The Police and Crime Commissioner for Sussex and The Chief Constable of Sussex Group -

Statement of Accounts **2014-15**

Sussex Police & Crime Commissioner

SUSSEX POLICE

Police and Crime Commissioner for Sussex

Ms Katy Bourne	Police & Crime Commissioner Sackville House Brooks Close Lewes BN7 2FZ

Office of the Police and Crime Commissioner for Sussex

Officers of the Police and Crime Commissioner for Sussex from 1 April 2014

Mr Mark Streater	Chief Executive Sackville House Brooks Close Lewes BN7 2FZ
Mr Carl Rushbridge CPFA	Chief Finance Officer (From 1 October 2014) Sackville House Brooks Close Lewes BN7 2FZ
Mr John Eagles CPFA	Chief Finance Officer (Up to 30 September 2014) Sackville House Brooks Close Lewes BN7 2FZ
Mr Philip Baker	Solicitor c/o Sackville House Brooks Close Lewes BN7 2FZ

Chief Constable of Sussex

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

Mr Giles York	Chief Constable Sussex Police Headquarters Lewes BN7 2DZ
Mr Mark Baker CPFA	Director of Finance Sussex Police Headquarters Lewes BN7 2DZ

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This document is available in large print

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About The Police and Crime Commissioner for Sussex

On 15 November 2012 Katy Bourne was elected as the first Police and Crime Commissioner (PCC) for Sussex. Mrs Bourne took office on 22 November 2012, replacing the previous Police Authority.

The Policing Protocol sets out how these new policing governance arrangements operate. It clarifies the role and responsibilities of PCCs, Chief Constables, and Police and Crime Panels. It outlines what these bodies are expected to do and how they should work together to improve policing and tackle crime.

The PCC provides the local link between the police and the communities it serves, working to translate the priorities of the public, in terms of policing and crime reduction, into action.

What does the Police & Crime Commissioner do?

Setting the strategic direction

The PCC has responsibility for:

- Setting the strategic direction and aims for Sussex Police through the Police and Crime Plan. The plan is reviewed and updated each year to ensure it reflects current priorities.
- Ensuring that the Chief Constable contributes to national policing issues as set out in the Home Secretary's Strategic Policing Requirement.
- Setting the police budget, including the local police precept (the amount residents pay for policing in their Council Tax).
- Holding the Chief Constable to account for the performance of Sussex Police.
- Commissioning support services for victims of crime and community safety initiatives.

The PCC has the support of the Office of the Sussex Police & Crime Commissioner, a small team of experienced officers to support her in delivering her policies.

Further information about the role of the PCC and their responsibilities can be found on the Sussex PCC website.

The Police Reform and Social Responsibility Act 2011 (PRSRA) established police and crime panels within each force area in England and Wales to scrutinise the PCC's decisions and ensure this information is available to the public. Further information about the Panel's role can be found on the West Sussex County Council website.

Introduction to the Accounts

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

The Police and Crime Commissioner for Sussex (PCC) and the Chief Constable of Sussex (CC) are separate legal entities or 'corporation sole' bodies. The Statements of Account comprise a set of Group accounts reflecting the accounts of the PCC and the consolidated accounts of the Police and Crime Commissioner and its subsidiary the Chief Constable. In addition, a separate set of statutory accounts are prepared for the Chief Constable. The Statement of Accounts set out the Police and Crime Commissioner and Sussex Police Group's financial standing and performance for the year ended 31 March 2015.

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 payments for the Group from the overall Police Fund. 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 PCC's assets and staff.

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 Police and Crime Commissioner'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 also required to appoint a person to be responsible for the proper administration of the Chief Constable's financial affairs, referred to as the Chief Constable's 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 the 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's 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.

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 Statements of Accounts comprise separate statements for the Police and Crime Commissioner, the Chief Constable as well as group accounts covering both entities.

The Statement of Accounts sets out the overall financial position of the Sussex Police Group for the year ending 31 March 2015. The Group position 'Sussex Police' reflects the consolidated accounts of 'The Police and Crime Commissioner for Sussex' and its subsidiary 'The Chief Constable of Sussex'. Where the Group position differs from the individual Police and Crime Commissioner for Sussex or the Chief Constable of Sussex position, this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable of Sussex.

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; and
- 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.

Governance

The accounts are subject to detailed independent 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) accompany the Statement of Accounts rather than be included in the Statement of Accounts. The separate AGS statements for the PCC and the Chief Constable highlight the internal control environment, comment on its effectiveness and identify issues for future work. The AGS documents are available separately on the websites of the Police and Crime Commissioner for Sussex www.sussex-pcc.gov.uk and the Chief Constable of Sussex www.sussex.police.uk.

On-line Group Accounts

The Group accounts for the Police and Crime Commissioner and its subsidiary the Chief Constable together with the separate set of statutory accounts for the Chief Constable, are available to view and download on the Police and Crime Commissioner for Sussex website www.sussex-pcc.gov.uk and the Chief Constable of Sussex 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: mark.rowe@sussex.pnn.police.uk

Overview of the Accounting Statements

The Statement of Accounts set out the Police and Crime Commissioner and Chief Constable's financial standing and performance for the year ended 31 March 2015. The Statements represent the accounts for the PCC and also those for the PCC Group. The accounts for the Chief Constable of Sussex are available separately.

The term 'Group' is used to indicate individual transactions and policies of the PCC 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:

Chief Finance Officer's Foreword to the Accounts
This provides an overview of the activities of the PCC highlighting the financial position, including the reconciliation between performance against the annual budget and the position as set out in the accounts, risks and major items of income and expenditure.

Statements of Responsibilities
This explains the financial responsibilities of the PCC and Chief Finance Officer 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 on 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 held by the PCC, 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.

The 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
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
Summarises the inflows and outflows of cash arising from transactions with third parties, for revenue and capital purposes. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the PCC are funded by way of taxation and grant income or from the recipients of those services.

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 Polices used to produce the Statement of Accounts.

Glossary of Financial Terms
Provides an explanation in plain English of financial terms and conventions used in these accounts.

Chief Finance Officer's Foreword

This section highlights the financial governance of the Police and Crime Commissioner for Sussex

Financial Governance role of the Police and Crime Commissioner

Carl Rushbridge
Chief Finance Officer

The Police and Crime Commissioner (PCC) has overall responsibility for ensuring best value in the provision of efficient and effective policing within Sussex. The PCC will hold the Chief Constable to account for the delivery of policing services. This includes ensuring that the police respond effectively to public concerns and threats to public safety, whilst increasing public confidence in how crime is cut and policing delivered.

The Police and Crime Commissioner sets the overall policing budget, determining the distribution of policing grants from Central Government and setting the police precept raised through Council Tax. The PCC is responsible for managing expenditure within the overall policing budget. This includes the operational delivery budget assigned to the Chief Constable in accordance with Scheme of Consent and Financial Regulations.

The Police and Crime Commissioner sets strategic policing priorities and targets for Sussex Police through the Police and Crime Plan. The PCC monitors performance against these priorities and holds the Chief Constable to account for the way the Force is performing and the use of the operational delivery budget, as set out in the Chief Constable's Operational Delivery Plan. In discharging the important duty of securing best value, the PCC seeks to maintain an efficient and effective police force for Sussex, making sure that the delivery of policing services continues to improve.

Role of the Chief Finance Officer

The Chief Finance Officer is the professional adviser on financial matters to the Police and Crime Commissioner. The Chief Finance Officer has certain statutory duties in relation to financial administration and stewardship. Statutory responsibilities include securing the production of and signing a statement stating that the Accounts provide a true and fair view of the financial position, maintaining financial standing and securing an adequate and effective internal audit function.

The Chief Finance Officer is responsible for advising the Police and Crime Commissioner on whether a decision is likely to be considered contrary to or not wholly in accordance with the budget and financial policies. The Chief Finance Officer works closely with the Chief Constable's Director of Finance 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 purpose of the accounts is to provide details of the Police and Crime Commissioner for Sussex's financial activities for the year ended 31 March 2015. It is intended to be an understandable guide to the activities, highlighting the financial position, major influences affecting income and expenditure and our financial needs and resources.

The Statement of Accounts show how the Police and Crime Commissioner for Sussex has applied funding 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 financial performance for the year.

Carl Rushbridge CPFA
Chief Finance Officer
Office of the Police and Crime Commissioner for Sussex

FINANCIAL OVERVIEW

This section provides a summary of financial performance during 2014-15 and financial standing at the end of the financial year for the Police and Crime Commissioner (PCC) and Chief Constable (CC).

The Statement of Accounts is prepared in accordance with statutory requirements, accounting codes of practice and international accounting regulations. The purpose of this section is to explain the expenditure and income for the year, the resulting financial position at the end of the year and explain the additional elements required in Statement of Accounts.

Summary

Income from Home Office Grant, council tax and other sources exceeded operating expenditure on the Office of the Police and Crime Commissioner, Community Safety, and Operational Policing by £7.16m. This surplus was due to delivery of a higher level of savings (reductions in costs), higher levels of reimbursed income and lower expenditure on non pay budgets, police officers and police staff pay than planned.

In addition to this, expenditure of £17.16m was incurred on capital and investment projects for items 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 revaluation changes in the value of long term property assets, interest charges of lease assets, re-measurement of police officer and police staff pension costs and long term liabilities. These are significant for the 2014-15 year, with a surplus on revaluation of assets of £2.6 plus a further revaluation increase of £10.8m to reflect indexation during the year, 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 £7.16m against the Operational Policing budget to the final total deficit on the CIES for the year of £494m.

This deficit has no immediate cash impact on the Police and Crime Commissioner. 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 Local Government Pension Scheme (Police Staff) and Home Office Police Pensions Schemes (Police Officers) and require no immediate action by PCC or CC but may have a financial impact on expenditure in future years.

Financial Performance 2014-15

Revenue Expenditure and Income

The PCC is required to set a balanced budget prior to the start of each financial year, i.e. operating expenditure budgets must be fully funded by income from government grants, council tax and other sources. In February 2014 the PCC approved a net police fund revenue budget (also known as total Police Fund) for 2014-15 of £255.4m funded from income from the following sources:

Sources of Income	**2014-15 £000**	**2013-14 £000**
Police Grant – Home Office	104,804	108,886
Revenue Support Grant - DCLG	56,003	58,741
Core Grant	**160,807**	**167,627**
Legacy Council Tax freeze and Support Grants	13,202	10,366
Total Baseline Funding	**174,009**	**177,993**
Precept (Council Tax)	81,356	78,614
Total Financing/Total Police Fund	**255,365**	**256,607**

The majority of police funding comes from central government in the form of policing grants from the Home Office and Department for Communities and Local Government (DCLG). These grants are aggregated and distributed using a single national formula. The remainder of funding is from council tax, specific government

grants and other sources of income from services and activities. The PCC increased the precept by 1.95% in 2014-15.

The table above shows a reduction in central government funding from Home office and Department for communities and local government grants. Core police grants, on a like for like basis compared to 2013-14, reduced by £8m (4.8%). The treatment of legacy grants for Council tax freeze and housing benefit support changed between years with freeze grants forming part of baseline funding rather than paid as a specific grant. Overall, the baseline funding reduced by £4m (2.2%) in 2014-15 compared with the previous year in cash terms and real terms.

The Precept for Council Tax Band D increased by 1.95% to £141.12 compared with the prior year. This was approved by the PCC to specifically fund a package of targeted investment in neighbourhood, response and investigative capacity, together with specialist safeguarding resources to improve frontline capability and visibility, deliver on Police & Crime Plan priorities and address current and future operational risks, challenges and demands.

Revenue Expenditure

The PCC approved a total net revenue expenditure budget for 2014-15 of £255.4m. The majority of funding was allocated to the Chief Constable (£251.9m) for operational policing. The PCC has a budget to cover office running costs (£1.18m). The remainder covers grants made for community safety and costs attributable to capital financing (loan and investment interest).

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 final budget performance report for 2014-15. This is available to view and download on the Police and Crime Commissioner for Sussex website. www.sussex-pcc.gov.uk.

The tables below show the net expenditure on the Total Police Fund by main cost and service types.

PCC Group 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 Constable's Expenditure	**251,860**	**244,596**	**(7,264)**
OSPCC	1,403	1,374	(29)
Community Safety	1,825	1,634	(191)
Victim Support & Restorative Justice Exp	1,399	1,416	17
Victim Support & Restorative Justice Grant	(1,399)	(1,399)	0
Use of Reserves	(2,040)	(1,294)	746
Financial year end accounting adjustments	2,317	1,875	(442)
Total Police Fund	**255,365**	**248,202**	**(7,163)**

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)**
OSPCC	1,403	1,374	(29)
Community Safety	1,825	1,651	(174)
Use of Reserves	(2,040)	(1,294)	746
Financial year end adjustments	2,317	1,875	(442)
Total Police Fund	**255,365**	**248,202**	**(7,163)**

The actual net expenditure for 2014-15 was £248.2m, representing a surplus of £7.1m against income. This surplus was due to lower expenditure than planned by a number of budget holders; including £2.4m of savings (cost reduction measures) higher than planned, refund on Custody PFI Contract (£1m), income for supporting the NATO conference (£0.8m), delayed building projects (£0.8m), and police officer and staff vacancies.

The PCC approved the transfer of the surplus of £7.1m to reserves to provide a funding source for

- a number of planned projects due to complete in 2015-16 (£3.2m);
- an increase in insurance reserve (£0.6m) to cover increase in potential claims;
- increase in the general reserve (£1.0m) as a contingency against non delivery of planned savings in 2015-16; and
- the remaining balance (£2.3m) to the Delegated Budget holder Reserve to use to fund future implementation costs of the Local Policing Programme.

Capital and Investment Expenditure

The original Group budget for Capital and Investment Projects was £28.8m. This was adjusted during the year to reflect approved changes in the 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. The variance includes £4.3m of unavoidable slippage on schemes which are requested for carry forward to 2015-16 and net of projects completed under/(over) budget of £0.4m.

Capital and Investment Expenditure 2014-15

	Budget £m	Actual £m	Over/ (under) £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)**

The underspend of £4.7m includes delays in rolling out software applications for mobile policing project, delays in ICT projects, slippage in the major estates schemes and custody centres, Brighton John Street development due to planning delays and contract negotiations, ANPR camera upgrades delayed due to staffing and procurement issues.

Capital Financing

Capital expenditure incurred during the year was financed from Home Office capital grants, capital receipts (income from sale of assets), and investment reserves. No new borrowing was required to finance this expenditure in 2014-15.

Capital & Investment Financing	2014-15 £m
Capital investment:	
Property, Plant and Equipment	4.2
Intangible Assets	1.8
Total capitalised cost:	**6.0**
Revenue Investment Expenditure	11.2
Total capital and investment expenditure	**17.2**
Sources of finance:	
Capital receipts	(2.5)
Government grants and other contributions	(3.3)
Capital - transfers from reserves	(0.2)
Revenue - transfers from reserves	(11.2)
Total sources of finance	**(17.2)**

The Prudential Code allows the PCC to borrow money as long as it is prudent, affordable and sustainable. In accordance with the borrowing strategy for 2014-15 the PCC did not take out any new loans. The total outstanding long-term debt stood at £4.5m at the Balance Sheet date. The earliest date at which repayment of this is due is 2031 (£1.25m).

Revenue costs of capital projects

Individual capital and investment schemes are managed as a total project budget. These form the approved annual Capital and Investment budget. Project spend incurred comprises both revenue and capital expenditure and is mainly financed from reserves. Expenditure is assessed at year end as part of the annual accounts process to ensure we account for expenditure in line with approved asset accounting policy.

Sussex uses a strict definition to assess whether expenditure on the capital and investment programme complies with capital expenditure regulations. In general, one-off small value items and spend that does not add to the value of an asset, is charged to the revenue accounts.

As part of the final accounts process, a total of £11.2m has been assessed as expenditure which cannot be capitalised and is charged to Operational Delivery. In order to account for the impact of this, the Operational Delivery Budget expenditure has been increased by £9.2m, matched by an increase of funds from investment reserves of £7.2m and revenue contribution of £2m. **The full 2014-15 outturn report is available to view and download on the PCC website at: www.sussex-pcc.gov.uk.**

Financial Performance - Statements of Account

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, as it includes non cash elements.

The total net expenditure shown in the Comprehensive Income and Expenditure Statement includes the operating income and expenditure plus adjustments for non cash accounting transactions for depreciation of non-current (fixed) assets, government grants toward capital expenditure and pension costs and recognition of future liabilities required by accounting policies, recognised accounting conventions and regulations.

The operating surplus of £7.2m (2013-14: £6.5m) and the overall deficit on provision of services of £113.1m (2013-14: £107.8m) are reasonably consistent with the prior year. In contrast, the Total Comprehensive Income and Expenditure Statement below shows total net expenditure for the year amounted to £493.8m compared with £249.1m in the prior year.

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.

Summary Comprehensive Income and Expenditure Statement 2014-15 for the PCC Group

	GROUP 2014-15			GROUP 2013-14	
GROUP	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**	**Net Expenditure £000**	**Movement £000**
Local Policing	148,106	(2,510)	145,596	138,743	6,853
Dealing with the Public	24,881	(83)	24,798	24,436	362
Criminal Justice Arrangements	30,939	(4,779)	26,160	27,343	(1,183)
Road Policing	15,977	(3,184)	12,793	12,760	33
Operational Support	29,657	(15,786)	13,871	18,438	(4,567)
Intelligence	11,075	(42)	11,033	13,648	(2,615)
Investigations	54,132	(346)	53,786	48,110	5,676
Investigative Support	7,462	(296)	7,166	7,264	(98)
Sub-total	**322,229**	**(27,026)**	**295,203**	**290,742**	**4,461**
National Policing	12,550	(7,783)	4,767	5,022	(255)
Corporate and Democratic Core	1,622	0	1,622	1,195	427
Non Distributed Costs	305	0	305	203	102
Cost Of Services	**336,706**	**(34,809)**	**301,897**	**297,162**	**4,735**
Other Operating Expenditure	1,114	(1,269)	(155)	4,940	(5,095)
Financing and Investment	105,961	(692)	105,269	98,367	6,902
Taxation and Non-Specific Grant Income	0	(293,899)	(293,899)	(292,631)	(1,268)
(Surplus) or Deficit on Provision of Services			**113,112**	**107,838**	**5,274**
(Surplus) or deficit on revaluation of fixed assets			(12,705)	197	(12,902)
Actuarial (gains) / losses on pension assets / liabilities			393,396	141,123	252,273
Other Comprehensive Income and Expenditure			**380,691**	**141,320**	**239,371**
Total Comprehensive Income and Expenditure			**493,803**	**249,158**	**244,645**

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

Reconciliation of management accounts to the Comprehensive Income and Expenditure Statement

Note 24 to these accounts provide a reconciliation of the outturn position reported to the Chief Constable and the Police and Crime Commissioner and the position reported in the Comprehensive Income and Expenditure Statement (CIES). This is intended to assist the reader understand the movement from the budget approved by the Police and Crime Commissioner for Sussex through to the Statutory Accounts.

A summary of this reconciliation below shows how the figures in the analysis of budget portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014-15 PCC £000	2014-15 CC £000	2014-15 GROUP £000
Operational Delivery Net Expenditure per revenue outturn management report 2014-15	**3,636**	**244,567**	**248,203**
Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:			
Use of Reserves		369	**369**
Financial year end accounting adjustments	(7,643)	7,623	**(20)**
Amounts in the CIES not in the outturn report:			
Depreciation & amortisation		9,787	**9,787**
Pensions		37,193	**37,193**
Project expenditure classified as revenue	9,232		**9,232**
Reversal of losses previously recognised on DRC properties now subject to Revaluation Indexation increase	(663)		**(663)**
Amounts included in the outturn report but below the Cost of Services section of the CIES:			
Police computer and data base Levy	(1,114)		**(1,114)**
Interest payable and receivable	(1,166)		**(1,166)**
Investment property change in fair value and income receivable	78		**78**
Net Cost of Policing Services before Intra-Group Adjustment	**2,360**	**299,539**	**301,899**
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	296,957	(296,957)	**0**
Net Cost of Policing Services	**299,317**	**2,582**	**301,899**
Other Operating (Income) / Expenditure	(155)		**(155)**
Financing and Investment Income and Expenditure	1,060	104,207	**105,267**
Taxation and Non-Specific Grant Income	(293,899)		**(293,899)**
Deficit on Provision of Services per Statement of Accounts	**6,323**	**106,789**	**113,112**

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.

Group Balance Sheet

GROUP	31 March 2015 £000	31 March 2014 £000	Movement £000
Property, Plant & Equipment	153,531	146,514	7,017
Investment Property	1,222	1,143	79
Intangible Assets	6,386	6,116	270
Long Term Debtors	90	126	(36)
Long Term Assets	**161,229**	**153,899**	**7,330**
Short Term Investments	65,160	61,630	3,530
Assets Held for Sale	2,400	3,451	(1,051)
Inventories	1,114	1,113	1
Short Term Debtors	24,146	25,684	(1,538)
Cash and Cash Equivalents	16,962	23,247	(6,285)
Current Assets	**109,782**	**115,125**	**(5,343)**
Short Term Creditors	(22,351)	(26,627)	4,276
Provisions	(4,775)	(4,806)	31
Current Liabilities	**(27,126)**	**(31,433)**	**4,307**
Long Term Creditors	(694)	(714)	20
Long Term Borrowing	(20,825)	(21,213)	388
Other Long Term Liabilities	(2,923,855)	(2,424,039)	(499,816)
Capital Grants Receipts in Advance	(948)	(260)	(688)
Long Term Liabilities	**(2,946,322)**	**(2,446,226)**	**(500,096)**
Net Assets	**(2,702,437)**	**(2,208,635)**	**(493,802)**
Financed by			
Usable Reserves	78,577	79,321	(744)
Unusable Reserves	(2,781,014)	(2,287,956)	(493,058)
Total Reserves	**(2,702,437)**	**(2,208,635)**	**(493,802)**

Movement between years

The movement between years was £493.8m. This is predominantly due to the increase in the pension liability of £499.8m (Other Long Term Liabilities) as a result of the annual actuarial review and changes in assumptions used to estimate future pension costs (due to lower forecast bond yields resulting in higher pension payments).

The increase of £7.0m in Plant, Property and Equipment relates to depreciation charges of £8.3m and disposals of £2.1m offset against new additions of £4.2m, standard revaluation increases of £2.4m plus indexation related property increases of £10.8m.

Other movements include an overall reduction of £2.8m in short term investments and cash equivalents, with the remaining £2m variance reflecting standard movements in short term debtors and creditors.

Pensions

The Group operates separate pension schemes for Police Officers and Police Staff. Although benefits will not actually be payable until an employee retires, the Group 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 (IAS19).

The total pension liability has increased by £0.500bn to £2.924bn on the last year liability of £2.424bn, and has a substantial impact on the net worth of the Group. 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 Police and Crime Commissioner and Chief Constable Group 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 PCC or Chief Constable continuing as a going concern. Even though assets could be taken from the PCC, with perhaps no compensation, the continued use of the property for the public benefit means that the PCC does not need to consider the restriction on her own ability to make use of the property from the going concern perspective.

Unusable reserves on the balance sheet includes the large negative IAS19 pension reserve which is mainly due to the police pension scheme being an unfunded scheme 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 Commissioner's financial position remains sound. This liability is mitigated as follows:

- The deficit on the Local Government Scheme will be made good by increased employer and employee 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 as and when they become payable

Reserves

Reserves are a key part of budget setting and financial planning. The reserves policy is reviewed on an annual basis and approved by the PCC.

Total usable reserves as at 31 March 2015 amounted to £78.6m. This included earmarked and general reserves. The balance as at March 2014 was £79.3m. The net decrease includes the impact of the agreement by the PCC to transfer the 2014-15 revenue surplus of £7.12m to reserves to fund commitments in 2015-16 and to provide funding for the implementation of the Local Policing Programme (LPP) up to 2016-17. This also includes capital receipts received on disposals in year, along with reversal of underspend amounts carried forward from the prior year and costs to finance the capital investment expenditure.

The General Reserve stands at £10.8m or 4.4% of the 2015-16 net budget compared to a target of 4% in line with the Reserves Policy.

Usable Reserve Balances

2014-15	Balance at 31 March 2015 £000	Balance at 31 March 2014 £000	Movement £000
General Fund	**10,807**	9,807	1,000
Earmarked Reserves:			
Insurance	1,874	1,256	618
Operational	2,450	2,450	0
Capital & Investment	33,141	40,590	(7,449)
PFI	12,794	12,794	0
Asset Seizures	262	516	(254)
Delegated Budget Holder	7,350	4,286	3,064
Sussex Safer Roads Partnership	2,003	1,656	347
Earmarked Reserves	**59,874**	63,548	(3,674)
Capital Receipts	**7,896**	5,966	1,930
Capital Grants Unapplied	**0**	0	0
Total	**78,577**	**79,321**	**(744)**

The following table explains the general movements on usable reserves:

2014-15 Reserve Movement	£m
Total Usable Reserves at 1 April	**79.0**
Reserve amounts used to fund capital and project expenditure	(11.2)
Amounts added to reserves from the surplus in year	7.2
Capital receipt additions	4.5
Amounts released from 2013-14 under-spend brought forward	(1.2)
Increase to Sussex Safer Roads Partnership Reserve	0.4
Decrease to Asset Seizures Reserve	(0.2)
Total Usable Reserves at 31 March	**78.5**

Looking ahead

Medium Term Financial Plan (MTFP)

The Police and Crime Commissioner and the Chief Constable 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). This is available to view and download on the Police and Crime Commissioner for Sussex 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 2016-17 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 in real terms 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 2015-19

	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 six months to create and sets out a plan for 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% or £19m 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 Police and Crime Commissioner

The Police and Crime Commissioner responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for:

- the preparation of the Statement of Accounts for the Police and Crime Commissioner 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 Chief Finance Officer 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 Police and Crime Commissioner.

During the year, the Chief Finance Officer 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.

Katy Bourne
Police and Crime Commissioner for Sussex

Dated: 23 September 2015

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner and the Police and Crime Commissioner Group at the accounting date and of the income and expenditure for the year ended 31 March 2015.

Carl Rushbridge CPFA
Chief Finance Officer

Dated: 23 September 2015

Independent Auditors' Report to the Police and Crime Commissioner for Sussex

This report explains the Auditor's responsibility for providing an opinion that the Statement of Accounts presents a true and fair view of the financial position of the Police and Crime Commissioner for Sussex

Opinion on the Police and Crime Commissioner for Sussex's financial statements

We have audited the financial statements of the Police and Crime Commissioner for Sussex for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Police and Crime Commissioner for Sussex and Group Movement in Reserves Statements, the Police and Crime Commissioner for Sussex and Group Comprehensive Income and Expenditure Statements, the Police and Crime Commissioner for Sussex and Group Balance Sheets, the Police and Crime Commissioner for Sussex and Group Cash Flow Statements, and the related notes 1 to 41, and the Police and Crime Commissioner for Sussex Group Police Pension Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

This report is made solely to the Police and Crime Commissioner for 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 Police and Crime Commissioner for Sussex Police, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 22 of the financial statements, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Sussex and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 Police and Crime Commissioner for Sussex as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 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 Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Police and Crime Commissioner and the auditor

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

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

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

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Police and Crime Commissioner for 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 Police and Crime Commissioner for 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 held by the Police and Crime Commissioner and Chief Constable Group, analysed into 'usable reserves' (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 the Group services, details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The net increase/(decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Police and Crime Commissioner.

Group Movement in Reserves Statement for the year ended 31 March 2015

GROUP 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		**9,807**	**63,548**	**5,966**	**0**	**79,321**	**(2,287,956)**	**(2,208,635)**
Movement in Reserves:								
Surplus or (deficit) on provision of services		(113,112)	0	0	0	(113,112)		(113,112)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(380,691)	(380,691)
Total Comprehensive Income and Expenditure		**(113,112)**	**0**	**0**	**0**	**(113,112)**	**(380,691)**	**(493,803)**
Adjustments between accounting basis & funding basis under regulations	5	110,632	0	1,931	0	112,563	(112,563)	0
Net Increase/(Decrease) before Transfers to Reserves		**(2,480)**	**0**	**1,931**	**0**	**(549)**	**(493,254)**	**(493,803)**
Transfers to/(from) Reserves	6	3,480	(3,675)			(195)	195	0
Increase/(Decrease) in Year		**1,000**	**(3,675)**	**1,931**	**0**	**(744)**	**(493,059)**	**(493,803)**
Balance at 31 March 2015		**10,807**	**59,873**	**7,897**	**0**	**78,577**	**(2,781,015)**	**(2,702,438)**

Group Movement in Reserves Statement for the year ended 31 March 2014

GROUP 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		**12,227**	**63,493**	**3,336**	**19**	**79,075**	**(2,038,551)**	**(1,959,476)**
Movement in Reserves:								
Deficit on provision of services		(107,838)	0	0	0	(107,838)	0	(107,838)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(141,320)	(141,320)
Total Comprehensive Income and Expenditure		**(107,838)**	**0**	**0**	**0**	**(107,838)**	**(141,320)**	**(249,158)**
Adjustments between accounting basis & funding basis under regulations	5	110,882	0	2,630	(19)	113,493	(113,493)	0
Net Increase/(Decrease) before Transfers to Reserves		**3,044**	**0**	**2,630**	**(19)**	**5,655**	**(254,813)**	**(249,158)**
Transfers to/(from) Reserves	6	(5,464)	56	0	0	(5,408)	5,408	0
Increase/(Decrease) in Year		**(2,420)**	**56**	**2,630**	**(19)**	**247**	**(249,405)**	**(249,158)**
Rounding adjustment			(1)			(1)		(1)
Balance at 31 March 2014		**9,807**	**63,548**	**5,966**	**0**	**79,321**	**(2,287,956)**	**(2,208,635)**

Movement in Reserves Statement for the Police and Crime Commissioner for Sussex for the year ended 31 March 2015

PCC 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		**9,807**	**63,548**	**5,966**	**0**	**79,321**	**137,473**	**216,794**
Movement in Reserves:								
Surplus or (deficit) on provision of services		(6,323)	0	0	0	(6,323)		(6,323)
Other Comprehensive Income and Expenditure		0	0	0	0	0	12,705	12,705
Total Comprehensive Income and Expenditure		**(6,323)**	**0**	**0**	**0**	**(6,323)**	**12,705**	**6,382**
Adjustments between accounting basis & funding basis under regulations	5	3,843	0	1,931	0	5,774	(5,774)	0
Net Increase/(Decrease) before Transfers to Reserves		**(2,480)**	**0**	**1,931**	**0**	**(549)**	**6,931**	**6,382**
Transfers to/(from) Reserves	6	3,480	(3,675)	0	0	(195)	195	0
Increase/(Decrease) in Year		**1,000**	**(3,675)**	**1,931**	**0**	**(744)**	**7,126**	**6,382**
Rounding adjustment							1	1
Balance at 31 March 2015		**10,807**	**59,873**	**7,897**	**0**	**78,577**	**144,600**	**223,177**

Movement in Reserves Statement for the Police and Crime Commissioner for Sussex for the year ended 31 March 2014

PCC 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 as previously stated		**12,227**	**63,493**	**3,336**	**19**	**79,075**	**(2,038,551)**	**(1,959,476)**
Reserves reclassified to CC							**2,182,192**	**2,182,192**
Restated Balance at 31 March 2013		**12,227**	**63,493**	**3,336**	**19**	**79,075**	**143,641**	**222,716**
Movement in Reserves:								
Deficit on provision of services		(5,724)	0	0	0	(5,724)	0	(5,724)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(197)	(197)
Total Comprehensive Income and Expenditure		**(5,724)**	**0**	**0**	**0**	**(5,724)**	**(197)**	**(5,921)**
Adjustments between accounting basis & funding basis under regulations	5	8,768	0	2,630	(19)	11,379	(11,379)	0
Net Increase/(Decrease) before Transfers to Reserves		**3,044**	**0**	**2,630**	**(19)**	**5,655**	**(11,576)**	**(5,921)**
Transfers to/(from) Reserves	6	(5,464)	56	0	0	(5,408)	5,408	0
Increase/(Decrease) in Year		**(2,420)**	**56**	**2,630**	**(19)**	**247**	**(6,168)**	**(5,921)**
Balance at 31 March 2014		**9,807**	**63,549**	**5,966**	**0**	**79,322**	**137,473**	**216,795**

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, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

Group Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner for Sussex and Chief Constable of Sussex

		Sussex PCC & CC GROUP 2014-15			Sussex PCC & CC GROUP 2013-14		
GROUP	**Note**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Local Policing		148,106	(2,510)	145,596	141,022	(2,279)	138,743
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		**322,229**	**(27,026)**	**295,203**	**323,978**	**(33,236)**	**290,742**
National Policing		12,550	(7,783)	4,767	13,133	(8,111)	5,022
Corporate and Democratic Core		1,622	0	1,622	1,195	0	1,195
Non Distributed Costs		305	0	305	203	0	203
Cost Of Services		**336,706**	**(34,809)**	**301,897**	**338,509**	**(41,347)**	**297,162**
Other Operating Expenditure	7	1,114	(1,269)	(155)	4,940	0	4,940
Financing and Investment Income and Expenditure	8	105,961	(692)	105,269	99,957	(1,590)	98,367
Taxation and Non-Specific Grant Income	9	0	(293,899)	(293,899)	0	(292,631)	(292,631)
(Surplus) or Deficit on Provision of Services				**113,112**			**107,838**
(Surplus) or deficit on revaluation of property				(12,705)			197
Re-measurements of the net defined benefit liability/(asset)				393,396			141,123
Other Comprehensive Income and Expenditure				**380,691**			**141,320**
Total Comprehensive Income and Expenditure				**493,803**			**249,158**

Non-distributed costs above are pension related past service costs, gains and losses on settlements and curtailments which are reported separately to current service costs within the SeRCOP headings above the sub-total.

Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner for Sussex

		PCC 2014-15			PCC 2013-14		
PCC	**Note**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Local Policing		2,801	(1,402)	1,399	1,707	(1,233)	474
Dealing with the Public		0	0	0	0	0	0
Criminal Justice Arrangements		0	0	0	0	0	0
Road Policing		0	0	0	0	0	0
Specialist Operations		0	0	0	0	0	0
Intelligence		0	0	0	0	0	0
Specialist Investigations		0	0	0	0	0	0
Investigative Support		0	0	0	0	0	0
Sub-total		**2,801**	**(1,402)**	**1,399**	**1,707**	**(1,233)**	**474**
National Policing		0	0	0	0	0	0
Corporate and Democratic Core		1,622	0	1,622	1,195	0	1,195
Non Distributed Costs		0	0	0	0	0	0
Net cost of policing services		**4,423**	**(1,402)**	**3,021**	**2,902**	**(1,233)**	**1,669**
Intra-group funding		329,701	(33,407)	296,294	331,648	(40,114)	291,534
Net cost of policing services		**334,124**	**(34,809)**	**299,315**	**334,550**	**(41,347)**	**293,203**
Other Operating Expenditure	7	1,114	(1,269)	(155)	4,940	0	4,940
Financing and Investment Income and Expenditure	8	1,754	(692)	1,062	1,802	(1,590)	212
Taxation and Non-Specific Grant Income	9	0	(293,899)	(293,899)	0	(292,631)	(292,631)
(Surplus) or Deficit on Provision of Services				**6,323**			**5,724**
Surplus or deficit on revaluation of fixed assets				(12,705)			197
Other Comprehensive Income and Expenditure				**(12,705)**			**197**
Total Comprehensive Income and Expenditure				**(6,382)**			**5,921**

Balance Sheet

Balance Sheets for the Police and Crime Commissioner for Sussex (PCC) and the PCC Group

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Police and Crime Commissioner. The net assets of the Police and Crime Commissioner (assets less liabilities) are matched by the reserves held by the Police and Crime Commissioner.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Police and Crime Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Police and Crime Commissioner is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that recognise the impact of timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Group Balance Sheet for the Police and Crime Commissioner for Sussex and Chief Constable of Sussex

GROUP	Note	31 March 2015 £000	31 March 2014 £000
Property, Plant & Equipment	13	153,531	146,514
Investment Property	14	1,221	1,143
Intangible Assets	15	6,386	6,116
Long Term Debtors	38	90	126
Long Term Assets		**161,228**	**153,899**
Short Term Investments	38	65,160	61,630
Assets Held for Sale	16	2,400	3,451
Inventories	17	1,114	1,113
Short Term Debtors	18	24,146	25,684
Cash and Cash Equivalents	19	16,962	23,247
Current Assets		**109,782**	**115,125**
Short Term Creditors	20	(22,351)	(26,627)
Provisions	21	(4,775)	(4,806)
Current Liabilities		**(27,126)**	**(31,433)**
Long Term Creditors	38	(694)	(714)
Long Term Borrowing	38	(20,824)	(21,213)
Other Long Term Liabilities	35	(2,923,855)	(2,424,039)
Capital Grants Receipts in Advance	11	(948)	(260)
Long Term Liabilities		**(2,946,321)**	**(2,446,226)**
Net Assets		**(2,702,437)**	**(2,208,635)**
Financed by			
Usable Reserves	22	78,577	79,321
Unusable Reserves	23	(2,781,014)	(2,287,956)
Total Reserves		**(2,702,437)**	**(2,208,635)**

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner and the Police and Crime Commissioner Group at the accounting date and of the income and expenditure for the year ended 31 March 2015.

Carl Rushbridge CPFA, Chief Finance Officer
Dated: 23 September 2015

Balance Sheet for the Police and Crime Commissioner for Sussex

PCC	Note	31 March 2015 £000	31 March 2014 £000
Property, Plant & Equipment	13	153,531	146,514
Investment Property	14	1,222	1,143
Intangible Assets	15	6,386	6,116
Long Term Debtors	38	90	126
Long Term Assets		**161,229**	**153,899**
Short Term Investments	38	65,160	61,630
Assets Held for Sale	16	2,400	3,451
Inventories	17	1,114	1,113
Short Term Debtors	18	24,484	25,684
Cash and Cash Equivalents	19	16,962	23,247
Current Assets		**110,120**	**115,125**
Short Term Creditors	20	(20,931)	(25,237)
Provisions	21	(4,775)	(4,806)
Current Liabilities		**(25,706)**	**(30,043)**
Long Term Creditors	38	(694)	(714)
Long Term Borrowing	38	(20,824)	(21,213)
Capital Grants Receipts in Advance	11	(948)	(260)
Long Term Liabilities		**(22,466)**	**(22,187)**
Net Assets		**223,177**	**216,794**
Financed by			
Usable Reserves	22	78,577	79,321
Unusable Reserves	23	144,600	137,473
Total Reserves		**223,177**	**216,794**

The above Balance Sheet tables show the value as at 31 March 2015 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner (PCC). The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

The Chief Constable does not own any assets. All assets are held by the PCC.

The Chief Constable's Balance Sheet does include pension fund and employee benefit entries to show the reader its accounting for employee benefit and pension liabilities.

Separate statements for the Group and the PCC have therefore been included to reflect the intra-group adjustments with the Chief Constable's Balance Sheet.

Cash Flow Statement

Cash Flow Statements for the Police and Crime Commissioner for Sussex (PCC) and the PCC Group

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the Police and Crime Commissioner during the reporting period.

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Group Cash Flow Statement for the Police and Crime Commissioner for Sussex and the Chief Constable of Sussex

GROUP	Note	2014-15 £000	2013-14 £000
Net surplus or (deficit) on the provision of services		(113,112)	(107,838)
Adjustments to net surplus or deficit on the provision of services for non cash movements		113,190	64,745
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(4,246)	46,027
Net cash flows from Operating Activities		**(4,168)**	**2,934**
Investing Activities		(1,764)	(54,047)
Financing Activities		(353)	(428)
Net increase or decrease in cash and cash equivalents		**(6,285)**	**(51,541)**
Cash and cash equivalents at the beginning of the reporting period	19	23,247	74,788
Cash and cash equivalents at the end of the reporting period	19	**16,962**	**23,247**

Cash Flow Statement for the Police and Crime Commissioner for Sussex

PCC	Note	2014-15 £000	2013-14 £000
Net surplus or (deficit) on the provision of services		(6,323)	(5,724)
Adjustments to net surplus or deficit on the provision of services for non cash movements		6,401	(37,369)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(4,246)	46,027
Net cash flows from Operating Activities		**(4,168)**	**2,934**
Investing Activities		(1,764)	(54,047)
Financing Activities		(353)	(428)
Net increase or decrease in cash and cash equivalents		**(6,285)**	**(51,541)**
Cash and cash equivalents at the beginning of the reporting period	19	23,247	74,788
Cash and cash equivalents at the end of the reporting period	19	**16,962**	**23,247**

The Chief Constable does not have any cash-flows for the year, since all payments were made from the Police Fund which is held by the Police and Crime Commissioner for Sussex (PCC). Similarly all income receipts and funding are received by the PCC during the year. The financial consequences of the operational 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.

Separate statements for the Group and the PCC have therefore been included to reflect the intra-group adjustments with the Chief Constable's operational activities.

Cash Flow Statement – Operating Activities

The net cash flows from operating activities of £2.934m for the Group include the following items:

GROUP	2014-15 £000	2014-15 £000	2013-14 £000	2013-14 £000
Net surplus or (deficit) on the provision of services		(113,112)		(107,838)
Adjustments to net surplus or deficit on the provision of services for non cash movements:				
Depreciation	8,296		7,917	
Impairment and downward valuations	(505)		3,679	
Amortisation	1,491		450	
(Decrease)/Increase in creditors	(3,300)		4,110	
Decrease/(Increase) in debtors	1,200		(4,611)	
Increase in stock	(1)		(136)	
Pension liability	106,420		101,918	
Carrying amount of non-current assets sold	3,197		2,819	
Other non-cash items charged to the net surplus or deficit on the provision of services	(3,608)		(51,401)	
		113,190		64,745
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:				
Purchase of short-term and long-term investments	93,500		172,244	
Proceeds from short-term and long-term investments	(90,000)		(120,995)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,746)		(5,222)	
		(4,246)		46,027
Net cash flows from Operating Activities		**(4,168)**		**2,934**

The net cash flows from operating activities of £4.168m for the Police and Crime Commissioner also include an intra-group adjustment with the Chief Constable accounts as follows:

PCC	2014-15 £000	2014-15 £000	2013-14 £000	2013-14 £000
Net surplus or (deficit) on the provision of services		(6,323)		(5,724)
Adjustments to net surplus or deficit on the provision of services for non cash movements:				
Depreciation	8,296		7,917	
Impairment and downward valuations	(505)		3,679	
Amortisation	1,491		450	
Increase in creditors	(3,300)		4,110	
Increase in debtors	1,200		(4,611)	
Decrease in stock	(1)		(136)	
Pension liability	106,420		101,918	
Carrying amount of non-current assets sold	3,197		2,819	
Other non-cash items charged to the net surplus or deficit on the provision of services (including intra group adjustment)	(110,397)		(153,515)	
		6,401		(37,369)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:				
Purchase of short-term and long-term investments	93,500		172,244	
Proceeds from short-term and long-term investments	(90,000)		(120,995)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,746)		(5,222)	
		(4,246)		46,027
Net cash flows from Operating Activities		**(4,168)**		**2,934**

Cash Flow Statement – Investing Activities

GROUP & PCC	2014-15 £000	2013-14 £000
Purchase of property, plant and equipment, investment property and intangible assets	(6,011)	(8,020)
Purchase of short-term and long-term investments	(93,500)	(172,244)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,466	2,630
Proceeds from short-term and long-term investments	90,000	120,995
Other receipts from investing activities	3,281	2,592
Net cash flows from investing activities	**(1,764)**	**(54,047)**

The cash flow movements for Investing Activities are the same for the PCC and the Group as the Chief Constable has no Investing Activities.

The daily average lending for 2014-15 was £93.2m which is a decrease of £8.3m compared with £101.5m during 2013-14 and is reflected above within the figures for purchase of investments and proceeds from the sale of investments. This is a reasonable activity to support the primary function of policing Sussex and yielded £0.58m of investment interest received for the year.

Cash Flow Statement – Financing Activities

GROUP & PCC	2014-15 £000	2013-14 £000
Cash receipts of short- and long-term borrowing	80	119
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(389)	(496)
Repayments of short- and long-term borrowing	(44)	(51)
Net cash flows from financing activities	**(353)**	**(428)**

The cash flow movements for Financing Activities are the same for the PCC and the Group as the Chief Constable has no Financing Activities.

1. Critical Estimates and Judgements in Applying Accounting Policies

The preparation of the financial statements requires the Group 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.

In applying the accounting policies set out in Note 40, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. 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:

- Establishing valuations of operational and investment properties, which are assessed by an independent qualified Valuer (see Notes 40.10 and 40.11 for details of the accounting policy relating to the valuation process and see Notes 13 and 14 for details of revaluation amounts). For 2014-15 the Valuer measured specialised property valued using the Depreciated Replacement Cost (DRC) method as at 1 April 2014. The valuers suggest that increases in construction costs and location factors during the year may indicate higher values for these properties at the year end compared against the valuations undertaken at the start of the year. An indexation increase of £10.8m based on a 9% increase to DRC property has therefore been included in the accounts to ensure that specialised property valued on the DRC basis is not under-valued at the end of the year.

- Depreciation is calculated based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to the CIES will increase. The PCC monitors the useful life of assets to identify where changes to the depreciation charge are required during the year.

- Calculating employee benefit accruals e.g. unused holiday, this is based on staff time records and an average cost for each grade. (see Notes 40.27 and 23.5 for the accounting policy and amounts respectively).

- Judgement on inclusion within the Statement of Accounts of a £6.8m deposit made with an Icelandic bank which is now in administration was based on the latest information from Administrators (see Note 38.3 for further details).

- 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 Group 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 Notes 34 and 35 for details of the pension schemes in place for police staff and police officers, see also the separate Chief Constable accounts for the Police Pension Fund Account Statements).

- Future levels of funding for Local Government - The Police and Crime Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Police and Crime Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Independently reviewed PFI accounting models are used to calculate future liabilities for interest and capital repayments, which are based on the current retail price index as listed by the Office of National Statistics. This is reviewed annually, to assess any change affecting the current year and future year charges.

- 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 by the Group 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 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.

Accruals of Income and Expenditure

Income and Expenditure is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due are accounted for as income at the date the Police and Crime Commissioner provides the relevant goods or services.

- Where income and expenditure is recognised but cash has not been received or paid, a debtor or creditor for the relevant year is recorded in the Balance Sheet. Estimates are used when appropriate based on expectation, experience, relevant documentary evidence and other support such as advice from specialist consultants.

- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Comprehensive Income and Expenditure Statement for the income that might not be collected.

- Working capital has been judged as being attributable in full to the Police and Crime Commissioner. The PCC controls the treasury management function and all bank accounts, therefore all working balances (cash, current debtors and liabilities) are recognised in the PCC'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 the sensitivity analysis schedule below.

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 as at 31 March 2014.

From 1 April 2015 a new benefit structure will come into effect for the Police Pension Scheme. These changes will not affect the Balance Sheet or CIES disclosures as at 31 March 2015, but will affect the projected pension expense for the year ending 31 March 2016. The new Regulations state that 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. As some members will be able to continue to participate in their current scheme and others will transfer to the new scheme, the calculation of the projected current service cost is more complicated compared to previous years.

Insurance

The Group annually reviews the appropriateness of its insurance funding. Independent Actuaries Gallagher Heath undertook a review on the adequacy of our insurance claim provision and reserves. 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 Chief Finance Officer 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 Police and Crime Commissioner 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 different from the assumptions and estimates.

The items in the PCC and Group Balance Sheets for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations and Depreciation	Assets are independently assessed by professional valuers. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate of austerity could lead to uncertainty that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, this in turn could impact on the useful lives assigned to assets. The Police and Crime Commissioner carries the assets used under the PFI contract on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £58,971 for every year that useful lives had to be reduced.
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 2013-14, the Group'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 Group 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 Accounts of the Chief Constable of Sussex.
PFI Liability	The PFI scheme provided for the construction of four purpose built custody suites in Worthing, Chichester, Brighton and Eastbourne. The Contractor also provides custodial services at two existing facilities in Crawley and Hastings. The Police and Crime Commissioner receives PFI Grant on an annuity basis which is received at a constant level of £3.26m per annum over the life of the contract.	The annual grant of £3.26m could be removed by the Home Office at some point in the future. The Police and Crime Commissioner maintains a PFI reserve which could be used to cover any potential shortfall.
Insurance Claims Liability	The level of potential claims facing the Police and Crime Commissioner is independently assessed by professional actuaries Gallagher Heath on an annual basis. This assesses the future potential cost on the Police and Crime Commissioner of claims both known and unknown. Claims more likely to materialise in terms of probability, cost and timing, are carried as provision on the balance sheet. Funding for more intangible claims is held in the insurance reserve. The assessment is subject to peer review.	Additional resources required to cover claims costs would be require in the event that actual claims are higher than predicted.
Debtors	At 31st March 2015, the Police and Crime Commissioner had a balance of sundry debtors of £1m. A review of significant balances suggested that an impairment of doubtful debts of £0.12m was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	Based on the balance outstanding at 31 March 2015, If collection rates were to deteriorate, every 1% decrease would require an additional impairment provision of £0.01m.

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

4. Prior Year Adjustments

The Group 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 Police and Crime Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Police and Crime Commissioner to meet future capital and revenue expenditure.

Group Adjustments between Accounting Basis and Funding Basis under Regulations for 2014-15

Group 2014-15	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Depreciation and impairment of non-current assets	8,296			8,296	(8,296)
Revaluation gains on Property Plant and Equipment	(505)			(505)	505
Movements in the market value of Investment Properties	(78)			(78)	78
Amortisation of intangible assets	1,491			1,491	(1,491)
Capital grants and contributions applied	(3,280)			(3,280)	3,280
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,269)			(1,269)	(3,197)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0	0
Statutory provision for the financing of capital investment	(539)			(539)	539
Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		4,466		4,466	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,535)		(2,535)	2,535
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
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(273)			(273)	273
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 Group Adjustments	**110,632**	**1,931**	**0**	**112,563**	**(112,563)**

PCC Adjustments between Accounting Basis and Funding Basis under Regulations for 2014-15

PCC 2014-15	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Depreciation and impairment of non-current assets	8,296			8,296	(8,296)
(Gains)/losses on Held for Sale property revaluations	(505)			(505)	505
Movements in the market value of Investment Properties	(78)			(78)	78
Amortisation of intangible assets	1,491			1,491	(1,491)
Capital grants and contributions applied	(3,280)			(3,280)	3,280
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,269)			(1,269)	(3,197)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(539)			(539)	539
Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		4,466		4,466	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,535)		(2,535)	2,535
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(273)			(273)	273
Total PCC Adjustments	**3,843**	**1,931**	**0**	**5,774**	**(5,774)**

Group Adjustments between Accounting Basis and Funding Basis under Regulations for 2013-14

GROUP 2013-14	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Depreciation and impairment of non-current assets	7,917			7,917	(7,917)
Revaluation Losses on Property Plant and Equipment	(284)			(284)	284
(Gains)/losses on Held for Sale property revaluations	3,963			3,963	(3,963)
Movements in the market value of Investment Properties	(24)			(24)	24
Amortisation of intangible assets	450			450	(450)
Capital grants and contributions applied	(2,592)			(2,592)	2,592
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	189			189	(2,819)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(644)			(644)	644
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement			(19)	(19)	19
Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		2,630		2,630	0
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	165,739			165,739	(165,739)
Employers pension contributions and direct payments to pensioners payable in year	(63,821)			(63,821)	63,821
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(207)			(207)	207
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	196			196	(196)
Total Group Adjustments	**110,882**	**2,630**	**(19)**	**113,493**	**(113,493)**

PCC Adjustments between Accounting Basis and Funding Basis under Regulations for the Police and Crime Commissioner for Sussex for the year ended 31 March 2014

PCC 2013-14	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Depreciation and impairment of non-current assets	7,917			7,917	(7,917)
Revaluation Losses on Property Plant and Equipment	(284)			(284)	284
(Gains)/losses on Held for Sale property revaluations	3,963			3,963	(3,963)
Movements in the market value of Investment Properties	(24)			(24)	24
Amortisation of intangible assets	450			450	(450)
Capital grants and contributions applied	(2,592)			(2,592)	2,592
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	189			189	(2,819)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(644)			(644)	644
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement			(19)	(19)	19
Application of grants to capital financing transferred to the Capital Adjustment Account					
Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		2,630		2,630	0
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(207)			(207)	207
Total PCC Adjustments	**8,768**	**2,630**	**(19)**	**11,379**	**(11,379)**

6. *Transfers to/from Earmarked Reserves*

This note sets out the usable reserves and amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure during the year.

All Earmarked Reserves belong to the PCC on behalf of the Group.

2014-15	Balance at 31 March 2014 £000	Transfers In 2014-15 £000	Transfers Out 2014-15 £000	Balance at 31 March 2015 £000
General Fund	**9,807**	1,000	0	**10,807**
Earmarked Reserves:				
Insurance	1,256	618	0	1,874
Operational	2,450	0	0	2,450
Capital & Investment	40,590	441	(7,890)	33,141
PFI	12,794	79	(79)	12,794
Asset Seizures	516	258	(512)	262
Delegated Budget Holder	4,286	5,002	(1,938)	7,350
Sussex Safer Roads Partnership	1,656	585	(238)	2,003
Earmarked Reserves	**63,548**	6,983	(10,657)	**59,874**
Capital Receipts	**5,966**	4,465	(2,535)	**7,896**
Total	**79,321**	**12,448**	**(13,192)**	**78,577**

Details of usable Reserves held and their purpose

The following table sets out the usable reserves maintained by the Group as part of its Reserves Policy.

The policy was reviewed and approved by the Police and Crime Commissioner in March 2014.

General Reserve		Level or Target
Provides a working balance to cover day to day cash flow requirements and fallback to cover exceptional unforeseen financial and operational risks. The target level of the reserve is reviewed and as part of the annual budget setting process.		4% of Net Revenue Expenditure Budget as at 31 March each year.
Contingency and Risk		
Insurance Reserve	Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages. This Reserve is funded from revenue or transfers from other reserves and adjusted annually, following an independent actuarial review, to reflect inflation and risk up to date management information. To improve consistency in funding claims, there is a need to split claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account is used to meet any in-year liabilities if they arise. Any year-end variance in the revenue claims budget will not normally be met from or transferred to the general force budget, but transferred to/from the insurance Reserve. The level of the reserve is reviewed annually.	Assessed as part of the annual insurance actuarial review.

Operational Reserve	The Operational Reserve provides support for funding the cost of major policing operations and events. Where exceptional and unforeseen circumstances result in the Force incurring additional expenditure, the Home Office may pay special grant under Section 48 of the Police Act. However any grant will normally relate to additional costs above 1% of the net revenue budget. It should be noted that the General Reserve may also be used to provide support for Operational use in exceptional circumstances.	In line with Special Grant conditions, maximum of 1% of net revenue expenditure as at 31 March each year.
Investment		
Capital and Investment Reserve	To support planned one-off and non-recurring investments of a capital and revenue nature. Change management initiatives providing support for implementing cost-saving initiatives. Financing asset replacement plans and commitments over 5-10 years.	In line with investment and replacement plans included within MTFF and dependant on financing requirements of the Capital Strategy. Funded from: approved in year revenue budget surplus; transfers from other reserves; specific approved contributions.
Capital Receipts Reserve	This reserve holds the proceeds from the sale of assets, and can only be used for financing capital expenditure in accordance with regulations.	Receipts from the sale of assets are taken to this reserve.
Capital Grants & Contributions	This reserve holds unused elements of grant and other external funding to be spent in the following financial year in line with the conditions of the grant or external funding.	As determined by the closure of accounts process

Single Use		
PFI Reserve	Exists to meet future contractual contributions to be paid towards the end of the custody PFI scheme. This balances contributions over the life of the contract and in accordance with the agreed PFI scheme financial model and specific grant funding. As the PFI reserve will not be required until the latter years of the contract, the reserve can be used for other purposes as set out for other reserves, e.g capital and investment purposes; managing any temporary shortfalls in other reserves or capital receipts, this is on the basis that plans are put in place as part of the Financial Strategy to build up the PFI reserve to its appropriate level when required. This reserve will be discontinued once exhausted.	Inflows and outflows are in line with the PFI Financial Model. Under-spends on the PFI Contract revenue budget as approved by the PCC as part of the final outturn.
Asset Seizure Reserve	Balance of Proceeds of Crime Act (POCA) income received but not spent during the year to be used in accordance with Home Office guidance.	Target level of 12 months costs of financial investigations.
Delegated Budget Holder Reserve	Under and overspendings on the PCC's and Chief Constable's revenue budgets are managed via this reserve in accordance with the PCC's carry-forward policy.	Agreed annually by the PCC as part of the final outturn.
Sussex Safer Road Partnership (SSRP)	Balance of funding for the Sussex Safer Roads Partnership. This reserve can be used to finance capital or revenue expenditure. The level of this reserve may fluctuate year on year as under-spends are transferred in. However £1.2m is ring-fenced so that in the event that the Partnership is dissolved, there are sufficient funds to cover one year of running and decommissioning costs. This reserve belongs to the SSRP Partnership and any funds remaining will be returned to the contributing partners on a pro rata basis.	Transfer of any SSRP under-spend to reserves at year.

7. Other Operating Expenditure

PCC & Group	2014-15 £000	2013-14 £000
Police National Computer & Data Base Levy	1,114	788
(Gains)/losses on Held for Sale property revaluations	0	3,963
(Gains)/losses on the disposal of non current assets	(1,269)	189
Total	**(155)**	**4,940**

Figures in the above table all relate to the PCC and the Group as the Chief Constable has no transactions for Other Operating Expenditure.

8. Financing and Investment Income and Expenditure

	2014-15 PCC £000	2014-15 CC £000	2014-15 GROUP £000	2013-14 PCC £000	2013-14 CC £000	2013-14 GROUP £000
Interest payable and similar charges	1,705	0	1,705	1,752	0	1,752
Pensions interest cost and expected return on pensions assets	0	104,207	104,207	0	98,155	98,155
Interest element of finance leases (lessee)	49	0	49	50	0	50
Interest receivable and similar income	(586)	0	(586)	(547)	0	(547)
Investment impairment reversal	0	0	0	(994)	0	(994)
Income and expenditure in relation to investment properties and changes in their fair value	(78)	0	(78)	(24)	0	(24)
Other investment income	(28)	0	(28)	(25)	0	(25)
Total (Income)/Expenditure	**1,062**	**104,207**	**105,269**	**212**	**98,155**	**98,367**

9. Taxation and Non Specific Grant Income

PCC & GROUP	2014-15 GROUP £000	2013-14 GROUP £000
Non domestic rates	56,003	58,741
Non ring-fenced government grants	152,986	152,477
Capital grants and contributions	3,281	2,592
	212,270	**213,810**
Precept on council tax collection funds	81,629	78,821
Total	**293,899**	**292,631**

10. Precept Income

The Police and Crime Commissioner for Sussex is not a statutory tax raising body. Local authorities classified as billing authorities act as an agent and collect a precept (council tax) from local tax payers on behalf of the PCC. The Police and Crime Commissioner is required to include on the balance sheet and within the Income and Expenditure Account, their attributed share of the surplus or deficit on the council tax collection fund held by the billing authorities at the year end.

The Collection Fund is the agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (including the PCC) and the Government of council tax and non-domestic rates. The transactions of the Collection Fund are wholly prescribed by legislation.

The tax base for the year is the aggregate of the amounts calculated by the billing authorities based on Band D equivalents. The PCC issues a precept amount based on the tax base and Band D council tax required to meet the approved budget requirement.

Valuation Band	Amount
	£ p
A	94.08
B	109.76
C	125.44
D	141.12
E	172.48
F	203.84
G	235.2
H	282.24

The amount of council tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportions set out in Section 5(1) of the Local Government Finance Act 1992 was as set out in the above table.

The Brighton and Hove City Council and the District Borough Councils collectively were due to make payments to the PCC for 2014-15 of £80,672,063.67. The following table sets out the amounts received and due from the individual local authorities.

Precepts Due and Collected 2014-15

Local Authority	Precept Due 2014-15	Additional amounts received / (retained) in respect of collection fund surplus/deficit	Share on movement on collection fund in 2014-15	Net Total
	£	£	£	£
Brighton and Hove	11,481,410	202,845	(117,939)	11,566,316
East Sussex				
Eastbourne Borough Council	4,533,692	(8,700)	45,740	4,570,732
Hastings Borough Council	3,349,201	58,800	98,572	3,506,573
Lewes District Council	4,892,729	33,738	24,998	4,951,465
Rother District Council	4,992,414	30,704	31,858	5,054,976
Wealden District Council	8,472,040	140,401	(111,264)	8,501,177
West Sussex				
Adur District Council	2,779,754	28,447	21,156	2,829,357
Arun District Council	7,887,761	62,000	2,000	7,951,761
Chichester District Council	7,022,639	(6,328)	18,328	7,034,639
Crawley Borough Council	4,539,548	52,835	(2,136)	4,590,247
Horsham District Council	7,794,523	46,709	145,849	7,987,081
Mid Sussex District Council	7,940,724	41,130	53,508	8,035,362
Worthing Borough Council	4,985,628	1,972	62,007	5,049,607
Total	**80,672,063**	**684,553**	**272,677**	**81,629,293**

In the table above, the first two columns of figures record the cash amounts received in year (for precepts due in the current 2014-15 year plus any final adjustments from the previous year). These are reflected in calculation of the budget requirement and PCC funding during the year. The third column of figures calculated on an accruals basis records any remaining amounts due as part of the PCC's attributable share of the carried-forward surplus or deficit on the Collection Fund at the year end (i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the PCC in a subsequent financial year). This is so the PCC as a precepting authority can account in full for the amounts of council tax billed on their behalf.

The year-end surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates of the year-end balance made on 15 January for council tax.

Under the legislative framework for the Collection Fund in England, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted. The effect of any bad debts written off or movement in the impairment provision is also shared proportionally. Billing authorities therefore act as agents of major precepting authorities in collecting their attributable share of council tax.

The share of movement on the collection fund is therefore recorded in the Collection Fund. This is a reserve adjustment account which is used for differences arising from recognising council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

This year the PCC share of the movement on the collection fund was a positive shift of £0.273m from 2013-14, giving a total balance of £1.115m in the Collection Fund Adjustment Account set out in Note 23.4. Precept income is shown in Note 9 as part of the analysis of taxation and non-specific grant income.

11. Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2014-15 £000	2013-14 £000
Credited to Taxation and Non Specific Grant Income		
Home Office Police Grant	104,804	108,886
Council Tax Support Grant	10,140	10,365
Council Tax Freeze Grant	3,062	3,062
Capital Grants and Contributions	3,281	2,592
Donated Assets	0	0
DCLG Revenue Support Grant	56,003	58,741
Pension Grant	34,980	30,163
Total	**212,270**	**213,809**
Credited to Services		
PFI	3,263	3,263
Counter Terrorism	4,838	4,777
Victims Services Commissioning Grant - Victims	859	8
Victims Services Commissioning Grant - Restorative Justice	290	
Victims Services Commissioning Grant - Competed Fund	250	
Community Safety	0	1,225
Collaboration with other Forces	813	3,836
Conference Policing	0	346
Other Grants and Contributions	200	1,010
NBA Maintenance & Storage	114	101
Total	**10,627**	**14,566**

The Police and Crime Commissioner has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if not spent. The balances at the year-end are as follows:

	2014-15 £000	2013-14 £000
Capital Grants Receipts In Advance		
Capital Grant for CT vehicles	0	40
Laser Scanning Technology	750	0
Contribution to CCTV & ANPR	198	220
Total	**948**	**260**

The Police and Crime Commissioner does not currently hold any donated assets with conditions.

12. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance that capital expenditure.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Police and Crime Commissioner, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Police and Crime Commissioner that has yet to be financed.

The Police and Crime Commissioner is required to make a prudent amount of Minimum Revenue Provision (MRP) as a set aside for the repayment of external loans. In the case of finance leases and on balance-sheet PFI contracts, the MRP requirement is regarded as met by a charge equal to the amount that has been taken to the balance sheet to reduce the liability.

	2014-15 £000	2013-14 £000
Opening Capital Financing Requirement previously reported	**20,584**	**21,227**
Capital investment:		
Property, Plant and Equipment	4,249	4,717
Intangible Assets	1,762	3,303
Sources of finance:		
Capital receipts	(2,535)	0
Government grants and other contributions	(3,280)	(2,592)
Transfers from Reserves	(195)	(5,427)
Sums set aside from revenue:		
MRP/loans fund principal	(539)	(644)
Closing Capital Financing Requirement	**20,046**	**20,584**
Explanation of movements in year		
MRP set-aside	**(539)**	**(644)**

Of the £4.249m investment on property, plant and equipment, and the £1.762m spend on intangible assets, £4.249m has been capitalised as property, plant and equipment and £1.762m has been capitalised as intangible assets. An additional amount totalling £11.210m of expenditure was incurred as part of the original capital and investment programme and related projects but was not capitalised, as it did not meet the criteria for capitalisation. Instead, it was treated as expenditure in the Comprehensive Income and Expenditure Statement and excluded in full from the Capital Financing Requirement (CFR).

During the year the Police and Crime Commissioner received external funding of £0.141m from the Local Authorities and other business partners during the year towards specific capital projects. These projects include Camera Safety Initiatives, vehicles and Automatic Number plate Recognition equipment.

13. Property, Plant and Equipment

The balance sheet shows assets at fair value by consideration of their initial valuation plus additions for capital expenditure in the year, revaluation adjustments less disposals and depreciation. This value is shown for the purposes of capital accounting requirements and does not purport to represent the market value of the assets.

Movements in Property, Plant and Equipment during the financial year

2014-15	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment	Other Leased Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Opening balance at 1 April 2014	**132,983**	**48,357**	**571**	**181,911**	**22,995**	**799**
Additions	0	4,105	144	4,249	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,357	0	0	12,357	2,002	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,015)	0	0	(2,015)	(264)	0
De-recognition -Disposals	(1,907)	(1,905)	0	(3,812)	0	0
Assets reclassified to/(from) within PPE	0	571	(571)	0	0	0
At 31 March 2015	**141,418**	**51,128**	**144**	**192,690**	**24,733**	**799**
Accumulated Depreciation and Impairment						
Opening balance at 1 April 2014	**4,656**	**30,741**	**0**	**35,397**	**354**	**160**
Depreciation charge	1,989	6,308	0	8,296	349	32
Depreciation written out to the Revaluation Reserve	(348)	0	0	(348)	(89)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,520)	0	0	(2,520)	(264)	0
De-recognition -Disposals	(4)	(1,663)	0	(1,667)	0	0
At 31 March 2015	**3,773**	**35,386**	**0**	**39,159**	**350**	**192**
Net Book Value						
At 31 March 2015	**137,645**	**15,742**	**144**	**153,531**	**24,383**	**607**

Included within the asset category “Vehicles, Plant, Furniture and Equipment” is a National Barrier Asset with a net book value of £2.311m (2014: £3.067m). These assets are owned by the Police and Crime Commissioner, they were purchased using funding provided by the Home Office and are held as a national asset available for use by other police forces.

The following two PPE properties were sold during 2014-15 as they were surplus to operational requirements:

- Union Place land in Worthing
- Police House in Greenway, Horsham

Comparative Movements in 2013-14

2013-14	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment	Other Leased Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Opening balance at 1 April 2013	**142,293**	**45,246**	**3,088**	**190,627**	**23,006**	**799**
Additions	0	4,244	472	4,716	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(610)	0	0	(610)	359	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(951)	0	0	(951)	(370)	0
De-recognition -Disposals	0	(2,196)	0	(2,196)	0	0
Assets reclassified to/(from) within PPE	0	1,063	(2,989)	(1,926)	0	0
Assets reclassified (to)/from Held for Sale	(7,749)	0	0	(7,749)	0	0
At 31 March 2014	**132,983**	**48,357**	**571**	**181,911**	**22,995**	**799**
Accumulated Depreciation and Impairment						
Opening balance at 1 April 2013	**4,276**	**27,096**	**0**	**31,372**	**461**	**128**
Depreciation charge	2,363	5,554	0	7,917	353	32
Depreciation written out to the Revaluation Reserve	(414)	0	0	(414)	(90)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,234)	0	0	(1,234)	(370)	0
De-recognition -Disposals	0	(1,909)	0	(1,909)	0	0
Assets reclassified (to)/from Held for Sale	(335)	0	0	(335)	0	0
At 31 March 2014	**4,656**	**30,741**	**0**	**35,397**	**354**	**160**
Net Book Value						
At 31 March 2014	**128,327**	**17,616**	**571**	**146,514**	**22,641**	**639**

13.1 Physical Assets Held

Physical assets excluding furniture and equipment owned by the Police and Crime Commissioner as at 31 March 2015 comprised:

	2014-15 No.	2013-14 No.
Operational Buildings	**55**	61
PFI	**4**	4
Leased Properties	**1**	1
Radio Masts	**7**	7
Investment Properties	**5**	5
Vehicles and Vessels	**1,199**	1,190

The 61 Operational Buildings for the prior year included 3 double-counted building which have been corrected in 2014-15. Two PPE properties plus one property Held for Sale were sold during 2014-15.

Additions of vehicles, plant and equipment have been valued at cost to represent the fair value of the assets. Investment Property includes four rented properties and a car park.

13.2 Capital Commitments

At March 2015 the Police and Crime Commissioner had approved a capital programme of £61m committed to be spent over 3 years to the end of 2018. The budget approved for 2015-16 amounts to £28.8m.

At 31 March 2015, the Police and Crime Commissioner had entered into a number of contracts for the purchase, construction or enhancement of Intangible Assets and Property, Plant and Equipment in 2015-16 and future years to the extent of £1.575m.

These are summarised as follows:

- £0.688m - Fleet vehicles
- £0.367m - Operational and IT Equipment and Information Systems (e.g. ANPR and CCTV)
- £0.520m - * Mobile Policing

* Sussex Police is currently rolling out a mobile computing platform that will allow our response and neighbourhood teams to use mobile devices as they work to protect the community, enabling them to be more visible and spend less time in the office. Introducing mobile policing in Sussex is a major part of our plans to modernise how we work.

13.3 Revaluations

The Police and Crime Commissioner adopts a 3 year rolling valuation programme for Freehold and Leasehold properties to be measured at fair value. Wilks Head & Eve (RICS qualified valuers) are appointed to provide the valuation service.

Valuations of land and buildings (including Investment Property) were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The Valuer has adopted valuation assumptions in order to arrive at valuation results. These assumptions include the relevant valuation definitions as required by The Code. The RICS defined valuation methods to estimate the fair values are;

- Market Value
- Existing Use Value
- Fair Value

Where specialised property is valued, the use of Depreciated Replacement Cost to arrive at Existing Use Value has been employed. Depreciated Replacement Cost is no longer a RICS defined valuation methodology but simply a method of arriving at Existing Use Value.

IAS36 'Impairment of assets' requires an annual assessment of impairment to the value of an asset. An impairment review was undertaken by Wilks Head & Eve of the entire property portfolio as at 31 March 2015, in their opinion there has been no significant impairment of the value of the Police and Crime Commissioner's land and buildings in the year.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
Carried at historical cost	0	15,742	144	15,886
Valued at fair value as at:				
1 April 2012	37,230	0	0	37,230
1 April 2013	42,786	0	0	42,786
1 April 2014	46,813	0	0	46,813
31 March 2015 Indexation Revaluation Increase	10,816	0	0	10,816
Total Cost or Valuation included at 31 March 2015	**137,645**	**15,742**	**144**	**153,531**

All properties are valued at least every three years. Specific properties can be valued more frequently if appropriate, for example PFI property is valued on an annual basis. The "fair values" shown in the table above for prior years may therefore have reduced compared with previously published Statements of Accounts.

Material Change Valuation Review for 2014-15

At the end of the 2014-15 year a review was undertaken by Wilks Head & Eve as our independent valuers to assess material changes during the year in addition to the property revaluations estimated as at 1 April each year.

Wilks Head & Eve reported no material change on properties valued using the Existing Use Value basis or the Market Value basis as at 31 March 2015 (this includes houses and investment property).

The Wilks Head & Eve review of specialised property, valued using the DRC method, however, suggested a valuation increase may be relevant due to increased costs of construction and wage costs as measured through tender values based on location. Specialised property held by the PCC includes; Police Stations, Custody Suites, Specialised Police Offices and Specialised Vehicle Workshops.

In order to value by DRC methodology, the valuers refer to data reported in the BCIS Cost Index prepared by the Royal Institute of Chartered Surveyors. BCIS cost guides consider Location Factors and Unit Build Cost. By applying the relevant BCIS location factors the valuers estimate the average movement on specialised properties during 2014-15 to be an increase of 9% or £10.816m when applied to all property valued using the DRC basis.

This has been adjusted for in the 2014-15 Financial Statements as in Indexation Revaluation increase.

14. *Investment Property*

Investment Property includes four rented properties and a car park. The following items of income and expense have been accounted for in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

	2014-15 £000	2013-14 £000
Rental income from investment property	35	35
Direct operating expenses arising from Investment property	(7)	(10)
Net gain/(loss)	**28**	**25**

There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

Valuation	2014-15 £000	2013-14 £000
Balance at 1 April	**1,143**	**1,119**
Net gains/losses from fair value adjustments	78	24
Balance at 31 March	**1,221**	**1,143**

15. *Intangible Assets*

The Police and Crime Commissioner accounts for its computer software licences and systems development as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All expenditure on intangible assets during the year relates to purchased computer software licences and systems development. The Police and Crime Commissioner does not currently have any internally generated assets capitalised.

All software is given a finite useful life and amortised on a straight-line basis over the economic life of the investment to reflect the pattern of consumption of benefits.

The useful lives assigned to software and licences capitalised by the Police and Crime Commissioner are assessed on an individual basis and range between 3 and 10 years.

The amortisation of £1.491m (2014: £0.450m) charged to revenue this year was included as an overhead in the Net Expenditure of Services as it is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2014-15 Total £000	2013-14 Total £000
Balance at start of year:		
• Gross carrying amounts	16,269	11,040
• Accumulated amortisation	(10,153)	(9,704)
Net carrying amount at start of year	**6,116**	**1,336**
Additions:		
• Purchases	1,758	3,303
• Reclassifications	0	1,926
Amortisation for the period	(1,491)	(449)
Other changes	3	0
Net carrying amount at end of year	**6,386**	**6,116**
Comprising:		
• Gross carrying amounts	18,027	16,269
• Accumulated amortisation	(11,641)	(10,153)
	6,386	**6,116**

No changes in accounting estimates for intangible assets have an effect on the current period or are expected to have an effect in subsequent periods. The 'Niche' system application and the Mobile Policing platform are the only items of capitalised software that are individually material to the financial statements.

	Carrying Amount		Remaining Amortisation Period
	31 March 2015 £000	31 March 2014 £000	
Software and Licences	251	44	1 years
Software and Licences	248	50	2 years
Software and Licences	4	539	3 years
Software and Licences	4,121	326	4 years
Software and Licences	1,762	5,149	5 years
Software and Licences	0	8	6 years
Total	**6,386**	**6,116**	

16. Other Assets

16.1 Assets Held for Sale

The Police and Crime Commissioner had the following property assets held for sale at the Balance Sheet date.

	Current	
	2014-15 £000	2013-14 £000
Balance outstanding at start of year	3,451	2,531
Assets newly classified as held for sale:		
• Property, Plant and Equipment	0	7,414
Revaluation losses	0	(3,963)
Assets sold	(1,051)	(2,531)
Balance outstanding at year-end	**2,400**	**3,451**

Assets held for sale at the previous year end (31 March 2014) comprised of two sites surplus to current requirements located at Slaugham Manor and Grove Road Police Station. Grove Road was sold during the year as expected.

Slaugham Manor was not sold in year due to unforeseeable delays until the final sale took place in June 2015, it therefore remains as an asset held for sale at the Balance Sheet date of 31 March 2015.

16.2 Heritage Assets

The Police and Crime Commissioner and Chief Constable have reviewed assets to identify those that are held for their contribution to knowledge and culture that could be classed as Heritage Assets.

The Police and Crime Commissioner currently holds a number of items such as trophies and the contents of the Old Police Cells Museum all of which are not material so have not been included as heritage assets in the Accounts of the Police and Crime Commissioner.

17. Inventories (Stock)

The tables below show the level of stocks held:

2014-15	Workshop Stores £000	Uniform and Personal Protective Vests £000	Fuel £000	Printing Store £000	IS Equipment £000	Total £000
Balance at 1 April 2014	**296**	**538**	**232**	**4**	**43**	**1,113**
Purchases	2,214	573	1,289	11	511	4,598
Recognised as an expense in the year	(2,161)	(600)	(1,346)	(15)	(460)	(4,582)
Written off balances	(8)	(1)	(6)	0	0	(15)
Balance at 31 March 2015	**341**	**510**	**169**	**0**	**94**	**1,114**

2013-14	Workshop Stores	Uniform and Personal Protective Vests	Fuel	Printing Store	IS Equipment	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	**180**	**591**	**161**	**5**	**40**	**977**
Purchases	1,125	682	1,390	24	837	4,058
Recognised as an expense in the year	(994)	(701)	(1,316)	(25)	(834)	(3,870)
Written off balances	(15)	(34)	(3)	0	0	(52)
Balance at 31 March 2014	**296**	**538**	**232**	**4**	**43**	**1,113**

18. Debtors

	31 March 2015 £000	31 March 2014 £000
Central government bodies	16,639	16,294
Other local authorities	5,102	7,098
NHS bodies	7	34
Public corporations and trading funds	21	24
Other entities and individuals	2,377	2,234
Total	**24,146**	**25,684**

19. Cash & Cash Equivalents

The table below indicate the types of Cash and Cash Equivalents held by the PCC. The decrease in short-term deposits reflects a smaller proportion of investments due to mature within one day compared with the prior year. This is in line with the PCC's Treasury Management Strategy.

	31 March 2015 £000	31 March 2014 £000
Cash held	136	87
Bank current accounts	(1,517)	(931)
Short-term deposits	18,343	24,091
Total cash and cash equivalents	**16,962**	**23,247**

20. Creditors

	31 March 2015			31 March 2014		
	PCC	CC	GROUP	PCC	CC	GROUP
	£000	£000	£000	£000	£000	£000
Central government bodies	5,466	0	5,466	5,499	0	5,499
Other local authorities	5,160	0	5,160	9,546	0	9,546
NHS bodies	147	0	147	65	0	65
Other entities and individuals	9,819	1,759	11,578	10,127	1,390	11,517
Total	**20,592**	**1,759**	**22,351**	**25,237**	**1,390**	**26,627**

Within the Group total Creditors above is included £1.759m accumulated absences provision which is included in the Chief Constable's accounts and excluded from the PCC accounts (2013-14: £1.390m). As at 31 March 2015, the Police and Crime Commissioner held £0.054m (2014:£0.111m) of monies pending ongoing investigations into the rightful ownership. This includes lost, found and seized cash, which does not belong to the PCC and is therefore included within creditors.

21. Provisions

To reflect consistency in funding insurance claims, claims are split between a provision on the balance sheet for the cost of claims received and outstanding that can be quantified; and funds held in the reserve to cover claims incurred but not yet received or quantified.

Any in-year claims are met from the revenue claims budget. An Insurance reserve is held and can be used to cover costs incurred above the annual budget. The level of the reserve is reviewed annually. Use of the reserve requires PCC approval.

The Police and Crime Commissioner therefore includes the following provision in the accounts relating to potential future insurance claims following an independent actuarial review. This provision reflects the level of reported outstanding claims. The actual timing of the resulting outflows depends on the final conclusion of the legal claim process and is therefore uncertain, however, they have been included as current liability provisions as the Police and Crime Commissioner has no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Included within the provision below is £1.2m (2013-14: £1.2m) in respect of Municipal Mutual Insurance (MMI) Liability. MMI, former insurers, triggered the Municipal Mutual Insurance Scheme of Arrangement in November 2012 as it entered insolvent liquidation.

	2014-15	2013-14
	Injury and Damage Compensation Claims	Injury and Damage Compensation Claims
	£000	£000
Balance at 01 April	**4,806**	**3,996**
Additional provisions made during the year	(31)	810
Balance at 31 March	**4,775**	**4,806**

22. Usable Reserves

Movements in the Police and Crime Commissioner's usable reserves are detailed In the Movement in Reserves Statement and Note 6 on Transfers to/from Earmarked Reserves.

23. Unusable Reserves

	Note	31 March 2015			31 March 2014		
		PCC	CC	GROUP	PCC	CC	GROUP
		£000	£000	£000	£000	£000	£000
Revaluation Reserve	23.1	35,263	0	35,263	25,259	0	25,259
Capital Adjustment Account	23.2	108,222	0	108,222	111,372	0	111,372
Pensions Reserve	23.3	0	(2,923,855)	(2,923,855)	0	(2,424,039)	(2,424,039)
Collection Fund Adjustment Account	23.4	1,115	0	1,115	842	0	842
Accumulating Absences Account	23.5	0	(1,759)	(1,759)	0	(1,390)	(1,390)
Total Unusable Reserves		**144,600**	**(2,925,614)**	**(2,781,014)**	**137,473**	**(2,425,429)**	**(2,287,956)**

23.1 Revaluation Reserve

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

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

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

Revaluation Reserve	2014-15 £000	2013-14 £000
Balance at 01 April	**25,259**	**25,915**
Upward revaluation of assets	14,578	1,167
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,873)	(1,364)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**12,705**	**(197)**
Difference between fair value depreciation and historical cost depreciation	(348)	(414)
Accumulated gains on assets sold or scrapped	(2,353)	(45)
Total Amount written off to the Capital Adjustment Account	**(2,701)**	**(459)**
Balance 31 March	**35,263**	**25,259**

23.2 Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Police and Crime Commissioner. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	Note	2014-15		2013-14
		£000	£000	£000
Balance at 01 April			**111,372**	**117,090**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non current assets	5	(8,296)		(7,916)
• Revaluation losses on Property, Plant and Equipment	5	504		284
• Revaluation losses on Assets Held for Sale		0		(3,963)
• Amortisation of intangible assets	5	(1,491)		(450)
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5	(3,195)		(2,819)
			(12,478)	**(14,864)**
Adjusting amounts written out of the Revaluation Reserve	23.1		2,701	459
Net written out amount of the cost of non current assets consumed in the year			**(9,777)**	**(14,405)**
Capital financing applied in the year:				
• Use of the Capital Receipts Reserve to finance new capital expenditure	12	2,535		0
• Use of the Capital Expenditure Reserve to finance new capital expenditure	12	195		5,408
• Capital grants and contributions credited to the Comprehensive Income and Income and Expenditure Statement that have been applied to capital financing	12	3,280		2,592
• Application of grants to capital financing from the Capital Grants Unapplied Account Unapplied Account	12	0		19
• Statutory provision for the financing of capital investment charged against the General Fund	12	539		644
• Capital expenditure charged against the General Fund				
			6,549	**8,663**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	14		78	24
Balance 31 March			**108,222**	**111,372**

23.3 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]. The Group accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Group makes employer 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	35.2	(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	35.2	(176,128)	(165,739)
Employer's pensions contributions and direct payments to pensioners payable in the year	35.2	69,708	63,821
Balance as at 31 March		**(2,923,855)**	**(2,424,039)**

23.4 Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	Note	2014-15	2013-14
		£000	£000
Balance at 01 April		**842**	**635**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	10	273	207
Balance 31 March		**1,115**	**842**

23.5 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 neutralised by transfers to or from the Account.

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)**

24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Police and Crime Commissioner and the Chief Constable on the basis of budget reports analysed across budget portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services In the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- Income and expenditure for some support services is not included in budget portfolios

The following tables show total expenditure for the financial years 2014-15 and 2013-14 analysed subjectively and grouped based on operational policing units or directorates. 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.

The income and expenditure of the Police and Crime Commissioner for Sussex and Chief Constable of Sussex recorded in the budget reports for the year is as follows:

	2014-15 £000	2013-14 £000
Employee costs:		
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**
Supplies and Services:		
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**
Office of the Sussex PCC	1,374	1,185
Community Safety	1,651	479
Use of Reserves	(1,294)	1,923
Financial year end accounting adjustments	1,905	(3,248)
Police and Crime Commissioner's Expenditure	**3,636**	**339**
Total Sussex Police Group	**248,203**	**250,093**

24.1 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 Group after year end adjustments for the year ended 31 March 2015

	2014-15 PCC £000	2014-15 CC £000	2014-15 GROUP £000
Police Funding (income budget)	**(3,505)**	**(251,861)**	**(255,366)**
Net Expenditure per Outturn report	**3,636**	**244,567**	**248,203**
Underspend per Outturn report	**131**	**(7,294)**	**(7,163)**
Capital project expenditure classified as revenue	0	9,232	9,232
MRP	0	(586)	(586)
Insurance adjustments per actuarial recommendations	0	618	618
Finance lease nominal interest	0	(19)	(19)
PFI Finance lease nominal repayment	0	(310)	(310)
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	1,641	(1,641)	0
Final Revised Transfer to Reserves	**1,772**	**0**	**1,772**
Transfer from PFI Reserve	(79)	0	(79)
Transfer to General Reserve	1,000	0	1,000
Transfer from Capital and Investment Reserve	(7,695)	0	(7,695)
Transfer of surplus to Capital and Investment reserve	5,002	0	5,002
Final Transfer to Reserves	**(1,772)**	**0**	**(1,772)**

Outturn Reconciliation from Budget Report to Statement of Accounts for 2013-14

	2013-14 PCC £000	2013-14 CC £000	2013-14 GROUP £000
Police Funding (income budget)	**(2,005)**	**(254,602)**	**(256,607)**
Net Expenditure per Outturn report	**339**	**249,754**	**250,093**
Underspend per Outturn report	**(1,666)**	**(4,848)**	**(6,514)**
Capital project income and expenditure reclassified as revenue due to failure to meet criteria to capitalise	0	3,842	3,842
MRP	0	326	326
Insurance adjustments per actuarial recommendations	0	701	701
Finance lease nominal interest	0	(54)	(54)
PFI Finance lease nominal repayment	0	(496)	(496)
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	(529)	529	0
Final Revised Underspend Transferred to Reserves	**(2,195)**	**0**	**(2,195)**
Transfer to SSRP Reserve	444	0	444
Transfer to Delegated Budget Holder reserve	1,051	0	1,051
Transfer to Safer in Sussex Community Fund	200	0	200
Transfer of surplus to Capital and Investment reserve	500	0	500
Final Underspend Transfer to Reserves	**2,195**	**0**	**2,195**

24.2 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 PCC £000	2014-15 CC £000	2014-15 GROUP £000
Operational Delivery Net Expenditure per revenue outturn management report 2014-15	**3,636**	**244,567**	**248,203**
Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:			
Use of Reserves		369	**369**
Financial year end accounting adjustments	(7,643)	7,623	**(20)**
Amounts in the CIES not in the outturn report:			
Depreciation & amortisation		9,787	**9,787**
Pensions		37,193	**37,193**
Indexation revaluation increase reversing prior year revaluation losses	(663)		**(663)**
Capital project income and expenditure classified as revenue	9,232		**9,232**
Amounts included in the outturn report but below the Cost of Services section of the CIES:			
Police computer and data base Levy	(1,114)		**(1,114)**
Interest payable and receivable	(1,166)		**(1,166)**
Investment property change in fair value and income receivable	78		**78**
Net Cost of Policing Services before Intra-Group Adjustment	**2,360**	**299,539**	**301,899**
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	296,957	(296,957)	**0**
Net Cost of Policing Services	**299,317**	**2,582**	**301,899**
Other Operating (Income) / Expenditure	(155)		**(155)**
Financing and Investment Income and Expenditure	1,060	104,207	**105,267**
Taxation and Non-Specific Grant Income	(293,899)		**(293,899)**
Deficit on Provision of Services per Statement of Accounts	**6,323**	**106,789**	**113,112**

Group Reconciliation to Subjective Analysis for the year ended 31 March 2014

	PCC 2013-14 £000	CC 2013-14 £000	GROUP 2013-14 £000
Operational Delivery Net Expenditure – per management accounts 2013-14	**339**	**249,754**	**250,093**
Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:			
Use of Reserves	(2,121)	198	**(1,923)**
Financial year end accounting adjustments		3,248	**3,248**
Amounts in the CIES not in the outturn report:			**0**
Depreciation & amortisation		8,367	**8,367**
Pensions		33,926	**33,926**
Capital project expenditure classified as revenue	3,842		**3,842**
Other year end adjustments to ensure compliance with regulatory guidance	612		**612**
Amounts included in the outturn report but below the Cost of Services section of the Group CIES:			
Police computer and data base Levy	(788)		**(788)**
Interest payable and receivable	(1,255)		**(1,255)**
Investment impairment reversal (Heritable bank)	994		**994**
Investment property change in fair value and income receivable	25		**25**
Taxation and non specific grant income	21		**21**
Net Cost of Policing Services before Intra-Group Adjustment	**1,669**	**295,493**	**297,162**
Intra-group Adjustment from CC to PCC for resources consumed at the request of the Chief Constable	291,534	(291,534)	**0**
Net Cost of Policing Services	**293,203**	**3,959**	**297,162**
Other Operating Expenditure	4,940		**4,940**
Financing and Investment Income and Expenditure	212	98,155	**98,367**
Taxation and Non-Specific Grant Income	(292,631)		**(292,631)**
Deficit on Provision of Services per Statement of Accounts	**5,724**	**102,114**	**107,838**

25. Significant Agency Arrangements

The Police and Crime Commissioner for Sussex continues to develop joint working relationships with other agencies principally with other south east region Police and Crime Commissioners and in particular the Surrey Police and Crime Commissioner.

Up to 31 March 2014 the Police and Crime Commissioner supported 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**

26. 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	* Annual Leave Accrual	* Pension Accrual	Total
		£000	£000	£000	£000	£000	£000	£000	£000
Police Officers									
Chief Constable (G York)		164	0	0	36	**200**	0	0	**200**
Deputy Chief Constable (O Pinkney)		137	0	3	30	**170**	0	0	**170**
Assistant Chief Constable 1	1	105	3	1	23	**132**	0	0	**132**
Assistant Chief Constable 2		99	0	2	23	**124**	0	0	**124**
							0	0	**0**
Police Staff									
Director of Finance		117	0	0	17	**134**	0	0	**134**
Officers of the PCC									
Police and Crime Commissioner		85	0	0	14	**99**	0	0	**99**
Chief Executive		84	0	1	14	**99**	0	0	**99**
Chief Finance Officer 1	i	39	0	0	7	**46**	0	0	**46**
Chief Finance Officer 2	ii	42	0	1	7	**50**	0	0	**50**
Total		**872**	**3**	**8**	**171**	**1,054**	**0**	**0**	**1,054**

Note i — Retired 30-09-14

Note ii — Appointed as Chief Finance Officer from 15-09-14

* — 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
No Bonuses were paid in the current year or previous year for Officers of the PCC

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	* Annual Leave Accrual	* Pension Accrual	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Police Officers										
Chief Constable (M Richards)	i	154	0	4	0	0	**158**	0	0	**158**
Temporary Chief Constable (Previously Deputy Chief Constable)	ii	140	0	0	0	31	**171**	0	0	**171**
Temporary Deputy Chief Constable (Previously Assistant Chief Constable)	iii	6	0	0	0	1	**7**	0	0	**7**
Assistant Chief Constable 1	iv	93	0	0	0	19	**112**	0	0	**112**
Assistant Chief Constable 2	v	96	0	0	0	21	**117**	0	0	**117**
Assistant Chief Constable 3	vi	39	0	0	0	9	**48**	0	0	**48**
Police Staff								0		
Director of Human Resources	vii	96	0	2	29	14	**141**	0	0	**141**
Director of Finance		116	0	0	0	16	**132**	0	0	**132**
Officers of the Police and Crime Commissioner								0	0	
Police and Crime Commissioner		85	0	0	0	13	**98**	0	0	**98**
Deputy Police and Crime Commissioner	viii	22	0	0	0	3	**25**	0	0	**25**
Chief Executive	ix	72	0	1	0	11	**84**	2	0	**86**
Deputy Chief Executive	x	15	0	4	33	0	**52**	0	0	**52**
Chief Finance Officer	xi	77	0	1	0	12	**90**	3	0	**93**
Total		**1,011**	**0**	**12**	**62**	**150**	**1,235**	**5**	**0**	**1,240**

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
Note viii	Leaver 13-09-13 (Appointed as Deputy Police and Crime Commissioner from 11-02-13)
Note ix	Appointed as Chief Executive from 20-05-13
Note x	Leaver 31-05-13
Note xi	Appointed to Chief Finance Officer from Interim Chief Finance Officer 04-04-13
*	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

27. Exit Packages

The 2014-15 Code requires disclosure of the number and cost of exit packages agreed, including:

- Number of packages agreed (in bands of £20k up to £100k and £50k thereafter)
- Analysis between compulsory redundancies and "other" agreed departures
- Total cost for each band

Exit Packages for the year ended 31 March 2015

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total Cost of exit packages in each band
Year 2014/15	**No**	**No**	**No**	**£**
£0 - £20,000	26	5	**31**	**216,396**
£20,001 - £40,000	4	0	**4**	**138,042**
£40,001 - £60,000	0	2	**2**	**85,744**
Total	**30**	**7**	**37**	**440,182**

2013-14 Comparative Figures Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total Cost of exit packages in each band
Year 2013/14	**No**	**No**	**No**	**£**
£0 - £20,000	7	1	**8**	**70,802**
£20,001 - £40,000	5	1	**6**	**170,099**
Total	**12**	**2**	**14**	**240,901**

The total cost of exit packages included in the table above have been charged to the Comprehensive Income and Expenditure Statement of the Police and Crime Commissioner for Sussex Group in the current year.

28. Related Parties

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

28.1 Officers of the Police and Crime Commissioner for Sussex and Chief Constable of Sussex

Officers of the Police and Crime Commissioner have direct control over financial and operating policies.

Details of all related party transactions are recorded in the Register of Members' Interest. Officers and Chief Officers of the Force and the Police and Crime Commissioner are required to declare whether they or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the Police and Crime Commissioner for Sussex and or the Chief Constable's Force during the financial year.

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

for Legal services. Legal services were provided to the Sussex Police Group of circa £300,000 by East Sussex County Council (ESCC) in the normal course of business on an arms length basis, Mr Philip Baker (Solicitor to the Sussex Police Group) is employed by ESCC.

28.2 Central Government and Other Public Organisations

The Police and Crime Commissioner also has business relationships with the Government and a number of other public organisations, such as some local authorities in Sussex.

These include the Home Office, the Department for Communities and Local Government, and West Sussex and East Sussex County Councils.

Central Government has effective control over the general operations of the Police and Crime Commissioner for Sussex as it is responsible for providing the statutory framework within which the Police and Crime Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Police and Crime Commissioner has with other parties (e.g. Precept regimes).

Details of grants received from government departments are set out in the subjective analysis Grant Income Note 11. Details of joint working arrangements are included in the Significant Agency Arrangements Note 25.

29. External Audit Costs

The Police and Crime Commissioner for Sussex and the Chief Constable have 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 and the Police and Crime Commissioner:

	2014-15 PCC £000	2014-15 CC £000	2014-15 Total £000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the current year	49	25	74
Audit Commission refund in respect of external audit services carried out by the appointed auditor in previous years	(8)	(3)	(11)
Total	**41**	**22**	**63**

	2013-14 PCC £000	2013-14 CC £000	2013-14 Total £000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the current year	42	25	67
Total	**42**	**25**	**67**

30. Leases

30.1 Police and Crime Commissioner as Lessee

Finance Leases

The Police and Crime Commissioner has an operational building classified as a finance lease because it meets certain criteria for accounting purposes. The accounting treatment is detailed below.

The asset is carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	Note	31 March 2015 £000	31 March 2014 £000
Other Land and Buildings		607	639
		607	**639**

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

	31 March 2015 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	20	19
• non current	694	714
Finance costs payable in future years	544	593
Minimum lease payments	**1,258**	**1,326**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Not later than one year	68	68	20	19
Later than one year and not later than five years	272	272	96	90
Later than five years	918	986	598	624
	1,258	**1,326**	**714**	**733**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014-15 there were no contingent rents payable by the Police and Crime Commissioner (2013-14 £Nil).

Operating Leases

The Police and Crime Commissioner occupies a number of properties which have been accounted for as operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2014 £000
Not later than one year	726	801
Later than one year and not later than five years	1,315	1,801
Later than five years	2,747	2,933
	4,788	**5,535**

The Police and Crime Commissioner entity does not hold any assets under operating leases which are sub-let.

The expenditure charged to the Net Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2015 £000	31 March 2014 £000
Minimum lease payments	830	828
	830	**828**

There are no material contingent rents or sublease payments contained within the above table.

30.2 Police and Crime Commissioner as Lessor

Finance Leases

The Police and Crime Commissioner has no finance leases as lessor.

Operating Leases

The Police and Crime Commissioner leases out space on telecommunication sites under operating lease arrangements to enable various organisations to install antenna and dishes on aerials for communication purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2014 £000
Not later than one year	344	419
Later than one year and not later than five years	480	781
Later than five years	0	13
	824	**1,213**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents receivable by the Police and Crime Commissioner in 2014-15 (2013-14 £Nil).

31. Private Finance Initiatives and Similar Contracts

31.1 Custody Services

In 2001 the Sussex Police Authority (prior to election of the Police and Crime Commissioner) entered into a long term contractual agreement under a Private Finance Initiative (PFI), with Sussex Custodial Services Ltd (the Contractor) whereby the Contractor became responsible for the provision of custody services across Sussex for a period of thirty years. The PFI scheme provided for the construction of four purpose built custody suites in Worthing, Chichester, Brighton and Eastbourne. The Contractor also provides custodial services at two existing facilities in Crawley and Hastings. At the end of the 30 year term ownership of the four purpose-built facilities will transfer to the Police and Crime Commissioner for Sussex for a nominal consideration.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards, The contractor took on the obligation to construct the suites and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The Police and Crime Commissioner for Sussex only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract. Contract renegotiation of the service agreement

took place during the year in relation to service levels and pricing of custody services, however no changes were made which impact on the financial assumptions.

31.2 Property Plant and Equipment (PPE)

The assets used to provide services at the custody suites are recognised on the Police and Crime Commissioner's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 13 and summarised below.

The value of PFI assets included within PPE

	Note	2014-15 £000	2013-14 £000
Opening Valuation at 1 April		22,641	22,545
Revaluations in year		2,091	449
Accumulated Depreciation		(349)	(353)
Closing Valuation at 31 March		**24,383**	**22,641**

31.3 Payments

The annual base unitary charge is £9.240m however within the PFI agreement are indices which automatically adjust the unitary charge for changes in interest rates, inflation, detainee numbers and other service targets, the effect of these indices is that total unitary charge will vary throughout the life of the PFI contract. This year the actual total unitary charge was £10.031m (2013-14: £11.811m). The table below estimates the amounts payable over the remaining term of the PFI contract based on the amount paid in the relevant year.

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2014-15 Total £000	2013-14 Total £000
Payable in 2015-16	8,416	146	1,469	10,031	11,811
Payable within two to five years	32,219	2,378	5,526	40,123	47,242
Payable within six to ten years	40,299	4,268	5,586	50,153	59,053
Payable within eleven to fifteen years	40,021	6,944	3,188	50,153	59,053
Payable within sixteen to twenty years	17,215	2,547	300	20,062	35,433
Total	**138,170**	**16,283**	**16,069**	**170,522**	**212,592**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	Note	2014-15 £000	2013-14 £000
Opening Long term liability at 1 April		16,673	17,169
Repayments made during the year		(1,894)	(2,044)
Finance charge during the year		1,504	1,548
Closing Long term liability at 31 March		**16,283**	**16,673**

The Police and Crime Commissioner receives notional credit approvals totalling £39.25m from the Home Office over the life of the arrangement. The Police and Crime Commissioner receives PFI Grant on an annuity basis which is received at a constant level of £3.26m per annum over the life of the contract. The Police and Crime Commissioner maintains a PFI reserve with the aim to smooth the fixed PFI grant received against the larger unitary charge that will be payable in the latter years.

32. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 13, 14 and 15 reconciling the

movement over the year in the Property, Plant and Equipment, Investment Property, and Intangible Asset balances.

An impairment review was undertaken by Wilks Head & Eve of the entire property portfolio as at 31 March 2015, in their opinion there has been no significant impairment of the value of the Police and Crime Commissioner's land and buildings in the year.

Review of the remaining classes of asset by the Police and Crime Commissioner revealed no indication of impairment. Further consideration of material changes impacting on property valuations during the year is included within the Revaluations Note 13.3.

33. Capitalisation of Borrowing Costs

The Police and Crime Commissioner for Sussex has not capitalised its borrowing costs.

34. Non Funded Pension Schemes Accounted for as Defined Contribution Schemes

34.1 Police Officers

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 amounts receivable by the pensions fund for the year is less than the amounts received, 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.

35. Funded Defined Benefit Pension Schemes

35.1 Police Staff

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 Constable's 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, P019 1RG. www.westsussex.gov.uk

35.2 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 on behalf of the Group.

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						
Cost of Services:						
• 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**
Financing and Investment Income and Expenditure						
• 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**
Actual amount charged against the General Fund Balance for pensions in the year:						
• 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**
Re-measurements of the net defined liability/(asset) charged to Other CIES						
• 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)
Actual amount charged against the General Fund Balance for pensions in the year:						
• *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
• current service costs	71,616					
• past service costs		209				
• settlements and curtailments		96				
• interest cost			115,690			
• interest income on plan assets			(11,483)			
• actuarial gains and (losses)					(393,396)	
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code						(176,128)
• employers' contributions payable to scheme	(10,060)					10,060
• retirement benefits payable to pensioners	(59,648)					59,648
Sub-Total	**1,908**	**305**	**104,207**	**0**	**(393,396)**	**(106,420)**
• pension top up grant	34,980			(34,980)		
Total Pension Charges 2014-15	**36,888**	**305**	**104,207**	**(34,980)**	**(393,396)**	**(106,420)**
	106,420				**(499,816)**	

35.3 Assets and Liabilities in Relation 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.

35.4 Scheme History

	2014-15	2013-14	2012-13	2011-12	2010-11
	£000	£000	£000	£000	£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.

35.5 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 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%**

35.6 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

Experience gains and (losses) on liabilities	2014-15 %	2013-14 %	2012-13 %	2011-12 %	2010-11 %
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

36. Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31 March 2015, they exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2015, the Police and Crime Commissioner for Sussex Group 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.

37. Contingent Assets

At 31 March 2015, the Police and Crime Commissioner for Sussex had no material contingent assets.

38. Financial Instruments

38.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheets:

	Long-term			Current	
	31 March 2015 £000	31 March 2014 £000		31 March 2015 £000	31 March 2014 £000
Investments					
Loans and receivables	0	0		65,160	61,630
Total investments	**0**	**0**		**65,160**	**61,630**
Debtors					
Debtors and prepayments				986	636
Loans and receivables	90	126			0
Total Debtors	**90**	**126**		**986**	**636**
Cash & cash equivalents					
Cash and bank	0	0		136	88
Bank overdraft	0	0		(1,517)	(931)
Cash equivalents	0	0		18,343	24,091
Total Cash & cash equivalents	**0**	**0**		**16,962**	**23,248**
Borrowings					
Financial liabilities at amortised cost	20,824	21,213		0	0
Total borrowings	**20,824**	**21,213**		**0**	**0**
Creditors					
Creditors	0	0		3,667	4,603
Receipts in advance	0	0		54	111
Financial liabilities at amortised cost	694	714		0	0
Total creditors	**694**	**714**		**3,721**	**4,714**

The Police and Crime Commissioner for Sussex does not hold any other category of financial asset or liability and during the year, there were no instances of:

- Reclassification of financial instruments
- De-recognition of financial instruments
- Unusual movements to be disclosed
- Allowance for credit losses

38.2 Short Term Investments

The Police and Crime Commissioner for Sussex invest surplus cash in accordance with its approved Treasury Management Policy and prudential indicators. The Police and Crime Commissioner for Sussex continue to be mainly a temporary lender, due to the level of its reserves and the timing of grant and precept income.

The lending of surplus funds is managed on a daily basis through approved brokers and with a limited amount of direct dealing. At 31 March 2015, temporary lending by the Police and Crime Commissioner for Sussex was composed of the following:

Temporary Lending	31 March 2015 £000	31 March 2014 £000
Short Term Deposits classified as current investments	65,160	61,630
Call Account and Money Market Deposit cash equivalents	18,342	24,091
Total Money Market Deposits	**83,502**	**85,721**

38.3 Impairment of Short Term Investments

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, **Heritable**, Kaupthing Singer and Friedlander went into administration. The Police and Crime Commissioner for Sussex (previously Sussex Police Authority) had £6.8m deposited in Heritable, with varying maturity dates and interest rates as follows:

Counterparty	Date Invested	Maturity Date	Interest Rate	Amount Invested £000
Heritable Bank Ltd	15-07-08	15-10-08	5.88%	2,000
Heritable Bank Ltd	08-08-08	10-11-08	5.85%	1,300
Heritable Bank Ltd	30-09-08	02-01-09	6.35%	3,500
Total				**6,800**

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Police and Crime Commissioner for Sussex will be determined by the administrators.

The Police and Crime Commissioner continues to adopt a prudent approach and as the available information from administrators is not definitive as to the amounts and timings of future payments, and are based on estimates, further adjustments will be made in 2015-16 if required, once more detail has been made available on the final recovery amounts.

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008 and an impairment adjustment was made reducing the 2008-09 Balance Sheet value of the investment by £1.360m which anticipated an 80% return. This impairment was charged to the Income & Expenditure Account in 2008-09.

During 2013-14 a dividend payment of 16.73% (£1,145,451.55) was received bringing to a total 94% of the Police and Crime Commissioner's total claim against investments in Heritable Bank. The Police and Crime Commissioner therefore reversed the impairment previously charged to the Income & Expenditure Account to the extent of dividend payments received in excess of the 80% return previously anticipated at the time of impairment. The impairment reversed to the Income & Expenditure Account in 2013-14 amounted to £994,386.

As at 31 March 2015 the unrecovered investment amounted to £365,614 (2013-14: £365,614) and is matched by the remaining impairment, leaving an overall carrying value of £Nil.

Heritable Bank Transactions	Year	£000
Investment	2008-09	6,800
Repayments	2009-10	(2,394)
Repayments	2010-11	(1,035)
Repayments	2011-12	(1,219)
Repayments	2012-13	(641)
Repayments	2013-14	(1,145)
Principal Value Unrecovered		**366**
Impairment	2008-09	(1,360)
Impairment reversal	2013-14	994
Carrying Value 2014-15		**0**

A final settlement has now been reached in relation to Heritable Bank plc which the Administrators consider to be in the best interests of Heritable's creditors. A further and final dividend of approximately 6p is therefore now anticipated to be paid during the 2015 calendar year amounting to £0.366m for the Police and Crime Commissioner for Sussex. This further dividend would result in all admitted claims of Heritable's creditors being paid in full.

38.4 Long Term Investments

The Treasury Management Strategy and Prudential Indicators approved in February 2014 allowed for £15m of the total portfolio to be invested for longer than one year. At 31 March 2015 the Police and Crime Commissioner for Sussex had no investments with a maturity date longer than one year (2013-14: £Nil), this excludes the outstanding balance of Heritable bank investment of £0.366m before impairment (2013-14: £0.366m).

38.5 Long Term Borrowing

As at 31 March 2015 long term borrowing by the Police and Crime Commissioner for Sussex comprised of long term finance of the PFI schemes (see PFI note 31 to the accounts) and loans from the Public Works Loan Board (PWLB). All loans were borrowed for capital purposes in line with the CIPFA Prudential Code for Capital Finance.

Long Term Borrowing	31 March 2015	31 March 2014
	£000	£000
Public Works Loan Board	4,541	4,541
PFI long term finance	16,282	16,672
Total	**20,823**	**21,213**

The outstanding balances at the year end include accrued interest payable of £41,306 on the loans from the Public Works Loan Board. The accrued interest is due within one year.

38.6 Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- Estimated ranges of interest rates at 31 March 2015 for loans from the PWLB are based on loan rates of 4.25% to 4.85% discounted at rates of 1.88% to 1.96%;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair values calculated are as follows:

	31 March 2015		31 March 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Long Term PFI Borrowing	(16,283)	(24,005)	(16,672)	(23,459)
Long Term Borrowing	(4,541)	(5,288)	(4,541)	(5,288)
Net Total	**(20,824)**	**(29,293)**	**(21,213)**	**(28,747)**

	31 March 2015		31 March 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Short Term Investments (cash equivalents)	18,342	18,342	24,091	24,091
Short Term Investments	65,160	65,160	61,630	61,630
	83,502	**83,502**	**85,721**	**85,721**

The fair values of short term trade payables and receivables, cash and cash equivalents are assumed to equal the book values and are therefore not included in the table above.

The fair value of the liabilities is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

38.7 Sensitivity Analysis

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2015 £000	31 March 2014 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	932	1,015
Increase in government grant receivable for financing costs	0	0
Impact on (Surplus) or Deficit on the Provision of Services	**932**	**1,015**
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	**0**	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)*	**2,757**	**2,677**

*This represents the impact of reducing the discount rate by 1% on long term borrowing. As borrowings are not carried at fair value on the Balance Sheet there is no impact on the Comprehensive Income and Expenditure Statement.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosures. Further detail on risks related to financial instruments is given within Note 39.

39. Nature and Extent of Risks Arising from Financial Instruments

The Police and Crime Commissioner for Sussex's activities expose it to a variety of financial risks, the key risks are:

• **Credit risk**	- the possibility that other parties might fail to pay amounts due to the PCC;
• **Liquidity risk**	- the possibility that the PCC might not have funds available to meet its commitments to make contracted payments on time;
• **Re-financing risk**	- the possibility that the PCC might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
• **Market risk**	- the possibility that financial loss might arise for the PCC as a result of changes in market variables such as interest rates and stock market movements.

39.1 Overall Procedures for Managing Financial Risk

The overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Police and Crime Commissioner for Sussex to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Police and Crime Commissioner to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- By approving annually in advance prudential indicators for the following three years limiting:
  - The Police and Crime Commissioner's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt; and
  - Its maximum annual exposure to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

As part of the adoption of the Treasury Management Code, The Police and Crime Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy outlines the detailed approach to managing risk in relation to financial instrument exposure.

The Police and Crime Commissioner also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

This includes written principles for overall risk management, and guidance covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). These TMP's are a requirement of the Code of Practice and are reviewed regularly.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Police and Crime Commissioner's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Police and Crime Commissioner for Sussex in February 2014 and is available on the PCC website. The key issues within the strategy were:

- The Authorised Limit for 2014-15 was set at £40m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £25m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 85% respectively for investments.
- The maximum exposure to the maturity structure of debt was 100% at 15-20 years.

These policies were implemented by the Chief Constable's finance department during the 2014-15 year. Actual performance is reported annually to the Joint Audit Committee after each year, as is a mid-year update.

39.2 Credit Risk

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

Credit Risk: Investments

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy can be found on the website for the Police and Crime Commissioner for Sussex.

The 2014-15 Strategy set specific limits for which specified investments may be placed up to, were designated as follows:

- Maximum amount per banking group: £20m
- Maximum amount invested in UK Building Societies: £10m
- Maximum % invested in UK domiciled institutions: 100%
- Maximum total investments for non-UK countries: £40m
- Maximum amount invested per individual non-UK country: £10m
- Maximum total amount invested for over one year: £15m

The Police and Crime Commissioner's maximum exposure to credit risk in relation to its investments in banks and building societies of £83.502m at 31 March 2015 (2014: £85.721m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Police and Crime Commissioner's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The Police and Crime Commissioner does not hold collateral against any investments.

All deposits during the year have been made in line with the Police and Crime Commissioner's Treasury Management Practices (TMP's). Whilst the current credit crisis in international markets has raised the overall possibility of default the Police and Crime Commissioner maintains strict credit criteria for investment counterparties.

The table below summarises the potential maximum credit risk exposure of the Police and Crime Commissioner's investment portfolio by credit rating. The associated credit risks are calculated based on the principal value of investments, excluding accrued interest.

Credit Rating	Long Term		Short Term		Total	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
AAA	0	0	18,200	14,085	18,200	14,085
AA+	0	0		0	0	0
AA	0	0		0	0	0
AA-	0	0	10,000	16,500	10,000	16,500
A+	0	0	10,000	10,000	10,000	10,000
A	0	0	45,000	35,000	45,000	35,000
A-	0	0		0	0	0
BBB+	0	0	135	10,000	135	10,000
Heritable Bank	0	0	0	0	0	0
Total	**0**	**0**	**83,335**	**85,585**	**83,335**	**85,585**

*1 Detailed information regarding Heritable is included in Note 38.3

Credit Risk: Trade Receivables

The following analysis summarises the Police and Crime Commissioner's potential maximum exposure credit risk in respect of trade receivables, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

	Amount at 31 March 2015 £000	Historical experience of default %	Adjusted for market conditions at 31 March 2014 %	Estimated maximum exposure to default and irrecoverable amounts at 31 March 2015 £000	Estimated maximum exposure at 31 March 2014 £000
Trade Debtors *2	832,310	1.33%	0.00%	0	0
Total	**832,310**			**0**	**0**

*2 Trade Debtors is after deduction of £0.117m provision for doubtful debts (2013-14: £0.117m) the Police and Crime Commissioner considers this is the maximum exposure to default on trade debtors.

The Police and Crime Commissioner does not generally allow credit for customers, such that £0.173m of the £0.950m balance is past its due date for payment i.e. over 30 days. The past due, but not impaired amount can be analysed by age as follows:

	31 March 2015 £000	31 March 2014 £000
Less than three months	62	730
Three to six months	45	17
Six months to one year	29	22
More than one year	37	93
	173	**862**

39.3 Liquidity Risk

The Police and Crime Commissioner manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Police and Crime Commissioner has ready access to borrowings from the Money Markets to cover any day to day cash flow need. Whilst the Public Works Loan Board provides access to longer term funds, it also acts as a lender of last resort to authorities (although it will not provide funding to an Authority or Police and Crime Commissioner whose actions are unlawful). The Police and Crime Commissioner is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.
All sums owing are due to be paid in less than one year.

39.4 Re-financing and Maturity Risk

The Police and Crime Commissioner maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Police and Crime Commissioner relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address the risk. The Police and Crime Commissioner has approved treasury and investment strategies which address the main risks. The Chief Finance Officer manages the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns to the longer term cash flow needs.

The maturity analysis of the Police and Crime Commissioner's debt and investment portfolio is as follows:

Financial Liabilities:	31 March 2015 £000	31 March 2014 £000
Less than one year	41	41
More than twenty years	21,476	21,886
	21,517	**21,927**

Included within the liabilities over twenty years above is a finance lease property.

Financial Assets:	31 March 2015 £000	31 March 2014 £000
Less than one year	83,502	85,721
Between two and five years	90	126
	83,592	**85,847**

All trade and other payables are due to be paid in less than one year. All trade and other debtors are to be received in less than one year. These are not shown in the tables above

39.5 Market Risk

Interest Rate Risk - The Police and Crime Commissioner is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Police and Crime Commissioner, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates - the fair value of the liabilities borrowings will fall (with no impact on revenue balances)
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates - the fair value of the assets will fall (with no impact on revenue)

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from government grants. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable interest rates. Investments are also subject to movements in interest rates and the Treasury Management Strategy aims to mitigate these risks by setting an upper limit of external investments that can be subject to variable interest rates.

The Police and Crime Commissioner has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Police and Crime Commissioner’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March 2015 the Police and Crime Commissioner held no variable rate borrowings. For investments, the Police and Crime Commissioner held 22% or £18.335m of its total investment portfolio (2014: 28% or £24.085m) in variable rate instant access call accounts. Interest of £0.139m (2014: £0.208m) has been charged to the Comprehensive Income and Expenditure Statement in respect of the Police and Crime Commissioner’s variable rate investments, representing a 0.41% (2014: 0.42%) interest rate of return on an average investment portfolio of £32m (2014: £49m). If interest rates had been 1% higher the financial impact would have been a £0.32m (2014: £0.49m) increase in interest charged to the Comprehensive Income and Expenditure Statement.

39.6 Price Risk

The Police and Crime Commissioner, excluding the pension fund, does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Police and Crime Commissioner will suffer loss as a result of adverse movements in the price of financial instruments).

39.7 Foreign Exchange Risk

The Police and Crime Commissioner has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

40. Accounting Policies

40.1 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. Both 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.

40.2 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 Group's principal accounting policies that have been reviewed and adopted in 2014-15.

40.3 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.

40.4 Cash & Cash Equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All investments due in 1 day or less are therefore treated as "cash and cash equivalents", and are not therefore included within Investments.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one day or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

40.5 Exceptional Items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the Group's financial position. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

40.6 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Police and Crime Commissioner's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

40.7 Events after 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.

40.8 Government Grants and Contributions

Government grants and third party contributions are recognised as income at the date the Group satisfies the conditions of entitlement to the grant or contribution, where there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Net expenditure is expressed before deducting government grants in support of the overall expenditure of the Group, i.e. specific police grants, Revenue Support Grant and National Non Domestic Rates. Other smaller revenue grants are shown as income in arriving at net expenditure, and can be matched against specific items of expenditure.

Amounts recognised as due to the Police and Crime Commissioner are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

40.9 Funding of Capital Expenditure to purchase Non-Current Assets

Capital expenditure is funded by government grants, capital receipts, revenue contributions, third party contributions and borrowing.

Capital contributions and grants are accounted for in the Comprehensive Income and Expenditure Statement on an accruals basis (unless the grant or contribution has an unsatisfied condition); they are then transferred to the Balance Sheet as follows:

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital reserves to finance expenditure.

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account, reflecting its status as a capital resource available to finance expenditure. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

- When a capital grant or contribution has been received with conditions that the Group has not met, the grant or contribution is recognised in the Balance Sheet as Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance Account and recognised as income in the Comprehensive Income and Expenditure Statement and accounted for as above depending on whether expenditure has been incurred.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

At the year end the Police and Crime Commissioner reviews all material grants and considers whether any existing conditions are outstanding, and the appropriate accounting policy treatment is then applied accordingly. Grants and contributions in excess of £20,000 are considered material.

40.10 Non-Current Assets - Property, Plant and Equipment

Assets that have physical substance, are used to supply services and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

The cost of acquisition, creation or enhancement of Property, Plant and Equipment is capitalised, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Police and Crime Commissioner for a period of more than one year, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Police and Crime Commissioner has the following de-minimis limits for capitalisation. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement:

- Land and buildings £50,000
- IS and other equipment £10,000
- Vehicles £Nil

Measurement

Items of Property, Plant and Equipment are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working condition for their intended use.

The Police and Crime Commissioner does not capitalise its borrowing costs.

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

- Assets under construction - depreciated historical cost
- Land and Buildings - fair value, determined using the following bases:
  - Operational properties - Fair Value (based on existing use value (EUV) in accordance with RICS valuation standards)
  - Operational specialised properties such as police stations – Fair Value (based on Depreciated Replacement Cost)
  - Non-operational properties such as police houses)– Fair Value (based on Market Value)
  - All other assets – Fair Value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Non-property assets that have short useful lives or low values (or both) are valued using the depreciated historical cost basis (DHC) is used as a proxy for fair value. This is on the assumption that the useful life is a realistic reflection of the life of the asset and the depreciation method used is a realistic reflection of the consumption of that asset class.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are recognised in the Revaluation Reserve to recognise unrealised gains unless the increase is reversing a previous impairment loss in which case it would be charged to the Comprehensive Income and Expenditure Statement.

Decreases in valuations are recognised in the Revaluation Reserve to the extent of previous revaluation increases recognised in the Revaluation Reserve in respect of that asset, and decreases in excess of that amount are recognised in the Comprehensive Income and Expenditure Statement.

Component Assets

The Police and Crime Commissioner recognises and records component assets separately from the main asset with which they are associated where the component life differs significantly. The Police and Crime Commissioner has agreed an accounting policy stating that for accounting purposes, the value of the component must be above a minimum material level of £200,000 and the value of the component constitutes more than 20% of the main asset value. Where a component asset is identified it is written down on a straight line basis over its useful economic life in line with the depreciation policy for that class of asset.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate impairment may have incurred include:

- Significant decline in a specific asset's carrying amount during the period;
- Evidence of obsolescence or physical damage of an asset;
- Commitment by the Group to undertake a significant reorganisation
- Significant adverse change in the statutory or other regulatory environment in which the Group operates.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and all impairment losses are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land), assets that are not yet available for use (i.e. assets under construction) and assets held for sale.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

	Category	Years	Residual Value
Land and Buildings	Land	Not depreciated	N/A
	Dwellings and other Buildings	Up to 60 years (as estimated by the valuer)	40%
Vehicles , Plant and Equipment	Vehicles and Vessels	3, 5, 10 or 12 years	High performance 5% Core Fleet 10% Vessels 10% Specialist 15%
	Information Systems	Between 3 and 10 years (assessed on an individual basis)	Nil
	Wireless stations and communication masts	20 years	Nil
	Other equipment	Individual useful life	Nil
Intangible Assets	Software and Licences	Between 3 and 10 years (assessed on an individual basis)	Nil
Non operational Assets	Assets under Construction	Not depreciated until complete	N/A
	Awaiting Disposal	Not depreciated	N/A
	Investment properties	Not depreciated	N/A

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Disposal proceeds are credited to the Comprehensive Income and Expenditure Statement and netted off against the asset's carrying value. The resulting balance represents either the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts in excess of £10,000 from the sale of non-current assets are defined as capital receipts and are used to fund future capital expenditure. These receipts are transferred to the Capital Receipts Reserve via the Movement in Reserves Statement. Individual receipts of less than £10,000 remain in the Comprehensive Income and Expenditure Statement.

The disposal value is not a charge against council tax, as the cost of non-current assets is fully provided for under a separate arrangement for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Assets Held for Sale

Non-current assets are classified as Held for Sale only if they meet all of the following criteria:

- The asset must be available for immediate sale in its present condition;
- The sale must be highly probable. This means the appropriate level of management within the Group must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is re-valued immediately before reclassification and then carried at the lower of carrying value and fair value less costs to sell. Fair Value for Assets Held for Sale is the market value.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets Held for Sale are not depreciated.

40.11 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Police and Crime Commissioner is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Police and Crime Commissioner at the end of the contracts for no additional charge, the Police and Crime Commissioner carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Since 2001 a long term contractual agreement has been in place under PFI for the provision of custody services. The contractor was responsible for the construction of four custody suites at Worthing, Brighton, Chichester and Eastbourne and is responsible for the provision of custody services at these sites plus two further sites at Crawley and Hastings.

Non current PFI assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Police and Crime Commissioner.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

40.12 Inventories (Stock) and Long Term Contracts

Inventories are included in the Balance Sheet at cost. All other expenditure on stock and stores is charged to the revenue account in the year of purchase.

This policy is a departure from the IFRS standard IAS2 which requires inventories to be valued at the lower of cost or net realisable value. For many inventory items, particularly uniforms, net realisable value would be minimal and does not accurately reflect the value to the Group of holding these items. The variation from IAS2 does not have a material impact on these financial statements.

The cost of inventories for workshop stores and fuel is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

40.13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

40.14 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

40.15 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are included in the Balance Sheet at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset are posted to the Comprehensive Income and Expenditure Statement. Gains or losses are not permitted to have an impact on the General Fund Balance therefore they are moved out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

40.16 Heritage Assets

Assets classified as heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The Group currently does not hold any Heritage Assets as defined by The Code which are considered material to the accounts.

40.17 Charges to Revenue for Non-Current Assets

The Group is not required to raise council tax to cover charges for depreciation, impairment losses or amortisation. However it is required to make an annual provision from revenue towards the repayment of borrowing, known as the Minimum Revenue Provision (MRP).

Depreciation, impairment losses and amortisation are reversed from the General Fund via the Movement in Reserves Statement and MRP is charged as a contribution to the Capital Adjustment Account.

40.18 Debts Outstanding

Income is accounted for on an accruals basis. Debts that cannot be collected are written off via the Comprehensive Income and Expenditure Statement to the command team or department that raised the debt. The level of any bad debt provision is reviewed annually.

The writing off of bad debt can be authorised by either the PCC's CFO or the CC's CFO in respect of their own corporations up to a value of £10,000 in individual bad debt cases and £25,000 cumulatively in any one financial year. For write off of bad debts of individually more than £10,000 and cumulatively not more than £50,000 in any one financial year, both CFOs are required to authorise. The writing off of bad debt in excess of the CFO's delegated authority will be approved by the Police and Crime Commissioner.

40.19 Reserves

The Group maintains reserves to finance future commitments, unforeseen circumstances, fluctuations in annual grant settlements and council tax precepts and emergency expenditure which cannot be contained within the approved budget. The approved Reserves Policy sets a target for the level of General Reserve of 4% of net budgeted expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits and other employee benefits and do not represent usable resources for the Group.

The nature and purpose of each reserve set up by the Group is described in the Notes to the Financial Statements.

The classification of reserves is consistent with the CIPFA Code of Practice and is reviewed annually by the Police and Crime Commissioner.

40.20 Overheads and Support Services

The costs of overheads and support services are charged to the service area that benefits from the supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice* (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Police and Crime Commissioner's status as a single service organisation
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure.

40.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Group 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 Group 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 Group. 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 Group 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 Group. 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.

The Police and Crime Commissioner has no contingent assets.

40.22 Precept Income

Precept income from relevant local authorities is fixed for the year and not subject to revision.

40.23 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

A single VAT return is submitted on behalf of the Group.

40.24 Leases

Leases are classified as either finance leases or operating leases based on risks and rewards of ownership.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

40.25 The Police and Crime Commissioner as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition applied to write down the lease liability and the interest costs of the lease are charged to the Comprehensive Income and Expenditure Statement.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

40.26 The Police and Crime Commissioner as Lessor

Finance Leases

The Police and Crime Commissioner has no finance leases as lessor.

Operating Leases

Where the Police and Crime Commissioner grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

40.27 Employee 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 Police and Crime Commissioner. 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.

40.28 Termination Benefits / Exit Packages

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of a staff member or group of staff members or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

40.29 Long-term Employee Benefits – Pension Arrangements

The Chief Constable operates, on behalf of the Group, 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 police schemes are unfunded schemes which are treated as defined benefit schemes and provide defined benefits to members (retirement lump sums and pensions), earned as employees worked.

The NPPS and the PPS are both unfunded schemes which are treated as defined benefit schemes paid from revenue (without managed 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, as have entries in the 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 and Group 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 in the Balance Sheet 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 pension 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 annual investment return on the fund assets attributable to the Police and Crime Commissioner, 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.

Discretionary Benefits

The Police and Crime Commissioner has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the relevant Pension Scheme.

The Police and Crime Commissioner also has restricted powers to make material payments in relation to injury awards. Any liabilities estimated to arise as a result of an award to any member of staff or police officer are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the relevant pension scheme.

40.30 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. Short term financial liabilities such as trade creditors and cash overdrawn are measured at the original invoice amount as a proxy for fair value.

The Group has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

Financial Assets

Financial assets are classified as:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets - assets that have a quoted market price and-or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. The Police and Crime Commissioner does not currently make any soft loans.

Financial Assets Available-for-Sale

Available-for-sale assets are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments,

annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Police and Crime Commissioner. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

40.31 Foreign Currency Translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

40.32 Interests in Companies and Other Entities

All the financial transactions incurred during 2014-15 for policing Sussex have been recognised and recorded within the Statement of Accounts of the Police and Crime Commissioner for Sussex, which sets out the overall financial position of the Police and Crime Commissioner and Chief Constable Group for the year ended 31 March 2015.

The Group position therefore reflects the consolidated accounts of the Police and Crime Commissioner and its 100% subsidiary the Chief Constable. Where the Group position differs from the Police and Crime Commissioner position this is made clear within the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

40.33 Trust Funds

Sussex Police and Crime Commissioner does not hold any Trust Funds as defined by The Code.

However, a separate and independently funded charitable trust exists to support Sussex police officers and staff. The Charity is registered with the Charity Commission and is individually financed through membership contributions, investment income and donations and legacies.

41. 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 IFRs* 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 it 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 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.

AMORTISATION
An annual charge made to the overall budget, reducing the value of an intangible asset to zero, over a period of time.

BILLING AUTHORITY
The local authority is responsible for administering the collection fund. These are either district or borough councils in East and West Sussex, or the Unitary Authority in Brighton and Hove.

CAPITAL EXPENDITURE
Expenditure spent on the acquisition or construction of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset e.g. land and buildings.

CAPITAL PROGRAMME
A statement of proposed capital projects for current and future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles and major equipment items.

CAPITAL RECEIPTS
Income from the disposal (sale) of non-current assets valued more than £10,000, which can only be used to finance new capital expenditure or repay outstanding debt on assets, financed from loans. Usable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases.

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

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.

CREDITORS
Individuals or organisations, to whom money is owed at the end of the financial year.

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

COLLECTION FUND
A fund administered by each Billing Authority. Council tax monies are paid into the fund whilst part of the net revenue spending of the Police and Crime Commissioner, County, Unitary Authority and District Councils are met from the fund.

CONTINGENCY PROVISION
An amount set aside for exceptional budget requirements in the financial year.

COUNCIL TAX
Council tax payable locally is based upon house values. Each dwelling is valued and placed into one of eight bands, which determines the level of Council Tax payable.

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 the 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

DEBTORS
Individuals or organisations, who owe money at the end of the financial year for services provided during the year.

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.

DEPRECIATION
The measure of the cost, or revalued amount of the benefit, of a non-current asset, that has been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset, whether arising from the use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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.

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a non-current asset to a lessee.

FIXED ASSET (NON-CURRENT ASSET)
The value of fixed (non-current) assets for capital accounting purposes represents depreciated replacement cost or open market value for land and buildings and the depreciated historic cost of other assets.

GENERAL FUND BALANCES
Accumulated surplus amounts which are maintained to meet expenditure, pending the receipt of income, and to provide a fallback for expenditure being higher, or income lower, than expected.

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.

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

IMPAIRMENT
A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet due to significant decline in its market value during the period, evidence of obsolescence or significant physical damage to the non-current asset or significant adverse change in the statutory or regulatory environment in which the PCC Group operates.

INTANGIBLE ASSETS
Intangible assets occur when capital expenditure does not result in the acquisition of a non-current asset, for example software licenses and training for development purposes etc.

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.

LIQUID RESOURCES
Current asset investments that are readily disposable by the PCC Group without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

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

NATIONAL NON DOMESTIC RATE (NNDR) – or BUSINESS RATES
The rate in the pound charged on non-domestic properties. It is the same for all businesses in England and is set annually by Government, on whose behalf it is collected by billing authorities. The Police and Crime Commissioners then receive a share of the national pool as part of its resources used to meet Total Net Expenditure.

NET BOOK VALUE
The amount at which non-current assets are included in the Balance Sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST
The cost of replacing a particular asset in its current condition and use (i.e. the cost of like-for-like replacement or nearest equivalent asset, adjusted to reflect the current condition of the existing asset).

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.

NON-CURRENT ASSETS (FIXED ASSET)
Tangible assets that are expected to yield benefits to the PCC Group and the services it provides for a period of more than one year.

OPERATING LEASE
A lease other than a finance lease.

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.

PRECEPT
An amount determined by the PCC (the preceptor) which is collected on its behalf by the local unitary Authority and District Councils (the billing authorities) as part of the Council Tax.

PREPAYMENT
Any amounts that have been paid for goods and services not received by the end of an accounting period are shown as prepayments in the debtors section of the balance sheet.

PRIVATE FINANCE INITIATIVE (PFI)
Private Finance Initiative (PFI) allows the public sector to contract with the private sector to provide quality services on a long-term basis, typically 25-30 years, so as to take advantage of private sector infrastructure delivery and service management skills, incentivised by having private finance at risk. The private sector takes on the responsibility for providing a public service against an agreed specification of required outputs prepared by the public sector.

The private sector carries the responsibility and risks for designing, financing, enhancing or constructing, maintaining and operating the infrastructure assets to deliver the public service in accordance with the public sector's output specification.

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.

RESERVES
Balances that represent resources set aside for purposes such as working balances and reserves for cash flow management. Earmarked reserves are those reserves set aside to meet specific policy purposes.

RESIDUAL VALUE
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future price changes.

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.

REVENUE SUPPORT GRANT
Central Government grant supporting the cost of public services.

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.

SPECIFIC GRANTS
Central Government grants towards specific services, usually on a fixed percentage for a particular service such as Police. These are included as income on the Income & Expenditure Account.

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

WORK IN PROGRESS/ASSETS UNDER CONSTRUCTION
The cost of work expended on an incomplete project as at the end of the year.

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