



The Chief Constable of Sussex

Statement of Accounts **2014-15**



Chief Constable of Sussex

Officers of the Chief Constable of Sussex from 1 April 2014:

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Chief Constable's Command Team

Deputy Chief Constable

Assistant Chief Constable – Local Policing

Assistant Chief Constable - Operations

Director of Finance

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Introduction to the Accounts

This section provides an overview to the Statement of Accounts and explains the contents

The Chief Constable of Sussex (CC) and The Police and Crime Commissioner for Sussex (PCC) are separate legal entities or 'corporation sole' bodies.

The Chief Constable is a 100% subsidiary of the Police and Crime Commissioner for Sussex. The "Sussex Police Group" refers to 'The Police and Crime Commissioner for Sussex' and 'The Chief Constable of Sussex' combined.

Accounting Arrangements

Each Public Body has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Statement of Accounts set out the overall financial position and performance of the Chief Constable of Sussex for the year ended 31 March 2015.

Separate statutory accounts are prepared for the Police and Crime Commissioner for Sussex and the Group.

The Statement of Accounts for 2014-15 is prepared in accordance with the Chartered Institute of Public Finance, the Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2014-15 and specific CIPFA police accounting guidance.

The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011;
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012;
- Scheme of Consent between the Police and Crime Commissioner and the Chief Constable;
- Financial Regulations of the Police and Crime Commissioner for Sussex and Chief Constable Group;
- Contract Regulations of the Police and Crime Commissioner for Sussex and Chief Constable Group
- Accounts and Audit (England) Regulations 2011.

The Accounts reflect the second phase of the Government's reforms between the Police and Crime Commissioner and Chief Constable. The second phase of transition took place on 1 April 2014 as detailed below.

Stage 2 PCC Transfer

The Police Reform and Social Responsibility Act 2011 provides for a 'Stage 2 transfer' where Police and Crime Commissioners can agree what assets, police staff, rights and liabilities are transferred from them to the Chief Constable. The Stage 2 transfer was effective from 1 April 2014 and applies from the 2014-15 financial year.

At Stage 1 PCC transfer in November 2012, all assets, land, property and contracts transferred automatically from Sussex Police Authority to the PCC. At Stage 2 PCC transfer, Chief Constables can enter into contracts and acquire or dispose of non-land property assets with the consent of the PCC.

The Stage 2 transfer proposals approved by the Home Secretary for the Police and Crime Commissioner for Sussex are summarised as follows:

Staff: The majority of staff transferred to the employment of the Chief Constable, with the PCC retaining a small team to support the Office of the Police and Crime Commissioner (OSPCC).

Estate: The PCC retains ownership of all estate and allocates sufficient budget to the Chief Constable to allow continuation with day-to-day management and running of the estate.

Assets: The PCC retains ownership of all assets, with the Chief Constable retaining responsibility for day to day management and ensuring that assets are fit for purpose, safe, cost effective and property insured.

Procurement and contracts: Contracts continue to be issued in the name of the PCC and that Contract Standing Orders are retained to define the parameters within which the PCC and Chief Constable operate. The PCC will not give consent to the Chief Constable to enter into contracts, but the Force's procurement function will continue to be responsible for the legal tendering, negotiation and contract management for all services to the PCC and Force.

Police and Crime Commissioner

The primary function of the Police and Crime Commissioner is to secure the maintenance of an efficient and effective police force in Sussex, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

The Police and Crime Commissioner is responsible for the finances of the whole Group and controls all assets, liabilities and reserves. The Police and Crime Commissioner receives all income and funding and makes all the payments for the Group from the overall Police Fund. In turn the Chief Constable of Sussex fulfils his functions under the Act within an annual budget (set by The Police and Crime Commissioner for Sussex in consultation with the Chief Constable). A Scheme of Consent is in operation between the two bodies determining their respective responsibilities, as well as local arrangements in respect of the use of The Police and Crime Commissioner for Sussex's assets and staff.

The Chief Constable

The Chief Constable holds office under the Crown, but is appointed by the PCC and is responsible for:

- operational independence to deliver the operational policing plan
- direction and control over the force's officers and staff
- managing the operational delivery budget
- appointing a qualified person to act as chief finance officer

Financial Roles and Responsibilities

Under paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011, the Police and Crime Commissioner is required to appoint a person to be responsible for the proper administration of the Commissioner's financial affairs, referred to in these accounts as the PCC's Chief Finance Officer. Under paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011, the Chief Constable is required to appoint a person to be responsible for the proper administration of the Chief Constable's financial affairs, referred to as the Chief Constables' Chief Finance Officer. The Director of Finance fulfils the role of Chief Finance Officer for the Chief Constable of Sussex.

Responsibilities of the Police and Crime Commissioner

- To approve Group and PCC annual accounts in accordance with the statutory timetable.
- To appoint a Chief Finance Officer.

Responsibilities of the PCC's Chief Finance Officer

- To draw up the timetable for final accounts preparation, in consultation with the Director of Finance and external auditor.
- Ensure receipt and scrutiny of the annual Statements of Accounts of the Chief Constable.
- To secure production, sign and date the Police and Crime Commissioner for Sussex and Group statements of accounts, stating that it presents a true and fair view the financial position at the accounting date and its income and expenditure for the financial year just ended.
- To publish the approved and audited accounts each year, in accordance with the statutory timetable.

Joint Responsibilities of the PCC's Chief Finance Officer and CC's Director of Finance

- To select suitable accounting policies and apply them consistently.
- To make reasonable and prudent judgements and estimates.
- To comply with the Code of Practice on Local Authority Accounting.

Responsibilities of the Chief Constable

- To approve these annual accounts in accordance with the Chief Finance Officers timetable.
- To appoint a Chief Finance Officer.

Responsibilities of the Chief Constable's Director of Finance

- To comply with accounting guidance provided by the PCC's Chief Finance Officer and supply him with appropriate information upon request within a reasonable timescale.
- Production of the annual Statement of Accounts for the Chief Constable, ensuring that it presents a true and fair view of financial performance.
- Provision of information to the PCC's Chief Finance Officer as required to enable production of group accounts.

Governance

The accounts are subject to detailed review by an independent external auditor. The auditor provides assurance that the accounts provide a true and fair view of financial position, are prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

The Accounts and Audit (England) Regulations 2011 require that the Annual Governance Statement (AGS) should accompany the Statement of Accounts rather than be included in the Statement of Accounts. The separate statement for the Chief Constable highlights the internal control environment, comments on its effectiveness and identifies issues for future work. The AGS document is available on the website of the Chief Constable of Sussex www.sussex.police.uk.

Overview of the Accounting Statements

The Statement of Accounts set out the Chief Constable's financial standing and performance for the year ended 31 March 2015. The Statements represent the accounts for the legal entity of the Chief Constable of Sussex which is also part of the Police and Crime Commissioner Group. The term 'Group' is used to indicate individual transactions and policies of the Police and Crime Commissioner for Sussex as the holding organisation and the Chief Constable as the subsidiary as set out under the Police Reform and Social Responsibility Act 2011.

The Accounts Comprise:

Foreword and financial overview of the Statement of Accounts

An overview of the financial issues and performance of the Chief Constable during the year.

Statements of Responsibilities

This explains the financial responsibilities of the Chief Constable and the Director of Finance and how these responsibilities are properly carried out.

The Independent Auditor's Report

This is the independent audit opinion on whether the accounts present a true and fair view of the financial position together with a conclusion on arrangements for securing value for money.

The Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It shows the movement in year on the different reserves, analysed into 'useable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing services

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) consolidates all income, expenditure, gains and losses experienced during the financial year. This includes all day-to-day expenses and related income prepared on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. As a tax-raising body, the PCC is subject to specific rules as to how tax rates are set in relation to the income and expenses of the Group. This means the expenditure covered by local taxation (funding basis) is different to the full accounting cost recorded in the CIES (accounting basis). The adjustments between the funding basis and accounting basis are shown in the MiRS.

The Balance Sheet

This shows the value of the recognised assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held.

The Cash Flow Statement

This summarises the inflows and outflows of cash arising from transactions with third parties, for revenue and capital purposes.

Notes to the Accounts

Provides additional information to support the figures included in the financial statements and is relevant to an understanding of them. These also include a detailed explanation of the Accounting Policies used to produce the Statement of Accounts.

Glossary of Financial Terms

This section explains key terms and specialist financial language used in the Statement of Accounts.

On-line Accounts

Statutory accounts for the Chief Constable and separate accounts for the Police and Crime Commissioner and Group are available to view and download on the Police and Crime Commissioner for Sussex website www.sussex-pcc.gov.uk or on the Sussex Police website www.sussex.police.uk

If you have any questions, comments or suggestions about these financial statements please contact us using the following email address: miranda.kadwell@sussex.pnn.police.uk

Director of Finance Foreword

This section highlights the financial governance of the Chief Constable of Sussex

Financial Governance role of the Chief Constable

The Chief Constable has responsibility to ensure the best value in the provision of efficient and effective operational policing within Sussex. Whilst the Police and Crime Commissioner holds the Chief Constable to account for the delivery of policing services, the Chief Constable has complete operational independence on the deployment of policing resources.

The Chief Constable works within the overall police budget set by the Police and Crime Commissioner. The Chief Constable is responsible for managing overall expenditure within his operational delivery budget in accordance with the Scheme of Consent and Financial Regulations.

The Police and Crime Commissioner sets strategic policing priorities and targets for the Chief Constable. The Police and Crime Commissioner monitors performance against these priorities and holds the Chief Constable to account for the way the Force is performing and the use of the budget. In discharging the important duty to secure best value, the Police and Crime Commissioner seeks to ensure an efficient and effective police force for Sussex, making sure that the delivery of policing services continues to improve.



Mark Baker
Director of Finance.

Role of the Director of Finance

The Director of Finance is the Chief Finance Officer and professional adviser on financial matters to the Chief Constable. The Director of Finance has statutory duties in relation to financial administration and stewardship. This statutory responsibility includes securing the production of and signing a statement stating that the Accounts provide a true and fair view of the financial position and maintaining financial standing.

The Director of Finance is responsible for advising the Chief Constable on whether a decision is likely to be considered contrary to or not wholly in accordance with the budget and financial policies. The Director of Finance works closely with the Police and Crime Commissioner's Chief Finance Officer to ensure overall financial objectives are delivered. This is set out in a memorandum of understanding on their respective roles and responsibilities.

The Statement of Accounts

The Statement of Accounts show how the Chief Constable has applied his budget to provide policing services to over one and a half million people across East Sussex, West Sussex and Brighton and Hove. The following pages provide a commentary on the Accounts, highlighting key issues and other aspects of our financial performance for the year.

A handwritten signature in black ink that reads "Mark Baker".

Mark Baker CPFA
Director of Finance
Chief Constable of Sussex

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Visit: www.sussex.police.uk to download an electronic version of the Accounts.

FINANCIAL OVERVIEW

The purpose of this section is to explain the Chief Constable's expenditure and income for the year, the resulting financial position at the end of the year and explain the additional elements required to move to the financial position as set out in the Statement of Accounts.

Summary

The Chief Constable delivers operational policing against a delivery plan and budget approved by the PCC. Net expenditure for the year of £244.6m was £7.3m less than the PCC approved revenue budget of £251.9m. In addition to this, expenditure of £17.2m was incurred on capital projects for items on behalf of the Group such as property, IT and vehicles. This was £4.7m less than planned.

The Income and Expenditure Statement within the Statement of Accounts includes notional (non cash) amounts including re-measurement of police officer and police staff pension costs and long term liabilities. These are significant for the 2014-15 year, with a pensions interest cost of £104m and an increase on the pension liability of £393.4m. This explains the majority of movement from a surplus of £7.3m against the Operational Policing budget to the final total deficit on the CIES for the year of £500m.

This deficit has no immediate cash impact on the Chief Constable. The most significant element of this deficit is a further increase of long term pension liabilities for police staff and police officers based on latest valuations required by accounting standards. Management of these long term liabilities are subject to funding strategies of West Sussex County Council Local Government Pension Scheme and Home Office Police Pension Schemes and require no immediate action by the Chief Constable but may have a financial impact on expenditure in future years.

Chief Constable's Budget - Financial Performance 2014-15

Revenue Expenditure and Income

The Chief Constables budget was calculated based on approved expenditure estimated for operational policing and related income arising from policing activities and specific policing grants.

Revenue Expenditure

The PCC approved a total revenue expenditure budget for 2014-15 of £255.4m. The majority was allocated to the Chief Constable (£251.9m) for operational policing.

The tables below show the net expenditure on the Operational Delivery Budget by main cost and service types.

Operational Delivery Budget - Revenue Budget Performance 2014-15

By Cost Heading	Budget	Actual	Variance Over/ (Under)
	£000	£000	£000
Employee Costs	225,864	225,710	(154)
Buildings and Premises	11,087	10,514	(573)
Transport	5,405	5,560	155
IT & Communications	10,022	10,514	492
Operational Expenses	10,151	8,943	(1,208)
Custody Contract	11,343	9,688	(1,655)
Business Expenses	6,347	6,408	61
Additional Savings	2,368	0	(2,368)
Gross Expenditure	282,587	277,337	(5,250)
Total Income and grants	(30,727)	(32,741)	(2,014)
Chief Constables Budget	251,860	244,596	(7,264)

Operational Delivery Budget - Revenue Budget Performance 2014-15

By Function	Budget	Actual	Variance Over/ (Under)
	£000	£000	£000
Neighbourhood policing	24,717	24,071	(646)
Communications	13,881	14,937	1,056
Operations and Security	10,076	8,367	(1,709)
Crime and Justice	44,965	42,536	(2,429)
IT Services	12,818	13,308	490
Estates and Facilities	13,588	12,738	(850)
Corporate Services	7,908	7,055	(853)
Support Services	9,842	9,830	(12)
Central costs and Savings	114,065	111,754	(2,311)
Chief Constable's Expenditure	251,860	244,596	(7,264)

Financial performance reports are considered monthly by the Chief Constable and PCC. Full details of the financial performance against budget can be found in the PCC outturn report for 2014-15, available on the PCC website - www.sussex-pcc.gov.uk

The variance of £7.3m under budget was due to the majority of budget holders spending less than their delegated budgets during the year. Factors contributing to the underspend include delivery of planned efficiency savings ahead of schedule for police officer and police staff vacancies and lower expenditure than planned on non pay costs including a refund on Custody PFI Contract.

Capital Expenditure Budget

The Chief Constable receives a budget from the PCC for day-to-day management and running of the estate on behalf of the Sussex Police Group. The Police and Crime Commissioner retain ownership of all assets and therefore all assets are included on the Balance Sheet of the PCC and Group accounts but not the accounts of the Chief Constable.

The original Group expenditure budget for 2014-15 Capital and Investment Projects was £28.8m. This was then amended during the year to reflect approved changes in the planned delivery of individual schemes or projects. The final approved budget amount available to spend was £21.9m. Actual expenditure for the year by the Group against this budget was £17.2m.

Capital Expenditure 2014-15

	Budget £m	Actual £m	Over/(under) Variance £m
IT Strategy	6.1	4.8	(1.3)
Estates Strategy	6.7	4.2	(2.5)
Fleet Strategy	2.8	2.9	0.1
Major Change projects	5.2	4.7	(0.5)
Operational Investments	1.1	0.6	(0.5)
Total	21.9	17.2	(4.7)

Of the total actual spend of £17.2m, £6.0m met the criteria for assets to be capitalised in the accounts, the remaining £11.2m is therefore included in the revenue accounts of the Group.

Financial Performance - Statement of Accounts

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) measures the financial performance for the year in terms of resources consumed over the last twelve months and the funding provided to finance these resources. The accounting basis used is different to the statutory basis used to calculate net expenditure to be funded from local taxation in the form of council tax, as it includes non cash elements.

The total net expenditure shown in the Comprehensive Income and Expenditure Statement includes operating income and expenditure plus adjustments for non cash accounting transactions for depreciation, government grants toward capital expenditure and pension costs required by accounting policies, recognised accounting conventions and regulations.

The operating surplus of £7.3m (2013-14: £4.8m) and the overall deficit on provision of services of £106.8m (2013-14: £102.1m) are reasonably consistent with current year expectations and comparison against the prior year. In contrast, the Total Comprehensive Income and Expenditure Statement below shows total net expenditure for the year amounted to £500.2m compared with £243.2m in the prior year. The most significant factor relating to this movement relates to pensions.

Proper accounting practices require the full cost of future pension liabilities to be recognised in the Statement of Accounts. This is the most significant variation and explains the deficit on the Comprehensive income and Expenditure Statement. Changes in market conditions (e.g. falling bond yields) that impact on the discount rate, assumed rates of increase of salaries and deferred pension revaluation or pension payments, can have a significant effect on the value of liabilities reported. A reduction in the net discount rate will increase the value of liabilities as a higher value is placed on benefits paid in the future. Actuarial assumptions are determined on a 'best estimate' basis although there are risks and uncertainties associated with whatever assumptions are adopted because they are in effect projections of future investment returns and demographic experience many years into the future so there is inevitably a great deal of uncertainty inherent.

The Intra-group adjustment for Policing is a transfer between the PCC and Chief Constable accounts to offset financial resources consumed at the request of the Chief Constable on behalf of the group.

Summary Comprehensive Income and Expenditure Statement 2014-15

	2014-15			2013-14		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Local Policing	145,305	(1,108)	144,197	139,315	(1,046)	138,269
Dealing with the Public	24,881	(83)	24,798	24,522	(86)	24,436
Criminal Justice Arrangements	30,939	(4,779)	26,160	31,731	(4,388)	27,343
Road Policing	15,977	(3,184)	12,793	15,444	(2,684)	12,760
Operational Support	29,657	(15,786)	13,871	34,085	(15,647)	18,438
Intelligence	11,075	(42)	11,033	18,924	(5,276)	13,648
Investigations	54,132	(346)	53,786	50,825	(2,715)	48,110
Investigative Support	7,462	(296)	7,166	7,425	(161)	7,264
Sub-total	319,428	(25,624)	293,804	322,271	(32,003)	290,268
National Policing	12,550	(7,783)	4,767	13,133	(8,111)	5,022
Non Distributed Costs	305	0	305	203	0	203
Net cost of policing services	332,283	(33,407)	298,876	335,607	(40,114)	295,493
Intra-group Adjustment - Policing	(329,701)	33,407	(296,294)	(331,648)	40,114	(291,534)
Net cost of policing services	2,582	0	2,582	3,959	0	3,959
Financing and Investment Income and Expenditure	104,207	0	104,207	98,155	0	98,155
(Surplus) or Deficit on Provision of Services			106,789			102,114
Re-measurements of the net defined benefit liability/(asset)			393,396			141,123
Total Comprehensive Income and Expenditure			500,185			243,237

The movement between the years is mainly attributable to changes in the actuarial valuation of long term pension liabilities, most notably the Police Officer Pension Scheme calculations for 2014-15 indicate a significant increase in long term liabilities compared to last years valuation due to falling bond yields and higher projected pension costs for the same reason.

The significant shift in Non-distributed Costs is also related to assumptions on pension estimates and reflects pension related past service costs, gains and losses on settlements and curtailments.

Reconciliation of management accounts to the Comprehensive Income and Expenditure Statement

The table below reconciles the Chief Constables operational delivery net expenditure at year end, as set out on page 9, to the position reported in the Comprehensive Income and Expenditure Statement. This is intended to assist the reader understand reasons for movements from the actual spend against budget approved by the Police and Crime Commissioner through to the Statutory Accounts.

The table shows how the management accounts are adjusted for Accounting regulations and other statutory adjustments to arrive at the deficit as reported in the Comprehensive Income and Expenditure Statement for the Chief Constable.

Reconciliation of management accounts to the Chief Constable's Comprehensive Income and Expenditure Statement (CIES)

	2014-15 £000
Operational Delivery Net Expenditure per revenue outturn management report 2014-15	244,567
<i>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</i>	
Use of Reserves	369
Financial year end accounting adjustments	7,623
<i>Amounts in the CIES not in the outturn report:</i>	
Depreciation & amortisation	9,787
Pensions	37,193
Reversal of losses previously recognised on DRC properties now subject to Revaluation Indexation increase	(663)
Net Cost of Policing Services before Intra-Group Adjustment	298,876
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	(296,294)
Net Cost of Policing Services	2,582
Financing and Investment Income and Expenditure	104,207
Deficit on Provision of Services per Statement of Accounts	106,789

Balance Sheet

The balance sheet shows the value of the recognised assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held.

Chief Constable's Balance Sheet

	31 March 2015 £000	31 March 2014 £000	Movement £000
Current Liabilities :			0
Accumulated Absences Provision	(1,759)	(1,390)	(369)
Total Current Liabilities	(1,759)	(1,390)	(369)
Long Term Liabilities:			0
Pension Liabilities	(2,923,855)	(2,424,039)	(499,816)
Long Term Liabilities	(2,923,855)	(2,424,039)	(499,816)
			0
Net Assets	(2,925,614)	(2,425,429)	(500,185)
Financed by			0
Usable Reserves	0	0	0
Unusable Reserves	(2,925,614)	(2,425,429)	(500,185)
Total Reserves	(2,925,614)	(2,425,429)	(500,185)

The movement between the years was £500.1m. This is predominantly due to the increase in the pension liability of £499.8m as a result of the annual actuarial review and changes in assumptions used to estimate future pension costs (due to falling bond yields and higher projected pension costs).

Pensions

The Chief Constable operates separate pension schemes for Police Officers and Police Staff. Although benefits will not actually be payable until an employee retires, the Chief Constable is required to disclose this future commitment based on the full cost calculated based on the time employees become eligible to retire. This future net liability and annual current cost are calculated by an independent actuary in accordance with accounting standards.

The total pension liability has increased by £0.500bn to £2.924bn compared with the previous year liability of £2.424bn, and has a substantial impact on the net worth of the Chief Constable. The police pension scheme has the significantly higher share of the deficit at £2.825bn. This is the main constituent of the total Net Liabilities on the Balance Sheet.

Financial Standing

Going Concern

Financial statements are prepared on the assumption that the legal entity of the Chief Constable is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

The key accounting concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

The Local Government Accounting Code makes it clear that government changes should not be seen as having a detrimental impact on the Chief Constable continuing as a going concern. The Chief Constable is part of the Sussex Police group as a subsidiary of the Police and Crime Commissioner. The Chief Constable receives funding from the Police and Crime Commissioner, who is funded by the government and can raise a precept.

Unusable reserves on the balance sheet includes the large negative pension reserve which is mainly due to the police pension schemes being unfunded i.e. with no fund assets to offset future liabilities when existing

police officers have all retired. The statutory arrangements for funding the liability mean that the Chief Constable's financial position remains sound. This liability is mitigated as follows:

- The deficit on the Local Government Scheme will be made good by increased employee and employer contributions over the remaining working life of employees (before payments fall due), as assessed by the scheme actuary; and
- Funding is only required to be raised to cover police officer pensions when the pensions are actually paid.

Looking ahead

Medium Term Financial Plan (MTFP)

The Chief Constable and the Police and Crime Commissioner continue to operate in a challenging financial and operational environment. In preparing annual budget proposals an assessment is made on the implications of the commitments set out in the budget, on-going levels of grant funding and potential new commitments and cost pressures. The latest MTFP and planning assumptions are set out in the budget report (February 2015) available on the PCC website www.sussex-pcc.gov.uk.

The grant settlement for 2014-15 reduced the core grant for policing and there remains significant uncertainty on the level of funding for 2015-16 and beyond. The summer budget 2015 indicated that funding for government departments will be subject to further austerity pressure. The impact on police funding is almost certain to worsen. The current MTFP assumes a cumulative reduction in core grant of up to 20% by 2018-19.

Funding for 2016 onwards is subject to the next Comprehensive Spending Review (CSR) and possible changes to the police funding formula from 2016-17. Sussex's grant is still dependent on protection provided by the grant floor. Without this protection £1.4m of grant funding is at risk.

Whilst legacy council tax freeze and Council Tax support grants are now included in core funding (£13.2m), these may still be subject to reductions in funding and there are significant costs anticipated as a result of continuing increased employer contributions to the local government pension scheme and an increase to employer National Insurance contributions in 2016-17.

The impact of the latest MTFP assumptions on the PCC group is a savings requirement phased over the next four years totalling £57m as set out below.

Savings Requirement 2015 to 19

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	Total £'000
Savings Target	14,076	16,778	13,409	12,976	57,239
Precept increase	1.98%	0%	0%	0%	

Local Policing Programme

The Local Policing Model, directed by the Sussex Police and Crime Commissioner's Police and Crime Plan, has taken nearly six months to create and sets out local policing in terms of prevention, response and investigation, operating seamlessly across Sussex. It removes silo working and improves consistency and partnership working. The vision for policing Sussex in 2020 is that we will be a service that protects the community, is relentless in the pursuit of criminals and has an empowered workforce with integrity at its core.

It has been estimated that implementing the local policing model will generate £29m of savings to contribute to the £57m savings target.

More information can be found on the Sussex Police Website <http://www.sussex.police.uk/policing-in-sussex/the-organisation/local-policing-model-for-sussex>

Policing Together

In October 2013 the Police and Crime Commissioners and Chief Constables of Surrey and Sussex Police agreed to a wide ranging collaboration of services across both forces to deliver financial savings while increasing operational resilience to meet policing needs for Surrey and Sussex. These are underpinned by a set of design principles and a legal agreement.

The key areas of collaboration to date include Operations, Specialist Crime and some support services (IT, transport, procurement and insurance). Further support services (HR and Finance) plus contact centre and elements of Corporate Services are expected to be collaborated over the next two years. The aim is to achieve savings of 20% on all collaborated services over the next four years which will make a significant contribution to each force's savings requirement over this time period.

As part of the Policing Together Programme, MTFP assumptions between Surrey and Sussex Police are now aligned where possible.

Statements of Responsibilities

This section explains the responsibilities for managing the financial affairs of the Chief Constable of Sussex.

Chief Constable's Responsibilities

The Chief Constable is required to:

- make arrangements for the proper administration of the Chief Constable of Sussex's financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Director of Finance's Responsibilities

The Director of Finance is responsible for:

- the preparation of the Statement of Accounts for the Chief Constable of Sussex 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').

In preparing the Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the code and its application to the Accounts of the Chief Constable of Sussex.

During the year, the Director of Finance has also:

- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I approve the Statement of Accounts for the year ended 31 March 2015.



Giles York
Chief Constable of Sussex

Dated: 23 September 2015

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Sussex at the accounting date and of the income and expenditure for the year ended 31 March 2015.



Mark Baker CPFA
Director of Finance

Dated: 23 September 2015

Independent Auditors' Report to the Chief Constable of Sussex

This report explains the Auditors responsibility for providing an opinion that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable of Sussex

Opinion on the Chief Constable for Sussex Police financial statements

We have audited the financial statements of the Chief Constable of Sussex for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Chief Constable of Sussex Movement in Reserves Statement, the Chief Constable of Sussex Comprehensive Income and Expenditure Statement, the Chief Constable of Sussex Balance Sheet, the Chief Constable of Sussex Cash Flow Statement, and the related notes 1 to 18, and the Chief Constable Police Pension Fund Account and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 16, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Sussex's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014-15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Sussex as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014-15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Chief Constable and the auditor

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

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

Certificate

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

Kate Handy
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton

24 September 2015

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves. This statement shows only pension and employee liability transactions as all other reserves are managed by the Police and Crime Commissioner for Sussex. The financial consequences of operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement for the Chief Constable of Sussex for the year ended 31 March 2015

2014-15	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014		0	0	0	0	0	(2,425,429)	(2,425,429)
Movement in Reserves:								
Surplus or (deficit) on provision of services		(106,789)	0	0	0	(106,789)	0	(106,789)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(393,396)	(393,396)
Total Comprehensive Income and Expenditure		(106,789)	0	0	0	(106,789)	(393,396)	(500,185)
Adjustments between accounting basis & funding basis under regulations	5	106,789	0	0	0	106,789	(106,789)	0
Net Increase/(Decrease) before Transfers to Reserves		0	0	0	0	0	(500,185)	(500,185)
Transfers to/(from) Reserves		0	0	0	0	0	0	0
Increase/(Decrease) in Year		0	0	0	0	0	(500,185)	(500,185)
Balance at 31 March 2015		0	0	0	0	0	(2,925,614)	(2,925,614)

Movement in Reserves Statement for the Chief Constable of Sussex for the year ended 31 March 2014

2013-14	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		0	0	0	0	0	(2,182,192)	(2,182,192)
Movement in Reserves:								
Deficit on provision of services		(102,114)	0	0	0	(102,114)	0	(102,114)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(141,123)	(141,123)
Total Comprehensive Income and Expenditure		(102,114)	0	0	0	(102,114)	(141,123)	(243,237)
Adjustments between accounting basis & funding basis under regulations	5	102,114	0	0	0	102,114	(102,114)	0
Net Increase/Decrease before Transfers to Reserves		0	0	0	0	0	(243,237)	(243,237)
Transfers to/from Reserves		0	0	0	0	0	0	0
Increase/Decrease in Year		0	0	0	0	0	(243,237)	(243,237)
Balance at 31 March 2014		0	0	0	0	0	(2,425,429)	(2,425,429)

Comprehensive Income and Expenditure Statement

This statement shows the consolidated accounting cost in the year of providing services in accordance with generally accepted accounting practices.

The Comprehensive Income and Expenditure Statement below indicates resources consumed by the Chief Constable at the request of the Police and Crime Commissioner. In practice all the respective costs are paid for by the PCC and the Chief Constables Comprehensive Income and Expenditure Statement includes an intra-group adjustment to offset income and expenditure other than items relating to IAS19 pension liabilities and employee benefits.

		2014-15			2013-14		
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Local Policing		145,305	(1,108)	144,197	139,315	(1,046)	138,269
Dealing with the Public		24,881	(83)	24,798	24,522	(86)	24,436
Criminal Justice Arrangements		30,939	(4,779)	26,160	31,731	(4,388)	27,343
Road Policing		15,977	(3,184)	12,793	15,444	(2,684)	12,760
Operational Support		29,657	(15,786)	13,871	34,085	(15,647)	18,438
Intelligence		11,075	(42)	11,033	18,924	(5,276)	13,648
Investigations		54,132	(346)	53,786	50,825	(2,715)	48,110
Investigative Support		7,462	(296)	7,166	7,425	(161)	7,264
Sub-total		319,428	(25,624)	293,804	322,271	(32,003)	290,268
National Policing		12,550	(7,783)	4,767	13,133	(8,111)	5,022
Non Distributed Costs		305	0	305	203	0	203
Net cost of policing services		332,283	(33,407)	298,876	335,607	(40,114)	295,493
Intra-group Adjustment - Policing		(329,701)	33,407	(296,294)	(331,648)	40,114	(291,534)
Net cost of policing services		2,582	0	2,582	3,959	0	3,959
Financing and Investment Income and Expenditure	6	104,207	0	104,207	98,155	0	98,155
(Surplus) or Deficit on Provision of Services				106,789			102,114
Re-measurements of the net defined benefit liability/(asset)				393,396			141,123
Other Comprehensive Income and Expenditure				393,396			141,123
Total Comprehensive Income and Expenditure				500,185			243,237

Non-distributed costs above reflect pension related past service costs, gains and losses on settlements and curtailments.

Balance Sheet

This shows the assets and liabilities of the Chief Constable of Sussex as at the Balance Sheet date. The net assets (assets less liabilities) are matched by reserves.

As the Police and Crime Commissioner owns all assets, the Chief Constable's Balance Sheet only includes pension fund and employee liability entries.

Reserves are reported in two categories. Usable reserves, i.e. those reserves that may be used to fund the provision of services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The Chief Constable of Sussex does not hold any usable reserves as all usable reserves are held by the Police and Crime Commissioner for Sussex on behalf of the Group.

The second category of reserves is those that the Chief Constable is not able to use to provide services. These are referred to as unusable or non cash backed reserves. This includes reserves for pensions and accumulated absences that recognise the impact of timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	31 March 2015 £000	31 March 2014 £000
Current Liabilities:			
Accumulated Absences Provision	8.2	(1,759)	(1,390)
Total Current Liabilities		(1,759)	(1,390)
Long Term Liabilities:			
Pension Liabilities	8.1	(2,923,855)	(2,424,039)
Long Term Liabilities		(2,923,855)	(2,424,039)
Net Assets		(2,925,614)	(2,425,429)
Financed by			
Unusable Reserves		(2,925,614)	(2,425,429)
Total Reserves		(2,925,614)	(2,425,429)

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Sussex at the accounting date and of the income and expenditure for the year ended 31 March 2015.



Mark Baker CPFA
Director of Finance

Dated: 23 September 2015

Cash Flow Statement

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

	2014-15 £000	2013-14 £000
Net surplus or (deficit) on the provision of services	(106,789)	(102,114)
Adjustments to net surplus or deficit on the provision of services for non cash movements	106,789	102,114
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	0
Net cash flows from Operating Activities	0	0
Investing Activities	0	0
Financing Activities	0	0
Net increase or decrease in cash and cash equivalents	0	0
Cash and cash equivalents at the beginning of the reporting period	0	0
Cash and cash equivalents at the end of the reporting period	0	0

All cash payments are made from the Police Fund which is held by the Police and Crime Commissioner for Sussex. Similarly all income receipts and funding are received by the PCC during the year. This is why the statement does not show any cash transactions for the year ended 31 March 2015.

The financial consequences of the Chief Constable's policing activities do impact on the net surplus/deficit on the provision of services and adjustments to that net surplus/deficit on provision of services for non-cash movements. These can be seen in the Comprehensive Income Expenditure Account.

Notes to the Accounts

1. *Critical Estimates and Judgements in Applying Accounting Policies*

The preparation of the financial statements requires the Chief Constable to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- Calculating employee benefit accruals e.g. unused holiday, this is based on staff time records and an average cost for each grade;
- Costs of pension arrangements require estimates assessed by an independent qualified actuary regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Chief Constable as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population (see Note 14 for details of the pension schemes in place for police officers and staff, see also page 47 for the Police Pension Fund Account Statements).
- A judgement has been made of the expenditure allocated between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. The basis adopted for this allocation was determined in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach, interested parties, including senior management in both corporate bodies were consulted and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance.
- A judgement has been made to include the accounting for all the staff pension liability and reserve movements within the Chief Constable's accounts, including those elements that relate to staff employed within the Office of the Police and Crime Commissioner. This decision was made on the grounds of materiality as estimation of the PCC elements on a pro rata basis would give less than half of one percent of the PCC Balance Sheet total or approximately one percent of the full LGPS liability. Omission of PCC staff pension adjustments from the PCC accounts and/or overstatement of the same figures within the Chief Constable accounts is not considered likely to influence decisions or assessments of users made on the basis of the Financial Statements. This is not therefore considered a material misstatement.
- It has been judged that all working capital is attributable to the Police and Crime Commissioner. The PCC controls the treasury management function and all bank accounts, therefore no working capital balances (cash, current debtors and liabilities) are recognised in the Chief Constable's Balance Sheet.

Actuarial Assumptions

Pensions

The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Group's actuaries, Hymans Robertson. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment) can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in

the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in Note 14.

There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in-payment. The disclosures relating to post-retirement mortality assumptions have been prepared using the S1NFA and S1NMA 'year of birth' tables with future improvements based on the CMI 2010 model with a long term rate of improvement of 1.25% per annum. These are standard tables published by the Continuous Mortality Investigation Board (CMIB) of the actuarial profession and are identical to those adopted for the disclosures are 31 March 2014.

Insurance

The Chief Constable annually reviews the appropriateness of its insurance funding. Independent Actuaries Gallagher Heath undertook a review of the adequacy of our insurance claim provision and reserve. The review utilises recognised actuarial techniques and generally accepted principles to forecast ultimate claims costs. The underlying assumptions and methodologies used to calculate gross claims costs has been peer reviewed by Barnett Waddingham, an independent actuarial firm.

2. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2015, the figures in the financial statements and notes should be adjusted in all material respects to reflect the impact of this information.

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

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the necessary payments by 30 April 2016. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014-15.

3. Assumptions Made About Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Chief Constable 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 Chief Constable's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	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 (Hymans Robertson LLP) is engaged to provide the Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in a decrease in the staff scheme pension liability of £51.8m. However, the assumptions interact in complex ways. During 2014-15, the Chief Constable's actuaries advised that the net pension liability had increased in total by £393.4m as a result of revised actuarial assumptions).
Pensions Costs	There are two pension schemes for police officers, the 2006 Police Officer Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both of which are unfunded, defined benefit schemes. An unfunded scheme treated as a defined benefit scheme has no investment assets to meet its pension liability the Chief Constable must generate cash to meet the actual pension payments as they fall due.	The benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office (£34.98m for 2014-15) to the PCC. Further details of the schemes can be found in the Police Officer Pension Fund Accounts on page 48.

4. Prior Year Adjustments

The Chief Constable has no prior year adjustments to report for the year ended 31 March 2015.

5. 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 Chief Constable in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure. All items are adjustments between the general fund and the unusable reserves.

2014-15	Usable Reserves		Movement in Unusable Reserves
	General Fund Balance	Total Usable Reserves	
	£000	£000	£000
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	176,128	176,128	(176,128)
Employers pension contributions and direct payments to pensioners payable in year	(69,708)	(69,708)	69,708
Adjustment primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	369	369	(369)
Total CC Adjustments	106,789	106,789	(106,789)

6. *Financing and Investment Income and Expenditure*

	2014-15 £000	2013-14 £000
Pensions interest cost and expected return on pensions assets	104,207	98,155
Total	104,207	98,155

7. *Usable Reserves*

Movements in the Chief Constable's usable reserves are detailed in the Movement in Reserves Statement. The Chief Constable had no Transfers to/from Earmarked Reserves during the year and had no Usable Reserve balances as at the year end.

8. *Unusable Reserves*

	Note	31 March 2015 £000	31 March 2014 £000
Pensions Reserve		(2,923,855)	(2,424,039)
Accumulating Absences Account		(1,759)	(1,390)
Total Unusable Reserves		(2,925,614)	(2,425,429)

8.1 Pensions Reserve

The Pensions Reserve reflects the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions [Statutory Instrument No. 2010/454]. Post employment benefits are accounted for 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 employer makes contributions to pension funds, or eventual payment of any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources 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.

Pensions Reserve	Note	2014-15 £000	2013-14 £000
Balance as at 01 April		(2,424,039)	(2,180,998)
Actuarial gains or losses on pensions assets and liabilities	14	(393,396)	(141,123)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5	(176,128)	(165,739)
Employer's pensions contributions and direct payments to pensioners payable in the year	5	69,708	63,821
Balance as at 31 March		(2,923,855)	(2,424,039)

8.2 Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment Account reflects the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the

year e.g. annual leave entitlement carried forward at 31 March each year. Statutory arrangements require that the impact on the General Fund Balance is offset by transfers to or from the Account to mitigate the impact on Council Tax.

Accumulated Compensated Absences Adjustment Account	Note	2014-15		2013-14	
		£000		£000	
Balance at 01 April			(1,390)		(1,194)
Settlement or cancellation of accrual made at the end of the preceding year		1,390		1,194	
Amounts accrued at the end of the current year		(1,759)		(1,390)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5		(369)		(196)
Balance 31 March			(1,759)		(1,390)

9. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, the Chief Constable monitors expenditure during the year on a subjective basis, as set out below. This information is reported to the Chief Officer team on a month by month basis and used to inform resource allocation and other strategic decisions.

	2014-15 £000	2013-14 £000
<i>Employee costs:</i>		
Police Officers	145,916	152,137
Police Staff	63,144	63,885
PCSO's	9,998	9,953
Other Employee Costs	4,122	3,515
Total Employee costs	223,180	229,490
Total Buildings & Premises	10,513	11,825
Total Transport	5,560	10,308
<i>Supplies and Services:</i>		
IT & Communications	5,016	8,043
Telephone and Airwave	5,498	4,786
External Fees (Inc PFI)	9,681	11,790
Other	13,446	9,189
Total Supplies & Services	33,641	33,808
Other Expenditure	1,884	3,510
Ill Health & Injury Pension	2,530	2,422
Gross Expenditure	277,308	291,363
Total Income	(32,741)	(41,609)
Chief Constable's Net Expenditure	244,567	249,754

Reconciliation of Outturn from Budget report to Statement of Accounts

This reconciliation shows how the figures in the budget report detailing the management accounting outturn underspend position relate to the final position after year end adjustments for the year ended 31 March 2015.

	2014-15 £000	2013-14 £000
Police Funding (income budget)	(251,861)	(254,602)
Net Expenditure per Outturn report	244,567	249,754
Underspend per Outturn report	(7,294)	(4,848)
Capital project expenditure classified as revenue	9,232	3,842
MRP	(586)	326
Insurance adjustments per actuarial recommendations	618	701
Finance lease nominal interest	(19)	(54)
PFI Finance lease nominal repayment	(310)	(496)
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	(1,641)	529
Final Revised Transfer to Reserves	0	0

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the budget report for cost of service per management revenue outturn relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive income and Expenditure Statement for the year ended 31 March 2015.

	2014-15 £000	2013-14 £000
Operational Delivery Net Expenditure per revenue outturn management report 2014-15	244,567	249,754
<i>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</i>		
Use of Reserves	369	198
Financial year end accounting adjustments	7,623	3,248
<i>Amounts in the CIES not in the outturn report:</i>		
Depreciation & amortisation	9,787	8,367
Pensions	37,193	33,926
Reversal of losses previously recognised on DRC properties now subject to Revaluation Indexation increase	(663)	0
Net Cost of Policing Services before Intra-Group Adjustment	298,876	295,493
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	(296,294)	(291,534)
Net Cost of Policing Services	2,582	3,959
Financing and Investment Income and Expenditure	104,207	98,155
Deficit on Provision of Services per Statement of Accounts	106,789	102,114

10. Significant Agency Arrangements

The Chief Constable of Sussex continues to develop joint working relationships with other agencies principally with other south east region Chief Constables and in particular Surrey Police.

Up to 31 March 2014 the Chief Constable supported through regional arrangements as lead force for the South East Regional Organised Crime Unit (SEROCU), which comprised officers from around the South East and included the Regional Intelligence Unit (RIU), Regional Asset Recovery Team (RART) and the Serious Crime Investigation Team (SCIT).

Up to 31 March 2014 protective services collaborations were in place for a Covert Operations Unit (COU), a Technical Surveillance Unit (TSU) and a Witness Protection Unit (WPU) with lead forces represented by Surrey Police, Thames Valley Police and Hampshire Police respectively.

On 1 April 2014 SEROCU, COU, TSU and WPU moved from a Lead Force model to a Host Force model and were consolidated as a single unit under Thames Valley Police. From 1 April 2014 the collaborating Forces pay a contribution in accordance with the agreed funding model. This is therefore no longer deemed an agency arrangement.

The Police and Crime Commissioners and Chief Constables of Sussex and Surrey Police have entered into a legal arrangement (section 22A agreement) to provide a number of joint services. Each of these services are managed by one of the forces and include a mix of staff from both forces. The net cost of each service agreed to be provided jointly under the Section 22A agreement, which cannot be directly attributable to each force, are shared on a funding formula basis of Surrey 45%; Sussex 55%.

In 2014-15 the following services have been provided jointly for at least part of the year:

- Operations Department; including Command Team; Public Order, Operational Dogs, Dogs Training; Operational Planning and Duties; Tactical Firearms; Roads Policing, Vehicle Recovery and Firearms Licensing.

- Specialist Crime; including Command Team, Major Crime, Scientific Support and Cyber Crime
- Joint Transport; management of the joint service, with vehicle purchase, maintenance and running costs directly attributable to each force
- Joint Procurement; team of procurement staff, with individual contracts attributable to each force
- Joint Insurance; team of insurance and claims handling staff, with individual premiums and claims attributable to each force
- IT; management of the IT service
- Corporate Services; including management of change delivery and health and safety teams and estates planning manager

In addition to these a number of time limited joint projects were undertaken in 2014-15 and cost shared on the same basis as the Section 22A agreement; these included IT and service design projects.

Each Force accounts for their share of total income and expenditure and assets in the Comprehensive Income and Expenditure Statement and Balance Sheet respectively. The table below illustrates the total service cost of collaborated services followed by the Sussex share.

	2014-15 Total Cost of Service £000	2014-15 Sussex Share £000	2013-14 Sussex Share £000
South East Regional Organised Crime Unit	N/A	N/A	567
Covert Operations Unit	N/A	N/A	333
Technical Surveillance Unit	N/A	N/A	533
Witness Protection Unit	N/A	N/A	243
Joint Command	N/A	N/A	12,918
Specialist Crime	15,731	8,583	0
Operations Command Project Team	97	53	0
Operations Command	33,874	18,482	0
Joint Transport Service	1,077	591	672
Insurance	155	85	1,101
Procurement	470	256	289
Chief Police Officers	381	208	N/A
Policing Together Support Services Project	360	194	N/A
Niche Implementation project	51	28	N/A
IT Management Team	437	227	N/A
CDD (Corporate Development Department)	139	76	N/A
Health & Safety	14	7	N/A
Estates (Joint Commercial Planning)	47	26	N/A
Target Operating Model Project	259	141	N/A
Total	53,092	28,957	16,656

11. Officers' Remuneration

The Accounts and Audit Regulations 2011 requires the disclosure of remuneration details for police officers and police staff whose gross remuneration exceeded £50,000. In addition, remuneration details for senior employees, those earning a salary of over £150,000 and those in command of the Police and Crime Commissioner for Sussex organisations are also required to be disclosed.

Remuneration is defined, by the regulations, as all sums subject to income tax, including expenses, but excluding employer pension contributions. This includes payments of accrued overtime, as well as annual increments, allowances, bonuses and pay awards.

The table below shows the numbers of police officers and police staff with remuneration in excess of £50,000. This table excludes the senior employee positions shown separately.

Gross Remuneration £	Number of employees 31 March 2015	Number of employees 31 March 2014
50,000 - 54,999	125	168
55,000 - 59,999	105	107
60,000 - 64,999	9	15
65,000 - 69,999	17	17
70,000 - 74,999	3	2
75,000 - 79,999	6	10
80,000 - 84,999	5	3
85,000 - 89,999	4	3
90,000 - 94,999	0	1
TOTAL	274	326

Details of Chief Officer personal expenses claims are available on the Sussex Police website.

Remuneration paid to senior employees during 2014-15:

Year 2014-15	Note	Salary, fees and allowances	Bonus	Expenses	Employer Pension Contribution	Total Remuneration including Pension contributions	Total
		£000	£000	£000	£000	£000	£000
Police Officers							
Chief Constable (G York)		164	0	0	36	200	200
Deputy Chief Constable (O Pinkney)		137	0	3	30	170	170
Assistant Chief Constable 1	1	105	3	1	23	132	132
Assistant Chief Constable 2		99	0	2	23	124	124
Police Staff							
Director of Finance		117	0	0	17	134	134
Total		622	3	6	129	760	760

* IFRS adjustment for untaken Annual Leave and related pension contributions Accrued under IAS19 Employee Benefits

Note 1: Assistant Chief Constable 1 received a bonus payment of £3,123 as Acting DCC (5 weeks) in the prior year.

Remuneration paid to senior employees during 2013-14:

Year 2013/14		Salary, fees and allowances	Bonus	Expenses	Compensation for Loss of Office	Employer Pension Contribution	Total Remuneration including Pension contributions	Total	
		£000	£000	£000	£000	£000	£000	£000	
Police Officers									
	Chief Constable (M Richards)	i	154	0	4	0	0	158	158
	Temporary Chief Constable (Previously Deputy Chief Constable)	ii	140	0	0	0	31	171	171
	Temporary Deputy Chief Constable (Previously Assistant Chief Constable)	iii	6	0	0	0	1	7	7
	Assistant Chief Constable 1	iv	93	0	0	0	19	112	112
	Assistant Chief Constable 2	v	96	0	0	0	21	117	117
	Assistant Chief Constable 3	vi	39	0	0	0	9	48	48
Police Staff									
	Director of Human Resources	vii	96	0	2	29	14	141	141
	Director of Finance		116	0	0	0	16	132	132
Total			740	0	6	29	111	886	886

Note i Retired 05-03-14

Note ii Appointed as Temporary Chief Constable from 08-02-14

Note iii Seconded out of Force from 01-04-13 (full costs reimbursed to the Force). Appointed as Temporary Deputy Chief Constable from 15-03-14

Note iv Retired 31-12-2013

Note v Promoted to Assistant Chief Constable from 08-05-13

Note vi Promoted to Temporary Assistant Chief Constable from 18-11-13

Note vii Leaver 31-01-14

* IFRS adjustment for untaken Annual Leave and related pension contributions Accrued under IAS19 Employee Benefits

Note 1: No Bonuses were paid in the current year or previous year

12. Related Parties

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

The Chief Executive of the Police and Crime Commissioner for Sussex has written to all Chief Officers of the Chief Constable to collect this information on behalf of the Group. Responses were received from all recipients of the letter and there were no related party transactions for the Chief Constable to disclose for the 2014-15 year.

Central Government has effective control over the general operations of the Chief Constable as it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of funding to the Group. Grants received from Central Government by the Group are set out in the Police and Crime Commissioner for Sussex and Group accounts 2014-15.

13. External Audit Costs

The Chief Constable incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors to the Chief Constable:

	2014-15 £000	2013-14 £000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the current year	22	25
Total	22	25

14. Pensions

14.1 Police Officers: Non Funded Pension Schemes Accounted for as Defined Contribution Schemes

As part of the terms and conditions of employment of its officers, retirement benefits are offered. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments. In line with IAS 19 'Employee Benefits', the value of this commitment needs to be disclosed based on a forecast calculation as at the date officers earn their future entitlement.

The Group participates in two pension schemes for Police officers:

- Police Pension Scheme (PPS) (pre 1 April 2006)
- New Police Pension Scheme (NPPS) (post 1 April 2006)

The two police officer pension schemes are both, by law, non-funded schemes which are treated as defined benefit schemes. This means that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than the amounts payable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group which then must repay the amount to central government.

There are currently 3,527 (2013-14: 3,440) pensioners and this number will increase. Police officers are entitled to retire after 30 years service (or at age 55 if earlier) and to receive a pension and a lump sum, which the Group is obliged, by law, to pay.

Police Pension Scheme calculations for 2014-15 indicate two significant changes that have taken place during the year:

- The present value of the Defined Benefit Obligation has increased over the year due to falling bond yields; and
- the projected pension expense for next year has also risen for the same reason

From 1 April 2015 a new benefit structure will come into effect for the Police Pension Scheme. All current active members will move into the new scheme from 1 April 2015 unless they qualify for protections that allow them to remain in their current scheme. These changes will not affect the pension disclosures but will affect the projected pension expense for the year ending 31 March 2016. In particular it will affect the projected current service cost for that year.

14.2 Police Staff: Funded Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Group makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Group participates in the Local Government Pension Scheme (LGPS) which provides pensions and other benefits to staff other than police officers. This scheme is open to staff under the control of the Chief Constable and also to staff within the Office of the Police and Crime Commissioner for Sussex.

For the purpose of accounting, the LGPS staff pension costs included within the Chief Constables accounts also include the elements which relate to PCC staff. The impact of this treatment results in a slight overstatement of the LGPS pension position in the Chief Constable's accounts and an equivalent understatement in the PCC's accounts, however, the PCC staff elements have not been disclosed separately on the grounds of materiality.

The LGPS is a funded defined benefit final salary scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The cost of pensions and other benefits is provided from the West Sussex County Council's Pension Fund, other than the cost arising from the award of added years under the Local Government (Compensation for Premature Retirement) Regulations 1982.

The Police Staff Pension Scheme is part of the Local Government Pension Scheme administered by West Sussex County Council in accordance with the Local Government Pension Scheme Regulations 2013. There are 1,456 (2013-14: 1,398) pensioners paid for by the scheme. Police staff employee contributions are based on a banding system and range from 5.5% to 12.5% depending on salary levels (2013-14: 5.5% to 7.5%). Sussex Police contributed a further 16.4% of pensionable pay plus a £1.233m lump sum for the year as a contribution towards the deficit on the pension fund.

The last triennial valuation of the Fund was carried out as at 31 March 2013. Staff Pension Scheme calculations for 2014-15 reflect the following significant changes that have taken place during the year:

- the deficit has increased due to falling real bond yields;
- this has been partially offset by strong asset returns; and
- the projected defined benefit cost for next year has also risen due to falling bond yields.

Further information can be found in the West Sussex County Council pension funds annual report, available from West Sussex County Council, Exchequer Services (Pensions), County Hall, Chichester, West Sussex, PO19 1RG. www.westsussex.gov.uk

14.3 Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment-retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

The following tables illustrate pension transactions relating to post-employment benefits for all pension schemes operated by the Chief Constable.

14.4 Income and Expenditure Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Police Pension Schemes		Total Pension Schemes	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service costs	12,630	11,849	58,986	55,532	71,616	67,381
• past service costs (including curtailments)	96	58	209	145	305	203
• settlements	0	0	0	0	0	0
Total Defined Benefit Cost Charged to the Service Cost	12,726	11,907	59,195	55,677	71,921	67,584
<i>Financing and Investment Income and Expenditure</i>						
• interest cost on plan assets	(11,483)	(10,590)	0	0	(11,483)	(10,590)
• interest cost on defined benefit obligation	14,141	13,252	101,549	95,493	115,690	108,745
Total Defined Benefit Cost Charged to the (Surplus) or Deficit on the Provision of Services	15,384	14,569	160,744	151,170	176,128	165,739
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
• employer contributions	(10,060)	(9,109)	(59,648)	(54,712)	(69,708)	(63,821)
Total Post Employment Benefit Costs and Employer Contributions Charged to the (Surplus) or Deficit on the Provision of Services	5,324	5,460	101,096	96,458	106,420	101,918
<i>Re-measurements of the net defined liability/(asset) charged to Other CIES</i>						
• changes in demographic assumptions	0	17,744	0	51,872	0	69,616
• changes in financial assumptions	64,712	(8,553)	360,582	92,523	425,294	83,970
• other experience	(2,260)	3,005	(658)	(525)	(2,918)	2,480
• return on assets excluding amounts included in net interest	(28,980)	(14,943)	0	0	(28,980)	(14,943)
• changes in asset ceiling	0	0	0	0	0	0
Total Pension Re-measurements Charged to Other Comprehensive Income and Expenditure	33,472	(2,747)	359,924	143,870	393,396	141,123
Total Pensions Reserve Movement in Year	38,796	2,713	461,020	240,328	499,816	243,041

The cumulative amount of actuarial re-measurement gains and losses recognised in the CIES to 31 March 2015 is a loss of £1.149bn (2013-14: £0.755bn)

Pension charges reflected in the Movement in Reserves Statement are as follows:

Movement in Reserves Statement	Local Government Pension Scheme		Police Pension Schemes		Total Pension Schemes	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(15,384)	(14,569)	(160,744)	(151,170)	(176,128)	(165,739)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
• employer contributions	10,060	9,109	59,648	54,712	69,708	63,821
Total Pensions Adjustments between Accounting and Funding Basis in Year	(5,324)	(5,460)	(101,096)	(96,458)	(106,420)	(101,918)

All Pension charges and the Pension Top Up Grant for the current year are summarised as follows:

2014-15 Total Pension CIES Movements	Cost of Services	Cost of Services	(Surplus)/deficit on Provision of Services	(Surplus)/deficit on Provision of Services	Other Comprehensive I&E	MiRS
	Police Services (Local to National)	Non Distributed Costs	Financing & Investment I&E	Taxation and Non-Specific Grant Income	Actuarial (gains)/losses on pension assets/liabilities	Adjustments between accounting basis & funding basis under regulations
	£000	£000	£000	£000	£000	£000
<ul style="list-style-type: none"> • current service costs • past service costs • settlements and curtailments • interest cost • interest income on plan assets • actuarial gains and (losses) • reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code <ul style="list-style-type: none"> • employers' contributions payable to scheme • retirement benefits payable to pensioners 	71,616	209 96	115,690 (11,483)		(393,396)	(176,128)
Sub-Total	1,908	305	104,207	0	(393,396)	(106,420)
• pension top up grant	34,980			(34,980)		10,060
Total Pension Charges 2014-15	36,888	305	104,207	(34,980)	(393,396)	(106,420)
	106,420				(499,816)	

14.5 Assets and Liabilities Relating to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Police Pension Schemes		Total	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Opening balance at 01 April	324,685	290,250	2,363,516	2,123,188	2,688,201	2,413,438
Current Service Cost	12,630	11,849	58,986	55,532	71,616	67,381
Past Service Cost (including curtailments)	96	58	209	145	305	203
Interest cost	14,141	13,252	101,549	95,493	115,690	108,745
Contributions by scheme participants	3,467	3,312	13,305	13,096	16,772	16,408
Transfers in from and (out to) other Forces	0	0	(933)	(527)	(933)	(527)
Benefits paid	(7,244)	(6,172)	(70,136)	(65,492)	(77,380)	(71,664)
Unfunded pension payments	(62)	(60)	(1,884)	(1,789)	(1,946)	(1,849)
Expected Closing position	347,713	312,489	2,464,612	2,219,646	2,812,325	2,532,135
Re-measurements					0	0
Changes in demographic assumptions	0	17,744	0	51,872	0	69,616
Changes in financial assumptions	64,712	(8,553)	360,582	92,523	425,294	83,970
Other experience changes	(2,260)	3,005	(658)	(525)	(2,918)	2,480
Total Re-measurements recognised in Other Comprehensive Income	62,452	12,196	359,924	143,870	422,376	156,066
Closing balance at 31 March	410,165	324,685	2,824,536	2,363,516	3,234,701	2,688,201
Represented by:						
Present value of funded liabilities	409,152	323,723	2,710,446	2,270,453	3,119,598	2,594,176
Present value of unfunded liabilities	1,013	962	114,090	93,063	115,103	94,025
Closing balance at 31 March	410,165	324,685	2,824,536	2,363,516	3,234,701	2,688,201

Reconciliation of fair value of the scheme (plan) assets

	Assets: Local Government Pension Scheme	
	2014-15 £000	2013-14 £000
Opening balance at 01 April	264,162	232,440
Interest income on plan assets	11,483	10,590
Contributions by scheme participants	3,467	3,312
Employer contributions	9,998	9,049
Employer contributions in respect of unfunded benefits	62	60
Benefits paid	(7,244)	(6,172)
Unfunded pension payments	(62)	(60)
Expected Closing position	281,866	249,219
Re-measurements		
Return on assets excluding amounts included in net interest	28,980	14,943
Closing balance at 31 March	310,846	264,162
Represented by:		
Fair value of employer assets	310,846	264,162
Closing balance at 31 March	310,846	264,162

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 interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

14.6 Scheme History

	2014-15 £000	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000
Present value of liabilities:					
Local Government Pension Scheme	(410,165)	(324,685)	(290,250)	(235,950)	(210,550)
Police Pension Schemes	(2,824,536)	(2,363,516)	(2,123,188)	(1,815,655)	(1,653,785)
Fair value of assets in the Local Government Pension Scheme	310,846	264,162	232,440	196,730	184,370
	(2,923,855)	(2,424,039)	(2,180,998)	(1,854,875)	(1,679,965)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(99,319)	(60,523)	(57,810)	(39,220)	(26,180)
Police Pension Schemes	(2,824,536)	(2,363,516)	(2,123,188)	(1,815,655)	(1,653,785)
Total	(2,923,855)	(2,424,039)	(2,180,998)	(1,854,875)	(1,679,965)

The liabilities show the underlying commitments that the Group has in the long run to pay post employment (retirement) benefits. The total liability of £2.924bn (2013-14: £2.424bn) has a substantial impact on the net worth of the Group as recorded in the Balance Sheet. However, the pension liability is mitigated as follows:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (before payments fall due), as assessed by the scheme actuary; and
- Finance is only required to be raised to cover police pensions when the pensions are actually paid

Future estimated costs

The Pension Actuaries report includes an assessment of contributions and expected charges for the next financial year. The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2016 is £10.376m.

Expected amounts to be charged to Income and Expenditure account for the year to 31 March 2016 in respect of police pensions total £144.479m.

14.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Police Schemes and the West Sussex County Council Fund (Local Government Pension Scheme) liabilities have been assessed by [Hymans Robertson](#), an independent firm of actuaries, estimates for the West Sussex County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary are illustrated in the following table:

	Local Government Pension Scheme		Police Pension Schemes	
	2014-15	2013-14	2014-15	2013-14
Investment returns: The return on the Fund in market value terms is estimated based on actual Fund returns. Actual Fund Returns from April to December	8.3%	4.3%	-	-
Mortality assumptions: Longevity at 65 for current pensioners:				
• Men	24.4 years	24.4 years	29.5 years	29.3 years
• Women	25.8 years	25.8 years	31.7 years	31.5 years
Longevity at 65 for future pensioners:				
• Men	26.9 years	26.9 years	31.1 years	30.9 years
• Women	28.5 years	28.5 years	33.2 years	33.0 years
Rate of inflation	3.4%	2.8%	3.4%	3.7%
Rate of increase in salaries	3.8%	4.1%	3.5%	3.9%
Rate of increase in pensions	2.4%	2.8%	2.5%	2.9%
Rate for discounting scheme liabilities	3.2%	4.3%	3.3%	4.3%
CARE Revaluation Rate	-	-	3.8%	-
Take up of option to convert annual pension into retirement lump sum	50-75%	50-75%	90%	90%

The Police Pension Scheme arrangements have no assets to cover its liabilities. The last full valuation of the scheme was carried out as at 31 March 2012. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme Assets	31 March 2015 £000	31 March 2015 %	31 March 2014 £000	31 March 2014 %
Equity Securities:				
Consumer	46,840	15%	44,464	17%
Manufacturing	27,284	9%	23,650	9%
Energy and Utilities	13,834	4%	13,617	5%
Financial Institutions	48,817	16%	41,126	16%
Health and Care	20,678	7%	18,283	7%
Information Technology	40,054	13%	30,925	12%
Other	10,902	4%	7,167	3%
Debt Securities:				
UK Government	6,340	2%	6,656	3%
Private Equity:				
All	16,927	5%	16,088	6%
Real Estate:				
UK Property	20,143	6%	20,589	8%
Overseas Property	172	0%	591	0%
Investment Funds and Unit Trusts:				
Bonds	42,784	14%	23,744	9%
Other	2,287	1%	11,587	4%
Cash & Cash Equivalents:				
All	13,784	4%	5,675	1%
	310,846	100%	264,162	100%

14.8 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2014-15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015.

Local Government Pension Scheme

	2014-15	2013-14	2012-13	2011-12	2010-11
	%	%	%	%	%
Differences between expected and actual return on assets	9.3	5.7	8.6	(3.4)	2.4
Experience gains and (losses) on liabilities	0.6	(0.9)	0.1	(0.8)	13.0

Police Pension Scheme

	2014-15	2013-14	2012-13	2011-12	2010-11
Experience gains and (losses) on liabilities	%	%	%	%	%
Old Scheme (PPS)	0.03%	0.02%	0.0%	1.5%	2.4
New Scheme (NPPS)	(0.01%)	(0.01%)	(0.0%)	6.3%	2.3

15. Contingent Liabilities

The Chief Constable accounts at 31 March 2015 exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2015, the Chief Constable of Sussex had the following contingent liability issues:

- **Police officer compulsory retirements A19 Rule**

Section A.19 of the Police Pension Regulations 1987 allows police forces to require a police officer to retire once he or she reaches 30 years' service. Police forces' adoption of the A19 rule increased as budgets were substantially cut and forces had to find new ways to cut their expenditure.

An Employment Appeal Tribunal (EAT) was heard in March 2015 which upheld a police officers' age discrimination claim. The tribunal found that the widespread practice of requiring the retirement of officers in this way is not a proportionate means of achieving a legitimate aim.

The Police and Crime Commissioner for Sussex Group had a small number of officers who were retired under A.19 during 2011 and 2012 which may give rise to a potential liability as a result of the current EAT cases.

At the date of publication of the unaudited accounts there was insufficient information to estimate any amounts that the Group may be liable to pay.

- **Treatment of regular overtime in payments for holiday pay purposes**

During 2014-15 there were a number of legal developments in employment law that potentially may have financial consequences for Police Forces in England and Wales. These concern legal challenges in respect of backdated and future payments of overtime and allowances, the most prominent being the ruling of the Employment Appeal Tribunal in November 2014 (on the treatment of regular overtime in payments for holiday pay purposes) which may impact on all Forces. At the date of publication of the unaudited accounts there was insufficient information to estimate any amounts that the Group may be liable to pay.

16. *Contingent Assets*

At 31 March 2015, the Chief Constable of Sussex had no contingent assets.

17. *Accounting Policies*

17.1 **General Principles**

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reviewed by the Financial Reporting Advisory Board (FRAB). The accounts are also prepared in accordance with the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), issued by CIPFA which does not prescribe guidance on the Statements of Accounts but does aim to assist practitioners and provide a consistent basis for all statutory financial disclosures in relation to Best Value and Transparency purposes. The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board (ASB) where these provide additional guidance.

Following the passing of the Police Reform and Social Responsibility Act 2011 the Police and Crime Commissioner for Sussex (PCC) and the Chief Constable of Sussex Police (CC) were set up as two 'corporation sole' bodies. All four bodies are required to prepare separate Statement of Accounts.

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March 2015. Under the Police Reform and Social Responsibility Act 2011 the powers and responsibilities attributed to the PCC as the holding organisation identifies the requirement to produce group accounts.

17.2 **Fundamental Accounting Policies**

The Statement of Accounts has been prepared in accordance with the following accounting concepts and principles:

- **Accruals** – the accrual basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects occur, even if the resulting cash receipts and payments occur in a different period.
- **Going Concern** – the Accounts have been prepared on the assumption that the functions of the Group will continue in operational existence for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operation.
- **Understandable** – to ensure that the Statements of Accounts produced can be understood by readers who have a reasonable knowledge of business and economic activities.
- **Relevance** – to ensure that the information provided about the Group's financial position, performance and cash flow is useful for assessing stewardship of public funds and for making economic decisions.
- **Materiality** – provides a threshold or cut-off point to ensure that the information included in the Financial Statements is of such significance as to justify its inclusion. Omissions or misstatements of items are material if they could, individually or collectively, influence users decisions or assessment of the Financial Statements.
- **Reliability** – to ensure that the financial information provided accurately reflects the substance of the transactions and other events that have taken place.

- **Comparability** – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.
- **Primacy of Legislative Requirements** – the PCC derives powers from statute and the financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied. However, the Code deals with such conflicts by showing the position required by the Code's accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement.

The following sections set out the Chief Constable's principal accounting policies that have been reviewed and adopted in 2014-15.

17.3 Income & Expenditure Recognition

Revenue (Income) is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business less discounts and VAT.

Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed or when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC. Whilst all income is received by the PCC and all expenditure is paid for by the PCC including wages of police staff and officers, the actual recognition in the respective Police and Crime Commissioner and Chief Constable Accounts is based on economic benefit.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date on which supplies are received and when they are consumed, they are carried as inventories or stocks on the Balance Sheet.

Income and Expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure. Works of a capital nature are charged as capital expenditure when they are completed, before which they are carried as Assets Under Construction on the Balance Sheet.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, thus the accounts reflect the normal accruals concept for both capital and revenue. An exception to this is for utilities (gas, electricity, telephones, etc), where invoices may be accounted for in the year they fall, providing that only four quarterly or twelve monthly invoices are charged in any one year.

Where revenue or expenditure have been recognised by cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Creditors are included within the Balance Sheet for goods and services received and risks and rewards of ownership transferred, but not paid for at the year end. Debtors are included within the Balance Sheet where services have been provided but not yet reimbursed at the year end.

17.4 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation, but where the timing of transfer is uncertain. Provisions are recognised on the Balance Sheet.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Chief Constable a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Chief Constable a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probably that there will be an inflow of economic benefits or service potential.

17.5 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate a member of staff's employment before the normal retirement date or where a request for voluntary redundancy has been accepted. These are recognised in the accounts when the Chief Constable is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

Long-term Employee Benefits – Pension Arrangements

The Chief Constable operates two pension schemes for police officers and a single scheme for police staff:

- The [Police Pension Scheme \(PPS\)](#), regulated under the Police Pensions Act 1976
- The [New Police Pension Scheme \(NPPS\)](#), regulated under the Police Pension Regulations 2006
- The [Local Government Pensions Scheme](#), administered by West Sussex County Council

Both police schemes are contributory occupational pension schemes with officers making contributions of 14.25% to 15.05% of pensionable pay for members of the PPS and 11.0% to 12.75% for the NPPS.

A Police Pension Account was set up on 1st April 2006 to administer both of the police pension schemes. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for Sussex Police.

The NPPS and the PPS are both unfunded schemes which are treated as defined benefit schemes and benefits are paid by the Chief Constable and funded by Home Office Grant as there are no pension assets. Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19 Employee Benefits, the net liability and a pensions reserve for both Pension Schemes has been recognised on the Balance Sheet of the Chief Constable of Sussex, as have entries in the Chief Constable's CIES for movements in the asset/liability relating to the defined benefit scheme. Transfers into and out of the Scheme representing joining and leaving police officers, are recorded on a cash basis in the Pension Fund, because of the length of time taken to finalise the sums involved.

Following the Code's requirements, IAS19 has been fully recognised in the Chief Constable accounts.

- The liabilities of the PPS and NPPS attributable are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond

Police Staff are eligible to join the Local Government Pension Scheme (LGPS) administered by West Sussex County Council. This is a funded scheme. In 2014-15 the Chief Constable paid an employer's contribution representing 16.4% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Chief Constable is responsible for all pension payments relating to any added years' benefits, together with the related increases.

- The assets of the LGPS attributable to Sussex Police are included at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value

The change in the net pensions liability is analysed into seven components:

- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **expected return on assets** - the attributable annual investment return on the fund assets, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **gains or losses on settlements and curtailments** - the result of actions to relieve the Police and Crime Commissioner of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **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 - debited to the Pensions Reserve
- **contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

17.6 Events after the Date of Authorisation of the Balance Sheet

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 events can be identified:

- 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
- those that are indicative 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

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

17.7 VAT

The Chief Constable does not submit a separate VAT return. The Police and Crime Commissioner for Sussex submits a single VAT return on behalf of the Group. VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.

18. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code for 2014-15 noted future accounting policy changes will need to be reported in relation to the following accounting standards;

Paragraph 3.3.2.13 of the 2014-15 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The Standards introduced in the 2015-16 Code that are relevant to the requirements of paragraph 3.3.4.3 are:

- IFRS 13 *Fair Value Measurement* (May 2011)
- *Annual Improvements to IFRSs* (2011–2013 Cycle)
- IFRIC 21 *Levies*

The issues included in the *Annual Improvements to IFRSs* 2011–2013 cycle are:

- IFRS 1: Meaning of effective IFRSs
- IFRS 3: Scope exemptions for joint ventures
- IFRS 13: Scope of paragraph 52 (portfolio exception)
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

Police Pension Fund Account Statements as at 31 March 2015

These statements show the contributions and benefits payable for the year

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social responsibility Act 2011. During the year all payments and receipts are made to and from the PCC Police Fund. This stand alone statement shows income and expenditure for the police pension schemes and does not form part of the Chief Constable or the PCC Group's statement of accounts.

Sussex Police Pension Fund Account Statement

	As at March 2015		As at March 2014	
	£000	£000	£000	£000
Contributions Receivable				
From Employer:				
- Normal	(23,579)		(24,246)	
- Early Retirements	(588)		(576)	
From Members	(13,331)		(13,127)	
		(37,498)		(37,949)
Transfers In				
Individual Transfers in From Other Schemes		(163)		(73)
Total Inflows		(37,661)		(38,022)
Benefits Payable				
Pensions	59,607		56,505	
Commutations and Lump Sums	11,612		10,968	
Lump Sum Death Benefits	0		91	
		71,219		67,564
Payments To and On Account of Leavers				
Refund of Contributions	5		0	
Individual Transfers Out To Other Schemes	1,417		621	
		1,422		621
Total Outflows		72,641		68,185
Net amount payable for the year transfer from the Group of an amount equal to the deficit		34,980		30,163
Additional contribution from the Group to fund the deficit for the year *		(34,980)		(30,163)
Net Amount Payable for the Year		0		0

* The annual deficit on the Police Pensions Account is funded in full by the Home Office Pension's Top-up grant. This income is shown in the PCC and Group Income and Expenditure account.

Net Assets Statement

Net Current Assets And Liabilities	2014-15	2013-14
	£000	£000
Current Assets:		
Contributions due from the PCC	0	0
Recoverable overpayments of pensions	0	0
Current Liabilities:		
Unpaid pensions benefits	0	0
Surplus for the year owing to the PCC	0	0
Net Assets / (Liabilities)	0	0

Police Pension Funds - Notes

Accounting Policies

The Police Pension Account Statements have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit Regulations 2003, which states that Chief Constables are obliged to include the police pensions account in their statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards IAS19, as last amended on 16 June 2011. The Accounts have been prepared on an accruals basis. The statements do not take account of liabilities to pay pensions and other benefits in the futures. This is reported upon separately in the Actuary's statement.

Explanatory Notes to the Police Pension Fund Account Statements

The Chief Constable is required to include a separate police pension account in their Statement of Accounts and is responsible for paying the pension of its former police officers. The Pension Fund is administered by the Chief Constable in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932).

On 1 April 2006 new arrangements came into being for funding and accounting for the Police Pension Schemes. Before 1 April 2006 these pensions were paid from the Revenue Account and the Authority (preceding the Police Reform and Social Responsibility Act 2011 creating the two corporation sole bodies; the Police and Crime Commissioner for Sussex and the Chief Constable of Sussex) received funding from central government as part of the general funding formula to support payments of pensions. Prior to 1 April 2006, there were no employer contributions based on pensionable pay and no top-up grants.

From 1 April 2006 pensions are paid from a separate local police pensions account, rather than direct from the Income and Expenditure Account. Overall the change to the financial arrangements for police officer pensions is intended to be 'cost neutral' with no impact on either the national or local council tax payer.

There are currently two Police Officer pension schemes. Officers in the 'old scheme' currently contribute between 14.25% and 15.05% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'old scheme' contributed 11% of pensionable pay). Officers in the 'new scheme' currently contribute between 11.0% and 12.75% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'new scheme' contributed 9.5% of earnings or 6% if ineligible for ill-health benefits). The Chief Constable of Sussex makes an employer's contribution of 24.2% of pensionable pay. Employee's and Employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The Police Pension scheme has no assets to cover its liabilities, therefore the total payments to pensioners in any year must be paid for by current officer and employer contributions.

From 1 April 2015 a new benefit structure will come into effect for the Police Pension Scheme and all current active members will move into the new scheme from 1 April unless they qualify for protections that allow them to remain in their current scheme.

Under the current financing arrangements the Pension Account is balanced to nil at the end of the year. This is achieved by either the Chief Constable paying over the amount by which the contributions receivable by the Account for the year exceed the benefits payable, or by the Chief Constable paying over an amount by which the benefits payable from the pension fund for the year exceeded the contributions receivable. The Home Office will then either reimburse or receive from the Police and Crime Commissioner an amount equal to the final additional contributions due to or from the Pension Account to balance it to nil.

The Net Asset Statement does not include liabilities to pay pensions and other benefits after the balance sheet date.

Liabilities to pay future pension benefits have been disclosed separately at Note 14 in accordance with IAS 19 'Employee Benefits'.

The New Police Pension Scheme (NPPS) applies to police entrants who joined the service on or after 6 April 2006 up to 31 March 2015, or who chooses to transfer from the previous Police Pension Scheme (PPS) to the NPPS. Benefits payable under the NPPS and the PPS are shown in tabular form below:

	Police Pension Scheme (PPS) (1987)	New Police Pension Scheme (NPP) (2006)
What is maximum pension	2/3 final salary, with option to exchange part of the pension for a lump sum	½ final salary plus fixed lump sum of 4 times the pension, with option to exchange part or all of lump sum for extra pension
Final salary basis	Pensionable remuneration is normally the average remuneration in the employee's final year	Earnings over the last ten years are taken into account via best average over 3 consecutive years
Length of service for maximum pension	30 years	35 years
Earliest age to receive pension	Age 50 after 25 years service Any age after 30 years service Age 55 for less than 25 years service Age 60 if leave service before compulsory retirement age with less than 25 years service	Age 55 if remain in police service until that age Age 65 if leave police service before age 55 or opting out of the scheme
Inflation increases	Yes, from age 55, or earlier if retiring on ill health grounds	Yes, from age 55, or earlier if retiring on ill health grounds
How is pension accumulated	1/60 of final salary for first 20 years service, plus 1/30 for final 10 years service	1/70 of final salary for each year of service

Glossary of Financial Terms

This section explains key terms and specialist financial language used in the Statement of Accounts

ACCRUAL

An accrual is a liability for expenditure relating to goods and services that have been received or supplied but are not invoiced until the following financial year.

ACCRUED INCOME

Income earned in the financial year which has not yet been received.

ACTUARIAL GAINS AND LOSSES (PENSIONS)

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because, either events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The main revenue fund detailing all income received from precept, government grants and other income sources and all the costs of providing services.

CODE

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and the Service Reporting Code of Practice, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations. More details can be found on the CIPFA website: www.cipfa.org.uk

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT (PENSIONS)

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. Curtailments include:-

- Termination of employees' services earlier than expected, and
- Termination of or amendment to the terms, of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits

CIPFA

The Chartered Institute of Public Finance and Accountancy is one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services. More details can be found on the CIPFA website: www.cipfa.org.uk

DEFINED BENEFIT SCHEME (PENSIONS)

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

DEFINED CONTRIBUTION SCHEME (PENSIONS)

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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.

GOING CONCERN

The concept that the organisation will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of the operations.

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 pensions fund will be accounted for in the statement of that fund. However, the PCC Group is also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

IFRS

International Financial Reporting Standards

LAAP

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, SeRCOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code, SeRCOP or Prudential Code.

NET OPERATING EXPENDITURE

The total net expenditure before financing from Central Government grants or local Council Tax and before the movements shown in the Statement of Movement on the General Fund Balance.

PAST SERVICE COSTS (PENSIONS)

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.

PCC

Police and Crime Commissioner

POLICE GRANT

A specific grant paid to the PCC by Central Government to support its revenue expenditure. It is a fixed sum calculated by the Government on an assumed needs basis.

PROJECTED UNIT METHOD (PENSIONS)

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- The accrued benefits for member in service on the valuation date.

PROVISION

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

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party, or
- the parties are subject to common control from the same source, or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

REVENUE BUDGET

The Revenue Budget estimates annual income and expenditure requirements, and sets out the financial implications of the PCC Group policies and the basis of the annual precept to be levied on collection funds.

SCHEME LIABILITIES (PENSIONS)

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

SeRCOP

The Service Reporting Code of Practice establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level. The guidance seeks to provide a means for the aggregation of the costs of policing. More details can be found on the CIPFA website: www.cipfa.org.uk

SETTLEMENT (PENSIONS)

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 obligation and the assets used to effect the settlement. Settlements include:-

- a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

TOTAL NET EXPENDITURE

Total net spending requirement after deducting specific grants and other local income is financed by Central Government grants and local Council Tax



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Serving Sussex

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You can find this Statement of Accounts online at
www.sussex-pcc.gov.uk and sussex.police.uk