



THE CHIEF CONSTABLE OF SUSSEX

# Statement of Accounts 2017/18



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## Chief Constable of Sussex

Officers of the Chief Constable of Sussex from 1 April 2017:

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Chief Constable  
Sussex Police Headquarters  
Lewes BN7 2DZ

Mr Peter Gillett CPFA

Director of Finance  
Sussex Police Headquarters  
Lewes BN7 2DZ

## Chief Constable's Command Team

Deputy Chief Constable  
Assistant Chief Constable – Local Policing  
Assistant Chief Constable - Operations  
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**Sussex Police**

**This document is available in large print**

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## Preface

### **Giles York – Chief Constable of Sussex**

I am delighted to have the opportunity to introduce the Statement of Accounts for Sussex Police in line with the faster close deadlines for 2017/18.

Sussex Police Force serves East and West Sussex and the city of Brighton & Hove - an area of 3,780 square kilometres. The resident population of 1.66 million increases significantly with visitors, holidaymakers, students, seasonal workers and the 43 million passengers who travel through Gatwick Airport every year.

Urban areas, with their day and night-time economies and more sparsely populated rural areas, present contrasting policing challenges from alcohol and drug related crime to wildlife crime.

Already a low-cost Force, the Force has made savings of £93m between 2010 and 2017 through reductions and efficiencies. The Force continues to systematically transform its operation - a new, flexible local policing approach was implemented during the 2017/18 year - embedding consistent and professional practice that is ethically based and informed by experience.

Since 2016 we have seen continuing increases in certain crime types including domestic abuse and serious sexual offences. We are always heartened to see victims' increased confidence in reporting crimes, whilst we are aware that some crimes can be challenging to investigate, particularly historic crimes. Investment in public protection and safeguarding is continuing to tackle the changing crime landscape.

Sussex Police works ever more closely with other police forces, emergency services and academic institutions. Sussex, Surrey, Hampshire & Thames Valley Police are partners in the South East Regional Integrated Policing (SERIP) programme, an ambitious regional programme to converge key policing, business functions and technology systems across the four forces, following support from the government Police Transformation Fund.

Sharing resources and systems, increasing collaboration and working innovatively is essential to enhance our capacity and capabilities to tackle emerging crime threats such as child sexual exploitation and cyber-crime.

As at 31 March the Force has 2,578 police officers and 1,811 police staff, 203 police community support officers (PCSO) and a team of dedicated volunteers that includes over 212 special constables and around 180 police cadets.

The Annual Financial statements are often seen by many as a technical document – however this is probably the most important information that is available to the public as to how the Force is conducting its financial business on behalf of local residents.

This statutory document provides information on the cost of services provided by Sussex Police, detailing how those services were financed. It also provides information on the value of our assets (what we own), what we are owed and the value of our liabilities (what we owe). A complete listing of terminology used in the accounts can be found in the Glossary at page 88 and a summary narrative on the year's financial performance is included below.

Giles York,  
Chief Constable

## Narrative Report

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

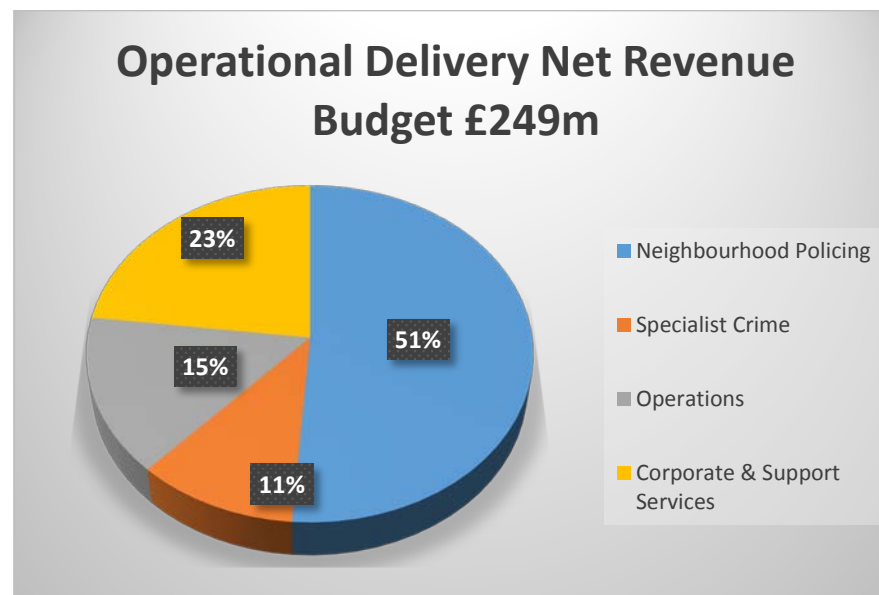
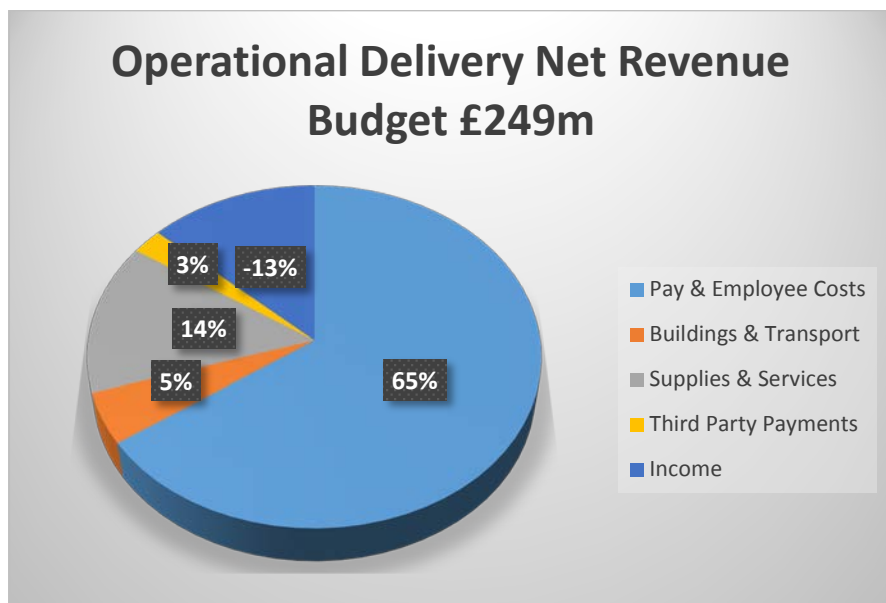
The Chief Constable delivers the operational policing against a delivery plan and net budget approved by the Police and Crime Commissioner (PCC). For 2017/18 the original approved revenue budget was £251.171m (to meet running costs) and original approved capital budget was £18.462m (for major schemes and projects). The Chief Constable's revenue budget for running costs is referred to as the Operational Delivery Budget.

The revenue budget for 2017/18 included all pay and inflationary costs plus new investment of £4.2m in police services directed to Community Priority Crime, Specialist Firearms, Public Protection Investigators and Expert Youth Teams. The revenue budget also incorporated a savings plan to achieve £11.262m from efficiencies and other measures.

During the year a number of budget changes (also known as virements) were made within the total police fund budgets, including transfers between the Chief Constable and PCC budgets and transfers to and from reserves.

Following all budget transfers, the final revised Operational Delivery Budget for the Chief Constable in 2017/18 was £248.526m and the total final revised capital budget for the group was £26.142m.

A summary of the revenue budget by main types of subjective expenditure and policing types of expenditure are shown below.



The capital budget included planned expenditure and receipts from sales in line with the Estates Strategy, improvements to IT Infrastructure, replacement programmes for fleet and operational equipment and major projects including digital policing.

## Chief Constable's Budget - Financial Performance 2017/18

### Operational Delivery Budget

The operational delivery underspend of £2.3m primarily occurred as a result of over-achieved savings and additional income although the total impact of that was offset by overspend on police officer budgets.

A total employee related variance of £7.4m included overspends on police officer and staff budgets of £6.3m alongside additional restructure and training costs of £1.1m as a result of the change and transformation programme.

The overspend for police officer pay budgets of £6.8m reflects the reduction of budgets to meet the in-year savings but with the physical number of officers reducing at a slower rate to maintain a policing level and support on-going change programmes. This is in line with revised workforce plans and future growth/investment plans as approved in the budget and the Medium Term Financial Strategy (MTFS) following approval of the precept increase for 2018/19.

### **Change Programme**

The multi-year change programme has continued to deliver complex transformation across the force – delivering savings of £16.8m in 2017/18. This was £5.5m over and above the target of £11.3m therefore also covering unachieved savings of £2.2m brought forward from the previous year (2016/17).

### **Additional Income**

The force achieved additional income of £2.4m in excess of budget during the year. Sussex Police income is primarily obtained through service agreements (e.g. Gatwick Airport), charging for key events (e.g. football matches), partnerships, vehicle recoveries and secondment/mutual aid reimbursement.

### **Investment in Services**

Additional revenue investment of £4.2m was approved as part of the 2017/18 budget, as a result of the increased precept approved by the Police and Crime Commissioner. This investment was directed to Community Priority Crime (£1.030m), Specialist Firearms (£1.000m), Public Protection Investigators (£1.250m) and Expert Youth Teams (£0.920m).

### **Application of underspend**

The 2017/18 underspend of £2.3m will be used in accordance with the approved Medium Term Financial Strategy and 2018/19 budget.

The Chief Constable proposed to carry forward a total of £0.750m to fund additional investments in building and premises projects already in flight, which are expected to be completed during 2018/19.

An update to the MTFS will also be undertaken to update the planning assumptions based on the 2017/18 financial results, in line with good practice.

## Revenue Expenditure

Throughout 2017/18 the Chief Constable's revenue budget was subject to regular monitoring. Each quarter they were also consolidated with the Police and Crime Commissioner's budgets to consider the group position. These quarterly updates include a review of budgets and spending forecasts for both revenue and capital expenditure and also include consideration of certain other key financial items such as capital control limits. These controls will be enhanced further during 2018/19.

Full details of the financial performance against budget can be found in the PCC outturn report for 2017/18, available on the PCC website - [www.sussex-pcc.gov.uk](http://www.sussex-pcc.gov.uk)

The Chief Constable incurred net revenue expenditure of £246m in 2017/18 compared with the final revised budget of £249m. The tables below show the net expenditure on the Operational Delivery Budget by main cost and service types.

### Operational Delivery Budget - Revenue Budget Performance 2017/18

	Outturn		
	Actual £'000	Budget £'000	Variance £'000
Employees	228,114	220,752	7,362
Premises	11,006	11,970	(964)
Transport	4,335	4,302	33
Supplies & Services	40,351	42,512	(2,161)
Third Party Payments	9,433	8,081	1,352
Savings	0	5,494	(5,494)
<b>TOTAL EXPENDITURE</b>	<b>293,239</b>	<b>293,111</b>	<b>128</b>
Grants	(20,163)	(20,869)	706
Local Government/Partnership Funding	(1,947)	(2,095)	148
Sales, Fees Charges & Rents	(5,167)	(3,727)	(1,440)
Special Police Services	(14,707)	(14,086)	(621)
Reimbursed Services	(2,346)	(1,673)	(673)
Secondments & Mutual Aid	(2,680)	(2,135)	(545)
<b>TOTAL INCOME</b>	<b>(47,010)</b>	<b>(44,585)</b>	<b>(2,425)</b>
<b>Net Operational Delivery Expenditure</b>	<b>246,229</b>	<b>248,526</b>	<b>(2,297)</b>

The variance of £2.3m under budget was due to the majority of budget holders spending less than their delegated budgets during the year. Factors contributing to underspend include:

*Significant areas of underspend and/or overachieved income:*

- Overachievement of savings against target (£5.5m)
- Injury and ill health pensions below expectation (£0.6m)
- Other employee expenses below expectation related to apprentice levy (£0.3m)
- One off slippage cost in respect of building refurbishment programme at HQ (£1m)
- Supplies & services underspend (£2.2m) including lower outsource costs for Digital Forensics (£0.4m)
- Additional income from buildings and transport (£1.2m)
- Additional income from partnership funding (£0.6m)

*Significant areas of overspend:*

- Restructure costs (£1.1m)
- Police officer pay (£6.8m)
- Police staff pay (£0.4m)
- Third party payments (£1.4m) including external services and the South East Regional Integration Programme (£1.1m)

## **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement (CIES) measures the financial performance for the year in terms of resources consumed over the last twelve months and the funding provided to finance these resources. The accounting basis used to prepare the CIES is different to the statutory basis used to calculate net expenditure funded from Home Office grants and local taxation. The CIES includes all net expenditure funded from grant and taxation plus notional (non-cash) amounts that are required by accounting regulations e.g. depreciation and changes in the value of property assets, interest charges on leased assets, and calculations of movements in police officer and police staff pension liabilities.

Note 8 to these accounts provide a reconciliation of the outturn position reported to the Chief Constable and the Police and Crime Commissioner and the position reported in the CIES. A summary of this reconciliation below shows how the figures in the analysis of budget portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

<b>Final Chief Constable Income and Expenditure Position</b>	<b>2017/18 £m</b>	<b>2016/17 £m</b>
<b>Chief Constable position surplus for the year</b>	<b>(2.3)</b>	<b>(5.1)</b>
Surplus transfer to Reserves	2.3	5.1
<b>Chief Constable position after surplus transfer to Reserves</b>	<b>0</b>	<b>0</b>
Adjustments between accounting & funding basis under regulations (Note 5 to the Accounts):		
Pension amounts relating to retirement benefits charged to the CIES	166.3	147.0
Pension employer contributions and payments payable to pensioners in year	(75.4)	(74.1)
Accumulated Absences accrual	(0.0)	0.1
<b>Deficit on Provision of Services per Comprehensive Income and Expenditure Statement</b>	<b>90.9</b>	<b>73.0</b>
Pension re-measurements	50.7	393.8
<b>Total Comprehensive Income and Expenditure Deficit per Financial Statements</b>	<b>141.6</b>	<b>466.8</b>

For the 2017/18 financial year the value of notional (non-cash) items are significant. They include:

- non-cash items required to be included in statutory accounts but not funded from local taxation including in year pensions costs on an actuarial basis rather than cash basis (£90.9m); and accumulated annual leave not taken by year end; and
- an increase on the pension liability of £142m based on actuarial assessment.

The overall change in pension liabilities reflected in the CIES and balance sheet is £142m, including the in-year actuarial pension costs and change in long term liabilities.

Pension liabilities can vary from year to year and have the most significant impact on the statutory accounts. The actuarial assessment each year reflects changes in market conditions, bond yields, assumed rates of increase of salaries and deferred pension, all of these can have a significant effect on the value of liabilities reported. Actuarial assumptions are determined on a 'best estimate' basis although there are risks and uncertainties associated with whatever assumptions are adopted because they are in effect projections of future investment returns and demographics many years into the future so there is inevitably a great deal of uncertainty.

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

### **Capital Expenditure Budget**

The capital and investment programme is designed to support business enablement and change projects to promote new ways of working and efficient use of resources. Current investment plans include provision for the approved estates strategy, fleet replacement programme and in-car technology development, ICT infrastructure and improvement plans, further development of mobile policing and implementation of a new finance and HR system via the new Enterprise Resource Planning (ERP) system for Sussex, Surrey and Thames Valley Police.

The Estates strategy seeks to provide an estate that supports and improves the delivery of policing services for the public in an affordable and cost-effective way. This continues to identify opportunity to rationalise the estate, and reduce running costs, by providing efficient and affordable buildings shared with partners. The Strategy focuses on continued delivery of these properties in East Sussex, with a new tranche of shared co-located premises, in some significant new build properties in West Sussex. This is alongside Sussex Police investment in key freehold owned hubs, to enable officers and staff to work from dedicated buildings in a flexible manner across the estate, and offsite or within the community. This investment is underpinned by identifying potential surplus sites to generate capital receipts, and ongoing revenue income through commercial lease.

The IT strategy transforms the way we make use of technology to enhance day to day activity e.g. mobile policing and body worn video capability facilitates public facing interaction and efficiencies, central computer systems accessible from all sites across the Force support all staff by retaining individual profiles and facilitating flexibility.

Evolving technologies with vehicles and related equipment will reduce the whole life costs of vehicles including fuel and maintenance costs and reducing CO2 emissions, in-car technology will also better support the policing priorities.

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 the 2017/18 Capital and Investment Projects was £18.5m. This was 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 £26.14m. Actual expenditure for the year against this budget was £22.80m as set out below.

### Capital Budget Outturn 2017/18

	Actual	Revised Budget	Variance over/ (under)spend	
	£m	£m	£m	%
IT Strategy	2.585	3.807	(1.222)	(32%)
Fleet Strategy	4.482	4.408	0.074	2%
Estates Strategy	7.800	7.868	(0.068)	(1%)
Emergency Services Network (ESN)	0.425	2.355	(1.930)	(82%)
Video Enabled Justice	0.217	0.283	(0.066)	(23%)
Digital Policing	3.487	4.155	(0.668)	(16%)
Operational Investments	3.804	3.266	0.538	16%
<b>Total</b>	<b>22.800</b>	<b>26.142</b>	<b>(3.342)</b>	<b>(13%)</b>
Net Carry Forward Requests			(2.9)	

Actual expenditure for the year was £3.3m less than planned due to:

- IT strategy underspend of £1.2m on various projects arose as resources were focused on upgrading the infrastructure and networks across the Sussex estate; and
- Emergency Services Network (ESN) is a national project to implement the replacement of airwave communications, underspend of £1.9m occurred in 2017/18 and is likely to continue due to the delay in the rollout of this national project.

Of the total actual spend of £22.80m, £12.25m met the criteria for assets to be capitalised in the accounts, the remaining £10.55m is therefore included in the Chief Constable's revenue accounts.

A total of £2.9m of capital underspend will be carried forward to 2017/18 to enable the delivery of projects as follows:

Scheme	Amount £'000
IT Strategy	471
Sussex Safer Roads Partnership	233
Operations Department	180
Communications Department	89
Emergency Services Mobile Network	1,930
<b>TOTAL</b>	<b>2,903</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 2018 £m	31 March 2017 £m	Movement £m
Current Liabilities	(1.4)	(1.4)	0.1
Long Term Liabilities	(3,066.8)	(2,925.2)	(141.6)
<b>Net Liabilities</b>	<b>(3,068.2)</b>	<b>(2,926.6)</b>	<b>(141.5)</b>
<b>Financed by</b>			
Usable Reserves	0.0	0.0	0.0
Unusable Reserves	3,068.2	2,926.6	141.5
<b>Total Reserves</b>	<b>3,068.2</b>	<b>2,926.6</b>	<b>141.5</b>

## **Movement between years**

The movement between years was £141.5m. This is predominantly due to the increase in the long term pension liability of £141.6m as a result of the annual actuarial review and changes in assumptions used to estimate future pension costs (due to decreasing bond yields and higher projected pension costs).

The only other minor movement relates to the Accumulated Absences accrual provision.

## **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 £141.6m to £3,067m compared with the previous year liability of £2,925m, and has a substantial impact on the net worth of the legal entity of the Chief Constable. The police pension scheme has the significantly higher share of the deficit at £3,002m. 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 realise 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 Strategy (MTFS)**

The Medium term financial strategy includes the force's approach to efficiency, demand management, investment in priorities and capital investment.

The Police and Crime Commissioner and the Chief Constable continue to operate in a challenging financial and operational environment. In preparing annual budget proposals an assessment is made on the implications of the commitments set out in the budget, on-going levels of grant funding and potential new commitments and cost pressures. The MTFS and planning assumptions are set out in the budget report (February 2018). This is available to view and download on the Police and Crime Commissioner for Sussex website <https://www.sussex-pcc.gov.uk/about/transparency/pcc-decisions/decisions/0042018-approval-of-the-medium-term-financial-strategy-mtfs-201819-to-202122/>

The MTFS provides options for delivering a sustainable revenue budget and capital investment over the medium term. It also sets out how the PCC can provide the Chief Constable with the resources to deliver the priorities in the Police & Crime Plan 2018/19 to 2021/22, support the mission, vision and values of Sussex Police and meet the requirements of the Strategic Policing Requirement within challenging financial boundaries.

The Comprehensive Spending Review and subsequent Home Office funding announcements since November 2015 indicate a protection of police funding until 2020. For individual police forces this translated into a cash freeze in core funding – Home Office grant and local taxation (assuming the maximum increase allowed each year). The Home Office police grant settlement for 2018/19 confirmed a flat cash grant settlement – this will not provide any additional core grant resources but it did enable all PCCs to raise additional funds from local taxation. In 2018/19 all PCCs were allowed to increase Band D precept by as much as £12 and for Sussex Police this provided an overall increase in funding for next year of 3.5%. This pattern of grant funding is expected to continue for the next three years to 2021 but council tax increases are subject to annual approval by PCC and have not been assumed in budget planning to date.

Sussex Police continues to face cost pressures and demands over the four year period of the MTFS. This includes the cost of pay awards and increments, increases in employers national insurance, pensions costs and inflationary pressures and operational demands re counter terrorism, local policing and public protection and public and partner organisations expectations for greater digitalisation of policing.

It is estimated that further savings of £3m per annum will be required by 2022 in order to deliver a balanced 'standstill' budget, i.e. managing the current cost pressures without any increases in precept.

A precept increase of the maximum amount permitted (£12 per annum per Band D Household for the years 2018/19 and 2019/20 with £5 per annum thereafter) would generate total additional funding of £21m over the four year period to 2022.

### **Capital Investment to deliver efficiencies**

The capital and investment programme is designed to support business enablement and change projects to promote new ways of working and efficient use of resources. Current investment plans include provision for the approved estates strategy, fleet replacement programme and in-car technology development, ICT infrastructure and improvement plans, further development of mobile policing and implementation of a new finance and HR system via the new Enterprise Resource Planning (ERP) system for Sussex, Surrey and Thames Valley Police.

The Estates strategy is exploring opportunities to rationalise the estate, reducing costs by providing efficient and affordable buildings. The future workforce will be smaller, but investment is required to enable officers and staff to be equipped and supported to work flexibly across the estate and offsite or within the community. This includes ICT investments and use of

new technology to enable access to information remotely, whilst officers are on patrol or with partners, and to support flexible and agile working for staff.

The IT strategy transforms the way we make use of technology to enhance day to day activity e.g. mobile policing and body worn video capability facilitates public facing interaction and efficiencies, central computer systems accessible from all sites across the Force support all staff by retaining individual profiles and facilitating flexibility.

Evolving technologies with vehicles and related equipment will reduce the whole life costs of vehicles including fuel and maintenance costs and reducing CO2 emissions, in-car technology will also better support the policing priorities. Overall planned capital investment is shown in the table below which shows for example, a £7.4m investment in IT.

The PCC has approved a capital and investment programme to 2022 of £37.893million to be funded from capital receipts, Home Office grant and reserves. The programme includes investment in estates, IT infrastructure and major new systems, fleet and operational equipment replacement. The current programme can be funded without any borrowing but with limited headroom for any further significant new investment.

Capital & Investment Plans	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Information Technology	4.117	1.256	1.000	1.000	7.373
Fleet	4.746	3.437	3.605	3.413	15.201
Specialist Crime	0.200	0.092	-	-	0.292
Corporate Development	0.060	-	-	-	0.060
Operations	0.252	0.200	-	-	0.452
Communications	0.050	-	-	-	0.050
Estates Strategy Investment	2.465	4.450	2.050	5.500	14.465
<b>Total Capital &amp; Investment Programme</b>	<b>11.890</b>	<b>9.435</b>	<b>6.655</b>	<b>9.913</b>	<b>37.893</b>

## Budget Savings

The Force's financial plans include an estimated savings requirement over the next four years to 2022 £2.8m. Against those requirements, the Force has identified a range of service transformation projects across the period of the MTFS.

The Force will continue to review its savings plans to ensure quality service delivery is maintained, future financial risks are taken into account and funding can be directed to priority areas.

### **Significant changes since 2016/17**

There were no changes to reporting within the 2017/18 Code of Practice on Local Authority Accounting which were identified as having significant impact for Sussex Police.

The Accounts and Audit Regulations 2015 bring forward the timetable for the closure of the accounts in respect of the 2017/18 and subsequent financial years. These changes to the statutory reporting deadlines bring forward the required completion dates of the Draft Statements of Accounts to 31 May (from 30 June) and the Final Statements of Accounts to 31 July (from 30 September). This brought additional risk to the 2017/18 year-end and accounting timetable which in turn required additional control measures and an additional Joint Audit Committee meeting to sign off the accounts by the new deadline.

## Introduction to the Accounts

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

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

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

### **Accounting Arrangements**

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

The Statement of Accounts set out the overall financial position and performance of the Chief Constable of Sussex for the year ended 31 March 2018. Separate statutory accounts are prepared for the Police and Crime Commissioner for Sussex and the Group.

The Statement of Accounts for 2017/18 is prepared in accordance with the Chartered Institute of Public Finance, the Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2017/18 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.
- Local Audit and Accountability Act 2014.
- Accounts and Audit (England) Regulations 2015.

## **Police and Crime Commissioner**

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

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

## **The Chief Constable**

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

- Operational independence to deliver the operational policing plan.
- Direction and control over the force's officers and staff.
- Managing the operational delivery budget.
- Appointing a qualified person to act as chief finance officer.

## **Financial Roles and Responsibilities**

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

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

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

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

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

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

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

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

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

### **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 2015 require that the Annual Governance Statement (AGS) should accompany the Statement of Accounts rather than be included in the Statement of Accounts. The separate statement for the Chief Constable highlights the internal control environment, comments on its effectiveness and identifies issues for future work. The AGS document is available on the website of the Chief Constable of Sussex [www.sussex.police.uk](http://www.sussex.police.uk).

## Accounting Statements

The Statement of Accounts set out the Chief Constable's financial standing and performance for the year ended 31 March 2018. 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:**

#### **Narrative Report**

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

#### **Statements of Responsibilities**

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

#### **The Independent Auditor's Report**

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

#### **The Expenditure Funding Analysis Note to the Accounts**

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants and council tax) by police bodies in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Police and Crime Commissioner and the Chief Constable accounts. The Expenditure and Funding Analysis is a note to the Financial Statements rather than a primary statement itself and it provides a link from the figures reported in the CIES to General Fund Balance and Usable Revenue Reserves.

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

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

relation to the income and expenses of the Group. This means the expenditure covered by local taxation (funding basis) is different to the full accounting cost recorded in the CIES (accounting basis). The adjustments between the funding basis and accounting basis are shown in the MiRS.

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

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

### **The Balance Sheet**

This shows the value of the recognised assets and liabilities. The net liabilities (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.

### **Further Information**

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:** [miranda.kadwell@sussex.pnn.police.uk](mailto:miranda.kadwell@sussex.pnn.police.uk)

## Director of Finance Foreword

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

### **Financial Governance role of the Chief Constable**

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

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

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

### **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.



**Peter Gillett**  
Director of Finance

## 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.



**Peter Gillett** CPFA  
Director of Finance  
Chief Constable of Sussex

You can get more copies of this document in various formats,

By writing to:

The Chief Constable  
Sussex Police HQ  
Malling House  
Church Lane  
Lewes  
East Sussex  
BN7 2DZ

Or contact:

Miranda Kadwell  
Corporate Finance Manager  
101 Ext. 544524

Email: [miranda.kadwell@sussex.pnn.police.uk](mailto:miranda.kadwell@sussex.pnn.police.uk)  
Visit: [www.sussex.police.uk](http://www.sussex.police.uk) to download an electronic version of the Accounts.

## Statements of Responsibilities

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

### Chief Constable's Responsibilities

#### The Chief Constable is required to:

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

### Director of Finance's Responsibilities

#### The Director of Finance is responsible for:

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

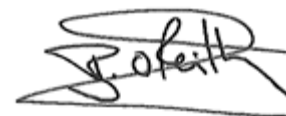
#### In preparing the Statement of Accounts, the Director of Finance has:

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

#### During the year, the Director of Finance has also:

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

I approve the Statement of Accounts for the year ended 31 March 2018.



Bernard O'Reilly  
Deputy Chief Constable  
For and on behalf of the Chief  
Constable of Sussex  
Dated: 30 July 2018

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 2018. These financial statements replace the unaudited financial statements certified on 31 May 2018.



Peter Gillett CPFA  
Director of Finance  
Dated: 30 July 2018

## 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

### **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF SUSSEX**

#### **Opinion**

We have audited the financial statements of the Chief Constable of Sussex for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Sussex Movement in Reserves Statement;
- Chief Constable of Sussex Comprehensive Income and Expenditure Statement;
- Chief Constable of Sussex Balance Sheet;
- Chief Constable of Sussex Cash Flow Statement and the related notes 1 to 18; and
- Chief Constable of Sussex Pension Fund Account.

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 2017/18.

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 2018 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 2017/18.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Sussex in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the

Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Force's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information in the Statement of Accounts 2017/18 (CC), other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Sussex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

### **Responsibilities of the Director of Finance**

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 29, 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

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.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that 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 2018.

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.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable of Sussex has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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.

### **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 Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the Chief Constable of Sussex, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

*Paul King*

Paul King (Associate Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
30 July 2018

The maintenance and integrity of the **Chief Constable of Sussex** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Comprehensive Income and Expenditure Statement

This statement shows the consolidated accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement (CIES) 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.

2016/17			2017/18			
Expenditure	Income	Net	Note	Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
249,931	0	249,931		285,425	0	285,425
18,896	0	18,896		17,440	0	17,440
4,899	0	4,899		4,335	0	4,335
45,385	0	45,385		49,698	0	49,698
3,522	0	3,522		3,129	0	3,129
8,514	0	8,514		7,863	0	7,863
0	(36,615)	(36,615)		0	(47,529)	(47,529)
<b>331,147</b>	<b>(36,615)</b>	<b>294,532</b>		<b>367,890</b>	<b>(47,529)</b>	<b>320,361</b>
0	(307,336)	(307,336)		0	(305,711)	(305,711)
97,173	(11,381)	85,792	7	86,686	(10,450)	76,236
<b>428,320</b>	<b>(355,332)</b>	<b>72,988</b>		<b>454,576</b>	<b>(363,690)</b>	<b>90,886</b>
		393,834				50,699
		<b>393,834</b>				<b>50,699</b>
		<b>466,822</b>				<b>141,585</b>

## Movement in Reserves Statement

This statement shows the movement from the start of the year the end 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.

	Note	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>		0	0	2,926,633	<b>2,926,633</b>
<b>Movement in reserves during 2017/18</b>					
Deficit on the provision of services		90,886	<b>90,886</b>		<b>90,886</b>
Other Comprehensive Income / Expenditure				50,699	<b>50,699</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>90,886</b>	<b>90,886</b>	<b>50,699</b>	<b>141,585</b>
Adjustments between accounting basis and funding basis under regulations	5	(90,886)	(90,886)	90,886	0
<b>Increase in 2017/18</b>		<b>0</b>	<b>0</b>	<b>141,585</b>	<b>141,585</b>
Rounding				(1)	(1)
<b>Balance at 31 March 2018</b>		<b>0</b>	<b>0</b>	<b>3,068,217</b>	<b>3,068,217</b>

	Note	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2016</b>		0	0	2,459,727	<b>2,459,727</b>
<b>Movement in reserves during 2016/17</b>					
Deficit on the provision of services		72,988	<b>72,988</b>		<b>72,988</b>
Other Comprehensive Income / Expenditure				393,834	<b>393,834</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>72,988</b>	<b>72,988</b>	<b>393,834</b>	<b>466,822</b>
Adjustments between accounting basis and funding basis under regulations	5	(72,988)	(72,988)	72,988	0
Other Reserve Transfers		0	0	84	84
<b>Increase in 2016/17</b>		<b>0</b>	<b>0</b>	<b>466,906</b>	<b>466,906</b>
<b>Balance at 31 March 2017</b>		<b>0</b>	<b>0</b>	<b>2,926,633</b>	<b>2,926,633</b>

## 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 does not hold any usable reserves as all usable reserves are held by the Police and Crime Commissioner 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 accounting treatment shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017		Note	31 March 2018
£000			£000
(1,456)	Short-Term Creditors	9	(1,451)
<b>(1,456)</b>	<b>Current Liabilities</b>		<b>(1,451)</b>
(2,925,177)	Other Long-Term Liabilities	9	(3,066,766)
<b>(2,925,177)</b>	<b>Long Term Liabilities</b>		<b>(3,066,766)</b>
<b>(2,926,633)</b>	<b>Net Liabilities</b>		<b>(3,068,217)</b>
0	Usable Reserves		0
2,926,633	Unusable Reserves	9	3,068,217
<b>2,926,633</b>	<b>Total Reserves</b>		<b>3,068,217</b>

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 2018. These financial statements replace the unaudited financial statements certified on 31 May 2018.



Peter Gillett CPFA  
Director of Finance  
Dated: 30 July 2018

## Cash Flow Statement

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

2016/17		Note	2017/18
£000			£000
72,988	Net deficit on the provision of services	5	90,886
(72,988)	Adjustment to deficit on the provision of services for noncash movements	5	(90,886)
0	Adjustment for items included in the net deficit on the provision of services that are investing or financing activities		0
<b>0 Net cash flows from operating activities</b>			<b>0</b>
0	Net cash flows from investing activities		0
0	Net cash flows from financing activities		0
<b>0 Net (increase) or decrease in cash and cash equivalents</b>			<b>0</b>
0	Cash and cash equivalents at the beginning of the reporting period		0
<b>0 Cash and cash equivalents at the end of the reporting period</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 2018.

The financial consequences of the Chief Constable's policing activities included in the table above are included in the net (surplus)/deficit as non-cash movements. These can be seen in the Comprehensive Income Expenditure Account.

## Note 1 -Expenditure and Funding Analysis

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
176,943	72,988	249,931	194,539	90,886	285,425
18,896	0	18,896	17,440	0	17,440
4,899	0	4,899	4,335	0	4,335
45,385	0	45,385	49,698	0	49,698
3,522	0	3,522	3,129	0	3,129
8,514	0	8,514	7,863	0	7,863
		(Proxy)			
(36,615)	0	(36,615)	(47,529)	0	(47,529)
<b>221,544</b>	<b>72,988</b>	<b>294,532</b>	<b>229,475</b>	<b>90,886</b>	<b>320,361</b>
		<b>Net Cost of Services</b>			
(221,544)	0	(221,544)	(229,475)	0	(229,476)
		Other Income and Expenditure			
<b>0</b>	<b>72,988</b>	<b>72,988</b>	<b>0</b>	<b>90,886</b>	<b>90,886</b>
		<b>Deficit on Provision of Services</b>			
0		Opening Combined General Fund Balance	0		
0		Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	0		
0		Transfers to/from other Reserves	0		
<b>0</b>		<b>Closing Combined General Fund Balance</b>	<b>0</b>		

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants and council tax) by police bodies in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes by the Chief Constable's Management Team. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the Financial Statements rather than a primary statement itself. It provides a link from the figures reported in the CIES to the General Fund Balance and Usable Revenue Reserves.

The adjustments column represent adjustments between accounting basis and funding basis. For the Chief Constable this includes:

- Accumulated absences amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements; and
- Net Change for the Pensions Adjustments - for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

## Note 2 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts include 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 15 for details of the pension schemes in place for police officers and staff, see also page 83 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 subjective activities for each corporate body included in the Comprehensive Income & Expenditure Account. In arriving at this approach, interested parties, including senior management in both corporate bodies were consulted and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance.
- It has been judged that all working capital is attributable to the Police and Crime Commissioner. The PCC controls the treasury management function and all bank accounts, therefore no working capital balances (cash, current debtors and liabilities) are recognised in the Chief Constable's Balance Sheet.

## **Actuarial Assumptions**

### **Pensions**

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

on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in Note 15.

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 post-retirement mortality assumptions as at 31 March 2018 are the S2NFA and S2NMA 'year of birth' tables with future improvements based on the CMI 2016 model with a long term rate of improvement of 1.25% per annum. The future improvement assumption has been updated from that used when preparing last year's disclosures to take account of recent mortality experience.

## **Insurance**

The Chief Constable annually reviews the appropriateness of insurance funding. Independent actuaries Marsh undertook a review of the adequacy of our insurance claim provision and reserve. The review uses recognised actuarial techniques and generally accepted principles to forecast ultimate claims costs. All reviews are carried out by qualified actuaries in the core Marsh team dedicated to the contract. The underlying assumptions and methodologies used in the reports are then peer-reviewed by a colleague independent to the core team.

## **Note 3 - Events After the Balance Sheet Date**

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

The Final Statement of Accounts was authorised for issue by the Director of Finance on 30 July 2018. 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 2018, the figures in the financial statements and notes should be adjusted in all material respects to reflect the impact of this information. There were no material non-adjusting events to report.

## Note 4 – 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 significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged to provide the Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the Chief Constable's staff scheme pension liability of £287.6m. However, the assumptions interact in complex ways. During 2017/18, the Chief Constable's actuaries advised that the net pension liability had increased in total by £50.7m as a result of revised actuarial assumptions).
Pensions Costs	There are three pension schemes for police officers, the 2006 Police Officer Pension Scheme (NPPS), the Police Pension Scheme (PPS) and the Police Pension Scheme 2015 (2015 scheme); all 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 (£42.58m for 2017/18) to the PCC. Further details of the schemes can be found in the Police Officer Pension Fund Accounts on page 83.

## Note 5 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/2018	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(90,890)	90,890
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	4	(4)
<b>Total Adjustments</b>	<b>(90,886)</b>	<b>90,886</b>

2016/2017	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(72,847)	72,847
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	(141)	141
<b>Total Adjustments</b>	<b>(72,988)</b>	<b>72,988</b>

## Note 6 - Transfers to/from Earmarked Reserves

This note sets out the usable reserves and amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure during the year. All Earmarked Reserves belong to the PCC on behalf of the Group. The Chief Constable therefore had no Transfers to/from Earmarked Reserves during the year and had no Usable or Earmarked Reserve balances as at the year end. Movements in the Chief Constable's usable reserves as disclosed in the Chief Constable's Movement in Reserves Statement represent accounting movements only involving the total Comprehensive Income and Expenditure Account transactions in year and the corresponding adjustments between accounting basis and funding basis under regulations.

## Note 7 - Financing and Investment Income and Expenditure

2016/17		2017/18
£000		£000
85,792	Net interest on the net defined benefit liability (asset)	76,236
<b>85,792</b>	<b>Total</b>	<b>76,236</b>

## Note 8 – Segmental Analysis of Income and Expenditure

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is based on a subjective analysis. 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	2017/18 £000	2016/17 £000
<i>Employee costs:</i>		
Police Officers	144,933	143,189
Police Staff & PCSO's	77,754	73,721
Other Employee Costs (includes Ill Health & Injury Pension)	5,427	5,507
<b>Total Employee costs</b>	<b>228,114</b>	<b>222,417</b>
<b>Total Buildings &amp; Premises</b>	<b>11,006</b>	<b>10,943</b>
<b>Total Transport</b>	<b>4,335</b>	<b>4,337</b>
<b>Total Supplies &amp; Services</b>	<b>40,351</b>	<b>33,978</b>
<b>Total Third Party Payments</b>	<b>9,433</b>	<b>7,765</b>
<b>Gross Expenditure</b>	<b>293,239</b>	<b>279,440</b>
<b>Total Income</b>	<b>(47,010)</b>	<b>(36,519)</b>
<b>Chief Constable's Net Expenditure</b>	<b>246,229</b>	<b>242,921</b>
<i>Office of the Sussex PCC</i>	1,349	1,354
<i>Community Safety</i>	1,695	1,459
<i>Use of Reserves</i>	1,359	1,763
<i>Financial provisions</i> <i>(Capital Financing and Treasury Management)</i>	2,573	2,424
<b>Police and Crime Commissioner's Expenditure</b>	<b>6,976</b>	<b>7,000</b>
<b>Total Sussex Police Group</b>	<b>253,205</b>	<b>249,921</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 2018.

This reconciliation also 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 within the Comprehensive Income and Expenditure Statement for the year ended 31 March 2018.

### 2017/18 Reconciliation of Outturn from Budget report to Statement of Accounts Subjective Analysis

	2017/18 PCC £000	2017/18 CC £000	2017/18 GROUP £000
<b>Initial Revenue outturn results per Outturn report</b>	<b>6,976</b>	<b>246,229</b>	<b>253,205</b>
Final transfer adjustments agreed in the Outturn report:	0	10,551	10,551
<b>Final Adjusted Outturn for the year</b>	<b>6,976</b>	<b>256,780</b>	<b>263,756</b>
Budget Income from Home Office Grant and Local Taxation	2,111	(259,077)	<b>(256,966)</b>
<b>(Surplus)/Deficit for the year as per Outturn report</b>	<b>9,087</b>	<b>(2,297)</b>	<b>6,790</b>
<b>Financial year end accounting adjustments:</b>			
Loan impairment disclosure adjustment	(10)	0	<b>(10)</b>
Finance Lease interest reclassification	22	0	<b>22</b>
Allocation of grants and contributions to capital & investment spend	130	0	<b>130</b>
Capital & investment income re-classified as revenue	123	0	<b>123</b>
Surplus transfer from Chief Constable to PCC	(2,297)	2,297	<b>0</b>
<b>Final Adjusted Deficit for the year per Financial Statements</b>	<b>7,055</b>	<b>0</b>	<b>7,055</b>
Adjustments between accounting basis & funding basis under regulations	(4,851)	90,886	<b>86,035</b>
<b>Deficit on Provision of Services per Comprehensive Income and Expenditure Statement</b>	<b>2,204</b>	<b>90,886</b>	<b>93,090</b>
(Surplus) on revaluation of fixed assets	(11,412)	0	<b>(11,412)</b>
Re-measurements of the net defined benefit liability/(asset)	(174)	50,699	<b>50,525</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,382)</b>	<b>141,585</b>	<b>132,203</b>

## 2016/17 Reconciliation of Outturn from Budget report to Statement of Accounts Subjective Analysis

	2016/17 PCC £000	2016/17 CC £000	2016/17 GROUP £000
<b>Initial Revenue outturn results per Outturn report</b>	7,000	242,921	249,921
<b>Final transfer adjustments agreed in the Outturn report</b>	645	12,468	13,113
<b>Final Adjusted Outturn for the year</b>	7,645	255,389	263,034
Budget Income from Home Office Grant and Local Taxation	5,490	(260,467)	(254,977)
<b>(Surplus)/Deficit for the year as per Outturn report</b>	<b>13,135</b>	<b>(5,078)</b>	<b>8,057</b>
<b>Financial year end accounting adjustments:</b>			
PFI Finance lease interest reclassified within CIES	1,141	0	1,141
Investment Income & Expenditure within CIES	(37)	0	(37)
Finance Lease reclassification	(22)	0	(22)
Allocation of grants and contributions to capital spend released to revenue	(72)	0	(72)
Allocation of SSRP to capital spend released to revenue	56	0	56
Allocation of proceeds on disposal of non-current assets	519	0	519
Surplus transfer from Chief Constable to PCC	(5,078)	5,078	0
<b>Final Adjusted Deficit for the year per Financial Statements</b>	<b>9,642</b>	<b>0</b>	<b>9,642</b>
Adjustments between accounting basis & funding basis under regulations per Note 5 to the Accounts	7,523	72,988	80,511
<b>Deficit on Provision of Services per Comprehensive Income and Expenditure Statement</b>	<b>17,165</b>	<b>72,988</b>	<b>90,153</b>
Deficit on revaluation of fixed assets	10,876	0	10,876
Re-measurements of the net defined benefit liability	138	393,834	393,972
<b>Total Comprehensive Income and Expenditure</b>	<b>28,179</b>	<b>466,822</b>	<b>495,001</b>

## Note 9 - Unusable Reserves

31 March 2017		31 March 2018	
£000		£000	
2,925,177	Pensions Reserve	3,066,766	
1,456	Accumulating Absences Account	1,451	
<b>2,926,633</b>	<b>Total Unusable Reserves</b>	<b>3,068,217</b>	

### Pension Reserve

31 March 2017		31 March 2018	
£000		£000	
2,458,413	Balance 1 April	2,925,177	
393,834	Re-measurements of the net defined liability	50,699	
147,033	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	166,349	
(74,186)	Employer's pensions contributions and direct payments to pensioners payable in the year	(75,459)	
83	Other movements	0	
<b>2,925,177</b>	<b>Balance 31 March</b>	<b>3,066,766</b>	

The Pensions Reserve reflects the timing adjustments 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 in line with inflation assumptions, 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.

## Accumulated Absences Account

31 March 2017		31 March 2018
£000		£000
1,314	<b>Balance 1 April</b>	1,456
(1,305)	Settlement or cancellation of accrual made at the end of the preceding year	(1,456)
1,447	Amounts accrued at the end of the current year	1,451
142	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(5)
<b>1,456</b>	<b>Balance 31 March</b>	<b>1,451</b>

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 10 - Collaboration Arrangements

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

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

In 2017/18 the services provided jointly, included the Operations and Specialist Crime departments along with a number of support functions and projects. In addition The Police and Crime Commissioners and Chief Constables for Sussex, Surrey and Thames Valley Police have agreed to jointly procure and implement a new Enterprise Resource Planning system (ERP).

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

	<b>2017/18 Sussex Share £000</b>	<b>2016/17 Sussex Share £000</b>
Change Delivery	1,046	0
Chief Officers	421	317
Enterprise Resource Planning (ERP) Project	912	498
Commercial Planning Manager	27	11
Finance	554	444
Insurance	89	100
IT	4,389	4,247
IT Project	1,161	0
Procurement	240	236
Transport	697	640
Operations Department	17,855	17,779
Health & Safety	133	148
Specialist Crime Department	11,257	11,546
People Services	2,743	2,463
Mobile Policing Project	0	521
Crime Management Project	39	22
Digital Enablement	417	215
Vetting	301	191
Corporate Services Projects	57	89
<b>Total</b>	<b>42,338</b>	<b>39,467</b>

## Note 11 - Officers' Remuneration

The Accounts and Audit Regulations 2015 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.

<b>Gross Remuneration £</b>	<b>Number of employees 31 March 2018</b>	<b>Number of employees 31 March 2017</b>
50,000 - 54,999	169	150
55,000 - 59,999	143	122
60,000 - 64,999	28	13
65,000 - 69,999	5	13
70,000 - 74,999	4	3
75,000 - 79,999	7	12
80,000 - 84,999	4	3
85,000 - 89,999	0	1
90,000 - 99,999	1	0
100,000 - 104,999	0	1
<b>TOTAL</b>	<b>361</b>	<b>318</b>

Exit package amounts are not included in the figures shown in the table above.

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

## Remuneration paid to senior employees during 2017/18

Year 2017-18	Note	Salary, fees and allowances	Expenses	Employer Pension Contribution	Total Remuneration including Pension contributions
		£000	£000	£000	£000
Chief Constable (G York)		163	0	33	196
Deputy Chief Constable		144	0	27	171
Deputy Chief Constable 2	1	29		5	34
Assistant Chief Constable 2		114	1	24	139
Assistant Chief Constable 3	2	81	0	17	98
Assistant Chief Constable 4	3	24	0	5	29
Assistant Chief Constable 5	4	23	0	4	27
Chief Superintendent A	5	17	0	3	20
Chief Superintendent B	6	53	0	11	64
Chief Superintendent C		92	0	18	110
Chief Superintendent E	7	35	0	6	41
Chief Superintendent F		88	0	3	91
Chief Superintendent H	8	10	0	1	11
Chief Superintendent J	9	63	0	13	76
Chief Superintendent K		89	0	12	101
Chief Superintendent L	10	39	0	8	47
Chief Superintendent N		85	0	17	102
Chief Superintendent O	11	64	0	13	77
Chief Superintendent P		80	0	16	96
Chief Superintendent Q	12	36	0	7	43
Chief Superintendent R	13	20	0	4	24
Chief Superintendent S	14	49	0	9	58
Chief Superintendent T	15	21	0	4	25
Chief Superintendent U	16	21	0	4	25
Director of Finance	17	124	0	25	149
Programme Director		122	2	22	146
Portfolio Manager		107		23	130
<b>Total</b>		<b>1,793</b>	<b>3</b>	<b>334</b>	<b>2,130</b>

No IFRS adjustment was required in 2017/18 for untaken Annual Leave and related pension contributions Accrued under IAS19 Employee Benefits

Note 1	Acting from 02/01/18-25/03/18
Note 2	Transfer out of post 02/01/18-25/03/18
Note 3	Temporary Promotion 02/01/18
Note 4	Acting from 02/01/18-25/03/18
Note 5	Left the force 05/06/17
Note 6	Retired 01/11/17
Note 7	Retired 08/08/17
Note 8	Left the force 08/05/2017
Note 9	Transfer out of post 02/01/18
Note 10	Retired 08/09/17
Note 11	Transfer out of post 02/01/18-25/03/18
Note 12	Temporary Promotion 23/10/17
Note 13	Promotion 02/01/18
Note 14	Temporary Promotion 04/09/17
Note 15	Temporary Promotion 02/01/18
Note 16	Promotion 02/01/18
Note 17	Temp - Perm Contract 30/01/17

## Remuneration paid to senior employees during 2016/17

Year 2016-17	Note	Salary, fees and allowances	Bonus	Expenses	Employer Pension Contribution	Total Remuneration including Pension contributions	Annual Leave Accrual	Pension Accrual	Total
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Police Officers</b>									
Chief Constable (G York)		167	0	0	33	200	0	0	200
Deputy Chief Constable 1	1	1	0	0	0	1	0	0	1
Deputy Chief Constable 2	2	58	5	0	0	63	0	0	63
Deputy Chief Constable 3	3	102	0	2	21	125	0	0	125
Assistant Chief Constable 1		113	0	2	23	138	0	0	138
Assistant Chief Constable 2	4	98	2	0	21	121	0	0	121
Chief Superintendent A		83	0	0	17	100	0	0	100
Chief Superintendent B		104	0	6	18	128	1	0	129
Chief Superintendent C		90	0	1	18	109	0	0	109
Chief Superintendent E		84	0	0	17	101	3	1	105
Chief Superintendent F		90	0	0	18	108	0	0	108
Chief Superintendent H		86	0	0	18	104	0	0	104
Chief Superintendent J		86	0	0	17	103	0	0	103
Chief Superintendent K		86	2	0	18	106	0	0	106
Chief Superintendent L		86	0	2	18	106	0	0	106
Chief Superintendent M	5	23	0	0	3	26	0	0	26
Chief Superintendent N	6	34	0	0	7	41	0	0	41
Chief Superintendent O	7	21	0	0	4	25	0	0	25
Chief Superintendent P	8	14	0	0	3	17	0	0	17
<b>Police Staff</b>									
Director of Finance 1	9	42	0	0	6	48	0	0	48
Director of Finance 2	10	22	0	0	4	26	0	0	26
<b>Total</b>		<b>1,490</b>	<b>9</b>	<b>13</b>	<b>284</b>	<b>1,796</b>	<b>4</b>	<b>1</b>	<b>1,801</b>

Note 1: Left Force 04/04/16

Note 2: Retired 01/09/16

Note 3: Joined Force 20/06/16

Note 4: Promoted to this role 24/03/16

Note 5: Left Force 06/06/16

Note 6: Promoted to this role 21/11/16

Note 7: Promoted to this role 03/01/17

Note 8: Acting Chief Superintendent 02/08/16 - 18/09/16

Note 9: Left Force 01/08/16

Note 10: Joined Force 30/01/17

## Note 12 - Exit Packages

In line with the 2017/18 code, the number and costs of exit packages agreed are disclosed below, and include:

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

### Exit Packages for the year ended 31 March 2018

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total Cost of exit packages in each band
<b>Year 2017/18</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>£</b>
£0 - £20,000	23	6	29	275,264
£20,001 - £40,000	6	1	7	181,872
<b>Total</b>	<b>29</b>	<b>7</b>	<b>36</b>	<b>457,136</b>

### Exit Packages for the year ended 31 March 2017

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total Cost of exit packages in each band
<b>Year 2016/17</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>£</b>
£0 - £20,000	97	0	97	844,409
£20,001 - £40,000	24	0	24	660,064
£40,001 - £60,000	2	0	2	105,983
£60,001 - £80,000	1	0	1	61,852
<b>Total</b>	<b>124</b>	<b>0</b>	<b>124</b>	<b>1,672,308</b>

## Note 13 - External Audit Costs

The Chief Constable incurred the following costs in relation to the audit of the Statement of Accounts services provided by external auditors to the Chief Constable:

2016/17		2017/18
£000		£000
19	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	19
<b>19</b>	<b>Total</b>	<b>19</b>

## Note 14 - 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 related party transactions are disclosed for the 2017/18 year in respect of Legal services and the Police and Crime Commissioner. Legal services were provided to the Sussex Police Group of circa £1,189,400 (2016/17: £665,800) by Weightmans LLP in the normal course of business during the year, Ms Hannah Walsh (Solicitor to the Sussex Police Group) is employed by Weightmans LLP.

The Police and Crime Commissioner for Sussex, Katy Bourne is a Board Member of the College of Policing, the professional body for policing. Services were provided to the Sussex Police Group of circa £217,500 (2016/17: £246,300) by the College of Policing in the normal course of business during the year.

The Police and Crime Commissioner for Sussex, Katy Bourne is Chair of the national Police ICT Company and Chair of the Sussex Criminal Justice Board. Services were provided to the Sussex Police Group of circa £7,997,900 by the Police ICT Company in the normal course of business during the year. However, £7,788,600 of that amount relates to the Digital Policing Project which transferred to Sussex Police from the Metropolitan Police as host Force during the year, the remaining ICT spend of £209,300 is in line with normal business activity in previous years (2016/17: £172,000). The Sussex Restorative Justice Partnership (SRJP) was formed to bring together agencies and authorities with an interest in Restorative Justice. The work of this group is delivered through the Sussex Criminal Justice Board and the Criminal Justice Integration Board.

The Police and Crime Commissioner is also a member of the Emergency Services Mobile Communications Programme and the Video Enabled Justice Programme which are funded by Home Office Grants.

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 2017/18.

## Note 15 - Defined Benefit Pension Scheme

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

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

The Group participates in three pension schemes for Police officers:

- Police Pension Scheme (PPS) (pre 1 April 2006)
- New Police Pension Scheme (NPPS) (post 1 April 2006)
- Police Pension Scheme 2015 (the 2015 scheme) (post 1 April 2015)

The schemes are defined benefit statutory schemes, administered in accordance with the Police Pensions Regulations 1987 (as amended), the New Police Pension Scheme Regulations 2006 and the Police Pensions Regulations 2015. The schemes were contracted out of the State Second Pension, but this ceased in the scheme on 5 April 2016.

The police officer pension schemes are, by law, non-funded schemes which are treated as defined benefit schemes. This means that there are no investment assets built up to meet the 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 amounts receivable by the pensions fund for the year is less than the amounts received, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group which then must repay the amount to central government.

There are currently 3,716 (2016/17: 3,673) pensioners and this number will increase. Police officers are entitled to retire after 30 years of service or at age 55 if earlier for members of the PPS, age 55 for members of the NPPS and age 60 in the 2015 scheme, and to receive a pension and a lump sum, which the Group is obliged, by law, to pay.

Police Pension Scheme calculations for 2017/18 indicate two significant changes that have taken place during the year:

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

### **Benefit changes**

From 1 April 2015 the new benefit structure came into effect for the Police Pension Scheme. All active members on that date were moved into the new scheme from 1 April 2015 unless they qualified for protections that allowed them to remain in their previous scheme. These changes have been taken into account in the balance sheet, revenue account disclosures as at 31 March 2018 and projected pension expense for the year ending 31 March 2019.

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

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

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

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

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

The Police Staff Pension Scheme is part of the Local Government Pension Scheme administered by West Sussex County Council in accordance with the Local Government Pension Scheme Regulations 2013. There are 1,636 (2016/17: 1,615) pensioners paid for by the Chief Constable LGPS scheme. Police staff employee contributions are based on a banding system and range from 5.5% to 12.5% depending on salary levels remaining the same as 2016/17. Sussex Police contributed a further 21.9% of pensionable pay.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data. The last triennial valuation of the Fund was carried out as at 31 March 2016.

The accounting balance sheet position as at 31 March 2018 and the projected charge to the Comprehensive Income and Expenditure account for 2017/18 are based on a roll forward from the 2016 formal valuation.

Staff Pension Scheme calculations for 2017/18, subject to the impact of any 2016 valuation 'step change' reflect the following significant changes that have taken place during the year:

- The deficit has increased due to a fall in real bond yields;
- the projected defined benefit cost for next year has also increased due to falling bond yields.

The pension expense for the period to 31 March 2018 and the projected pension expense for the year to 31 March 2019 allow for the LGPS career average revalued earnings (CARE) benefit design.

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)

### 15.3 Transactions Relating to Post-employment Benefits

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

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

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

	2016/17			2017/18		
	CC LGPS	Police Officer Pensions	Total	CC LGPS	Police Officer Pensions	Total
	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services</b>						
			Service cost comprising:			
	12,794	47,720	60,514 Current service cost	23,205	66,506	89,711
	0	150	150 Past service cost	0	162	162
	577	0	577 Loss from curtailments	240	0	240
			Financing and Investment Income and Expenditure:			
	2,168	83,624	85,792 Net interest expense	2,076	74,160	76,236
	<b>15,539</b>	<b>131,494</b>	<b>147,033 Total charged to Surplus and Deficit on Provision of Services</b>	<b>25,521</b>	<b>140,828</b>	<b>166,349</b>

**Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement**

<b>CC LGPS £000</b>	<b>2016/17 Police Officer Pensions £000</b>	<b>Total £000</b>		<b>CC LGPS £000</b>	<b>2017/18 Police Officer Pensions £000</b>	<b>Total £000</b>
			Re-measurement of the net defined benefit liability comprising:			
(58,933)	0	(58,933)	Return on plan assets (excluding the amount included in the net interest expense)	(11,618)	0	(11,618)
(20,710)	(140,150)	(160,860)	Actuarial gains and losses - experience	(17)	156,710	156,693
0	16,213	16,213	Actuarial gains and losses arising on changes in demographic assumptions	0	(29,940)	(29,940)
87,657	509,757	597,414	Actuarial gains and losses arising on changes in financial assumptions	(11,003)	(53,433)	(64,436)
<b>23,553</b>	<b>517,314</b>	<b>540,867</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,883</b>	<b>214,165</b>	<b>217,048</b>





<b>Movements in the Fair Value of Scheme Liabilities</b>						
	<b>2016/17 Police Officer Pensions</b>	<b>Total</b>		<b>2017/18 Police Officer Pensions</b>	<b>Total</b>	
<b>CC LGPS</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
(384,065)	(2,396,752)	(2,780,817)	Opening balance at 1 April	(472,595)	(2,850,971)	(3,323,566)
(12,794)	(47,720)	(60,514)	Current service cost	(23,205)	(66,506)	(89,711)
(13,549)	(83,624)	(97,173)	Interest cost	(12,526)	(74,160)	(86,686)
(3,263)	(12,463)	(15,726)	Contributions from scheme participants	(3,537)	(12,279)	(15,816)
			Re-measurement gains and losses:			
20,710	140,150	160,860	- Actuarial gains / (losses) - experience	17	(156,710)	(156,693)
0	(16,213)	(16,213)	- Actuarial gains / (losses) from changes in demographic assumptions	0	29,940	29,940
(87,657)	(509,757)	(597,414)	- Actuarial gains / (losses) from changes in financial assumptions	11,003	53,433	64,436
0	(150)	(150)	Past service cost	0	(162)	(162)
(577)	0	(577)	(Losses) on curtailments	(240)	0	(240)
0	(205)	(205)	Transfers in	0	(62)	(62)
8,600	75,763	84,363	Benefits / transfers paid	7,872	75,811	83,683
<b>(472,595)</b>	<b>(2,850,971)</b>	<b>(3,323,566)</b>	<b>Balance as at 31 March</b>	<b>(493,211)</b>	<b>(3,001,666)</b>	<b>(3,494,877)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £3.067bn (2016/17: £2.925bn) has a substantial impact on the net worth of the Group as recorded in the Balance Sheet.

However, the pension liability is mitigated as follows:

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

### **Future estimated costs**

The Pension Actuaries report includes an assessment of contributions and expected charges for the next financial year. The total employer contributions expected to be made by the Chief Constable to the Local Government Pension Scheme by the Group in the year to 31 March 2019 is £12.358m.

Expected amounts to be charged to Income and Expenditure account for the year to 31 March 2019 in respect of police pensions total £24.2m.

### **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 2016.

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

	Local Government Pension Scheme		Police Pension Schemes	
	2017/18	2016/17	2017/18	2016/17
Investment returns: The return on the Fund in market value terms is estimated based on actual Fund returns. Actual Fund Returns from April to December	8.3%	19.6%	-	-
Total Fund Returns from April to March	5.5%	25.3%	-	-
Mortality assumptions: Longevity at 65 for current pensioners:				
• Men	23.6 years	23.6 years	29.5 years	29.7 years
• Women	25.0 years	25.0 years	31.5 years	31.6 years
Longevity at 65 for future pensioners:				
• Men	26.0 years	26.0 years	30.8 years	31.2 years
• Women	27.8 years	27.8 years	32.8 years	33.2 years
Rate of inflation	3.4%	3.4%	3.4%	3.4%
Rate of increase in salaries	3.1%	3.1%	3.4%	3.4%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%	2.7%	2.6%
CARE Revaluation Rate	-	-	3.7%	3.7%
Take-up of option to convert annual pension into retirement lump sum	50-75%	50-75%	90%	90%

The Police Pension Scheme arrangements have no assets to cover its liabilities. The last full valuation of the scheme was carried out as at 31 March 2016. 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-Mar-18 £000	31-Mar-18 %	31-Mar-17 £000	31-Mar-17 %
Equity Securities:				
Consumer	60,904	14%	56,676	14%
Manufacturing	39,130	9%	36,413	9%
Energy and Utilities	20,675	5%	19,240	5%
Financial Institutions	69,729	15%	64,888	15%
Health and Care	29,663	7%	27,604	7%
Information Technology	58,503	14%	54,441	14%
Other	19,724	5%	18,355	5%
Debt Securities:				
UK Government	7,938	2%	7,387	2%
Private Equity:				
All	18,404	4%	17,126	4%
Real Estate:				
UK Property	33,761	8%	31,417	8%
Investment Funds and Unit Trusts:				
Bonds	53,644	13%	49,919	13%
Other	5,018	1%	4,670	1%
Cash & Cash Equivalents:				
All	11,018	3%	10,253	3%
	428,111	100%	398,389	100%

## History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018.

### Local Government Pension Scheme

### Police Pension Scheme

	CC 2017/18	CC 2016/17	Group 2015/16	Group 2014/15	Group 2013/14
	%	%	%	%	%
Differences between expected and actual return on assets	2.7%	14.8	(1.1)	9.3	5.7
Experience gains and (losses) on liabilities	0.0%	4.4	1.0	0.6	(0.9)

	CC 2017/18	CC 2016/17	Group 2015/16	Group 2014-15	Group 2013/14
	%	%	%	%	%
Experience gains and (losses) on liabilities for Combined Schemes	5.22%	(4.92%)	8.92%	0.02%	0.02%

## Sensitivity Analysis

IAS19 requires the disclosure of the sensitivity of the pension results to the methods and assumptions used.

### Police Officer Pension Schemes:

The sensitivities regarding the principal assumptions used to measure the Police officer scheme liabilities are set out below:

Change in financial assumptions at year ended 31 March 2018:	Approximate % increase to Employer Liability	Approximate monetary amount £(000s)
0.5% decrease in Real Discount Rate	10%	287,567
1 year increase in member life expectancy	3%	90,050
0.5% increase in the Salary Increase Rate	1%	37,182
0.5% increase in the Pensions Increase Rate (CPI)	8%	231,229

The sensitivities regarding the principal assumptions used to measure the projected current service cost for the Police officer schemes are set out below:

Change in financial assumptions at year ended 31 March 2018:	Approximate % increase to Projected Current Service Cost	Approximate monetary amount £(000s)
0.5% decrease in Real Discount Rate	19%	11,701
1 year increase in member life expectancy	3%	1,813
0.5% increase in the Salary Increase Rate	0%	217
0.5% increase in the Pensions Increase Rate (CPI)	10%	6,213

### Staff Pension Scheme:

The sensitivities regarding the principal assumptions used to measure the scheme liabilities for the Local Government Pension Scheme for staff are set out in the following table:

Change in financial assumptions at year ended 31 March	2017/18 %	2017/18 £000	2016/17 %	2016/17 £000
0.5% decrease in Real Discount Rate	12%	60,019	12%	55,663
0.5% increase in the Salary Increase Rate	2%	10,912	2%	10,877
0.5% increase in the Pensions Increase Rate (CPI)	10%	48,155	9%	43,791

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

2017/18 Total CC Pension CIES Movements	Cost of Services	Cost of Services	(Surplus)/deficit on Provision of Services	(Surplus)/deficit on Provision of Services	Other Comprehensive I&E	MIRS	MIRS
	Police Services (Local to National)	Non Distributed Costs	Financing & Investment I&E	Taxation and Non-Specific Grant Income	Actuarial (gains)/losses on assets/liabilities	Transfer to Reserve	Adjustments between accounting basis & funding basis under regulations
<ul style="list-style-type: none"> <li>• current service costs</li> <li>• past service costs</li> <li>• settlements and curtailments</li> <li>• interest cost</li> <li>• interest income on plan assets</li> <li>• actuarial (gains) and losses</li>   <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>   <li>• employers' contributions payable to scheme</li> <li>• retirement benefits payable to pensioners</li> </ul>	89,711	162 240	86,686 (10,450)		50,699	(50,699)	(166,349)
<b>Sub-total</b>	<b>14,252</b>	<b>402</b>	<b>76,236</b>	<b>0</b>	<b>50,699</b>	<b>(50,699)</b>	<b>(90,890)</b>
• pension top up grant	42,583			0			
<b>Total Pension Charges</b>	<b>56,835</b>	<b>402</b>	<b>76,236</b>	<b>0</b>	<b>50,699</b>	<b>(50,699)</b>	<b>(90,890)</b>
<b>TOTAL</b>	<b>133,473</b>				<b>50,699</b>	<b>(141,589)</b>	

## Note 16 - Contingent Liabilities

The Chief Constable accounts at 31 March 2018 exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2018, the Chief Constable of Sussex had the following contingent liability issues:

- **Police officer compulsory retirements A19 Rule**

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

The Group had officers who were retired under A19 during 2011 and 2012 which may have given rise to a potential liability.

An Employment Appeal Tribunal (EAT) was heard in March 2015 which upheld a police officers' age discrimination claim. However this decision was overturned in July 2015 when police officers' lost their claim for age discrimination at an appeal tribunal. In August 2015 an appeal was lodged against the EAT. The Court of Appeal dismissed the police officers earlier in March 2017 and Sussex Police was advised that the officers were considering whether to seek leave to appeal to the Supreme Court. The Supreme Court refused leave to appeal. The lawyers have asked the Employment Tribunal to formally dismiss these claims and we are awaiting confirmation of the same. There should be no future liability in relation to these claims.

- **Transitional Provisions in the Police Pension Regulations 2015**

The Chief Constable of Sussex Police, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against

aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Legal advice suggests that there is a strong defence against the Police claims. For these reasons, no provision has been made in the 2017/18 Financial Statements, it is assumed that any financial settlements will be funded under current police pension regulations.

- **Forensic Service Uncertainty**

The validity of evidence provided by a forensic testing company to the police service is currently under investigation and is an issue impacting on policing across England & Wales. It is reasonable to anticipate that some people may have been convicted of offences based on flawed data, and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation may be forthcoming. At this point in time it is not possible to assess the number of likely claims or the financial exposure arising from them.

## Note 17 - Accounting Policies

### 17.1 General Principles

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reviewed by the Financial Reporting Advisory Board (FRAB). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board (ASB) where these provide additional guidance.

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

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

## 17.2 Fundamental Accounting Policies

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

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

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

The following sections set out the Chief Constable's principal accounting policies that have been reviewed and adopted in 2017/18.

### **17.3 Income & Expenditure Recognition**

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

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

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

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

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

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

#### **17.4 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

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

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

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

#### **17.5 Events after the Date of Authorisation of the Balance Sheet**

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

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events

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

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

### **17.6 Jointly Controlled Operations**

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

The Chief Constable accounts for only its share of the expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture

### **17.7 Overheads and Support Services**

The costs of overheads and support services are charged in line with the Code and Police Objective Analysis, the costs of support services are fully allocated to the Chief Constable's services.

### **17.8 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Chief Constable a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief

Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **17.9 Employee Benefits**

### **Benefits Payable during Employment**

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

### **Termination Benefits / Exit Packages**

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.

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

### **Long-term Employee Benefits – Pension Arrangements**

The Chief Constable operates three 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 Police Pension Scheme 2015 (the 2015 scheme)
- The [Local Government Pensions Scheme](#), administered by West Sussex County Council

All police schemes are contributory occupational pension schemes with officers making contributions.

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

All Police Pension schemes are 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 the 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 pension schemes 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. The employer's 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 Cost
- **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **expected return on assets** - the attributable annual investment return on the fund assets , based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **gains or losses on settlements and curtailments** - the result of actions to relieve the Police and Crime Commissioner of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- **contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

### **17.10 Fair Value Measurement**

The Chief Constable measures some non-financial assets, surplus assets and assets held for sale at fair value at each reporting date using the IFRS13 Fair Value market approach. Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Chief Constable uses External Valuers to measure the fair value of an asset or liability where necessary, using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

This fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers use valuation techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Chief Constable follows the fair value hierarchy prescribed by IFRS13 to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value as follows:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

#### **17.11 VAT**

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

#### **17.12 Reserves**

The Chief Constable maintains reserves to manage the accounting processes for retirement benefits and other employee benefits. These reserves do not represent usable resources for the Chief Constable. The nature and purpose of each reserve set up by the Chief Constable is described in the Notes to the Financial Statements. The classification of reserves is consistent with the CIPFA Code of Practice and is reviewed annually.

### [Note 18 - Accounting Standards Issued, Not Adopted](#)

The Code for 2017/18 noted future accounting policy changes will need to be reported in relation to the following accounting standards

Paragraph 3.3.2.13 of the 2017/18 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

In advance of the IFRS 15 standard being adopted, a review of income streams was undertaken for the 2017/18 year to assess the type and level of income that may fall within the scope of IFRS 15 for the PCC for Sussex Group. The vast majority of the Group's income is taxation or grant based. It is likely that only one item of income will be material to the Chief Constable and the Group and this will be considered in more detail for the 2018/19 accounts.

None of the other above amendments are expected to have a material impact on information in the financial statements of the Chief Constable of Sussex.

Other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code are listed below:

- ISA 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements.

## Police Pension Fund Account Statements as at 31 March 2018

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 2018		As at March 2017	
	£000	£000	£000	£000
<b>Contributions Receivable</b>				
From Employer:				
- Normal	(18,984)		(19,452)	
- Early Retirements	(277)		(842)	
From Members	(12,305)		(12,491)	
		<b>(31,566)</b>		<b>(32,785)</b>
<b>Transfers In</b>				
Individual Transfers in From Other Schemes		<b>(668)</b>		<b>(358)</b>
<b>Total Inflows</b>		<b>(32,234)</b>		<b>(33,143)</b>
<b>Benefits Payable</b>				
Pensions	63,914		62,216	
Commutations and Lump Sums	12,740		11,802	
Lump Sum Death Benefits	244		285	
		<b>76,898</b>		<b>74,303</b>
<b>Payments To and On Account of Leavers</b>				
Refund of Contributions	23		102	
Individual Transfers Out To Other Schemes	508		30	
		<b>531</b>		<b>132</b>
<b>Total Outflows</b>		<b>77,429</b>		<b>74,435</b>
<b>Net amount payable for the year transfer from the Group of an amount equal to the deficit</b>		<b>45,195</b>		<b>41,292</b>
Additional contribution from the Group to fund the deficit for the year *		<b>(42,583)</b>		<b>(38,638)</b>
Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		<b>(2,612)</b>		<b>(2,654)</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 by the Home Office Pension's Top-up grant. This income is shown in the PCC and Group Income and Expenditure account.

\*\* The difference between the deficit on the Pension Account and the amount funded by the Pensions Top-up Grant is met from the Police Operating Account.

### Net Assets Statement

Net Current Assets And Liabilities	2017/18	2016/17
	£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

### **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 2017/18 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 three 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). From 1 April 2015 the Police Pensions Scheme 2015 came into effect and all current active members were transferred to this scheme – with the exception of those qualifying for protections allowing them to remain in their current scheme. Officers

contribute between 12.44% and 13.78% depending on their basic salary. The Chief Constable of Sussex makes an employer's contribution of 21.3% 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 current financing arrangements the Pension Account is balanced to nil at the end of the year. This is achieved by either the Chief Constable paying over the amount by which the contributions receivable by the Account for the year exceed the benefits payable, or by the Chief Constable paying over an amount by which the benefits payable from the pension fund for the year exceeded the contributions receivable. In the event that the Pension Account is in deficit, the Home Office partially reimburses the Police and Crime Commissioner. The amount required to balance it to nil is met from the Police Operating Account.

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 15 in accordance with IAS 19 'Employee Benefits'.

The New Police Pension Scheme (NPPS) applies to police entrants who joined the service on or after 6 April 2006 up to 31 March 2015, or who chooses to transfer from the previous Police Pension Scheme (PPS) to the NPPS. The Police Pensions Scheme 2015 applies to all current active members who do not qualify for any protections allowing them to remain in their original scheme.

Benefits payable under all three schemes are shown in tabular form below:

	<b>Police Pension Scheme (PPS) (1987)</b>	<b>New Police Pension Scheme (NPP) (2006)</b>	<b>Police Pensions Scheme 2015</b>
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	Pension at retirement is the sum of each of the accrued pension pots, subject to revaluation at a rate of CPI +1.25% per year
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	Scheme is a Career Average Revalued Earnings scheme
Length of service for maximum pension	30 years	35 years	No maximum length of membership
Earliest age to receive pension	Age 50 after 25 years of service Any age after 30 years of service Age 55 for less than 25 years of service Age 60 if leave service before compulsory retirement age with less than 25 years of 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	Age 60 if remain in police service until that age. State pension age if leave police service before age 60.
Pension increases	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.
How is pension accumulated	1/60 of final salary for first 20 years of service, plus 1/30 for final 10 years of service up to a maximum pension entitlement of 40/60.	1/70 of final salary for each year of service up to a maximum 50% of final pensionable after 35 years of service.	1/55.3th of pensionable earnings each year is added to the members' pension pot for each year of membership.

## Glossary of Financial Terms

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

### **ACCRUAL**

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

### **ACCRUED INCOME**

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

### **ACTUARIAL GAINS AND LOSSES (PENSIONS)**

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

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

### **CODE**

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

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT (PENSIONS)**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:-

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

### **CIPFA**

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

### **DEFINED BENEFIT SCHEME (PENSIONS)**

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

### **DEFINED CONTRIBUTION SCHEME (PENSIONS)**

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

### **EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **GOING CONCERN**

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

### **INTEREST COSTS (PENSIONS)**

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

**INVESTMENTS (PENSION FUND)**

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

**IFRS**

International Financial Reporting Standards

**LAAP**

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, 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 or Prudential Code.

**NET OPERATING EXPENDITURE**

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

**PAST SERVICE COSTS (PENSIONS)**

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

**PCC**

Police and Crime Commissioner

**POLICE GRANT**

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

### **PROJECTED UNIT METHOD (PENSIONS)**

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

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

### **PROVISION**

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

### **RELATED PARTIES**

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

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

### **RELATED PARTY TRANSACTION**

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

### **REVENUE BUDGET**

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

### **SCHEME LIABILITIES (PENSIONS)**

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

**SETTLEMENT (PENSIONS)**

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

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

**TOTAL NET EXPENDITURE**

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