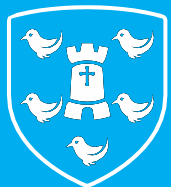


The Police and Crime Commissioner for Sussex and The Chief Constable of Sussex Group

Statement of Accounts 2018/19



Sussex
Police & Crime
Commissioner



Sussex Police

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Preface

Katy Bourne – Police and Crime Commissioner for Sussex (PCC)

I am one of the 40 elected Police and Crime Commissioners across England and Wales. I was re-elected to serve a second term as Sussex PCC in May 2016 to continue to articulate the public's policing priorities and concerns and ensure the Chief Constable provides effective and efficient policing across the county.

As well as holding the Chief Constable and the Force to account for local policing issues, one of my key duties is to ensure Sussex Police also meets its strategic policing requirements, including a co-ordinated response to serious and organised crime and terrorism.

I also work with community safety and criminal justice partners to make sure there is a coherent approach to preventing and reducing crime.

I am authorised to set the force budget; to allocate discretionary grant funding; to commission services to victims of crime, and to determine the precept - the police element of council tax.

My strategic financial planning tool 'The Medium Term Financial Strategy' (MTFS) helps me to manage and maximise the use of resources. As a publicly available and "living" document the MTFS also provides contextual information and the rationale behind our running costs and capital investment and any decisions on the level of the precept. It sets out the key financial issues over the four year period 2018/19 to 2021/22, and provides options for delivering a sustainable budget and capital programme over the medium term.

During 2018/19 I have worked with the Chief Constable and his officers and staff, local communities and partners to keep Sussex safe, to protect our vulnerable and help victims cope and recover from crime and abuse whilst improving access to justice for victims and witnesses.



Although Sussex is generally a low crime county, one of my main priorities is to ensure that all communities feel adequately policed, so I am pleased that over the past six years, Sussex residents have backed increases in the Police Precept which has allowed me to strengthen local policing as well as invest in key areas.

From savings to investment: Last year marked a turning point for Sussex Police, with an unprecedented funding injection from a £12 increase in the police precept and the release of £17m which I authorised from our reserves. This reduced the overall savings target to £3.0m from £26.5m, which protected the 476 posts that would have been lost. It also provided funds to replace 600 police officers over the 4 years of the plan and, most significantly, to recruit an additional 200 police officers.

Acting on public concerns: In response to the boost in funding, the Chief Constable developed a Transformation Strategy to guide the Force over the next four years. It included a commitment to increase and improve visible policing and to address the main local policing concerns of residents: contacting police; rural crime; anti-social behaviour; safer roads; theft and burglary and feeling safe in public spaces and at night time.

This was welcome news to communities across the county – particularly those in rural and isolated areas – who wanted the reassuring presence of uniformed policing.

The plans set out that the Police officer establishment, as at 31 March 2018, would increase by 200 officer posts to 2,700 by 31 March 2022.

Support for visible policing: In the focus groups and consultations that were held from November 2018 to January 2019, people were clearly in favour of paying more for policing within their council tax in the coming year if they could see and feel the presence of more police.

The Chief Constable acknowledged that residents missed their Police Community Support Officers (PCSOs) after the changes to deployment that started in 2015. By the end of the year, the Force presented a proposal to me to put 100 additional PCSOs back into communities, with enhanced powers and more training.

The Force also asked me to support the recruitment of 50 more police officers as well as 50 investigators and specialist staff.

After the Government lifted the cap on local police precept levels, I was able to take a proposal to the Police & Crime Panel in February 2019 to increase the precept in Sussex by £24 for a Band D household.

Biggest recruitment push for over ten years: For the first time ever, Panel members were unanimous in their support of the increase. As a result, the Force was able to step up recruitment plans in the biggest expansion for over 10 years, planning to bring in 400 more police officers, PCSOs and specialist staff by 2023.

In addition to my responsibility for the policing budget, I also ensure that the Sussex police estate - our stations and offices – meets the needs of 21st century policing. A total of £4.7m was invested in the Sussex Police estate in 2018/19.

Where the estate is underused, I have been examining options for sharing with partners and disposal for redevelopment. This approach has resulted in the provision of a new shared policing base in Pulborough, in partnership with the South East Coast Ambulance Service (SECAmb). The £13m refurbishment to Brighton Police Station, John Street was completed in 2018/19, alongside the datacentres at Brighton and Lewes. I have also continued to ensure that no police facility with a public reception will be removed until a suitable local alternative is identified.

The joint Surrey/Sussex vehicle workshop in Crawley Down is now fully functional and the Force is working with the Surrey Fire & Rescue Service to provide further facilities in order to maintain their vehicle fleet. Refurbishment works remain ongoing for Hastings Custody Centre, Steyning Police Station, Operations Command, together with the expansion to the car park at Sussex Police Headquarters in Lewes.

I have led on a programme of improvements to deliver efficiencies in energy costs and maintenance, including the installation of Light-Emitting Diode (LED) lighting, solar panels and closer monitoring of CO2 consumption. This has contributed to reductions in heating bills by more than 8%, electricity bills by more than 12% and overall energy consumption by 10%. This approach has also resulted in combined savings for Sussex Police of approximately £200,000 across 2018/19.



Since 2014, I have worked closely with the Joint Commercial Planning Manager for Sussex Police to obtain over £1.3 million through Section 106 agreements. A Section 106 is an agreement between a developer and a local planning authority about measures that the developer must take to reduce their impact on the community. In 2018/19, another £537,000 was secured locally and will be used to support further investment and improvements in the Sussex Police estate and existing policing infrastructure.

I am leading on a three year £45m programme to improve access to justice through the Video Enabled Justice programme (VEJ) which I have set up with £11.5m of money secured through the Police Innovation Fund. VEJ is a ground breaking programme working to increase the use and quality of video interactions that involve the police across five forces in the south and east of England. This

includes appearances in court by detainees in police custody and the appearance of police witnesses at summary trials. VEJ will help streamline and maximise the use of video through new processes and technology.

I protected community safety funding in 2018/19 for the sixth year running. A total of £1.2m was allocated to Brighton & Hove City Council, East Sussex County Council and West Sussex County Council and each of the 12 Community Safety Partnerships (CSPs) in Sussex. Many of the CSPs have been working increasingly more collaboratively across 2018/19 and it is evident that strong working relationships exist with wider partnership members and the local communities. In February 2019, I welcomed the formal merger of the Lewes and Eastbourne CSPs.

In partnership with Victim Support, I introduced a structured needs assessment to ensure that victims in Sussex understand exactly what support is available to them to enable services to be tailored to meet their needs more effectively.

In 2018/19, Victim Support successfully contacted over 40,750 victims to offer support. Of those victims contacted, 2,730 individuals received face-to-face tailored support. In addition, more than 1,500 victims were also referred to other local specialist service providers such as those for domestic abuse, stalking or sexual violence to receive enhanced support.

My award winning Sussex Restorative Justice Partnership (SRJP) continued to provide successful outcomes for crime victims seeking restitution and closure by confronting perpetrators and describing the impact of their crime on them and their family. The SRJP follows national best practice and brings together twenty statutory and voluntary sector organisations across Sussex with a joint commitment "to create and offer a complete victim-focused restorative justice service at different stages in the criminal justice system for all victims of crime".

The Safer in Sussex Fund (SiSCF) provides financial support (grant awards up to £5,000) to local organisations and projects that aim to reduce crime and improve community safety. Local communities often have the best ideas for preventing crime, which is why I am still committed to making funds available. I allocated £151,623 to 44 projects in 2018/19. Since I became PCC, 292 projects in Sussex have been supported with over £1.5m of funds.

I ended the 2018/19 financial year allocating £2.6m to my 2019/23 'Medium Term Financial Strategy, that sets out that by 2023 there will be up to 250 more police officers, 50 more specialist staff and 100 more PCSOs than there were in March 2018' – a total increase of 400 officers and staff.



None of the programmes and results described in this Statement of Accounts could have been achieved without the dedication and professionalism of my team and a host of police officers and police staff at all ranks and grades, or without the enthusiasm and perseverance of our partners and countless volunteers.

I also wanted to thank Sussex residents for their continuing support as I seek to keep your county a safe place to live with a trusted police force that responds to your concerns.

I look forward to continuing to build on our collective achievements over the next year to keep us all Safer in Sussex.

Narrative Report

Introduction

The Statement of Accounts presents the Commissioner's and Group's (including the Chief Constable) financial performance for the year ended 31 March 2019, presents their overall financial position at the end of that period and the cost of services provided. When read in conjunction with the Commissioner's Annual Report, the Statement provides an insight into the activities of the Commissioner and the Force during the year.

The narrative and financial summary that follow provide an overview of the accounting arrangements and a guide to the most significant matters in the financial statements.



The Statement of Accounts

The primary statutory duty and electoral mandate of the Commissioner is to ensure an efficient and effective police force in Sussex, and to hold the Chief Constable to account on behalf of the public for the exercise of operational policing duties under the Police Act 1996. These are the sixth statutory accounts to be prepared under the arrangements introduced under the Police Reform and Social Responsibility Act 2011.

Under the provisions of the Act, the Commissioner and Chief Constable are created as two separate corporations sole. For financial reporting purposes, the Chief Constable is a subsidiary of the Commissioner by virtue of the powers the Commissioner has to govern the financial and operating policies of the Chief Constable.

All the financial transactions incurred during 2018/19 for policing in Sussex have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of the Commissioner and the Commissioner's Group (the Group) for the year ended 31 March 2019. The Group position reflects the consolidated accounts of the Commissioner and her subsidiary, the Chief Constable. Separate statutory single entity accounts are prepared for the Chief Constable.

The statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), developed by the CIPFA/LASAAC Board (Chartered Institute of Public Finance & the Local Authority Scotland Accounts Advisory Committee) and approved by the Financial Reporting Advisory Board (FRAB). The Code constitutes proper accounting practice.

Relationship between the Police and Crime Commissioner and the Chief Constable

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

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

appoint a person to be responsible for the proper administration of the Chief Constable's financial affairs, referred to as the Chief Constable's Chief Finance Officer. The Executive Director of Commercial and Financial Services Surrey Police and Sussex Police fulfils the role of Chief Finance Officer for the Chief Constable of Sussex.

Responsibilities of the Police and Crime Commissioner:

- Provides a link between the police and the community.
- Sets out the strategic policing and crime priorities and objectives through the publication of a Police & Crime Plan.
- Approves the annual accounts in accordance with the statutory timetable.
- Prepares and publishes an annual report on progress in the delivery of the Police & Crime Plan.
- Sets out the Force's budget and community safety grants.
- Sets the policing and crime precept.
- Oversees community safety, the reduction of crime and value for money in policing.
- Commissions victims' and witness services, including restorative justice.
- Appoints a Chief Finance Officer.
- Appoints the Chief Constable (and dismissal when necessary).
- Holds the Chief Constable to account for the performance of the Force, including that of police officers and civilian staff under their direction and control.
- Receives all income from grants, precept and charges.
- Has the responsibility for all borrowing, investment and assets.

Responsibilities of the Chief Constable:

- Responsible for maintaining the Queen's peace and for the direction and control of the Force.
- Accountable to the law for the exercise of police powers.
- Accountable to the Commissioner for the delivery of efficient and effective policing, and the management of resources and expenditure by the police force.
- Operationally independent of the Commissioner but must have regard to the Commissioner's Police & Crime Plan.
- Approve the annual accounts in accordance with the Chief Finance Officers' timetable.
- May not borrow money.
- Appoints a Chief Finance Officer (Executive Director of Commercial and Financial Services Surrey Police and Sussex Police).

Responsibilities of the PCC's Chief Finance Officer:

- To draw up the timetable for final accounts preparation, in consultation with the Executive Director of Commercial and Financial Services Surrey Police and Sussex Police and external auditor.
- Ensure receipt and scrutiny of the annual Statements of Accounts of the Chief Constable.
- To secure production of, sign and date The Police and Crime Commissioner for Sussex and Group's statements of accounts, stating that they present a true and fair view of the financial position at the accounting date and the 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 Executive Director of Commercial and Financial Services Surrey Police and Sussex Police

- 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's Chief Finance Officer, the Executive Director of Commercial and Finance Services

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

Accounting arrangements between the PCC and the Chief Constable

Each Public Body has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statements of Accounts comprise separate statements for the Police and Crime Commissioner, the Chief Constable as well as group accounts covering both entities.

The Statement of Accounts sets out the overall financial position of the Sussex Police Group for the year ending 31 March 2019. The Group position 'Sussex Police' reflects the consolidated accounts of 'The Police and Crime Commissioner for Sussex' and its subsidiary 'The Chief Constable of Sussex'. Where the Group position differs from the individual Police and Crime Commissioner for Sussex or the Chief Constable of Sussex position, this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable of Sussex.

The Statement of Accounts for 2018/19 is prepared in accordance with the Chartered Institute of Public Finance, the Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2018/19 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; and
- Accounts and Audit (England) Regulations 2015.

Financial Performance 2018/19

Key Highlights:

The 2018/19 financial year has ended with £2.6m that will then be allocated to the 2019/23 Medium Term Financial Strategy that sets out that by 2023 there will be up to 250 more police officers, 50 more specialist staff and 100 more PCSOs than there were in March 2018 – a total increase of 400 officers and staff.

- Budget
 - The 2018/19 revenue budget was approved by the PCC in February 2018 at £265.988m.
 - Government grant for Sussex remained static at £162.800m.

- The precept was increased by £12 generating £7.385m of additional income, the majority of which was invested into Response, Local Investigation and Prevention;
- Provision for increases in pay and prices, including growth, inflation and cost pressures of £13.800m;
- The requirement to make a further £1.300m of savings;
- The PCC delegated a budget of £267.244m to the Chief Constable for 2018/19 to enable the discharge of the activities under his direction and control.
- Government capital grant funding for 2018/19 remained static at £0.9m.

Revenue Outturn

- £2.6m (0.98%) underspend on the revenue budget of £265.9m;
- £1.3m of the underspend was on the Operational Delivery Budget delegated to the Chief Constable;
- £0.07m net underspend on the Office of the Police and Crime Commissioner budget;
- £0.06m net underspend on the Community Safety budget and £0.05m on the Victims Budget.
- £1.1m net underspend on other budgets;
- Achieved savings of £12.2m allowing re-allocation of £9.1m to priority areas ;
- Budget pressures were contained (e.g. the pay increase and inflation);
- General Reserves were maintained at 4% of the net revenue budget.

• Capital Outturn

- The capital and investment programme outturn spend is £25.3m, against a revised budget of £29.7m, representing an underspend of £4.4m.
- Capital receipts of £0.033m were received in year from sale of surplus assets.
- No borrowing was taken to fund the capital programme expenditure.

• Treasury Management

- The amount of Investment interest achieved for the year was £0.59m. This was higher than anticipated by £0.09m due to better than expected interest rates being achieved during the year:
- average investment rate of return was 0.84%
- average investments of £70.2m were held in year compared against £77.8m in the prior year.

Financial Context

A four-year strategic financial planning tool 'The Medium Term Financial Strategy' (MTFS) was introduced from 2017/18 to manage and maximise the use of resources. As a publicly available and "living" document the MTFS also provides contextual information and the rationale behind running costs and capital investment and any proposed decisions on the level of the precept. It also sets out how the Sussex Police and Crime Commissioner (PCC) can provide the Chief Constable with the resources to deliver the priorities in the Police & Crime Plan 2018/19 to 2021/22 within a challenging financial climate over the four year period 2018/19 to 2021/22, and provides options for delivering a sustainable budget and capital programme over the medium term.

Where We Have Come From

By 2016/17, Sussex Police had made savings and efficiencies totalling £76m to balance the books because of reductions in core grants, limited increases to the precept and inflationary increases to costs since 2010/11.

In 2017/18, the four year MTFS set out a challenging financial situation in which further reductions of £26.5m and the loss of a further 476 police officer posts were essential to balance the books, despite the opportunity to increase the precept by £5. Faced with such a significant reduction in budget, the PCC authorised the release of £17m of reserves to provide the Chief Constable with one-off cash so he could defer the immediate impact of the loss of those posts.

Medium Term Financial Strategy 2018/19 – 2021/22

The PCC lobbied hard during 2017 to secure the best possible funding arrangements for policing. This led to the Government allowing PCCs to raise the police precept above the previous limit per household/dwelling of £5 to £12 per annum. The Government indicated that this increase would be available in 2019/20 also, if PCCs and police could demonstrate ongoing efficiencies and transparency in the use of reserves.

With Sussex Police facing such significant reductions in funding and officers, this extra funding was an opportunity not to be missed.

The PCC worked with the Chief Constable to develop a new financial strategy that would seek to provide the resources to enable Sussex Police to protect those 476 posts under threat, enable the recruitment of additional officers and replace those that were due to leave.

The PCC decided to increase the precept in 2018/19 by £12 per year for an average band D property (the fifth lowest in England and Wales). Combined with the £17m that the PCC had already authorised from reserves, it substantially reduced the previously planned savings requirements for 2018/19.

In addition, the PCC set out in the MTFS a proposed increase to the precept of £12 in 2019/20, £5 in 2020/21 and £5 in 2021/22. The plan reduced the overall savings target to £3.0m from £26.5m, which protected the 476 posts that would have been lost. It also provided funds to replace 600 police officers over the 4 years of the plan and, most significantly, to recruit an additional 200 police officers in addition to meeting inflationary and other cost increases.

Police officer establishment, as at 31 March 2018, would increase by 200 officer posts to 2,700 by 31 March 2022.

The 2018/23 MTFS can be found at this link <https://www.sussex-pcc.gov.uk/media/3138/mtfs-2018-22-final-07022018.pdf>

The resources allocated by the PCC through the four year 2018/22 MTFS have enabled the Chief Constable to plan the resource requirements for Sussex Police more effectively.

The [Sussex Police 2018/22 Transformation Strategy](#) was launched in April 2018 and set out how the Force would use the additional funding raised by the precept uplift in 2018/19 and the use of reserves, to modernise and strengthen local policing in Sussex.

The Transformation Strategy describes how Sussex Police will strengthen local policing through the Local Policing Model (LPM). The LPM is intended to create a modern workforce of highly trained officers and staff, who are able to respond dynamically to the needs of the public and the changing types of crime, based on threat, risk and harm.

Throughout the year, the PCC has closely scrutinised the spending of the precept, delivery of the policing investment and performance set out in the Transformation Strategy 18/22. Scrutiny has been through a variety of public facing Performance & Accountability Meetings, monthly Local Policing Accountability Board meetings, financial monitoring and other monitoring within the scheme of governance.

The unprecedented level of recruitment of officers, the largest intake since 2008, formed one of the most important elements of the investment plans and the PCC has monitored the recruitment processes closely.

The next section explains the use of the revenue budget and funding for 2018/19.

Revenue Budget Expenditure and Income Summary

Revenue expenditure represents the day to day running costs of providing the PCC's services and the costs of policing. It includes expenses such as employee pay, vehicle and premises running costs, communications, insurances and the cost of borrowing. The budget delegated to the Chief Constable to enable the discharge of the activities under his direction and control is known as 'The Operational Delivery Budget'.

The revenue budget is summarised in the table below.

Total Police Fund Revenue Budget 2018/19

	Gross £'000	Grants £'000	Income £'000	Original Budget Net £'000	In Year Budget Virements £'000	Revised Budget Net £'000
Operational Delivery Budget	296,826	(6,920)	(22,662)	267,244	(7,902)	259,342
Office of PCC Budget	1,286	0	0	1,286	59	1,345
Community Safety	1,635	0	0	1,635	163	1,798
Victim Support, Restorative Justice & Drive Project	1,954	(1,954)	0	0	0	0
Financial Provisions	3,397	0	0	3,397	(24)	3,373
Treasury Management Interest	201	0	(500)	(299)	0	(299)
Transfers to/(from) Earmarked Reserves	1,083	0	(8,358)	(7,275)	7,704	429
Total Net Revenue Budget 2018/19	306,382	(8,874)	(31,520)	265,988	0	265,988

The balance of the budget is funded from two main sources of core government policing grant and the precept.

The net revenue expenditure for 2018/19 approved by the PCC of £265.988m, represents an increase of £9.022m from 2017/18 and was funded from government grants and local taxation. The table below shows the main changes compared with 2017/18.

Police Fund Revenue Budget 2018/19 compared to 2017/18

	£'000
Base Budget 2017/18	256,966
Base Budget Adjustments	(12,428)
Pay Related Costs	3,911
Price Inflation and Other Additional Costs	9,904
New Investment	8,888
Savings Requirement	(1,253)
Total Net Revenue Budget 2018/19	265,988

Revenue Outturn 2018/19

Throughout 2018/19 the revenue budget has been subject to regular monitoring. PCC controlled budgets are also regularly consolidated with the Chief Constable's budgets to consider the group position which is published on the PCC's website as part of governance and transparency arrangements. These regular 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.

The revenue outturn for 2018/19 is £2.602 million lower than the budget as set out in the following tables:

Group Revenue Budget Outturn 2018/19

	To 31 March 2019			
	Actual	Budget	Variance	
	£000	£000	£000	%
Operational Delivery Budget	258,627	259,342	(715)	(0.3%)
Office of the PCC	1,271	1,345	(74)	(5.5%)
Community Safety, Victim Support, Restorative Justice & Drive Project	1,693	1,798	(105)	(5.8%)
Other OPCC Financing Budgets	2,621	3,074	(453)	(14.7%)
Transfers to/(from) Reserves	(826)	429	(1,255)	
Total Police Fund	263,386	265,988	(2,602)	(1.0%)

An explanation of the outturn variance to budget can be found below.

Chief Constable Operational Delivery Revenue Budget Outturn 2018/19

A total of £258.627m was spent against the budget of £259.342m delegated to the Chief Constable for 2018/19 to enable the discharge of the activities under his direction and control.

A summary breakdown of spend compared to budget is shown in the table below:

Operational Delivery Budget Outturn 2018/19

	Outturn		
	Actual £'000	Budget £'000	Variance £'000
Employees	236,700	233,465	3,235
Premises	11,969	14,616	(2,647)
Transport	5,854	4,184	1,670
Supplies & Services	52,390	50,232	2,158
Third Party Payments	9,061	10,361	(1,300)
Savings	0	3,148	(3,148)
TOTAL EXPENDITURE	315,974	316,006	(32)
Grants	(29,740)	(30,483)	743
Local Government/Partnership Funding	(816)	(1,443)	627
Sales, Fees Charges & Rents	(4,786)	(4,752)	(34)
Special Police Services	(14,556)	(14,706)	150
Reimbursed Services	(4,582)	(2,981)	(1,601)
Secondments & Mutual Aid	(2,867)	(2,299)	(568)
TOTAL INCOME	(57,347)	(56,664)	(683)
Net Operational Delivery Expenditure	258,627	259,342	(715)

Outturn highlights in the Chief Constable's accounts are as follows:

The precept increase provided by the PCC was employed to deliver the Chief Constable's 2018/22 Transformation Strategy, which will see the Force invest in Local Policing, improve Public Contact, including new ways to contact the Force and Modernising Policing by investing in technology that makes the Force better at tackling crime, reduces costs, makes it easier for our officers and staff to do their jobs or supports our work with partners and other agencies wherever possible. The additional funding provided amounted to the creation of 200 new posts, of which 178 are police officers and the balance are specialist police staff. The majority of police officers were allocated to Local Policing operating across Response, Investigations and Prevention (157). Contact received an uplift of 5 police officers and to respond to concerns regarding Roads Policing 14 police officers were allocated to Operations Department. The specialist police staff included 12 investigators in Local Policing and to enable this investment to be deployed effectively 6 additional trainers and 4 support posts have been created. Progress with filling the posts has been successful with 195 of the posts filled by the financial year end.

In line with Trade Union (Facility Time Publication Requirements) Regulations 2017 (SI 2017/328) the Chief Constable has an obligation to report annually on paid time off provided to trade union representatives for trade union duties and activities. The following details relate to 2018/19. There were 15 employees who were union officials during the period (14.61 full time equivalents). The total cost of this facility time was £101,897 which represents 0.12% of the total pay bill.

Premises underspend of £2.648m is largely attributed to building improvements and maintenance programmes slippage totalling £3.441m. £2.090m will be carried forward to 2019/20 to complete these works. These are offset by overspend on rent & rates at £0.510m and cleaning at £0.283m as forecast during the year.

Transport overspend of £1.670m relates predominantly to the vehicle fleet consisting of higher insurance premiums and incident/defect costs.

Supplies & Services shows a £2.158m overspend, of this £0.425m is due to stock adjustment following the closure of the Sussex uniform store following collaboration with Surrey, £0.384m is attributable to custody costs and the number of detainees, £0.429m on Digital Forensics outsourcing as quantity of devices was higher than expected due to technological advances and overspend. Of this, £0.493m is for 'other supplies and services' consisting of the net of overspends in force consultancy change programmes, legal costs contingency for operational equipment and resources. Communication and computing reports underspend of £0.221m for IT equipment and support.

Third party Payments are underspent by £1.300m, this is largely due to lower than expected external services costs for Digital Policing Programme (DPP), matched by lower reclaim of income against the approved Home Office grant which is funding the programme.

Sussex Police continued to make savings and efficiencies during 2018/19 from a combination of service reform and transformation programmes totalling £12.248m. A net £9m of those savings were reinvested back into Sussex Police activities including support for officer training, operational policing activities, systems and estates. Some £4m was reinvested into the estate through a programme of improvements to deliver efficiencies in energy costs and maintenance, including the installation of Light-Emitting Diode (LED) lighting, solar panels and closer monitoring of CO2 consumption. This has contributed to reductions in heating bills by more than 8%, electricity bills by more than 12% and overall energy consumption by 10%.

Additional Income. The Force achieved additional income of £0.683m in excess of budget during the year although there were a number of compensating budget variations on certain budgets.

Application of the Revenue Budget Underspend

The 2018/19 underspend has been returned to reserves and will be used in accordance with the approved Medium Term Financial Strategy (MTFS) and 2019/20 budget.

The PCC has approved that the budget surplus of £2.602m (as per the outturn position on page 22) is transferred to the following reserves:

- Transfer £1.519m to Delegated Budget Holder Reserve to be used to fund Chief Constable and OPCC commitments for carry forwards to 2019/20
- Transfer £1.083m to the Capital and Investment Reserve to be used to fund additional investment in on-going schemes and cost of change.

The Police and Crime Commissioner Revenue Budget Outturn 2018/19

The PCC manages the following budgets.

PCC Revenue Outturn 2018/19

	Actual	Budget	Variance	
	£000	£000	£000	%
OPCC Budget	1,271	1,345	(74)	(5.5%)
Community Safety, Victim Support, Restorative Justice and Drive Project	1,693	1,798	(105)	(5.8%)
Total	2,964	3,143	(179)	(5.7%)

OPCC Budget

The budget for the Office of the Police and Crime Commissioner (OPCC) includes the costs of running an office including staff salaries and office costs to cover the statutory functions of scrutiny, performance management, community engagements, independent custody visiting scheme, financial management, audit, legal services and complaints handling. A small underspend arose over a number of budget lines. This underspend will be carried forward to 2019/20.

The Sackville House lease was renewed during 2018/19 and contributions were made to the upkeep of the accommodation as required under the lease terms.

'Platinum' Independent Custody Visiting Scheme – The PCC continues to oversee an established and effective Independent Custody Visiting (ICV) Scheme. The Scheme has up to 45 dedicated volunteers who visit the detainees in each of the four 'active' police custody centres in Sussex: Brighton, Crawley, Eastbourne and Worthing. The custody centre in Chichester was closed in November 2018 and work has started to modernise Hastings Custody Centre – this is expected to be reopened in summer 2019.

There were increases in both the number of visits conducted (+4%) and the number of detained persons who accepted visits from the ICVs (+2%) in 2018/19, in comparison to the year before.

A number of positive changes were introduced by the ICV Scheme across 2018/19 and included: amending Force policy in respect of female hygiene and nicotine lozenges (in line with recommendations from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)), doubling the thickness of the mattresses available in all custody suites and improving the drinking water provisions for all detainees to 'self serve' in the cells.

The ICV Scheme successfully achieved Platinum status for the Quality Assurance Framework awarded by the Independent Custody Visiting Association (ICVA) in May 2019. This was the highest possible award and one of only two presented to the ICV schemes throughout England and Wales.

Community Safety

Community Safety Partnership Funding – The PCC protected community safety funding in 2018/19 for the sixth year running. A total of £1.2m was allocated to Brighton & Hove City Council, East Sussex County Council and West Sussex County Council and each of the 12 Community Safety Partnerships (CSPs) in Sussex.

Many of the CSPs have been working increasingly more collaboratively across 2018/19 and it is evident that strong working relationships exist with wider partnership members and the local communities. In February 2019, the PCC welcomed the formal merger of the Lewes and Eastbourne CSPs.

Further to the review of CSP funding that was completed in 2017/18, a new funding formula has been established to rebalance the funds better across the county – this will apply from 2019/20 onwards. Work to scope, establish and support centrally commissioned projects will continue next year too.

The PCC continues to support the CSPs to implement activity and to respond dynamically to emerging threats and issues in line with their strategic objectives. The PCC has also made a further commitment to protect the community safety funding in 2019/20.

Tackling Anti-Social Behaviour through Mediation – The PCC has continued to support and contribute funding worth £72,000 to the Sussex Mediation Alliance (SMA). The SMA is made up of four service providers: West Sussex Mediation Service, Mediation East Sussex, Brighton & Hove Mediation Service and Mediation Plus.

In 2018/19, 138 referrals were made directly by Sussex Police to the SMA for resolution through mediation to prevent the conflict from escalating any further. Anti-social behaviour was the most common type of dispute and accounted for 80 cases (and 58%), followed by neighbour disputes (26 and 19%) and property (12 and 9%). A total of 46 (and 33%) of these referrals resulted in successful mediations and actions, whilst a further 62 received support over the telephone and 24 received home visits, contributing to reducing the demand on Sussex Police.

Funding a Dedicated Modern Slavery Delivery Manager – Last year, the PCC created and funded a dedicated Modern Slavery Delivery Manager post to work with partners across Sussex to raise awareness of modern slavery, develop a coordinated response and to provide support to local communities in tackling modern slavery. Tackling modern slavery continues to remain a priority for the law enforcement agencies throughout the United Kingdom.

The Modern Slavery Delivery Manager has contributed to increases in the reporting of modern slavery by 89 (and 114%) in 2018/19, in comparison to the same period a year earlier.

In 2018/19, there has been a significant and visible uplift in the approach to Modern Slavery. Supported at Command level, the Modern Slavery Delivery Manager has delivered more than 50 bespoke inputs to police teams, local authorities, businesses, academic establishments and major faith dioceses across the county. The Manager has also established trusted and effective working relationships with local, regional and national partners responsible for Modern Slavery.

This approach has enabled Sussex Police to satisfy 85% of the 52 deliverables set out in the National Strategic Action Plan, with plans in place to discharge the remaining 15%. The Force remains fully supportive of this work and the funding for the post has been extended to May 2020.

Safer in Sussex Community Fund – The PCC allocated £151,623 from her SiSCF in 2018/19 to support 44 local projects across Sussex to tackle crime and improve community safety, including support for young and older people, homelessness, scams and fraud awareness and businesses affected by crime.

The Safer in Sussex Community Fund (SiSCF) provides financial support (grant awards up to £5,000) to a diverse range of local organisations and community projects that aim to reduce crime and improve community safety. In total, £1.527m has been allocated to support 292 projects since the SiSCF was created. A list of each of the successful applications to the SiSCF can be viewed in full [here](#).

Victims and Restorative Justice

Victims' Services - The Office managed £2.1m of Ministry of Justice Victims and other grants to deliver services to victims including restorative justice as follows:

Victims' Services – The PCC, in partnership with Victim Support, introduced a structured needs assessment to ensure that victims in Sussex understand exactly what support is available to them to enable services to be tailored to meet their needs more effectively.

In 2018/19, Victim Support successfully contacted over 40,758 victims to offer support. Of those victims contacted, 2,730 individuals received face-to-face tailored support. In addition, more than 1,508 victims were also referred to other local specialist service providers such as those for domestic abuse, stalking or sexual violence to receive enhanced support.

Data from Victim Support has demonstrated that 62% of victims contacted have the necessary resilience to cope with the crimes committed against them, without requiring support from an external agency. The remaining 38% of victims have presented with complex needs, which require more time and specialist skills to help them to cope and recover. The PCC has used this information to commission a new model to support those with complex needs more effectively. During the year a procurement exercise was undertaken to find a suitable supplier for the new model of service. Victim Support was successful in securing that contract and they will provide the new service during 2019/20.

Sussex Fraud Case Workers supported 638 victims over the last 12 months. Many of these victims have experienced substantial financial loss and have various additional needs such as physical frailty that make them more vulnerable to being repeat victims.

In addition, a week long exhibition took place in January 2019 to celebrate local victim support services. The exhibition showcased six Sussex women who regained their version of *A Life More Ordinary*, photographed in environments that they would not have been able to return to without the help of the provisions in place for victims in Sussex.

Domestic Abuse – The PCC has continued to serve on the National Oversight Group for Domestic Abuse, following her appointment by the Home Secretary, to inform, advise and set the direction for national policy.

The PCC is also the Lead Commissioner for the Drive Project – Domestic Abuse Perpetrator Programme – which aims to reduce the number of child and adult victims of domestic abuse by developing a ‘whole system response’ that directly holds perpetrators to account through a range of enforcement tactics and enables longer term behavioural change.

The Project has been running for three years to the period ending 31 March 2019. In this time, 242 high-risk perpetrators who are associated to 259 victims and 298 children have been allocated to the Project. This highlights how perpetrators will frequently have more than a single victim and that a risk-based approach to managing these high-risk perpetrators is necessary to continue to prevent the greatest level of harm.

A total of 195 cases have been closed across the above period, of which 88 resulted in direct contact (45%) with an engagement rate of 56% and 107 resulted in disruption activity (55%) to prevent abuse from taking place.

Severity of abuse assessments are carried out at both the entry to, and exit of, the Project. The data highlights significant reductions in the severity of high-risk abuse including a 93% reduction in sexual abuse, 89% reduction in physical abuse, 74% reduction in harassment and 65% reduction in jealous and controlling behaviour.

540% Increase in Reports of Stalking Since 2016/17 – Following an increase to the precept in 2017/18, Sussex Police is now better equipped and trained to recognise and deal with stalking and harassment.

As a result of this additional investment and improvements to training for officers and prosecutors, Sussex Police has seen a 540% increase since 2016/17 and a 54% increase in reports of stalking in 2018/19, from 1,006 reports in 2017/18 to 1,545 reports a year later. A total of 188 of these crimes were solved in 2018/19, compared to 173 solved in 2017/18.

The PCC also commissioned HMICFRS to undertake a thematic inspection into the Sussex Police response to stalking and harassment that took place in December 2018. The inspection report was published in April 2019 and can be viewed in full [here](#).

In 2018/19, the PCC continued to fund a local, specialist advocacy service in Sussex to help victims of stalking cope and recover and to raise awareness of the risks associated with stalking behaviours.

£530,000 for a New Funding Network – As part of a commitment to develop a diverse landscape of support services, this financial year the PCC invested over £530,000 in funding projects to support some of the most vulnerable victims and help inform her commissioning strategy.

The [Safe:Space Sussex Funding Network](#) was launched in February 2018. There are currently 27 ‘approved’ providers of specialist support services within the Funding Network who have each been able to demonstrate the high levels of quality standards and assurance required. This year, 7 new domestic abuse and sexual violence projects received funding from the Network, for projects supporting children and young people as well as family members.

The Funding Network was a finalist for a ‘Public Finance Award for Alternative Service Delivery Model of the Year’ in 2019.

Nationally Recognised Restorative Justice Partnership – The PCC’s Sussex Restorative Justice Partnership (SRJP) continued to provide successful outcomes for crime victims seeking restitution and closure by confronting perpetrators and describing the impact of their crime on them and their family. The SRJP follows national best practice and brings together twenty statutory and voluntary sector organisations across Sussex with a joint commitment “to create and offer a complete victim-focused restorative justice service at different stages in the criminal justice system for all victims of crime.”

Since its establishment, the SRJP has won a number of awards, including ‘Finance Innovation – Best Use of Public Money’ and national ‘Quality Mark’ recognition. The National Police Chiefs’ Council (NPCC) also identified the SRJP as a ‘best practice’ model for others to follow during their visit in 2018/19.

The award winning SRJP continues to evolve and respond to the needs of victims and offenders who seek remedies alongside or as an alternative to justice through the courts. The SRJP has also been able to support its wider membership with Brighton & Hove becoming a ‘Restorative City’ and supporting members of the Citywide Champions Network to become ‘Quality Marked’ and ‘Accredited’. The PCC remains committed to supporting innovation and the development of restorative justice and associated practices across the county.

In 2018/19, a total of 334 referrals were made to the SRJP and taken forward by the three Restorative Justice Hubs in Brighton & Hove, East Sussex and West Sussex. A total of 187 restorative outcomes were delivered across this period, of which 138 (73%) were face-to-face conferences. A further 164 finalisations were also made across the year where both parties were

satisfied with the final outcome. The SRJP continues to support Out of Court Disposals delivered through the Community Remedy process – with 231 cases resolved through this particular option. The volume of referrals and outcomes demonstrated by the SRJP continues to remain well above the national average.

In December 2018, BBC News attended and filmed an event held by an SRJP member in Her Majesty's Prison Lewes where offenders and victims described the lasting impact of restorative justice on them and their loved ones. The High Sheriffs in Sussex were also witness to similar evidence at other events held during National Restorative Justice Week in 2018/19.

Early Intervention Youth Programme: REBOOT – The PCC secured a total of £891,616 from the Home Office – the 7th highest award in England and Wales – to divert young people away from crime as part of a two-year programme. This funding was secured following a successful application to the Early Intervention Youth Fund after demonstrating that 'county lines' is one of the biggest emerging threats in Sussex. County lines is a term used to describe gangs and organised criminal networks involved in exporting illegal drugs into one or more importing areas within the UK, using dedicated mobile telephone lines.

The PCC has used the funding to establish a Sussex Early Intervention Youth Programme, called REBOOT, with the aim of engaging positively with those under the age of 18 at risk of committing serious violence, and those who have already come to the attention of the police through anti-social behaviour and low-level crime. REBOOT will work with local authorities and statutory partners in health, police and probation, together with schools and other educational establishments, and the Voluntary, Community and Social Enterprise (VCSE) sector.

A total of £0.134m was spent and claimed back through the grant mechanism for 2018/19.

Further information can be found in the PCC's annual report.

Other OPCC Financing Budgets Revenue Outturn 2018/19

The PCC is also responsible for other resources relating to the corporation sole as follows.

	Full Year		
	Actual	Annual Budget	Variance
	£000s	£000s	£000s
Transfer to Capital & Investment Reserve	3,324	3,324	0
Transfer (from) LPP Transition Reserve	(8,351)	(8,358)	7
Transfer To/From Delegated Budget Holder Reserve	827	827	0
Transfer To/From STACCA Reserve	(199)	0	(199)
Transfer To/From Sussex Safer Roads Partnership	20	0	20
Transfer To/From PFI Reserve	3,600	3,600	0
Transfer To/From POCA Reserve	(47)	(47)	0
Collection Fund transfer to Reserve	0	1,083	(1,083)
Total Transfers to/(from) Reserves	(826)	429	(1,255)
Pay and Price Contingency	0	350	(350)
Council Tax Reduction (CTR) Scheme	0	12	(12)
Total Pay & Price Provisions	0	362	(362)
Contribution to Capital Financing	2,063	2,063	0
MRP, PFI and leases	948	948	0
Total Capital Financing	3,011	3,011	0
Loan Interest Payments	201	201	0
Investment Interest Receipts	(591)	(500)	(91)
Total Treasury Management	(390)	(299)	(91)
Total Financial Provisions	2,621	3,074	(453)
Total Financial Provisions and Reserves	1,795	3,503	(1,708)

Transfers to/from Reserves

The base budget included an assumed transfer from the Local Policing Transition Support reserve of £8.358m to support specific cost pressures against the Chief Constable's Operational Delivery Budget, a total of £8.351m has been transferred.

Pay and Price Contingency

The PCC holds a small contingency to cover additional costs in year that arise from unforeseen increases in the costs of pay and non-pay budgets that cannot be funded from within the total police fund budget. The budget was set at £0.350m and was not utilised in-year.

Capital Financing

The capital financing budget includes costs of servicing the £4.5m loan balance outstanding with the Public Works Loan Board - interest payments and repayment of the loan via the statutory Minimum Revenue Provision (MRP) - and the annual revenue budget set aside to support capital and investment projects.

Treasury Management

The PCC is responsible for Treasury Management functions; the banking, loans and investments. Investment interest is generated from cash holdings during the year. The level of cash holdings reflects the overall amount of cash backed reserves and timing of major cash inflows (grant and precept income) and cash outflows (salaries, pensions and other payments) during the year. Investments are placed in accordance with the Treasury Management Strategy and provide income based on risk and return on investment. A full report on 2018/19 investment performance will be considered by the Joint Audit Committee in July 2019.

The amount of Investment interest achieved for the year was £0.591m. This was higher than anticipated by £0.091m due to better than expected interest rates being achieved during the year:

- average investment rate of return was 0.84%
- average investments of £70.236m were held in year compared against £77.858m in the prior year.

Reserves

The PCC must retain adequate reserves so that unexpected budget pressures can be met without having a detrimental impact on normal day to day operational activities.

The PCC's policy on reserves is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves. The detailed reserves policy can be found in the Medium Term Financial Strategy and the balances held can be found below and in Note 6 to the accounts.

Reserves

Total usable reserves as at 31 March 2019 amounted to £47m. This includes general reserves of £11m, which is 4% of the 2018/19 net budget, plus £36m of other reserves earmarked for specific purposes and future commitments. The summary of the reserves at 31 March 2019 is shown in the following tables:

	Balance at 31-Mar-18 £000	Transfers In 2018-19 £000	Transfers Out 2018-19 £000	Balance at 31-Mar-19 £000	Forecast as per MTFS (Feb 2018) £000
General Fund	(10,807)	0	0	(10,807)	(10,640)
Earmarked Reserves:					
Insurance	(4,289)	(1,112)	0	(5,401)	(4,102)
Local Policing Transition Support	(17,000)	0	8,351	(8,649)	(4,019)
Capital & Investment Expenditure	(9,440)	(18,654)	24,193	(3,901)	0
PFI Contract	(2,494)	(3,600)	0	(6,094)	0
Asset Seizures	(573)	(259)	306	(526)	(396)
Delegated Budget Holder	(6,800)	(2,533)	173	(9,160)	(2,654)
Sussex Safer Roads Partnership	(2,854)	(155)	184	(2,825)	(2,631)
Earmarked Reserves	(43,450)	(26,313)	33,207	(36,556)	(13,802)
Capital Receipts	0	(33)	33	0	0
Total	(54,257)	(26,346)	33,240	(47,363)	(24,442)

	Balance at 31-Mar-18 £000	Balance at 31-Mar-19 £000	Forecast as per MTFS (Feb 2018) £000	Difference	Useable
General Fund	(10,807)	(10,807)	(10,640)	167	
Earmarked Reserves:					
Insurance	(4,289)	(5,401)	(4,102)	1,299	0
Local Policing Transition Support	(17,000)	(8,649)	(4,019)	4,630	4,630
Capital & Investment Expenditure	(9,440)	(3,901)	0	3,901	3,901
PFI Contract	(2,494)	(6,094)	0	6,094	6,094
Asset Seizures	(573)	(526)	(396)	130	0
Delegated Budget Holder	(6,800)	(9,160)	(2,654)	6,506	6,506
Sussex Safer Roads Partnership	(2,854)	(2,825)	(2,631)	194	0
Earmarked Reserves	(43,450)	(36,556)	(13,802)	22,754	21,131
Capital Receipts	0	0	0	0	0
Total	(54,257)	(47,363)	(24,442)	22,921	21,131

From the Comprehensive Income and Expenditure Statement (CIES), the deficit on the provision of services for the Police and Crime Commissioner Group for 2018/19 is £98.116 million.

Reconciling the Comprehensive Income and Expenditure Statement (CIES) with the Use of Reserves.

The CIES shows the income and expenditure on the Group's services in the year in accordance with international Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and the General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding capital expenditure or the timing with which some items are charged to council tax. The reserves of the Group represent its net worth; the usable reserves show the resources currently available to spend on services. The Expenditure and Funding Analysis (EFA) note to the accounts shows the adjustments to arrive at the movement in the usable reserves and is summarised in the table below.

	2018/19 Outturn £'000
Net Cost of Services (per EFA)	460,112
Other operating expenditure (per CIES)	1,393
Financing and investment income and expenditure (per CIES)	85,617
Taxation and non-specific grant income (per CIES)	(318,074)
(Surplus) or Deficit on Provision of Services (per CIES)	229,048
Adjustment between accounting basis and funding basis under Regulations (per EFA)	(222,154)
Net (increase)/decrease to Earmarked Reserves (per EFA)	6,894

Capital & Investment Programme Expenditure

In addition to spending on day-to-day activities, the Commissioner incurs expenditure on the acquisition of fixed assets that will be used in providing services beyond the current accounting period; or expenditure that adds value to an existing fixed asset, such as buildings, technology and communications and other major items of plant and equipment.

Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £5.4m in 2018/19 are shown in the financial statements of the Commissioner. The

total capital and investment programme expenditure during the year was £25.3m, however, only £5.4m of that met the accounting criteria to be capitalised in the accounts in respect of assets to be included on the asset register.

The Chief Constable CIES receives a charge for the use of operational assets based on capital charges.

The Commissioner approved a capital programme for 2018/19 of £11.890 million in March 2018. This was revised by the Commissioner during the year to £29.704 million.

The final outturn for the capital & investment programme for the year is an under-spend of £4.437 million.

Capital and Investment Budget Outturn 2018/19

	Actual £m	Revised Budget £m	Variance over/ (under)spend	
			£m	%
IT Strategy	1.421	3.941	(2.520)	(64%)
Fleet Strategy	4.679	4.347	0.332	8%
Estates Strategy	4.737	4.750	(0.013)	(0%)
Video Enabled Justice	0.855	0.867	(0.012)	(1%)
Digital Policing	9.713	10.058	(0.345)	(3%)
Enterprise Resource Planning	1.657	2.080	(0.423)	(20%)
Operational Investments	2.205	3.661	(1.456)	(40%)
Total	25.267	29.704	(4.437)	(15%)
Net Carry Forward Requests			(3.718)	

The **IT strategy** programme has focused mainly on upgrading the infrastructure and networks across the Sussex estate at a cost of £0.685m and as a result some other project work has slipped with a request for £1.154m budget to be slipped to 2019/20. During the year IT have reviewed all of their capital & investment projects and have decided to cease a number of projects which accounts for the additional underspend.

Fleet has expenditure of £4.679m covering the on-going fleet replacement programme as well as ANPR and Telematics installations in vehicles. During the year Sussex Police Transport Service introduced 30 electric cars into the fleet that are being used for routine trips which has been possible as the lower price of the vehicles means they are now cost effective taking into account the whole life costs, generating fuel efficiencies, they also support the environment strategy to reduce the impact policing has on the environment. Overspend of £0.332m has occurred as vehicle deliveries were brought forward due to uncertainties surrounding Brexit.

Estates Strategy. The Estates Strategy 2018/23 is a key element of the capital programme and aims to make sure that the property used for policing is in the right place, is fit for purpose and efficient. The PCC closely scrutinised the revisions made to the Estates Strategy in 2018/19, through a monthly Estates Board, to ensure that it continued to provide a working environment fit for 21st century policing, was cost effective and demonstrated an accessible community footprint.

Where the estate is underused, the PCC is examining options for sharing with partners and disposal for redevelopment. This approach has resulted in the provision of a new shared policing base in Pulborough, in partnership with the South East Coast Ambulance Service (SECAmb). The £13m refurbishment to Brighton Police Station was completed in 2018/19, alongside the datacentres at Brighton and Lewes.

The vehicle workshop in Crawley Down is now fully functional and the Force is working with the Surrey Fire & Rescue Service to provide further facilities in order to maintain their vehicle fleet. Refurbishment works remain ongoing for Hastings Custody Centre, Steyning Police Station, Operations Command, together with the expansion to the car park at Sussex Police Headquarters in Lewes.

A total of £0.901m has been spent on improvement work at Sussex Police Headquarters, Lewes which includes the construction of a new visitor reception, the refurbishment of the existing reception site to allow for hot-desking and improvements to car parks, with an additional 75 spaces being provided. Planned refurbishment at Hastings Custody has cost £0.586m, with work continuing into 2019/20.

Video-Enabled Justice Programme – The PCC continues to lead the £40 million innovative Video-Enabled Justice (VEJ) programme on behalf of criminal justice partners across Sussex, Surrey, Kent, Norfolk and Suffolk. The Programme aims to provide victims and witnesses with a better experience of giving evidence whilst driving out significant efficiency savings for the police and other court users.

In September 2017, the PCC secured a further £11.5m from the Police Transformation Fund to implement the new model across the South East Region, Norfolk and Suffolk over the next three years. The funding will enable the Programme to embed VEJ across the criminal justice system to deliver greater flexibility and access to court time, saving valuable time for police officers, victims and witnesses, and the removal of the requirement for defendants to be conveyed to court for remand hearings. In June 2018, a Proof of Concept programme was launched in Kent and introduced a VEJ Video Manager tool across 7 police custody suites and at Medway Magistrates' Court to streamline the practice of police witnesses giving evidence in summary trials, increasing the time saved.

The PCC has introduced 14 'Live Links' video end points into specially adapted rooms across the Sussex Police estate enabling police officers and staff to give evidence remotely without the need to physically attend court. In 2019/20, two additional Live Link suites for vulnerable witnesses will be introduced in Sussex providing more individuals with the opportunity to give evidence remotely.

The PCC also funded a multi-agency initiative to convert premises in West Sussex into a Live Link suite for vulnerable witnesses, one of only a handful of such facilities throughout England and Wales.

In 2018/19, 406 police officers gave evidence using Live Links. This saved up to 1,928 hours of police time or 241 shifts, including an average saving of more than four-and-a-half hours per officer per court appearance. Where trials did not proceed on the day, or when pleas were changed to guilty, the Live Links initiative has ensured further time savings in time and money with police witnesses not having wasted journeys to court.

Digital Policing Programme is a Home Office fully funded transformation programme that is being hosted by Sussex under a grant agreement. The programme is split into three key work streams; Digital Public Contact, Digital Intelligence and Investigation and Digital First (Digital case files). During 2018/19 a major deliverable was the implementation of a new standard website incorporating standard online crime reporting capabilities and more at 10 forces including Sussex.

The Sussex Police and Crime Commissioner and Sussex Police are committed to continuous improvement in their arrangements for programme, project and financial management as demonstrated through a number of key initiatives and programmes, including:

Financial Excellence: Sussex Police is one of only 3 forces nationally to have piloted the national Chartered Institute of Public Finance and Accountancy's "Achieving Finance Excellence in Policing" programme. So far, this has included implementation of accounts closure software to enable code compliant production of statutory financial statements more promptly, development of Finance Business Partners, and an independent review of financial management arrangements.

New Enterprise Resource Planning Solution (Equip): Sussex Police is also currently implementing a new Enterprise Resource Planning (ERP) solution with Surrey Police and Thames Valley Police. This system is planned to bring improvements to all three forces and enable consistency, better information for managing and decision making – for teams and individuals. The planned programme implementation has encountered a two year delay and a subsequent increase in the costs of implementation. A number of corrective management interventions have been carried out and the Chief Constables are currently undertaking a bespoke and detailed contractual, commercial and technical review to provide assurance of the latest revised implementation dates and project costs. In line with our governance arrangements the Chief Constables will present their plans and recommendations to the PCCs for scrutiny and approval and this is planned for the end of August 2019. The decision will be published. The internal costs incurred by Sussex during 2018/19 were £1.7m and the total cost incurred by Sussex is £4.3m to the end of 2018/19.

Operational Investments during the year included projects within Specialist Crime, Operations Department, Communications and Digital Transformation. Significant spend related to extending Automatic Number Plate Recognition and Mobile Policing capabilities. Overspends were incurred on Body Worn Video (£0.266m) and Joint Intranet Project (£0.164m), for which no budget was held.

A total of £3.7m of underspend will be carried forward to 2019/20 to enable the delivery of projects as follows:

Scheme	Amount £'000
IT Strategy	2,371
Fleet Strategy	(330)
Estates Strategy	12
Enterprise Resource Planning	423
Operational Investments	1,242
TOTAL	3,718

The following table sets out how the final expenditure under the Capital & Investment Programme was financed:

Source of Funding	Revenue Sources £m	Capital Sources £m	Total Financing £m	%
Home Office Capital Grant	0.000	0.906	0.906	4%
Other Grants and Income	11.312	0.135	11.447	45%
Capital Receipts	0.000	0.033	0.033	0%
Revenue Funding	2.063	0.000	2.063	8%
Reserves	6.495	4.323	10.818	43%
Total	19.870	5.397	25.267	100%

Revenue costs of capital & investment programme projects:

The capital programme budget includes the total costs of each project. Actual expenditure incurred therefore comprise elements of capital and revenue expenditure. Expenditure is assessed at year end as part of the annual accounts process to ensure we account for expenditure in line with approved asset accounting policy. A strict definition is used to assess whether expenditure on the capital programme complies with capital expenditure regulations. In general, one-off small value items and spend that does not add to the value of an asset, is charged to the revenue accounts. As part of the final accounts process, capital programme expenditure of £19.9m has been assessed as expenditure which cannot be capitalised. This expenditure has been charged to the Operational Delivery revenue account 2018/19 funded from reserves and other revenue funding and is reflected in the revenue account.

Balance Sheet

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

Group Balance Sheet

	31 March 2018 £m	31 March 2019 £m	Movement £m
Long Term Assets	177	174	(3)
Current Assets	92	97	5
Current Liabilities	(35)	(47)	(12)
Long Term Liabilities	(3,087)	(3,182)	(95)
Net Liabilities	(2,853)	(2,958)	(105)
Financed by			
Usable Reserves	(54)	(47)	7
Unusable Reserves	2,907	3,005	98
Total Reserves	2,853	2,958	105

Movement between years:

The movement between years was £105m. This is predominantly due to the increase in the long term pension liability of £96m. The decrease of £3m in long term assets relates to property transfers from Plant, Property and Equipment (PPE) to Held for Sale categories plus revaluations and depreciation of PPE and Intangible Assets.

Pensions:

The Group operates separate pension schemes for Police Officers and Police Staff. Although benefits will not actually be payable until an employee retires, the Group is required to disclose this future commitment based on the full cost calculated based on the time employees become eligible to retire. This future net liability and annual current cost are calculated by an independent actuary in accordance with accounting standards (IAS19).

The total pension liability increased by £96.2m to £3.163 billion and has a substantial impact on the net worth of the Group. This is the main constituent of the total Net Liabilities on the Balance Sheet.

Retirement benefits (pensions) are offered to employees as part of the terms and conditions of employment. Employees can choose to opt out of the scheme at any time. Although benefits will not be payable until employees retire, the Group has a commitment to account for these at the time that employees earn their future entitlement.

Pensions are accounted for in accordance with International Accounting Standard 19 (IAS19). This standard is based on a principle that an organisation should account for its retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. The net overall impact of IAS19 accounting entries is neutral in the accounts. The pension liability, which is disclosed on the Balance Sheet, (balanced by the Pension Reserve) shows the underlying commitment that the Police and Crime Commissioner and Chief Constable have in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet of the Group.

Police officers can be members of either the Police Pension Scheme (1987), the Police Pension Scheme (2006) or the Police Pension Scheme (2015), collectively known as the Police Pension Scheme. This is a wholly unfunded scheme for which the Chief Constable is Scheme Manager. The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries. The regulations governing funding arrangements require that if the Pension Fund does not have sufficient funds to meet the cost of pensions in any year the amount required to meet the deficit must be transferred from the Police Fund to the Pension Fund. The annual deficit of the Police Pensions Account is funded by the Home Office Pension's Top-up Grant. 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. For 2018/19 this difference was £2.637m which represents in cash terms the additional pension contributions being met from the Police Operating Account.

Police staff and OPCC staff can be members of the West Sussex Pension Scheme, a Local Government Pension Scheme administered by West Sussex County Council. The Chief Constable and Police and Crime Commissioner make employer contributions on the basis of an agreed percentage of employees' pensionable salaries to the West Sussex Pension Fund. Employer contributions are based on an independent actuarial valuation of the fund which is carried out every three years. The Chief Constable also has to meet the pension costs of employees who have left employment due to ill health or where early retirements have been agreed, and also makes additional contributions to make good the shortfall in the pension fund, known as deficiency payments.

Under provisions within the Police Reform and Social Responsibility Act 2011, both the Commissioner and Chief Constable are employers.

The Police and Crime Commissioner Group is required to maintain a pensions reserve on the Balance Sheet for officers and staff. The reserve is termed 'unusable' as it is not cash backed but contains book entries to recognise the estimated liability that the Employer is committed to provide in the future, for service completed up to the balance sheet date. The pension liability is valued using an actuarial valuation and can fluctuate dependent on external factors and changes in actuarial assumptions.

The pension liability shows the underlying commitment that the Group has in the long run to pay post-retirement benefits. The total liability of £3.163 billion (£3.067 billion in 2017/18) has a substantial impact on the net worth of the Group as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The deficit on the funded schemes will be made good by contributions over the remaining working life of employees, i.e. before payments fall due, as assessed by the scheme actuaries.

Governance

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

The Accounts and Audit (England) Regulations 2015 require that the Annual Governance Statement (AGS) accompany the Statement of Accounts rather than be included in the Statement of Accounts. The separate AGS statements for the PCC and the Chief Constable highlight the internal control environment, comment on its effectiveness and identify issues for future work. The AGS documents are available separately on the websites of the Police and Crime Commissioner for Sussex www.sussex-pcc.gov.uk and the Chief Constable of Sussex www.sussex.police.uk.

Value for Money

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and PCC's overall objectives and targets. Internal financial control systems are in place to minimize the risk of loss, unlawful expenditure or poor value for money, and to maximize the use of those assets and resources.

The financial management and performance reporting framework follows national and/or professional best practice and includes a range of its key elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.
- Responsibility and accountability for resources rest with managers who are responsible for service provision.
- The PCC has adopted the CIPFA Code of Practice on Treasury Management requiring the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and proper accounting practice the Chief Constable and PCC produce a Medium Term Financial Strategy (MTFS), capital programme and prudential indicators. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget, use of reserves and capital programme.
- The MTFS includes provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the PCC and police service and sets out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the PCC.
- The PCC is required to present precept proposals to the Police and Crime Panel for their consideration prior to finalising the budget and precept.
- Capital expenditure is an important element in the development of the PCC's service since it represents major investment in new and improved assets. The PCC approves a four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.

- The PCC approved a balanced budget for 2018/19 with a £12 increase in the council tax precept. Further savings have been identified to balance the budget for the next four years.
- Monthly financial performance reports and quarterly group budget monitoring reports are presented to the Chief Constable's and PCC's and are published as 'key decisions'.
- Performance reports are presented and discussed with the PCC regularly and reviewed at the public Performance and Accountability meetings which are webcast.
- The PCC receives reports from HMICFRS and will act on recommendations as required.
- The Internal Audit Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the Joint Audit Committee on a quarterly basis. The Chief Internal Auditor also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2018/19.
- The Joint Audit Committee (JAC) provides a non-executive independent assurance to the PCC and Chief Constable and helps to ensure efficient, effective and adequate assurance arrangements are in place. Their [Terms of Reference](#) set out their role in full.

Delivery of the Police & Crime Plan

The PCC has a statutory duty to set the policing and crime objectives for their police force area through a Police & Crime Plan.

The Police & Crime Plan sets out the strategic policing direction for our county with objectives for how policing services will be delivered in Sussex up to 2021.

The Commissioner has identified the following four policing and crime objectives:

- Strengthen local policing.

- Work with local communities and partners to keep Sussex safe.
- Protect our vulnerable and help victims cope and recover from crime and abuse.
- Improve access to justice for victims and witnesses.

The aims and outcomes underpinning each of these objectives have been carefully developed to ensure they accurately reflect the policing, crime and community safety issues which members of the public have advised are most important.

The plan can be found at this link [Sussex Police and Crime Plan](#)

The PCC's Annual Report includes further details on progress against the policing and crime objectives and provides supporting information. The draft annual review was presented to the Police & Crime Panel at the end of June 2019 and published at the same time as the Statements of Accounts.

Regional Collaboration

South East Regional Integration Partnership – Sussex, Surrey, Hampshire and Thames Valley police forces have, with the backing of the Sussex PCC and regional PCC colleagues, formed the South East Regional Integration Partnership (SERIP) to deliver business, process and technical change across the four police force areas.

Over 500 change projects have been identified within the areas of contact management, regional forensics, digital intelligence and investigations, data exchange and interoperability and scalable Enterprise Resource Planning for the police and other emergency services (to automate back-office functions).

In March 2018, the PCCs and Chief Constables for Sussex Police, Surrey Police, Hampshire Constabulary and Thames Valley Police signed a Section 22 Agreement that set out the proposed approach to the national and regional programme for police collaboration and transformation for the SERIP.

Significant Write Offs, Provisions and Contingent Liabilities

Write Offs:

Income is recognised when it is due and not when it is paid, so from time to time we need to consider, following debt recovery action, whether certain unpaid debts will be settled. There are a variety of reasons why debts may not be settled, for example, where businesses cease to trade and liquidation is insufficient to clear debts or in cases of bankruptcy.

During the 2018/19 year, total debts of £25,764 were written off in relation to 18 customer balances.

Contingent Assets/Liabilities:

A contingent asset or liability is defined as a possible receipt (asset) or obligation to pay out (liability) based on a past event, but for which confirmation of the receipt / payment is uncertain as it depends on a future event. For example: pending legal claims. Unlike provisions, contingents do not result in an accounting entry as they are uncertain and cannot be reliably estimated, however a disclosure is made in the statements.

Disclosure has been made in the statements regarding three contingent liabilities, relating to the Transitional Provisions in the Police Pension Regulations 2015, Police Regulations On-call Payments and uncertainty around some forensic services.

During any financial year we will receive a number of legal and other claims in relation to employment, insurance and other issues. Many of these are subject to legal process and therefore the possibility of a future obligation is uncertain. The accounting rules classify such possible obligations as 'contingent liabilities'. They 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. No specific charges are made to the accounts.

There are a number of claims that have been received from current and former officers in relation to overtime, a group claim relating to the police pension scheme and a potential obligation in respect of Injury Pensions. These are classified as contingent liabilities and are detailed in Note 34 to the Group Accounts.

Treasury Management

Treasury Management deals with the day to day and longer term cash flow position of the PCC investing surplus balances and managing the loans portfolio. Specialist advisers are retained for advice on borrowing strategies and other treasury related matters.

Treasury management activities are monitored daily to the approved indicator limits that are set in accordance with The Prudential Code for Capital Finance in Local Authorities. For 2018/19 neither the indicators of the Authorised Limit for External Debt of £37m, nor the Operational Boundary for External Debt of £22m were breached and the profile of debt maturity was maintained within the agreed limits.

Investment interest is generated from cash holdings during the year. The level of cash holdings reflects the overall amount of cash backed reserves and timing of major cash inflows (grant and precept income) and cash outflows (salaries, pensions and other payments) during the year. Investments are placed in accordance with the Treasury Management Strategy and provide income based on risk and return on investment.

The amount of Investment interest achieved for the year was £0.591m. This was higher than anticipated (£0.091m) due to better than expected interest rates being achieved during the year:

- Average investment interest rate of return at 31 March 2019 was 0.84% compared to 0.74% at 31 March 2018.
- Average investments at 31 March 2019 of £70.2m were held in year compared against £77.8m in the prior year.

The total borrowing remained at £4.5 million and was within the authorised borrowing limit of £37m. The average borrowing interest rate at 31 March 2019 was 4.47% (2017/18 4.47%) relating to fixed interest on a long term PWLB (Public Works Loan Board) loan.

Financial Standing

Going Concern

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

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

The Local Government Accounting Code makes it clear that government changes should not be seen as having a detrimental impact on the PCC or Chief Constable continuing as a going concern. Even though assets could be taken from the PCC, with perhaps no compensation, the continued use of the property for the public benefit means that the PCC does not need to consider the restriction to make use of the property from the going concern perspective.

Unusable reserves on the balance sheet includes the large negative IAS19 pension reserve which is mainly due to the police pension scheme being an unfunded scheme i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The statutory arrangements for funding the liability mean that the Commissioner's financial position remains sound. This liability is mitigated as follows:

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

Outlook for 2019/20 and Beyond

Medium Term Financial Strategy 2019/23

The PCC approved the MTFS 2019/20 to 2022/23 on 8th February 2019 and you can view it [here](#).

After a year of dialogue with Government, PCCs secured the best possible funding arrangements for policing in the current financial climate, with the Government recognising the need to provide additional resources for local and national policing.

On 13 December 2018, the Minister for Policing and the Fire Service announced the provisional police financial settlement for 2019/20. This proposes a total settlement of up to £14 billion, which is an increase of up to £970 million compared to 2018/19.

This is the largest annual increase in funding since 2010 and includes increases to police funding in work to combat serious and organised crime and in counter terrorism.

There has been no change to the policing funding formula, the method the Government uses to distribute grant to forces, and it is not expected to change until 2020 at the earliest.

The offer for 2019/20 included an increase of 2.1% to the main Home Office grants and the opportunity for all PCCs to increase their precept by up to £24. The Home Secretary and Policing Minister stated that they expect PCCs to take advantage of this increased flexibility but that they also expect police forces to continue to find savings and become more efficient.

The settlement also addressed the majority of the additional cost that has arisen because of a revaluation of the police pension scheme. A combination of an increase in core grant, a special one-off grant and the removal of a surcharge levied by HM Treasury, leaves all but £0.1m net additional cost.

The 2018/19 to 2021/22 MTFS had included the assumption of a freeze to the Government grant and a £12 increase to the precept in each of the first two years and a £5 per year increase to the precept in the final two years of the MTFS period.

The 2019/23 MTFS sets out the financial context for revenue budget, capital programme and precept decision for 2019/20, and estimates for a further three financial years.

It brings together all resources including revenue, fees and charges, income for special policing and use of reserves and capital.

It also includes the revenue generated by a £24 increase to the precept in 2019/20 and £5 per year in each of the three following years.

In total £32m is available for investment over the four-year plan, subject to approval of the £24 precept.

MTFS Precept Investment	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
Precept Investment Proposed	7.549	7.851	8.165	8.492	32.057
Phasing to and (from) reserves to maintain a balanced budget	1.152	3.022	(0.835)	(3.339)	(0.000)
Proposed Investment Requirement	8.701	10.873	7.330	5.153	32.057

The Strategy also recognises that £1.3m has been approved from developer contributions through the planning process (Section 106/Community Infrastructure Levy) to fund a wide range of policing projects.

A Government spending review is due in 2019 and a new settlement is expected in 2020, including the possibility of a new funding formula.

The opportunity presented by the Government's provisional police grant settlement for 2019/20 enabled the PCC to build on the plans as set out in the MTFS 2018/19 – 2021/22. The Chief Constable presented a plan to the PCC that identified priorities where a further precept investment of £12 was needed.

The PCC approved an increase to the precept of £24 on the basis of the plan to recruit 100 more PCSOs, 50 more police officers and 50 more specialist staff. This is in addition to the extra 200 police officers already being recruited over the period.

By 2023 there will be up to 250 more police officers, 50 more specialist staff and 100 more PCSOs than there were in March 2018 – a total increase of 400 officers and staff.

Capital Investment

The PCC has approved a capital and investment programme 2019/23 of £43.349 million 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.

Reserves

Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements taking into account all the relevant local circumstances.

The PCC must retain adequate reserves so that unexpected budget pressures can be met without having a detrimental impact on normal day to day operational activities.

The PCC's policy on reserves is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves. The detailed reserves policy can be found in the MTFS 2019/23 in section 16.

Significant changes since 2017/18

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.

EU Referendum

The EU Referendum held on 23 June 2016 resulted in the public voting to end their 43-year membership of the world's largest single market by 51.9% to 48.1%. Article 50 was subsequently triggered on 29 March 2017 marking the start of the two years of negotiations to make a deal for the United Kingdom's exit from the European Union. The current understanding is that a decision on the withdrawal agreement must be made by 31 October 2019.

We therefore continue to expect a period of significant uncertainty and adjustment that could impact on our future finances, employment opportunities and other unforeseen areas. We will be monitoring the situation closely through our corporate risk management processes.

Explanation of the Key Accounting Statements

The Statement of Accounts set out the Police and Crime Commissioner and Chief Constable's financial standing and performance for the year ended 31 March 2019. The Statements represent the accounts for the PCC and also those for the PCC Group. The accounts for the Chief Constable of Sussex are available separately.

The term 'Group' is used to indicate individual transactions and policies of the PCC as the holding organisation and the Chief Constable as the subsidiary as set out under the Police Reform and Social Responsibility Act 2011.

The Accounts Comprise:

Narrative Report

This provides an overview of the activities of the PCC highlighting the financial position, including the reconciliation between performance against the annual budget and the position as set out in the accounts, risks and major items of income and expenditure.

Statements of Responsibilities

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

The Independent Auditor's Report

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

The 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, however, it is positioned here as it provides a link from the figures reported in the CIES to the General Fund Balance and Usable Revenue Reserves.

The Comprehensive Income and Expenditure Statement

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

The Movement in Reserves Statement

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

The Balance Sheet

The Balance Sheet shows the value of the recognised assets and liabilities. The net liabilities (assets less liabilities) are matched by the total usable and unusable reserves.

The Cash Flow Statement

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

Notes to the Accounts

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

Glossary of Financial Terms

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

Further Information

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

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



Signed

Date 31 July 2019

Iain McCulloch FCPFA

Chief Finance Officer

Office of The Police and Crime Commissioner for Sussex



Statements of Responsibilities

This section explains the responsibilities for managing the financial affairs of the Police and Crime Commissioner

The Police and Crime Commissioner Responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for:

the preparation of the Statement of Accounts for the Police and Crime Commissioner in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the code and its application to the accounts of the Police and Crime Commissioner.

During the year, the Chief Finance Officer has also:

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

I approve the Statement of Accounts for the year ended 31 March 2019.



Katy Bourne
Police and Crime Commissioner for
Sussex
Dated: 31 July 2019

I certify that the Statement of Accounts gives a true and fair view of the financial position of the PCC for Sussex and CC of Sussex Group at the accounting date and of the income and expenditure for the year ended 31 March 2019.



Iain McCulloch FCPFA
Chief Finance Officer
Dated: 31 July 2019

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



INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR SUSSEX

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Sussex for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014.

The financial statements comprise the:

- Police and Crime Commissioner for Sussex and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Sussex and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Sussex and Group Balance Sheet;
- Police and Crime Commissioner for Sussex and Group Cash Flow Statement;
- the related notes 1 to 38; and
- Police Pension Fund Account Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Sussex and Group as at 31 March 2019 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 2018/19.

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 Police and Crime Commissioner for Sussex and Group 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 Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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 included in the *Statement of Accounts 2018/19*, other than the financial statements and our auditor's report thereon. The Chief Finance Officer 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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Sussex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you 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.

Responsibility of the Chief Finance Officer

As explained more fully in the "Statements of Responsibilities" set out on page 56, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner'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 Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

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

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 Comptroller and Auditor General (C&AG) in November 2017, as to whether the Police and Crime Commissioner 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the 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 Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

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

Use of our report

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

MARK HODGSON

ERNST & YOUNG LLP

Date: 31 July 2019

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

The maintenance and integrity of the Police and Crime Commissioner for 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.

Group

Expenditure	2017/18		Note	2018/19		
	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
286,892	0	286,892	Employee Costs	420,413	0	420,413
17,585	0	17,585	Premises	15,894	0	15,894
4,363	0	4,363	Transport	5,830	0	5,830
53,782	0	53,782	Supplies & Services	79,001	0	79,001
3,130	0	3,130	Third Party Payments	1,047	0	1,047
7,863	0	7,863	Depreciation & Amortisation (Proxy)	8,888	0	8,888
0	(50,032)	(50,032)	Income	0	(70,961)	(70,961)
373,615	(50,032)	323,583	Cost of Services	531,073	(70,961)	460,112
1,578	0	1,578	Other Operating Expenditure	1,393	0	1,393
88,441	(11,175)	77,266	Financing and Investment Income and Expenditure	98,042	(12,425)	85,617
0	(309,337)	(309,337)	Taxation and Non Specific Grant Income	0	(318,074)	(318,074)
463,634	(370,544)	93,090	(Surplus) or Deficit on Provision of Services	630,508	(401,460)	229,048
		(11,412)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(2,075)
		50,525	Re-measurement of the net defined benefit liability / asset			(122,451)
		39,113	Other Comprehensive (Income) or Expenditure			(124,526)
		132,203	Total Net Comprehensive (Income) or Expenditure			104,522

PCC

Expenditure	2017/18		Note	Expenditure	2018/19	
	Income	Net			Income	Net
£000	£000	£000		£000	£000	£000
1,467	0	1,467	Employee Costs	1,537	0	1,537
145	0	145	Premises	118	0	118
28	0	28	Transport	26	0	26
4,084	0	4,084	Supplies & Services	3,811	0	3,811
1	0	1	Third Party Payments	0	0	0
0	(2,503)	(2,503)	Income	0	(2,331)	(2,331)
5,725	(2,503)	3,222	Cost of Services	5,492	(2,331)	3,161
305,711	0	305,711	Intra-Group Funding Transfer	322,974	0	322,974
1,578	0	1,578	Other Operating Expenditure	1,393	0	1,393
1,756	(726)	1,030	Financing and Investment Income and Expenditure	1,698	(752)	946
0	(309,337)	(309,337)	Taxation and Non Specific Grant Income	0	(318,074)	(318,074)
314,770	(312,566)	2,204	(Surplus) or Deficit on Provision of Services	331,557	(321,157)	10,400
		(11,412)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(2,075)
		(174)	Re-measurement of the net defined benefit liability / asset			76
		(11,586)	Other Comprehensive Income and Expenditure			(1,999)
		(9,382)	Total Comprehensive Income and Expenditure			8,401

Movement in Reserves Statement

Group

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2018		(10,807)	(43,450)	0	(54,257)	2,907,743	2,853,486
Movement in reserves during 2018/19							
Surplus or deficit on the provision of services		229,048	0	0	229,048	0	229,048
Other Comprehensive Income / Expenditure		0	0	0	0	(124,526)	(124,526)
Total Comprehensive Income and Expenditure		229,048	0	0	229,048	(124,526)	104,522
Adjustments between accounting basis and funding basis under regulations	5	(222,154)	0	0	(222,154)	222,154	0
Net Increase or Decrease before Transfers to Earmarked Reserves		6,894	0	0	6,894	97,628	104,522
Transfers to / from Earmarked Reserves		(6,894)	6,894	0	0	0	0
Increase or Decrease in 2018/19		0	6,894	0	6,894	97,628	104,522
Balance at 31 March 2019		(10,807)	(36,556)	0	(47,363)	3,005,371	2,958,008

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2017		(10,807)	(50,505)	(1,895)	(63,207)	2,784,491	2,721,284
Movement in reserves during 2017/18							
Surplus or deficit on the provision of services		93,090	0	0	93,090		93,090
Other Comprehensive Income / Expenditure		0	0	0		39,113	39,113
Total Comprehensive Income and Expenditure		93,090	0	0	93,090	39,113	132,203
Adjustments between accounting basis and funding basis under regulations	5	(86,035)	0	1,895	(84,140)	84,140	0
Net Increase or Decrease before Transfers to Earmarked Reserves		7,055	0	1,895	8,950	123,253	132,203
Transfers to / from Earmarked Reserves		(7,055)	7,055	0	0	0	0
Increase or Decrease in 2017/18		0	7,055	1,895	8,950	123,253	132,201
Rounding adjustment		0	0	0	0	(1)	(1)
Balance at 31 March 2018		(10,807)	(43,450)	0	(54,257)	2,907,743	2,853,486

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018		(10,807)	(43,450)	0	(54,257)	(160,474)	(214,731)
Movement in reserves during 2018/19							
Surplus or deficit on the provision of services		10,400	0	0	10,400	0	10,400
Other Comprehensive Income / Expenditure		0	0	0	0	(1,999)	(1,999)
Total Comprehensive Income and Expenditure		10,400	0	0	10,400	(1,999)	8,401
Adjustments between accounting basis and funding basis under regulations	5	(3,506)	0	0	(3,506)	3,506	0
Other Reserve Transfers		0	0	0	0	0	0
Net Increase or Decrease before Transfers to Earmarked Reserves		6,894	0	0	6,894	1,508	8,401
Transfers to / from Earmarked Reserves		(6,894)	6,894	0	0	0	0
Increase or Decrease in 2018/19		0	6,894	0	6,894	1,508	8,402
Balance at 31 March 2019		(10,807)	(36,556)	0	(47,363)	(158,967)	(206,330)

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017		(10,807)	(50,505)	(1,895)	(63,207)	(142,142)	(205,349)
Revised opening balance		(10,807)	(50,505)	(1,895)	(63,207)	(142,142)	(205,349)
Movement in reserves during 2017/18							
Surplus or deficit on the provision of services		2,204	0	0	2,204	0	2,204
Other Comprehensive Income / Expenditure		0	0	0	0	(11,586)	(11,586)
Total Comprehensive Income and Expenditure		2,204	0	0	2,204	(11,586)	(9,382)
Adjustments between accounting basis and funding basis under regulations	5	4,851	0	1,895	6,746	(6,746)	0
Net Increase or Decrease before Transfers to Earmarked Reserves		7,055	0	1,895	8,950	(18,332)	(9,382)
Transfers to / from Earmarked Reserves		(7,055)	7,055	0	0	0	0
Increase or Decrease in 2017/18		0	7,055	1,895	8,950	(18,332)	(9,382)
Balance at 31 March 2018		(10,807)	(43,450)	0	(54,257)	(160,474)	(214,731)

Balance Sheet

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

31 March 2018		Note	31 March 2019		
PCC	Group		PCC	Group	
£000	£000		£000	£000	
172,463	172,463	Property, Plant and Equipment	13	171,222	171,222
1,469	1,469	Investment Property	14	1,509	1,509
3,094	3,094	Intangible Assets	15	1,231	1,231
2	2	Long-Term Debtors	35	0	0
177,028	177,028	Long Term Assets		173,962	173,962
45,213	45,213	Short-Term Investments	35	34,108	34,108
514	514	Assets Held for Sale	16	2,058	2,058
947	947	Inventories	17	1,807	1,807
35,214	35,214	Short-Term Debtors	18	49,867	49,867
10,637	10,637	Cash and Cash Equivalents	19	9,588	9,588
92,525	92,525	Current Assets		97,428	97,428
(41)	(41)	Short-Term Borrowing	35	(41)	(41)
(30,983)	(32,434)	Short-Term Creditors	20	(43,299)	(44,949)
(3,150)	(3,150)	Provisions	21	(2,038)	(2,038)
(34,174)	(35,625)	Current Liabilities		(45,378)	(47,028)
(4,500)	(4,500)	Long-Term Borrowing	35	(4,500)	(4,500)
(14,996)	(3,081,762)	Other Long-Term Liabilities	33&35	(14,747)	(3,177,435)
(1,152)	(1,152)	Grants Receipts in Advance - Capital	11	(435)	(435)
(20,648)	(3,087,414)	Long Term Liabilities		(19,682)	(3,182,370)
214,731	(2,853,486)	Net Assets / (Liabilities)		206,330	(2,958,008)
(54,257)	(54,256)	Usable Reserves	22	(47,363)	(47,363)
(160,474)	2,907,742	Unusable Reserves	23	(158,967)	3,005,371
(214,731)	2,853,486	Total Reserves		(206,330)	2,958,008

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner for Sussex and Chief Constable of Sussex Group at the accounting date and of the income and expenditure for the year ended 31 March 2019.



Iain McCulloch FCPFA
Chief Finance Officer
Dated: 31 July 2019

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

The Balance Sheet tables show the value as at 31 March 2019 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner (PCC). The net liabilities of the Group (assets less liabilities) are matched by the reserves held by the Group.

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

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

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

Cash Flow Statement

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

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

2017/18				2018/19	
PCC £000	Group £000		Note	PCC £000	Group £000
2,204	93,090	Net deficit on the provision of services	1	10,400	229,048
(17,256)	(108,142)	Adjustment to surplus or deficit on the provision of services for noncash movements		(15,539)	(234,187)
15,376	15,376	Adjustment for items included in the net deficit on the provision of services that are investing or financing activities		12,074	12,074
324	324	Net cash flows from operating activities		6,935	6,935
(3,128)	(3,128)	Net cash flows from investing activities		(6,677)	(6,677)
763	763	Net cash flows from financing activities		791	791
(2,041)	(2,041)	Net (increase) or decrease in cash and cash equivalents		(1,049)	(1,049)
8,596	8,596	Cash and cash equivalents at the beginning of the reporting period	19	10,637	10,637
10,637	10,637	Cash and cash equivalents at the end of the reporting period		9,588	9,588

The Chief Constable does not have any cash-flows for the year, since all payments were made from the Police Fund which is held by the Police and Crime Commissioner for Sussex (PCC). Similarly all income receipts and funding are received by the PCC during the year. The financial consequences of the operational activities do impact on the net surplus/deficit on the provision of services and adjustments to that net surplus/deficit on provision of services for non-cash movements.

- Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2018	31 March 2018		31 March 2019	31 March 2019
PCC £000	Group £000		PCC £000	Group £000
(578)	(578)	Interest received	(592)	(592)
1,673	1,673	Interest paid	1,602	1,602
1,095	1,095	Total	1,010	1,010

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2018	31 March 2018		31 March 2019	31 March 2019
PCC £000	Group £000		PCC £000	Group £000
(6,407)	(6,407)	Depreciation	(7,025)	(7,025)
2,596	2,596	Impairment and downward valuations	278	278
(1,454)	(1,454)	Amortisation	(1,863)	(1,863)
(6,964)	(6,964)	(Increase)/decrease in creditors	(12,515)	(12,515)
4,978	4,978	Increase/(decrease) in debtors	14,654	14,654
(60)	(60)	Increase/(decrease) in inventories	860	860
(91,072)	(91,072)	Movement in pension liability	(218,651)	(218,651)
(946)	(946)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(421)	(421)
82,073	(8,813)	Other non-cash movements charged to the (surplus)/deficit on provision of services	209,145	(9,503)
(17,256)	(108,142)	Total	(15,538)	(234,186)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2018	31 March 2018		31 March 2019	31 March 2019
PCC £000	Group £000		PCC £000	Group £000
75,000	75,000	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	100,000	100,000
519	519	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	33	33
(73,328)	(73,328)	Any other items for which the cash effects are investing or financing cash flows	(87,959)	(87,959)
2,191	2,191	Total	12,074	12,074

- Cash Flow from Investing Activities

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

The daily average lending for 2018/19 was £70.2m, a decrease of £7.6m compared with £77.8m during 2017/18 and is reflected above within the figures for purchase of investments and proceeds from the sale of investments. This is a reasonable activity to support the primary function of policing Sussex and yielded £0.59m of investment interest received for the year.

31 March 2018 PCC & Group £000		31 March 2019 PCC & Group £000
12,248	Purchase of property, plant and equipment, investment property and intangible assets	5,397
60,000	Purchase of short-term and long-term investments	89,000
(507)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(33)
(70,000)	Proceeds from short-term and long-term investments	(100,000)
(4,869)	Other receipts from investing activities	(1,041)
(3,128)	Net cash flows from investing activities	(6,677)

- Cash Flow from Financing Activities

31 March 2018 PCC & Group £000		31 March 2019 PCC & Group £000
(8)	Other receipts from financing activities	(2)
771	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	793
763	Net cash flows from financing activities	791

Note 1 -Expenditure and Funding Analysis

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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES). The Expenditure and Funding Analysis is a note to the Financial Statements rather than a primary statement itself, however, it is positioned here as it provides a link from the figures reported in the CIES to the General Fund Balance and Usable Revenue Reserves.

Group EFA:

Net Expenditure Chargeable to the General Fund Balance	2017/18	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments	
£000	£000	£000	£000	£000	£000
195,812	91,080	286,892	Employee Costs	201,563	420,413
17,585	0	17,585	Premises	15,894	15,894
4,363	0	4,363	Transport	5,830	5,830
53,782	0	53,782	Supplies & Services	79,001	79,001
3,130	0	3,130	Third Party Payments	1,047	1,047
0	7,863	7,863	Depreciation & Amortisation	0	8,888
2,595	(2,595)	0	(Gains)/Losses on PPE Revaluations	278	0
(50,032)	0	(50,032)	Income	(70,961)	(70,961)
227,235	96,348	323,583	Net Cost of Services	232,652	460,112
(220,180)	(10,313)	(230,493)	Other Income and Expenditure	(225,758)	(231,064)
7,055	86,035	93,090	Deficit on Provision of Services	6,894	229,048
(61,312)			Opening Combined General Fund Balance	(54,257)	
7,055			Plus Surplus on the General Fund Balance for the Year (Statutory basis)	6,894	
(54,257)			Closing Combined General Fund Balance	(47,363)	

PCC EFA:

Net Expenditure Chargeable to the General Fund Balance	2017/18	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments	
£000	£000	£000	£000	£000	£000
1,272	195	1,467	Employee Costs	1,335	1,537
145	0	145	Premises	118	118
28	0	28	Transport	26	26
4,084	0	4,084	Supplies & Services	3,811	3,811
1	0	1	Third Party Payments	0	0
(7,863)	7,863	0	Depreciation & Amortisation (Proxy)	(8,888)	0
2,595	(2,595)	0	(Gains)/Losses on Revaluation of PPE	278	0
(2,503)	0	(2,503)	Income	(2,331)	(2,331)
(2,241)	5,463	3,222	Net Cost of Services	(5,651)	3,161
9,296	(10,314)	(1,018)	Other Income and Expenditure	12,545	7,239
7,055	(4,851)	2,204	Surplus or Deficit on Provision of Services	6,894	10,400
(61,313)			Opening Combined General Fund Balance	(54,257)	
7,055			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	6,894	
(54,258)			Closing Combined General Fund Balance	(47,363)	

All EFA figures above reconcile to the General Fund and Earmarked Reserve Balances (excluding the Capital Receipts Reserve) in line with guidance from the Code.

Note 2 - Critical Judgements in Applying Accounting Policies

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

In applying the accounting policies set out in Note 38, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- Establishing valuations of operational and investment properties, which are assessed by an independent qualified Valuer (see Note 37 for details of the accounting policy relating to the valuation process and see Notes 13 and 14 for details of revaluation amounts).
- Depreciation is calculated based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to the CIES will increase. The PCC monitors the useful life of assets to identify where changes to the depreciation charge are required during the year.
- Calculating employee benefit accruals e.g. unused holiday, this is based on staff time records and an average cost for each grade (see Notes 38 and 23 for the accounting policy and amounts respectively).
- Costs of pension arrangements require estimates assessed by an independent qualified actuary regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS19 reporting are the responsibility of the Group as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population (see Note 33 for details of the pension schemes in place for police staff and police officers, see also the separate Chief Constable accounts for the Police Pension Fund Account Statements).
- Future levels of funding for Local Government - The Police and Crime Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Police and Crime Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Independently reviewed PFI accounting models are used to calculate future liabilities for interest and capital repayments, which are based on the current retail price index as listed by the Office of National Statistics. This is reviewed annually, to assess any change affecting the current year and future year charges.

- A judgement has been made of the expenditure allocated between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in accordance with the 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.

Accruals of Income and Expenditure

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

- Fees, charges and rents due are accounted for as income at the date the Police and Crime Commissioner provides the relevant goods or services.
- Where income and expenditure is recognised but cash has not been received or paid, a debtor or creditor for the relevant year is recorded in the Balance Sheet. Estimates are used when appropriate based on expectation, experience, relevant documentary evidence and other support such as advice from specialist consultants.
- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Comprehensive Income and Expenditure Statement for the income that might not be collected.
- Working capital has been judged as being attributable in full to the Police and Crime Commissioner. The PCC controls the treasury management function and all bank accounts, therefore all working balances (cash, current debtors and liabilities) are recognised in the PCC's Balance Sheet.

Actuarial Assumptions

Pensions

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

There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in-payment. The mortality assumptions have changed from the previous accounting period to take account of recent mortality experience. 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.

Impact of McCloud/Sargeant court of appeal

The courts have considered cases regarding the implementation of the 2015 pension reforms. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied.

The ruling relates to the 'transitional protection' offered to some members when the reformed schemes were introduced. In order to ensure people close to retirement age were treated fairly, the government agreed to 'transitional protection', which broadly permitted those members who were closest to retirement at the time new pension schemes were introduced to remain members of their respective old schemes. The court has found that those too far away from retirement age to qualify for 'transitional protection' have been unfairly discriminated against. As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the local government and police.

A decision was therefore made to commission IAS 19 pension actuarial reports to include the impacts of this court case and fully provide for them within the 2018/19 accounts of the PCC Group for both police and staff pension schemes.

Insurance

The Group annually reviews the appropriateness of its insurance funding. Independent Actuaries Marsh undertook a review on the adequacy of our insurance claim provision and reserves. The review utilises recognised actuarial techniques and generally accepted principles to forecast ultimate claims costs. 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 Chief Finance Officer on 31 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have therefore been adjusted for the following event which took place after 31 March 2019:

On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud / Sargeant case that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounted to unlawful discrimination. This made the impact on IAS19 Pension scheme disclosures a certainty rather than a contingency, as noted in more detail within Note 33.

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 Police and Crime Commissioner about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates. The items in the PCC & Group Balance Sheets for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations and Depreciation	<p>Assets are independently assessed by professional valuers. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate of austerity could lead to uncertainty that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, this in turn could impact on the useful lives assigned to assets.</p> <p>The Police and Crime Commissioner carries the assets used under the PFI contract on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £34,276 for every year that useful lives had to be reduced.</p>

Item (cont'd)	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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.</p> <p>Pension assumptions now include the impact of "McCloud/Sargeant" transitional protections for both officer and staff pension schemes to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates.</p> <p>The Fund's actuary also carried out calculations in order to estimate the impact that the Guaranteed Minimum Pension (GMP) equalisation will have on the pension fund liabilities.</p>	<p>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 staff scheme pension liability of £73m and an increase in the police officer pension scheme pension liability of £284.5m. However, the assumptions interact in complex ways. During 2018/19, the Group's actuaries advised that the net pension liability had decreased in total by £129.8m as a result of revised actuarial assumptions.</p> <p>Quantifying the impact of the "McCloud/Sargeant" judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The GMP estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.</p>
Pensions Costs	<p>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 Group must generate cash to meet the actual pension payments as they fall due.</p>	<p>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 (£47.4m for 2018/19) to the PCC. Further details of the schemes can be found in the Police Officer Pension Fund Accounts on page 163.</p>
Insurance Claims Liability	<p>The level of potential claims facing the Police and Crime Commissioner is independently assessed by professional actuaries Marsh on an annual basis. This assesses the future potential cost on the Police and Crime Commissioner of claims both known and unknown. Claims more likely to materialise in terms of probability, cost and timing, are carried as provision on the balance sheet. Funding for more intangible claims is held in the insurance reserve. The assessment is subject to peer review.</p>	<p>Additional resources required to cover claims costs would be required in the event that actual claims are higher than predicted.</p>
Debtors	<p>At 31st March 2019, the Police and Crime Commissioner had a balance of sundry debtors of £1.7m. A review of significant balances suggested that an impairment of doubtful debts of £0.12m was appropriate.</p>	<p>Based on the balance outstanding at 31 March 2019, If collection rates were to deteriorate, every 1% decrease would require an additional impairment provision of £0.02m.</p>

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

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 Police and Crime Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Police and Crime Commissioner to meet future capital and revenue expenditure. All items are adjustments between the general fund balance and the unusable reserves shown below.

Group

GROUP 2018/2019	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£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)	(218,651)		218,651
Council tax and NDR (transfers to or from the Collection Fund)	(657)		657
Holiday pay (transferred to the Accumulated Absences reserve)	(199)		199
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,628)		3,628
Total Adjustments to Revenue Resources	(223,135)	0	223,135
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	33	(33)	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	948		(948)
Total Adjustments between Revenue and Capital Resources	981	(33)	(948)
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		33	(33)
Total Adjustments to Capital Resources	0	33	(33)
Total Adjustments	(222,154)	0	222,154

GROUP 2017/2018	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£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)	(91,072)		91,072
Council tax and NDR (transfers to or from the Collection Fund)	(57)		57
Holiday pay (transferred to the Accumulated Absences reserve)	(8)		8
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,671		(3,671)
Total Adjustments to Revenue Resources	(87,466)	0	87,466
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	507	(507)	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	924		(924)
Total Adjustments between Revenue and Capital Resources	1,431	(507)	(924)
Use of the Capital Receipts Reserve to finance capital expenditure		2,402	(2,402)
Total Adjustments to Capital Resources	0	2,402	(2,402)
Total Adjustments	(86,035)	1,895	84,140

PCC 2018/2019	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£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)	(202)		202
Council tax and NDR (transfers to or from the Collection Fund)	(657)		657
Holiday pay (transferred to the Accumulated Absences reserve)	0		0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,628)		3,628
Total Adjustments to Revenue Resources	(4,487)	0	4,487
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	33	(33)	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	948		(948)
Total Adjustments between Revenue and Capital Resources	981	(33)	(948)
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		33	(33)
Total Adjustments to Capital Resources	0	33	(33)
Total Adjustments	(3,506)	0	3,506

PCC 2017/2018	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£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)	(182)		182
Council tax and NDR (transfers to or from the Collection Fund)	(57)		57
Holiday pay (transferred to the Accumulated Absences reserve)	(13)		13
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,672		(3,671)
Total Adjustments to Revenue Resources	3,420	0	(3,419)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	507	(507)	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	924		(924)
Total Adjustments between Revenue and Capital Resources	1,431	(507)	(924)
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		2,402	(2,402)
Total Adjustments to Capital Resources	0	2,402	(2,402)
Total Adjustments	4,851	1,895	(6,745)

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. The General Fund Reserve at 31 March 2019 is £10.8m and represents 4.1% of the Net Revenue Expenditure Budget of £265.988m. This is in line with the approved Reserves Policy which sets a minimum target for the General Reserve of 4% of Net Revenue Expenditure Budget.

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

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves:							
Insurance Reserve	(4,102)	(187)	0	(4,289)	(1,112)	0	(5,401)
Operational Reserve	(2,450)	0	2,450	0	0	0	0
Capital & Investment Reserve	(18,681)	(6,198)	15,439	(9,440)	(18,654)	24,193	(3,901)
PFI Reserve	(12,794)	0	10,300	(2,494)	(3,600)	0	(6,094)
Asset Seizures Reserve	(396)	(493)	316	(573)	(259)	306	(526)
Delegated Budget Holder Reserve	(8,995)	(1,523)	3,718	(6,800)	(2,533)	173	(9,160)
Sussex Safer Roads Partnership Reserve	(3,087)	0	233	(2,854)	(155)	184	(2,825)
Local Policing Transition Support Reserve	0	(17,000)	0	(17,000)	0	8,351	(8,649)
Total Earmarked Reserves	(50,505)	(25,401)	32,456	(43,450)	(26,313)	33,207	(36,556)

Details of usable Reserves held and their purpose

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

The policy was last reviewed and approved by the Police and Crime Commissioner in March 2019.

Reserve		Level or Target
General		
General Reserve	<p>Provides a working balance to cover day to day cash flow requirements and to cover exceptional unforeseen financial and operational risks. The target level of the reserve is reviewed as part of the annual budget setting process.</p> <p>The September 2017 review of reserves considered the adequacy and need of the separate £2.5m operational reserve in addition to the General Reserve. It recommended that the £2.5m operational reserve could be incorporated within the existing £10.8m General Reserve balance. This sum is available to the Chief Constable for operational priorities without the need for additional approval.</p>	4% of Net Revenue Expenditure Budget as at 31 March each year.
Contingency and Risk		
Insurance Reserve	<p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages. This Reserve is funded from revenue or transfers from other reserves and adjusted annually, following an independent actuarial review, to reflect inflation and risk up to date management information.</p> <p>To improve consistency in funding claims, there is a need to split claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account is used to meet any in-year liabilities if they arise. Any year-end variance in the revenue claims budget will not normally be met from or transferred to the general force budget, but transferred to/from the insurance Reserve. The level of the reserve is reviewed annually.</p>	Assessed as part of the annual insurance actuarial review.

Investment		
Capital and Investment Reserve	To support planned one-off and non-recurring investments of a capital and revenue nature. Change management initiatives providing support for implementing cost-saving initiatives. Financing asset replacement plans and commitments over 5-10 years.	In line with investment and replacement plans included within the MTFS and dependant on financing requirements of the Capital Strategy. Funded from: approved in year revenue budget surplus; transfers from other reserves; specific approved contributions.
Capital Receipts Reserve	This reserve holds the proceeds from the sale of assets, and can only be used for financing capital expenditure in accordance with regulations.	Receipts from the sale of assets are taken to this reserve.
Capital Grants & Contributions	This reserve holds unused elements of grant and other external funding to be spent in the following financial year in line with the conditions of the grant or external funding.	As determined by the closure of accounts process
Single Use		
PFI Reserve	As part of a wider review of the custody PFI contract a review was commissioned to determine why the PFI reserve of £12.794 million was set aside as an earmarked reserve, what the reserve was to fund and when. It concluded that £10.3m could be reallocated from the reserve leaving a balance to be retained for the PFI contract review process. This reserve will be discontinued once exhausted.	The remaining PFI balance is to be used until the review project is completed or the reserve is exhausted.
Asset Seizure Reserve	Balance of Proceeds of Crime Act (POCA) income received but not spent during the year to be used in accordance with Home Office guidance.	Target level of 12 months costs of financial investigations.
Delegated Budget Holder Reserve	Under and overspendings on the PCC's and Chief Constable's revenue budgets are managed via this reserve in accordance with the PCC's carry-forward policy.	Agreed annually by the PCC as part of the final outturn.
Sussex Safer Road Partnership (SSRP)	Balance of funding for the Sussex Safer Roads Partnership. This reserve can be used to finance capital or revenue expenditure. The level of this reserve may fluctuate year on year as under-spends are transferred in. However £1.2m is ring-fenced so that in the event that the Partnership is dissolved, there are sufficient funds to cover one year of running and decommissioning costs. This reserve belongs to the SSRP Partnership and any funds remaining will be returned to the contributing partners on a pro rata basis.	Transfer of any SSRP under-spend to reserves at year.
Local Policing Transition Support Reserve	This reserve was created following a Balance Sheet review during the 2017/18 year by reallocating existing earmarked reserves no longer required for their original purpose, plus an additional £2m contribution from the 2017/18 forecast underspend. Specific use of this reserve will be released over the period to April 2020 via agreement at monthly financial accountability meetings between the Force and the PCC.	Specific reserve set up during 2017/18 to be released over the period to April 2020.

Note 7 - Other Operating Expenditure

2017/18		2018/19
£000		£000
1,139	Levies	1,004
439	Gains/losses on the Disposal of Non-Current Assets	388
1,578	Total Other Operating Expenditure	1,392

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

Note 8 - Financing and Investment Income and Expenditure

2017/18			2018/19	
PCC	Group		PCC	Group
£000	£000		£000	£000
1,673	1,673	Interest payable and similar charges	1,602	1,602
5	76,241	Net interest on the net defined benefit liability (asset)	5	84,676
(578)	(578)	Interest receivable and similar income	(591)	(591)
(70)	(70)	Income and expenditure in relation to investment properties and changes in their fair value	(70)	(70)
1,030	77,266	Total	946	85,617

Note 9 - Taxation and Non-Specific Grant Income

2017/18 £000		2018/19 £000
(94,109)	Council tax income	(102,551)
(205,383)	Non ring-fenced government grants	(210,159)
(9,845)	Capital grants and contributions	(5,364)
(309,337)	Total	(318,074)

Figures in the above table all relate to the PCC and the Group as the Chief Constable has no taxation transactions.

Note 10 - Precept Income

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

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

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

Valuation Band	Amount
	£ p
A	110.61
B	129.04
C	147.48
D	165.91
E	202.78
F	239.65
G	276.52
H	331.82

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

The Brighton and Hove City Council and the District Borough Councils collectively were due to make payments to the PCC for 2018/19 of £102,104,481.52. The following table sets out the amounts received and due from the individual local authorities.

Precepts Due and Collected 2018/19

Local Authority	Precept Due 2018/19	Additional amounts received / (retained) in respect of collection fund surplus/(deficit)	Share on movement on collection fund in 2018/19	Net Total
	£	£	£	£
Brighton and Hove	14,762,075	220,035	(289,671)	14,692,439
East Sussex				
Eastbourne Borough Council	5,699,739	118,284	(78,277)	5,739,746
Hastings Borough Council	4,244,310	76,418	(63,437)	4,257,291
Lewes District Council	6,144,311	70,000	(65,243)	6,149,068
Rother District Council	6,259,270	48,221	43,651	6,351,142
Wealden District Council	10,607,887	114,304	(49,674)	10,672,517
West Sussex				
Adur District Council	3,471,368	2,287	(16,690)	3,456,965
Arun District Council	10,021,296	49,000	42,000	10,112,296
Chichester District Council	8,760,761	23,215	(10,715)	8,773,261
Crawley Borough Council	5,721,307	54,137	(14,120)	5,761,324
Horsham District Council	10,095,043	167,994	(81,053)	10,181,984
Mid Sussex District Council	9,951,829	101,940	(5,456)	10,048,313
Worthing Borough Council	6,365,286	37,609	(68,243)	6,334,652
Total	102,104,482	1,083,444	(656,928)	102,530,998

In the table above, the first two columns of figures record the cash amounts received in year (for precepts due in the current 2018/19 year plus any final adjustments from the previous year). These are reflected in calculation of the budget requirement and PCC funding during the year. The third column of figures calculated on an accruals basis records any remaining amounts due as part of the PCC's attributable share of the carried-forward surplus or deficit on the Collection Fund at the year-end (i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, which will then be distributed to or recovered from the PCC in a subsequent financial year). This is so the PCC as a precepting authority can account in full for the amounts of council tax billed on their behalf.

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

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

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

This year the PCC share of the movement on the collection fund was a negative shift of £0.657m from 2017/18, giving a total balance of £0.761m in the Collection Fund Adjustment Account set out in Note 23. Precept income is shown in Note 9 as part of the analysis of taxation and non-specific grant income.

Note 11 - Grant Income

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

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2018		31 March 2019
£000		£000
(96,462)	Home Office Police Grant	(96,462)
(53,136)	DCLG Revenue Support Police Grant	(53,137)
(10,140)	Council Tax Support Grant	(10,140)
(3,062)	Council Tax Freeze Grant	(3,062)
(42,583)	Police Officer Pension Grant	(47,358)
(9,845)	Capital Grants and Contributions	(5,364)
(215,228)	Total	(215,523)

Credited to Services

31 March 2018		31 March 2019
£000		£000
(3,263)	PFI	(3,263)
(4,175)	Counter Terrorism	(4,091)
(1,866)	Victims Services Commissioning Grant - Victims	(1,954)
(86)	Victims Services Commissioning Grant - Restorative Justice	0
(1)	Victims Services Commissioning Grant - Other	0
(515)	Innovations Fund Drive Project	0
(10,370)	Collaboration with other Forces	(28,163)
(2,445)	Other Grants and Contributions	(5,667)
(175)	National Barrier Asset Maintenance & Storage	0
(606)	Conference Policing	0
(23,502)	Total	(43,138)

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

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31 March 2018		31 March 2019
£000		£000
(402)	Capital Grant for ESN Control Room	(402)
(750)	Laser Scanning Technology	(6)
0	Red Light Camera	(15)
0	Video Enabled Justice	(12)
(1,152)	Total	(435)

Note 12 - Capital Expenditure and Capital Financing

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

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

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

Capital Expenditure and Capital Financing

31 March 2018		31 March 2019	
	£000		£000
	19,284	Opening Capital Financing Requirement	18,360
		Capital Investment:	
	11,524	Property Plant and Equipment	5,397
	723	Intangible Assets	0
	12,247	Total Capital Spending	5,397
		Sources of Finance:	
	(2,402)	Capital receipts	(33)
	(9,845)	Government Grants and other contributions	(5,364)
		Sums set aside from revenue:	
	(924)	- Minimum revenue provision	(948)
	(13,171)	Total Sources of Finance	(6,345)
	18,360	Closing Capital Financing Requirement	17,412
		Explanation of movements in year:	
	(924)	MRP set-aside	(948)

All of the total £5.397m investment in long term fixed assets has been capitalised as property, plant and equipment. An additional amount totalling £19.870m of expenditure was incurred during the year as part of the capital and investment programme and related projects but was not capitalised, as it did not meet the criteria for capitalisation. Instead, it was treated as expenditure in the Comprehensive Income and Expenditure Statement and excluded in full from the Capital Financing Requirement (CFR).

Note 13 - Property, Plant and Equipment

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

Movements to 31 March 2019

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
at 1 April 2018	153,822	55,126	6,193	215,141
Additions	0	3,930	1,467	5,397
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,014	0	0	2,014
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,030)	0	0	(1,030)
De-recognition – disposals	0	(8,968)	0	(8,968)
Reclassifications and transfer	31	6,147	(6,178)	0
Assets reclassified (to)/from Held for Sale	(1,544)	0	0	(1,544)
at 31 March 2019	153,293	56,235	1,482	211,010
Accumulated Depreciation and Impairment				
at 1 April 2018	(523)	(42,155)	0	(42,678)
Depreciation charge	(1,432)	(5,593)	0	(7,025)
Depreciation written out to the Revaluation Reserve	60	0	0	60
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,308	0	0	1,308
De-recognition – disposals	0	8,547	0	8,547
Eliminated on reclassification to Held for Sale	0	0	0	0
at 31 March 2019	(587)	(39,201)	0	(39,788)
Net Book Value				
at 31 March 2019	152,706	17,034	1,482	171,222
at 31 March 2018	153,299	12,971	6,193	172,463

Movements to 31 March 2018

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2017	138,859	53,278	5,759	197,896
Additions	411	5,427	5,686	11,524
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,695	0	0	10,695
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	780	0	0	780
De-recognition – disposals	(630)	(4,082)	0	(4,712)
Reclassifications and transfer	4,227	503	(5,252)	(522)
Assets reclassified (to)/from Held for Sale	(520)	0	0	(520)
at 31 March 2018	153,822	55,126	6,193	215,141
Accumulated Depreciation and Impairment				
at 1 April 2017	(1,587)	(40,990)	0	(42,577)
Depreciation charge	(1,494)	(4,913)	0	(6,407)
Depreciation written out to the Revaluation Reserve	717	0	0	717
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,816	0	0	1,816
De-recognition – disposals	18	3,748	0	3,766
Eliminated on reclassification to Held for Sale	7	0	0	7
at 31 March 2018	(523)	(42,155)	0	(42,678)
Net Book Value				
at 31 March 2018	153,299	12,971	6,193	172,463
at 31 March 2017	137,272	12,288	5,759	155,319

Revaluations

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

Valuations of land and buildings (including Investment Property) were carried out in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS)
- International Financial Reporting Standards (IFRS)
- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code')

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

- Market Value
- Existing Use Value
- Fair Value

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

IAS36 'Impairment of assets' requires an annual assessment of impairment to the value of an asset. An impairment review was undertaken by Wilks Head & Eve of the entire property portfolio as at 31 March 2019, in their opinion there has been no significant impairment of the value of the Police and Crime Commissioner's land and buildings in the year.

Property revaluations as at 31 December are undertaken each year and then adjusted if necessary for material changes at the year end.

Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Total
	£000	£000	£000
Carried at historical cost	0	17,034	17,034
Valued at current value as at:			
31/03/2019	147,552	0	147,552
31/03/2018	4,599	0	4,599
31/03/2017	556	0	556
Total Cost or Valuation	152,707	17,034	169,741

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

Material Change Valuation Review for 2018/19

At the end of the 2018/19 year a review was undertaken by Wilks Head & Eve as our independent valuers to assess material changes during the year in addition to the property revaluations estimated as at 31 December each year.

Wilks Head & Eve reported no material change on properties valued using the Existing Use Value basis or the Market Value basis as at 31 March 2019 (this includes houses and investment property) regardless of whether they were last valued as at 1 April 2018 or 31 December 2018. However, for completeness, all properties not included within the valuation programme for 2018/19 were subject to a desktop indexation exercise which revealed a total increase of £0.343m across 30 properties. These increases are reflected in the asset balances as at 31 March 2019.

The Wilks Head & Eve review of specialised property, valued using the DRC method, confirmed that no allowance needs to be made between 1 April 2018 and 31 March 2019 as movements are within valuation tolerance parameters. In addition for the assets valued during the financial year as at 31 December 2018 Wilks Head & Eve were of the view that no allowance should be made at 31 March 2019 as movements are within valuation tolerance parameters. However, for completeness, all properties not included within the valuation programme for 2018/19 were subject to a desktop indexation exercise which revealed a total increase of £1.73m across 10 properties. These increases are reflected in the asset balances as at 31 March 2019. Specialised property held by the PCC includes; Police Stations, Custody Suites, Specialised Police Offices and Specialised Vehicle Workshops.

We are now in a period of uncertainty as a result of the June 2016 vote to leave the European Union. This may well have an effect on property markets over the next year and beyond, Wilks Head & Eve therefore recommend that property valuations are kept under regular review.

Physical Assets Held

Physical assets excluding furniture and equipment owned by the Police and Crime Commissioner as at 31 March 2019 comprised:

	2017/18 No.	2018/19 No.
Operational Buildings	51	48
PFI	4	4
Leased Properties	1	1
Radio Masts	6	6
Investment Properties	5	5
Vehicles and Vessels	1,156	1,139

The Astley House, Lancing Police Station and Selsey Police Station properties were transferred from PPE category to Held for Sale during 2018/19.

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

Capital & Investment Commitments

At March 2019 the Police and Crime Commissioner had approved a capital programme of £43.35m committed to be spent over 4 years to the end of 2023. The original budget approved for 2019/20 amounts to £19.3m.

At 31 March 2019, the Police and Crime Commissioner had entered into a number of contracts for the purchase, construction or enhancement of Intangible Assets and Property, Plant and Equipment and major projects in 2019/20 and future years to the extent of £2.1m.

These are summarised as follows:

- £2.1m - Fleet vehicles

Note 14 - Investment Properties

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

31 March 2018		31 March 2019
£000	Investment Property Income and Expenditure	£000
(33)	Rental income from investment property	(31)
2	Direct operating expenses from investment property	1
(31)	Net (gain)/loss	(30)

There are no restrictions on the Police and Crime Commissioner's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The above items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

31 March 2018		31 March 2019
Non-Current £000	Investment Properties Movements in Year	Non-Current £000
1,431	Opening Balance	1,469
38	Net gains/losses from fair value adjustments	40
1,469	Balance at the end of the year	1,509

The fair value for the residential properties at market rents has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the IFRS 13 fair value hierarchy.

Note 15 - Intangible Assets

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

All expenditure on intangible assets during the year relates to purchased computer software licences and systems development. The Police and Crime Commissioner does not currently have any internally generated assets capitalised. All software is given a finite useful life and amortised on a straight-line basis over the economic life of the investment to reflect the pattern of consumption of benefits. The useful lives assigned to software and licences capitalised by the Police and Crime Commissioner are assessed on an individual basis and range between 3 and 10 years. The amortisation of £1.863m (2018: £1.454m) charged to revenue this year was included as an overhead in the Net Expenditure of Services as it is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

31st March 2018 Total		31st March 2019 Total
£000		£000
	Balance at start of year:	
9,292	Gross carrying amounts	10,536
(5,988)	Accumulated amortisation	(7,442)
3,304	Net carrying amount at start of year	3,094
	Additions:	
723	Purchases	0
0	Other disposals	0
521	Reclassifications and transfers	0
(1,454)	Amortisation for the period	(1,863)
0	Amortisation written off on disposal	0
3,094	Net carrying amount at end of year	1,231
	Comprising:	
10,536	Gross carrying amounts	10,536
(7,442)	Accumulated amortisation	(9,305)
3,094	Total	1,231

No changes in accounting estimates for intangible assets have an effect on the current period or are expected to have an effect in subsequent periods.

The only item of capitalised software that is individually material to the financial statements is the Airwave Pronto Software system, which makes more of the Force's systems accessible via mobile devices. The Airwave Pronto software system intangible asset was £0.757m as at 31 March 2019 and the remaining amortisation period is 2 years.

	Carrying Amount		Remaining Amortisation Period
	31-Mar-18 £000	31-Mar-19 £000	
Software and Licences	1,038	401	1 years
Software and Licences	811	830	2 years
Software and Licences	1,245	0	3 years
Total	3,094	1,231	

Note 16 - Assets Held for Sale

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

31 March 2018 £000	31 March 2019 £000
0 Balance outstanding at start of year	514
Assets newly classified as held for sale:	
514 - Property Plant and Equipment	1,544
514 Balance Outstanding year end	2,058

The assets held for sale balance at 31 March 2019 comprises of four sites surplus to current requirements. These sites are Petworth, Selsey and Lancing in West Sussex, and Astley House in Lewes, East Sussex. All of these properties are expected to be sold within the next 12 months in line with the Estates Strategy.

Note 17 - Inventories

The tables below show the level of stocks held:

	Workshop Stores		Uniform and Personal Protective Vests		Fuel		IS Equipment		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	308	318	518	421	110	129	71	79	1,007	947
Purchases	3,117	4,279	490	639	1,127	1,227	1,173	706	5,907	6,851
Recognised as an expense in the year	(3,107)	(3,108)	(587)	(1,060)	(1,108)	(1,209)	(1,165)	(614)	(5,967)	(5,991)
Balance Outstanding at Year End	318	1,489	421	0	129	147	79	171	947	1,807

Note 18 - Debtors

31 March 2018		31 March 2019	
£000		£000	
1,534	Trade Receivables	1,715	
5,843	Prepayments	7,215	
27,837	Other Receivable Amounts	40,937	
35,214	Total	49,867	

The following table provides further detail on items included within debtors

31 March 2018		31 March 2019	
£000	Debtors	£000	
1,091	Council Tax debtor	866	
2,759	Council Tax receivable from taxpayers	3,469	
1,534	Trade debtors	1,715	
7,259	Other debtors	8,360	
22,686	Prepayments & accrued income	35,573	
(115)	Provision for bad debt	(115)	
35,214	Total Debtors	49,867	

Note 19 - Cash and Cash Equivalents

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

31 March 2018		31 March 2019	
£000		£000	
62	Cash and Bank balances	59	
12,206	Short Term Deposits	12,411	
(1,631)	Bank Overdraft	(2,882)	
10,637	Total Cash and Cash Equivalents	9,588	

Note 20 - Creditors

31 March 2018		31 March 2019	
PCC	Group	PCC	Group
£000	£000	£000	£000
(18,854)	(18,854)	(30,277)	(30,277)
(12,129)	(13,580)	(13,022)	(14,672)
(30,983)	(32,434)	(43,299)	(44,949)

The following table provides further detail on items included within the creditors.

31 March 2018		31 March 2019	
£000	Creditors	£000	
(18,854)	Trade creditors	(30,277)	
(441)	Council Tax creditors	(1,285)	
(1,991)	Council Tax refundable to taxpayers	(2,289)	
(4,941)	Other tax payable	(5,159)	
(793)	Short term finance lease liability	(500)	
(25)	Finance lease obligations	(26)	
	Other Creditors:		
(7)	Withholding Tax Payable	(10)	
(1,365)	Payroll related control amounts	(1,458)	
(1,455)	Accumulated Absences accrual	(1,654)	
(108)	Unclaimed funds	(181)	
(380)	Operational funds	(473)	
9	GPC account	13	
(1,761)	Deferred Income	(1,244)	
(247)	Police Property Act	(330)	
(75)	Capital Receipts in Advance	(75)	
(32,434)	Total	(44,949)	

Note 21 - Provisions

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

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

The Police and Crime Commissioner therefore includes the following provision in the accounts relating to potential future insurance claims following an independent actuarial review. This provision reflects the level of reported outstanding claims. The actual timing of the resulting outflows depends on the final conclusion of the legal claim process and is therefore uncertain, however, they have been included as current

liability provisions as the Police and Crime Commissioner has no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Included within the provision below is £0.9m (2017/18: £0.9m) in respect of Municipal Mutual Insurance (MMI) Liability. MMI, former insurers, triggered the Municipal Mutual Insurance Scheme of Arrangement in November 2012 as it entered insolvent liquidation.

Current Provisions

2018/19	Injury and Damage Compensation Claims	Total
	£000	£000
Opening Balance	(3,150)	(3,150)
Utilised during year	1,112	1,112
Closing Balance	(2,038)	(2,038)

2017/18	Injury and Damage Compensation Claims	Total
	£000	£000
Opening Balance	(3,852)	(3,852)
Utilised during year	702	702
Closing Balance	(3,150)	(3,150)

Note 22 - Usable Reserves

Movements in the Police and Crime Commissioner's usable reserves are detailed in the Movement in Reserves Statement and note 6 on Transfers to/from Earmarked Reserves. The Chief Constable does not hold any usable reserves.

Capital Receipts Reserve

31 March 2018		31 March 2019	
£000		£000	
(1,895)	Balance 1 April		0
(507)	Capital Receipts in year		(33)
2,402	Capital Receipts used for financing		33
0	Balance 31 March		0

The following table illustrates all usable reserves including the General Fund, Capital Receipts Reserve and all other Earmarked Reserves:

31 March 2018 £000		31 March 2019 £000
(10,807)	General Fund	(10,807)
	Earmarked Reserves:	
(4,289)	Insurance	(5,401)
(17,000)	Local Policing Transition Support	(8,649)
(9,440)	Capital & Investment Expenditure	(3,901)
(2,494)	PFI Contract	(6,094)
(573)	Asset Seizures	(526)
(6,800)	Delegated Budget Holder	(9,160)
(2,854)	Sussex Safer Roads Partnership	(2,825)
(43,450)	Earmarked Reserves	(36,556)
(54,257)	Total Usable Reserves	(47,363)

Note 23 - Unusable Reserves

31 March 2018			31 March 2019	
PCC £000	Group £000		PCC £000	Group £000
(58,082)	(58,082)	Revaluation Reserve	(60,096)	(60,096)
(101,091)	(101,091)	Capital Adjustment Account	(98,505)	(98,505)
113	3,066,879	Pension Reserve	391	3,163,079
(1,418)	(1,418)	Collection Fund Adjustment Account	(761)	(761)
4	1,455	Accumulated Absences Account	4	1,654
(160,474)	2,907,743	Total	(158,967)	3,005,371

Revaluation Reserve

31 March 2018			31 March 2019	
PCC	Group		PCC	Group
£000			£000	
(47,387)	(47,387)	Balance 1 April	(58,082)	(58,082)
(16,720)	(16,720)	Upward revaluation of assets	(5,069)	(5,069)
5,307	5,307	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,995	2,995
(11,413)	(11,413)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(2,074)	(2,074)
332	332	Difference between fair value depreciation and historical cost depreciation	60	60
386	386	Accumulated gains on assets sold or scrapped	0	0
718	718	Amount written off to the Capital Adjustment Account	60	60
(58,082)	(58,082)	Balance 31 March	(60,096)	(60,096)

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

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

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

Capital Adjustment Account

31 March 2018			31 March 2019	
PCC £000	Group £000		PCC £000	Group £000
(93,376)	(93,376)	Balance 1 April	(101,091)	(101,091)
6,407	6,407	Charges for depreciation and impairment of non-current assets	7,025	7,025
(2,595)	(2,595)	Revaluation losses on non-current assets	(278)	(278)
1,454	1,454	Amortisation of intangible assets	1,863	1,863
0	0	Revenue expenditure funded from capital under statute	0	0
946	946	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	421	421
6,212	6,212	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	9,031	9,031
(718)	(718)	Adjusting Amounts written out of the Revaluation Reserve	(60)	(60)
5,494	5,494	Net written out amount of the cost of non-current assets consumed in the year	8,971	8,971
(2,402)	(2,402)	Use of Capital Receipts Reserve to finance new capital expenditure	(33)	(33)
(9,845)	(9,845)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,364)	(5,364)
(924)	(924)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(948)	(948)
(13,171)	(13,171)	Capital financing applied in year:	(6,345)	(6,345)
(38)	(38)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(40)	(40)
(101,091)	(101,091)	Balance 31 March	(98,505)	(98,505)

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

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

Pension Reserve

31 March 2018			31 March 2019		
PCC	Group		PCC	Group	
£000	£000		£000	£000	
105	2,925,282	Balance 1 April	113	3,066,879	
(174)	50,525	Re-measurements of the net defined benefit (liability)/asset	76	(122,451)	
377	166,726	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	409	300,315	
(195)	(75,654)	Employer's pensions contributions and direct payments to pensioners payable in the year	(207)	(81,664)	
113	3,066,879	Balance 31 March	391	3,163,079	

The Pensions Reserve reflects the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions [Statutory Instrument No. 2010/454]. The group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Group maker employer contributions to pension funds, or eventual payment of any pensions for which it is directly responsible.

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

Collection Fund Adjustment Account

31 March 2018			31 March 2019	
PCC	Gr		PCC	Group
	£000		£000	£000
(1,475)	(1,475)	Balance 1 April	(1,418)	(1,418)
57	57	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	657	657
(1,418)	(1,418)	Balance 31 March	(761)	(761)

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

Accumulated Absences Account

31 March 2018			31 March 2019		
PCC	Group		PCC	Group	
	£000		£000	£000	
(9)	1,447	Balance 1 April	4	1,455	
9	(1,447)	Settlement or cancellation of accrual made at the end of the preceding year	(4)	(1,455)	
4	1,455	Amounts accrued at the end of the current year	4	1,654	
13	8	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	0	199	
4	1,455	Balance 31 March	4	1,654	

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

Note 24 – 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	2018/19 £000
Employee costs:		
Police Officers	144,933	148,590
Police Staff & PCSO's	77,754	82,330
Other Employee Costs (includes Ill Health & Injury Pension)	5,427	5,780
Total Employee costs	228,114	236,700
Total Buildings & Premises	11,006	11,969
Total Transport	4,335	5,854
Total Supplies & Services	40,351	52,390
Total Third Party Payments	9,433	9,061
Gross Expenditure	293,239	315,974
Total Income	(47,010)	(57,347)
Chief Constable's Net Expenditure	246,229	258,627
Office of the Sussex PCC	1,349	1,271
Community Safety	1,695	1,693
Use of Reserves	1,359	(826)
Financial provisions (Capital Financing and Treasury Management)	2,573	2,621
Police and Crime Commissioner's Expenditure	6,976	4,759
Total Sussex Police Group	253,205	263,386

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 2019.

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 2019.

2018/19 Reconciliation of Outturn from Budget report to Statement of Accounts Subjective Analysis

	2018/19 PCC £000	2018/19 CC £000	2018/19 GROUP £000
Initial Revenue outturn results per Outturn report	4,759	258,627	263,386
Final transfer adjustments agreed in the Outturn report:	0	19,870	19,870
Final Adjusted Outturn for the year	4,759	278,497	283,256
Budget Income from Home Office Grant and Local Taxation	13,224	(279,212)	(265,988)
(Surplus)/Deficit for the year as per Outturn report	17,983	(715)	17,268
Financial year end accounting adjustments:			
Investment Income & Expenditure within CIES	(31)	0	(31)
Finance Lease interest reclassification	18	0	18
Allocation of grants and contributions to capital & investment spend	2,063	0	2,063
Capital & investment income to offset expenditure re-classified as revenue	(11,312)	0	(11,312)
Insurance adjustment post outturn	(1,112)	0	(1,112)
Surplus transfer from Chief Constable to PCC	(715)	715	0
Final Adjusted Deficit for the year per Financial Statements	6,894	0	6,894
Adjustments between accounting basis & funding basis under regulations	3,507	218,648	222,155
Rounding	(1)		(1)
Deficit on Provision of Services per Comprehensive Income and Expenditure Statement	10,400	218,648	229,048
(Surplus) on revaluation of fixed assets	(2,075)	0	(2,075)
Re-measurements of the net defined benefit liability/(asset)	76	(122,527)	(122,451)
Total Comprehensive Income and Expenditure	8,401	96,121	104,522

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

Note 25 - Collaboration Arrangements

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

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 2018/19 the services provided jointly, included the Operations and Specialist Crime departments along with a number of support functions and projects. The Police and Crime Commissioners and Chief Constables for Sussex, Surrey and Thames Valley Police continue to deliver a joint project to 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.

2017/18 Sussex Share £000	Collaboration Area	2018/19 Sussex Share £000
1,046	Change Delivery	1,221
421	Chief Officers	446
912	Enterprise Resource Planning (ERP) Project	859
27	Commercial Planning Manager	9
554	Finance	713
89	Insurance	91
4,389	IT Department	4,983
1,161	IT Investment Projects	853
240	Procurement	233
697	Transport	796
17,855	Operations Department	18,182
133	Health & Safety	142
11,257	Specialist Crime Department	17,401
2,743	People Services	3,504
39	Crime Management Project	42
417	Digital Enablement	557
301	Vetting	384
57	Corporate Services Projects	0
42,338	Total	50,416

Note 26 - Officers' Remuneration

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.

Gross Remuneration £	Number of employees 31 March 2018	Number of employees 31 March 2019
50,000-54,999	169	202
55,000-59,999	143	134
60,000-64,999	28	26
65,000-69,999	5	7
70,000-74,999	4	6
75,000-79,999	7	6
80,000-84,999	4	7
85,000-89,999	0	2
90,000-99,999	1	1
	361	391

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 and also the PCC website.

Remuneration paid to senior employees during 2018/19

Year 2018-19	Note	Salary, fees & allowances	*	Employer Pension Contribution	Total Remuneration including Pension contributions	**	**	Total
		£000	Relocation £000	£000	£000	Annual Leave Accrual £000	Pension Accrual £000	
Police Officers								
Chief Constable (G York)		161	0	34	195	0	0	195
Deputy Chief Constable	1	143	26	29	198	0	0	198
Deputy Chief Constable	2	53	0	10	63	4	0	67
Assistant Chief Constable 1		118	0	24	142	5	0	147
Assistant Chief Constable 2	3	31	0	6	37	0	0	37
Assistant Chief Constable 3	4	66	0	14	80	3	0	83
Assistant Chief Constable 4	5	25	0	5	30	0	0	30
Chief Superintendent A	7	22	0	4	26	0	0	26
Chief Superintendent B	8	80	0	14	94	0	0	94
Chief Superintendent C	9	14	0	3	17	0	0	17
Chief Superintendent E		90	0	0	90	0	0	90
Chief Superintendent F		84	0	17	101	0	0	101
Chief Superintendent H		86	0	17	103	0	0	103
Chief Superintendent J		86	0	17	103	0	0	103
Chief Superintendent K		89	0	18	107	0	0	107
Chief Superintendent L		84	0	18	102	0	0	102
Chief Superintendent N		85	0	18	103	0	0	103
Chief Superintendent O	10	47	0	7	54	0	0	54
Police Staff								
Director of Finance		124	0	27	151	0	0	151
Portfolio Manager		112	0	25	137	0	0	137
Programme Director		123	0	24	147	0	0	147
Director of People Services	6	92	0	19	111	0	0	111
Officers of the PCC								
Police and Crime Commissioner		88	0	20	108	0	0	108
Chief Executive		106	0	24	130	0	0	130
Chief Finance Officer		90	0	20	110	0	0	110
Total		2,099	26	414	2,539	12	0	2,551

*As per Police Regulation 35

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

Note 1 Secondment out of force with recharge to College of Policing from 05/11/18

Note 2 Joined the force 09/11/18

Note 3 Left the force 01/07/18

Note 4 Acting from 26/06/18

Note 5 Retired 01/07/18

Note 6 Promotion 19/09/18

Note 7 Transfer out of post 26/06/18

Note 8 Retired 04/01/19

Note 9 Promotion 04/02/19

Note 10 Retired 06/09/18

Remuneration paid to senior employees during 2017/18

Year 2017-18	Note	Salary, fees & allowances	Expenses	Employer Pension Contribution	Total Remuneration including Pension contributions
		£000	£000	£000	£000
Police Officers					
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
Police Staff					
Director of Finance	17	124	0	25	149
Programme Director		122	2	22	146
Portfolio Manager		107		23	130
Officers of the PCC					
Police and Crime Commissioner		87	0	18	105
Chief Executive		103	0	22	125
Chief Finance Officer		88	0	18	106
Total		2,071	3	392	2,466

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 08/05/17
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

Note 27 – Exit packages

The 2018/19 Code requires disclosure of the number and cost of exit packages agreed, including:

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

Exit Packages for the year ended 31 March 2019

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total Cost of exit packages in each band
Year 2018/19	No	No	No	£
£0 - £20,000	13	4	17	202,825
£20,001 - £40,000	5	0	5	126,018
£40,001 - £60,000	1	0	1	44,014
£60,001 - £80,000	1	0	1	65,586
Total	20	4	24	438,443

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
Year 2017/18	No	No	No	£
£0 - £20,000	23	6	29	275,264
£20,001 - £40,000	6	1	7	181,872
Total	29	7	36	457,136

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

Note 28 - Related Parties

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

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

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

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

The Chief Executive has written to all Officers and Chief Officers of the Force and the Police and Crime Commissioner to collect this information. Responses were received from all recipients of the letter and related party transactions are disclosed for the 2018/19 year in respect of Legal services and the Police and Crime Commissioner.

Legal services were provided to the Sussex Police Group of circa £1,301,300 (2017/18: £1,189,400) by Weightmans LLP Solicitor in the normal course of business during the year, Ms Hannah Walsh (Solicitor to the Sussex Police Group from 1 April 2017) is employed by Weightmans LLP.

The Police and Crime Commissioner for Sussex left the Board of the College of Policing, the professional body for policing, in 2017/18. Services were provided to the Sussex Police Group of circa £217,500 in 2017/18 by the College of Policing in the normal course of business during the year.

The Police and Crime Commissioner for Sussex, Katy Bourne is the Chair of the national Police ICT Company (Company number 08113293). Services were provided to the Sussex Police Group of circa £1,091,800 (2017/18: £7,997,900) by the Police ICT Company in the normal course of business during the year. However £920,100 (2017/18: £7,788,600), relates to Digital Policing Project, the remaining ICT spend of £171,700 is in line with normal business activity in previous years (2017/18: £209,300).

The Police and Crime Commissioner for Sussex is a member of the Criminal Justice Integration Board. 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 Criminal Justice Integration Board.

The Police and Crime Commissioner is member of the Video Enabled Justice Programme which is funded by Home Office Grant. For further information of the Grants please refer to Note 11.

The Deputy Chief Constable of the Force, Jo Shiner is a Trustee of the Board of the Embrace Child Victims of Crime (CVOC). There have been no financial transactions in 2018/19.

Central Government and Other Public Organisations

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

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

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

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

Note 29 - External Audit Costs

The Police and Crime Commissioner for Sussex and the Chief Constable have incurred the following costs in relation to the audit of the Statement of Accounts service provided by external auditors to the Chief Constable and the Police and Crime Commissioner:

2017/18			2018/19	
PCC	Group		PCC	Group
£000	£000		£000	£000
37	56	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	30	44
37	56	Total	30	44

The total expenditure for External Audit includes £1,492 which relates to additional audit fees for 2017/18. This is for work carried out over and above the standard audit in respect of statutory duties.

Note 30 - Leases

Police and Crime Commissioner as Lessee

Finance Leases

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

Authority as Lessee - Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2018		31 March 2019
£000		£000
511	Other Land and Buildings	479
511	Total	479

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

The minimum lease payments are made up of the following amounts:

31 March 2018		31 March 2019
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
(25)	- current	(26)
(624)	- non-current	(598)
(406)	Finance costs payable in future years	(363)
(1,055)	Minimum lease payments	(987)

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

Minimum Lease Payments			Finance Lease Liabilities	
31 March 2018 £000	31 March 2019 £000		31 March 2018 £000	31 March 2019 £000
(68)	(68)	Not later than one year	(25)	(26)
(272)	(272)	Later than one year and not later than five years	(117)	(125)
(715)	(647)	Later than five years	(507)	(472)
(1,055)	(987)	Total	(649)	(623)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 there were no contingent rents payable by the Police and Crime Commissioner (2017/18 £Nil).

Operating Leases

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

Authority as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31 March 2018 £000		31 March 2019 £000
899	Not later than one year	795
3,070	Later than one year and not later than five years	3,206
3,827	Later than five years	3,019
7,796	Total	7,021

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

The expenditure charged to services in the CIES during the year in relation to these leases was:

31 March 2018 £000		31 March 2019 £000
1,109	Minimum lease payments	1,283
1,109	Total	1,283

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

Police and Crime Commissioner as Lessor

Finance Leases

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

Operating Leases

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

Authority as Lessor - Operating Leases

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

31 March 2018 £000		31 March 2019 £000
364	Not later than one year	732
722	Later than one year and not later than five years	1,344
562	Later than five years	1,613
1,648	Total	3,689

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents receivable by the Police and Crime Commissioner in 2018/19 (2017/18 £Nil).

Note 31 - Service Concession Arrangements

Private Finance Initiatives and Similar Contracts

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

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards, The contractor took on the obligation to construct the suites and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The Police and Crime Commissioner for Sussex only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract. Contract renegotiation of the service agreement took place during the year in relation to service levels and pricing of custody services, however no changes were made which impact on the financial assumptions.

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

Movement in PFI Assets – Current Year

2018/19	PFI £000
Cost or Valuation	
at 1 April 2018	27,693
Revaluation increases/(decreases) recognised in the Revaluation Reserve	210
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(248)
at 31 March 2019	27,655
Accumulated Depreciation and Impairment	
at 1 April 2018	(107)
Depreciation charge	(412)
Depreciation written out to the Revaluation Reserve	45
Depreciation written out to the Surplus/Deficit on the Provision of Services	387
at 31 March 2019	(87)
Net Book Value	
at 31 March 2019	27,568
at 1 April 2018	27,586

Movement in PFI Assets – Prior Year

2017/18	PFI £000
Cost or Valuation	
at 1 April 2017	27,824
Revaluation increases/(decreases) recognised in the Revaluation Reserve	121
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(252)
at 31 March 2018	27,693
Accumulated Depreciation and Impairment	
at 1 April 2017	(107)
Depreciation charge	(433)
Depreciation written out to the Revaluation Reserve	45
Depreciation written out to the Surplus/Deficit on the Provision of Services	388
at 31 March 2018	(107)
Net Book Value	
at 31 March 2018	27,586
at 1 April 2017	27,717

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

Movement in PFI Liabilities

2018/19	PFI £000
Balance outstanding at start of year	(15,052)
Payments during the year	2,150
Other movements	(1,358)
Balance outstanding at year-end	(14,260)

2017/18	PFI £000
Balance outstanding at start of year	(15,823)
Payments during the year	2,198
Other movements	(1,427)
Balance outstanding at year-end	(15,052)

The annual base unitary charge is £7.585m however within the PFI agreement are indices which automatically adjust the unitary charge for changes in interest rates, inflation, detainee numbers and other service targets, the effect of these indices is that total unitary charge will vary throughout the life of the PFI contract. This year the actual total unitary charge was £11.286m (2017/18: £10.905m). The table below estimates the amounts payable over the remaining term of the PFI contract based on the amount paid in the relevant year.

2017/18 Total £000		Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2018/19 Total £000
10,905	Payable within one year	9,500	500	1,286	11,286
43,620	Payable within two to five years	37,212	3,292	4,642	45,146
54,526	Payable within six to ten years	46,365	6,310	3,757	56,432
54,526	Payable within eleven to fifteen years	29,026	4,157	676	33,859
163,577	Total	122,103	14,259	10,361	146,723

The Police and Crime Commissioner receives notional credit approvals totalling £39.25m from the Home Office over the life of the arrangement. The Police and Crime Commissioner receives PFI Grant on an annuity basis which is received at a constant level of £3.26m per annum over the life of the contract.

Note 32 - Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 13, 14 and 15 reconciling the movement over the year in the Property, Plant and Equipment, Investment Property, and Intangible Asset balances.

An impairment review was undertaken by Wilks Head & Eve of the entire property portfolio as at 31 March 2019, in their opinion there has been no significant impairment of the value of the Police and Crime Commissioner's land and buildings in the year.

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

Note 33 - Defined Benefit Pension Scheme

Police Officers

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

The Group participates in 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 3,732 (2017/18: 3,716) 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 2018/19 indicate two significant changes have taken place during the year:

- The present value of the Defined Benefit Obligation and projected pension expense for next year have increased over the year due to a fall in real bond yields; however that increased has been countered because
- The present value of the Defined Benefit Obligation and projected pension expense for next year have decreased over the year due to the life expectancy assumption having been updated.

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 were taken into account in the prior year Statements of Account within the balance sheet, revenue account disclosures and projected pension expense for the following financial year. The McCloud judgement declared this to fall within age discrimination legislation and has since been adjusted for in the accounts for the year ending 31 March 2019.

McCloud / Sargeant judgement

The Chief Constable of Sussex, 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 December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Sussex Police Officer Pension Schemes to be approximately £137.645m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost.

The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment. This corresponds to approximately £0.616m increase in liabilities for the group (£0.010m PCC and £0.606m CC). The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

Police Staff

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

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

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 1,727 (2017/18: 1,636) 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 2017/18. Sussex Police contributed a further 22.9% 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 2018/19, 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 2019 and the projected pension expense for the year to 31 March 2020 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

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 and the Police and Crime Commissioner.

2017/18				2018/19			
PCC LGPS	CC LGPS	Police Officer Pensions	Total	PCC LGPS	CC LGPS	Police Officer Pensions	Total
£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement							
Cost of Services							
				Service cost comprising:			
372	23,205	66,506	90,083	363	23,609	61,182	85,154
0	0	162	162	41	0	126,684	126,725
0	240	0	240	0	3,760	0	3,760
				Financing and Investment Income and Expenditure			
5	2,076	74,160	76,241	5	1,943	82,728	84,676
377	25,521	140,828	166,726	409	29,312	270,594	300,315
				Total charged to Surplus and Deficit on Provision of Services			

2017/18				Pensions Assets and Liabilities Recognised in the Balance Sheet	2018/19			
PCC LGPS	CC LGPS	Police Officer Pensions	Total		PCC LGPS	CC LGPS	Police Officer Pensions	Total
£000	£000	£000	£000		£000	£000	£000	£000
(3,309)	(493,211)	(3,001,666)	(3,498,186)	Present value of the defined obligation	(4,068)	(581,475)	(3,048,986)	(3,634,529)
3,196	428,111	0	431,307	Fair value of plan assets	3,677	467,773	0	471,450
(113)	(65,100)	(3,001,666)	(3,066,879)	Value of Assets / (Liabilities)	(391)	(113,702)	(3,048,986)	(3,163,079)
(113)	(65,100)	(3,001,666)	(3,066,879)	Net (liability) / asset arising from the defined benefit obligation	(391)	(113,702)	(3,048,986)	(3,163,079)

2017/18				Movement in the Value of Scheme Assets	2018/19			
PCC LGPS	CC LGPS	Police Officer Pensions	Total		PCC LGPS	CC LGPS	Police Officer Pensions	Total
£000	£000	£000	£000		£000	£000	£000	£000
2,801	398,389	0	401,190	Opening fair value of scheme assets	3,196	428,111	0	431,307
76	10,450	0	10,526	Interest income	90	11,673	0	11,763
				Re-measurement gain / (loss):				
84	11,618	0	11,702	- The return on plan assets, excluding the amount included in the net interest expense	145	18,913	0	19,058
195	11,989	63,470	75,654	Contributions from employer	207	13,449	68,008	81,664
73	3,537	12,279	15,889	Contributions from employees into the scheme	75	3,801	12,256	16,132
0	0	62	62	Transfers in	0	0	77	77
(33)	(7,872)	(75,811)	(83,716)	Benefits / transfers paid	(36)	(8,174)	(80,341)	(88,551)
3,196	428,111	0	431,307	Closing value of scheme assets	3,677	467,773	0	471,450

2017/18				Movements in the Fair Value of Scheme Liabilities	2018/19			
PCC LGPS	CC LGPS	Police Officer Pensions	Total		PCC LGPS	CC LGPS	Police Officer Pensions	Total
£000	£000	£000	£000		£000	£000	£000	£000
(2,906)	(472,595)	(2,850,971)	(3,326,472)	Opening balance at 1 April	(3,309)	(493,211)	(3,001,666)	(3,498,186)
(372)	(23,205)	(66,506)	(90,083)	Current service cost	(363)	(23,609)	(61,182)	(85,154)
(81)	(12,526)	(74,160)	(86,767)	Interest cost	(95)	(13,616)	(82,728)	(96,439)
(73)	(3,537)	(12,279)	(15,889)	Contributions from scheme participants	(75)	(3,801)	(12,256)	(16,132)
				Re-measurement gains and losses:				
0	17	(156,710)	(156,693)	- Actuarial gains / (losses) - experience	0	(20)	161,198	161,178
0	0	29,940	29,940	- Actuarial gains / (losses) from changes in demographic assumptions	0	0	222,161	222,161
90	11,003	53,433	64,526	- Actuarial gains / (losses) from changes in financial assumptions	(221)	(51,632)	(228,093)	(279,946)
0	0	(162)	(162)	Past service cost	(41)	0	(126,684)	(126,725)
0	(240)	0	(240)	Gains / (losses) on curtailments	0	(3,760)	0	(3,760)
0	0	(62)	(62)	Transfers in	0	0	(77)	(77)
33	7,872	75,811	83,716	Benefits / transfers paid	36	8,174	80,341	88,551
(3,309)	(493,211)	(3,001,666)	(3,498,186)	Balance as at 31 March	(4,068)	(581,475)	(3,048,986)	(3,634,529)

The liabilities show the underlying commitments that the Group has in the long run to pay post-employment (retirement) benefits. The total liability of £3.025bn (2017/18: £3.067bn) has a substantial impact on the net worth of the Group as recorded in the Balance Sheet.

However, the pension liability is mitigated as follows:

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

Future estimated costs

The Pension Actuaries report includes an assessment of contributions and expected charges for the next financial year. The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2020 are as follows:

	PCC 2017/18 £000	CC 2017/18 £000	Group 2017/18 £000	PCC 2018/19 £000	CC 2018/19 £000	Group 2018/19 £000
Employer contributions and expected charges to 31 March 2019	204	12,358	12,562	216	13,629	13,845

Employer contributions expected to be made by the Chief Constable to the Police Officer Pension Schemes in the year to 31 March 2020 is £22.1m.

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	2018/19	2017/18	2018/19
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	8.30%	(0.8%)	0	0
Total Fund Returns from April to March	5.50%	6.4%	0	0
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.6 years	23.6 years	29.5 years	29.5 years
• Women	25.0 years	25.0 years	31.5 years	31.5 years
Longevity at 65 for future pensioners:				
• Men	26.0 years	26.0 years	30.8 years	30.8 years
• Women	27.8 years	27.8 years	32.8 years	32.8 years
Rate of inflation	3.4%	3.5%	3.4%	3.5%
Rate of increase in salaries	3.1%	3.2%	3.4%	3.5%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%	2.7%	2.4%
CARE Revaluation Rate	0	0	3.7%	3.8%
Take-up of option to convert annual pension into retirement lump sum	50-75%	50-75%	90%	90%

The Police Pension Scheme arrangements have no assets to cover its liabilities. The last full valuation of the scheme was carried out as at 31 March 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-19 £000	31-Mar-19 %
Equity Securities:				
Consumer	60,904	14%	45,282	10%
Manufacturing	39,130	9%	26,716	6%
Energy and Utilities	20,675	5%	14,152	3%
Financial Institutions	69,729	15%	55,773	12%
Health and Care	29,663	7%	22,373	5%
Information Technology	58,503	14%	30,102	6%
Other	19,724	5%	26,562	5%
Debt Securities:				
UK Government	7,938	2%	13,191	3%
Private Equity:				
All	18,404	4%	12,915	3%
Real Estate:				
UK Property	33,761	8%	43,279	9%
Investment Funds and Unit Trusts:				
Bonds	53,644	13%	156,745	34%
Other	5,018	1%	4,961	1%
Cash & Cash Equivalents:				
All	11,018	3%	12,813	3%
	428,111	100%	464,864	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019.

Local Government Pension Scheme

	PCC 2016/17	CC 2016/17	Group 2016/17	PCC 2017/18	CC 2017/18	Group 2017/18	PCC 2018/19	CC 2018/19	Group 2018/19
	%	%	%	%	%	%	%	%	%
Differences between expected and actual return on assets	14.5%	14.8%	14.8%	2.6%	2.7%	2.7%	3.4%	3.4%	3.4%
Experience gains and (losses) on liabilities	1.1%	4.4%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Police Pension Scheme

	PCC 2016/17	CC 2016/17	Group 2016/17	PCC 2017/18	CC 2017/18	Group 2017/18	PCC 2018/19	CC 2018/19	Group 2018/19
Experience gains and (losses) on liabilities	%	%	%	%	%	%	%	%	%
Combined Schemes	0.00%	(4.92%)	(4.92%)	0.00%	5.22%	5.22%	0.00%	(5.75%)	(5.75%)

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 2019:	Approximate % increase to Employer Liability	Approximate monetary amount £(000s)
0.5% decrease in Real Discount Rate	10%	284,519
1 year increase in member life expectancy	3%	87,340
0.5% increase in the Salary Increase Rate	1%	31,372
0.5% increase in the Pensions Increase Rate (CPI)	8%	228,102

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	20%	12,573
1 year increase in member life expectancy	3%	1,895
0.5% increase in the Salary Increase Rate	<1%	74
0.5% increase in the Pensions Increase Rate (CPI)	10%	6,269

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	2018/19 %	2018/19 £000
0.5% decrease in Real Discount Rate	12%	60,019	13%	72,368
0.5% increase in the Salary Increase Rate	2%	10,912	2%	12,230
0.5% increase in the Pensions Increase Rate (CPI)	10%	48,155	10%	58,766

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

2018/19 Total Group Pension CIES Movements	Cost of Services	Cost of Service	Deficit on Provision of Services	Deficit on Provision of Services	Other Comprehensive I&E	MIRS	MIRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Police Services	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
• current service costs	85,154	0	0	0	0	0	0
• past service costs	0	126,725	0	0	0	0	0
• settlements and curtailments	0	3,760	0	0	0	0	0
• interest cost	0	0	96,439	0	0	0	0
• interest income on plan assets	0	0	(11,673)	0	0	0	0
• actuarial (gains) and losses	0	0	0	0	(122,451)	122,451	0
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	0	0	0	0	0	0	(300,315)
• employers' contributions payable to scheme	(13,656)	0	0	0	0	0	13,656
• retirement benefits payable to pensioners	(68,008)	0	0	0	0	0	68,008
Sub-total	3,490	130,485	84,676	0	(122,451)	122,451	(218,651)
• pension top up grant	47,358			(47,358)			
Total Pension Charges	50,848	130,485	84,676	(47,358)	(122,451)	122,451	(218,651)
TOTAL	218,651				(122,451)	(96,200)	

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

2018/19 Total PCC 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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Police Services	Non Distributed Costs	Financing & Investment I&E	Taxation and Non-Specific Grant Income	Actuarial (gains)/losses on assets/liabilities	Transfer to Reserve	Adjustments: accounting & funding basis
• current service costs	363	0	0	0	0	0	0
• past service costs	0	41	0	0	0	0	0
• interest cost	0	0	95	0	0	0	0
• interest income on plan assets	0	0	(90)	0	0	0	0
• actuarial (gains) and losses	0	0	0	0	76	(76)	0
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	0	0	0	0	0	0	(409)
• employers' contributions payable to scheme	(207)	0	0	0	0	0	207
• retirement benefits payable to pensioners	0	0	0	0	0	0	0
Sub-total	156	41	5	0	76	(76)	(202)
• pension top up grant	0	0	0	(47,358)	0	0	0
Total Pension Charges	156	41	5	(47,358)	76	(76)	(202)
			(47,156)		76		(278)

Note 34 - Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31 March 2019, they exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2019, the Police and Crime Commissioner and Chief Constable of Sussex Group had the following contingent liability issues:

- **Police Regulations On-call Payments**

The Chief Constable for Sussex Police, along with other Chief Constables has a contingent liability following successful claims in the court case Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty.

This case arises from under-cover officers in Devon and Cornwall Police claiming under Police Regulations that they were entitled to on-call payments arising from having to take telephone calls throughout the course of their duties and outside of their normal working hours. This case was upheld against Devon and Cornwall at the High Court and the judge has selected a number a number of test cases to consider all of the issues arising in these claims against forces across the country.

Whilst the outcome of the legal case is not in doubt, the timings and amount of any payments due to the claimants are yet to be ascertained. Work remains ongoing by all forces to identify all claims and the quantum of each payment that is due. For these reasons no provision has been made in the 2018/19 Statement of Accounts.

- **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. Re-testing is still underway and 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 35 - Financial Instruments

35.1 Financial Instruments

Reclassification – The Financial Instruments standard changed 1 April 2018 whereby the IFRS 9 Financial Instruments standard replaced the IAS39 Financial Instruments Recognition and Measurement standard. All financial instruments held by the PCC and Group have therefore been individually reviewed and reclassified. The tables below compare the classifications as the 2017/18 figures would have appeared in the prior year (PRE IFRS9) compared with the new IFRS9 compliant classifications shown for the current year disclosures.

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

Financial Assets:

PRE IFRS 9 Categories	Non-Current Financial Assets			
	Investments	Debtors	Non-current assets	Total
	31 March 2018	31 March 2018	31 March 2018	31 March 2018
	£000	£000	£000	£000
Loans and receivables	0	2	0	0
Total financial assets	0	2	0	0

IFRS 9 Categories	Non-Current Financial Assets							
	Investments		Debtors		Non-current assets		Total	Total
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised Cost	0	0	2	0	0	0	2	0
Total financial assets	0	0	2	0	0	0	2	0

PRE IFRS 9 Categories	Current Financial Assets			
	Investments	Debtors	Current assets	Total
	31 March 2018	31 March 2018	31 March 2018	31 March 2018
	£000	£000	£000	£000
Loans and receivables	45,213	0	0	45,213
Financial assets carried at contract amounts	0	1,561	0	1,561
Total financial assets	45,213	1,561	0	46,774

IFRS 9 Categories	Current Financial Assets							
	Investments		Debtors		Current assets		Total	Total
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Fair Value through profit and loss	0	0	0	0	0	0	0	0
Amortised cost	45,213	34,108	1,561	1,739	0	0	46,774	35,847
Fair Value through other comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0	0	0	0	0
Total financial assets	45,213	34,108	1,561	1,739	0	0	46,774	35,847

PRE IFRS 9 Categories	Non-Current Financial Liabilities					
	Borrowings		Creditors	Other long-term liabilities	Non-current liabilities	Total
	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	
Financial Liabilities at amortised cost	(4,500)	0	0	0	(4,500)	
PFI and Finance Lease Liabilities	0	0	(14,883)	0	(14,883)	
Financial Liabilities Carried at Contract Amount	0	0	0	0	0	
Total financial liabilities	(4,500)	0	(14,883)	0	(19,383)	

IFRS 9 Categories	Non-Current Financial Liabilities							
	Borrowings		Creditors		Other long-term liabilities		Total	Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Fair Value Through Profit and Loss	0	0	0	0	0	0	0	0
Amortised Cost	(4,500)	(4,500)	0	0	0	0	(4,500)	(4,500)
PFI and Finance Lease Liabilities	0	0	0	0	(14,883)	(14,357)	(14,883)	(14,357)
Other Non-Financial Liabilities	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Total financial liabilities	(4,500)	(4,500)	0	0	(14,883)	(14,357)	(19,383)	(18,857)

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

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

35.2 Current Financial Assets - Investments

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

The lending of surplus funds is managed on a daily basis through approved brokers and with a limited amount of direct dealing. At 31 March 2019, temporary lending by the Police and Crime Commissioner for Sussex was composed of the following:

31 March 2018 £000	Temporary Lending	31 March 2019 £000
45,205	Short Term Deposits classified as current financial assets - investments	34,108
12,214	Call Account and Money Market Deposits classified as cash equivalents	12,411
57,419	Total Money Market Deposits	45,519

35.3 Impairment of Current Financial Assets - Investments

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

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

As at 31 March 2019 the unrecovered investment amounted to £93,050 (2015/16: £93,050) and is matched by the remaining impairment, leaving an overall carrying value of £Nil.

Heritable Bank Transactions	Year	£
Principal Value Unrecovered		93
Impairment	2008-09	(1,360)
Impairment reversal	2013-14	994
Impairment reversal	2015-16	273
Carrying Value		0

A final settlement has now been reached in relation to Heritable Bank plc which the Administrators consider to be in the best interests of Heritable's creditors. The final announcement of dividend payment is now awaited which would result in all admitted claims of Heritable's creditors being paid in full.

35.4 Non-Current Financial Assets - Investments

The Treasury Management Strategy and Prudential Indicators approved in March 2018 allowed for £20m of the total portfolio to be invested for longer than one year. At 31 March 2019 there were no investments held with a maturity date longer than one year. At 31 March 2018 there were also no investments held with a maturity date longer than one year. This excludes the outstanding balance of Heritable bank investment of £0.093m before impairment (2016/17: £0.093m).

35.5 Long Term Borrowing

As at 31 March 2019 long term borrowing by the Police and Crime Commissioner for Sussex comprised of long term finance of the PFI schemes (see PFI Note 31 to the accounts) and loans from the Public Works Loan Board (PWLB). All loans were borrowed for capital purposes in line with the CIPFA Prudential Code for Capital Finance.

31 March 2018 £000	Long Term Borrowing	31 March 2019 £000
4,541	Public Works Loan Board	4,541
15,052	PFI long term finance	14,259
19,593	Total	18,800

The year end balances above represent totals for long term finance borrowing and loans, this includes accrued interest payable of £41,306 on the loans from the Public Works Loan Board which is due within one year. PFI long term finance includes £499,667 also due within one year.

35.6 Fair Values of Assets and Liabilities

At 01 April 2018 IFRS9 Financial Instruments replaced IAS39 Financial Instruments: Recognition and Measurement. Financial liabilities, financial assets represented by current and non-current assets and liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- Estimated ranges of interest rates at 31 March 2019 for loans from the PWLB are based on loan rates of 4.25% to 4.85% discounted at rates of 1.03% to 1.13%;
- For current assets – investments, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Long Term PFI Borrowing	(15,052)	(22,207)	(14,259)	(21,038)
Long Term Borrowing	(4,541)	(6,178)	(4,541)	(6,315)
Net Total	(19,593)	(28,385)	(18,800)	(27,353)

	31 March 2018		31 March 2019	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Short Term Investments (cash equivalents)	12,214	12,214	12,411	12,411
Short Term Investments	45,205	45,205	34,108	34,108
	57,419	57,419	46,519	46,519

The fair values of short term trade payables and receivables, cash and cash equivalents are assumed to equal the book values and are therefore not included in the table above. These are exempt from IFRS13.

The fair value of the liabilities is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

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

Assets and Liabilities are measured at fair value using the IFRS13 Fair Value market approach which uses prices and other relevant information (inputs) generated by market transactions involving similar assets or liabilities. The IFRS on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three input levels 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.

We have therefore categorised the valuations of the long term PWLB borrowing as a Level 1 input and long term PFI borrowing as a Level 2 input in the IFRS 13 fair value hierarchy.

35.7 Sensitivity Analysis

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

31 March 2018 £000		31 March 2019 £000
0	Increase in interest payable on variable rate borrowings	0
439	Increase in interest receivable on variable rate investments	400
0	Increase in government grant receivable for financing costs	0
439	Impact on Deficit on the Provision of Services	400
0	Decrease in fair value of fixed rate investment assets	0
0	Impact on Other Comprehensive Income and Expenditure	0
2,377	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)*	3,847

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

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosures. Further detail on risks related to financial instruments is given within Note 36.

Note 36 - Nature and Extent of Risks Arising from Financial Instruments

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

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

36.1 Overall Procedures for Managing Financial Risk

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

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

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

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

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

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

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

The annual Treasury Management Strategy for 2018/19 which incorporates the prudential indicators is approved by the Police and Crime Commissioner for Sussex and is available on the PCC website. The key elements within the 2018/19 strategy were:

- The Authorised Borrowing Limit for 2018/19 was set at £37m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £22m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 85% respectively for investments.
- The maximum exposure to the maturity structure of debt was 100% at 10-15 years.

These policies were implemented by the Chief Constable's finance department during the 2018/19 year. Actual performance is reported annually to the Joint Audit Committee after each year, as is a mid-year update.

36.2 Credit Risk

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

Credit Risk: Investments

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

The 2018/19 Strategy set specific limits for which specified investments may be placed up to, were designated as follows:

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

The Police and Crime Commissioner's maximum exposure to credit risk in relation to its investments in banks and building societies of £46.5m at 31 March 2019 (2018: £57.3m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Police and Crime Commissioner's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

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

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

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

Credit Rating	Non-current		Current		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000
AAA	0	0	12,200	12,400	12,200	12,400
AA	0	0	45,000	4,000	45,000	4,000
A+	0	0	0	10,000	0	10,000
A	0	0	0	20,000	0	20,000
Heritable Bank	0	0	93	93	93	93
Total	0	0	57,293	46,493	57,293	46,493

Credit Risk: Trade Receivables

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

	Amount at 31 March 2019	Historical experience of default	Adjusted for market conditions at 31 March 2019	Estimated maximum exposure to default and irrecoverable amounts at 31 March 2019	Estimated maximum exposure at 31 March 2019
	£000	%	%	£000	£000
Trade Debtors *2	1,600	0.02%	0.00%	0	0
Total	1,600			0	0

*2 Trade Debtors is after deduction of £0.115m provision for doubtful debts (2015/16: £0.117m) the Police and Crime Commissioner considers this is the maximum exposure to default on trade debtors.

The Police and Crime Commissioner does not generally allow credit for customers, such that £0.167m of the total £1.715m customer balances are past the due date for payment i.e. over 30 days. The past due, but not impaired amount can be analysed by age as follows:

	31 March 2018	31 March 2019
	£000	£000
Less than three months	142	1,700
Three to six months	18	1
Six months to one year	244	0
More than one year	55	14
	459	1,715

36.3 Liquidity Risk

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

The Police and Crime Commissioner has ready access to borrowings from the Money Markets to cover any day to day cash flow need. Whilst the Public Works Loan Board provides access to longer term funds, it also acts as a lender of last resort to authorities (although it will not provide funding to an Authority or Police and Crime Commissioner whose actions are unlawful). The Police and Crime Commissioner is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient

monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing are due to be paid in less than one year.

36.4 Re-financing and Maturity Risk

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

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

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

The financial assets of the Police and Crime Commissioner is as follows:

	31 March 2018	31 March 2019
Financial Assets:	£000	£000
Less than one year	57,419	46,400
Between two and five years	2	0
	57,421	46,400

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

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

31 March 2018 £000	Financial Liabilities:	31 March 2019 £000
834	Less than one year	541
19,383	More than twenty years	18,858
20,217	Total	19,399

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

31 March 2018 £000	Financial Liabilities:	31 March 2019 £000
117	Between 2 and 5 years	125
507	Over 5 years	472
624	Total	597

36.5 Market Risk

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

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

Investments classed as "current financial assets - Investments" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance,

subject to influences from government grants. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

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

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

At 31 March 2019 the Police and Crime Commissioner held no variable rate borrowings. For investments, the Police and Crime Commissioner held 48% or £22.4m of its total investment portfolio (2018: 56% or £32.2m) in variable rate instant access call accounts. Interest of £0.316m (2018: £0.242m) has been credited to the Comprehensive Income and Expenditure Statement in respect of the Police and Crime Commissioner’s variable rate investments, representing a 0.79% (2018: 0.55%) interest rate of return on an average investment portfolio of £40m (2018: £44m). If interest rates had been 1% higher the financial impact would have been a £0.40m (2018: £0.44m) increase in interest charged to the Comprehensive Income and Expenditure Statement.

36.6 Price Risk

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

36.7 Foreign Exchange Risk

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

Note 37 – Accounting Policies

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. Both bodies are required to prepare separate Statement of Accounts.

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March. 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.

Fundamental Accounting Policies

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

- **Accruals** – the accrual basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects occur, even if the resulting cash receipts and payments occur in a different period.
- **Going Concern** – the Accounts have been prepared on the assumption that the functions of the Group will continue in operational existence for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operation.
- **Understandable** – to ensure that the Statements of Accounts produced can be understood by readers who have a reasonable knowledge of business and economic activities.

- **Relevance** – to ensure that the information provided about the Group's financial position, performance and cash flow is useful for assessing stewardship of public funds and for making economic decisions.
- **Materiality** – provides a threshold or cut-off point to ensure that the information included in the Financial Statements is of such significance as to justify its inclusion. Omissions or misstatements of items are material if they could, individually or collectively, influence users decisions or assessment of the Financial Statements.
- **Reliability** – to ensure that the financial information provided accurately reflects the substance of the transactions and other events that have taken place.
- **Comparability** – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.
- **Primacy of Legislative Requirements** – the PCC derives powers from statute and the financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied. However, the Code deals with such conflicts by showing the position required by the Code's accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement.

The following sections set out the Group's principal accounting policies that have been reviewed and adopted in 2018/19.

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.

The above recognition policy complies with IFRS 15 Revenue from Contracts with Customers which was implemented during 2018/19 with no impact to these accounts.

Cash & Cash Equivalents

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

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

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

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.

Events after the Balance Sheet

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

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

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

Government Grants and Contributions

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

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

Amounts recognised as due to the Police and Crime Commissioner are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic

benefits or service potential embodied in the asset acquired using the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Grants and contributions in excess of £20,000 are considered material.

Funding of Capital Expenditure to purchase Non-Current Assets

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

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

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital reserves to finance expenditure.
- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account, reflecting its status as a capital resource available to finance expenditure. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.
- When a capital grant or contribution has been received with conditions that the Group has not met, the grant or contribution is recognised in the Balance Sheet as Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance Account and recognised as income in the Comprehensive Income and Expenditure Statement and accounted for as above depending on whether expenditure has been incurred.

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

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

Non-Current Assets – Property, Plant and Equipment

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

Recognition

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

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

- Land and buildings £100,000
- ICT and other equipment £25,000
- Vehicles £Nil

Measurement

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

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

The Code stipulates that assets and liabilities should be measured and disclosures provided in accordance with IFRS 13 *Fair Value Measurement*. There are no adaptations to IFRS 13 for the public sector context. However, section 4 of the Code adapts IAS 16 to require that items of property, plant and equipment that are operational and therefore providing service potential for the authority are measured for their service potential at existing use value or depreciated replacement cost, and not fair value. Surplus assets of property, plant and equipment are measured at fair value.

Property, plant and equipment assets are therefore measured at current value as follows:

- Assets under construction - depreciated historical cost
- Land and Buildings - current value, determined using the following bases:
 - Operational properties – Existing Use Value (EUV) in accordance with RICS valuation standards
 - Operational specialised properties such as police custody centres – Depreciated Replacement Cost (DRC)
 - Non-operational properties such as police houses – Fair Value (based on Market Value)
 - All other assets – (EUV)

Depreciated Replacement Cost (DRC) is used for assets where there is no market-based evidence of current value and/or the asset is specialised.

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

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

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

Component Assets

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

Impairment

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

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

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

Depreciation

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

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

	Category	Years	Residual Value
Land and Buildings	Land	Not depreciated	N/A
	Dwellings and other Buildings	Up to 60 years (estimated by the valuer)	40%
Vehicles , Plant and Equipment	Vehicles	3, 5 or 10 years (as assessed by the Transport Manager)	5%, 10% or 15%
	Information Systems	Generally between 3 and 10 years (assessed on an individual basis)	Nil
	Wireless stations and communication masts	20 years	Nil
	Other equipment	Individual useful life	Nil
Intangible Assets	Software and Licences	Generally between 3 and 10 years (assessed on an individual basis)	Nil

Non-operational Assets	Assets under Construction	Not depreciated until complete	N/A
	Awaiting Disposal	Not depreciated	N/A
	Investment properties	Not depreciated	N/A

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

Disposal

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

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

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

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

Assets Held for Sale

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

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

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

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

Assets Held for Sale are not depreciated.

Private Finance Initiative (PFI)

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

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

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

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

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

Inventories (Stock) and Long Term Contracts

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

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

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

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value using the IFRS13 Fair Value market approach. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. The IFRS13 Fair Value market approach uses prices and other relevant information (inputs) generated by market transactions involving similar properties and applies the valuer's professional judgement in accordance with RICS valuation (professional standards published by the Royal Institution of Chartered Surveyors).

The IFRS on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three input levels 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.

Property market conditions in the South East of England are such that similar properties are actively purchased and sold and the level of observable inputs are significant. We have therefore categorised the valuations of the investment portfolio as Level 2 inputs in the IFRS 13 fair value hierarchy.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

Jointly Controlled Operations and Jointly Controlled Assets

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

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

Intangible Assets

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

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

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

Charges to Revenue for Non-Current Assets

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

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

Debts Outstanding

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

The writing off of bad debt can be authorised by either the PCC's CFO or the CC's CFO in respect of their own corporations up to a value of £10,000 for individual bad debt cases and £25,000 cumulatively in any one financial year. The write off of bad debts greater than these

limits requires the approval of both CC's CFO and PCC's CFO up to a maximum of a cumulative value of £50,000 in any one financial year. In Sussex the Police and Crime Commissioner will approve where appropriate the writing off of debts in excess of the CFOs delegated authority.

Reserves

The Group maintains reserves to finance future commitments, unforeseen circumstances, fluctuations in annual grant settlements and council tax precepts and emergency expenditure which cannot be contained within the approved budget. The approved Reserves Policy sets a target for the level of General Reserve of 4% of net budgeted expenditure (2018/19 £10.6m).

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

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

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

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 Group's services.

Provisions and Contingent Liabilities

Provisions

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in

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

Precept Income

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

VAT

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

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

Leases

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

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

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

The Police and Crime Commissioner as Lessee

Finance Leases

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

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

Operating Leases

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

The Police and Crime Commissioner as Lessor

Operating Leases

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

Employee Benefits Payable During Employment

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

Termination Benefits / Exit Packages

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to

the appropriate service line in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of a staff member or group of staff members or making an offer to encourage voluntary redundancy.

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

Long-term Employee Benefits – Pension Arrangements

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

All police pension schemes are unfunded schemes which are treated as defined benefit schemes paid from revenue (without managed pension assets). Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19 Employee Benefits, the net liability and a pensions reserve for both Pension Schemes has been recognised on the Balance Sheet, as have entries in the CIES for movements in the asset/liability relating to the defined benefit scheme. Transfers into and out of the Scheme representing joining and leaving police officers, are recorded on a cash basis in the Pension Fund, because of the length of time taken to finalise the sums involved.

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

- The liabilities of the police 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

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- 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 in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value

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

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- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
-
- **past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
-
- **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
-
- **expected return on assets** - the annual investment return on the fund assets attributable to the Police and Crime Commissioner, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
-
- **gains or losses on settlements and curtailments** - the result of actions to relieve the Police and Crime Commissioner of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
-

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

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

Discretionary Benefits

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

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

Fair Value Measurement

The Police and Crime Commissioner 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 Police and Crime Commissioner uses External Valuers to measure the fair value of an asset or liability 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 Police and Crime Commissioner 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.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the PCC borrowings held, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Soft Loans are offered at less than market rates, where an objective would justify the authority making a concession. The authority does not hold any soft loans.

Expected Credit Loss

The authority will recognise material expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Material value for the Investment portfolio is £10,000.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets 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, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Movements in amortised cost are recognised in the Surplus or Deficit on the Provision of Services, but movements in the fair value are recognised as Other Comprehensive Income and Expenditure.

Interest is credited to the Surplus or Deficit on the Provision of Services using the effective interest rate method. Movements in impairment loss allowances are recognised in the Surplus or Deficit on the Provision of Services, with a compensating amount to Other Comprehensive Income and Expenditure to offset the movements against gains/losses on fair value (i.e. not against the carrying amount of the asset).

Loans and Receivables

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

Financial Assets Available-for-Sale - The Police and Crime Commissioner has no financial instruments recognised on the Balance Sheet as financial assets available for sale.

Financial assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

The above policies on Financial Instruments comply with IFRS 9 Financial Instruments which was implemented during 2018/19 and has been fully reflected within the 2018/19 accounts and notes.

Foreign Currency Translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March 2019. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Interests in Companies and Other Entities

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

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

Note 38 - Accounting Standards Issued, Not Adopted

The Code for 2018/19 noted future accounting policy changes will need to be reported in relation to the following accounting standards:

Paragraph 3.3.2.13 of the 2018/19 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 2018/19 and 2019/20 financial statements in respect of accounting changes that are to be introduced in the 2019/20 Code are:

- 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
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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 2019

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 2019	
	£000	£000	£000	£000
Contributions Receivable				
From Employer:				
- Normal	(18,984)		(19,358)	
- Early Retirements	(277)		(941)	
From Members	(12,305)		(12,328)	
		(31,566)		(32,627)
Transfers In				
Individual Transfers in From Other Schemes		(668)		(333)
Total Inflows		(32,234)		(32,960)
Benefits Payable				
Pensions	63,914		67,095	
Commutations and Lump Sums	12,740		15,798	
Lump Sum Death Benefits	244		0	
		76,898		82,893
Payments To and On Account of Leavers				
Refund of Contributions	23		62	
Individual Transfers Out To Other Schemes	508		0	
		531		62
Total Outflows		77,429		82,955
Net amount payable for the year from the Group (equal to deficit amount)		45,195		49,995
Additional contribution from the Group to fund the deficit for the year *		(42,583)		(47,358)
Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		(2,612)		(2,637)
Net Amount Payable for the Year		0		0

* 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.

Police Pension Fund Net Assets Statement

Net Current Assets And Liabilities	2018/19	2017/18
	£000	£000
Current Assets:		
Contributions due from the PCC	0	0
Recoverable overpayments of pensions	0	0
Current Liabilities:		
Unpaid pensions benefits	0	0
Surplus for the year owing to the PCC	0	0
Net Assets / (Liabilities)	0	0

Police Pension Funds - Notes

Accounting Policies

The Police Pension Account Statements have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit Regulations 2003, which states that Chief Constables are obliged to include the police pensions account in their statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards IAS19, as last amended on 16 June 2011. The Accounts have been prepared on an accruals basis. The statements do not take account of liabilities to pay pensions and other benefits in the future. 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. In the event that the Pension Account is in deficit, the Home Office partially reimburse the Police and Crime Commissioner and the remaining 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 33 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 chose 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:

	Police Pension Scheme (PPS) (1987)	New Police Pension Scheme (NPP) (2006)	Police Pensions Scheme 2015
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.

AMORTISATION

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

BILLING AUTHORITY

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

CAPITAL EXPENDITURE

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

CAPITAL AND INVESTMENT PROGRAMME

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

CAPITAL RECEIPTS

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

CIPFA

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CREDITORS

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

CODE

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

COLLECTION FUND

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

CONTINGENCY PROVISION

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

COUNCIL TAX

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT (PENSIONS)

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

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

DEBTORS

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

DEFINED BENEFIT SCHEME (PENSIONS)

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

DEFINED CONTRIBUTION SCHEME (PENSIONS)

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

DEPRECIATION

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

FIXED ASSET (NON-CURRENT ASSET)

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

GENERAL FUND BALANCES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

IAS19

International Accounting Standard 19 (IAS19) for Employee Benefits sets out the accounting treatment and disclosure for employee benefits and pensions.

IMPAIRMENT

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

INTANGIBLE ASSETS

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

INTEREST COSTS (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

IFRS

International Financial Reporting Standards

JOINT AUDIT COMMITTEE (JAC)

The JAC is an independent Joint External Audit Committee of the Sussex Police and Crime Commissioner and the Chief Constable of Sussex providing a key component of corporate governance arrangements for both corporations sole.

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.

LIQUID RESOURCES

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

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount which the PCC is required to set aside on an annual basis, as a provision to repay external debt

NATIONAL NON DOMESTIC RATE (NNDR) – or BUSINESS RATES

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET OPERATING EXPENDITURE

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

NON-CURRENT ASSETS (FIXED ASSET)

Tangible assets that are expected to yield benefits to the PCC Group and the services it provides for a period of more than one year.

OPERATING LEASE

A lease other than a finance lease.

PAST SERVICE COSTS (PENSIONS)

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

PCC

Police and Crime Commissioner

POLICE GRANT

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

PRECEPT

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

PREPAYMENT

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

PRIVATE FINANCE INITIATIVE (PFI)

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

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

PROJECTED UNIT METHOD (PENSIONS)

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

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

PROVISION

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTION

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

RESERVES

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

RESIDUAL VALUE

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

REVENUE BUDGET

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

REVENUE SUPPORT GRANT

Central Government grant supporting the cost of public services.

SCHEME LIABILITIES (PENSIONS)

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

SETTLEMENT (PENSIONS)

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

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

SPECIFIC GRANTS

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

TOTAL NET EXPENDITURE

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

WORK IN PROGRESS/ASSETS UNDER CONSTRUCTION

The cost of work expended on an incomplete project as at the end of the year.