



# Kent Police

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

### **Audited Statement of Accounts 2014 - 2015**

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## Foreword to the Accounts of the Chief Constable of Kent

In 2011/12 the Police Reform and Social Responsibility Act 2011 was passed and introduced new elected local policing bodies in the form of Police and Crime Commissioners (PCCs), for each policing area, to replace the previous Police Authorities. At midnight on 21st November 2012, all property, rights and liabilities which immediately before that time were property, rights and liabilities of the Kent Police Authority were transferred to the PCC as the new PCC for Kent. A second stage transfer took place on 1<sup>st</sup> April 2014 to transfer relevant staff to the Chief Constable and all staff, except those working directly in the Office of the PCC, have transferred to the corporation sole of Chief Constable.

These phased transfers are of a legal consideration and for accounting purposes the concept 'substance over form' requires that transactions and events must be recorded in the financial statements rather than just their legal form in order to present a true and fair view of the affairs of the entity. These accounts are produced in line with this concept and present the entity's financial position as set out in its financial regulations, scheme of delegations and other local arrangements.

The Chief Constable has operational control of Police Officers, PCSO's 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.

The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15: Based on International Financial Reporting Standards (IFRS).

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 9 to 11) – 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 2014/15.

**Statement of Responsibilities** (page 4) - This sets out the respective responsibilities of the Chief Constable and the Chief Finance Officer.

**Comprehensive Income and Expenditure Statement (CIES)** (page 12) – This summarises the resources generated and consumed in the year.

**Balance Sheet** (page 13-14) – This shows the assets and liabilities of the force as at 31<sup>st</sup> March 2015 and its overall financial position at that date.

**Cash Flow Statement** (page 15) – 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 16) - 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 18 to 45) – 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 3 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 46-47) – Sets out the financial position of the Police Pension Fund as at 31<sup>st</sup> March 2015.

**Glossary of Terms** (page 48) – 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.

# **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 2014/15

Alan Pughsley QPM  
Chief Constable  
30<sup>th</sup> September 2015

## **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 2014/15 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 2015 and his income and expenditure for the year then ended.

Paul Curtis  
Chief Finance Officer of the Chief Constable  
30<sup>th</sup> September 2015

# Annual Governance Statement 2014/15

## Scope

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 2015 CIPFA Statement on the role of the CFO and relevant parts of the Account and Audit Regulation 2011 as amended.

## Purpose of the Governance Framework

4. As in last year, the governance framework is interpreted to comprise the systems, processes, culture and values by which the work of the PCC and her 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 has been put in place by the PCC since her election in November 2012. This Annual Governance Statement covers the year ending 31 March 2015 and up to the approval of the accounts. It also covers the Chief Constable's operations.

## The Framework

Again as per last year, the principal elements of the Framework currently in place are as follows:  
Identifying and Communicating the Vision, Purposes and Outcomes.

5. This was carried out initially through the election manifesto, crafted after extensive consultation with Kent's residents as a candidate and now reflected in the published Police and Crime Plan. Again this has been refreshed, following an extensive consultation with stakeholders for 2014/15 onwards. Engagement, consultation and communication is conducted on a dynamic basis through 'Public Forum Engagements, community bus tours in different local areas (every other Friday), active Twitter and web / communication interaction, special forums and other events (e.g., regular meetings with business community leaders, Parish Councils and so on). Feedback and queries are collated and shared with the 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 Partnership, and the PCC's senior officers attend the Kent Criminal Justice Board and the Kent County wide Community Safety Partnerships and engage with other key partners such as Health and Probation.
7. The engagement and communication strategy currently in place will be reviewed during 2015/16 following the national election and the settled working of the shared engagement function now serving the PCC and Chief Constable.

8. 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 her plan. By statute she also appears regularly before the local Police and Crime Panel.

### **Measuring and Controlling Risk**

9. 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 her senior team, and senior officers' management meetings. Both registers form part of established management processes; especially within the Force given the more recent creation of the Commissioner role. Understandably, the Force's risk management needs to be much more complex given the size of the organisation and the inherent risks in policing. The force have put in place a new risk management system integrated with Essex police to further ensure that risk associated with collaborative arrangements is accurately captured.

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

10. 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 satisfy herself 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, the PCC established a Governance Board that 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. 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.
11. In addition, the Commissioner has put in place additional arrangements to augment the 'holding the force to account' function. The new People Board reviews organisational health, looking at ethics, morale and integrity, and also equality and diversity. Representatives from across the Force, support groups and individual officers attend, and there is a greater focus on a supportive approach. There is also an External Ethics Committee, which complements the Force's Internal Ethics Committee, reviewing the topics and actions that result. The members are entirely independent.
12. In addition, where she judges it necessary, the PCC can herself commission HMIC to conduct surveys or investigations into any aspect of Force performance that may cause her concern from time to time. This happened with regards to Kent's crime reporting and recording practices, and major findings necessitated the implementation of a far reaching action plan within Kent Police operations. This was commended by HMIC, and precipitated a national study of recording practices within all Forces. The recent re-inspection has commended and confirmed Kent's performance as 96% which compares to a national average of 80%.

### **Transparent Decision Making, Governance and Clarity of Roles**

13. The PCC has a suite of policies, including specifically a scheme of consent to operate between herself 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.
14. 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 Audit Committee has five independent members and is attended by External Audit, Internal Audit and both Chief Finance Officers; it meets four times a year.
15. 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 office provides for both Monitoring and CFO 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.

16. 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.

17. The Commissioner has also agreed a new Code of Conduct, based on the Nolan Principles, which will guide her 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**

18. 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). 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.
- Plans to deal with CSR2 (2015/16) have been identified and delivered and detailed medium-term plans to 2018/19 are being worked on.
- Linked to above, HMIC inspections confirm confidence in the delivery plans for CSR2 and the processes underpinning medium-term planning.
- 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 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.

### **Significant Governance and Control Issues Arising**

19. The view of the PCC, supported by her 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 2013/14 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. A need to augment Force resource capacity and project planning to ensure final account processes meet necessary quality and time deadlines.

**An unqualified audit opinion was delivered, however the statutory deadline of 30 September was again missed. This was despite significant focus and attention to additional planning and training. The Audit Committee considered this at the time, as did management, and have sought further safeguards and assurance from both management and the external auditor for the 2014/15 close down and final account production.**

- b. Review and refresh of the Commissioners communication and engagement strategies, both externally and within the Force.

**A review was undertaken during 2014/15. The results were shared with the Audit Committee and are in place.**

- c. Cyclical Review of Internal Audit as per contract terms.

**After consultation with the Essex Audit Committee, who are co-sponsors of current internal audit arrangements it was decided to extend the existing contract until April 2016. Procurement therefore, will take place during 2015.**

- d. Successful implementation of the two new scrutiny boards.

**The People Board and Commissioner's Ethics Committee have now been successfully launched and are in place.**

- e. Implementation of actions arising from the Audit Committee's previous review of its effectiveness.

**All implemented.**

20. The following additional actions or areas of focus relating to overall governance have been identified for 2015/16:

- **Closure of account procedures**
- **Impact of major ICT changes**
- **Responding to statutory changes in function or responsibility**
- **Audit and succession planning for the Committee**

#### **Opinion of the Internal Auditors**

21. The Head of Internal Audit's Annual Report for the year ended 31<sup>st</sup> March 2015 has been received and was considered by the Joint Audit Committee on 9<sup>th</sup> June 2015. The Report includes an opinion on the internal control framework as follows:

- a. "In our opinion, based upon the work we have undertaken for the 12 months ended 31 March 2015, the Office of the Kent Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievements of the organizations' objectives".
- b. "In our opinion, based upon the work we have undertaken for the 12 months ended 31 March 2015, Kent Police has adequate and effective risk management, control and governance processes to manage the achievements of the organisation's objectives"

**Prepared by Paul Curtis, Chief Financial Officer to the Chief Constable of Kent Police.  
May 2015**

**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 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Chief Constable for Kent Comprehensive Income and Expenditure Statement, the Chief Constable for Kent Balance Sheet, the Chief Constable for Kent Cash Flow Statement, the Chief Constable for Kent Movement in Reserves Statement, the related notes 1 to 18 and the 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 2014/15.

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

## **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, 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; 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 2014 - 2015 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 2015 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 2014/15.

## **Opinion on other matters**

In our opinion, the information given in the Accounts for the Chief Constable for Kent Police Audited Statement of Accounts 2014 - 2015 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

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

We have nothing to report in these respects.

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

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under its 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 2015.

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

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *the Chief Constable* for Kent put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**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 Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Debbie Hanson  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
30 September 2015*

# Comprehensive Income and Expenditure Statements

(For the year ended 31st March 2015)

<b><u>Kent Police Chief Constable</u></b>	Notes	2014/15			2013/14		
		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>	128,164	0	<b>128,164</b>
Dealing with the Public		23,399	0	<b>23,399</b>	25,006	0	<b>25,006</b>
Criminal Justice Arrangements		21,037	0	<b>21,037</b>	22,386	0	<b>22,386</b>
Roads Policing		10,580	0	<b>10,580</b>	10,916	0	<b>10,916</b>
Specialist Operations		15,534	0	<b>15,534</b>	16,460	0	<b>16,460</b>
Intelligence		15,273	0	<b>15,273</b>	15,873	0	<b>15,873</b>
Investigations		51,033	0	<b>51,033</b>	49,567	0	<b>49,567</b>
Investigative Support		6,795	0	<b>6,795</b>	7,277	0	<b>7,277</b>
<b>Sub-total</b>		<b>276,792</b>	<b>0</b>	<b>276,792</b>	<b>275,648</b>	<b>0</b>	<b>275,649</b>
National Policing		15,701	0	<b>15,701</b>	15,930	0	<b>15,930</b>
Corporate & Democratic Core		464	0	<b>464</b>	436	0	<b>436</b>
Non-Distributed Costs		300	0	<b>300</b>	1,009	0	<b>1,009</b>
<b>Net Cost of Policing Services</b>		<b>293,257</b>	<b>0</b>	<b>293,257</b>	<b>293,024</b>	<b>0</b>	<b>293,024</b>
<b>Impairment</b>							
Intra Group Funding For Chief Constable's Net Service Cost				(283,504)			(282,547)
<b>Net Cost of Services</b>				<b>9,753</b>			<b>10,477</b>
<b>Other Operating Expenditure</b>							
Net Gains 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
Police Pensions Interest Cost				121,066			114,026
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>114,026</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>124,503</b>
(Surplus) on Revaluation of Non-Current Assets				0			0
Remeasurement of the net defined benefit liability				481,936			152,856
<b>Total Comprehensive Income and Expenditure</b>				<b>612,755</b>			<b>277,359</b>

# The Balance Sheet

31 March 2014	Notes		31 March 2015
£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>
(2,799)	6	Short Term Creditors	(2,583)
0		Provisions falling due within one year	0
<b>(2,799)</b>		<b>Total Current Liabilities</b>	<b>(2,583)</b>
0		Long Term Creditors	0
0		Provisions falling due after one year	0
		<b>Other Long Term Liabilities</b>	
(2,811,831)	7	Police Officer & Police Staff Pension Liability	(3,424,802)
<b>(2,811,831)</b>		<b>Total Long term Liabilities</b>	<b>(3,424,802)</b>
<b>(2,814,630)</b>		<b>Net Assets</b>	<b>(3,427,385)</b>

31 March 2014	Notes		31 March 2015
£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
(2,811,831)	16	Pensions Reserve	(3,424,802)
0		Capital Adjustment Account	0
0		Financial Instruments Adjustment Account	0
0		Collection Fund Adjustment Account	0
(2,799)	18	Short Term Accumulated Compensated Absences Account	(2,583)
<b>(2,814,630)</b>		<b>Total Unusable Reserves</b>	<b>(3,427,385)</b>
<b>(2,814,630)</b>		<b>Total Reserves</b>	<b>(3,427,385)</b>

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

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

## 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>2013/14</b>
	<b>£'000's</b>	<b>£'000's</b>
Net (surplus) or deficit on the provision of services	130,819	(124,503)
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 8)	(130,819)	124,503
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 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>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,814,630)</b>	<b>(2,814,630)</b>
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	(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 17)	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>



CC Statement 2013/14	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 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,537,270)</b>	<b>(2,537,270)</b>
Surplus / (Deficit) on the Provision of Services on an accounting basis	(124,503)	0	0	(124,503)	0	(124,503)
Other Comprehensive Income & Expenditure		0	0	0	(152,856)	(152,856)
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>	<b>(124,503)</b>	<b>0</b>	<b>0</b>	<b>(124,503)</b>	<b>(152,856)</b>	<b>(277,359)</b>
Adjustments between accounting basis and funding basis under regulations (Note 17)	124,503	0	0	124,503	(124,503)	0
<b>Net increase / decrease before transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(277,359)</b>	<b>(277,359)</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>(277,359)</b>	<b>(277,359)</b>
<b>BALANCE AS AT 31ST MARCH 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,814,629)</b>	<b>(2,814,629)</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 2014/15 financial year and its position at the year-end of 31 March 2015 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 2013/14 and the *Service Reporting Code of Practice (SERCOP) 2013/14*, 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 direction and 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.

#### ii. 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 Kent Police is demonstrably committed to the termination of the employment of an officer or group of officers 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 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 two different types of pension schemes for police officers and a single scheme for police staff

- 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 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 of the Kent Police Group, 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**

Both 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:

<b>Salary Level</b>	<b>Police Pension Scheme 2014/2015 (2013/2014) Rate %</b>	<b>New Police Pension Scheme 2014/2015 (2013/2014) Rate %</b>
Under £27,000 pa	0 (0)	11.00 (10.7)
£27,000 to £59,999 pa	14.25 (13.5)	12.05 (11.5)
Over £60,000 pa	15.05 (14.0)	12.75 (12.0)

A Police Pension Account was set up on 1<sup>st</sup> April 2006 to administer both of the police pension schemes.

The NPPS and PPS are defined benefit schemes (without managed pension assets). The employer's contribution for each serving officer is common to both schemes at 24.2% 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 both 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 PPS and NPPS 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 Fund's 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. Levels of contribution will rise in 2015/16.

Salary Level	LGPS Rate up to 31st March 2015 %
Up to £13,500 pa	5.5
£13,501 to £21,000 pa	5.8
£21,001 to £34,000 pa	6.5
£34,001 to £43,000 pa	6.8
£43,001 to £60,000 pa	8.5
£60,001 to £85,000 pa	9.9
£85,001 to £100,000 pa	10.5
£100,001 to £150,000 pa	11.4
More than £150,000 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 2013/14* (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. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Chief Constable for Kent in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Chief constable for Kent recognises holds no assets or liabilities but debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

The Police and Crime Commissioner for Kent two such agreements:

- The Joint Serious Crime Directorate;
- The Joint Support Services Department which includes HR, IT, Procurement, Transport and Business Services.

Each of these are jointly controlled operations between the Police Forces of Kent and Essex.

### ix. Foreign Currency Translation

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

### x. 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 sensitivities regarding the principal assumptions used to measure the Police Pension Schemes' liabilities are set out below:

#### Police Pension Scheme (New Scheme)

Sensitivity analysis	£'000's	£'000's	£'000's
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	153,000	159,500	166,000
Projected service cost	12,120	12,800	13,480
Adjustment to member life expectancy	+1 year	None	-1 Year
Present value of total obligation	154,700	159,500	164,300
Projected service cost	12,420	12,800	13,180
Adjustment to salary increase rate	0.50%	0.00%	-0.50%
Present value of total obligation	178,600	159,500	140,400
Projected service cost	13,090	12,800	12,510
Adjustment to pension increases and deferred revaluation	0.5%	0.0%	-0.5%
Present value of total obligation	173,700	159,500	145,300
Projected service cost	16,160	12,800	9,440

#### Police Pension Scheme (Old Scheme)

Sensitivity analysis	£'000's	£'000's	£'000's
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	3,050,700	3,114,600	3,178,500
Projected service cost	47,710	49,300	50,890
Adjustment to member life expectancy	+1 year	None	-1 Year
Present value of total obligation	3,021,200	3,114,600	3,208,000
Projected service cost	47,820	49,300	50,780
Adjustment to salary increase rate	0.50%	0.00%	-0.50%
Present value of total obligation	3,175,500	3,114,600	3,053,700
Projected service cost	50,760	49,300	47,840
Adjustment to pension increases and deferred revaluation	0.5%	0.0%	-0.5%
Present value of total obligation	3,381,200	3,114,600	2,848,000
Projected service cost	56,050	49,300	42,550

## 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	454,599	464,503	474,632
Projected service cost	16,613	17,063	17,526
Adjustment to member life expectancy	+1 year	None	-1 Year
Present value of total obligation	448,429	464,503	480,721
Projected service cost	16,484	17,063	17,647
Adjustment to salary increase rate	0.10%	0.00%	-0.10%
Present value of total obligation	466,181	464,503	462,837
Projected service cost	17,071	17,063	17,055
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation	473,033	464,503	456,169
Projected service cost	17,521	17,063	16,617

## Note 3 – Events After the Balance Sheet Date

### 1. Milne vs GAD

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. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the majority of the necessary payments by 31 March 2016. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014/15.

There are no other Post Balance Sheets events.

The Statement of Accounts was authorised for issue by the Chief Finance Officer for the Police and Crime Commissioner on 30/09/2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 4 – Prior Period Adjustment

The accounting arrangements for pension payments to retired police officers changed in 2006 and required that injury payments be charged to the accounts of the police authority and pension payments be charged against the pension account. The injury payments relate to police officers who have left the service and been given early access to their pension because of service injury, which attract an additional injury pension.

Following a review of the Police Pension Fund in September 2015, it was discovered that whilst injury payments were being charged to the Police accounts injury increases relating to inflationary uplifts were not. As a consequence amounts totalling £9.863m had been charged in error to the Police Pension Fund accounts for the years 2006/07 to 2013/14. The amount charged to the Police Pension Fund in error in 2013/14 was £1.603m. The comparative



amounts in the Police Pension Fund for 2013/14 have been restated to correct this error. Please refer to note 38 in Group accounts for full explanation.

The following table show the effects of these restatements within the accounts:

	As previously stated 2013/14 £'000	As restated 2013/14 £'000	Correction 2013/14 £'000
<b>Benefits payable</b>			
Pensions	57,868	56,265	(1,603)
<b>Net amount payable</b>			
Sub-total for the year before transfer from Police and Crime Commissioner for Kent of amount equal to the deficit	(27,339)	(25,736)	1,603

## Note 5 – Contingent Liabilities

### Back dating of holiday payments – based on average overtime (Bear Scotland).

There were a number of legal developments during 2014/15 in employment law that potentially may have financial consequences for police forces in England and Wales. These concern legal challenges (Bear Scotland) in respect of backdated and future payments of overtime and allowances.

At the date of publication of the unaudited accounts there was insufficient information to estimate any amounts that may be liable to pay. It is also unclear when the position will become known and if and when payments will have to be made.

## Note 6 – Short Term Creditors

	31st March 2015 £'000's	31st March 2014 £'000's
Short Term Compensated Absences	2,583	2,799
<b>Total</b>	<b>2,583</b>	<b>2,799</b>

## Note 7 – Net Pensions Liability

	31st March 2015 £'000's	31st March 2014 £'000's
Pension Liability	3,424,802	2,811,311
<b>Total</b>	<b>3,424,802</b>	<b>2,811,311</b>

See note 16 for further detailed explanations.

## Note 8 – Cash Flow Statement

Adjustments to net surplus / deficit on the provision for non-cash movements	2014/15 CC £'000's	2013/14 CC £'000's
(Increase) / decrease in creditors	216	(577)
Pensions liability	(131,035)	125,080
<b>Total</b>	<b>(130,819)</b>	<b>124,503</b>

## Note 9 - 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 2014/15 and 2013/14 analysed subjectively for pay costs only and grouped based on operational policing units or directorates. This information is derived from reports 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 response, custody and incident management functions are centralised.

Segmental reports are intended to show detail only for parts of the organisation comprising over 10% of the total expenditure. There are a number of departments therefore, including Information Services, HR and Training that fall beneath this de-minimis level and are not listed individually. These departments are grouped together and shown as 'Other' in the following reports.

**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>
PCSO Pay	0	0	0	0	0	0	0	0	<b>0</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>

**Income & Expenditure as reported to senior management for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014**

	Central Ops	Chief's Office	DCC Portfolio	General	Joint HR	Joint IT	Joint SCD	Joint Support Services	Local P&P	Support Services	Force Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's		£'000's
Police Officer Pay	75,943	1,568	921	649	6,791	69	15,026	(5)	68,020	31	<b>169,013</b>
Police Officer Overtime	4,196	5	1	199	51	2	181		966		<b>5,601</b>
PCSO Pay									0	5,449	<b>5,449</b>
Other Staff Costs	26,445	386	5,445	214	4,194	5,404	10,232	1,984	14,116	18	<b>68,438</b>
Other Staff Overtime	650	1	40	13	13	77	132	26	84		<b>1,036</b>
<b>Total Expenditure</b>	<b>107,234</b>	<b>1,960</b>	<b>6,407</b>	<b>1,075</b>	<b>11,049</b>	<b>5,552</b>	<b>25,571</b>	<b>2,005</b>	<b>83,186</b>	<b>5,498</b>	<b>249,537</b>

**Reconciliation to the Comprehensive Income and Expenditure Statement**

	<b>2014/15</b>	<b>2013/14</b>
<b>Amount reported in note 9 above</b>	<b>243,687</b>	<b>249,537</b>
Short term accumulated compensated absences	(216)	(576)
Pension – IAS19	82,519	80,176
Superannuation Uniformed	(26,443)	(27,767)
Superannuation Non-uniformed	(6,291)	(8,561)
<b>Net Cost of Policing Services</b>	<b>293,257</b>	<b>293,024</b>

## Note 10 - 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	2013/14
	GROUP	GROUP
50,000 – 54,999	164	155
55,000 – 59,999	114	124
60,000 – 64,999	34	39
65,000 – 69,999	12	6
70,000 – 74,999	4	6
75,000 – 79,999	9	13
80,000 – 84,999	11	6
85,000 – 89,999	3	9
90,000 – 94,999	2	3
95,000 – 99,999	2	1
100,000 – 104,999	0	0
105,000 – 109,999	0	0
110,000 – 114,999	1	0
115,000 – 119,999	0	1
120,000 – 124,999	0	0
125,000 – 129,999	1	2
130,000 – 134,999	0	0
135,000 – 139,999	0	0
140,000 – 144,999	1	1
145,000 – 149,999	0	0
150,000 – 154,999	1	0
155,000 – 159,999	0	0
160,000 - 164,999	0	0
165,000 – 169,999	0	1
170,000 – 174,999	0	0
175,000 – 179,999	0	0
180,000 - 184,999	0	0
185,000 - 189,999	0	0
190,000 - 194,999	0	0
195,000 - 199,000	1	0

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 the Police and Crime Commissioner, her Chief of Staff and Chief Finance Officer, 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.

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.

2013/14										
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 Ian Learmonth	1	138,868	0	0	0	0	0	138,868	0	138,868
Chief Constable, Mr Alan Pughsley	2	47,372	0	0	0	0	0	47,372	9,188	56,560
Deputy Chief Constable, Mr Alan Pughsley	2	111,567	0	0	0	0	4,396	115,963	22,743	138,706
Deputy Chief Constable	3	35,676	0	0	0	0	0	35,676	7,574	43,250
Assistant Chief Constable (Serious Crime Directorate)	4	110,047	0	0	0	0	7,577	117,624	0	117,624
Assistant Chief Constable (Central Operations - CO)	5	87,215	0	0	0	0	0	87,215	18,194	105,409
Assistant Chief Constable (CO)	6	24,396	0	0	0	0	0	24,396	5,699	30,095
Assistant Chief Constable (Local Policing & Partnerships)	7	16,264	0	0	0	0	0	16,264	3,659	19,923
Assistant Chief Constable (Local Policing & Partnerships)	8	90,126	0	0	0	0	0	90,126	18,472	108,598
Chief Financial Officer to the Chief Constable	9	48,910	0	0	0	0	0	48,910	6,833	55,743
Chief Financial Officer to the Chief Constable	9	70,542	0	0	0	0	0	70,542	10,793	81,335
Director Of Human Resources	10,11	17,994	0	0	0	0	0	17,994	3,012	21,006
Director Of Essex & Kent Support Services	12	129,198	0	0	0	0	0	129,198	19,767	148,965

## Notes

1. Mr Ian Learmonth held this post until his retirement on 03.01.2014.
2. Mr Alan Pughsley took up this post with effect from 04.01.2014 following the retirement of Mr Learmonth.
3. The Deputy Chief Constable Mr Pughsley held this position until 03.01.2014 after which he was successful in securing the role of Chief Constable.
4. Following the previous post holders departure from this post the Deputy Chief Constable was appointed with effect from 04.01.2014.
5. The Assistant Chief Constable (Serious Crime) retired from the force on 14.02.2014; the new post holder was appointed as an Essex Officer with effect from 24.12.2013, costs not shown as this post is not employed by Kent Police.
6. The post holder held this post until 03.01.2014, after which time he moved to become the Deputy Chief Constable.
7. After the previous post holder's departure from this post, the new Assistant Chief Constable was appointed 04.01.14.
8. Post holder in this post until 08.06.2013.
9. Newly appointed Assistant Chief Constable in post with effect from 10.06.2013.
10. The Substantive Chief Finance Officer held this post until 01.12.2013 when they retired due to ill health. An acting CFO has held this position with effect from 28.03.2013. Although the post of Chief Finance Officer to the Chief Constable reports to the Director of Essex and Kent Support Services rather than direct to the Chief Constable, the post-holder is a member of the Chief Officer team and participates fully in its decision making activities.
11. The Director of Human Resources was appointed to full Chief Officer status with effect from 24.01.2014 prior to this date the post did not hold Chief Officer status.
12. The Director of Human Resources and the Director of Essex & Kent Support Services are both 50% funded by Essex Police.

## Note 11 - External Audit Costs

In 2014/15 the following fees were incurred relating to external audit and inspection, carried out by our appointed external auditors, Ernst & Young.

	2014/15 £'000's	2013/14 £'000's
Fees payable in respect to External Audit Fees	31	25
<b>Total</b>	<b>31</b>	<b>25</b>

An additional amount of £6,131 was paid to Ernst & Young in respect of additional audit effort in 2013/14.

## Note 12 - 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 council or to be controlled or influenced by the Kent Police. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

### 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 Chief Constable 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 the Police and Crime Commissioner for Kent 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 2014/15.

## **Other Public Bodies**

The Chief Constable of Kent 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 42 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 Foreword. 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 13 - Termination Benefits**

At 31st March 2015 Kent Police has completed a 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 2018.

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 2014/15, incurring liabilities of £0.162m (£0.762m in 2013/14). 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:

[http://insite.netr.kent.police.uk/ref\\_library/force\\_policy/pol\\_index/policies/human-resources/sops/l01280.html](http://insite.netr.kent.police.uk/ref_library/force_policy/pol_index/policies/human-resources/sops/l01280.html) ) 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				2013/14			
	Number of people	Redundancy Cost	Pension Cost	Total	Number of people	Redundancy Cost	Pension Cost	Total
		£'000's	£'000's	£'000's		£'000's	£'000's	£'000's
0 – 20	8	62	0	<b>62</b>	15	93	52	<b>145</b>
20 – 40	4	100	0	<b>100</b>	8	143	68	<b>211</b>
40 – 60	0	0	0	<b>0</b>	1	48	0	<b>48</b>
60 – 80	0	0	0	<b>0</b>	2	50	86	<b>136</b>
80 – 100	0	0	0	<b>0</b>	1	13	77	<b>90</b>
100 – 120	0	0	0	<b>0</b>	0	0	0	<b>0</b>
120 – 140	0	0	0	<b>0</b>	1	13	118	<b>131</b>
140 – 160	0	0	0	<b>0</b>	0	0	0	<b>0</b>
160 - 180	0	0	0	<b>0</b>	0	0	0	<b>0</b>
180 – 200	0	0	0	<b>0</b>	0	0	0	<b>0</b>
200 - 220	0	0	0	<b>0</b>	0	0	0	<b>0</b>

#### Note 14 – Jointly Controlled Operations

Jointly controlled operations are explained in Note 1 of the Accounting Policies on page 23. The following table illustrates the net expenditure relating to each of the five operations Kent Police is involved with in partnership with Essex Police.

	2014/15 £'000's	2013/14 £'000's
The joint Serious Crime Directorate	26,180	29,225
The joint Procurement Unit	375	396
The joint Information Services Directorate	15,346	14,304
The joint Marine Unit	N/A	434
The joint Transport Services Department	7,033	7,547
The joint Human Resources Department	2,460	2,486
The joint Business Services Department	6,463	N/A
The joint Estate Department	2,490	N/A
<b>Total</b>	<b>60,346</b>	<b>54,392</b>

#### The Serious Crime Directorate

SCD is working across Kent and Essex to provide intelligence and support to target and tackle anyone involved in serious criminality in our neighbourhoods, from home grown criminal networks within our own communities, to criminals who travel into Kent and Essex to commit offences.

The Directorate is one of the largest in UK policing dedicated to tackling serious and organised crime, with more than 1,100 officers and staff working together across both counties.

The Directorate includes the following departments:

- Major Crime;
- Forensics;
- Serious and Organised Crime; and
- Intelligence.

### The Support Services Directorate

The Support Services Directorate (SSD) provides specialist services to Kent Police and Essex Police and includes the following departments:

#### Procurement

Procurement Services aim to deliver world-class procurement to all our customers while ensuring that both forces obtain value for money. We make sure contracts are in place to deliver a range of services for both Kent Police and Essex Police, from uniforms to printing.

#### IT Services

IT Services provide the two organisations of Essex Police and Kent Police with a comprehensive range of technology services and functions, including day to day support of over 500 business applications that enable police officers and staff to carry out their operational roles, integration and development of new products, a joined up network and communications structure across both forces, data storage, and the supply of a variety of user devices, including desktops, laptops, and telecoms equipment.

Our priority is to provide a first class service to our customer base, enabling better policing decisions and flow of information to the public of Kent and Essex through efficient, effective IT solutions. We are continuously looking to evolve the services we deliver in a world of fast-changing technology refresh, whilst ensuring we provide value for money in supporting front-line policing.

#### Transport Services

Transport Services supports cost efficient policing in Kent and Essex through the provision of vehicles and services, delivered to high standards, ensuring the operational effectiveness and safety of officers, staff and the public.

#### Human Resources

The joint HR structure provides efficiency of resources and resilience enabling greater harmonisation of systems and processes across all services provided. HR delivers a comprehensive, professional and business focussed service across both Kent and Essex.

The department covers Diversity and HR Strategy; Resourcing; Learning and Development; Health Services and Performance Improvement.

#### Business Services

Business Services carry out a range of high volume transactions and provides first level advice from two Business Centres (at Northfleet in Kent and Great Dunmow in Essex). Manage local facilities and administration services delivery teams at both HQ's and other operational bases across both forces. Support users accessing self-services and administers processes across a wide range of support services functions for all officers and staff as well as for and on behalf of other Departments in the Support Services Directorate. The Head of Business Services and three deputies, one each for HR, Finance and Facilities are jointly funded between Essex Police and Kent Police.

#### Estate Services

Estate Services provides an in-house professional property service not only to our staff but also to the public who visit our buildings. Kent Police has a 120,000m<sup>2</sup> property portfolio with some 80 operational properties

ranging from offices, custody suites and workshops through to highly specialised training facilities and telecommunications masts.

The Head of Estates and some of the Estate Surveyor's costs are shared between Kent Police and Essex Police.

#### Marine Unit

Last year the Marine unit was a jointly controlled operation with Essex, however from the 1st April 2014 this reverted to a Kent Police operation only.

### **Note 15 - Date of Authorisation of the Statement of Accounts for Issue**

The Statement of Accounts was authorised for issue on 30<sup>th</sup> September 2015 by Mr Paul Curtis, Chief Finance Officer to the Chief Constable of Kent Police.

### **Note 16 - 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.

<b><u>Police Officer Pension Schemes</u></b>	<b>1987 Police Officer Pension Scheme</b>		<b>2006 Police Officer Pension Scheme</b>		<b>Police Officer Pension Scheme – Injury Awards</b>		<b>Total</b>	
	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000's</b>	<b>£'000's</b>	<b>£'000's</b>	<b>£'000's</b>	<b>£'000's</b>	<b>£'000's</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	50,456	52,069	13,954	9,599	3,990	3,832	<b>68,400</b>	<b>65,500</b>
Past service cost / (gain)	300	400	0	0	0	0	<b>300</b>	<b>400</b>
Effect of settlements	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b><u>Financing &amp; investment Income &amp; Expenditure:</u></b>								
Interest income on plan assets	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Interest costs on defined benefit obligations	105,436	99,741	4,590	3,444	6,974	6,315	<b>117,000</b>	<b>109,500</b>
Impact of Asset Ceiling on net interest	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total post-employment benefit charged to the (surplus) / deficit on the Provision of Services</b>	<b>156,192</b>	<b>152,210</b>	<b>18,544</b>	<b>13,043</b>	<b>10,965</b>	<b>10,147</b>	<b>185,700</b>	<b>175,400</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	57,800	0	2,100	0	0	<b>0</b>	<b>59,900</b>
Actuarial losses (gains) arising from change in financial assumptions	369,408	88,790	31,156	10,759	30,535	10,051	<b>431,100</b>	<b>109,600</b>
Other experience	4,700	(200)	0	0	0	0	<b>4,700</b>	<b>(200)</b>
<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>530,300</b>	<b>298,600</b>	<b>49,700</b>	<b>25,902</b>	<b>41,500</b>	<b>20,198</b>	<b>621,500</b>	<b>344,700</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	(156,192)	(152,210)	(18,544)	(13,043)	(10,965)	(10,147)	<b>(185,700)</b>	<b>(175,400)</b>
<b><u>Actual amount charged to against the General Fund for Pensions in the year</u></b>								
Actuarial Contributions to Fund	<b>65,800</b>	<b>58,700</b>	<b>(2,900)</b>	<b>(2,400)</b>	<b>2,400</b>	<b>3,900</b>	<b>65,300</b>	<b>60,200</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)**

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme – Injury Awards New Scheme		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Benefit obligation at start of year</b>	<b>2,459,800</b>	<b>2,219,900</b>	<b>99,402</b>	<b>71,100</b>	<b>158,698</b>	<b>142,400</b>	<b>2,717,900</b>	<b>2,433,400</b>
Current Service Cost	50,456	52,069	13,954	9,599	3,990	3,832	68,400	65,500
Interest on Pension Liabilities	105,436	99,741	4,590	3,444	6,974	6,315	117,000	109,500
Actuarial losses/ (gains)	374,108	146,389	31,156	12,859	30,535	10,051	435,800	169,299
Contributions by scheme participants	12,400	12,500	3,000	2,400	0	0	15,400	14,900
Past Service Gains	300	400	0	0	0	0	300	400
Benefits paid / (received)	(77,900)	(70,700)	(100)	0	(2,400)	(3,900)	(80,400)	(74,600)
Transfers in from / (out to) other authorities	(300)	(500)	0	0	0	0	(300)	(500)
<b>Benefit obligation at end of year</b>	<b>2,924,300</b>	<b>2,459,800</b>	<b>152,002</b>	<b>99,402</b>	<b>197,798</b>	<b>158,698</b>	<b>3,274,100</b>	<b>2,717,900</b>

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

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme – Injury Awards		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Opening Fair Value of Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expected return on assets	0	0	0	0	0	0	0	0
Actuarial gains (losses) on assets	0	0	0	0	0	0	0	0
Contributions by employer	65,800	58,700	(2,900)	(2,400)	2,400	3,900	<b>65,300</b>	<b>60,200</b>
Contributions by participants	12,400	12,500	3,000	2,400	0	0	<b>15,400</b>	<b>14,900</b>
Transfers in from / (out to) other authorities	(300)	(500)	0	0	0	0	<b>(300)</b>	<b>(500)</b>
Net benefits paid out	(77,900)	(70,700)	(100)	0	(2,400)	(3,900)	<b>(80,400)</b>	<b>(74,600)</b>
<b>Closing Fair Value of Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

	Police Pension Scheme	
	2014/15	2013/14
	£'000's	£'000's
Present value of Police Pension Scheme defined benefit obligation	3,274,100	2,717,900
Fair value of assets in the Police Pension Scheme	0	0
	<b>3,274,100</b>	<b>2,717,900</b>
Net Liability arising from the defined benefit obligation	3,274,100	2,717,900

### 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 Schemes			
	2014/15		2013/14	
	£'000's		£'000's	
	Old Scheme	New Scheme	Old Scheme	New Scheme
<u>Mortality assumptions:</u>				
Longevity at 65 (60 for Police Officers) for current pensioners:				
Men	29.5	29.5	29.3	29.3
Women	31.7	31.7	31.5	31.5
Longevity at 65 (60 for Police Officers) for future pensioners:				
Men	31.1	31.1	30.9	30.9
Women	33.2	33.2	33.0	33.0
Rate of inflation (RPI)	3.30%	3.40%	3.60%	3.70%
Rate of increase in salaries	3.40%	3.50%	3.80%	3.80%
Rate of increase on pensions	2.40%	2.50%	2.80%	2.80%
Rate of discounting for scheme liabilities	3.20%	3.30%	4.30%	4.30%
Take up of option to convert annual pension into retirement lump sum	90.00%	0.00%	90.00%	0.00%

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 £3,215m (£2,717m – 2013/14) 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	2013/14 £'000's
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Service Cost		
Service Cost	13,609	14,073
Current service cost	0	0
Past service cost / (gain)	0	0
(Gain) / Loss on curtailments & settlements		
Financing & investment Income & Expenditure:		
Interest costs	16,720	16,042
Expected return on assets in the scheme	(12,654)	(11,516)
Administration Expenses	210	203
<b>Total post-employment benefit charged to the (surplus) / deficit on the Provision of Services</b>	<b>17,885</b>	<b>18,802</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	8,422
Actuarial (losses) gains arising from demographic assumptions	0	(3,958)
Actuarial (losses) gains arising from financial assumptions	(64,851)	(30,183)
Experience (losses) gains	(16)	29,937
Other	0	12,225
<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(28,251)</b>	<b>35,245</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>(18,802)</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>8,923</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 £31.385m (£19.938m - 2013/14).



## Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2014/15 £'000's	2013/14 £'000's
Present value of liabilities		
Local Government Pension Scheme	(462,313)	(371,610)
Fair value of assets in the Local Government Pension Scheme	313,801	279,799
S/T	(148,512)	(91,811)
Other movements in the liability /(asset)	0	0
Net liability arising from defined benefit obligation		
Local Government Pension Scheme	(2,190)	(2,121)
<b>Total</b>	<b>(150,702)</b>	<b>(93,932)</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	2013/14 £'000's
<b>Balance bought forward</b>	<b>373,731</b>	<b>342,781</b>
Current service cost	13,609	13,464
Interest cost	16,720	16,042
Contributions by scheme participants	3,771	3,612
<b>Remeasurement (Gains) and Losses</b>		
Actuarial Gains / Losses arising from changes in demographic assumptions	0	3,958
Actuarial Gains / Losses arising from changes in financial assumptions	64,851	30,183
Experience (Gains)/Losses on defined benefit obligation	16	(29,937)
Past service costs	0	609
Losses/(Gains) on curtailments	0	0
Liabilities assumed on entity combinations		
Benefits paid / transfers paid	(8,027)	(6,814)
Liabilities extinguished on settlements		
Unfunded pensions payments	(168)	(167)
<b>Balance carried forward</b>	<b>464,503</b>	<b>373,731</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 2014	
	£'000's	%	£'000's	%
Equities	214,447	68	198,657	71
Gilts	3,282	1	2,798	1
Other Bonds	34,905	11	30,778	11
Property	38,980	12	27,980	10
Cash	8,581	3	8,394	3
Target Return Portfolio	13,606	4	11,192	4
<b>Total</b>	<b>313,801</b>	<b>100</b>	<b>279,799</b>	<b>100</b>

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

	Local Government Pension Scheme	
	2014/15 £'000's	2013/14 £'000's
<b>Opening fair value of the scheme assets</b>	<b>279,799</b>	<b>242,285</b>
Interest Income	12,654	11,516
Remeasurement gain / (loss)		
Expected return on assets	18,731	8,422
Other	0	12,225
The effect of changes in foreign exchange rates	0	0
Employer contributions	7,251	8,923
Contributions by employees into the scheme	3,771	3,612
Benefits paid	(8,195)	(6,981)
Other	(210)	(203)
<b>Closing fair value of scheme assets</b>	<b>313,801</b>	<b>279,799</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 2015.

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2014/15 £'000's	2013/14 £'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	22.7
Women	25.2	25.1
Longevity at 65 (60 for Police Officers) for future pensioners:		
Men	25.1	24.9
Women	27.6	27.4
	<u>%</u>	<u>%</u>
Rate of inflation (RPI)	3.30%	3.70%
Rate of inflation (CPI) on which Pensions are based	2.50%	2.90%
Rate of increase in salaries	4.30%	4.70%
Rate of increase on pensions	2.50%	2.90%
Rate of discounting for scheme liabilities	3.40%	4.50%
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 £150.702m 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 17 – Adjustments between Accounting Basis and Funding Basis under Regulations**

<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>	0	0		<b>0</b>	0
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>

<b>2013/14</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>	0	0		<b>0</b>	0
Reversal of pension charges made during the year	(69,123)			<b>(69,123)</b>	69,123
Pension payments appropriated to the pension reserve	194,202			<b>194,202</b>	(194,202)
<b>Accumulated Compensated Absences Account</b>	0	0			
Reversal of leave accrual	(576)			<b>(576)</b>	576
<b>Total</b>	<b>124,503</b>	<b>0</b>	<b>0</b>	<b>124,503</b>	<b>(124,503)</b>

## Note 18 – 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>2013/14 £'000's</b>
<b>At 1<sup>st</sup> April</b>	<b>(2,799)</b>	<b>(3,375)</b>
Settlement of annual leave or time off in lieu in year	0	0
Unused amounts reversed in year	2,799	3,375
Additional liability calculated in year	(2,583)	(2,799)
<b>At 31<sup>st</sup> March</b>	<b>(2,583)</b>	<b>(2,799)</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.

2013/14 has been restated following incorrectly reclaiming injury payments in prior years. Please refer to note 38 in Group accounts for full explanation.

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

	2014/15 £'000's	2013/14 £'000's Restated
<b>Contributions receivable</b>		
Police and Crime Commissioner for Kent	(27,215)	(27,804)
Serving Police Officers	(15,388)	(14,994)
Capital equivalent payment for ill-health	(2,637)	(3,074)
<b>Transfers In</b>		
Individual transfers in from other schemes	(684)	(250)
<b>Total Receipts</b>	<b>(45,924)</b>	<b>(46,122)</b>
<b>Benefits payable</b>		
Pensions	59,634	56,265
Commutations and lump sum payments	17,808	14,941
Lump sum death benefits		
<b>Payments to and on account of leavers</b>		
Refund of contributions		
Individual transfers out to other schemes	1,040	652
<b>Total Payments</b>	<b>78,482</b>	<b>71,858</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>25,736</b>
Transfer of amount from the Police and Crime Commissioner for Kent of amount equal to the deficit	(32,558)	(25,736)
<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 16 of these Accounts.

## Pension Fund Net Asset Statement

	2014/15 £'000's	2013/14 £'000's
Unpaid pension benefits	0	0
Amount owing from the general fund	0	0
Net Current Assets and Liabilities	0	0

## Glossary of Accounting Terms

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

**PCSO** – Police Community Support Officer.

**LGPS** – Local Government Pension Scheme

**Amortisation** – Another term for depreciation and usually applied to Intangible assets

**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.

**Rule 2 Grants** – Additional grants from the Home Office, these are starting to be subsumed within the main police grant.

**BCU** – Basic Command Unit, a geographical area of Policing. Currently Kent Police has 3 Basic Command Units or Divisions: North, West, and East. Please refer to the Kent Police home page for more information and for which towns and villages each encompasses. [www.kent.police.uk](http://www.kent.police.uk)

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

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

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

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

**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.

**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.

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

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

**Corporate and Democratic Core** - All aspects of Kent Police Police and Crime Commissioner for Kent Members' activities including officer time spent providing appropriate advice and support for them. Activities, which provide the infrastructure, which allows services to be provided and the information required for public accountability.