsford Police Station and an improvement project at Laindon Traffic Garage to provide a response hub. In addition, projects to replace roofs at Brentwood, Chelmsford, Saffron Walden and Southend Police Stations were undertaken. A programme to provide mobile data terminals across the force to support the Blueprint model continued during 2012/13. Annual programmes for replacement servers, printers, docking stations, desktop and laptop computers were undertaken together with further development of the PCC's core data and telephony network. Finally, a total of 125 vehicles, to replace existing fleet vehicles and also to provide additional assets, were purchased at a cost of £2.165m.

Capital expenditure was financed using the following sources:-

Home Office and other governmental body grants	(69% of total payments)
Contributions from partners and other third parties	(2%)
Receipts generated from the disposal of fixed assets	(27%)
Contributions from revenue	(2%)

National Police Air Service (NPAS)

NPAS was established in September 2012 and is hosted by the PCC for West Yorkshire. The Essex helicopter transferred to NPAS, and has therefore been written out of the balance sheet in these accounts. The PCC received a capital receipt of £0.248m in 2012/13 and will receive further receipts totalling £0.462m over the five year period to 2017/18.

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 13 and note 27 on page 42) includes net liabilities of £122.723m for police staff and £2,209.377m for police officers. The statutory arrangements for funding the police officer deficit and the PCC's arrangements for funding the police staff deficit, however, mean that the financial position of the PCC remains sound.

Treasury Management

The PCC invests his surplus funds in accordance with the Treasury Management Strategy, which is agreed each year. The PCC has inherited the strategy set by the former Police Authority for 2012/13. 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 institutions - £10m limit to principal investment with each institution
3. Durational limits: maximum duration 12 months

The PCC had fixed term investments totalling £15.018m and liquid investments totalling £13.518m at 31 March 2013. During 2012/13 the PCC earned net investment income of £0.434m, representing an average return of 1.09%.

Neither the former Police Authority or the PCC undertook any short or long term external borrowing during 2012/13. The PCC has, however, inherited internal borrowings of £9.600m. This arises from occasions in previous years when the practice was to utilise surplus cash balances to finance the capital programme in lieu of borrowing these funds externally from financial institutions. If the practice had been to borrow funds externally, the investments at 31 March 2013 would have been higher, and they would be offset by an equivalent amount of external debt.

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

The Commissioner's responsibilities

The Commissioner is required:

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

Completion of the Approval Process by the PCC for Essex

I approve these Statement of Accounts.

Nick Alston
Police and Crime Commissioner for Essex
26 September 2013

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

The Treasurer is responsible for the preparation of the Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in The United Kingdom ('The Code of Practice'). In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The 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 11 – 62, have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Commissioner at 31 March 2013 and its income and expenditure for the year then ended.

Charles Garbett BA CPFA
Treasurer to the PCC for Essex
26 September 2013

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

Opinion on the Police & Crime Commissioner for Essex's financial statements

We have audited the financial statements of the Police & Crime Commissioner for Essex for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Police & Crime Commissioner for Essex and Group Movement in Reserves Statement, the Police & Crime Commissioner for Essex and Group Comprehensive Income and Expenditure Statement, the Police & Crime Commissioner for Essex and Group Balance Sheet, the Police & Crime Commissioner for Essex Group Cash Flow Statement, and the Police & Crime Commissioner for Essex Group Pension Account and the related notes 1 to 34. 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 2012/13.

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

Respective responsibilities of the Treasurer to the PCC and auditor

As explained more fully in the Statement of the Treasurer to the PCC's Responsibilities set out on page 6, the Treasurer to the PCC is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police & Crime Commissioner for Essex and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer to the PCC; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police & Crime Commissioner for Essex as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the 'Police & Crime Commissioner for Essex, Police & Crime Commissioner for Essex Group Statement of Accounts for 2012/13' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Conclusion on the Police & Crime Commissioner for Essex's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police & Crime Commissioner for Essex has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

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

- our 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 our responsibilities; and
- our locally determined risk-based work.

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

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

Delay in certification of completion of the audit

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

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

30 September 2013

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

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

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

		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	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	Balance at 1 April 2011	(27,377)	(4,585)	0	(4,613)	(10,794)	(47,369)	1,701,362	1,653,993
	(Surplus)/deficit on provision of services (accounting basis)	97,283	0	0	0	0	97,283	0	97,283
	Other Comprehensive Income and Exp	0	0	0	0	0	0	203,862	203,862
	Total Comprehensive Income and Expenditure	97,283	0	0	0	0	97,283	203,862	301,145
4	Adjustments between accounting basis and funding basis under regulations	(91,432)	0	0	(3,213)	2,070	(92,575)	92,575	0
	Net (Increase)/Decrease before Transfers to Earmarked Reserves	5,851	0	0	(3,213)	2,070	4,708	296,437	301,145
5	Transfers (to)/from Earmarked Reserves	(1,511)	1,627	(116)	0	0	0	0	0
	(Increase)/Decrease during year	15,131	0	0	0	0	15,131	0	15,131
	(Increase)/Decrease at year end	(10,791)	1,627	(116)	(3,213)	2,070	(10,423)	296,437	286,014
	(Increase)/Decrease in Year	4,340	1,627	(116)	(3,213)	2,070	4,708	296,437	301,145
	Balance at 31 March 2012 carried forward	(23,037)	(2,958)	(116)	(7,826)	(8,724)	(42,661)	1,997,799	1,955,138
		2012/13							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	Balance at 1 April 2012	(23,037)	(2,958)	(116)	(7,826)	(8,724)	(42,661)	1,997,799	1,955,138
	(Surplus)/deficit on provision of services (accounting basis)	105,017	0	0	0	0	105,017	0	105,017
	Other Comprehensive Income and Exp	0	0	0	0	0	0	160,904	160,904
	Total Comprehensive Income and Expenditure	105,017	0	0	0	0	105,017	160,904	265,921
4	Adjustments between accounting basis and funding basis under regulations	(100,766)	0	0	427	1,622	(98,717)	98,716	0
	Net (Increase)/Decrease before Transfers to Earmarked Reserves	4,251	0	0	427	1,622	6,300	259,620	265,921
5	Transfers (to)/from Earmarked Reserves	(508)	405	103	0	0	0	0	0
	(Increase)/Decrease during year	399	0	0	0	0	399	0	399
	(Increase)/Decrease at year end	3,509	405	103	427	1,622	6,066	259,620	265,686
	(Increase)/Decrease in Year	3,908	405	103	427	1,622	6,465	259,620	266,085
	Balance at 31 March 2013 carried forward	(19,129)	(2,553)	(13)	(7,399)	(7,102)	(36,196)	2,257,419	2,221,223

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

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.

	Restated		2011/12 Net Expenditure £000	2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
	2011/12 Gross Expenditure £000	2011/12 Gross Income £000				
Local Policing	154,635	(10,600)	144,035	119,096	(10,070)	109,026
Dealing with the Public	17,391	(635)	16,756	18,275	(618)	17,657
Criminal Justice Arrangements	17,699	(1,004)	16,695	24,372	(974)	23,398
Road Policing	21,266	(1,476)	19,790	17,770	(1,457)	16,313
Specialist Operations	30,662	(10,713)	19,949	36,313	(9,705)	26,608
Specialist Operations - Air Support	0	0	0	630	0	630
Intelligence	6,734	(59)	6,675	12,120	(75)	12,045
Investigations	50,502	(302)	50,200	74,414	(1,212)	73,202
Investigative Support	10,136	(87)	10,049	11,153	(98)	11,055
National Policing	17,017	(12,584)	4,433	20,077	(14,443)	5,634
Corporate and Democratic Core	1,338	(3)	1,335	1,126	(28)	1,098
Non Distributed Costs	817	0	817	616	0	616
Cost of Services	328,197	(37,463)	290,734	335,962	(38,680)	297,282
Other Operating Expenditure						
Gain/(loss) on the disposal of non current assets	101	(441)	(340)	37	396	433
Financing and Investment Income and Expenditure						
Interest payable and similar charges	5	0	5	11	0	11
Pensions interest cost and expected return on pensions assets	106,278	(10,899)	95,379	101,784	(9,898)	91,886
Interest receivable and similar income	0	(641)	(641)	0	(434)	(434)
	106,283	(11,540)	94,743	101,795	(10,332)	91,463
Taxation and Non Specific Grant Income						
Pensions top up grant	0	(14,275)	(14,275)	0	(18,671)	(18,671)
Capital grant	0	(2,761)	(2,761)	0	(3,172)	(3,172)
Police grant	0	(117,610)	(117,610)	0	(109,534)	(109,534)
Revenue support grant	0	(15,511)	(15,511)	0	(1,210)	(1,210)
Business rates	0	(50,180)	(50,180)	0	(62,404)	(62,404)
Council tax	0	(87,517)	(87,517)	0	(89,170)	(89,170)
	0	(287,854)	(287,854)	0	(284,161)	(284,161)
(Surplus)/Deficit on Provision of Services	434,581	(337,298)	97,283	437,794	(332,777)	105,017
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets		(3,243)	(3,243)	60	0	60
Actuarial (gains)/losses on pension assets/liabilities						
- Police Officers	163,082	0	163,082	158,428	0	158,428
- Police Staff	44,023	0	44,023	2,416	0	2,416
	207,105	(3,243)	203,862	160,904	0	160,904
Total Comprehensive Income and Expenditure	641,686	(340,541)	301,145	598,698	(332,777)	265,921

The 2011/12 figures have been restated due to:

- a) the reclassification of local investigation staff from Local Policing to Investigations, in line with *SERCOP*
- b) the transfer of custody related costs from Local Policing to Criminal Justice Arrangements

Specialist Operations – Air Support represents payments to the National Police Air Service following its creation in October 2012. See note 31 on page 50 for more detail.

The reduction in Local Policing costs reflects:

- a) the establishment of a functionally based policing model (Blueprint) in March 2012, with the creation of dedicated teams investigations, intelligence and criminal justice teams
- b) the overall reduction in police officer numbers between the two years.

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

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

Note	31 March 2012		31 March 2013	
	£000	£000	£000	£000
	Long-term assets			
6	Property, Plant & Equipment	89,001	89,416	
7	Intangible Assets	1,143	740	
10	Long term debtors	62	59	
	Long-term assets total		90,206	90,215
	Current assets			
8	Short term investments	35,211	15,018	
9	Inventories	778	778	
10	Short term debtors	13,576	20,163	
11	Cash and cash equivalents	6,762	13,774	
12	Assets held for sale	2,466	0	
	Current assets total		58,793	49,733
	Current liabilities			
13	Short term creditors	(28,810)	(27,021)	
	Current liabilities total		(28,810)	(27,021)
	Long term liabilities			
14	Provisions	(1,521)	(1,212)	
24	Finance Leases	(56)	(56)	
27	Pensions Liabilities	(2,072,818)	(2,332,100)	
21	Capital Grants-Receipts in Advance	(932)	(782)	
	Long term liabilities total		(2,075,327)	(2,334,150)
	Net liabilities		(1,955,138)	(2,221,223)
	Usable reserves			
15	General reserve	(23,037)	(19,129)	
	Earmarked revenue reserves	(2,958)	(2,553)	
	Future capital funding reserve	(116)	(13)	
	Usable capital receipts	(7,826)	(7,399)	
	Capital grants unapplied	(8,724)	(7,102)	
	Usable reserves total		(42,661)	(36,196)
	Unusable reserves			
16	Revaluation Reserve	(5,195)	(3,253)	
	Capital Adjustment Account	(76,305)	(76,614)	
	Deferred Capital Receipts Reserve	0	(463)	
	Pensions Reserve	2,072,818	2,332,100	
	Collection Fund Adjustment Account	192	(151)	
	Accumulating Compensated Absences Adjustment Account	6,289	5,800	
	Unusable reserves total		1,997,799	2,257,419
	Total reserves		1,955,138	2,221,223

Charles Garbett BA CPFA, Treasurer to the PCC for Essex
26 September 2013

Cash Flow Statement for the PCC for Essex and the PCC for Essex Group

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC during the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents (liquid investments) by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC are funded by way of taxation and grant income or from the recipients of services provided by the PCC.

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

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

Note	2011/12		2012/13	
	£000	£000	£000	£000
	Cash outflows generated from operating activities			
	Cash paid to and on behalf of employees	146,498	149,594	
	Cash paid to suppliers of goods and services	60,041	52,158	
	Other operating cash payments	138,159	124,856	
	Interest paid	0	1	
	Sub total	344,698	326,609	
	Cash inflows generated from operating activities			
	Taxation	(135,828)	(151,343)	
	Grants	(164,228)	(145,805)	
	Sales of goods and rendering of services	(31,260)	(26,509)	
	Interest received	(623)	(557)	
	Sub total	(331,939)	(324,214)	
	Net cash outflows generated from operating activities	12,759	2,395	
	Purchase of property, plant and equipment and intangible assets	5,201	11,997	
	Proceeds from the sale of property, plant and equipment	(4,262)	(1,354)	
	Proceeds from short-term investments	0	(20,011)	
	Net cash (inflow)/outflow from Investing Activities	939	(9,368)	
	Net (increase)/decrease in cash and cash equivalents	13,698	(6,973)	
11	Cash and cash equivalents at the beginning of the reporting period	20,457	6,759	
11	Cash and cash equivalents at the end of the reporting period	6,759	13,732	
	Movement in cash equivalents	(13,698)	6,973	

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 34 on pages 52-62, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- a) Joint Activities. The PCC participates in some joint activities with the Police and Crime PCC for Kent, in particular a shared IT Department, Serious Crime Directorate and Support Services Directorate. The PCC also participates in some joint activities with other Eastern Region Authorities. These activities are deemed by the PCC to be jointly controlled activities in accordance with the Code of Practice. Accordingly, the Statement of Accounts does not include group accounts for these activities. Further details of these activities are shown in the Related Party Transactions note 22 on page 38.
- b) Impairment of assets: Further information can be found at note 25 on page 41.

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 PCC 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 PCC's Balance Sheet at 31 March 2013 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 PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.038m for every year that useful lives had to be reduced.</p>
The PCC has made a provision of £1.192m for the settlement of outstanding insurance claims that fall to be met under the 'excess' clauses of the PCC's Insurance Policies. It is not certain that all valid claims have yet been received by the PCC. Estimates of outstanding claims payments depends on a number of factors and assumptions around future claims development. An actuarial review of the appropriateness of the provision is undertaken annually by insurance consultants.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.119m to the provision needed.
The PCC has made a provision of £0.020m for a severance payment where the date is still to be confirmed but will be in 13/14.	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 PCC with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption for Police Staff pension would result in a decrease in the pension liability of £6.844m. 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 £63.667m. It should be noted, however, that the various assumptions interact in complex ways.

This list does not include assets and liabilities that have 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 PCC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCC to meet future capital and revenue expenditure.

2011/12

	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve	Capital Adjustment Account	IAS19 Pensions Reserve £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
Adjustments involving the Capital Adjustment Account											
<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
Amortisation 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
Adjustments involving the Capital Grants Unapplied Account											
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
Adjustments involving the Capital Receipts Reserve											
Transfer of sale proceeds credited as part 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
Adjustments involving the IAS19 Pensions Reserve											
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
Adjustments involving the Collection Fund Adjustment Account											
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
Adjustments involving the Accumulating Absences Account											
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	816	0	0	816	0	0	0	0	(816)	(816)	0
Total	(91,432)	(3,213)	2,070	(92,575)	29	(2,107)	95,205	264	(816)	92,575	0

Notes to the Accounts

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

2012/13

	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	IAS19 Pensions Reserve £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £000
Adjustments involving the Capital Adjustment Account												
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>												
Charges for depreciation and impairment of non current assets	(7,119)	0	0	(7,119)	0	7,119	0	0	0	0	7,119	0
Amortisation of intangible assets	(383)	0	0	(383)	0	383	0	0	0	0	383	0
Revaluation gains on reclassification of Property, Plant & Equipment	17	0	0	17	0	(17)	0	0	0	0	(17)	0
Amortisation of capital contribution	(21)	0	0	(21)	0	21	0	0	0	0	21	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	920	0	0	920	0	(920)	0	0	0	0	(920)	0
Capital Expenditure charged against the General Reserve	816	0	0	816	0	(816)	0	0	0	0	(816)	0
Adjustments involving the Capital Grants Unapplied Account												
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	3,172	0	1,622	4,794	0	(4,794)	0	0	0	0	(4,794)	0
Adjustments involving the Capital Receipts Reserve												
Accumulated gains on assets sold or scrapped				0	1,882	(1,882)	0	0	0	0	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(562)	(1,690)	0	(2,252)	0	2,715	(463)	0	0	0	2,252	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,117	0	2,117	0	(2,117)	0	0	0	0	(2,117)	0
Adjustments involving the IAS19 Pensions Reserve												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(157,799)	0	0	(157,799)	0	0	0	157,799	0	0	157,799	0
Employers' pension contributions and direct payments to pensioners payable in the year	59,361	0	0	59,361	0	0	0	(59,361)	0	0	(59,361)	0
Adjustments involving the Collection Fund Adjustment Account												
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	343	0	0	343	0	0	0	0	(343)	0	(343)	0
Adjustments involving the Accumulating Absences Account												
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	489	0	0	489	0	0	0	0	0	(489)	(489)	0
Total	(100,766)	427	1,622	(98,717)	1,882	(308)	(463)	98,438	(343)	(489)	98,717	0

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 2012/13.

See note 32 on page 51 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-11 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31-Mar-12 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31-Mar-13 £000
Earmarked Revenue Reserves							
Force Central Carry Forward Reserve	218	(218)	677	677	(677)	1,100	1,100
Devolved Carry Forward Reserve	167	(167)	0	0	0	0	0
Insurance Reserve	0	(314)	403	89	(89)	0	0
Forfeiture Monies Reserve	28	0	5	33	(3)	0	30
Restructure Reserve	435	(435)	0	0	0	0	0
2012 Olympic Games Reserve	2,158	(1,158)	0	1,000	(1,000)	0	0
Collaboration Reserve	250	(250)	0	0	0	0	0
Leased Property Dilapidations Reserve Original	175	0	0	175	0	0	175
Leased Property Dilapidation & Maintenance Reserve	237	0	51	288	0	132	420
Mobile Data Reserve	917	(421)	200	696	(696)	0	0
POCA Reserve	0	0	0	0	0	563	563
Support Services Convergence Programme	0	0	0	0	0	265	265
Total Earmarked Revenue Reserves	4,585	(2,963)	1,336	2,958	(2,465)	2,060	2,553
Future Capital Funding Reserve	0	0	116	116	(111)	8	13
General Reserve	27,377	(15,131)	10,791	23,037	(4,908)	1,000	19,129
Total Earmarked & General Reserves	31,962	(18,094)	12,243	26,111	(7,484)	3,068	21,695

Notes to the Accounts

6. Property, Plant and Equipment (PPE)

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
Cost or Valuation							
At 1 April 2011	65,897	21,261	14,933	3,336	5,136	437	111,000
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)
At 31 March 2012	69,201	20,591	15,440	2,643	2,691	2,897	113,463
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment							
At 1 April 2011	(945)	(14,080)	(8,892)	(1,945)	(638)	0	(26,500)
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)
At 31 March 2012	(18)	(13,638)	(9,566)	(770)	(470)	0	(24,462)
<u>Net Book Value</u>							
At 31 March 2012	69,183	6,953	5,874	1,873	2,221	2,897	89,001
At 31 March 2011	64,952	7,181	6,041	1,391	4,498	437	84,500

Notes to the Accounts

6. Property, Plant and Equipment (contd.)

The following two tables show the movements for 2012/13

	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
Cost or Valuation							
At 1 April 2012	69,201	20,591	15,440	2,643	2,691	2,897	113,463
Additions	0	3,251	2,165	0	0	2,236	7,652
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24)	0	0	0	(37)	0	(61)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,422	0	0	0	(1,226)	0	196
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(276)	0	0	0	0	0	(276)
Derecognition - Disposals	(11)	(1,563)	(1,359)	(2,643)	0	0	(5,576)
Derecognition - Other	0	(35)	(80)	0	0	0	(115)
Assets reclassified (to)/from							
- within PPE	737	(123)	0	0	3,541	(3,913)	242
- Held for Sale	(297)	0	0	0	1,382	0	1,085
At 31 March 2013	70,752	22,121	16,166	0	6,351	1,220	116,610
	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
Accumulated Depreciation and Impairment							
At 1 April 2012	(18)	(13,638)	(9,566)	(770)	(470)	0	(24,462)
Depreciation Charge	(1,558)	(2,887)	(1,951)	(934)	(72)	0	(7,402)
Depreciation written out to the Surplus/Deficit on the Provision of Services	422	0	0	0	9	0	431
Derecognition - Disposals	10	1,512	1,168	1,704	0	0	4,394
Derecognition - Other		25	76				101
Other movements in Depreciation and Impairment	48	816	0	0	(1,120)	0	(256)
At 31 March 2013	(1,096)	(14,172)	(10,273)	0	(1,653)	0	(27,194)
Net Book Value							
At 31 March 2013	69,656	7,949	5,893	0	4,698	1,220	89,416
At 31 March 2012	69,183	6,953	5,874	1,873	2,221	2,897	89,001

The PCC has a programme of regularly revaluing its land and property assets in accordance with the Code. A total of seventeen of the PCC's existing land and building assets were revalued as at 31 March 2013 by external professionally qualified valuers, Peter Whittington MRICS, Terry Appleby MRICS and, Karen St Helen MRICS of Lambert Smith Hampton.

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

Notes to the Accounts

7. Intangible Assets

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

	Internally Generated Assets	Other Assets
7 years	none	Operational Data Store Mobile Data Image transfer solution

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

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

	2011/12	2012/13
	Purchased Software Licences	Purchased Software Licences
	£000	£000
Gross book value at start of year	6,670	6,507
Movement in Year		
Additions	5	128
Disposals and deletions	(127)	(528)
Transfers	(41)	(257)
Gross Book Value at end of year	6,507	5,850
Accumulated dep'n and amortisation from earlier years	(5,095)	(5,364)
Depreciation on disposals	102	380
Depreciation on transfers	36	257
Amortisation for the year	(407)	(383)
Net Book Value at end of year	1,143	740
Net Book Value at end of previous year	1,575	1,143

	Carrying Amount		Remaining Amortisation Period at 31 March 2013
	31 March 2012	31 March 2013	
	£000	£000	
Operational Data Store	146	109	3 years
Mobile Data	213	32	3 years
Image transfer solution	103	82	4 years

Notes to the Accounts

8. Financial Instruments

Categories of Financial Instruments

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

	Short Term	
	2011/12	2012/13
	£000	£000
Investments		
Loans and receivables	43,803	28,537
Total investments	43,803	28,537
Debtors		
Financial assets carried at contract amounts	4,052	5,316
Total debtors	4,052	5,316
Creditors		
Financial liabilities carried at contract amounts	(9,411)	(8,591)
Total creditors	(9,411)	(8,591)

Investments

The investments can be analysed as follows:-

	2011/12	2012/13
	£000	£000
<u>Current assets</u>		
Short term investments	35,211	15,018
Liquid investments	8,592	13,519
Total Current assets	43,803	28,537

The short term investments are for periods of up to one year. All of these will mature during 2013/14. There were three short term investments at 31 March 2013.

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

All of these investments and deposits were with UK banks. 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 2013. Note 29 on pages 47-49 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 PCC does not hold any external borrowings but has a historic internal borrowing requirement of approximately £9.600m (see the Treasury Management Section of the Foreword, page 5).

Notes to the Accounts

8. 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	
	2011/12 £000	2012/13 £000
Interest expense	6	11
Total expense in surplus/deficit on provision of services	6	11
Interest receivable	(641)	(434)
Total income in surplus/deficit on provision of services	(641)	(434)
Net gain for the year	(635)	(423)

Nature and extent of risks arising from financial instruments

These are disclosed in note 29 on page 47-49.

9. Inventories

	Vehicle Parts		Uniform		Stock Forms		CS Spray Prisoner Supplies General Stock		Total	
	11/12 £000	12/13 £000	11/12 £000	12/13 £000	11/12 £000	12/13 £000	11/12 £000	12/13 £000	11/12 £000	12/13 £000
Balance outstanding at start of year	164	154	564	523	64	51	38	50	830	778
Purchases	1,065	1,045	263	264	121	139	180	340	1,629	1,788
Recognised as an expense in the year	(1,075)	(1,068)	(304)	(257)	(134)	(120)	(168)	(343)	(1,681)	(1,788)
Balance outstanding at year end	154	131	523	530	51	70	50	47	778	778

10. Debtors

Long term debtors

The long-term debtors' figure of £0.59k represents pay advances made in previous years to new police officers, which are recoverable at the end of the officers' service with Essex Police. The former Essex Police Authority discontinued offering these advances, and the balance will therefore reduce over time as officers retire or transfer to other police forces.

Short term debtors

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

	2011/12 £000	2012/13 £000
Central Government Bodies	2,415	6,633
Other Local Authorities	2,515	4,810
Public Corporations and Trading Funds	0	97
Other Entities & Individuals	8,646	8,623
Balance at year end	13,576	20,163

Notes to the Accounts

11. Cash and Cash Equivalents

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

	2011/12 £000	2012/13 £000
<u>Current Assets</u>		
Liquid investments	8,592	13,519
Operational bank accounts	(2,183)	(95)
Petty cash advances	353	350
Total as per Balance Sheet	6,762	13,774
Less accrued interest on net short term deposits	(3)	(42)
Total excluding accrued interest	6,759	13,732
Balance at year end	6,759	13,732

12. Assets Held for Sale

	2011/12 £000	2012/13 £000
Balance outstanding at start of year	1,218	2,466
Assets newly classified as held for sale:		
Property, Plant and Equipment	5,429	595
Revaluation losses	(138)	(10)
Assets declassified as held for sale:		
Property, Plant and Equipment	(172)	(1,680)
Assets sold	(3,871)	(1,371)
Balance outstanding at year-end	2,466	0

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

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

No assets met all of these criteria at 31 March 2013.

13. Short-Term Creditors

	2011/12 £000	2012/13 £000
Central Government Bodies	(5,483)	(5,411)
Other Local Authorities	(4,674)	(3,652)
NHS Bodies	0	(11)
Public Corporations & Trading Funds	0	(673)
Other Entities & Individuals	(18,653)	(17,274)
Balance at year end	(28,810)	(27,021)

Notes to the Accounts

14. Provisions

The PCC maintains two provisions totalling £1.212m as follows:

a) Insurance Provision (see note 34.10 on page 55 for further details):-

	£000
Balance at 1 April 2011	1,528
Additional provisions made in 2011/12	794
Amounts used in 2011/12	(864)
Balance at 31 March 2012	1,458
Balance at 1 April 2012	1,458
Additional provisions made in 2012/13	874
Amounts used in 2012/13	(1,140)
Balance at 31 March 2013	1,192

b) Severance payments provision (see note 2 page 17)

There is a year-end provision of £0.020m

	£000
Balance at 1 April 2011	1,553
Additional provisions made in 2011/12	0
Amounts used in 2011/12	(1,490)
Balance at 31 March 2012	63
Balance at 1 April 2012	63
Additional provisions made in 2012/13	20
Amounts used in 2012/13	(63)
Balance at 31 March 2013	20

15. Usable Reserves

The year-end balances and the movements in the PCC's usable reserves are detailed in the Movement in Reserves Statement on page 11. Transfers to/from earmarked reserves are shown in table 5 on page 20.

16. Unusable Reserves

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

	2011/12 £000	2012/13 £000
Revaluation Reserve	(5,195)	(3,253)
Capital Adjustment Account	(76,305)	(76,614)
Deferred Capital Receipts Reserve	0	(463)
Pensions Reserve	2,072,818	2,332,100
Collection Fund Adjustment Account	192	(151)
Accumulating Compensated Absences Adjustment Account	6,289	5,800
Balance at year end	1,997,799	2,257,419

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

Notes to the Accounts

16. Unusable Reserves (Contd.)

16.1 Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2011/12	2012/13
	£000	£000
Balance at 1 April	(3,412)	(5,195)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
Upward revaluation of assets	(3,249)	(6)
Downward revaluation of assets and impairment losses	35	66
Amount written off to the Capital Adjustment Account		
Depreciation of revaluation gains	424	81
Accumulated gains on assets sold or scrapped	1,007	1,801
Balance at 31 March	(5,195)	(3,253)

16.2 Capital Adjustment Account

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

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

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

Note 4 on page 18 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

16. Unusable Reserves (Contd.)

	2011/12 £000	2012/13 £000
Balance at 1 April	(72,767)	(76,305)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	6,572	7,739
Revaluation gains/losses on Property, Plant and Equipment	(6,135)	(616)
Amortisation of intangible assets	407	383
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	4,635	2,715
Adjusting amounts written out of the Revaluation Reserve	(1,425)	(1,882)
Net written out amount of the cost of non current assets consumed in the year	(68,713)	(67,966)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,768)	(2,117)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,511)	(3,165)
Application of grants to capital financing from the Capital Grants Unapplied account	(2,320)	(1,628)
Statutory provision for the financing of capital investment charged against the General Reserve	(521)	(920)
Capital expenditure charged against the General Reserve	(472)	(816)
Balance at 31 March	(76,305)	(76,614)

16.3 Deferred Capital Receipts Reserve

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

	2011/12 £000	2012/13 £000
Balance at 1 April	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(711)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	248
Balance at 31 March	0	(463)

16.4 Pensions Reserve

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

Notes to the Accounts

16 Unusable Reserves (Contd.)

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

	2011/12			2012/13		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
	£000	£000	£000			£000
Balance at 1 April	1,702,163	68,345	1,770,508	1,957,894	114,924	2,072,818
Actuarial losses on pensions assets and liabilities	163,082	44,023	207,105	158,428	2,416	160,844
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	140,876	11,301	152,177	144,067	14,112	158,179
Employer's pensions contributions and direct payments to pensioners payable in the year	(48,227)	(8,745)	(56,972)	(51,013)	(8,728)	(59,741)
Balance at 31 March	1,957,894	114,924	2,072,818	2,209,376	122,724	2,332,100

16.5 Collection Fund Adjustment Account

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

	2011/12	2012/13
	£000	£000
Balance at 1 April	(72)	192
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	(343)
Balance at 31 March	192	(151)

16.6 Compensated Absences Adjustment Account

The Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Reserve from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Reserve is neutralised by transfers to or from the Account.

	2011/12	2012/13
	£000	£000
Balance at 1 April	7,105	6,289
Settlement or cancellation of accrual made at the end of the preceding year	(7,105)	(6,289)
Amounts accrued at the end of the current year	6,289	5,800
Balance at 31 March	6,289	5,800

Notes to the Accounts

17. Amounts Reported for Resource Allocation Decisions

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

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to chief officer portfolios

The force implemented a new structure in March 2012 which is referred to as the Blueprint. The financial reporting throughout 2011/12 was pre Blueprint structure; the 2012/13 chief officer portfolios are based on the Blueprint structure.

Notes to the Accounts

17. Amounts Reported for Resource Allocation Decisions (contd.)

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

2011/12 - Pre Blueprint Structure									
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)	(32,794)
Interest and investment income	0	0	0	0	0	0	0	(641)	(641)
Government grants & contributions	(7,961)	(9,907)	(215)	0	0	(652)	0	(19,279)	(38,014)
Total Income	(16,797)	(13,043)	(220)	(12)	(1,744)	(745)	(1)	(38,887)	(71,449)
Employee expenses	32,633	24,694	7,605	4,203	4,583	5,679	588	191,003	270,988
Other service expenses	7,130	6,979	4,681	5,838	12,132	1,873	545	3,443	42,621
Support Service recharges	0	631	0	0	149	(7)	59	188	1,020
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	359	359
Interest Payments	0	0	0	0	0	0	0	6	6
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	(340)	(340)
Contribution to reserves and provisions	0	0	0	0	0	0	0	28,241	28,241
Total Expenditure	39,763	32,304	12,286	10,041	16,864	7,545	1,192	222,900	342,895
Net Expenditure	22,966	19,261	12,066	10,029	15,120	6,800	1,191	184,013	271,446
2012/13 - Post Blueprint Structure									
Portfolio Analysis - Income and Expenditure	Policing Operations	Special Operations	Serious Crime Directorate	Information Technology	Support Services	Deputy Chief Constable	PCC	Corporate Budgets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	0	(1,913)	(73)	(20)	(13,701)	(60)	(14)	(2,252)	(18,033)
Interest and investment income	0	0	0	0	0	0	0	(434)	(434)
Government grants & contributions	0	(9,981)	(734)	0	(10,560)	0	(27)	(20,030)	(41,333)
Total Income	0	(11,895)	(807)	(20)	(24,262)	(60)	(41)	(22,716)	(59,801)
Employee expenses	2,124	4,892	861	0	249,271	20	489	26,457	284,114
Other service expenses	0	5,560	3,152	6,284	26,375	398	455	83	42,308
Support Service recharges	0	635	0	0	322	40	119	616	1,731
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	(2)	(2)
Interest Payments	0	0	0	0	0	0	0	11	11
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	434	434
Contribution to reserves and provisions	0	0	0	0	0	0	0	21,917	21,917
Total Expenditure	2,124	11,087	4,013	6,284	275,967	458	1,063	49,517	350,514
Net Expenditure	2,124	(807)	3,206	6,265	251,706	398	1,022	26,801	290,713

Notes to the Accounts

17. 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.

2011/12 - Pre Blueprint Structure							
	Amounts not reported to Portfolio Analyses	Amounts not included in Cost of Services in Cl&E	Total Cost of Services In Cl&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)	
Pension interest cost & return on assets	0	0	0	(10,899)	0	(10,899)	
Interest and investment income	(641)	0	641	(641)	0	(641)	
Income from council tax	0	0	0	0	(85,384)	(85,384)	
Government grants and contributions	(38,014)	0	16,408	(21,606)	(202,470)	(224,076)	
Total Income	(71,449)	0	33,986	(37,463)	(11,540)	(336,857)	
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	(5)	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	106,278	106,278	
Total Expenditure	342,895	14,101	(28,798)	328,197	95,044	0	
Deficit on the provision of services	271,446	14,101	5,188	290,734	94,403	(287,854)	
2012/13							
	Amounts not reported to Portfolio Analyses	Amounts not included in Cost of Services in Cl&E	Total Cost of Services In Cl&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	(18,033)	0	2,016	(16,017)	0	(16,017)	
Pension interest cost & return on assets	0	0	0	(9,898)	0	(9,898)	
Interest and investment income	(434)	0	434	(434)	0	(434)	
Income from council tax	0	0	0	0	(89,170)	(89,170)	
Government grants and contributions	(41,333)	0	18,671	(22,662)	(194,991)	(217,653)	
Total Income	(59,800)	0	21,121	(38,679)	(10,332)	(333,172)	
Employee expenses	284,114	0	(489)	283,625	0	283,625	
Other service expenses	42,308	0	0	42,308	0	42,308	
Support Service recharges	1,731	0	0	1,731	0	1,731	
Depreciation, amortisation and impairment	(2)	0	7,511	7,509	0	7,509	
Interest Payments	11	0	(11)	0	11	11	
Gain or Loss on Disposal of Fixed Assets	434	0	(434)	0	433	433	
Contribution to reserves and provisions	21,917	0	(21,129)	788	0	788	
Pension interest cost & return on assets	0	0	0	0	101,784	101,784	
Total Expenditure	350,513	0	(14,552)	335,961	102,228	0	
Surplus or deficit on the provision of services	290,713	0	6,569	297,282	91,896	(284,161)	

Notes to the Accounts

18. Members' Allowances and Expenses

The total amount of allowances and expenses paid to members of Essex Police Authority, up to 22nd November 2012 were:-

	2011/12	2012/13
	£000	£000
Allowances	235	138
Expenses	5	4
Total	240	142

19. Officers' Remuneration

The following table identifies the number of police officers and police staff whose remuneration was £50,000 or more during 2012/13. The numbers of officers and staff are shown in remuneration bands of £5,000.

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

Remuneration Band	2011/12			2012-13		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	207	23	230	213	17	230
£55,000 - £59,999	121	17	138	119	10	129
£60,000 - £64,999	48	10	58	38	2	40
£65,000 - £69,999	7	3	10	9	1	10
£70,000 - £74,999	8	2	10	8	2	10
£75,000 - £79,999	9	3	12	8	2	10
£80,000 - £84,999	8	2	10	5	0	5
£85,000 - £89,999	3	1	4	2	0	2
£90,000 - £94,999	4	1	5	3	0	3
£95,000 - £99,999	1	0	1	0	0	0
£100,000 - £104,999	1	0	1	1	1	2
Total	417	62	479	406	35	441

The reduction in police staff numbers between 2011/12 and 2012/13 is mainly due to the following factors:-

- redundancy payments to staff who left during 2011/12: many of these staff would not otherwise have been included in the table as their basic salary was under £50,000
- helicopter pilots and maintenance staff who transferred to the National Police Air Service during 2012/13.

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

Notes to the Accounts

19. Officers' Remuneration (contd.)

The following tables set out the remuneration (including employer's pension contributions) for the chief officers under the direction of the Chief Constable and senior employees of the Police & Crime Commissioner for Essex.

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

2011/12				
	Salary (including allowances) (note 1) £	Benefits in kind (note 2) <u>Restated</u> £	Employers Pension contributions £	Total remuneration £
Chief Constable - J Barker McCardle (note 7)	174,658	0	26,897	201,555
Deputy Chief Constable	135,531	3,620	29,095	168,076
Assistant Chief Constable	120,139	2,389	25,615	148,648
Assistant Chief Constable	106,471	0	22,236	128,707
Assistant Chief Constable (note 3)	108,069	4,104	23,481	137,440
Director of ICT	113,412	0	13,985	127,397
Director of Finance & Administration	104,337	0	12,750	117,087
Chief Executive (note 4)	105,937	5,888	14,493	126,438
Acting Chief Executive/Treasurer (note 4)	81,802	0	11,125	92,927
Total for PCC for Essex Group	1,050,356	16,001	179,677	1,246,034

Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme. The amounts have been reinstated to bring them into line with the P11d figures for 2011/12.
- 3) This Assistant Chief Constable retired on 29 February 2012.
- 4) The Acting Chief Executive was on an extended leave of absence from July 2011 to the end of the financial year. The Treasurer also carried out the role of Acting Chief Executive since July 2011. The above costs show the remuneration earned by the post holder for both of these roles.
- 5) 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.
- 6) The command structure also includes one Assistant Chief Constable, on secondment from Hertfordshire Police Authority between December 2011 and June 2012. The post holder was on the Hertfordshire payroll and the remuneration was disclosed in the Hertfordshire Police Authority Statement of Accounts for 2011/12.
- 7) The total amount for the Chief Constable is £201,555.

Notes to the Accounts

19. Officers' Remuneration (contd.)

2012/13					
	Salary (including allowances) (note 1) £	Benefits in kind (note 2) £	Other payments	Employers Pension contributions £	Total remuneration £
Chief Constable - J Barker McCardle (note 7)	182,554			0	182,554
Deputy Chief Constable	142,847	3,611		29,586	176,044
Assistant Chief Constable	126,295	2,913		25,615	154,823
Assistant Chief Constable (note 3)	88,454	1,169	20,000	17,129	126,752
Assistant Chief Constable	114,520			22,688	137,208
Director of ICT	120,844			16,248	137,092
Finance Director	114,240			16,154	130,394
Chief Finance Officer of the Chief Constable (note 6 and 7)	27,675	505		4,046	32,226
Police & Crime Commissioner (note 4)	28,958			5,155	34,113
Chief Executive (note 5)	35,380			2,964	38,344
Acting Chief Executive/Treasurer to the Police and Crime Commissioner of Essex	90,000			13,815	103,815
Total for PCC for Essex Group	1,071,767	8,198	20,000	153,400	1,253,365

Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) This Assistant Chief Constable, previously on secondment from Hertfordshire, was taken onto the Essex payroll in July 2012. The remuneration shown above covers the period from July 2012 to March 2013. The £20,000 shown in Other Payments represents relocation expenses.
- 4) The earnings disclosed for the Police & Crime Commissioner covers the period between 22 November 2012 and 31 March 2013. His annualised salary for the year was between 22 November and 31 December 2012 was £85,000, and between 1 January and 31 March 2013 was £79,000. This reduction in pay reflects time spent as a remunerated non-Executive Director of Mid Essex Hospital Services NHS Trust.
- 5) The Chief Executive resigned in June 2012. The costs disclosed are his earnings up to that time.
- 6) The Chief Finance Officer of the Chief Constable came into post on 22 November 2012. The costs disclosed are the post holder' earnings from that time. Prior to 22 November 2012, the post holder was the Head of Finance for Essex Police. The total remuneration for 2012/13 was £89,999.
- 7) The total amount for the Chief Constable, which includes the Chief Constable and the Chief Finance Officer of the Chief Constable, is £215,488.

Notes to the Accounts

19. Officers' Remuneration (contd.)

Exit Packages

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

Exit package cost band (including special payments)	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	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
£0 - £20,000	15	9	153	4	168	13	£1,592,901	£120,189
£20,001 - £40,000	4	5	72	3	76	8	£2,096,310	£235,744
£40,001 - £60,000	0	1	13	0	13	1	£617,454	£49,658
£60,001 - £80,000	0	0	5	2	5	2	£342,343	£141,652
£80,001 - £100,000	1	0	1	0	2	0	£165,381	£0
£100,001 - £150,000	0	0	1	0	1	0	£100,376	£0
£200,001 - £250,000	0	1	0	0	0	1	£0	£206,785
Total	20	16	245	9	265	25	£4,914,765	£754,028

In addition to the amounts included in the bandings, an amount of £9,117 was charged to the CIES in 2012/13, representing the difference between estimates recognised in the previous year and actual amount paid in the current year.

20. External Audit Costs

	2011/12 £000	2012/13 £000
<u>Fees payable to the Audit Commission:</u>		
- with regard to external audit services carried out by the appointed auditor	93	83
	93	83

21. Grant Income

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

	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Capital Grants	(2,761)	(3,172)
Pension top up Grant	(14,275)	(18,671)
Police Grant	(117,610)	(109,534)
Revenue Support Grant	(15,511)	(1,210)
National Non Domestic Rates	(50,180)	(62,404)
Council Tax Freeze Grant	(2,133)	0
Council Tax Precepts	(85,384)	(89,170)
Total	(287,854)	(284,161)
Credited to Services		
Neighbourhood Policing Grant	(7,214)	(7,171)
ACPO Terrorism and Allied Matters Committee (TAM)	(4,420)	(5,041)
Dedicated Security Grant	(4,324)	(4,717)
Local Partnership Funding	(909)	(843)
Safety Roads Bureau	(577)	(59)
Olympic Grant	(862)	(1,360)
Other Grants	(3,298)	(3,495)
Total	(21,604)	(22,686)

Notes to the Accounts

21. Grant Income (contd.)

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

	2011/12	2012/13
	£000	£000
Capital Grants Receipts in Advance		
ACPO (TAM) - for various capital projects	544	425
Learning Skills Council - Probationer Training project	144	131
3D laser scanning equipment	144	124
Home Office - Air Support grant	37	4
ANPR project 1	0	33
ANPR project 2	25	25
ANPR project 3	17	3
In car video project	16	33
Other contributions	0	1
Security services - shared accomodation project	3	3
Essex Casualty Reduction Partnership - IT project	2	0
Total	932	782

22. Related Parties

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

Central government has effective control over the general operations of the PCC. It is responsible for providing the statutory framework within which the PCC 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 Essex Police Authority had direct control over the Authority's financial and operating policies up to its abolition in November 2012. The total of members allowances paid during 2012/13 is shown in note 18 on page 34. The Authority maintained a register of members' interests, which is open to public inspection. During the year no Members of the Authority undertake any material transactions with the Authority.

Chief Officers. During the year no Chief Officers have undertaken any material transactions with the PCC or with the former Essex Police 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 PCC under service level agreement. The total value of services provided in 2012/13 was £0.996m.

b) Essex Police has nine main collaborative agreements with Kent Police covering Marine Services, Serious Crime Directorate, Air Support (up to 30 September 2012), Information Services, Procurement, Transport Services, HR Property Services and Support Services Directorate. Each of these are categorised as jointly controlled operations as each PCC 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.

Notes to the Accounts

22. Related Parties (contd.)

The amount received from Kent Police during 2012/13 for Air Support was £0.268m and in respect of contributions to joint departments was £0.282m. The amount paid to Kent Police for the year 2012/13 in respect of contributions to joint departments was £1.147m.

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

	2012/13 £000
Collaborative Activity	
The joint Serious Crime Directorate	28,899
The joint Information Services Directorate	10,061
The joint Marine Unit	663
The joint Support Services:	
The joint Property Services Department	10,056
The joint HR Department	5,457
The joint Transport Services Department	2,835
The joint Procurement Unit	295
The joint Support Services Directorate	80
Total	58,346

c) Athena is an IT development covering case preparation, custody, investigation management, intelligence and property. This is initially being developed for seven founder forces within the region, but with the clear expectation that Athena will then be used as a national system. Project implementation and eventual day to day management of Athena is delegated by participating forces to the Athena Management Organisation (AMO). Essex Police acts as the lead force for managing all income and expenditure incurred by the AMO. This mainly covers payments to suppliers, salary costs of the personnel seconded to the AMO from founder forces, together with other overheads. All costs and refunds to forces for their seconded staff are then aggregated and net costs recovered from participating forces in accordance with the terms of the Athena Collaborative Service Agreement.

Essex Police will also be the first to go live with Athena. Kent Police will then follow as the second force to take the system. A joint team between the two forces has been set up to manage the local implementation of the system with costs of shared resources being met on an equal basis. The amount received from Kent Police during 2012/13 for the local implementation was £8k.

	Share of Athena system costs £	Recharge of AMO Management costs £	Credit for staff resources on the AMO £
Bedfordshire Police	273,796	66,591	(39,374)
Cambridgeshire Police	346,464	84,266	(102,394)
Hertfordshire Police	506,173	123,110	(162,326)
Kent Police	764,199	162,439	(224,036)
Norfolk Police	394,622	95,977	0
Suffolk Police	304,332	74,018	(93,346)
Total	2,589,586	606,401	(621,476)

23. 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 PCC, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

Notes to the Accounts

23. Capital Expenditure and Capital Financing (contd.)

	2011/12	2012/13
	£000	£000
Opening Capital Financing Requirement	11,002	10,481
Capital Investment		
Property, Plant and Equipment	7,621	7,652
Intangible Assets	5	128
capital grant paid to other Authorities	12	21
Sources of finance		
Capital receipts	(1,767)	(2,117)
Government grants and other contributions	(4,733)	(4,793)
Transfer from Mobile Data Reserve	(421)	(696)
Revenue funding	(51)	(120)
Capital creditors	(449)	26
Capital debtor	(99)	0
Capital payment in advance	(118)	(101)
Minimum revenue provision	(521)	(920)
Closing Capital Financing Requirement	10,481	9,561
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(521)	(920)
Increase/(decrease) in Capital Financing Requirement	(521)	(920)

The estimated value of significant commitments under capital contracts totalled £0.570m at 31 March 2013 (£1.477m at 31 March 2012). The reduction from 2011/12 primarily relates to the custody refurbishment project at Chelmsford Police Station which has reached practical completion.

24. Leases

Authority as Lessee

Finance Leases

The PCC 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 6 on page 21.

	2011/12	2012/13
	£000	£000
Other Land and Buildings	40	36
Vehicles, Plant, Furniture and Equipment	8	4
Total	48	40

The PCC 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 PCC and finance costs that will be payable by the PCC in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2011/12	2012/13
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non current	10	5
Finance costs payable in future years	2	1
Minimum lease payments	12	6

Notes to the Accounts

24. Leases (contd.)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Not later than one year	0	5	0	1
Later than one year and not later than five years	10	0	2	0
Later than five years	0	0	0	0
Total	10	5	2	1

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

	2011/12 £000	2012/13 £000
Not later than one year	116	400
Later than one year and not later than five years	25	25
Later than five years	952	855
Total	1,093	1,280

25. 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 2012/13 was undertaken in conjunction with the PCC's valuers. The valuer's 2012/13 review of asset valuations comprised an assessment of the PCC's property portfolio and general movement in property values. This concluded that there are no grounds to substantiate any material change in values on non-residential properties. It also concluded that it would be reasonable to not make any specific annual adjustment for market conditions in relation to police house property values.

Impairment losses were also charged in 2012/13 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 6 and 7 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

26. Termination Benefits

The Authority terminated the contracts of 25 employees in 2012/13 (265 employees in 2011/12), incurring the following liabilities:-

- £0.443m severance payments (£3.817m in 2011/12)
- £0.311m enhancement of retirement benefits (£1.098m in 2011/12)

Details of exit packages are shown in note 19, page 37.

Notes to the Accounts

27. Defined Benefit Pension Schemes

Transactions Relating to Retirement Benefits

The PCC 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 PCC is required to make against the council tax, however, is based on the cash payable in the year, and therefore the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement. The following transactions have been made in the PCC's accounts during the year. These include the pension liabilities for the Chief Constable and the Chief Finance Officer to the Chief Constable.

Police Officer Pension Schemes

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
<u>Comprehensive Income & Expenditure Statement</u>								
Cost of Services:								
Current service cost	37,744	45,615	7,460	7,999	2,078	1,579	47,282	55,193
Past service cost/(gain)	0		0		0		0	0
Financing and Investment Income & Expenditure:								
Interest cost	86,472	81,868	2,280	2,655	4,842	4,351	93,594	88,874
Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services	124,216	127,483	9,740	10,654	6,920	5,930	140,876	144,067
Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement								
Actuarial losses	151,739	146,703	7,525	7,697	3,818	4,028	163,082	158,428
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	275,955	274,186	17,265	18,351	10,738	9,958	303,958	302,495
<u>Movement in Reserves Statement</u>								
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(124,216)	(127,483)	(9,740)	(10,654)	(6,920)	(5,930)	(140,876)	(144,067)
<u>Actual amount charged against the General Reserve for pensions in the year</u>								
Retirement benefits payable to pensioners	22,316	20,061	7,217	6,812	3,005	3,551	32,538	30,424

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £158.428m (£163.082m in 2011/12) have been included in the Comprehensive Income & Expenditure Statement (see page 12).

Notes to the Accounts

27. Defined Benefit Pension Schemes (contd.)

Local Government Pension Scheme

	Local Government Pension Scheme	
	2011/12 £000	2012/13 £000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service cost	8,699	10,484
Loss on curtailments and settlements	817	616
Financing and Investment Income & Expenditure		
Interest cost	12,684	12,910
Expected return on assets in the scheme	(10,899)	(9,898)
Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services	11,301	14,112
Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement		
Actuarial losses	44,023	2,416
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	55,324	16,528
Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(11,301)	(14,112)
Actual amount charged against the General Reserve for pensions in the year		
Employer's contribution payable to scheme	8,845	8,728

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £2.416m (£44.023m in 2011/12) 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 £160.844m (£207.105m in 2011/12).

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	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Benefit Obligation at start of year	1,577,239	1,805,257	36,426	56,406	88,499	96,231	1,702,164	1,957,894
Current Service Cost	37,891	46,747	7,460	8,255	2,072	1,476	47,423	56,478
Interest on Pension Liabilities	86,472	81,868	2,280	2,655	4,842	4,351	93,594	88,874
Actuarial Losses	151,739	146,703	7,525	7,697	3,818	4,028	163,082	158,428
Contributions by Scheme Participants	10,191	9,846	2,812	2,783	0	0	13,003	12,629
Past Service Gains	0						0	0
Benefits Paid/(Received)	(58,275)	(61,468)	(97)	(115)	(3,000)	(3,343)	(61,372)	(64,926)
Benefit Obligation at end of year	1,805,257	2,028,953	56,406	77,681	96,231	102,743	1,957,894	2,209,377

Notes to the Accounts

27. Defined Benefit Pension Schemes (contd.)

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards		Totals	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £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	48,084	51,622	(2,715)	(2,668)	3,000	3,343	48,369	52,297
Contributions by Participants	10,191	9,846	2,812	2,783	0	0	13,003	12,629
Net Benefits Paid Out	(58,275)	(61,468)	(97)	(115)	(3,000)	(3,343)	(61,372)	(64,926)
Closing Fair Value of Assets	0	0	0	0	0	0	0	0

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

Liabilities	Local Government Pension Scheme	
	2011/12 £000	2012/13 £000
Balance at start of year	226,662	282,155
Current Service Cost	8,799	10,484
Interest Cost	12,684	12,910
Contributions by Scheme Participants	3,649	3,377
Actuarial Losses	34,932	13,622
Benefits/Transfers Paid	(5,388)	(7,424)
Curtailments	817	616
Balance at end of year	282,155	315,740

Assets	Local Government Pension Scheme	
	2011/12 £000	2012/13 £000
Balance at start of year	158,317	167,231
Expected Return on Assets	10,899	9,898
Actuarial Gains/(Losses)	(9,091)	11,206
Employer Contributions	8,845	8,728
Contributions by Scheme Participants	3,649	3,377
Benefits Paid	(5,388)	(7,424)
Balance at end of year	167,231	193,016

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 2012/13 was £21.103m (2011/12 £1.808m).

Notes to the Accounts

27. Defined Benefit Pension Schemes (contd.)

Scheme history

	2008/09	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m	£m
Present value of liabilities					
Local Government Pension Scheme	(158.6)	(237.6)	(226.7)	(282.2)	(315.7)
Police Officer Pension Schemes	(1,253.1)	(1,827.2)	(1,702.2)	(1,957.9)	(2,209.4)
	(1,411.7)	(2,064.8)	(1,928.9)	(2,240.1)	(2,525.1)
Fair value of assets in the Local Government Pension Scheme	110.0	158.1	158.3	167.2	193.0
Deficit in the scheme					
Local Government Pension Scheme	(48.6)	(79.5)	(68.4)	(115.0)	(122.7)
Police Officer Pension Schemes	(1,253.1)	(1,827.2)	(1,702.2)	(1,957.9)	(2,209.4)
Total	(1,301.7)	(1,906.7)	(1,770.6)	(2,072.9)	(2,332.1)

The liabilities show the underlying commitments that the PCC has in the long term to pay retirement benefits. The total liability of £2,332.100m has a substantial impact upon the net worth of the PCC as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the PCC 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 PCC in the year to 31 March 2014 is £7.416m. Expected contributions for the Police Pension Schemes in the year to 31 March 2014 by the employer are £19.473m for the 1987 Scheme and £6.473m 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 2012

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

27. Defined Benefit Pension Schemes (contd.)

	Local Government Pension Scheme		Police Officer Pension Schemes	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Long-term expected rate of return on asset in the scheme:				
Equity investments	6.4%		n/a	n/a
Government Bonds	3.3%		n/a	n/a
Other Bonds	4.6%		n/a	n/a
Property	5.4%		n/a	n/a
Cash/Liquidity	0.5%		n/a	n/a
		5.8%		
Life expectancy of a pensioner aged 65 (LGPS)/60 (Officers) retiring in 20 years time (Police injury award scheme in brackets):				
Male	24.1	24.2	28.4 (25.8)	28.5
Female	26.8	26.9	30.7 (28.1)	30.8
Life expectancy of a pensioner aged 65 (LGPS)/60 (Officers) retiring today				
Male	22.7	22.7	26.8 (24.3)	26.9
Female	25.3	25.3	29.1 (26.5)	29.2
Rate of Inflation (RPI)	3.3%	3.4%	3.3%	3.3%
Rate of Inflation (CPI)	2.5%	2.6%	2.5%	2.5%
Rate of Increase in Salaries	4.3%	4.4%	4.1%	4.1%
Rate of Increase in Pensions	2.5%	2.6%	2.5%	2.5%
Discount Rate	5%	5%	5%	4%

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:

	2011/12 £000	2012/13 £000
Equities	70.0%	64.0%
Government Bonds	4.0%	7.0%
Other Bonds	10.0%	8.0%
Property	14.0%	12.0%
Cash/Liquidity	2.0%	4.0%
Alternative Assets	n/a	5.0%
Total	100.0%	100.0%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of each of the following years:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
<u>Differences between the expected and actual return on assets</u>					
Local Government Pension Scheme	(34)	(21)	11	5	(6)
<u>Experience gains and (losses) on liabilities</u>					
Local Government Pension Scheme	0	0	7	0	0
Police Officer Pension Schemes	0	0	3	4	0

Notes to the Accounts

28. Contingent Liabilities

There are two legal claims against the PCC with an estimated value of £3.0m. The timing of when these claims will be concluded is uncertain. The PCC 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 PCC has sufficient funds in his General Reserve to meet the cost of these claims.

29. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The fair value of the financial instruments held by the PCC 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 PCC's investments as at 31 March 2013 has been calculated to be £28.503m (2011/12 £43.815m).

This is higher than the carrying amount of £28.476m (2011/12 £43.803m) because the PCC'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 PCC 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 PCC's other financial instruments.

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

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

Notes to the Accounts

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

Credit risk

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

This risk is minimised through the annual Treasury Management Strategy. Under the strategy, investments are restricted to UK financial institutions only, and no more than £10m is invested with any single institution, with the exception of the institutions identified on page 5. Two monetary limit periods of lending are limited to twelve months.

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

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

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

	Amount at 31 March 2013	Historical experience of default	Historical experience market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	28,536	0.00	0.00	0
Sundry debtors	1,129	0.05	0.05	56
Total	29,665			56

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

The PCC does not generally allow credit for sundry debtors beyond 30 days, such that £0.181m of the £1.129m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days £0.046m
- between 61 and 90 days £0.055m
- over 90 days £0.080m

Notes to the Accounts

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

Liquidity risk

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

The PCC did not have any short or long term external borrowings at 31 March 2013. Should there be a need for the PCC to raise borrowings in future years, it would have ready access to funds from the money markets and the Public Works Loans Board. There is therefore no significant risk that the PCC would be unable to raise finance to meet his commitments under financial instruments. The risk would be that the PCC would be bound to replenish a significant proportion of any future borrowings at a time of unfavourable interest rates. The PCC would mitigate this risk by spreading the maturity date of its loans over a period of years by a combination of careful planning of new loans taken out and, where it is economic to do so, making early repayments.

Market risk

Interest rate risk

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

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

The fair value of the PCC's investments is subject to increases/decreases in market rates. For example, if market rates had been 1% higher, at 31 March 2013 the fair value of investments would have been reduced by £0.021m. If interest rates had been 1% lower, the fair value would have been increased by the same amount.

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

Price risk

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

Foreign exchange risk

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

Notes to the Accounts

30. Heritage Assets

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

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

31. National Police Air Service

The National Police Air Service (NPAS) commenced during 2012/13 with West Yorkshire Police acting as the lead local policing body. NPAS provides a national, borderless service replacing individual force's air operations.

The NPAS service to Essex Police commenced on 1 October 2012, at which time a number of police staff, the force helicopter and other items of equipment used by the Air Support Unit transferred to West Yorkshire. Police officers involved with the provision of the service have also been seconded to West Yorkshire. The Essex Air Support Unit discontinued operations with effect from 30 September 2012.

The NPAS service is governed by a national police collaboration agreement, made under section 22 of the Police Act 1996, between the lead force and participating forces. The service is under the control of a Strategic Board made up of PCCs and Chief Constables from each police region. The Board determines the budget and the charging policy, and monitors the service's performance.

The 2012/13 Statement of Accounts includes the following in recognition of this change in service provision:-

- Discontinuation of in-house air support services.
- The charge for the NPAS service to Essex.
- Recharge to West Yorkshire of expenditure relating to NPAS incurred by Essex.
- The transfer of the Essex Police helicopter and other assets to West Yorkshire Police.
- Writing off the net book value of the helicopter (£0.932m) at the date of transfer.
- Capital income plus a deferred capital receipt for the transfer value of the helicopter being paid to the PCC over the period 2012/13 to 2017/18.

The amounts paid by the PCC to NPAS between 1 October 2012 and 31 March 2013 are recognised in the Comprehensive Income and Expenditure Statement on a separate line, "Specialist Operations – Air Support".

Notes to the Accounts

32. Purpose of Earmarked Reserves

The following notes explain the purpose of the earmarked reserves on which there was movement during 2012/13:-

1. The Force Central Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments.
2. The Insurance Reserve finances the self-insurance element of any future claims against the PCC.
3. The Forfeiture Monies Reserve holds funds transferred to the PCC from the Misuse of Drugs Act Seizures Fund. These funds are subsequently transferred from the reserve into the Comprehensive Income & Expenditure Statement in order to fund the costs of operations mounted to tackle drug related crime and drug abuse.
4. The Mobile Data Reserve funds the cost of the use of mobile data devices. This reserve was closed during 2012/13.
5. The 2012 Olympic Games Reserve was created to fund the shortfall between the costs of policing the 2012 Olympic Games and funding from central government. This reserve was closed during 2012/13 and the balance of £1.000m transferred to the General Reserve.
6. The Leased Property Dilapidations Reserve Original funds the cost of future major repairs to a multi occupancy building. The PCC is responsible for the maintenance of this building, and it is intended to restore the building back to its original condition at the end of the lease.
7. The Leased Property Dilapidation & Maintenance Reserve funds the cost of minor repairs to the multi occupancy building. The funds transferred into the Reserve represent service charges collected from the tenants in respect of outstanding balances.
8. The Proceeds of Crime Act (POCA) Reserve is a newly created reserve to hold surplus receipts received through the Asset Recovery Incentive Scheme, to fund crime reduction related expenditure.
9. The Support Services Convergence Programme Reserve is a newly created reserve to fund a project team in delivering an integrated support services directorate between Essex and Kent.
10. The Future Capital Funding Reserve funds future capital programmes.

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

The Statement of Accounts was authorised for issue on 26 September 2013 by Mr Charles Garbett BA, CPFA, Treasurer to the PCC for Essex and Mrs Deborah Martin CPFA, Chief Finance Officer of the Chief Constable.

Notes to the Accounts

34. Summary of Significant Accounting Policies

34.1 General Principles

The Statement of Accounts summarises the PCC's transactions for the year 2012/13 and its position at the year ending 31 March 2013. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2012/13*. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

34.2 Accruals of Income and Expenditure

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

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Fees, charges and rents due from customers are accounted for as income at the date the PCC provides the relevant goods or services.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

34.3 Provision for Bad Debts

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

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

34.4 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)*.

34.5 Council Tax Income

The PCC raises Council Tax income by precepting upon the fourteen district and borough councils in Essex. In their capacity as billing authorities, these councils are regarded as acting as agents for the PCC. Each billing authority credits the Council Tax income that it collects to its Collection Fund, and pays to the PCC the precept or demand for the year, plus or less the PCC's share of the surplus or deficit on the Collection Fund for the previous year.

The PCC is required to include in his Comprehensive Income & Expenditure Statement its share of the accrued Council Tax income of each billing authority, i.e. the PCC's precept upon the billing authority plus or less its share of Council Tax debtors and creditors.

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

Comprehensive Income & Expenditure Statement and Movement in Reserves Statement

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

Notes to the Accounts

Balance Sheet

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

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

34.6 Retirement Benefits

Police Officers

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

The expenditure and income in respect of this scheme is accounted for in the Police Pensions Fund Account with the exception of injury and some ill health retirement payments, which are charged to the Comprehensive Income and Expenditure Statement. The pensions top up grant, receivable by the Fund, is initially credited to the Comprehensive Income and Expenditure Statement, and then transferred to the Police Pensions Fund Account via the Movement in Reserves Statement.

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

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

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 PCC 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 PCC 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 Comprehensive Income and Expenditure Statement.
- b) Past service cost (gain): the increase (decrease) in liabilities from current year decisions, the effect of which relate to retirement benefits earned in previous years – charged (credited) to the Comprehensive Income and Expenditure Statement as Non-Distributed Costs.
- c) Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- d) Expected return on assets: the annual investment return on the fund assets attributable to the PCC, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- e) Gains/losses on settlement and curtailments: the result of actions to relieve the PCC of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the Comprehensive Income and Expenditure Statement as Non-Distributed Costs.
- f) Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

Statutory provisions limit the PCC to raising Council Tax to cover the amounts payable by the PCC to the pension fund in the year. In the Movement in Reserves Statement there are, therefore, appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

34.7 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.

34.8 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 PCC 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 PCC is the lessee, consideration is given to substance of the transaction rather than the form of the agreement. The PCC applies a number of tests to help determine the classification of the lease at its inception.

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

Finance leases: The PCC recognises finance leases as assets and liabilities at the lower of the fair value of the property or the present value of the minimum lease payments.

Assets recognised as finance leases are depreciated in accordance with the policy for depreciation of owned assets.

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

Notes to the Accounts

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

Arrangements containing a lease: An arrangement that conveys the right to use an asset in return for payment, but which does not take the legal form of a lease, may be accounted for as an embedded lease. An assessment is made whether fulfilment of the arrangement is dependent on the use of a specific asset(s) and the arrangement conveys a right to use that asset(s). This assessment is made at the inception of the arrangement.

Where an embedded lease is identified it is assessed to determine whether this is a finance or operating lease. The accounting treatment applied is in accordance with the lease accounting policy.

34.9 Reserves

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

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

34.10 Provisions

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

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

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

34.11 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.

34.12 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 PCC for a period of more than one year.

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

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

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

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

Land and buildings are revalued at least every 5 years by an external valuer in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S.) Valuation Standards. The force helicopter had also been revalued every 5 years with the value of the helicopter 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 PCC's property advisors, assuming no residual value.
- Plant, vehicles and equipment - straight line allocation over the economic life of the assets, assuming no residual value.
- Components - straight line allocation over the economic life of the assets, assuming no residual value.

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

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 (held until 30 September 2012) 10 years
- vehicles 6-8 years
- plant, IT and equipment 3-30 years
- marine vessels 10-25 years

Componentisation Policy

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

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

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

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

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

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

Property assets

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

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

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

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

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

Notes to the Accounts

Equipment assets

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

Vehicle and marine assets

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

Revaluation Reserve balances

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

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

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

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

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

Impairment of assets

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

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

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

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

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

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

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

Notes to the Accounts

The PCC is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However the PCC is required to make a prudent provision from revenue to contribute towards the reduction in its overall borrowing requirements, which is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two amounts.

34.13 Intangible assets

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

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

34.14 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.

34.15 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.

34.16 Capital grants and contributions

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

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

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

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

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.

34.17 Donated assets

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

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

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

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

34.18 Minimum revenue provision

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

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

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

34.19 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 PCC. This expenditure is charged to the Comprehensive Income and Expenditure Statement. To avoid any impact on council tax, the charge is then moved to the Capital Adjustment Account.

34.20 Financial Assets and Liabilities

The PCC's financial assets are classed as:

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

Notes to the Accounts

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

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

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

34.21 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 PCC.

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

- outstanding annual leave entitlements
- time off in lieu

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

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

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

Long Term Benefits

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

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

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

34.22 Cash and Cash Equivalents

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

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

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 PCC's cash management.

34.23 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 PCC's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

34.24 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.

34.25 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.

34.26 Contingent Assets and Liabilities

The PCC recognises material contingent assets and liabilities which arise from past events whose existence can only be confirmed by the occurrence of one of more uncertain future events, which are not wholly within the PCC's control. Details of the extent of the potential liabilities are described in note 28 on page 47.

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 Commissioner by Essex County Council.

The Fund receives income each year from:

- Employer's contributions from the PCC is 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 pension top-up grant from central government to fund any deficit, or by paying over to central government any surplus.

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 the PCC.

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.

	2011/12 £000	2012/13 £000
Contributions receivable		
Police & Crime Commissioner for Essex	(29,680)	(28,262)
Serving police officers	(13,003)	(13,759)
Capital equivalent payment for ill health	(1,267)	(632)
Transfers in		
Individual transfers in from other schemes	(610)	(969)
Total Receipts	(44,560)	(43,622)
Benefits payable		
Pensions	45,011	48,925
Commutations and lump sum payments	13,054	12,386
Lump sum death benefits	149	252
NIC on pension funds	6	6
Payments to and on account of leavers		
Refund of contributions	10	13
Individual transfers out to other schemes	605	710
Total Payments	58,835	62,292
Sub total for the year before transfer from PCC for Essex of amount equal to the deficit	14,275	18,670
Transfer of amount from PCC for Essex of amount equal to the deficit	(14,275)	(18,670)
Net amount payable for the year	0	0

Police Officer Pension Fund Account

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

	2011/12 £000	2012/13 £000
Contributions due from employers	0	0
Transfer receivable from PCC	14,275	18,670
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
Total Net Assets	14,275	18,670

The additional contribution receivable from the PCC 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 27 (pages 42-46) to the PCC's core financial statements.

Annual Governance Statement

Introduction

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

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

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

The statement is in five main parts covering:

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

On 22nd November 2012 Police Authorities were abolished and replaced by Police and Crime Commissioners. This annual governance statement reflects both the governance framework in place up to 21st November 2012 when the Essex Police Authority (EPA) was abolished and the new governance framework put in place for the PCC and his office for the year ended 31st March 2013, including plans for the financial year 2013/14.

Annual Governance Statement

1. Scope of Responsibility

- 1.1 The OPCC is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The OPCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 The CC is responsible for maintaining the Queen's Peace and has discretion over the direction and control over the force's officers and staff. Further, the CC is responsible to the public and accountable to the PCC for supporting the PCC in the delivery of the Police and Crime Plan.
- 1.3 In discharging this overall responsibility, the OPCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. In exercising this responsibility the OPCC places reliance on the Chief Constable of Essex Police to support the governance and risk management processes.
- 1.4 There is regular contact on a day to day basis between the PCC and CC in order to ensure that matters are dealt with within their respective responsibilities. There are also formal governance meetings each week which deal with current issues, future issues, performance and finance on a rotational basis.
- 1.5 On election to office the PCC approved the constituent parts of the governance arrangements that were to be adhered to, these included:
1. Constitution
 2. Specified Information Order
 3. Information Sharing Agreement: Essex Police and the Police and Crime Commissioner for Essex
 4. Information Sharing Agreement: Police and Crime Commissioner for Essex and Police and Crime Panel for Essex
 5. Financial Management Code of Practice for the Police Service of England and Wales
 6. Scheme of Delegation
 7. Policing Protocol Order 2011
 8. Voluntary Code of Conduct
 9. The Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012
 10. Appointment of Chief Constables
 11. The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
 12. The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012
 13. Protective Marking Procedure
 14. Financial Regulations
 15. Anti-Fraud & Corruption Strategy
 16. Statutory Guidance for Police Collaboration
 17. Police Reform and Social Responsibility Act 2011

The OPCC is currently reviewing these documents as planned, with the support of the CC and any changes will continue to be consistent with the principles of CIPFA: Delivering Good Governance in Local Government.

- 1.5 Copies of these documents are available on our website at www.essex.pcc.police.co.uk or can be obtained from the OPCC, 3 Hoffmanns Way, Chelmsford, Essex CM1 1GU.
- 1.6 This statement is compliant with regulation 4(2) of the Accounts and Audit 2011 (England) Regulations in relation to the publication of a statement on internal control.

Annual Governance Statement

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the OPCC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the OPCC to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the OPCC's and CC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, managing them effectively, efficiently and economically.
- 2.3 The PCC's scheme of Governance incorporates a framework of arrangements that ensures value for money is achieved for the people in Essex. One of the ways this is delivered is through the Essex and Kent collaboration.

3. The Governance Framework

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

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

Under the previous statutory arrangements, EPA members were responsible for the vision, strategic direction and priorities for the Police Authority and were advised by senior management who also advised and supported members in influencing and shaping the direction and priorities for the policing of Essex. In addition relevant committees and panels met regularly to consider the strategic direction, plans and progress, and review specific policy areas of the EPA.

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

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

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

Annual Governance Statement

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

The roles and responsibilities of each of the EPA's committees and panels were clearly defined in their individual terms of reference, and included arrangements for challenging and reviewing the Force's activities. The EPA's contract standing orders provided for the delegation of EPA functions and decision making to the Finance and Audit Committee and senior officers, including a scheme of delegation setting out the decisions that the EPA had delegated to its officers and the Chief Constable.

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

There are agreed terms of reference for the PCC and CC joint Audit Committee and agreed roles for all members of the committee.

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

EPA members were bound by the Statutory Code of Conduct that formed part of the Standing Orders, and the Standards Committee was responsible for ensuring that members were aware of their responsibilities under the code and received guidance on ethical standards and behaviour.

The EPA also had in place a set of standards which were designed to assist all officers in building positive working relationships, ensure high performance and to help in challenging inappropriate behaviour.

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

The Audit Committee has also considered a draft PCC policy on reporting wrongdoing (Handling of Qualifying Disclosures) for the OPCC. The CC is preparing a similar policy for the force.

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

The EPA's decision making process was clearly defined in the Financial Regulations and Contract Standing Orders. These have now been replaced by the OPCC's governance framework, and will be reviewed on an annual basis.

The Finance and Audit Committee was responsible for risk management activity within the EPA and Essex Police, ensuring that risk management processes and programmes operated effectively, in line with CIPFA guidance. The PCC's Audit Committee have now taken on this responsibility and continue to receive reports on risk management. The OPCC continues to use the risk management policy and framework that was previously used within the EPA as it evolved and was updated to suit the requirements of the OPCC during the transition process from EPA to OPCC.

Annual Governance Statement

The Audit Committee continues to deliver the former EPA's Finance and Audit Committee's responsibility for enhancing public trust and confidence in the governance of the OPCC and Essex Police.

The Audit Committee is served by three independent members, who were jointly appointed after a competitive interview process amongst former Essex Police Authority (EPA) members. The benefit of continuing with the services of former EPA members has been the continuity of knowledge and experience. The terms of office of the three independent members extends to September 2014 in order to allow the PCC and CC to formulate a future Audit Committee approach that best serves the new governance structure.

The EPA and now the OPCC have a duty to ensure that it acts in accordance to the law and legislation. Under the EPA this was fulfilled through the Financial Regulations and Contract Standing Orders, and supporting policies and procedures were produced to ensure officers and staff within both the EPA and the Force understood their responsibilities. These have now been incorporated with the OPCC governance framework.

Compliance with them was and will continue to be reviewed. Under the EPA the role of Monitoring Officer was outsourced to the Head of Legal Services for Essex County Council. This responsibility now lies with the Chief Executive of the OPCC.

The PCC has adopted a clear decision making policy that requires the oversight of both statutory officers within the OPCC, namely the Monitoring Officer and Chief Finance Officer. This ensures that both legal and financial implications are clearly stated prior to any decision being taken. All decisions made by the PCC are formally recorded and made available on the website for public information and scrutiny. A report outlining all decisions is presented to the PCP for their scrutiny.

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

The EPA implemented a restructure realigning staff roles to support the transition from the Police Authority governance arrangements to those anticipated under a PCC. Staff were offered the opportunity to attend relevant training courses to ensure they were furnished with the necessary skills to succeed in their new roles and in support of the work required in the transition from Police Authority to OPCC. The current structure will be subject to a further review once the permanent Chief Executive within the OPCC is appointed.

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

The Police Reform and Social Responsibility Act 2011 (the Act) requires that all policing districts establish a Police and Crime Panel (PCP). A shadow PCP was set up prior to the PCC taking office. Under the Act the PCP has specific duties and responsibilities that it is required to fulfil. The early formation of the PCP gave its members time to prepare for when the PCC took office.

Annual Governance Statement

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

The EPA had in place a Public Engagement Strategy with an overall aim to engage with all sections of the community so allowing the Authority to improve the services it delivered to the people of Essex. EPA staff and members linked in with partner agency events wherever possible to maximise the opportunity to engage with the community, consulting with the public to gauge their views on local policing and the work of the Force and Authority. These views helped to shape the policing objectives for the Force that were set out in the Annual Policing Strategy and Plan.

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

As part of the PCC's role in holding the Chief Constable to account for the delivery of policing services, weekly performance meetings are chaired by the PCC with the Chief Constable and senior officers within the force in attendance. The purpose of these meetings is to scrutinise specific areas and challenge performance when it is considered necessary.

Plans are in place to arrange quarterly public scrutiny meetings where the PCC will openly challenge and scrutinise the Chief Constable on police performance, not limited to those areas of focus within the Police and Crime Plan. The public will be invited to pose questions to the PCC for him to raise with the Chief Constable providing robust local accountability.

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

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

4. **Value for Money Arrangements**

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

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

The governance framework is subject to on-going monitoring for effectiveness by the PCC's Treasurer and Executive Director. This will be further informed by the work of the External Auditors over the coming months, and by continuing Internal Audit reviews.

There are weekly Governance meetings between the PCC and CC whereby the CC is held to account for ensuring value for money for the provision of policing services.

Annual Governance Statement

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

EPA/ OPCC

The EPA and now OPCC has overall responsibility for the discharge of all powers and duties placed upon it, and has a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework was previously undertaken by the EPA's Finance and Audit Committee who referred reports to the EPA's Full Authority when it was considered necessary. The PCC's and CC's Audit Committee has now taken on this responsibility and will continue to discuss governance issues, referring reports to the PCC and CC when appropriate.

Essex Police – Chief Constable

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

Finance and Audit Committee/ Audit Committee

This committee has now been superseded by the Audit Committee and the process of receiving regular reports and updates will continue. This will include the review of the Annual Governance Statement for inclusion in the Statement of Accounts and update reports on progress made in addressing significant governance issues included within it.

Internal Audit

In maintaining and reviewing the governance framework the PCC's Chief Finance Officer and CC's Chief Finance Officer place reliance on the work undertaken by Internal Audit and in particular, Internal audit's independent opinion on the adequacy and effectiveness of the system of internal control. For 2012/13 the Internal Auditor's opinion is as follows:

"For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion is that the Office of the Police & Crime Commissioner for Essex & Essex Police had adequate arrangements for governance, risk management and control. Since November 2012, when the PCC took up post, we have completed reviews of risk management, some assurance reviews and a specific advisory review, which have indicated areas for improvement. It is acknowledged that the Organisations are in a process of change and our recommendations, where applicable, are reflective of the changing environments."

External Audit

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

Furthermore, other review/ assurance mechanisms such as Her Majesty's Inspectorate of Constabularies who are charged with promoting the effectiveness and efficiencies of policing, improving performance and sharing good practise nationally and the Health and Safety Inspectorate are also relied upon.

Annual Governance Statement

5. Significant Governance Issues

Potential governance issues associated with the change from Police Authority to PCC have been mitigated by a number of factors including:

- the preparation and implementation of a robust scheme of governance in order to ensure the integrity of decision taking
- a comprehensive programme of public engagements undertaken by the PCC in order to ensure that local policing needs are recognised and that this informs the constructive process of holding the Chief Constable to account
- the delivery of a Police and Crime Plan and associated budget and precept
- the development of a performance framework that incorporates data and performance measures from both the Force and partners
- the holding of the Chief Constable to account through a regular programme of weekly performance meetings and the development of public scrutiny meetings

The above measures have provided a foundation for good governance that will have a positive and lasting impact on the work of the PCC and CC.

The PCC has responsibility for providing grants to any person for reducing crime and disorder. The detailed governance arrangements for the allocation of grants by the PCC will be reviewed during the forthcoming year to ensure good value of money.

There is one significant governance issue that needs to be addressed, the Stage 2 transfer scheme for staff, assets and liabilities. The Essex scheme needs to be delivered to the Home Secretary by September 2013 for the transfer to take place by 1 April 2014. A Project Board is in place to support the delivery of this work within the required timescales.

The Police & Crime Commissioner for Essex

Chief Constable of Essex

Treasurer to the PCC for Essex

Chief Finance Officer of the Chief Constable

26 September 2013

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

AUDIT COMMISSION – An independent body, established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to the PCC. The Audit Commission has a duty to ensure that the PCC 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.

BEST VALUE ACCOUNTING CODE OF PRACTICE – A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the total costs of services.

BUDGET – A statement of the PCC’s plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

- COUNCIL TAX** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.
- CREDITORS** – Individuals or organisations to whom the PCC owes money at the end of the financial year.
- CURRENT ASSETS AND LIABILITIES** – Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.
- CURRENT SERVICE COSTS (PENSIONS)** – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.
- CURTAILMENT** – For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.
- DEBTORS** – Individuals or organisations who owe the PCC money at the end of the financial year.
- DEFERRED LIABILITIES** – Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.
- DEFERRED PENSIONS** – Individuals who have ceased to be active members but are entitled to benefits payable at a later date.
- DEFINED BENEFIT SCHEME** – A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.
- DEPRECIATION** – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.
- DIRECT REVENUE FINANCING** – Resources provided from the PCC's revenue budget to finance the cost of capital projects.
- DISCRETIONARY BENEFITS** – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the PCC's discretionary powers.
- EARMARKED RESERVES** – These represent monies set aside that can only be used for a specific purpose.
- EXPECTED RATE OF RETURN ON PENSION ASSETS** – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
- EXTRAORDINARY ITEMS** – Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the PCC and are not expected to recur.
- FINANCE AND OPERATING LEASE** – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the Income & Expenditure Account.
- FINANCIAL INSTRUMENTS** – contracts that give rise to a financial asset of one entity and a financial liability of another entity.
- FINANCIAL REGULATIONS** – A written code of procedures approved by the PCC, intended to provide a framework for proper financial management.
- FINANCIAL REPORTING STANDARDS (FRS)** – These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.
- FINANCIAL YEAR** - The period of twelve months for the accounts commencing 1st April.
- FIXED ASSETS** – Tangible assets that yield benefits to the PCC for a period of more than one year.

Glossary of Terms

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

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

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

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

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

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

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

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

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

INTEREST COSTS (PENSIONS) – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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

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

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

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

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

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

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

OUTTURN – The actual amount spent in the financial year.

Glossary of Terms

PAST SERVICE COST – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

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

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

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

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

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

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

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

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

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

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

RETIREMENT BENEFITS – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

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

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

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

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

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

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

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

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

Glossary of Terms

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

Further information about the PCC's accounts is available from:

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

Telephone 01245 452615

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

In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report that appears on pages 7 - 10.

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