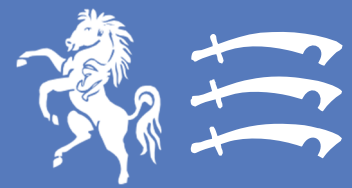


# Support Services

Directorate



KENT POLICE ESSEX POLICE



Supporting policing  
in Kent and Essex

# Audited Statement of Accounts

Differences explained between Draft  
and Final



**ESSEX  
POLICE**



**Kent  
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## Summary of changes from draft accounts to final audited accounts for the year ended 31st March 2019

The Draft Accounts for the Kent Police Group ("Group") and Chief Constable ("CC") were published on the Police and Crime Commissioner ("PCC") for Kent Police and the Kent Police websites on the 1<sup>st</sup> and 2<sup>nd</sup> May 2019 respectively. Since that date the Force's external auditors, Ernst & Young LLP, have audited the Accounts and the following main changes have been agreed and made to the Kent Police Group and Chief Constable Final Accounts:

1. Prior Period Adjustment ("PPA") – Group's accounting treatment on joint operations with Essex Police
2. McCloud Ruling
3. Reclassification of an Investment in Note 20
4. Disclosure Adjustments

The changes applied to the financial statements have been further explained under the relevant headings, overall these changes have no impact on the general fund, cash flow and year end outturn:

### **1. Prior Period Adjustment (PPA) – Group's accounting treatment on joint operations with Essex Police – Group and CC**

A PPA has been carried out on the Group's accounting treatment on joint operations with Essex Police and invoices paid on behalf of both Kent Police and Essex Police with the correct share recharged to Essex. The Group recognised the gross payable amount in expenditure and the percentage recharge in income. During the final audit it was highlighted the correct treatment for income against expenditure paid on behalf of another entity should be netted off against expenditure, as Kent Police are acting as an intermediary (per the Code of Practice 2.6 Principal and agent transaction) and not supplying a service/goods. During further investigation by the Kent Police Finance team it was agreed the joint operations are also amended and treated as per the "Police Accounting for Joint Operations – suggested approaches and key considerations (April 2015)". The overall impact on Net Cost of Services is zero, however this adjustment has an overall impact against income and expenditure in the Comprehensive Income and Expenditure Statement of £8.6 million and £9.3 million in 2017/18 and 2018/19 respectively.

### **2. McCloud Ruling – Group and CC**

The recent Court of Appeal Judgement on the legal rulings regarding age discrimination, arising from public sector pension scheme transitional arrangements (described as the McCloud ruling), denied the Government's request for an appeal in the McCloud / Sergeant case. As a result, under IAS 26 the final Statement of Accounts now includes an estimated impact on total liabilities at 31<sup>st</sup> March 2019 allowed for past service cost, impacting the Net Cost of Services and Pension liability by £152m and £166m respectively, which whilst material represents only 4.3% of the overall balance.

### **3. Reclassification of an Investment in Note 20 – Group only**

It was identified by the auditors that the treatment of the investment in collective investment vehicles (CCLA Fund) of £4.8 million did not meet the definition of an equity investment despite receiving financial advice from our experts, Arlingclose to the contrary. This has resulted in the reclassification of the investment under Note 20 – Financial Instruments (Group Accounts only) and the change in name of the unusable reserve from "Financial Instruments Adjustment Account" to "Pooled Fund Adjustment Account". There was no impact on the General Fund or Core Statements.

#### **4. Other Disclosure Adjustments – Group and CC**

The auditors highlighted the following disclosure misstatements to the financial statements, which have been duly amended in the final financial statements:

- Group/PCC and CC Financial Statements – Note 6 and 4 (respectively) – Officers’ Remuneration: Incorrect amounts reported for the: Assistant Chief Constable (SCD), Assistant Chief Constable (Central Ops) and Chief Finance Officer to the Chief Constable. The corrections relate to the amounts calculated under allowances and has had no impact on the financial statements, this is purely a disclosure.
- Group/PCC and CC Financial Statements – Note 7 and 5 (respectively) – Termination Benefits: The bandings disclosed in the note have been updated against the allocation, there has had no impact to the total costs of redundancy and or pension costs.
- Group/PCC Financial Statements – Note 36 – Related Parties: As per the CIPFA’s Code of Practice on Local Authority Accounting, a table has been added to the note which discloses total income and expenditure and amounts outstanding with related parties.

Additional information highlighted by the auditors through their Audit Results Report – dated 8<sup>th</sup> July 2019 are explained as:

#### **5. Prior Period Adjustment (PPA) - Police Pensions IAS 19 Data Collection (reporting in both Draft and Final accounts) – Group and CC**

During preparation of the data submission required for the actuarial valuation of the Police Pension Schemes for these accounts, an error was discovered by the Finance Team in data used in the 2017/18 valuation whereby deferred pensions and pensions in payment included an annual pension increase, applicable from 1st April 2017. Data should have been based on pension at 31st March 2017, without the increase applied. A number of deferred pension cases, held as paper records (by KCC) when the data was prepared had also been omitted from the data submission. A revaluation of the Police Pension Schemes as at 31st March 2017 was carried out and the Force has re-stated its accounts. The revaluation amount of £134.6m has decreased the present value of the Police Pension Scheme defined benefit obligation and decreased the Pensions Reserve, which whilst material represents only 3.5% of the overall balance.

#### **6. Unadjusted Audit Difference – Understatement in Unusable Reserves (Revaluation Reserves) – Group Only**

The auditors have highlighted one unadjusted audit difference within the draft financial statements, which management have chosen not to adjust. This relates to the valuation technique applied against five properties, valued through EUV / SH (Existing Use Value / Social Housing). These properties were originally transferred to the PCC, by Kent County Council, under secured tenancy agreements at which point the correct valuation method was EUV / SH. On the 31<sup>st</sup> March 2019 the status of the properties remained unchanged and therefore valued under the EUV / SH valuation methodology. The auditors disagree with this approach and strongly feel legal advice should be sought despite seeking professional advice from our valuers. The aggregated impact of the unadjusted audit difference is immaterial and the methodology will be reviewed / reconsidered during 2019/20 and if necessary appropriately adjusted against the correct valuation treatment.

**Supporting Information to changes Note 2**  
**Comprehensive Income & Expenditure Statement – McCloud Ruling**

Kent Police Group	2018/19 Pension liability	2018/19 Pension liability	2018/19
	(Draft)		(Final)
	Note	valuation	3
	£'000's	£'000's	£'000's
Net Cost of Services	374,425	152,130	526,555
CIES items	(234,361)	2,097	(232,264)
<b>Deficit for the Year</b>	<b>140,064</b>	<b>154,228</b>	<b>294,291</b>
(Surplus) / Deficit on Revaluation of Non - Current Assets	199	0	199
Deficit in FV of property and Other Investment funds	(85)	0	(85)
Remeasurement of the net defined benefit liability	(59,696)	12,183	(47,513)
<b>Total CIES</b>	<b>80,482</b>	<b>166,411</b>	<b>246,892</b>

Kent Police CC	2018/19 Pension liability	2018/19 Pension liability	2018/19
	(Draft)		(Final)
	Note	valuation	3
	£'000's	£'000's	£'000's
Net Cost of Services	19,050	152,130	171,180
CIES items	97,387	2,097	99,484
<b>Deficit for the Year</b>	<b>116,437</b>	<b>154,228</b>	<b>270,664</b>
(Surplus) / Deficit on Revaluation of Non - Current Assets	0	0	0
Deficit in FV of property and Other Investment funds	0	0	0
Remeasurement of the net defined benefit liability	(59,696)	12,183	(47,513)
<b>Total CIES</b>	<b>56,741</b>	<b>166,411</b>	<b>223,151</b>

**Balance Sheet – McCloud Ruling**

Kent Police Group	2018/19 Pension liability	2018/19 Pension liability	2018/19
	(Draft)		(Final)
	Note	valuation	3
	£'000's	£'000's	£'000's
Total Long term Assets	216,179	0	216,179
Total Current Assets	58,798	0	58,798
Total Current Liabilities	(33,563)	1,262	(32,301)
Total Long Term Liabilities	(3,715,662)	(167,673)	(3,883,335)
<b>Net Assets</b>	<b>(3,474,248)</b>	<b>(166,411)</b>	<b>(3,640,659)</b>
Usable Reserves	28,548	0	28,548
Unusable Reserves			
- Pensions Reserve	(3,673,423)	(166,411)	(3,839,834)
- Other Unusable Reserves	170,627	0	170,627
<b>Total Reserves</b>	<b>(3,474,248)</b>	<b>(166,411)</b>	<b>(3,640,659)</b>

Kent	Police CC	2018/19 (Draft)	Pension liability valuation	2018/19 (Final)
		£'000's	£'000's	£'000's
Total Long term Assets		0	0	0
Total Current Assets		0	0	0
Total Current Liabilities		(3,223)	0	(3,223)
Total Long Term Liabilities		(3,673,423)	(166,411)	(3,839,834)
<b>Net Assets</b>		<b>(3,676,646)</b>	<b>0</b>	<b>(3,843,057)</b>
Usable Reserves		0	0	0
Unusable Reserves				
- Pensions Reserve		(3,673,423)	(166,411)	(3,839,834)
- Other Unusable Reserves		(3,223)	0	(3,223)
<b>Total Reserves</b>		<b>(3,676,646)</b>	<b>0</b>	<b>(3,843,057)</b>

## Note 5

### Comprehensive Income & Expenditure Statement – Restated 2017/18

Kent Police Group	2017/18 (Final)	Pension liability valuation	2017/18 (Restated)
	£'000's	£'000's	£'000's
Net Cost of Services	366,319	0	366,319
CIES items	(230,231)	0	(230,231)
<b>Deficit for the Year</b>	<b>136,088</b>	<b>0</b>	<b>136,088</b>
(Surplus) / Deficit on Revaluation of Non - Current Assets	3,662	0	3,662
Deficit in FV of property and Other Investment funds	284	0	284
Remeasurement of the net defined benefit liability	205,347	(134,600)	70,747
<b>Total CIES</b>	<b>345,381</b>	<b>(134,600)</b>	<b>210,781</b>

Kent Police CC	2017/18 (Final)	Pension liability valuation	2017/18 (Restated)
	£'000's	£'000's	£'000's
Net Cost of Services	32,931	0	32,931
CIES items	89,510	0	89,510
<b>Deficit for the Year</b>	<b>122,441</b>	<b>0</b>	<b>122,441</b>
(Surplus) / Deficit on Revaluation of Non - Current Assets	0	0	0
Deficit in FV of property and Other Investment funds	0	0	0
Remeasurement of the net defined benefit liability	205,347	(134,600)	70,747
<b>Total CIES</b>	<b>327,788</b>	<b>(134,600)</b>	<b>193,188</b>

## Balance Sheet – Restated

Kent	Police Group	2017/18	Pension liability	2017/18
		(Final)	valuation	(Restated)
		£'000's	£'000's	£'000's
Total Long term Assets		229,096	0	229,096
Total Current Assets		68,373	0	68,373
Total Current Liabilities		(30,517)	0	(30,517)
Total Long Term Liabilities		(3,795,319)	134,600	(3,660,719)
<b>Net Assets</b>		<b>(3,528,367)</b>	<b>134,600</b>	<b>(3,393,767)</b>
Usable Reserves		51,086	0	51,086
Unusable Reserves				
- Pensions Reserve		(3,751,592)	134,600	(3,616,992)
- Other Unusable Reserves		172,139	0	172,139
<b>Total Reserves</b>		<b>(3,528,367)</b>	<b>134,600</b>	<b>(3,393,767)</b>

Kent	Police CC	2017/18	Pension liability	£'000's
		(Final)	valuation	
		£'000's	£'000's	£'000's
Total Long term Assets		0	0	0
Total Current Assets		0	0	0
Total Current Liabilities		(2,912)	0	(2,912)
Total Long Term Liabilities		(3,751,592)	134,600	(3,616,992)
<b>Net Assets</b>		<b>(3,754,504)</b>	<b>134,600</b>	<b>(3,619,904)</b>
Usable Reserves		0	0	0
Unusable Reserves				
- Pensions Reserve		(3,751,592)	134,600	(3,616,992)
- Other Unusable Reserves		(2,912)	0	(2,912)
<b>Total Reserves</b>		<b>(3,754,504)</b>	<b>134,600</b>	<b>(3,619,904)</b>