

# The Chief Constable of Sussex

## Statement of Accounts 2013-14



**Sussex Police**  
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## Chief Constable of Sussex

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Officers of the Chief Constable of Sussex:

Mr Giles York

Temporary Chief Constable  
(From 8 February 2014)  
Sussex Police Headquarters  
Lewes BN7 2DZ

Mr Martin Richards QPM

Chief Constable  
(Up to 5 March 2014)  
Sussex Police Headquarters  
Lewes BN7 2DZ

Mr Mark Baker CPFA

Director of Finance  
Sussex Police Headquarters  
Lewes BN7 2DZ

## Chief Constable's Command Team

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Deputy Chief Constable

Assistant Chief Constable - Neighbourhood Policing

Assistant Chief Constable - Collaboration

Director of Finance

Director of Human Resources (Up to 31 January 2014)

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## Introduction to the Accounts

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

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

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

### Accounting Arrangements

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

The Statement of Accounts set out the overall financial position and performance of the Chief Constable of Sussex for the year ended 31 March 2014.

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

The Statement of Accounts for 2013-14 is prepared in accordance with the Chartered Institute of Public Finance, the Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2013-14 and specific CIPFA police accounting guidance.

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

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

The Accounts reflect the current arrangements (phase 1 of the Government's reforms). This is the first phase of transition between the Police and Crime Commissioner and Chief Constable. The second phase of transition took place on 1 April 2014 and is detailed more fully in Note 1 to the accounts.

### Police and Crime Commissioner

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

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

### The Chief Constable

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

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

## **Financial Roles and Responsibilities**

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

### **Responsibilities of the Police and Crime Commissioner**

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

### **Responsibilities of the PCC's Chief Finance Officer**

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

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

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

### **Responsibilities of the Chief Constable**

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

### **Responsibilities of the Chief Constable's Director of Finance**

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

## **Governance**

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

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

## Overview of the Accounting Statements

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The Statement of Accounts set out the Chief Constable's financial standing and performance for the year ended 31 March 2014. The Statements represent the accounts for the legal entity of the Chief Constable of Sussex which is also part of the Police and Crime Commissioner Group. The term 'Group' is used to indicate individual transactions and policies of the Police and Crime Commissioner for Sussex as the holding organisation and the Chief Constable as the subsidiary as set out under the Police Reform and Social Responsibility Act 2011.

### **The Accounts Comprise:**

#### **Foreword and financial overview of the Statement of Accounts**

This section provides an overview of the financial issues and performance of the Chief Constable during the year.

#### **Statements of Responsibilities**

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

#### **The Independent Auditors Report**

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

#### **The Movement in Reserves Statement**

Shows the movement in year on the different reserves, analysed into 'useable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing services

#### **Comprehensive Income and Expenditure Statement**

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

#### **The Balance Sheet**

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

#### **The Cash Flow Statement**

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

#### **Notes to the Accounts**

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

#### **Glossary of Financial Terms**

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

### **On-line Accounts**

Statutory accounts for the Chief Constable and separate accounts for the Police and Crime Commissioner and Group are available to view and download on the Police and Crime Commissioner for Sussex website [www.sussex-pcc.gov.uk](http://www.sussex-pcc.gov.uk) or on the Sussex Police website [www.sussex.police.uk](http://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](mailto:mark.rowe@sussex.pnn.police.uk)**

## Director of Finance Foreword

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

### Financial Governance role of the Chief Constable

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

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

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



**Mark Baker**  
Director of Finance.

### Role of the Director of Finance

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

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

### The Statement of Accounts

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

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

**Mark Baker CPFA**  
Director of Finance  
Chief Constable of Sussex

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Visit: [www.sussex.police.uk](http://www.sussex.police.uk) to download an electronic version of the Accounts.

## FINANCIAL OVERVIEW

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

### Summary

The Chief Constable delivers operational policing against a delivery plan and budget approved by the PCC. Net expenditure for the year of £249.8m was £4.8m less than the PCC approved revenue budget of £254.6m. In addition to this, expenditure of £13.6m was incurred on capital projects for items such as property, IT and vehicles. This was £1.1m less than planned.

The Income and Expenditure Statement within the Statement of Accounts includes a notional (non cash) amount to reflect changes in the valuation of police officer and police staff pension long term liabilities. These changes are significant in value and adjust the budget surplus to a final total deficit for the year of £243m.

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

### Chief Constable's Budget - Financial Performance 2013-14

#### Revenue Expenditure and Income

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

#### Revenue Expenditure

The PCC approved a total revenue expenditure budget for 2013-14 of £256.6m. The majority was allocated to the Chief Constable (£254.6m) for operational policing.

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

#### Operational Delivery Budget - Revenue Budget Performance 2013-14

By Cost Heading	Budget	Actual	Variance Over/ (Under)
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	233,092	231,912	(1,180)
Buildings and Premises	12,828	11,825	(1,003)
Transport	9,992	10,308	316
IT & Communications	13,282	12,829	(453)
Operational Expenses	14,523	13,896	(627)
Business Expenses	9,341	10,593	1,252
Additional Savings	2,235	0	(2,235)
<b>Gross Expenditure</b>	<b>295,293</b>	<b>291,363</b>	<b>(3,930)</b>
Total Income and grants	(40,691)	(41,609)	(918)
<b>Chief Constables Budget</b>	<b>254,602</b>	<b>249,754</b>	<b>(4,848)</b>

## Operational Delivery Budget - Revenue Budget Performance 2013-14

By Function	Budget	Actual	Variance Over/ (Under)
	£000	£000	£000
Neighbourhood policing	115,802	114,722	(1,080)
Communications	16,302	16,538	236
Operations and Security	20,047	21,155	1,108
Crime and Justice	50,796	49,211	(1,585)
IT Services	12,838	12,791	(47)
Estates and Facilities	15,390	14,627	(763)
Corporate Services	4,703	5,202	499
Support Services	17,395	16,868	(527)
Central costs and Savings	1,329	(1,360)	(2,689)
<b>Chief Constables Budget</b>	<b>254,602</b>	<b>249,754</b>	<b>(4,848)</b>

Financial performance reports are considered monthly by the Chief Constable and PCC. Full details of the financial performance against budget can be found in the PCC outturn report for 2013-14, available on the PCC website - [www.sussex-pcc.gov.uk](http://www.sussex-pcc.gov.uk)

The variance of £4.8m under budget was due to the majority of budget holders spending less than their delegated budgets during the year. Factors contributing to underspends include delivery of planned efficiency savings ahead of schedule for police officer and police staff vacancies and lower expenditure than planned on non pay costs.

The number and costs of policing public order events were significant during the year with additional unplanned costs being incurred on a number of operations, particularly in Brighton and Hove. Two subsequent public order operations policing the anti-shale gas drilling protests at Balcombe cost the Force an additional £3.4m against which the Home Office agreed a Special Grant payment of £0.9m.

### Capital Expenditure Budget

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

The original Group expenditure budget for 2013-14 Capital Projects was £21.6m. This was then amended during the year to reflect approved changes in the planned delivery of individual schemes or projects. The final approved budget amount available to spend was £14.7m. Actual expenditure for the year by the Group against this budget was £13.6m.

### Capital Expenditure 2013-14

	Budget £000	Actual £000	Over/ (under) £000
IT Strategy	3,067	3,286	219
Estates Strategy	822	806	(16)
Fleet Strategy	2,978	2,773	(205)
Other Capital	1,786	1,264	(522)
Other Specific Projects	6,080	5,495	(585)
<b>Total</b>	<b>14,733</b>	<b>13,624</b>	<b>(1,109)</b>

Of the total actual spend of £13.6m only £8.02m met the criteria for assets to be capitalised in the accounts, the remaining £5.58m is therefore included in the revenue accounts of the PCC and Group.

## **Financial Performance - Statement of Accounts**

Changes to statute and regulatory guidance since the previous set of Chief Constable accounts were approved in September 2013 require changes to the way the accounts for the Chief Constable have been prepared for the 2013-14 year. These changes are reflected in a restatement of accounts for 2012-13 in the comparative figures provided in these accounts.

Based on statutory changes and elements of 'substance over form' emphasised in the CIPFA Local Authority Accounting Panel (LAAP) Bulletin 98A and other guidance, all the costs of supporting the delivery of operational policing are now included in the Chief Constable's accounts. This includes all officers and police staff and other costs incurred.

CIPFA therefore concluded that the Chief Constable is acting as principal in delivering operational policing rather than as an agent of the Police and Crime Commissioner and the implication that "the relevant costs of operational policing need be recognised in the Chief Constable's accounts."

This represents a change in accounting policy for the Chief Constable to recognise areas where the Chief Constable acts as a Principal on Operational Policing and requires a prior year adjustment which will impact on the single entity accounts for the Police and Crime Commissioner and the Chief Constable, but does not impact on the Group Accounting Statements.

Details explaining the impact of this change are provided in Note 1 of the Notes to the Accounts.

### **Comprehensive Income and Expenditure Statement**

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

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

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.

The Comprehensive Income and Expenditure Statement below shows the Chief Constable's total net expenditure for the year amounted to £243.2m [with an accounting deficit on the cost of police services of £102.1m].

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

## Summary Comprehensive Income and Expenditure Statement 2013-14

	2013-14			2012-13	Movement between years
	Gross Expenditure	Gross Income	Net Expenditure	RESTATED Net Expenditure	
	£000	£000	£000	£000	
Local Policing	139,315	(1,046)	138,269	111,553	26,716
Dealing with the Public	24,522	(86)	24,436	21,082	3,354
Criminal Justice Arrangements	31,731	(4,388)	27,343	31,367	(4,024)
Road Policing	15,444	(2,684)	12,760	11,860	900
Operational Support	34,085	(15,647)	18,438	13,315	5,123
Intelligence	18,924	(5,276)	13,648	14,626	(978)
Investigations	50,825	(2,715)	48,110	53,466	(5,356)
Investigative Support	7,425	(161)	7,264	7,758	(494)
<b>Sub-total</b>	<b>322,271</b>	<b>(32,003)</b>	<b>290,268</b>	<b>265,027</b>	<b>25,241</b>
National Policing	13,133	(8,111)	5,022	4,297	725
Non Distributed Costs	203	0	203	333	(130)
<b>Net cost of policing services</b>	<b>335,607</b>	<b>(40,114)</b>	<b>295,493</b>	<b>269,657</b>	<b>25,836</b>
Intra-group Adjustment - Policing	(331,648)	40,114	(291,534)	(274,827)	(16,707)
<b>Net cost of policing services</b>	<b>3,959</b>	<b>0</b>	<b>3,959</b>	<b>(5,170)</b>	<b>9,129</b>
Financing and Investment Income and Expenditure	98,155	0	98,155	88,876	9,279
<b>(Surplus) or Deficit on Provision of Services</b>			<b>102,114</b>	<b>83,706</b>	<b>18,408</b>
Re-measurements of the net defined pension benefit liability/(asset)			141,123	241,193	(100,070)
<b>Total Comprehensive Income and Expenditure</b>			<b>243,237</b>	<b>324,899</b>	<b>(81,662)</b>

The movement between years is mainly attributable to changes in the actuarial valuation of long term pension liabilities, most notably the Police Pension Scheme calculations for 2013-14 indicate a significant increase in long term liabilities compared to last years valuation due to falling bond yields and higher projected pension costs.

### Reconciliation of management accounts to the Comprehensive Income and Expenditure Statement

The table below reconciles the Chief Constables operational delivery net expenditure at year end, as set out on page 8, to the position reported in the Comprehensive Income and Expenditure Statement. This is intended to assist the reader understand reasons for movements from the actual spend against budget approved by the Police and Crime Commissioner through to the Statutory Accounts.

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

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

	£000
<b>Operational Delivery Net Expenditure – per Management accounts 2013-14</b>	<b>249,754</b>
<i>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</i>	
Use of Reserves	198
Financial year end adjustments	3,248
<i>Amounts in the CIES not in the budget report:</i>	
Asset depreciation & amortisation	8,367
Pensions	33,926
<b>Net Cost of Services per CIES before Intra-group adjustments</b>	<b>295,493</b>
Intra-group adjustment from CC to PCC for resources consumed at the request of the Chief Constable	(291,534)
<b>Net Cost of Services per Chief Constable CIES</b>	<b>3,959</b>
Financing and Investment Income and Expenditure	98,155
<b>Deficit on Provision of Services per Chief Constable CIES</b>	<b>102,114</b>

## Balance Sheet

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

### Chief Constable's Balance Sheet

	31 March 2014	RESTATED 31 March 2013	Movement between years
	£000	£000	£000
Current Liabilities :			0
Accumulated Absences Provision	(1,390)	(1,194)	(196)
<b>Total Current Liabilities</b>	<b>(1,390)</b>	<b>(1,194)</b>	<b>(196)</b>
Long Term Liabilities:			0
Pension Liabilities	(2,424,039)	(2,180,998)	(243,041)
<b>Long Term Liabilities</b>	<b>(2,424,039)</b>	<b>(2,180,998)</b>	<b>(243,041)</b>
			0
<b>Net Assets</b>	<b>(2,425,429)</b>	<b>(2,182,192)</b>	<b>(243,237)</b>
<b>Financed by</b>			0
Usable Reserves	0	0	0
Unusable Reserves	(2,425,429)	(2,182,192)	(243,237)
<b>Total Reserves</b>	<b>(2,425,429)</b>	<b>(2,182,192)</b>	<b>(243,237)</b>

The movement between the years is attributable to changes in the actuarial valuation of pension liabilities, most notably for Police Officer Pensions due to falling bond yields and higher projected pension costs.

## Pensions

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

The total pension liability has increased by £0.243bn to £2.424bn compared with last years liability of £2.181bn, and has a substantial impact on the net worth of the Chief Constable. The police pension scheme has the significantly higher share of the deficit at £2.363bn. This is the main constituent of the total Net Liabilities on the Balance Sheet.

## Financial Standing

### Going Concern

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

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

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

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

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

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

## Looking ahead

### Medium Term Financial Plan (MTFP)

The Chief Constable and the Police and Crime Commissioner continue to operate in a challenging financial and operational environment. In preparing 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 latest budget report (February 2014) available on the PCC website [www.sussex-pcc.gov.uk](http://www.sussex-pcc.gov.uk)

The grant settlement for 2014-15 was worse than anticipated and there remains significant uncertainty on the level of funding for 2015-16 and beyond. The Autumn Statement and subsequent announcements by the Chancellor indicate that government departments will be subject to further austerity pressure. The impact on police funding is almost certain to worsen.

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

Whilst legacy and future council tax freeze grants are now included in core funding, these may still be subject to reductions in funding and there are significant costs anticipated as a result of 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 is a savings requirement for the next three years as set out below for the Sussex Police group.

#### Estimated Savings Requirement 2014 to 17

2014-15 £000	2015-16 £000	2016-17 £000
10,968	14,103	17,873

### Serving Sussex 2015

Serving Sussex 2015 is a programme of work to develop the right model of policing for Sussex in the future, within a context where significant budget savings need to be made. Savings identified as part of the programme will be used to close the funding gap as a result of reductions in the central government grant as part of the national effort to reduce public sector spending

The Chief Constable recognises that policing services need to be more reflective of what the public want. Delivering policing in the future is going to be very different; and there is a need to develop a model that is fit for purpose and affordable for the future.

Based on the latest medium term financial plan including new assumptions with regard to future grant funding reductions following autumn statement and finance settlement in December 2013 there is now a greater level of savings required in 2015-16 and a challenging future position. Whilst significant work is on-going to identify and implement new saving plans, most notably from the Policing Together Programme with Surrey Police, there are no firm plans agreed to meet all of the estimated saving requirements up to 2017.

## Statements of Responsibilities

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

### Chief Constable's Responsibilities

The Chief Constable is required to:

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

### Director of Finance's Responsibilities

The Director of Finance is responsible for:

The preparation of the Statement of Accounts for the Chief Constable of Sussex in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

During the year, the Director of Finance has also:

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

I approve the Statement of Accounts for the year ended 31 March 2014.



Giles York  
Chief Constable of Sussex

Dated: 24 September 2014

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Sussex at the accounting date and of the income and expenditure for the year ended 31 March 2014.



Mark Baker CPFA  
Director of Finance

Dated: 24 September 2014

## **Independent Auditors' Report to the Chief Constable of Sussex**

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

### **Opinion on the Chief Constable's financial statements**

We have audited the financial statements of the Chief Constable of Sussex for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the *Chief Constable of Sussex Movement in Reserves Statement, the Chief Constable of Sussex Comprehensive Income and Expenditure Statement, the Chief Constable of Sussex Balance Sheet, the Chief Constable of Sussex Cash Flow Statement*, the related notes 1 to 15 and the *Chief Constable for Sussex Pension Fund Account Statements*. 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 2013-14.

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

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the *Statement of Responsibilities for the Accounts* set out on page 14, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Sussex circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the *Statement of Accounts 2013-14* to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Sussex as at 31 March 2014 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 2013-14.

### **Opinion on other matters**

In our opinion, the information given in the *Statement of Accounts 2013-14* for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

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

### **Respective responsibilities of the Chief Constable and the auditor**

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Chief Constable of Sussex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the accounts of the Chief Constable of Sussex 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

Date: 26 September 2014

## Movement in Reserves Statement

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

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

2013-14	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013 as previously stated		0	0	0	0	0	0	0
Reserves reclassified from PCC							(2,182,192)	(2,182,192)
Restated Balance at 31 March 2013		0	0	0	0	0	(2,182,192)	(2,182,192)
<b>Movement in Reserves:</b>	-							
Deficit on provision of services		(102,114)	0	0	0	(102,114)	0	(102,114)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(141,123)	(141,123)
<b>Total Comprehensive Income and Expenditure</b>		<b>(102,114)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(102,114)</b>	<b>(141,123)</b>	<b>(243,237)</b>
Adjustments between accounting basis & funding basis under regulations	4	102,114	0	0	0	102,114	(102,114)	0
<b>Net Increase/Decrease before Transfers to Reserves</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,237)</b>	<b>(243,237)</b>
Transfers to/from Reserves		0	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,237)</b>	<b>(243,237)</b>
<b>Balance at 31 March 2014</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,425,429)</b>	<b>(2,425,429)</b>

## Movement in Reserves Statement for the Chief Constable of Sussex for the year ended 31 March 2013

<b>RESTATED 2012-13</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Receipts Reserves</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total PCC Reserves</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 31 March 2012 as previously stated		0	0	0	0	0	0	0
Reserves reclassified from PCC							(1,857,292)	(1,857,292)
<b>Restated Balance at 31 March 2012</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,857,292)</b>	<b>(1,857,292)</b>
<b>Movement in Reserves:</b>	-							
Surplus or (deficit) on provision of services		(83,706)	0	0	0	(83,706)	0	(83,706)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(241,193)	(241,193)
<b>Total Comprehensive Income and Expenditure</b>		<b>(83,706)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(83,706)</b>	<b>(241,193)</b>	<b>(324,899)</b>
Adjustments between accounting basis & funding basis under regulations	4	83,706	0	0	0	83,706	(83,706)	0
<b>Net Increase/(Decrease) before Transfers to Reserves</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(324,899)</b>	<b>(324,899)</b>
Transfers to/(from) Reserves						0		0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(324,899)</b>	<b>(324,899)</b>
Rounding adjustment							(1)	(1)
<b>Restated Balance at 31 March 2013</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,182,192)</b>	<b>(2,182,192)</b>

Please see Note 1 regarding restatement of figures for 2012-13

## Comprehensive Income and Expenditure Statement

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

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

	Note	2013-14			RESTATED 2012-13		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Local Policing		139,315	(1,046)	138,269	121,450	(9,897)	111,553
Dealing with the Public		24,522	(86)	24,436	21,164	(82)	21,082
Criminal Justice Arrangements		31,731	(4,388)	27,343	35,661	(4,294)	31,367
Road Policing		15,444	(2,684)	12,760	14,918	(3,058)	11,860
Operational Support		34,085	(15,647)	18,438	28,221	(14,906)	13,315
Intelligence		18,924	(5,276)	13,648	18,770	(4,144)	14,626
Investigations		50,825	(2,715)	48,110	54,675	(1,209)	53,466
Investigative Support		7,425	(161)	7,264	7,796	(38)	7,758
<b>Sub-total</b>		<b>322,271</b>	<b>(32,003)</b>	<b>290,268</b>	<b>302,655</b>	<b>(37,628)</b>	<b>265,027</b>
National Policing		13,133	(8,111)	5,022	14,600	(10,303)	4,297
Corporate and Democratic Core		0	0	0	0	0	0
Non Distributed Costs		203	0	203	333	0	333
<b>Net cost of policing services</b>		<b>335,607</b>	<b>(40,114)</b>	<b>295,493</b>	<b>317,588</b>	<b>(47,931)</b>	<b>269,657</b>
Intra-group Adjustment - Policing		(331,648)	40,114	(291,534)	(322,758)	47,931	(274,827)
<b>Net cost of policing services</b>		<b>3,959</b>	<b>0</b>	<b>3,959</b>	<b>(5,170)</b>	<b>0</b>	<b>(5,170)</b>
Financing and Investment Income and Expenditure	2	98,155	0	98,155	88,876	0	88,876
<b>(Surplus) or Deficit on Provision of Services</b>				<b>102,114</b>			<b>83,706</b>
Re-measurements of the net defined pension benefit liability/(asset)				141,123			241,193
<b>Other Comprehensive Income and Expenditure</b>				<b>141,123</b>			<b>241,193</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>243,237</b>			<b>324,899</b>

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

Please see Note 1 regarding restatement of figures for 2012-13

## Balance Sheet

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

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

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

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

	Note	31 March 2014 £000	RESTATED 31 March 2013 £000
Current Liabilities :			
Accumulated Absences Provision	6	(1,390)	(1,194)
<b>Total Current Liabilities</b>		<b>(1,390)</b>	<b>(1,194)</b>
Long Term Liabilities:			
Pension Liabilities	10	(2,424,039)	(2,180,998)
<b>Long Term Liabilities</b>		<b>(2,424,039)</b>	<b>(2,180,998)</b>
<b>Net Assets</b>		<b>(2,425,429)</b>	<b>(2,182,192)</b>
Financed by			
Usable Reserves		0	0
Unusable Reserves	6	(2,425,429)	(2,182,192)
<b>Total Reserves</b>		<b>(2,425,429)</b>	<b>(2,182,192)</b>

Please see Note 1 regarding restatement of figures for 2012-13

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Sussex at the accounting date and of the income and expenditure for the year ended 31 March 2014.



Mark Baker CPFA  
Director of Finance

Dated: 24 September 2014

## Cash Flow Statement

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

	2013-14 £000	RESTATED 2012-13 £000
Net surplus or (deficit) on the provision of services	(102,114)	(83,706)
Adjustments to net surplus or deficit on the provision of services for non cash movements	102,114	83,706
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	0
<b>Net cash flows from Operating Activities</b>	<b>0</b>	<b>0</b>
Investing Activities	0	0
Financing Activities	0	0
<b>Net increase or decrease in cash and cash equivalents</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the reporting period	0	0
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>0</b>	<b>0</b>

All cash payments are made from the Police Fund which is held by the Police and Crime Commissioner for Sussex. Similarly all income receipts and funding are received by the PCC during the year. This is why the statement does not show any cash transactions for the year ended 31 March 2014.

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

Please see Note 1 regarding restatement of figures for 2012-13

## Notes to the Accounts

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### **1. Changes in Accounting Principles Affecting the 2013-14 Statement of Accounts**

#### **Introduction**

The Police Reform and Social Responsibility Act 2011 (The Act) created and set out the legal framework for the two “corporation sole” bodies, the Police and Crime Commissioner for Sussex (PCC) and the Chief Constable of Sussex (CC). It is the Government’s intention that the reforms under the Act will be phased over a number of years. Stage One Commenced in November 2012. Stage Two comes to force from April 2014.

These financial statements show the financial position of the Chief Constable of Sussex.

The Chief Constable of Sussex is a subsidiary of the Police and Crime Commissioner and Chief Constable Group. The Group position is shown in the accounts of the Police and Crime Commissioner for Sussex which also show the consolidated group accounts which combine accounts for both the Police and Crime Commissioner and its 100% subsidiary the Chief Constable.

Since the 2012-13 financial statements were issued the status of Chief Constables has changed under the Police Reform and Social Responsibility Act 2011(transitional provision) Order 2013 and gives the Chief Constable Local Authority status. This permits the Chief Constable to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions as they would apply in relation to a Local Authority. The purpose is to ensure that staff pension liabilities are treated in accordance with accepted practices in the accounts of Chief Constables and the Commissioner. This revised legislation came into effect on 1 April 2013 and enables the Chief Constable to apply the statutory override for employee benefits. The prior year figures have also been restated solely for comparative purposes.

#### **Accounting principles**

The accounting recognition of assets, liabilities and reserves reflects the powers and responsibilities of the Police and Crime Commissioner as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice.

The International Accounting Standards Board (IASB) Framework states that assets, liabilities and reserves should be recognised when it is probable that any ‘future’ benefit associated with the item will flow to, or from the entity.

New guidance was issued in March 2014 in LAAP Bulletin 98A “Closure of the 2013-14 Accounts in the Single Entity Financial of Police and Crime Commissioner and Chief Constable”. The Audit Commission also issued an Audit Policy briefing on 28 April setting out the Commission’s view on the “reasonable interpretation” of the application of LAAP 98A to police body accounts.

The Audit Commission’s guidance clarified the minimum requirements which auditors should consider to give their audit opinion. This noted that for the 2012-13 accounts a number of police bodies relied upon a ‘principal and agent’ argument to produce accounts with zero entries for the Chief Constable. The Audit Commission believe that, instead, Police bodies should be making assessments of control so that items of expenditure are shown in the individual accounts of both the Police and Crime Commissioner and the Chief Constable accounts.

Statutory changes and elements of substance over form emphasised in Local Authority Accounting Panel (LAAP) Bulletin 98A and other guidance mean that all the costs of supporting operational policing will now need to be included in the Chief Constable’s accounts. This includes all police staff and other costs incurred in the delivery of operational policing following CIPFA’s conclusion that the Chief Constable is acting as principal in delivering operational policing rather than as an agent of the

PCC and the implication that “the relevant costs of operational policing need be recognised in the Chief Constable’s accounts.”

This represents a change in accounting policy for the Chief Constable to recognise areas where the Chief Constable acts as a Principal on Operational Policing. This requires a prior year adjustment which impacts on the single entity accounts for the PCC and the Chief Constable, but does not impact on the overall position of the Group (other than presentational changes).

## Accounting treatment

This above change means the Chief Constable’s accounts now include a separate balance sheet and Comprehensive Income and Expenditure Statement (CIES). This replaces the Operating Cost Statement produced for 2012-13.

As the Chief Constable is responsible for delivering operational policing, the revised guidance provides for all costs to be included in the CC’s CIES unless there is evidence for clear control by the PCC. On the Balance Sheet, all assets are owned by the PCC and have been accounted for in the PCC’s accounts. Employee Benefit IAS19 balance sheet entries are included in the Chief Constable’s accounts, including pension liabilities and short term accumulated absences such as leave and time off in lieu entitlements, both offset by reserves.

The table below shows the movement through an intra-group account within the respective Balance Sheets during 2013-14 and 2012-13. The reader can see that there were no outstanding intra-group balances at year end, as the Police and Crime Commissioner paid for all the financial resources consumed at the request of the Chief Constable and an intra-group adjustment was made to offset the Chief Constable consumption of resources. Corresponding accounting entries are also found in the PCC’s accounts.

## Accounting entries reflected in the respective Balance Sheets in year and at year end

PCC	2013-14			RESTATED 2012-13		
	PCC £000	CC £000	Group £000	PCC £000	CC £000	Group £000
Opening Balance as at 1 April	0	0	0	0	0	0
PCC Resources consumed at the request of the Chief Constable	(291,534)	291,534	0	(274,827)	274,827	0
PCC Intra-group adjustment	291,534	(291,534)	0	274,827	(274,827)	0
Closing Balance as at 31 March	0	0	0	0	0	0

## Prior Year Adjustments

Three aspects of the Annual Accounts for the Chief Constable include prior year adjustment, for pensions, short term accumulated absences accrued for employee benefits and an internal change to allocation of operational policing income and expenditure. These changes are between the PCC and Chief Constable and do not change the overall Group position (other than presentational aspects).

These accounts reflect only the Chief Constable of Sussex because the Group position is included within separate Annual Accounts for the PCC. The tables below, however, illustrate the impact of prior year adjustments on each individual corporate body and the overall group for ease of reference and wider understanding of differences between figures presented in the 2012-13 financial statements compared with 2013-14.

### 1.1 Pensions

Two aspects of restatement involving pension figures are included in this set of accounts.

#### Recognition of police officer and staff pension costs in the Chief Constable Accounts

Firstly there is a transfer of Pension Liability and related Pension Reserve from the PCC to the Chief Constable. This follows a change in accounting policy by the Group to recognise police officer and

staff pension costs in the Chief Constable's accounts in accordance with IAS19 (Employee benefits). Revised legislation came into effect on 1 April 2013 granting the Chief Constable the same status as Local Authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits and make adjustments between the accounting basis and the funding basis under regulations. As local authorities are tax-raising bodies, they are subject to specific rules as to how tax rates are set in relation to the income and expenses of the authority, these rules may differ substantially from proper accounting practices and the statutory override prevents disruptive effects of changes in accounting practices on tax levels. Prior year figures have also been restated but solely for comparative purposes.

### IAS19 (Employee benefits) Amendments

Secondly a change in accounting policy has resulted from the Code's adoption of the amendments to IAS19; the standard governing retirement costs. There is a new measurement of the net defined benefit liability which now includes the return on plan assets. Administration expenses of pension schemes are also now charged to the cost of services in the Comprehensive Income and Expenditure Statement (CIES) whereas in previous years they were offset against the expected return on assets in the balance sheet.

This amendment was also applied to prior year figures for comparative purposes which resulted in a presentational change of £1.997m within the CIES between the "Cost of Services" line and the "Other Comprehensive Income and Expenditure" line (reducing costs in the Other CIES line and increasing the Interest costs within the Financing and Investment Income and Expenditure line of the CIES surplus/deficit on provision of services. This does not change the overall figure for Total Comprehensive Income and Expenditure, nor does it impact on the Balance Sheet.

### Pensions Prior Year Adjustment - Restatement of the Opening Balance Sheet as at 1 April 2012

	Balance Sheet Liability			Balance Sheet Reserve		
	PCC	CC	GROUP	PCC	CC	GROUP
	£000	£000	£000	£000	£000	£000
Pensions figures previously stated as at 1 April 2012	(1,854,875)	0	(1,854,875)	(1,854,875)	0	(1,854,875)
Adjustment to reclassify pension reserve from PCC to CC	1,854,875	(1,854,875)	0	1,854,875	(1,854,875)	0
<b>Restated Pensions Liability and Reserve as at 1 April 2012</b>	<b>0</b>	<b>(1,854,875)</b>	<b>(1,854,875)</b>	<b>0</b>	<b>(1,854,875)</b>	<b>(1,854,875)</b>

**Pensions Prior Year Adjustment - Restatement of Balance Sheet figures as at 1 April 2013**

	Balance Sheet Liability			Balance Sheet Reserve			Adjustments between Accounting Basis and Funding Basis under Regulations		
	PCC	CC	GROUP	PCC	CC	GROUP	PCC	CC	GROUP
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Pension figures previously stated as at 1 April 2012</b>	(1,854,875)	0	(1,854,875)	(1,854,875)	0	(1,854,875)			
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(144,733)	0	(144,733)	(144,733)	0	(144,733)	144,733	0	144,733
Employer's pensions contributions and direct payments to pensioners payable in the year	61,800	0	61,800	61,800	0	61,800	(61,800)	0	(61,800)
Re-measurement of net defined benefit liability/(asset)	(243,190)	0	(243,190)	(243,190)	0	(243,190)	0	0	0
<b>Pensions figures previously stated as at 1 April 2013</b>	<b>(2,180,998)</b>	<b>0</b>	<b>(2,180,998)</b>	<b>(2,180,998)</b>	<b>0</b>	<b>(2,180,998)</b>	<b>82,933</b>	<b>0</b>	<b>82,933</b>
Adjustment to reclassify pension reserve from PCC to CC	2,180,998	(2,180,998)	0	2,180,998	(2,180,998)	0	(82,933)	82,933	0
<b>Restated Pensions Liability and Reserve as at 1 April 2013</b>	<b>0</b>	<b>(2,180,998)</b>	<b>(2,180,998)</b>	<b>0</b>	<b>(2,180,998)</b>	<b>(2,180,998)</b>	<b>0</b>	<b>82,933</b>	<b>82,933</b>

**Pensions Prior Year Adjustment - Restatement of Income & Expenditure figures for 2012-13**

	Comprehensive Income & Expenditure Statement (CIES) Previously Stated for 2012-13			CIES Adjustment to reclassify Actuarial Re-Measurements			CIES Adjustment to reclassify Pension Liability Movements			Comprehensive Income & Expenditure Statement (CIES) Re-stated for 2012-13		
	PCC	CC	GROUP	PCC	CC	GROUP	PCC	CC	GROUP	PCC	CC	GROUP
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Local Policing Non Distributed Costs	21,395	0	21,395	0	0	0	(21,395)	21,395	0	0	21,395	21,395
	333	0	333	0	0	0	(333)	333	0	0	333	333
<b>Total IAS19 Pensions within CIES Cost of Services</b>	<b>21,728</b>	<b>0</b>	<b>21,728</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,728)</b>	<b>21,728</b>	<b>0</b>	<b>0</b>	<b>21,728</b>	<b>21,728</b>
Pensions interest cost and expected return on pensions assets	86,879	0	86,879	0	1,997	1,997	(86,879)	86,879	0	0	88,876	88,876
<b>Total IAS19 Pensions within CIES Financing &amp; Investment Income and Expenditure</b>	<b>86,879</b>	<b>0</b>	<b>86,879</b>	<b>0</b>	<b>1,997</b>	<b>1,997</b>	<b>(86,879)</b>	<b>86,879</b>	<b>0</b>	<b>0</b>	<b>88,876</b>	<b>88,876</b>
Police Pension Grant	(25,674)	0	(25,674)	0	0	0	25,674	(25,674)	0	0	(25,674)	(25,674)
<b>Total IAS19 Pensions within CIES Taxation and Non-specific Grant Income</b>	<b>(25,674)</b>	<b>0</b>	<b>(25,674)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,674</b>	<b>(25,674)</b>	<b>0</b>	<b>0</b>	<b>(25,674)</b>	<b>(25,674)</b>
Re-measurement of net defined benefit liability/(asset)	243,190	0	243,190		(1,997)	(1,997)	(243,190)	243,190	0	0	241,193	241,193
<b>Total IAS19 Pensions within Other CIES</b>	<b>243,190</b>	<b>0</b>	<b>243,190</b>	<b>0</b>	<b>(1,997)</b>	<b>(1,997)</b>	<b>(243,190)</b>	<b>243,190</b>	<b>0</b>	<b>0</b>	<b>241,193</b>	<b>241,193</b>
<b>Total Impact of Changes to Pensions Accounting on the CIES</b>	<b>326,123</b>	<b>0</b>	<b>326,123</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(326,123)</b>	<b>326,123</b>	<b>0</b>	<b>0</b>	<b>326,123</b>	<b>326,123</b>

## 1.2 Short-term Accumulating Compensated Absences (STACA) Employee Benefits

The following tables illustrate the transfer of Short-term Accumulating Compensated Absences Liability and related Reserve from the PCC to the Chief Constable. This follows a change in accounting policy by the Group to recognise employee benefits in accordance with IAS19. Revised legislation effective from 1 April 2013 grants the Chief Constable the same status as Local Authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits and make adjustments between the accounting basis and the funding basis under regulations. As local authorities are tax-raising bodies, they are subject to specific rules as to how tax rates are set in relation to the income and expenses of the authority, these rules may differ substantially from proper accounting practices and the statutory override prevents disruptive effects of changes in accounting practices on tax levels. Prior year figures have been restated solely for comparative purposes.

### STACA Prior Year Adjustment - Restatement of the Opening Balance Sheet as at 1 April 2012

	Balance Sheet Liability			Balance Sheet Reserve		
	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000
<b>STACA figures previously stated as at 1 April 2012</b>	(2,418)	0	(2,418)	(2,418)	0	(2,418)
Adjustment to reclassify STACA reserve from PCC to CC	2,418	(2,418)	0	2,418	(2,418)	0
<b>Restated STACA Liability and Reserve as at 1 April 2012</b>	0	(2,418)	(2,418)	0	(2,418)	(2,418)

### STACA Prior Year Adjustment - Restatement of Balance Sheet figures as at 1 April 2013

	Balance Sheet Liability			Balance Sheet Reserve			Adjustments between Accounting Basis and Funding Basis under Regulations		
	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000
<b>Pensions figures previously stated as at 1 April 2012</b>	(2,418)	0	(2,418)	(2,418)	0	(2,418)			
Amount by which officer remuneration charged to the CIES on an accruals basis differs to remuneration chargeable in the year in accordance with statutory requirements	1,224		1,224	1,224		1,224	(1,224)	0	(1,224)
<b>STACA figures previously stated as at 1 April 2013</b>	(1,194)	0	(1,194)	(1,194)	0	(1,194)	(1,224)	0	(1,224)
Adjustment to reclassify STACA reserve from PCC to CC	1,194	(1,194)	0	1,194	(1,194)	0	1,224	(1,224)	0
<b>Restated STACA Liability and Reserve as at 1 April 2013</b>	0	(1,194)	(1,194)	0	(1,194)	(1,194)	0	(1,224)	(1,224)

### STACA Prior Year Adjustment - Restatement of Income & Expenditure figures for the 2012-13

	CIES Previously Stated for 2012-13			CIES Adjustment to reclassify STACA Liability Movements			RESTATED CIES for 2012-13		
	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000
<b>IAS19 STACA within CIES Cost of Services</b>	1,224	0	1,224	(1,224)	1,224	0	0	1,224	1,224
<b>Total Impact of Changes to STACA Accounting on the CIES</b>	1,224	0	1,224	(1,224)	1,224	0	0	1,224	1,224

### 1.3 Income and Expenditure related to Operational Policing Delivery

The following table illustrates all adjustments reclassifying operational policing income and expenditure from the PCC to the Chief Constable to restate the Comprehensive Income & Expenditure Account for the year ended 31 March 2013 (including Pension re-measurement adjustments noted above).

This follows an internal change in accounting policy for allocation of income and expenditure between the PCC and Chief Constable. In the 2012-13 accounts, all income was attributed to the PCC and the Chief Constable received intra-group funding to reflect resources consumed at the request of the Chief Constable in the course of providing operational policing. Neither income nor expenditure was recognised in the CIES of the Chief Constable accounts. For the 2013-14 accounts, income associated with operational policing is now attributed to the Chief Constable and thus, the intra group funding from the PCC to the Chief Constable reflects the net cost of providing operational policing after offsetting appropriate income and specific grants. 2012-13 figures are also restated in the following table.

	CIES and Resources Consumed by the CC on behalf of the PCC Previously Stated for 2012-13			CIES Adjustment to reclassify Operational Policing Movements & Pension Re-Measurement Adjustment			RESTATED CIES for 2012-13		
	Net Expenditure			Net Expenditure			Net Expenditure		
	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000
Local Policing	(9,897)	121,450	111,553	9,897	(9,897)	0	0	111,553	111,553
Dealing with the Public	(82)	21,164	21,082	82	(82)	0	0	21,082	21,082
Criminal Justice Arrangements	(4,294)	35,661	31,367	4,294	(4,294)	0	0	31,367	31,367
Road Policing Specialist Operations	(3,058)	14,918	11,860	3,058	(3,058)	0	0	11,860	11,860
Intelligence Specialist Investigations	(14,906)	28,221	13,315	14,906	(14,906)	0	0	13,315	13,315
Investigative Support	(4,144)	18,770	14,626	4,144	(4,144)	0	0	14,626	14,626
	(1,209)	54,675	53,466	1,209	(1,209)	0	0	53,466	53,466
	(38)	7,796	7,758	38	(38)	0	0	7,758	7,758
<b>Sub-total</b>	<b>(37,628)</b>	<b>302,655</b>	<b>265,027</b>	<b>37,628</b>	<b>(37,628)</b>	<b>0</b>	<b>0</b>	<b>265,027</b>	<b>265,027</b>
National Policing	(10,303)	14,600	4,297	10,303	(10,303)	0	0	4,297	4,297
Corporate and Democratic Core	1,294	0	1,294	0	0	0	1,294	0	1,294
Non Distributed Pension Costs	0	333	333	0	0	0	0	333	333
<b>Net cost of policing services</b>	<b>(46,637)</b>	<b>317,588</b>	<b>270,951</b>	<b>47,931</b>	<b>(47,931)</b>	<b>0</b>	<b>1,294</b>	<b>269,657</b>	<b>270,951</b>
Intra-group funding	317,588	(317,588)	0	(42,761)	42,761	0	274,827	(274,827)	0
<b>Net cost of policing services</b>	<b>270,951</b>	<b>0</b>	<b>270,951</b>	<b>5,170</b>	<b>(5,170)</b>	<b>0</b>	<b>276,121</b>	<b>(5,170)</b>	<b>270,951</b>
Other Operating Expenditure	3,038	0	3,038	0	0	0	3,038	0	3,038
Financing and Investment Income and Expenditure	88,055	0	88,055	(86,879)	88,876	1,997	1,176	88,876	90,052
Taxation and Non-Specific Grant Income	(287,151)	0	(287,151)	0	0	0	(287,151)	0	(287,151)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>74,893</b>	<b>0</b>	<b>74,893</b>	<b>(81,709)</b>	<b>83,706</b>	<b>1,997</b>	<b>(6,816)</b>	<b>83,706</b>	<b>76,890</b>
Surplus or deficit on revaluation of fixed assets	(1,077)	0	(1,077)	0	0	0	(1,077)	0	(1,077)
Re-measurement of net defined benefit liability	243,190	0	243,190	(243,190)	241,193	(1,997)	0	241,193	241,193
<b>Other Comprehensive Income and Expenditure</b>	<b>242,113</b>	<b>0</b>	<b>242,113</b>	<b>(243,190)</b>	<b>241,193</b>	<b>(1,997)</b>	<b>(1,077)</b>	<b>241,193</b>	<b>240,116</b>
<b>Total CIES</b>	<b>317,006</b>	<b>0</b>	<b>317,006</b>	<b>(324,899)</b>	<b>324,899</b>	<b>0</b>	<b>(7,893)</b>	<b>324,899</b>	<b>317,006</b>

## 1.4 Effects of accounting policy changes on the Cash Flow Statement

### Prior Year Adjustment - Restatement of Cash Flow Statement figures as at 1 April 2013

Accounting policy changes noted above also impact on the Cash Flow Statement due to changes in the CIES for the net surplus/(deficit) on the provision of services and adjustments to that net surplus/(deficit) for non-cash movements. The table below illustrates all such changes to restate the 2012-13 Cash Flow Statement for comparative purposes.

	Cash Flow Statement Previously Stated for 2012-13			CIES Adjustment to reclassify Operational Policing Movements and Pension Re- Measurement Adjustment			RESTATED Cash Flow Statement for 2012-13		
	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000	PCC £000	CC £000	GROUP £000
Net surplus/(deficit) on the provision of services at 1 April 2013	(74,893)	0	(74,893)	81,709	(83,706)	(1,997)	6,816	(83,706)	(76,890)
Non Cash Adjustments	144,702	0	144,702	(81,709)	83,706	1,997	62,993	83,706	146,699
Investing/financing adjustments	(52,192)	0	(52,192)	0	0	0	(52,192)	0	(52,192)
<b>Net cash flows from Operating Activities</b>	<b>17,617</b>	<b>0</b>	<b>17,617</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,617</b>	<b>0</b>	<b>17,617</b>

## 1.5 Analysis of expenditure for the Police and Crime Commissioner and the Group

### Service expenditure analysis

Within the Net Cost of Policing Services there are nine divisions of service under which expenditure should be analysed to comply with the Service Reporting Code of Practice (SeRCOP) for 2013-14. These figures include an overhead allocation on a consistent basis with other headings in the statement. The nine divisions of service (and the activities which fall within these headings) are listed below.

- i Local policing**
  - Neighbourhood policing
  - Incident (response) management
  - Community liaison
  - Local command team and support overheads
- ii Dealing with the public**
  - Local call centres/front desk
  - Central communications unit
  - Contact management units
- iii Criminal justice arrangements**
  - Custody
  - Criminal justice arrangements
  - Police National Computer (PNC)
  - Civil disclosure/Criminal Records Bureau (CRB)
  - Coroner assistance
  - Fixed penalty scheme (central ticket office)
  - Property officer/stores
- iv Road policing**
  - Traffic units
  - Traffic wardens/police community support officer traffic
  - Vehicle recovery
  - Casualty reduction partnership

- v Specialist operations**
  - Central operations command team and support overheads
  - Air operations
  - Underwater/search/marine support
  - Dogs section
  - Level 1 advanced public order
  - Airport and ports policing unit
  - Firearms unit
  - Civil contingencies

- vi Intelligence**
  - Central intelligence command team and support overheads
  - Intelligence/threat assessments
  - Covert policing

- vii Investigation**
  - Crime support command team and support overheads
  - Major investigation unit
  - Economic crime (including regional asset recovery team)
  - Specialist investigation
  - Serious and organised crime unit
  - Public protection
  - Local Investigation/prisoner processing

- viii Investigative support**
  - Scenes of crime officers
  - External forensic costs
  - Fingerprint/internal forensic costs
  - Photographic image recovery
  - Other forensic services

- ix National policing**
  - Secondments (out of force)
  - Counter-terrorism/Special Branch
  - ACPO projects/initiatives
  - Hosting national services
  - Other national policing requirements

In addition there are two separate headings defined in the SeRCOP (detailed below). These costs are provided for centrally and do not affect the nature and scale of the activities listed above and are therefore accounted for separately in the CIES as part of the Net Cost of Services.

- x Corporate core**

- Corporate Management costs concerns those activities and costs that provide the infrastructure that allows services to be provided and the information that is required for public accountability, for example treasury management and external audit.

- xi Non-distributed costs**

- These costs include the cost of discretionary benefits awarded to employees retiring early, carbon reduction commitment costs and specific impairment losses relating to assets under construction and surplus assets held for disposal. These costs also include any revenue expenditure involved in holding surplus assets.

There were no significant changes to the Service Reporting Code of Practice compared to prior years.

## 2. *Financing and Investment Income and Expenditure*

	2013-14	RESTATED 2012-13
	£000	£000
Pensions interest cost and expected return on pensions assets	98,155	88,876
<b>Total</b>	<b>98,155</b>	<b>88,876</b>

Please see Note 1 regarding restatement of figures for 2012-13

## 3. *Events after the Balance Sheet Date*

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2014. 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 2014, the figures in the financial statements and notes should be adjusted in all material respects to reflect the impact of this information.

### **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 is effective from 1 April 2014 and will apply 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 will transfer 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 will retain 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.

This is a non-adjusting event after the reporting period.

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

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

The accounting practice for the Chief Constable took effect from 1 April 2013. The previous year has been restated solely for comparative purposes.

<b>2013-14</b>	<b>General Fund Balance</b>	<b>Total Usable Reserves</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>			
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
<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
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)
<b>Total Adjustments</b>	<b>102,114</b>	<b>102,114</b>	<b>(102,114)</b>

<b>RESTATED 2012-13</b>	<b>General Fund Balance</b>	<b>Total Usable Reserves</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	146,730	146,730	(146,730)
Employers pension contributions and direct payments to pensioners payable in year	(61,800)	(61,800)	61,800
<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
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	(1,224)	(1,224)	1,224
<b>Total Adjustments</b>	<b>83,706</b>	<b>83,706</b>	<b>(83,706)</b>

Please see Note 1 regarding restatement of figures for 2012-13

#### 5. **Usable Reserves**

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

## 6. Unusable Reserves

	Note	31 March 2014	RESTATED 31 March 2013
		£000	£000
Pensions Reserve	6.1	(2,424,039)	(2,180,998)
Accumulating Absences Account	6.2	(1,390)	(1,194)
<b>Total Unusable Reserves</b>		<b>(2,425,429)</b>	<b>(2,182,192)</b>

Please see Note 1 regarding restatement of figures for 2012-13

### 6.1 Pensions Reserve

The Pensions Reserve reflects the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions [Statutory Instrument No. 2010/454]. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the employer makes contributions to pension funds, or eventual payment of any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	Note	2013-14 £000	RESTATED 2012-13 £000
<b>Balance as at 31 March previously stated</b>		<b>0</b>	<b>0</b>
Reserve reclassification from PCC to CC		(2,180,998)	(1,854,875)
<b>Balance as at 1 April</b>		<b>(2,180,998)</b>	<b>(1,854,875)</b>
Re-measurement of net defined pension benefit liability/(asset)	10	(141,123)	(241,193)
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	4	(165,739)	(146,730)
Employer's pensions contributions and direct payments to pensioners payable in the year	4	63,821	61,800
<b>Balance as at 31 March</b>		<b>(2,424,039)</b>	<b>(2,180,998)</b>

### 6.2 Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment Account reflects the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March each year. Statutory arrangements require that the impact on the General Fund Balance is offset by transfers to or from the Account to mitigate the impact on Council Tax.

	Note	2013-14 £000	RESTATED 2012-13 £000
<b>Balance as at 31 March previously stated</b>		<b>0</b>	<b>0</b>
Reserve reclassification from PCC to CC		(1,194)	(2,418)
<b>Balance at 1 April</b>		<b>(1,194)</b>	<b>(2,418)</b>
Settlement or cancellation of accrual made at the end of the preceding year		1,194	2,418
Amounts accrued at the end of the current year		(1,390)	(1,194)
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	4	(196)	1,224
<b>Balance 31 March</b>		<b>(1,390)</b>	<b>(1,194)</b>

## 7. Related Parties

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

The Chief Executive of the Police and Crime Commissioner for Sussex has written to all Chief Officers of the Chief Constable to collect this information on behalf of the Group. Responses were received from all recipients of the letter and there were no related party transactions for the Chief Constable to disclose for the 2013-14 year.

Central Government has effective control over the general operations of the Chief Constable as it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of funding to the Group. Grants received from Central Government by the Group are set out in the Police and Crime Commissioner for Sussex and Group accounts 2013-14.

## 8. 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 2014	Number of employees 31 March 2013
50,000 - 54,999	168	129
55,000 - 59,999	107	112
60,000 - 64,999	15	29
65,000 - 69,999	17	8
70,000 - 74,999	2	4
75,000 - 79,999	10	13
80,000 - 84,999	3	3
85,000 - 89,999	3	1
90,000 - 94,999	1	4
<b>TOTAL</b>	<b>326</b>	<b>303</b>

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

### Remuneration paid to senior employees during 2013-14:

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

Note i Retired 05-03-14

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

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

Note iv Retired 31-12-2013

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

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

Note vii Leaver 31-01-14

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

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

### Comparative Remuneration paid to senior employees during 2012-13:

Year 2012-13	Salary, fees and allowances	Bonus	Expenses	Employer Pension Contribution	Total Remuneration including Pension contributions	Total
	£000	£000	£000	£000	£000	£000
<b>Police Officers</b>						
Chief Constable (M Richards)	158	0	7	3	168	168
Deputy Chief Constable	136	0	0	30	166	166
Assistant Chief Constable 1	119	0	0	26	145	145
Assistant Chief Constable 2	118	0	2	26	146	146
<b>Police Staff</b>						
Director of Human Resources	114	0	2	16	132	132
Director of Finance	116	0	0	16	132	132
<b>Total</b>	<b>761</b>	<b>0</b>	<b>11</b>	<b>117</b>	<b>889</b>	<b>889</b>

## 9. External Audit Costs

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

	2013-14 £000	2012-13 £000
Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the current year	25	25
<b>Total</b>	<b>25</b>	<b>25</b>

## **10. Pensions**

### **10.1 Police Officers: Non Funded Pension Schemes Accounted for as Defined Contribution Schemes**

As part of the terms and conditions of employment of its officers, Sussex Police offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Chief Constable 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 Chief Constable 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 there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than the amounts receivable, the Chief Constable 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 paid to the Police and Crime Commissioner for Sussex. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Chief Constable which then must repay the amount to central government.

There are currently 3,440 (2012-13: 3,383) pensioners and this number will increase. Police officers are entitled to retire after 30 years service and to receive a pension and a lump sum, which the Chief Constable is obliged, by law, to pay.

Police Pension Scheme calculations for 2013-14 indicate two significant changes that have taken place during the year:

- the total deficit has increased over the year due to falling bond yields;
- the projected pension expense for next year has also risen for the same reason

### **10.2 Police Staff: Funded Defined Benefit Pension Schemes**

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

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

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

The Local Government Pension Scheme is a funded defined benefit final salary scheme, meaning that both the Chief Constable 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. There are 1,398 (2012-13: 1,321) pensioners paid for by the scheme. Police staff

contributions are based on a banding system and range from 5.5% to 7.5% depending on salary levels. Sussex Police contributed a further 15.4% of pensionable pay plus a £1.233m lump sum for the year.

The triennial formal valuation of the Fund was carried out as at 31 March 2013 and Staff Pension Scheme calculations for 2013-14 indicate a benefit from better than expected investment returns.

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

### 10.3 Transactions Relating to Post-employment Benefits

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

However, the costs we are required to charge against grants and local taxation is based on the cash payable in the year. The effect is 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.

### 10.4 Income and Expenditure Relating to Post-employment Benefits

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Police Pension Schemes		Total Pension Schemes	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
<i>Cost of Services:</i>						
• current service costs	11,849	9,360	55,532	48,161	67,381	57,521
• past service costs (including curtailments)	58	140	145	193	203	333
• settlements	0	0	0	0	0	0
<b>Total Defined Benefit Cost Charged to the Service Cost</b>	<b>11,907</b>	<b>9,500</b>	<b>55,677</b>	<b>48,354</b>	<b>67,584</b>	<b>57,854</b>
<i>Financing and Investment Income and Expenditure</i>						
• interest cost on plan assets	(10,590)	(9,583)	0	0	(10,590)	(9,583)
• interest cost on defined benefit obligation	13,252	11,480	95,493	86,979	108,745	98,459
<b>Total Defined Benefit Cost Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>14,569</b>	<b>11,397</b>	<b>151,170</b>	<b>135,333</b>	<b>165,739</b>	<b>146,730</b>
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
• employers' contributions payable to scheme	(9,109)	(9,070)	(54,712)	(52,730)	(63,821)	(61,800)
<b>Total Post Employment Benefit Costs and Employer Contributions Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>5,460</b>	<b>2,327</b>	<b>96,458</b>	<b>82,603</b>	<b>101,918</b>	<b>84,930</b>
<i>Remeasurements of the net defined liability/(asset) charged to Other CIES</i>						
• changes in demographic assumptions	17,744	0	51,872	0	69,616	0
• changes in financial assumptions	(8,553)	36,500	92,523	225,323	83,970	261,823
• other experience	3,005	(250)	(525)	(393)	2,480	(643)
• return on assets excluding amounts included in net interest	(14,943)	(19,987)	0	0	(14,943)	(19,987)
• changes in asset ceiling	0	0	0	0	0	0
<b>Total Remeasurements Charged to Other Comprehensive Income and Expenditure</b>	<b>(2,747)</b>	<b>16,263</b>	<b>143,870</b>	<b>224,930</b>	<b>141,123</b>	<b>241,193</b>
<b>Total Pensions Reserve Movement in Year</b>	<b>2,713</b>	<b>18,590</b>	<b>240,328</b>	<b>307,533</b>	<b>243,041</b>	<b>326,123</b>

The cumulative amount of actuarial re-measurement gains and losses recognised in the CIES to 31 March 2014 is a loss of £0.755bn (2012-13: £0.614bn). 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	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
<ul style="list-style-type: none"> <li>reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code</li> </ul> <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	(14,569)	(11,397)	(151,170)	(135,333)	(165,739)	(146,730)
<ul style="list-style-type: none"> <li>employer contributions</li> </ul>	9,109	9,070	54,712	52,730	63,821	61,800
<b>Total Pensions Adjustments between Accounting and Funding Basis in Year</b>	<b>(5,460)</b>	<b>(2,327)</b>	<b>(96,458)</b>	<b>(82,603)</b>	<b>(101,918)</b>	<b>(84,930)</b>

## 10.5 Assets and Liabilities Relating to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Police Pension Schemes		Total	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
<b>Opening balance at 1 April</b>	<b>290,250</b>	<b>235,950</b>	<b>2,123,188</b>	<b>1,815,655</b>	<b>2,413,438</b>	<b>2,051,605</b>
Current Service Cost	11,849	9,360	55,532	48,161	67,381	57,521
Past Service Cost (including curtailments)	58	140	145	193	203	333
Interest cost	13,252	11,480	95,493	86,979	108,745	98,459
Contributions by scheme participants	3,312	3,320	13,096	12,362	16,408	15,682
Transfers in from and (out to) other Forces	0	0	(527)	(314)	(527)	(314)
Benefits paid	(6,172)	(6,190)	(65,492)	(63,245)	(71,664)	(69,435)
Unfunded pension payments	(60)	(60)	(1,789)	(1,533)	(1,849)	(1,593)
<b>Expected Closing position</b>	<b>312,489</b>	<b>254,000</b>	<b>2,219,646</b>	<b>1,898,258</b>	<b>2,532,135</b>	<b>2,152,258</b>
Remeasurements					0	0
Changes in demographic assumptions	17,744	0	51,872	0	69,616	0
Changes in financial assumptions	(8,553)	36,500	92,523	225,323	83,970	261,823
Other experience changes	3,005	(250)	(525)	(393)	2,480	(643)
<b>Closing balance at 31 March</b>	<b>324,685</b>	<b>290,250</b>	<b>2,363,516</b>	<b>2,123,188</b>	<b>2,688,201</b>	<b>2,413,438</b>
Represented by:						
Present value of funded liabilities	323,723	289,330	2,270,453	2,041,222	2,594,176	2,330,552
Present value of unfunded liabilities	962	920	93,063	81,966	94,025	82,886
<b>Closing balance at 31 March</b>	<b>324,685</b>	<b>290,250</b>	<b>2,363,516</b>	<b>2,123,188</b>	<b>2,688,201</b>	<b>2,413,438</b>

### Reconciliation of fair value of the scheme (plan) assets

Funded liabilities: Local Government Pension Scheme		
	2013-14 £000	2012-13 £000
<b>Opening balance at 1 April</b>	<b>232,440</b>	<b>196,730</b>
Interest income on plan assets	10,590	9,583
Contributions by scheme participants	3,312	3,320
Employer contributions	9,049	9,010
Employer contributions of unfunded benefits	60	60
Benefits paid	(6,172)	(6,190)
Unfunded pension payments	(60)	(60)
<b>Expected Closing position</b>	<b>249,219</b>	<b>212,453</b>
Return on assets excluding amounts included in net interest	14,943	19,987
<b>Closing balance at 31 March</b>	<b>264,162</b>	<b>232,440</b>
Represented by:		
Fair value of employer assets	264,162	232,440
<b>Closing balance at 31 March</b>	<b>264,162</b>	<b>232,440</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed 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.

## 10.6 Scheme History

	Note	2013-14	2012-13	2011-12	2010-11	2009-10
		£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>						
Local Government Pension Scheme		(324,685)	(290,250)	(235,950)	(210,550)	(268,910)
Police Pension Schemes		(2,363,516)	(2,123,188)	(1,815,655)	(1,653,785)	(1,857,889)
Fair value of assets in the Local Government Pension Scheme		264,162	232,440	196,730	184,370	160,490
		<b>(2,424,039)</b>	<b>(2,180,998)</b>	<b>(1,854,875)</b>	<b>(1,679,965)</b>	<b>(1,966,309)</b>
<b>Surplus/(deficit) in the scheme:</b>						
Local Government Pension Scheme		(60,523)	(57,810)	(39,220)	(26,180)	(108,420)
Police Pension Schemes		(2,363,516)	(2,123,188)	(1,815,655)	(1,653,785)	(1,857,889)
<b>Total</b>		<b>(2,424,039)</b>	<b>(2,180,998)</b>	<b>(1,854,875)</b>	<b>(1,679,965)</b>	<b>(1,966,309)</b>

The liabilities show the underlying commitments that the Chief Constable has in the long run to pay post employment (retirement) benefits. The total liability of £2.424bn (2012-13: £2.181bn) has a substantial impact on the net worth of the Chief Constable 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 total employer contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2015 is £9.698m. This projected expense allows for the new LGPS benefit design (CARE), implemented for service from 1 April 2014.

Expected amounts to be charged to Income and Expenditure account for the year to 31 March 2015 in respect of police pensions total £161.989m.

## 10.7 Basis for Estimating Assets and Liabilities

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

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

	Local Government Pension Scheme		Police Pension Schemes	
	2013-14	2012-13	2013-14	2012-13
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	4.3%	4.5%	-	-
Bonds	4.3%	4.5%	-	-
Property	4.3%	4.5%	-	-
Cash	4.3%	4.5%	-	-
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
• Men	24.4 years	22.7 years	29.3 years	28.1 years
• Women	25.8 years	24.2 years	31.5 years	31.0 years
Longevity at 65 for future pensioners:				
• Men	26.9 years	24.3 years	30.9 years	29.7 years
• Women	28.5 years	26.4 years	33.0 years	32.5 years
Rate of inflation	2.8%	2.8%	3.7%	3.6%
Rate of increase in salaries	4.1%	5.1%	3.9%	3.8%
Rate of increase in pensions	2.8%	2.8%	2.9%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%	4.3%	4.5%
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 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 2013 £000	31 March 2014 %	31 March 2013 £000	31 March 2013 %
<b>Equity Securities:</b>				
Consumer	44,464	17%	34,177	15%
Manufacturing	23,650	9%	18,418	8%
Energy and Utilities	13,617	5%	12,502	5%
Financial Institutions	41,126	16%	23,007	10%
Health and Care	18,283	7%	12,959	6%
Information Technology	30,925	12%	19,488	8%
Other	7,167	3%	4,173	2%
<b>Debt Securities:</b>				
UK Government	6,656	2%	8,631	4%
<b>Private Equity:</b>				
All	16,088	6%	15,571	7%
<b>Real Estate:</b>				
UK Property	20,589	8%	17,602	8%
Overseas Property	591	0%	559	0%
<b>Investment Funds and Unit Trusts:</b>				
Equities	0	0%	33,001	14%
Bonds	23,744	9%	24,386	10%
Other	11,587	4%	4,435	2%
<b>Cash &amp; Cash Equivalents:</b>				
All	5,675	2%	3,531	1%
	<b>264,162</b>	<b>100%</b>	<b>232,440</b>	<b>100%</b>

## 10.8 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2013-14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014.

### Local Government Pension Scheme

	2013-14	2012-13	2011-12	2010-11	2009-10
Differences between the expected and actual return on assets	5.7	8.6	(3.4)	2.4	23.5
Experience gains and (losses) on liabilities	(0.9)	0.1	(0.8)	13.0	0.0

### Police Pension Scheme

	2013-14	2012-13	2011-12	2010-11	2009-10
Experience gains and (losses) on liabilities	%	%	%	%	%
Old Scheme (PPS)	0.02%	0.0%	1.5%	2.4	0.9
New Scheme (NPPS)	(0.01%)	0.0%	6.3%	2.3	(0.2)

## 10.9 Adjustment to Prior year Accounts for Staff Pensions

The Annual Accounts are adjusted for pension figures provided within the Actuarial Valuation for IAS19 purposes prepared by Hymans Robertson, an independent firm of actuaries. IAS19 is the International Accounting Standard relating to Employee Benefits and the latest version of IAS19 was last amended on 16 June 2011.

This amendment included changes to IAS19 that took effect from 1 January 2013 for accounting periods ending on or after 31 December 2013. The actuary reports include revised comparatives to restate the interest on plan assets and the actuarial gain and loss on assets for 2012-13 which have also been included in the 2013-14 accounts for comparative purposes only. This resulted in a presentational change of £1.997m within the Comprehensive Income and Expenditure Statement (CIES) between the "Cost of Services" line and the "Other Comprehensive Income and Expenditure" line (reducing costs in the Other CIES line and increasing the Interest costs within the Financing and Investment Income and Expenditure line of the CIES surplus/deficit on provision of services).

These changes did not have any impact on the Police Pension figures because the Police Schemes are unfunded (there are no assets for the Police Schemes). Please see Note 1 regarding all restatements of figures for 2012-13.

## 11. Amounts Reported for Resource Allocation Decisions

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

Description	2013-14	RESTATED 2012-13
	£000	£000
<i>Employee costs:</i>		
Police Officers	152,137	155,055
Police Staff	63,885	62,960
PCSO's	9,953	9,565
Other Employee Costs	3,515	3,828
<b>Total Employees</b>	<b>229,490</b>	<b>231,408</b>
<b>Total Buildings &amp; Premises</b>	<b>11,825</b>	<b>10,708</b>
<b>Total Transport</b>	<b>10,308</b>	<b>6,695</b>
IT & Communications	8,043	7,668
Telephone and Airwave	4,786	2,516
External Fees (Inc PFI)	11,790	11,709
Other	9,189	6,720
<b>Total Supplies &amp; Services</b>	<b>33,808</b>	<b>28,613</b>
<b>Other Expenditure</b>	<b>3,510</b>	<b>9,715</b>
<b>Ill Health &amp; Injury Pension</b>	<b>2,422</b>	<b>2,367</b>
<b>Gross Expenditure</b>	<b>291,363</b>	<b>289,506</b>
<b>Total Income</b>	<b>(41,609)</b>	<b>(47,647)</b>
<b>Net Expenditure</b>	<b>249,754</b>	<b>241,859</b>

### Reconciliation of Outturn from Budget report to Statement of Accounts

This reconciliation shows how the figures in the budget report detailing the management accounting outturn underspend position relate to the final position after year end adjustments for the year ended 31 March 2014

	2013-14 £000
<b>Police Funding (income budget)</b>	<b>(254,602)</b>
<b>Net Expenditure per Outturn report</b>	<b>249,754</b>
<b>Underspend per Outturn report</b>	<b>(4,848)</b>
Capital project income and expenditure reclassified as revenue due to failure to meet criteria to capitalise	3,842
MRP under budgeted	326
Insurance adjustments per actuarial recommendations	701
Finance lease nominal interest	(54)
PFI Finance lease nominal repayment	(496)
Intra-group Adjustment from CC to PCC	529
<b>Final Revised Underspend Transferred to Reserves</b>	<b>0</b>

## 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 2014.

	£000
<b>Operational Delivery Net Expenditure – per Management accounts 2013-14</b>	<b>249,754</b>
<i>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</i>	
Use of Reserves	198
Financial year end adjustments	3,248
<i>Amounts in the CIES not in the budget report:</i>	
Asset depreciation & amortisation	8,367
Pensions	33,926
<b>Net Cost of Services per CIES before Intra-group adjustments</b>	<b>295,493</b>
Intra-group adjustment from CC to PCC for resources consumed at the request of the Chief Constable	(291,534)
<b>Net Cost of Services per Chief Constable CIES</b>	<b>3,959</b>
Financing and Investment Income and Expenditure	98,155
<b>Deficit on Provision of Services per Chief Constable CIES</b>	<b>102,114</b>

## 12. Accounting Policies

### 12.1 General Principles

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom 2013-14 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2011 and the Service Reporting Code of Practice for Local Authorities 2013-14 (SeRCOP). The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

The accounts have been prepared on a going concern basis using an historic cost convention, modified to account for the revaluation of certain categories of non current assets and financial liabilities.

The Police Reform and Social Responsibility Act 2011 created with two “corporation sole” bodies, the Police and Crime Commissioner for Sussex (PCC) and the Chief Constable (CC). Both bodies are required to prepare separate Statement of Accounts.

The accounting policies below also reflect the powers and responsibilities of the Chief Constable as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012.

The term “Group” is used to indicate individual transactions and policies of the Police and Crime Commissioner for Sussex and Chief Constable of Sussex for the year ended 31 March 2014. Identification of the Police and Crime Commissioner for Sussex as the holding organisation and the requirement to produce group accounts arises from the powers and responsibilities of the Police and Crime Commissioner under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies that have been reviewed and adopted as appropriate, are set out below.

## **12.2 Revenue and expenditure recognition**

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed. 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.

## **12.3 Accruals of Income & Expenditure**

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

- Supplies are recorded as expenditure when they are consumed
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Short term compensated absences - These are periods during which an employee does not provide services to the employer, but employee benefits continue to be earned (such as periods of annual leave and rest days). Short term accumulated absences are recognised in the period in which officers or police staff render the service which entitles them to the benefit, not necessarily when they enjoy the benefit. The cost of leave earned, but not taken by police officers and staff at the end of the financial year is recognised in the financial statements of the Police and Crime Commissioner for Sussex and the Chief Constable to the extent that staff are entitled to carry forward leave into the following year.

## **12.4 Provisions**

Provisions are made where an event has taken place that gives 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. Any revenue charge for provisions is reflected in the CIES of the Chief Constable accounts. Thus payments in the Chief Constable accounts are charged to the provisions set up in the Group Balance Sheet. Estimated provisions are reviewed at the end of each financial year. Where it is likely that provisions made in a previous year will not be required, the relevant amount is reversed in the accounts of the Chief Constable.

## **12.5 Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits. The financial consequences of these benefits are recognised in the Chief Constable accounts in the year in which the employee renders service to the Chief Constable. IAS19 (Employee Benefits) requires the Chief Constable to account for short-term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are untaken by 31 March.

### **Termination Benefits**

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

## Post Employment Benefits (including pensions)

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

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

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

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

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

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

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

Police Staff are eligible to join the Local Government Pension Scheme (LGPS) administered by West Sussex County Council. This is a funded scheme. In 2013-14 the Chief Constable paid an employer's contribution representing 15.4% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years.

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

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

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

- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **expected return on assets** - the attributable annual investment return on the fund assets , based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **gains or losses on settlements and curtailments** - the result of actions to relieve the Police and Crime Commissioner of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- **contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

## 12.6 Events after the Date of Authorisation of the Balance Sheet

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue (30 June 2014) are not reflected in the Statement of Accounts.

## 12.7 VAT

The Chief Constable does not submit a separate VAT return. The Police and Crime Commissioner for Sussex submits a single VAT return on behalf of the Group. Income and expenditure in the Chief Constable accounts excludes any amounts relating to VAT as all VAT is remitted to/from Her Majesty's Revenue & Customs.

### **13. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code for 2013-14 noted future accounting policy changes will need to be reported in relation to the following accounting standards;

- IFRS 13 *Fair Value Measurement* (May 2011)
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- Annual Improvements to IFRS's 2009 – 2011 Cycle.

The above amendments may lead to additional disclosure requirements 2014-15, however, it is considered unlikely that the above amendments will have a material impact on the financial statements of the Chief Constable.

### **14. Critical Estimates and Judgements in Applying Accounting Policies**

The preparation of the financial statements requires the Chief Constable to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- Calculating employee benefit accruals e.g. unused holiday, this is based on staff time records and an average cost for each grade;
- Costs of pension arrangements require estimates assessed by an independent qualified actuary regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Chief Constable as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population (see Note 10 for details of the pension schemes in place for police officers and staff, see also page 51 for the Police Pension Fund Account Statements)
- A judgement has been made of the expenditure allocated between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. The basis adopted for this allocation was determined in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach, interest parties, including senior management in both corporate bodies were consulted and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance.
- A judgement has been made to include the accounting for all the staff pension liability and reserve movements within the Chief Constable's accounts, including those elements that relate to staff employed within the Office of the Police and Crime Commissioner. This decision was made on the grounds of materiality as estimation of the PCC elements on a pro rata basis would give less than half of one percent of either the full LGPS liability or the PCC Balance Sheet total. Omission of PCC staff pension adjustments from the PCC accounts and/or overstatement of the same figures within the Chief Constable accounts is not considered likely to influence decisions or assessments

of users made on the basis of the Financial Statements. This is not therefore considered a material misstatement.

- It has been judged that all working capital is attributable to the Police and Crime Commissioner. The PCC controls the treasury management function and all bank accounts, therefore no working capital balances (cash, current debtors and liabilities) are recognised in the Chief Constable's Balance Sheet.

## **Actuarial Assumptions**

### **Pensions**

The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Police and Crime Commissioner's actuaries, Hymans Robertson. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment) can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in Note 10.

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 different to those adopted for the disclosures are 31 March 2013 (suggesting improvements in line with 80% the medium cohort subject to a 10 year time lag and a 1% p.a. underpin).

### **Insurance**

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

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

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

The items in the Chief Constable's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (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 £38.88m. However, the assumptions interact in complex ways. During 2013-14, the Chief Constable's actuaries advised that the net pension liability had increased in total by £141.12m as a result of revised actuarial assumptions).
<b>Pensions Costs</b>	There are two pension schemes for police officers, the 2006 Police Officer Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both of which are unfunded, defined benefit schemes. An unfunded scheme treated as a defined benefit scheme has no investment assets to meet its pension liability the Chief Constable must generate cash to meet the actual pension payments as they fall due.	The benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office (£30.16m for 2013-14) to the PCC. Further details of the schemes can be found in the Police Officer Pension Fund Accounts on pages 51 to 53.

## Police Pension Fund Account Statements as at 31 March 2014

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 standalone 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 2014		As at March 2013	
	£000	£000	£000	£000
<b>Contributions Receivable</b>				
From Employer:				
- Normal	(24,246)		(25,097)	
- Early Retirements	(576)		(739)	
From Members	(13,127)		(12,364)	
		<b>(37,949)</b>		<b>(38,200)</b>
<b>Transfers In</b>				
Individual Transfers in From Other Schemes		(73)		(247)
<b>Total Inflows</b>		<b>(38,022)</b>		<b>(38,447)</b>
<b>Benefits Payable</b>				
Pensions	56,505		54,764	
Commutations and Lump Sums	10,968		8,751	
Lump Sum Death Benefits	91		75	
		<b>67,564</b>		<b>63,590</b>
<b>Payments To and On Account of Leavers</b>				
Refund of Contributions	0		12	
Individual Transfers Out To Other Schemes	621		519	
		<b>621</b>		<b>531</b>
<b>Total Outflows</b>		<b>68,185</b>		<b>64,121</b>
<b>Net amount payable for the year transfer from the Group of an amount equal to the deficit</b>		<b>30,163</b>		<b>25,674</b>
Additional contribution from the Group to fund the deficit for the year *		<b>(30,163)</b>		<b>(25,674)</b>
<b>Net Amount Payable for the Year</b>		<b>0</b>		<b>0</b>

\* 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	2013-14	2012-13
	£000	£000
<b>Current Assets:</b>		
Contributions due from the PCC	0	0
Recoverable overpayments of pensions	0	0
<b>Current Liabilities:</b>		
Unpaid pensions benefits	0	0
Surplus for the year owing to the PCC	0	0
<b>Net Assets / (Liabilities)</b>	<b>0</b>	<b>0</b>

## Police Pension Funds - Notes

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### 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 2013/14 based on International Financial Reporting Standards IAS19. 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 Police and Crime Commissioner for Sussex makes an employer's contribution of 24.2% of pensionable pay. Employee's and Employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The Police Pension scheme has no assets to cover its liabilities, therefore the total payments to pensioners in any year must be paid for by current officer and employer contributions.

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

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

Liabilities to pay future pension benefits have been disclosed separately at Note 10 in accordance with IAS 19 'Employee Benefits'.

The New Police Pension Scheme (NPPS) applies to any new police entrant who joins the service on or after 6 April 2006, 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

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

### **Accrual**

An accrual is a liability to pay for goods and services that have been received or supplied for which an invoice has not yet been paid.

### **Accrued Income**

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

### **Code**

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (The Code) and the Service Reporting Code of Practice 2013-14, 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](http://www.cipfa.org.uk).

### **Current service cost of Pensions**

The cost of retirement benefits is recognised in the net cost of services in the Income & Expenditure Account when they are earned by employees – “current service cost”. The current service cost of pensions is defined as the increase in liabilities arising from service during the year. This means pensions costs will be recognised in the year in which they are incurred, with the contributions being treated as a cash flow item as they are made.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy is one of the professional accountancy bodies in the U.K. 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](http://www.cipfa.org.uk).

### **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.

### **Provision**

Sums set aside to meet future liabilities or losses that are likely to arise in the future but are uncertain.

### **Revenue Budget**

The Revenue Budget represents the estimated annual income and expenditure requirements based on of the Police and Crime Plan and the Chief Constables Operational Delivery Plan. This provides the basis of the annual precept to be levied on collection funds.

### **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](http://www.cipfa.org.uk).



**Sussex Police**  
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[www.sussex-pcc.gov.uk](http://www.sussex-pcc.gov.uk) and [sussex.police.uk](http://sussex.police.uk)