



# Kent Police

## **Accounts for the Chief Constable for Kent Police**

### **Audited Statement of Accounts 2015 - 2016**

# Contents

	Page no.
Narrative	3
Statement of Responsibilities for the Statement of Accounts	6
Annual Governance Statement	7
Independent Audit Report to the Chief Constable for Kent	12
Comprehensive Income and Expenditure Statement	16
The Balance Sheet	17
The Cash Flow Statement	19
The Movement in Reserves Statement	20
Notes to the Accounts	22
Police Pension Fund Account	47
Glossary of Accounting Terms	49

# Narrative report to the Accounts of the Chief Constable of Kent

## Introduction

The Police and Crime Commissioner (PCC) and the Chief Constable were established as separate legal entities under the Police Reform and Social Responsibility Act 2011.

The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services for Kent and Medway. The PCC is elected by the public every four years to secure the maintenance of an efficient and effective policing service for the county and to hold the Chief Constable accountable for the exercise of their functions and those persons under their direction and control.

The Chief Constable has operational control of Police Officers, PCSOs and all other staff except those working in the Office of the Police and Crime Commissioner. The PCC has strategic control of all assets and liabilities and is responsible for establishing most reserves and controlling all cash flow. These accounts explain how the resources provided by the PCC have been used to deliver operational policing services in Kent.

## The Statement of Accounts

The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2015/16: Based on International Financial Reporting Standards (IFRS).

These Accounts should be read in conjunction with the Kent Police Group Statement of Accounts for 2015/16. The Chief Constable is a separate corporation sole and must therefore prepare Accounts but all assets and liabilities are held by the Police and Crime Commissioner so the Group Statement should be referred to for an overview of the financial position of Kent Police.

To assist the reader an explanation of the various sections and key financial statements contained within the Statement of Accounts is set out below.

**Auditor's Report** (pages 12 to 15) – This sets out the opinion of the Chief Constable's external auditor on whether the accounts of Kent Police give a true and fair view of the financial position and operations of the Force for 2015/16.

**Statement of Responsibilities** (page 6) - This sets out the respective responsibilities of the Chief Constable and the Chief Finance Officer.

**Comprehensive Income and Expenditure Statement (CIES)** (page 16) – This summarises the resources generated and consumed in the year.

**Balance Sheet** (page 17-18) – This shows the assets and liabilities of the force as at 31<sup>st</sup> March 2016 and its overall financial position at that date. The Balance Sheet of the Chief Constable for Kent shows a £3 billion liability against Police Officer and Police staff Pension Liability. This is Kent's share of a national liability and is offset in full by the Pensions Reserve.

**Cash Flow Statement** (page 19) – This statement shows the inflows and outflows of cash to the force. The Chief Constable does not operate a bank account and therefore the balance on this statement is £nil

**Movement in Reserves Statement** (page 20-21) - This statement shows the movement in the year on the reserves. The surplus or (deficit) on the Provision of Services line shows the economic [rather than cash] cost of providing policing services, more details of which are shown on the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

**Notes to the Accounts** (pages 22 to 46) – These notes are of fundamental importance to the correct interpretation and understanding of the Statement of Accounts and the presentation of a true and fair view. They have three significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclosing the information required by the CIPFA Code of Practice that is not provided elsewhere in the financial statements; and
- providing information that is not provided elsewhere in the financial statements, but is relevant to the understanding of them.

**Police Pension Fund Accounts** (page 47-48) – Sets out the financial position of the Police Pension Fund as at 31<sup>st</sup> March 2016.

**Glossary of Terms** (page 49-52) – Wherever possible the use of technical jargon has been avoided. However, the Statement of Accounts does contain some accounting and local government terminology and a glossary of terms is provided at the end of this document which aims to simplify and explain such terminology.

### **General Context and Medium Term Challenge**

In the Spending Review on the 25 November 2015 the Chancellor announced that the total budget for policing would be protected in real terms and that local force budgets would be protected in cash terms. Both assertions require each Police and Crime Commissioner (PCC) to set the maximum precept increase allowed in each of the next four years.

On the 17 December, the Policing Minister announced the general grant allocation for each force area for 2016/17. In 2016/17, no PCC will face a cash reduction in “direct resource funding” assuming precept income is increased to the maximum available. For policing, direct resource funding is deemed by Government to be the sum of formula funding plus legacy council tax grants plus precept. The actual cash cut to formula grant funding for 2016/17 was 0.6% for all PCCs. The PCC for Kent introduced a precept increase of £5 for Band D properties.

Despite the precept increase, the combination of grant reductions and spending pressures means a savings gap in 2016/17 of £8.7m but with a delivery plan identified and implemented by the Chief Constable by the beginning of the year.

The Home Office has yet to issue specific local allocations for future years. For the purpose of current planning, it is assumed Kent loses an additional £1m in grant each year from 2017/18 onwards. In addition, it is assumed the cost of the new “Apprenticeship Levy” will be £1.3m for Kent Police. If these grants (and special levy) assumptions are combined with a roll forward of normal wage and price assumptions and an assumption of 2% precept increases from 2017/18 onwards, the savings gap over the 4 years to 2019/20 is £30m. However further top slicing of grant and/or increased cost pressures would add to the £30m gap. For that reason a 10% contingency has been added, in the latter two years, to make a total savings challenge of £33m over the four years to 2019/20. Furthermore, this gap does not take into account the possible impact of the Formula Review.

Clearly, the position locally is crucially dependent on the public sector spend and deficit targets and there must be a risk that economic conditions could put pressure on the current CSR settlement through to 2020.

The national funding challenge and uncertainty applies to all Forces. Building on the effective and timely response to previous CSR challenges leaves Kent Police well placed to deliver the future savings requirement but this will be on top of approximately £62m of savings delivered since 2011. Inevitably, such continuing savings as a result will impact on service delivery but the Chief Constable is committed to minimising the front line impact of future savings requirements as far as possible. Ensuring visible, local and cost effective policing remains at the core of how Kent Police will respond to the further challenges arising from future further savings requirements. The response will involve more continuing investment in innovation and demand management, alongside efficiency, to identify options to deliver necessary savings in a way that both minimises front line policing impacts as far as possible but ensures that any such impacts are implemented last in any savings package and only after the level and timing of key funding changes have been confirmed.

### **Performance and value for Money**

Kent Police are subject to a formal inspection regime undertaken by Her Majesty's Inspector of Constabulary (HMIC). This regime is a vital part of the assurance that the PCC seeks in holding the force to account for VFM. As well as specific national studies, the HMIC regime covers an annual assessment of three main themes for each Force (referred to as the PEEL inspection) as follows: efficiency, effectiveness and legitimacy of the force. The efficiency element includes an assessment of the financial sustainability of the Force over the short and medium term. During the review in 2015, Kent Police were graded as ‘good’, ‘good’ and ‘outstanding’ respectively. Kent was the only force in the country to secure ‘outstanding’ for legitimacy and within the efficiency element secured an ‘outstanding’ grade for financial management and sustainability.

In addition, the HMIC also publish key VFM statistics for all police forces annually. This is another key source of assurance. Kent is shown to be relatively very efficient compared to other Forces on most measures, especially as regards net cost per head and policing precept per average property.

As referred to earlier, the Force have shown a consistent pattern of sensible forward planning and disciplined accelerated delivery of savings requirements but within a framework of clear service vision and use of technology and innovation to minimise front line impact.

## **Financial Performance**

The Accounts of the Chief Constable for Kent show a net cost of policing services of £282.4m split between service expenditure categories such as Local Policing, Dealing with the Public and Criminal Justice for example. This is a reduction from £293.3m in 2014/15 and reflects the continued impact of the Comprehensive Spending Review and the savings needed to be made by Kent Police following the reduction to the Police Grant. The expenditure is offset by an intra-group transfer from the PCC as all funding is received by the Police and Crime Commissioner.

The Chief Constable is responsible for the administration of the Pension Funds which is why Pension Interest Costs of £109.8m and the Re-measurement of net defined liability (£549.8m) are included within the CC's and Group Accounts. The re-measurement costs are directly taken from the independent actuarial assessment and can vary significantly between years. These are notional costs and included in the Accounts of the CC as these, as with the Group Accounts are produced on an International Financial Reporting Standards (IFRS) basis (as explained in the Narrative Statement for the Group Accounts).

As stated above the Chief Constable does not hold any assets or liabilities which is why the Balance Sheet for the Chief Constable is largely empty. The only liabilities included within the Balance Sheet of the Chief Constable relates to either the Pension Fund or Short Term Compensated Absences (the financial quantification of any untaken annual leave or Time Off In Lieu balances for officers and staff under the direction and control of the Chief Constable).

The pension liability is Kent's share of a national liability and is included within the Accounts due to the requirements to produce IFRS compliant Financial Statements. A full explanation is provided within the Group Accounts.

Accounting Policies are consistent with previous years with no significant changes. These policies are described under Note 1 of these Accounts.

## **The Future**

The new Police and Crime Commissioner for Kent officially took up office on 11<sup>th</sup> May. Alongside coping with the medium term financial challenge, he will be developing his interim Police and Crime Plan for the remainder of 2016/17 and for the medium term. His manifesto details the following six key plan priorities:

- Cutting crime and reducing re-offending
- Delivering Value For Money
- Visible, effective and dedicated policing
- Putting the victim at the heart of the justice system
- Tackling the misery caused by abuse, substance misuse and antisocial behaviour
- Revolutionising how people with mental illness interact with the Police in Kent

These six points are included within Chief Officer considerations for future growth plans and investment opportunities as well as consideration for savings in meeting the future challenge of demand management and reductions to funding brought about by the current CSR.

# **Statement of Responsibilities for the Statement of Accounts for the Chief Constable of Kent**

## **The Chief Constable's Responsibilities**

The Chief Constable is required:

- To make arrangements for the proper administration of his financial affairs and to ensure that one of his officers (the Chief Finance Officer for the Chief Constable) has the responsibility for the administration of those affairs;
- To manage his affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts

## **Completion of the approval process by the Chief Constable of Kent Police**

I approve this Statement of Accounts for 2015/16

Alan Pughsley QPM  
Chief Constable  
12<sup>th</sup> August 2016

## **The Chief Finance Officer of the Chief Constable's Responsibilities**

The Chief Finance Officer of the Chief Constable is responsible for the preparation of the Statement of Accounts for the Chief Constable of Kent 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 this Statement of Accounts the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer of the Chief Constable has also:

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

I certify that the Statement of Accounts for the Chief Constable for Kent for the financial year 2015/16 have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Chief Constable as at 31<sup>st</sup> March 2016 and his income and expenditure for the year then ended.

Paul Curtis  
Chief Finance Officer of the Chief Constable  
12<sup>th</sup> August 2016

## Annual Governance Statement 2015/16

### Scope of responsibility

1. This statement is expressed in the name of the Police and Crime Commissioner (subsequently to be referred to in this document as the PCC) but also covers the accounts of the Chief Constable. The PCC and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and is used efficiently and effectively. More specifically, there are a number of statutory responsibilities that flow from the Police Reform and Social Responsibility Act 2011. (The PRSR Act 2011).
2. In discharging these various responsibilities both are responsible for putting in place proper arrangements for the governance of their affairs including the management of risk.
3. The PCC and Chief Constable endorse the code of governance consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework, "Delivering Good Governance in Local Government". This statement explains how the PCC and Chief Constable comply with that Code and also meet the statutory requirement to prepare an annual governance statement. The PCC and Chief Constable endorse and comply with the CIPFA statement on the role of the Chief Finance Officer (CFO) in local government 2010 as set out in the application note, delivering good governance in local government. Both also endorse and comply with the relevant specific codes produced by both CIPFA and the Home Office arising out of, or related to the PRSR Act 2011. This includes the March 2014 CIPFA Statement on the role of the CFO and relevant parts of the Account and Audit Regulations 2015 and the Home Office Financial Management Code of Practice.

### Purpose of the Governance Framework

4. The governance framework is interpreted to comprise the systems, processes, culture and values by which the work of the PCC and their office is directed and controlled and how it accounts to, engages with, and provides leadership to the communities she serves. The framework enables the PCC to monitor the achievement of objectives including value for money. The system of internal control plays a significant part in the overall framework. It cannot eliminate all risk of failure to deliver such objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal controls is on-going and dynamic and designed to identify and prioritise key risks and to manage them as effectively as possible. The current governance framework covering the period up 31 March 2016 has been put in place since late 2012 and early 2013. This Annual Governance Statement reflects the arrangements in place for the year ending 31 March 2016 and also considers any significant changes up to the date of approval of the statement of accounts. It also covers the Chief Constable's operations.

### The Framework

The principal elements of the Framework currently in place are as follows:

#### Identifying and Communicating the Vision, Purposes and Outcomes.

5. For the year 2015/16, under the stewardship of the Commissioner in place, the key strands have been carried forward from the 2012 election manifesto, crafted after extensive consultation with Kent's residents at the time and subsequently reflected in the published Police and Crime Plan. As in previous years, these key strands were refreshed, following an extensive consultation with stakeholders for the 2015/16 Police and Crime Plan. It was similarly refreshed in producing the 2016/17 Police and crime Plan, published March 2016. For 2015/16, consultation and communication is conducted on a dynamic basis including , regular visits to different local areas, active Twitter and web / communication interaction, special forums and other events (e.g., regular meetings with business community leaders, Parish Councils. Feedback and queries are collated and shared with Kent Police if required. All correspondence is responded to and as far as possible key themes emerging are identified and shared with the PCC who decides if they warrant a more formal explanation from the Force or other agencies.

6. Objectives for Partners and partnership working are primarily set out in the published Police and Crime Plan but reflect on-going dialogue with key partners during the course of the year. There is a regular cycle of visits to local Community Safety Partnerships, and the PCC and his senior officers attend the Kent Criminal Justice Board. Office of the PCC senior staff attend the Kent County wide Community Safety Partnership and engage with other key partners such as the Health and Probation services.
7. As well as direct engagements, web, social media and correspondence accountability to stakeholders in the widest sense, the PCC produces an Annual Report on performance against the Police and Crime Plan. That was done by the previous PCC in respect of 2015/16 and endorsed by the Police and Crime Panel in April 2016. By statute the PCC appears regularly before the local Police and Crime Panel.

#### Measuring and Controlling Risk

8. The Force and the Commissioner have risk registers, both at a strategic and operational level. These are reviewed and challenged by the Joint Audit Committee. The Force strategic risk register is managed by a senior member of the Chief Constable's team and operational risks are managed at all levels throughout the organisation. The Office of The Kent Police and Crime Commissioner's (OKPCC) risk register process is led by the PCC's CFO and features as part of routine discussion on overall delivery in both the Commissioner's weekly meetings with his senior team, and senior officers' management meetings. Both registers form part of established management processes within respective operations and are reviewed periodically by Internal Audit on behalf of the Joint Audit Committee. Understandably, the Force's risk management needs to be much more complex given the size of the organisation and the inherent risks in operational policing. The risk management process within the OPCC contains documented sources of risk assurances. A number of key force personnel have formal accreditation in the management of risk.

#### Fulfilling Statutory Responsibilities to 'Hold the Force to Account'

9. Although the Chief Constable is responsible for operational policing matters, the PCC is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. The PCC must be satisfied that the Chief Constable has appropriate mechanisms in place and that these operate in practice. Core arrangements have been put in place since November 2012 that involve senior OKPCC staff attending key Force performance meetings and carrying out further checks such as sampling complaints. In addition, a PCC Governance Board meets bi-monthly with a published agenda and papers to hold the Chief Constable and the Force to account in public for performance. There is a weekly one to one meeting between the Commissioner and the Chief Constable. All of this is complemented by regular liaison between senior OKPCC staff and senior Officers within the force including Chief Constable and Chief Officers on general matters but including finance, estates, procurement and IT matters. This includes OPCC membership e.g. IT Governance Board, Estates Strategy Board and Capital Management Board. There is also a Joint Collaboration Governance Board in place to reflect the extensive collaboration arrangements with Essex Police. The above is supported by the agreed provision of crime and other performance data on a regular basis, normally monthly, to the PCC's office.
10. In addition, for 2015/16, the Commissioner had in place additional arrangements to augment the 'holding the force to account' function. This involved People Board reviews of organisational health, looking at ethics, morale and integrity, and also equality and diversity. Representatives from across the Force, support groups and individual officers attended with a focus on a supportive approach. For 2015/16, there was an External Ethics Committee, intended to complement the Force's Internal Ethics Committee, reviewing the topics and actions that result.
11. In addition, where a PCC judges it necessary, the PCC can commission HMIC to conduct surveys or investigations into any aspect of Force performance that may cause concern from time to time. This has happened with regards to Kent's crime reporting and recording practices in the past.

## Transparent Decision Making, Governance and Clarity of Roles

12. The PCC has a comprehensive framework for decision making, including specifically a scheme of consent to operate between the PCC and the Chief Constable supported by financial regulations and standing orders for contract arrangements. It also includes key roles and responsibilities and is the essential framework for decision making. It is published on the website.
13. In conjunction with the Chief Constable, the PCC established a new independent Joint Audit Committee which has been in operation since March 2013. The Committee provides independent assurance on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment; advising according to good governance principles and proper practice. The Joint Audit Committee has five independent members and is attended by External Audit, Internal Audit and both Chief Finance Officers and Director of Support Services; it meets four times a year.
14. All key decisions made by the PCC are published monthly, as well as all other transparency requirements, and are provided to the Police and Crime Panel for information. The normal OKPCC provides for both Monitoring Officer and Chief Financial Officer advice in all key decision making processes and external legal advisors have also been retained. All meetings of the Governance, Audit and Collaboration Board/Committees are public with agendas published in advance and minutes published after each meeting. The Chief Constable meets with Chief Officer Colleagues at least weekly to discuss strategic and operational matters. These meetings are further supported by the monthly Strategic Change Board, chaired by the Deputy Chief Constable, at which staff associations are represented and which reviews all proposals for organisational savings and growth. The only avenues to approve changes to the establishment are now through this board or the weekly Chief Officer Strategic Meeting, chaired by the Chief Constable.

The force has a well-established with a broad representation, Ethics Committee, chaired by the Head of Professional Standards, 'Ask the Chief' web-pages and has recently introduced a web-portal to share ideas and comments around the force's governance. Each of which actively encourages staff to raise questions around the running of the force and provide answers to them

15. The Policing Protocol defines the role of both the Commissioner and Chief Constable. At its heart is operational independence for the Chief Constable but the setting of the strategic framework by the PCC for policy and the allocation of resources within which the Chief Constable operates and then holding the Chief Constable to account. In addition the Commissioner has broader partnership and criminal justice responsibility and powers.
16. The Commissioner has also agreed a Code of Conduct, based on the Nolan Principles, which will guide his actions and decision making. Similarly, the Chief Constable has accepted and rolled out the Code of Ethics, based on the Nolan Principles, throughout the Force.

## Effectiveness of the Governance Environment

17. The PCC and the Chief Constable have a shared responsibility to ensure an annual review of the overall effectiveness of the governance system. The review is informed by the work of the internal auditors and key managers within the OKPCC and the Chief Constable team (with collaboration benefits from sharing the same external and internal auditors with Essex Police). It is also informed by the comments of external agencies as they apply to Governance. As a result, the following key points can be made to evidence on-going reviews of effectiveness:
- All reports from the internal and external auditor were considered by the Joint Audit Committee. All findings were accepted and new arrangements put in place to monitor implementation.
  - The outcome of HMIC inspections during the year have been shared with the Commissioner and Chief Constable, and reported to the Governance Board as a matter of course.

- The Force continues its strong record of delivery of savings plans in year. Over the medium term the PCC had set the overall financial framework in consultation with the Chief Constable, and the Chief had developed an effective response to the CSR challenges through to 2019/20. These are considerably less than originally feared but still significant.
- HMIC inspections confirm considerable confidence in delivering savings and the processes underpinning medium-term planning. More significantly the HMIC PEEL inspections rate the Force as the only outstanding force for the legitimacy of its operations. However, some areas of operational business were assessed as requiring improvement.
- The risk based work of internal audit during the year reveals a generally positive view of the control environment.
- The independent Joint Audit Committee in exercising the core functions of an audit committee, have maintained a focus on testing and monitoring Force and PCC approaches to risk management. To date the Committee are very satisfied with the general management of these arrangements but recognise it is an on-going process.
- The Joint Audit Committee have undertaken an annual review of their own operations and effectiveness in line with national audit office best practice guidelines.
- On-going and dynamic reviews of crime performance data.
- A new quality performance framework has been introduced by the Chief Constable throughout the Force. It focuses on the quality of service.
- Independent review of key processes occasionally commissioned by management.

#### Significant Governance and Control Issues Arising

18. The view of the PCC, supported by his statutory officers, and the Chief Constable supported by his Chief Officers is that overall the effectiveness of governance, risk management and controls remain generally sound. In the 2014/15 Annual Governance Statement a number of actions were listed as required to enhance the control environment. Where appropriate these are repeated below but with the action, programme or result set out in bold:

a. Closure of account procedures

While there have been considerable improvements on the previous year, not least in ensuring satisfactory closure within expected timeframes, the emergence of historic coding errors which came to light during the closing process in 2014/15, implies the process still requires further improvement. This has continued to be a point of focus for 2015/16 and this will continue during 2016/17.

b. Impact of major ICT changes

This remains a continuing challenge in respect of major and complex system developments, and thus a continuing point of focus into next year. However, new and much more effective governance arrangements, involving the OPCC, have been put in place. More specifically, Athena remains a key issue given its complexity both in terms of service and governance. Considerable additional focus has been applied in the year but this carries forward into the next year.

c. Responding to statutory changes in function or responsibility - e.g. potential transfer of most complaints to the PCC.

The Police and Crime Bill have yet to pass into law. This risk area is therefore carried forward into 2016/17

d. Audit and succession planning for the Committee – including internal and external audit and accelerated closure.

A degree of accelerated closure has been piloted for 2015/16 closure. This has proved a relative success. This will need to be continuing areas of focus next year. The Joint Audit committee has identified a sensible

working solution to succession planning. Internal Audit was successfully retendered and the current incumbent was successful. In respect of external audit, like virtually all other local public bodies, the Joint Audit Committee is advocating a sector led approach if possible to the appointment of External Auditors for 2018/19 onwards. This will be a continuing task into next year

19. The following additional actions or areas of focus relating to overall governance have been identified for 2016/17:

- a. On-going from the previous year: Closure of account procedures; Impact of all major ICT changes but particularly Athena, responding to the Police and Crime bill including in respect of Fire and Rescue services, appointment of external auditor for 2018/19, delivery of major change programmes and associated investment over the short and medium term
- b. Further refinement to the pay budget setting process around vacancy rates in terms of the revenue budget and forecasting/planning of capital expenditure
- c. Development of a new Police and Crime Plan, and related governance, under the newly elected Commissioner
- d. Additional devolution of victim responsibilities to PCCs generally
- e. Responding to the consequences of the EU Referendum result

Opinion of the Internal Auditors

20. The following is the opinion of Baker Tilly:

Kent Police and Crime Commissioner

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2016, the organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Chief Constable for Kent

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2016, the organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Significant Changes in Governance after 31 March 2016.

21. The newly elected PCC, Matthew Scott, took up office on the 11 May 2016. On an interim basis, pending further reflections during coming months alongside the necessary review of governance that will be needed on the launch of the new CIPFA/SOLACE requirements for next year, the PCC is satisfied with current arrangements. Furthermore the new PCC has confirmed the key commissioning priorities and allocations set out in his predecessor's Police and Crime Plan. The new Commissioner will be producing his new interim Police and Crime Plan for the remainder of 2016/17 based on his manifesto promises and intends to publish his medium term commissioning priorities in autumn 2016.

Chief Constable for Kent

# INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF KENT POLICE

## Opinion on the Chief Constable for Kent financial statements

We have audited the financial statements of the Chief Constable for Kent for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable for Kent Comprehensive Income and Expenditure Statement;
- Chief Constable for Kent Balance Sheet;
- Chief Constable for Kent Cash Flow Statement
- Chief Constable for Kent Movement in Reserves Statement and the related notes 1 to 16
- Chief Constable for Kent Police officer Pension Fund Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Chief Constable for Kent in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Kent, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Chief Finance Office or the Chief Constable and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts for the Chief Constable of Kent set out on page 6, the Chief Finance Officer of the Chief Constable 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Kent circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer of the Chief Constable; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Accounts for the Chief

Constable for Kent Police Audited Statement of Accounts 2015-16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Kent as at 31 March 2016 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 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the Accounts for the Chief Constable for Kent Police Audited Statement of Accounts 2015-16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- 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

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

#### ***Chief Constable's responsibilities***

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

## **Auditor's responsibilities**

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

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

## **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 2015, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The 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 Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

## **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

## **Certificate**

We certify that we have completed the audit of the accounts of the Chief Constable for Kent in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

*Debbie Hanson, Executive Director  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
12 August 2016*

This page has been left blank deliberately

# Comprehensive Income and Expenditure Statements

(For the year ended 31st March 2016)

<b><u>Kent Police Chief Constable</u></b>	Notes	2014/15			2015/16		
		Gross Expenditure	Gross Income	Group Net Expenditure	Gross Expenditure	Gross Income	Group Net Expenditure
		£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Local Policing		133,141	0	<b>133,141</b>	130,094	0	<b>130,094</b>
Dealing with the Public		23,399	0	<b>23,399</b>	22,418	0	<b>22,418</b>
Criminal Justice Arrangements		21,037	0	<b>21,037</b>	20,399	0	<b>20,399</b>
Roads Policing		10,580	0	<b>10,580</b>	8,683	0	<b>8,683</b>
Specialist Operations		15,534	0	<b>15,534</b>	12,584	0	<b>12,584</b>
Intelligence		15,273	0	<b>15,273</b>	14,795	0	<b>14,795</b>
Investigations		51,033	0	<b>51,033</b>	49,023	0	<b>49,023</b>
Investigative Support		6,795	0	<b>6,795</b>	7,308	0	<b>7,308</b>
<b>Sub-total</b>		<b>276,792</b>	<b>0</b>	<b>276,792</b>	<b>265,304</b>	<b>0</b>	<b>265,304</b>
National Policing		15,701	0	<b>15,701</b>	15,730	0	<b>15,730</b>
Corporate & Democratic Core		464	0	<b>464</b>	358	0	<b>358</b>
Non-Distributed Costs		300	0	<b>300</b>	1,019	0	<b>1,019</b>
<b>Net Cost of Policing Services</b>		<b>293,257</b>	<b>0</b>	<b>293,257</b>	<b>282,411</b>	<b>0</b>	<b>282,411</b>
<b>Impairment</b>							
Intra Group Funding For Chief Constable's Net Service Cost				(283,504)			(287,704)
<b>Net Cost of Services</b>				<b>9,753</b>			<b>(5,293)</b>
<b>Other Operating Expenditure</b>							
Net (Gains) / Losses on disposal of fixed assets				0			0
<b>Total Other Operating Expenditure</b>				<b>0</b>			<b>0</b>
<b>Financing &amp; Investment Income &amp; Expenditure</b>							
Interest Element of Finance Leases				0			0
Interest Payable on PFI Unitary Payments				0			0
Pensions Interest Cost				121,066			109,813
Investment Interest Income				0			0
Income & expenditure in relation to investment properties & changes in their fair value				0			0
<b>Total Financing &amp; Investment Income &amp; Expenditure</b>				<b>121,066</b>			<b>109,813</b>
<b>Taxation &amp; Non Specific Grant Income</b>							
Capital Grants				0			0
Precept Income				0			0
Non-service related Government Grants				0			0
Home Office Pension Grant				0			0
<b>Total Taxation &amp; Non Specific Grant Income</b>				<b>0</b>			<b>0</b>
<b>Deficit for the year</b>				<b>130,819</b>			<b>104,520</b>
(Surplus) on Revaluation of Non-Current Assets				0			0
Remeasurement of the net defined benefit liability				481,936			(549,849)
<b>Total Comprehensive Income and Expenditure</b>				<b>612,755</b>			<b>(445,329)</b>

# The Balance Sheet

31 March 2015	Notes		31 March 2016
£000			£000
		<b>Property, Plant &amp; Equipment</b>	
0		Land and Buildings	0
0		Vehicles, Plant & Equipment	0
0		Assets under Construction	0
0		Surplus Assets	0
0		Heritage Assets	0
0		Investment Properties	0
		<b>Intangible Assets</b>	
0		Software	0
<b>0</b>			<b>0</b>
		<b>Long Term Investments</b>	
0		Non Property Investments	0
0		Long Term Debtors	0
<b>0</b>		<b>Total Long Term Assets</b>	<b>0</b>
0		Short Term Investments	0
0		Inventories	0
0		Short Term Debtors	0
0		Cash & Cash Equivalents	0
0		Assets Held for Sale	0
<b>0</b>		<b>Total Current Assets</b>	<b>0</b>
(2,583)	5	Short Term Creditors	(2,520)
0		Provisions falling due within one year	0
<b>(2,583)</b>		<b>Total Current Liabilities</b>	<b>(2,520)</b>
0		Long Term Creditors	0
0		Provisions falling due after one year	0
		<b>Other Long Term Liabilities</b>	
(3,424,802)	6	Police Officer & Police Staff Pension Liability	(2,979,534)
<b>(3,424,802)</b>		<b>Total Long term Liabilities</b>	<b>(2,979,534)</b>
<b>(3,427,385)</b>		<b>Net Assets</b>	<b>(2,982,054)</b>

31 March 2015	Notes		31 March 2016
£000			£000
		<b>Usable Reserves</b>	
0		General Fund	0
0		Earmarked Revenue Reserves	0
0		Capital Reserve	0
0		Capital Contributions Unapplied Reserve	0
0		Insurance Fund	0
<b>0</b>		<b>Total Usable Reserves</b>	<b>0</b>
		<b>Unusable Reserves</b>	
0		Revaluation Reserve	0
(3,424,802)	14	Pensions Reserve	(2,979,534)
0		Capital Adjustment Account	0
0		Financial Instruments Adjustment Account	0
0		Collection Fund Adjustment Account	0
(2,583)	16	Short Term Accumulated Compensated Absences Account	(2,520)
<b>(3,427,385)</b>		<b>Total Unusable Reserves</b>	<b>(2,982,054)</b>
<b>(3,427,385)</b>		<b>Total Reserves</b>	<b>(2,982,054)</b>

These financial statements replace the unaudited financial statements certified by Paul Curtis, Chief Finance Officer for Kent Police on 10<sup>th</sup> June 2016.

I confirm that the Chief Constable for Kent Police approved these accounts.

**Paul Curtis, Chief Finance Officer for the  
Chief Constable for Kent Police**

12<sup>th</sup> August 2016

## The Cash Flow Statement

The Cash flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. All cash and cash equivalents are held by the PCC and therefore there are no entries in this statement.

<b>Cash Flow Statement for Kent Chief Constable for Kent</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000's</b>	<b>£'000's</b>
Net (surplus) or deficit on the provision of services	130,819	104,520
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 7)	(130,819)	(104,520)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	0
<b>Net Cash flows from Operating Activities</b>	<b>0</b>	<b>0</b>
Investing Activities	0	0
Financing Activities	0	0
<b>Net increase or decrease in cash and cash equivalents</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the reporting period	0	0
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>0</b>	<b>0</b>

## The Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by Kent Police, analysed into 'useable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

CC Statement 2015/16	General Fund	Capital Receipts & Contributions Reserves	Earmarked Reserves	TOTAL USEABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL RESERVES
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>BALANCE AS AT 1st APRIL 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,427,385)</b>	<b>(3,427,385)</b>
Surplus / (Deficit) on the Provision of Services on an accounting basis	(104,520)	0	0	(104,520)	0	(104,520)
Other Comprehensive Income & Expenditure	0	0	0	0	549,849	549,849
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>	<b>(104,520)</b>	<b>0</b>	<b>0</b>	<b>(104,520)</b>	<b>549,849</b>	<b>445,331</b>
Adjustments between accounting basis and funding basis under regulations (Note 15)	104,520	0	0	104,520	(104,520)	0
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>445,331</b>	<b>445,331</b>
Transfer to / from Earmarked Reserves	0	0	0	0	0	0
<b>Increase / (Decrease) in the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>445,331</b>	<b>445,331</b>
<b>BALANCE AS AT 31ST MARCH 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,982,054)</b>	<b>(2,982,054)</b>

CC Statement 2014/15	General Fund	Capital Receipts & Contributions Reserves	Earmarked Reserves	TOTAL USEABLE RESERVES	TOTAL UNUSABLE RESERVES	TOTAL RESERVES
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>BALANCE AS AT 1st APRIL 2014</b>	0	0	0	0	(2,814,630)	(2,814,630)
Surplus / (Deficit) on the Provision of Services on an accounting basis	(130,819)	0	0	(130,819)	0	(130,819)
Other Comprehensive Income & Expenditure	0	0	0	0	(481,936)	(481,936)
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>	<b>(130,819)</b>	<b>0</b>	<b>0</b>	<b>(130,819)</b>	<b>(481,936)</b>	<b>(612,755)</b>
Adjustments between accounting basis and funding basis under regulations (Note 15)	130,819	0	0	130,819	(130,819)	0
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(612,755)</b>	<b>(612,755)</b>
Transfer to / from Earmarked Reserves	0	0	0	0	0	0
<b>Increase / (Decrease) in the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(612,755)</b>	<b>(612,755)</b>
<b>BALANCE AS AT 31ST MARCH 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,427,385)</b>	<b>(3,427,385)</b>

## Notes to the Accounts for the Chief Constable of Kent

### Note 1 – Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Chief Constable for Kent's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016 subject to the notes below. The Accounts and Audit Regulations 2011 require the Chief Constable for Kent to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the *Service Reporting Code of Practice (SERCOP) 2015/16*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Going Concern basis is also assumed.

At midnight on the 21<sup>st</sup> November 2012 all property, rights, assets and liabilities which previously belonged to the Kent Police Authority were transferred to the Police and Crime Commissioner for Kent (PCC). This includes all property, plant, and equipment and income. The Chief Constable's Accounts show all expenditure related to the delivery of policing services for the year including staff costs, pension costs and the provision for short term compensated absences whilst the PCC's Single Entity Accounts only show those costs directly related to the Office of the Police and Crime Commissioner.

The Chief Constable of Kent has direct control of all Police Officers, PCSOs and all Police Staff except those working in the Office of the Police and Crime Commissioner. Although the employment contracts for all staff are held by the PCC the substance of the relationship is that the Chief Constable who has the effective power to control how these resources are deployed and used. Whether posts are recruited if they become vacant, whether posts can be made redundant or where posts can be located and what roles are assigned to them are also decisions within the control of the Chief Constable.

Included within staff costs are the IAS 19 pension costs for Officers and staff and also any short-term compensated absences such as the provision for payment of outstanding annual leave and time off in lieu balances at the year-end date. These costs follow the rest of the pay related costs and therefore logically sit with the Chief Constable.

The Chief Constable's Accounts therefore include staff costs for the above groups of employees only.

As stated above all contracts and bank accounts are held by the Police and Crime Commissioner. All economic benefits arising from any transaction also falls to the PCC so all costs and income are held with the PCC. The Chief Constable is unable to enter into borrowing arrangements so costs such as the PFI contracts and any leasing arrangements must be held by the PCC.

As stated above all property plant and equipment is in the ownership of the Police and Crime Commissioner. Decisions around the amount of resources available for investing in capital activities are made by the Police and Crime Commissioner as are decisions around disposals. The PCC agrees the five year capital programme and monitors expenditure against it throughout the year.

Only salary transactions for Police Officers, PCSOs and all staff (other than those directly working in the Office of the Police and Crime Commissioner) are shown in the Accounts of the Chief Constable. All other transactions are shown in the PCC Accounts.

#### i. Accruals of Expenditure

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

#### iii. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Chief Constable for Kent's financial performance.

#### iv. Prior Period Adjustments, Changes in Accounting Policies and 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 Chief Constable for Kent'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.

#### v. Employee Benefits

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable for Kent. 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the intra-group transfer from the Police and Crime Commissioner for Kent's Accounts.

Short-term compensated absences are those periods in which an employee does not provide services to the employer but continues to be paid. Compensated absences may be accumulating or non-accumulating.

Accumulating absences are those that are carried forward and can be used in future periods if the current entitlement is not used in full. For Kent Police this includes annual leave, flexi-leave and time off in lieu. Accumulating absences may be vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.

For Kent Police vesting accumulated short term compensated absences are annual leave and time off in lieu only. Flexi-time is non-vesting. Short term accumulating compensated absences shall be:

- Recognised when employees render services that increases their entitlement to future compensated absences
- Measured as the additional amount that Chief Constable for Kent expects to pay as a result of unused entitlement that has accumulated at the Balance Sheet date including associated employer's national insurance contributions.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Police and Crime Commissioner for Kent or the Chief Constable for Kent to terminate an employee's contract before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to overheads in the Comprehensive Income and Expenditure Statement. Termination benefits are recorded in the accounts when Kent Police have confirmed and communicated their decision to the termination of the employment of an individual or group of individuals 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 Kent Police 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.

## **Post-Employment Benefits**

Kent Police participates in three different types of pension schemes for police officers and a single scheme for police staff. Post employee benefits are associated with the Kent Police Group and Chief Constable's Accounts, they do not materially affect the accounts of the Single Entity for the Police and Crime Commissioner for Kent.

- The Police Pension Scheme (PPS), governed by the Police Pensions Regulations 1987 (as amended).
- The New Police Pension Scheme (NPPS), regulated under the Police Pension Regulations 2006.
- The 2015 Scheme, regulated under the Police Pension Regulations 2015
- The Local Government Pensions Scheme, administered by Kent County Council.

As a result of changes in requirements under International Accounting Standard 19 (IAS19) the net pensions liability is analysed into several components:

- Service cost – comprising:
  - current service cost being 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;
  - gains or losses on settlements and curtailments – the result of actions to relieve Kent Police 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;
- 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;
- Re-measurement of the net defined benefit liability – comprising:
  - expected return on assets – the annual investment return on the fund assets attributable to Kent Police, based on an average of the expected long-term return – credited to the Pension Reserve;
  - actuarial gains and losses arising on changes in demographic assumptions– changes in the net pensions liability that arise because experience has not reflected the demographic assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
  - actuarial gains and losses arising on changes in financial assumptions– changes in the net pensions liability that arise because experience has not reflected the financial 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 Kent Police 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 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.

## **Police Pension Schemes**

All police schemes are contributory occupational pension schemes with officers making varying levels of contributions dependent on their salary level. Contributions to both the old and new police pension schemes have three tiers as follows:

Salary Level	1987 Scheme	2006 Scheme	CARE 2015 Scheme (wef 1st April 2015)
	2015/2016 (2014/2015) % Contribution Rate	2015/2016 (2014/2015) % Contribution Rate	2015/2016 (2014/2015) % Contribution Rate
£0 to £27,000 pa	<b>14.25%</b> (14.25%)	<b>11.00%</b> (11.00%)	<b>12.44%</b> (n/a)
£27,000 to £59,999 pa	<b>14.25%</b> (14.25%)	<b>12.05%</b> (12.05%)	<b>13.44%</b> (n/a)
£60,000 pa or more	<b>15.05%</b> (15.05%)	<b>12.75%</b> (12.75%)	<b>13.78%</b> (n/a)

The Police Pension Account was set up on 1<sup>st</sup> April 2006 to administer all police pension schemes.

The police pension schemes are defined benefit schemes (without managed pension assets). The employer's contribution for each serving officer is common to all schemes at 21.3% of pensionable pay. This is set nationally and is subject to a three yearly review. Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS 19. The net liability and a pensions reserve incorporating all pension schemes have been recognised in the Balance Sheet, as have entries in the Comprehensive Income and Expenditure Account for movements in the asset / liability relating to the defined benefit schemes. Transfers into and out of the schemes representing joining and leaving the police are recorded on a cash basis in the Pension Account as a result of the time taken to finalise the sums involved.

The liabilities of the police pension schemes attributable to Kent Police are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. and 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 and projections of earnings for current employees.

Liabilities as well as anticipated gains and losses are discounted to their value at current prices using a discount rate prescribed by the Funds' Actuaries.

### The Local Government Pension Scheme

The Local Government Pension Scheme is a contributory occupational pension scheme with police staff making contributions in accordance with the table below dependent on their salary level.

Salary Level	LGPS Rate up to 31st March 2016 %
Up to £13,600 pa	5.5
£13,601 to £21,200 pa	5.8
£21,201 to £34,400 pa	6.5
£34,401 to £43,500 pa	6.8
£43,501 to £60,700 pa	8.5
£60,701 to £86,000 pa	9.9
£86,001 to £101,200 pa	10.5
£101,201 to £151,800 pa	11.4
More than £151,801 pa	12.5

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the pension fund attributable to Kent Police 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, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices. The assets of the pension fund attributable to Kent 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.

### **Discretionary Benefits**

Kent Police also 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 Local Government Pension Scheme.

### **vi. Events After the Balance Sheet Date**

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.

### **vii. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SERCOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. As all staff with support services functions are under the direction and control of the Chief Constable for Kent these costs have been apportioned primarily to the service headings in the Net Cost of Services. As these services provide support to the Office of the Police and Crime Commissioner also a much small proportion has been allocated to the PCC. These apportionments are based on head-count.

### **viii. 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.

## **Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below:

### **Police Pension Schemes**

The range of sensitivities regarding the principal assumptions used to measure the combined Police Pension Schemes' liabilities are set out below:

## Police Pension Scheme (Schemes Combined)

Sensitivity analysis	£'000's	£'000's	£'000's
Adjustment to discount rate	0.50%	0.00%	-0.50%
Present value of total obligation	2,572,200	2,846,900	3,121,600
Projected service cost	51,610	56,300	60,990
Adjustment to member life expectancy	+1 year	None	-1 Year
Present value of total obligation	2,931,400	2,846,900	2,762,400
Projected service cost	57,350	56,300	55,250
Adjustment to salary increase rate	0.50%	0.00%	-0.50%
Present value of total obligation	2,890,300	2,846,900	2,803,500
Projected service cost	56,890	56,300	55,710
Adjustment to pension increases and deferred revaluation	0.50%	0.0%	-0.50%
Present value of total obligation	3,074,000	2,846,900	2,619,800
Projected service cost	60,350	56,300	52,250

## Local Government Pension Scheme

The sensitivities regarding the principal assumptions used to measure the Local Government Pension Scheme are set out below:

Sensitivity analysis	£'000's	£'000's	£'000's
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	442,619	452,226	462,048
Projected service cost	14,531	14,923	15,326
Adjustment to member life expectancy	+1 year	None	-1 Year
Present value of total obligation	465,397	452,226	439,437
Projected service cost	15,304	14,923	14,552
Adjustment to salary increase rate	0.10%	0.00%	-0.10%
Present value of total obligation	453,641	452,226	450,820
Projected service cost	14,930	14,923	14,916
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation	460,749	452,226	443,895
Projected service cost	15,324	14,923	14,533

## Note 3 – Events After the Balance Sheet Date

No events to report after balance sheet date.

#### Note 4 – Contingent Liabilities

The Chief Constable of Kent along with other Chief Constables and the Home Office, currently have various 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. The exact number of current claims is a moot point as any success would inevitably apply to all similarly affected officers who have filed a claim or not. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

#### Note 5 – Short Term Creditors

	31st March 2015	31st March 2016
	£'000's	£'000's
Short Term Compensated Absences	2,583	2,520
<b>Total</b>	<b>2,583</b>	<b>2,520</b>

#### Note 6 – Net Pensions Liability

	31st March 2015	31st March 2016
	£'000's	£'000's
Pension Liability	3,424,802	2,979,534
<b>Total</b>	<b>3,424,802</b>	<b>2,979,534</b>

See note 14 for further detailed explanations.

#### Note 7 – Cash Flow Statement

Adjustments to net surplus / deficit on the provision for non-cash movements	2014/15 CC £'000's	2015/16 CC £'000's
(Increase) / decrease in creditors	216	61
Pensions liability	(131,035)	(104,581)
<b>Total</b>	<b>(130,819)</b>	<b>(104,520)</b>

#### Note 8 - Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Kent Chief Officer Team on the basis of budget reports analysed across directorates, with the exception of the Police & Crime Commissioners budget which is managed entirely within the Office of the PCC. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The following tables show expenditure for Kent Police for the financial years 2015/16 and 2014/15, analysed subjectively and grouped based on operational policing units or directorates. This information is reported to the Chief Officer team on a month by month basis and used to inform resource allocation and other strategic decisions.

The Force is organised into three geographical areas, North, West and East Divisions which undertake Neighbourhood Policing functions whilst incident management functions is centralised.

### Income & Expenditure as reported to senior management for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016

	Central Ops	Chief's Office	DCC Portfolio	Divisions	Joint SCD	Joint Support Services	Local Policing & Partnership	Corporate Charges	Force Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Police Officer Pay	39,085	1,829	1,079	95,875	12,077	9,462	3,754	200	<b>163,361</b>
Police Officer Overtime	4,343	5	2	1,170	117	34	6	3	<b>5,680</b>
Other Staff Costs	11,928	555	5,206	12,808	8,759	14,878	14,300	59	<b>68,493</b>
Other Staff Overtime	548	0	59	32	140	106	165	2	<b>1,052</b>
<b>Total Expenditure</b>	<b>55,904</b>	<b>2,389</b>	<b>6,346</b>	<b>109,885</b>	<b>21,093</b>	<b>24,480</b>	<b>18,225</b>	<b>264</b>	<b>238,586</b>

### Income & Expenditure as reported to senior management for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015

	Central Ops	Chief's Office	DCC Portfolio	Divisions	Joint SCD	Joint Support Services	Local Policing & Partnership	Corporate Charges	Force Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Police Officer Pay	45,699	1,865	938	91,042	12,278	9,957	4,011	19	<b>165,810</b>
Police Officer Overtime	3,932	6	4	1,246	149	46	28	5	<b>5,416</b>
Other Staff Costs	13,104	729	5,262	12,756	9,903	15,487	13,940	141	<b>71,322</b>
Other Staff Overtime	317	1	53	53	136	142	369	68	<b>1,139</b>
<b>Total Expenditure</b>	<b>63,052</b>	<b>2,601</b>	<b>6,256</b>	<b>105,098</b>	<b>22,466</b>	<b>25,632</b>	<b>18,348</b>	<b>234</b>	<b>243,687</b>

## Reconciliation to the Comprehensive Income and Expenditure Statement

	2014/15	2015/16
<b>Amount reported in note 8 above</b>	<b>243,687</b>	<b>238,586</b>
Reimbursed Services - Inter Force Salary Recharges (Sit in PCC)	0	5,924
Short term accumulated compensated absences	(216)	(63)
Pension – IAS19	82,519	79,937
Superannuation Uniformed	(26,443)	(40,673)
Superannuation Non-uniformed	(6,291)	(7,159)
Police Officer Injury/Ill health/Death Pensions	0	5,898
Childcare Vouchers	0	(39)
<b>Net Cost of Policing Services</b>	<b>293,257</b>	<b>282,411</b>

## Note 9 - Officers' Remuneration

Regulation 4 of the Accounts and Audit Regulations 2009 places a specific requirement on the Chief Constable of Kent to disclose the number of employees whose taxable remuneration falls within certain brackets. Accordingly the number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band (£)	Number of Employees	
	2014/15	2015/16
	Chief	Chief
50,000 – 54,999	164	186
55,000 – 59,999	114	121
60,000 – 64,999	34	27
65,000 – 69,999	12	13
70,000 – 74,999	4	10
75,000 – 79,999	9	6
80,000 – 84,999	11	5
85,000 – 89,999	3	5
90,000 – 94,999	2	1
95,000 – 99,999	2	1
100,000 – 104,999	0	1
105,000 – 109,999	0	1
110,000 – 114,999	1	0
115,000 – 119,999	0	2
125,000 – 129,999	1	0
135,000 – 139,999	0	1
140,000 – 144,999	1	0
145,000 – 149,999	0	1
150,000 – 154,999	1	0
195,000 - 199,000	1	0
200,000 - 204,999	0	1

The amended Regulations introduce a requirement to disclose individual remuneration details for senior employees whose salary is £50,000 or more per year. For these employees their salaries are listed individually by way of job title. Additionally persons whose salary is £150,000 or more per year must be identified by name. A senior employee is considered one whose salary is greater than £50,000 per year (calculated pro rata for part time employees) and who is responsible for the management of Kent Police to the extent that the person has power to control the major activities of the service, in particular activities involving the expenditure of money, whether solely or collectively with other persons. This includes all Association of Chief Police Officer (ACPO) ranking police officers, the Director of Essex and Kent Support Services, the Director of Human Resources and the Force Chief Finance Officer. These individuals have also been accounted for under the remuneration band table above.

2015/16										
Post Title	Note	Salary including allowances	Perf'nce. Related Pay	Expenses Allowances	Other Payments (Police Staff)	Benefits in kind	Other Payments (Police Officers only)	Total remuneration (excl pension contributions)	Pension contributions	Total remuneration (including pension contributions)
Chief Constable, Mr Alan Pughsley		196,089	0	0	0	0	5,090	201,179	0	201,179
Deputy Chief Constable		147,936	0	0	0	0	0	147,936	0	147,936
Assistant Chief Constable (Serious Crime Directorate)	1	0	0	0	0	0	0	0	0	0
Assistant Chief Constable (Central Operations)		119,392	0	0	0	0	0	119,392	22,706	142,098
Assistant Chief Constable (Local Policing & Partnerships)	2	119,230	0	0	0	0	0	119,230	21,197	140,427
Assistant Chief Constable (Local Policing & Partnerships)	3	7,622	0	0	0	0	0	7,622	1,541	9,163
Chief Finance Officer to the Chief Constable		84,861	0	0	0	0	0	84,861	9,217	94,078
Director of Human Resources	4	30,879	0	0	0	0	0	30,879	3,582	34,461
Director of Corporate Services	4	85,829	0	0	0	0	0	85,829	9,956	95,785
Director of Essex & Kent Support Services		145,225	0	0	0	0	0	145,225	16,846	162,071
Director of Corporate Communications	5	19,532	0	0	0	0	0	19,532	2,266	21,798

## Notes

1. Assistant Chief Constable (Serious Crime Directorate) is employed by Essex Police and is in a 50:50 role. 1<sup>st</sup> Assistant Chief Constable left the post on 30<sup>th</sup> October 2015, followed by the current Assistant Chief Constable starting the post from 30<sup>th</sup> October 2015.
2. Assistant Chief Constable (Local Policing & Partnership Directorate) retired on 1st March 2016.
3. Started in the post of Assistant Chief Constable (Local Policing & Partnership Directorate) on 29th February 2016.
4. Director of Human Resources transferred in the new post as Director of Corporate Services on 6th July 2015 following restructure of Human Resources department.
5. Started in the post of Director of Corporate Communications on 1st February 2016.

2014/15										
Post Title	Note	Salary including allowances	Perf'nce. Related Pay	Expenses Allowances	Other Payments (Police Staff)	Benefits in kind	Other Payments (Police Officers only)	Total remuneration (excl pension contributions)	Pension contributions	Total remuneration (including pension contributions)
Chief Constable, Mr Alan Pughsley		194,215	0	0	0	0	4,508	<b>198,723</b>	37,175	<b>235,898</b>
Deputy Chief Constable, Mr Paul Brandon		150,473	0	0	0	0	0	<b>150,473</b>	31,649	<b>182,122</b>
Assistant Chief Constable (Serious Crime Directorate)	1	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
T/Assistant Chief Constable (Central Operations)	2	19,070	0	0	0	0	2,257	<b>21,328</b>	4,456	<b>25,783</b>
Assistant Chief Constable (Central Operations)	3	89,992	0	0	0	0	0	<b>89,992</b>	19,600	<b>109,592</b>
Assistant Chief Constable (Local Policing & Partnerships)		123,311	0	0	0	0	0	<b>123,311</b>	25,530	<b>148,841</b>
Chief Finance Officer to the Chief Constable		82,964	0	0	0	0	0	<b>82,964</b>	9,170	<b>92,134</b>
Director of Human Resources		115,550	0	0	0	0	0	<b>115,550</b>	13,404	<b>128,954</b>
Director of Essex & Kent Support Services		143,786	0	0	0	0	0	<b>143,786</b>	16,679	<b>160,465</b>

Notes

1. Assistant Chief Constable (SCD) is employed by Essex Police but works across both Kent and Essex.
2. Temporary Assistant Chief Constable (Central Operations) retired from Kent Police on 10<sup>th</sup> June 2014.
3. Assistant Chief Constable (Central Operations) joined Kent Police on 26<sup>th</sup> May 2014.

## Note 10 - External Audit Costs

In 2015/16 the following fees were incurred relating to external audit and inspection, carried out by our appointed external auditors, Ernst & Young.

	2014/15 £'000's	2015/16 £'000's
Fees payable in respect to External Audit Fees	31	19
<b>Total</b>	<b>31</b>	<b>19</b>

An additional amount of £1,838 was paid to Ernst & Young in respect of additional audit effort in 2014/15.

## Note 11 - Related Parties

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

### Central Government

Central government has effective control over the general operations of the Chief Constable of Kent – it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Kent Police has with other parties (e.g. council tax bills).

### Officers

The Kent Police Chief Officer team lead by the Chief Constable has direct control over all operational decisions and the day-to-day running of Kent Police as well strategic decision making in conjunction with the Commissioner. All Chief Officers have been contacted and there are no related party transactions to disclose for 2015/16.

### Other Public Bodies

Through the Police and Crime Commissioner for Kent, Kent Police has a number of business relationships with public organisations such as local authorities in Kent and other Police Forces in England and Wales mainly Kent County Council, Essex Police and West Yorkshire Police for the National Police Air Service (NPAS).

Kent Police has two main collaborative agreements with Essex Police covering Serious Crime and Support Services.

Jointly Controlled Operations are further explained in note 39 in the Kent Police Group Accounts.

### Police and Crime Commissioner

The Chief Constable for Kent and Police and Crime Commissioner for Kent are separate legal entities as described in the Narrative report. Despite this the two entities are intrinsically linked with the PCC for Kent holding all bank accounts, assets, liabilities and reserves for both entities.

The Chief Constable for Kent has a budget approved by the Commissioner with any underspends against that budget transferring back to the PCC at the end of the financial year. As such the Police and Crime Commissioner for Kent is described as a related party.

## Note 12 - Termination Benefits

At 31st March 2016 Kent Police is one year into a four year restructure affecting both Police Officers and Staff across the organisation. This follows Government announcements in the Budget of significant funding reductions to the Police Service over a four years period, ending in March 2020.

In order to meet the challenge of a reduced budget the Police and Crime Commissioner and Chief Officer team agreed to embark on a rigorous review of all services. This review recommended a reduction in staff numbers over the four years whilst maintaining front-line services where possible. Despite the stated objective of managing these reductions through natural wastage as people voluntarily leave the organisation there has been redundancy amongst police staff.

Kent Police terminated the contracts of some employees in 2015/16, incurring costs of £1.352m (£0.162m in 2014/15). These payments were made to staff made redundant mostly on a voluntary basis, as part of the Kent Police rationalisation of the service. Payments were made to staff in accordance with Kent Police policy L1280, available on the Kent Police website, <https://www.kent.police.uk/policy/human-resources-policies/11280-employment-security-and-redeployment/> and are calculated on a combination of age, length of service and pay scale of the employee at the time of their leaving the organisation.

The following table shows the number of people leaving the organisation through redundancy in bands of £20,000.

Cost to Kent Police £'000's	2014/15				2015/16			
	Number of people	Redundancy Cost £'000's	Pension Cost £'000's	Total £'000's	Number of people	Redundancy Cost £'000's	Pension Cost £'000's	Total £'000's
	0 – 20	8	62	0	62	52	460	46
20 – 40	4	100	0	100	17	334	129	463
40 – 60	0	0	0	0	4	113	56	169
60 – 80	0	0	0	0	2	55	77	132
80 – 100	0	0	0	0	1	54	27	81

## Note 13 - Date of Authorisation of the Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 12<sup>th</sup> August 2016 by Mr Paul Curtis, Chief Finance Officer to the Chief Constable of Kent Police.

## Note 14 - Defined Benefit Pension Schemes

### Transactions Relating to Retirement Benefits

The Chief Constable recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge the Chief Constable is required to make which affects the Council Tax however, is based on the cash payable in the year and therefore the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement. The following transactions have been made in the Chief Constable's accounts during the year.

<u>Police Officer Pension Schemes</u>	<b>Police Pension Scheme (Combined)</b>	
	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000's</b>	<b>£'000's</b>
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
<b>Cost of Services:</b>		
Current service cost	68,400	61,700
Past service cost / (gain)	300	400
Effect of settlements	0	0
<b><u>Financing &amp; investment Income &amp; Expenditure:</u></b>		
Interest income on plan assets	0	0
Interest costs on defined benefit obligations	117,000	104,800
Impact of Asset Ceiling on net interest	0	0
<b>Total post employment benefit charged to the (surplus) / deficit on the Provision of Services</b>	<b>185,700</b>	<b>166,900</b>
<b><u>Other post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement:</u></b>		
Actuarial losses (gains) arising from change in demographic assumptions	0	(9,100)
Actuarial losses (gains) arising from change in financial assumptions	431,100	(337,500)
Other experience	4,700	(169,500)
<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>621,500</b>	<b>(349,200)</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (surplus) / deficit on the Provision of Services for post employment benefits	(185,700)	(166,900)
<b><u>Actual amount charged to against the General Fund for Pensions in the year</u></b>		
Actuarial Contributions to Fund	<b>65,300</b>	<b>78,000</b>

## Assets and Liabilities in Relation to Retirement Benefits

The following table reconciles the present values of the liabilities of the police pension schemes:

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Police Pension Scheme (Combined)	
	2014/15	2015/16
	£'000's	£'000's
<b>Benefit obligation at start of year</b>	<b>2,717,900</b>	<b>3,274,100</b>
Current Service Cost	68,400	61,700
Interest on Pension Liabilities	117,000	104,800
Actuarial losses/ (gains)	435,800	(516,100)
Contributions by scheme participants	15,400	14,900
Past Service Gains	300	400
Benefits paid / (received)	(80,400)	(91,500)
Transfers in from / (out to) other authorities	(300)	(1,400)
<b>Benefit obligation at end of year</b>	<b>3,274,100</b>	<b>2,846,900</b>

### Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Police Pension Scheme (Combined)	
	2014/15	2015/16
	£'000's	£'000's
<b>Opening Fair Value of Assets</b>	<b>0</b>	<b>0</b>
Expected return on assets	0	0
Actuarial gains (losses) on assets	0	0
Contributions by employer	65,300	78,000
Contributions by participants	15,400	14,900
Transfers in from / (out to) other authorities	(300)	(1,400)
Net benefits paid out	(80,400)	(91,500)
<b>Closing Fair Value of Assets</b>	<b>0</b>	<b>0</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

	Police Pension Scheme (Combined)	
	2014/15	2015/16
	£'000's	£'000's
Present value of Police Pension Scheme defined benefit obligation	3,274,100	2,846,900
Fair value of assets in the Police Pension Scheme	0	0
	<b>3,274,100</b>	<b>2,846,900</b>
Net Liability arising from the defined benefit obligation	3,274,100	2,846,900

## Basis for Estimating Assets and Liabilities (PPS)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Schemes has been assessed by Hymans Robertson LLP, an independent firm of actuaries.

The principal assumptions used in their calculations have been:

	Police Pension Scheme (Combined)	
	2014/15	2015/16
<b><u>Mortality assumptions:</u></b>		
Longevity at 65 (60 for Police Officers) for current pensioners:		
Men	29.5	29.7
Women	31.7	31.6
Longevity at 65 (60 for Police Officers) for future pensioners:		
Men	31.1	31.2
Women	33.2	33.2
Rate of inflation (RPI)		3.20%
Rate of increase in salaries		3.20%
Rate of increase on pensions	N/A	2.20%
Rate of discounting for scheme liabilities		3.50%
Take up of option to convert annual pension into retirement lump sum		90.00%

The Police Pension scheme has no assets to cover its liabilities.

The liabilities show the underlying commitments that the Police and Crime Commissioner has in the long term to pay retirement benefits. The total liability of £2,847m (£3.274m – 2014/15) has a substantial impact on the net worth of the Police and Crime Commissioner as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit however, mean that the financial position of the Police and Crime Commissioner remains healthy. Police Pensions are charged to the Police Pension Fund Account and any shortfall between the value of pensions paid in the year and the receipts into the Account from the employer and employee contributions is funded from the General Fund. A top-up grant from the Government is then claimed to cover the deficit or, in the event of a surplus, repaid to the Government.

## Local Government Pension Scheme

	Local Government Pension Scheme	
	2014/15 £'000's	2015/16 £'000's
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Service Cost		
Current service cost	13,609	17,001
Past service cost / (gain)	0	619
(Gain) / Loss on curtailments & settlements	0	0
Financing & investment Income & Expenditure:		
Interest costs	16,720	15,725
Expected return on assets in the scheme	(12,654)	(10,712)
Administration Expenses	210	217
<b>Total post employment benefit charged to the (surplus) / deficit on the Provision of Services</b>	<b>17,885</b>	<b>22,850</b>
<b><u>Other Post -employment Benefits charged to the Comprehensive Income and Expenditure Statement</u></b>		
Return on plan assets (excluding amount included in net interest expense)	18,731	(7,290)
Actuarial (losses) gains arising from demographic assumptions	0	0
Actuarial (losses) gains arising from financial assumptions	(64,851)	41,010
Experience (losses) gains	(16)	29
Other	0	0
<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(28,251)</b>	<b>56,599</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (surplus) / deficit on the Provision of Services for post employment benefits	<b>(17,885)</b>	<b>(22,850)</b>
<b><u>Actual amount charged to against the General Fund for Pensions in the year</u></b>		
Employers contribution payable to the scheme	<b>7,251</b>	<b>7,169</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3.422m (£31.385m - 2014/15).

## Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2014/15 £'000's	2015/16 £'000's
Present value of liabilities		
Local Government Pension Scheme	(462,313)	(450,224)
Fair value of assets in the Local Government Pension Scheme	313,801	319,592
S/T	(148,512)	(130,632)
Other movements in the liability /(asset)	0	0
Net liability arising from defined benefit obligation		
Local Government Pension Scheme	(2,190)	(2,002)
<b>Total</b>	<b>(150,702)</b>	<b>(132,634)</b>

## Reconciliation of Present Value of the Scheme Liabilities

The following tables reconcile the present value of liabilities and assets of the Local Government Pension Scheme attributable to the Police and Crime Commissioner:

	Local Government Pension Scheme	
	2014/15 £'000's	2015/16 £'000's
<b>Balance bought forward</b>	<b>373,731</b>	<b>464,503</b>
Current service cost	13,609	17,001
Interest cost	16,720	15,725
Contributions by scheme participants	3,771	3,720
<b>Remeasurement (Gains) and Losses</b>		
Actuarial Gains / Losses arising from changes in demographic assumptions	0	0
Actuarial Gains / Losses arising from changes in financial assumptions	64,851	(41,010)
Experience (Gains)/Losses on defined benefit obligation	16	(29)
Past service costs	0	619
Losses/(Gains) on curtailments	0	0
Liabilities assumed on entity combinations		
Benefits paid / transfers paid	(8,027)	(8,141)
Liabilities extinguished on settlements		
Unfunded pensions payments	(168)	(162)
<b>Balance carried forward</b>	<b>464,503</b>	<b>452,226</b>

## Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31st March 2015		31st March 2016	
	£'000's	%	£'000's	%
Equities	214,447	68	213,128	66
Gilts	3,282	1	2,831	1
Other Bonds	34,905	11	35,091	11
Property	38,980	12	46,425	15
Cash	8,581	3	8,229	3
Target Return Portfolio	13,606	4	13,888	4
<b>Total</b>	<b>313,801</b>	<b>100</b>	<b>319,592</b>	<b>100</b>

## Reconciliation of the Movements in Fair Value of Scheme Assets

	Local Government Pension Scheme	
	2014/15 £'000's	2015/16 £'000's
<b>Opening fair value of the scheme assets</b>	<b>279,799</b>	<b>313,801</b>
Interest Income	12,654	10,712
Remeasurement gain / (loss)		
Expected return on assets	18,731	(7,290)
Other	0	0
The effect of changes in foreign exchange rates	0	0
Employer contributions	7,251	7,169
Contributions by employees into the scheme	3,771	3,720
Benefits paid	(8,195)	(8,303)
Other	(210)	(217)
<b>Closing fair value of scheme assets</b>	<b>313,801</b>	<b>319,592</b>

## Basis for Estimating Assets and Liabilities (LGPS)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme (LGPS) liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the LGPS scheme are based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2014/15 £'000's	2015/16 £'000's
<b>Mortality assumptions:</b>	<u>Years</u>	<u>Years</u>
Longevity at 65 (60 for Police Officers) for current pensioners:		
Men	22.8	22.9
Women	25.2	25.3
Longevity at 65 (60 for Police Officers) for future pensioners:		
Men	25.1	25.2
Women	27.6	27.7
	<u>%</u>	<u>%</u>
Rate of inflation (RPI)	3.30%	3.40%
Rate of inflation (CPI) on which Pensions are based	2.50%	2.50%
Rate of increase in salaries	4.30%	4.30%
Rate of increase on pensions	2.50%	2.50%
Rate of discounting for scheme liabilities	3.40%	3.80%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%

### Local Government Pension Scheme

The liabilities show the underlying commitments that the Police and Crime Commissioner has in the long term to pay retirement benefits. The total liability of £132.634m has a substantial impact on the net worth of the Police and Crime Commissioner as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit however, mean that the financial position of the Police and Crime Commissioner remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

## Note 15 – Adjustments between Accounting Basis and Funding Basis under Regulations

<b>2015/16</b>	General Fund	Useable Capital Receipts Reserve	Earmarked Reserves	Total Useable Reserves	Total Unusable Reserves
	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Included in the Comprehensive Income &amp; Expenditure Account</b>					
<b>Pensions Reverse</b>					
Reversal of pension charges made during the year	(85,169)	0	0	<b>(85,169)</b>	85,169
Pension payments appropriated to the pension reserve	189,750	0	0	<b>189,750</b>	(189,750)
<b>Accumulated Compensated Absences Account</b>	0	0	0	<b>0</b>	0
Reversal of leave accrual	(61)	0	0	<b>(61)</b>	61
<b>Total</b>	<b>104,520</b>	<b>0</b>	<b>0</b>	<b>104,520</b>	<b>(104,520)</b>

<b>2014/15</b>	General Fund	Useable Capital Receipts Reserve	Earmarked Reserves	Total Useable Reserves	Total Unusable Reserves
	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Included in the Comprehensive Income &amp; Expenditure Account</b>					
<b>Pensions Reverse</b>					
Reversal of pension charges made during the year	(72,550)			<b>(72,550)</b>	72,550
Pension payments appropriated to the pension reserve	203,585			<b>203,585</b>	(203,585)
<b>Accumulated Compensated Absences Account</b>	0	0			
Reversal of leave accrual	(216)			<b>(216)</b>	216
<b>Total</b>	<b>130,819</b>	<b>0</b>	<b>0</b>	<b>130,819</b>	<b>(130,819)</b>

## Note 16 – Short-term Accumulated Absences Account

The Accumulated Absences Account absorbs 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 and time off in lieu of payment carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>Short-term Accumulated Absences Account</b>	<b>2014/15 £'000's</b>	<b>2015/16 £'000's</b>
<b>At 1<sup>st</sup> April</b>	<b>(2,799)</b>	<b>(2,583)</b>
Unused amounts reversed in year	2,799	2,583
Additional liability calculated in year	(2,583)	(2,520)
<b>At 31<sup>st</sup> March</b>	<b>(2,583)</b>	<b>(2,520)</b>

## Police Officer Pension Fund Account

### Introduction

The Police Officer Pension Fund Account was established under the Police Pension fund Regulations 2007 (SI 2007 No 1932). It is administered on behalf of the Police and Crime Commissioner by Kent County Council.

The Fund receives income each year from:

- Employer's contributions from the Police and Crime Commissioner, based on a percentage of pay
- Contributions from serving police officers
- Other receipts

Pensions to retired officers, lump sum payments and other benefits are paid from the Fund.

The Account is balanced to nil at the end of the year by a contribution from or to the General Fund.

The Account is not backed by any investment assets. And its outgoings are funded entirely from the receipts identified above. The Fund accounts solely for the benefits payable in the financial year, and does not account for benefits payable after the period end.

The following table identifies the movements on the Police Officer Pension Fund Account for the year.

	2014/15 £'000's	2015/16 £'000's
<b>Contributions receivable</b>		
Police and Crime Commissioner for Kent	(27,215)	(23,344)
Serving Police Officers	(15,388)	(14,947)
Capital equivalent payment for ill-health	(2,637)	(1,754)
<b>Transfers In</b>		
Individual transfers in from other schemes	(684)	(590)
<b>Total Receipts</b>	<b>(45,924)</b>	<b>(40,634)</b>
<b>Benefits payable</b>		
Pensions	59,634	62,406
Commutations and lump sum payments	17,808	16,549
Lump sum death benefits		
<b>Payments to and on account of leavers</b>		
Refund of contributions	0	17
Individual transfers out to other schemes	1,040	2,067
<b>Benefits payable - backdated in respect of Milne v Gad</b>		
Commutations and lump sum payments		7,326
Interest on commutations and lump sum payments		1,663
<b>Total Payments</b>	<b>78,482</b>	<b>90,028</b>
Sub-total for the year before transfer from Police and Crime Commissioner for Kent of amount equal to the deficit	<b>32,558</b>	<b>49,393</b>
Transfer of amount from the PCC of amount equal to the deficit - 2015/16 benefits (21.3%)		<b>(37,128)</b>
Transfer of amount from the PCC of amount equal to the deficit - 2015/16 benefits (2.9%)		<b>(3,277)</b>
Transfer of amount from the PCC of amount equal to the deficit - Milne v Gad		<b>(8,989)</b>
Transfer of amount from the Police and Crime Commissioner for Kent of amount equal to the deficit	(32,558)	(49,393)
<b>Net amount payable for the year</b>	<b>0</b>	<b>0</b>

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirement benefits are disclosed in Note 14 of these Accounts.

The employer rate is 21.3% (with an additional 2.9% top up contribution payable by the PCC, directly to the Home Office).

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD, including adjustment for interest.

The 2015/16 financial statements include benefits payable totalling £7.326m in respect of this matter, with all of this cost fully refundable from the Home Office.

### **Pension Fund Net Asset Statement**

	<b>2014/15</b> <b>£'000's</b>	<b>2015/16</b> <b>£'000's</b>
Unpaid pension benefits	0	0
Amount owing from the general fund	0	0
<b>Net Current Assets and Liabilities</b>	<b>0</b>	<b>0</b>

## Glossary of Accounting Terms

**Accruals** - The concept that income and expenditure are recognised as they are earned or incurred not as money is paid or received.

**Actuarial gains and losses** - Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been changed.

**AGS** - Annual governance statement

**Amortisation** - The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time

**Appropriations** - Transfer of monies between the revenue account and the balance sheet.

**Budget** - A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

**Capital Charge** - A charge to the revenue account to reflect the cost of using fixed assets.

**Capital Expenditure** - As defined in the Local Government and Housing Act 1989, but broadly expenditure on the acquisition of a fixed asset or expenditure which extends the life or value of an existing fixed asset.

**Capital Financing Requirement** - The capital financing requirement (CFR) measures the Group's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

**Capital Receipts** - Proceeds from the sale of capital assets. They may be used to finance new capital expenditure or repay existing loan debt. Receipts available to finance capital expenditure in future years are held in the usable capital receipts reserve.

**CARE Scheme** – Career average revalued earnings (CARE) schemes are a type of defined pension benefit scheme that are offered by employers. The benefits at retirement are based on your earnings and length of membership of the scheme.

**Carrying value** - An accounting measure of value, where the value of an asset or a company is based on the figures in the company's balance sheet. For assets, the value is based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset. For a company, carrying value is a company's total assets minus intangible assets and liabilities such as debt. Also known as "book value".

**Cash equivalent** - A financial deposit placed with either a bank, building society, other local Police and Crime Commissioner for Kent or the Bank of England for a term of no longer than three months.

**Central Ops** – Stands for Central Operations, this includes: Central Investigation Command; Strategic Partnerships and Tactical Operations Command.

**Chief Officers** – Include the Chief Officers and Directors in the senior management team.

**CIES** - Comprehensive Income and Expenditure Statement

**CIPFA** - Chartered Institute of Public Finance and Accountancy, the main professional body for accountants working in the public services

**Contingency** - An event that may occur but that is not likely or intended

**Corporate and Democratic Core** - All aspects of the PCC's activities in the capacity of a democratic representative, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. It also includes the costs of the infrastructure that allows services to be provided and the information that is required for public accountability.

**Corporate Changes** – includes general charges such as pension charges, Federation costs, Insurance; banking and treasury etc.

**Creditors** - Amounts owed by the group at the Balance Sheet date for goods received or work done.

**Criminal justice arrangements** - Includes custody and prisoner handling, criminal justice, the criminal records bureau, Central Ticket Office for fixed penalty notices and property offices.

**Current service (pensions) cost** - An estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

**Curtailed & settlements** - Curtailment arises as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

**DCC Portfolio** – DCC stands for Deputy Chief Constable. The portfolio includes the following: Corporate Services; Corporate Communications; Professional Standards and Legal Services.

**Dealing with the public** - Includes public enquiry officers (front counters), central communications and contact management units.

**Debtors** - Amounts due to the Group but unpaid at the Balance Sheet date.

**De minimus** - An amount so small that it will not have a significant impact on the accounts

**Depreciation** - A charge calculated either on a straight line or reducing balance basis, to reflect the diminishing value of an asset over its useful economic life.

**Direct Revenue Financing** - The amount of capital expenditure to be financed by a contribution from the revenue account in a single year.

**Division** - The Force is organised into three geographical areas, North, West and East Divisions.

**Expected return on assets** - The expected return on assets is a measure of the return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the pension scheme for the year. It is not intended to reflect the actual realised rate by the scheme, but a longer-term measure, based on the value of assets at the start of the year (taking into account movements in assets during the year) and an expected return factor.

**Fair Value** - Fair value is the value of an asset or liability in an arm's length transaction between unrelated willing and knowledgeable parties.

**Fixed Assets** - Tangible assets which yield benefits to the Group for periods of more than one year

**ICT** - Information, Communications & Technology

**IFRS** - International Financial Reporting Standards

**Impairment** - This only relates to fixed assets, including cash investments. Impairment is caused either by a consumption of economic benefits or by a general fall in prices.

**Intangible Fixed Assets** - Assets that do not have a physical substance, but provide a benefit over a period of time, e.g. computer software.

**Intelligence** - Includes the Central intelligence unit command team and associated support overheads, intelligence gathering and analysis.

**Investigations** - Includes the crime support command team and associated support overheads, major investigation teams, economic crime, serious & organised crime unit, public protection units, local investigations and prisoner processing.

**Investigative Support** - Includes scenes of crime officers; forensic costs paid to external providers such as Cellmark and the Forensic Science Service; fingerprint / DNA bureau, photographics and all associated local command and support costs.

**Joint Support Services** - The Joint Support Services Department includes: HR; Learning & Development; Information Services; Procurement; Transport, Business Services and Estate Department.

**Leasing** - A method of financing expenditure over a period of time. There are two main types of lease:

- a) Finance lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Group's balance sheet at a current valuation.
- b) Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

**LGPS** - Local Government Pension Scheme

**Liability** - An obligation that legally binds an individual or company to settle a debt

**Local policing** - Includes Neighbourhood Policing teams, incident response and management, specialist community liaison and local command teams and local support overheads.

**Minimum Revenue Provision (MRP)** - The minimum amount of the Group's outstanding debt which must be repaid by the revenue account in the year

**MIRS** - Movement in reserves statement

**National Policing** - Including Counter Terrorism and Special Branch duties

**Non Distributed Costs** - Past Service Pension Costs (IAS19), redundancy costs and non-service specific impairments.

**Net Book Value** - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Outturn** - The actual level of spending and income in a particular year

**Past service (pension) costs** - These are non-periodic costs – they arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years.

**PCC** - Police and Crime Commissioner

**PCSO** - Police Community Support Officer.

**PFI** - Private Finance Initiative

**Police Grant** - Police grant is allocated by the Home Office using a highly complex needs based formula.

**PPE** - Property, Plant and Equipment

**Provision** - An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

**PSE** - Police Staff Employee, an employee of Kent Police who is not a Police Officer. Police Community Support Officers (PCSOs) are PSEs.

**Remuneration** - All amounts paid to or receivable by a person. It includes taxable expenses and the estimated money value of any other benefits received by an employee other than in cash (e.g. benefits in kind).

**Reserves** - An amount set aside for a specific purpose and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending.

**Revenue Expenditure** - Spending on day to day running expenses of the PCC and Force.

**Road Policing** - Includes traffic policing, vehicle recovery and casualty reduction partnerships

**RPI** - Retail Price Index, a measure of inflation which includes housing costs.

**Specific Grants** - Government grants to aid certain services, usually paid at a fixed proportion of spending actually incurred.

**Specialist operations** - Includes the command team and support overheads, air support, underwater / search / marine support units, dogs sections, public order teams, ports policing units, firearms units and civil contingencies

**Usable Capital Receipts** - Capital receipts available to finance capital expenditure in future years.