



Cambridgeshire
Police & Crime
Commissioner

**STATEMENT OF
ACCOUNTS
2014/15**

**CAMBRIDGESHIRE POLICE AND CRIME
COMMISSIONER
STATEMENT OF ACCOUNTS
2014/15**

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Explanatory Foreword by the Chief Finance Officer

Introduction

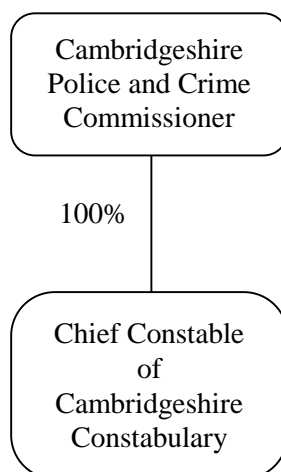
This Statement of Accounts sets out the financial position of the Cambridgeshire Police and Crime Commissioner and the Chief Constable of Cambridgeshire (herein referred to as “the Group”) for the year ended 31 March 2015.

The Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, supported by International Financial Reporting Standards (IFRS) and the publication of the Statement is required under the Accounts and Audit Regulations 2011.

The Police and Social Responsibility Act 2011 created both Commissioners and Chief Constables as legal entities (corporations sole) in their own right, with the Chief Constable of Cambridgeshire Constabulary being responsible for the operational policing of Cambridgeshire.

One of the Police and Crime Commissioner’s duties is to hold the Chief Constable to account in order to secure the maintenance of an efficient and effective police force. Therefore, for accounting purposes, the Cambridgeshire Police and Crime Commissioner is the parent entity of the Chief Constable of Cambridgeshire Constabulary and together they form “the Group”.

Group Structure



As the holding parent, the Cambridgeshire Police and Crime Commissioner guarantees any outstanding liabilities of the Chief Constable who is a 100% subsidiary.

Local control arrangements have influenced the setting of the Accounting Policies, such that all income, working capital, cash balances and property, plant and equipment are included in the Police and Crime Commissioner’s and Group Accounts only, and that the Police and Crime Commissioner provides the Chief Constable with an annual devolved budget for the delivery of the policing service.

The Statement of Accounts

The core statements of account are supported by a Statement of Accounting Policies and explanatory notes follow each statement.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (see below) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, details of which are shown in 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. The Net Increase/Decrease before Transfers to Earmarked Reverses line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Council tax is raised to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services (or reduce taxation), subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category is unusable reserves which the Group is not able to use to support services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

The Group is required to maintain a Pensions Account in order to discharge its responsibility for paying the pensions of retired officers and their survivors and to account to the Home Office as sponsoring department for police pensions funding.

A prior year adjustment with restatement of prior year figures in the Comprehensive Income and Expenditure Statement has been included due to additional guidance on the inclusion of lease charges in the Chief Constable's Comprehensive Income and Expenditure Statement for the use of the Commissioner's assets. In the prior period, depreciation and amortisation charges were included in the Chief Constable's Comprehensive Income and Expenditure Statement to serve as a proxy for lease charges; the additional guidance clarifies that this is inappropriate as the Chief Constable cannot enter into credit agreements. Further details of the restatements can be found in Note 6.

Financial Performance

The Police and Crime Commissioner approved a budget for the year of £131.1m. To balance the budget, the council tax (policing element) was increased by 1.92% and savings and efficiencies of £4.9m identified. At the end of the year, spending (before accounting adjustments) was £128.5m, an underspend of £2.6m.

Capital expenditure on buildings, vehicles and information and communications technology amounted to £5.0m. This was financed by grant (£2.9m), revenue contributions (£1.1m), and capital receipts/reserves (£1.0m). 70% of the budgeted capital programme was achieved.

The Balance Sheet shows a net liability of £1,297m, this is primarily due to the liabilities of the defined pension schemes (£1.351m). See Note 37 for more details.

Reserves

Total (useable) reserves at the 31 March 2015 are £27.7m of which £19.8m are earmarked for specific purposes. Of the remainder, the General Fund Balance, held as a working balance and general contingency, is £7.2m (about 5.6% of the Net Budget Requirement for 2015/16) and the Capital Receipts Reserve, £705k, holds the receipts generated from the disposal of non-current assets. These receipts must be used to finance new capital investment or to reduce indebtedness.

Medium Term

2014/15 is the fifth year of the Government's Spending Review period 2011/15 and the austerity measures will continue through the next Spending Review Period. At the time of writing it is expected that budget reductions of around £21m will be required over the period April 2015 to March 2020.

Thus far it has been possible to protect Local Policing. We are working in collaboration with Bedfordshire and Hertfordshire, and increasingly more widely, to achieve additional savings across operational policing support activities and organisational support services. Significant change will be required over the years ahead if savings of this magnitude are to continue to be achieved.

Further Information

Further information about the accounts is available from the Office of the Police and Crime Commissioner (OPCC).

The OPCC publishes a number of important documents to inform the public about the work of both the Commissioner and the Constabulary. These can be viewed and downloaded from the Commissioner's website: www.cambridgeshire-pcc.gov.uk.

You can also write to the Chief Executive at:-
Office of the Police and Crime Commissioner
South Cambridgeshire Hall
Cambourne Business Park
Cambourne
CAMBRIDGE
CB23 6EA
Tel: 0300 333 3456, email: cambs-pcc@cambs.pnn.police.uk

Accounting regulations and new legislation continue to add further work and complexity to the accounts and I am extremely grateful to the Constabulary's Chief Finance Officer , Niki Howard and the Finance team for their hard work in preparing these accounts and their support during the year.

Josie Gowler FCA

Chief Finance Officer to the Cambridgeshire Police and Crime Commissioner

Statement of Responsibilities for the Statement of Accounts

The Commissioner's Responsibilities

The Group is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Group's Statement of Accounts in accordance with proper practices 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; and
- complied with the Local Authority Code.

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Group at 31 March 2015 and its income and expenditure for the year then ended.

Josie Gowler FCA

Chief Finance Officer to Cambridgeshire Police and Crime Commissioner

23 September 2015

Completion of the Approval Process by the Commissioner

In accordance with the requirements of s8 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts was approved on 23 September 2015.

Sir Graham Bright

Cambridgeshire Police and Crime Commissioner

23 September 2015

Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2013	9,205	12,329	554	22,088	(1,132,322)	(1,110,234)
<u>Movement in reserves during 2013/14</u>						
Deficit on provision of services	(47,670)	-	-	(47,670)	-	(47,670)
Other Comprehensive Expenditure and Income	-	-	-	-	42,032	42,032
Total Comprehensive Expenditure and Income	(47,670)	-	-	(47,670)	42,032	(5,638)
Adjustments between accounting basis & funding basis under regulations (note 8)	51,843	-	-	51,843	(51,843)	-
Net Increase before Transfers to Earmarked Reserves	4,173	-	-	4,173	(9,811)	(5,638)
Transfers to/(from) Earmarked Reserves (note 10)	(4,173)	4,173	-	-	-	-
Increase in 2013/14	-	4,173	-	4,173	(9,811)	(5,638)
Balance at 31 March 2014 carried forward	9,205	16,502	554	26,261	(1,142,133)	(1,115,872)
<u>Movement in reserves during 2014/15</u>						
Deficit on provision of services	(46,768)	-	-	(46,768)	-	(46,768)
Other Comprehensive Expenditure and Income	-	-	-	-	(134,849)	(134,849)
Total Comprehensive Expenditure and Income	(46,768)	-	-	(46,768)	(134,849)	(181,617)
Adjustments between accounting basis & funding basis under regulations (note 8)	48,054	-	151	48,205	(48,205)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,286	-	151	1,437	(183,054)	(181,617)
Transfers to/(from) Earmarked Reserves (note 10)	(3,293)	3,293	-	-	-	-
Increase/(Decrease) in 2014/15	(2,007)	3,293	151	1,437	(183,054)	(181,617)
Balance at 31 March 2015	7,198	19,795	705	27,698	(1,325,187)	(1,297,489)

Police and Crime Commissioner's Movement in Reserves Statement

	Earmarked		Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance £000	General Fund Reserves £000				
Balance at 31 March 2013	9,205	12,329	554	22,088	23,025	45,113
<u>Movement in reserves during 2013/14</u>						
Surplus on provision of services	4,548	-	-	4,548	-	4,548
Other Comprehensive Expenditure and Income	-	-	-	-	673	673
Total Comprehensive Expenditure and Income	4,548	-	-	4,548	673	5,221
Adjustments between accounting basis & funding basis under regulations (note 9)	(375)	-	-	(375)	375	-
Net Increase before Transfers to Earmarked Reserves	4,173	-	-	4,173	1,048	5,221
Transfers to/(from) Earmarked Reserves (note 10)	(4,173)	4,173	-	-	-	-
Increase in 2013/14	-	4,173	-	4,173	1,048	5,221
Balance at 31 March 2014 carried forward	9,205	16,502	554	26,261	24,073	50,334
<u>Movement in reserves during 2014/15</u>						
Surplus on provision of services	2,018			2,018		2,018
Other Comprehensive Expenditure and Income				-	1,906	1,906
Total Comprehensive Expenditure and Income	2,018	-	-	2,018	1,906	3,924
Transfer from Chief Constable to PCC					(401)	(401)
Adjustments between accounting basis & funding basis under regulations (note 9)	(732)	-	151	(581)	581	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,286	-	151	1,437	2,086	3,523
Transfers to/(from) Earmarked Reserves (note 10)	(3,293)	3,293	-	-	-	-
Increase/(Decrease) in 2014/15	(2,007)	3,293	151	1,437	2,086	3,523
Balance at 31 March 2015	7,198	19,795	705	27,698	26,159	53,857

Prior year comparators have been restated: see Note 6 for details.

Comprehensive Income and Expenditure Statement – Group

2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000		2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
62,647	(2,410)	60,237	Police Services	59,048	(2,421)	56,627
11,550	(395)	11,155	Local policing	12,930	(403)	12,527
10,519	(1,246)	9,273	Dealing with the Public	11,000	(1,372)	9,628
6,336	(315)	6,021	Criminal Justice	6,727	(1,515)	5,212
8,906	(311)	8,595	Road Policing	6,059	(650)	5,409
8,991	(286)	8,705	Specialist Operations	11,314	(385)	10,929
20,809	(1,673)	19,136	Intelligence	20,945	(1,794)	19,151
3,682	(100)	3,582	Specialist Investigations	4,676	(139)	4,537
2,950	(1,929)	1,021	Investigative Support	3,045	(1,955)	1,090
<u>136,390</u>	<u>(8,665)</u>	<u>127,725</u>	National Policing	<u>135,744</u>	<u>(10,634)</u>	<u>125,110</u>
			Central Services			
2,505	-	2,505	The Corporate and Democratic Core	1,863	-	1,863
42	-	42	Non Distributed Costs	32	-	32
<u>2,547</u>	<u>-</u>	<u>2,547</u>		<u>1,895</u>	<u>-</u>	<u>1,895</u>
<u>138,937</u>	<u>(8,665)</u>	<u>130,272</u>	Net Cost of Services	137,639	(10,634)	127,005
11,395	(10,947)	448	Other Operating Expenditure (note 11)	13,817	(13,529)	288
54,569	(4,438)	50,131	Financing and Investment Income and Expenditure (note 12)	56,265	(4,731)	51,534
-	(133,181)	(133,181)	Taxation and Non-Specific Grant Income (note 13)	-	(132,059)	(132,059)
<u>204,901</u>	<u>(157,231)</u>	<u>47,670</u>	(Surplus) or Deficit on Provision of Services (note 27)	207,721	(160,953)	46,768
		(673)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (note 14)			(2,110)
		(38,436)	Actuarial (Gains)/Losses on Pension Assets and Liabilities			145,032
		(2,923)	Return on Plan Assets excluding amounts included in net interest on the net defined benefit liability			(8,073)
		<u>(42,032)</u>	Other Comprehensive Income and Expenditure			<u>134,849</u>
		<u>5,638</u>	Total Comprehensive Income and Expenditure			<u>181,617</u>

Comprehensive Income and Expenditure Statement – Police and Crime Commissioner

Restated 2013/14 Gross Expenditure £000	2013/14 Gross Income £000	Restated 2013/14 Net Expenditure £000		2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
2,398	(2,410)	(12)	Police Services	3,145	(2,557)	588
446	(395)	51	Local policing	747	(458)	289
407	(1,246)	(839)	Dealing with the Public	537	(1,376)	(839)
243	(315)	(72)	Criminal Justice	290	(1,501)	(1,211)
342	(311)	31	Road Policing	104	(571)	(467)
344	(286)	58	Specialist Operations	530	(380)	150
772	(1,673)	(901)	Intelligence	840	(1,725)	(885)
142	(100)	42	Specialist Investigations	202	(131)	71
114	(1,929)	(1,815)	Investigative Support	97	(1,934)	(1,837)
5,208	(8,665)	(3,457)	National Policing	6,492	(10,633)	(4,141)
2,485	-	2,485	Central Services	1,847	-	1,847
-	-	-	The Corporate and Democratic Core	-	-	-
128,776	-	128,776	Non Distributed Costs	131,644	-	131,644
136,469	(8,665)	127,804	Intra-Group Adjustment for financial resources consumed	133,491	-	133,491
136,469	(8,665)	127,804	Net Cost of Services	139,983	(10,633)	129,350
11,395	(10,947)	448	Other Operating Expenditure (note 11)	13,817	(13,529)	288
475	(94)	381	Financing and Investment Income and Expenditure (note 12)	561	(158)	403
-	(133,181)	(133,181)	Taxation and Non-Specific Grant Income (note 13)	-	(132,059)	(132,059)
148,339	(152,887)	(4,548)	(Surplus) or Deficit on Provision of Services	154,361	(156,379)	(2,018)
		(673)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (note 14)			(2,110)
		-	Actuarial (Gains)/Losses on Pension Assets and Liabilities			264
		-	Return on Plan Assets excluding amounts included in net interest on the net defined benefit liability (asset)			(60)
		(673)	Other Comprehensive Income and Expenditure			(1,906)
		(5,221)	Total Comprehensive Income and Expenditure			(3,924)

Prior year comparators have been restated: see Note 6 for details.

Group and Police and Crime Commissioner's Balance Sheet

31 March 2014

31 March 2015

PCC £000	Group £000		Notes	PCC £000	Group £000
46,968	46,968	Property, Plant and Equipment	14	48,920	48,920
1,288	1,288	Intangible Assets	15	1,130	1,130
680	680	Long Term Debtors	17	533	533
<u>48,936</u>	<u>48,936</u>	Long Term Assets		<u>50,583</u>	<u>50,583</u>
761	761	Inventories	18	754	754
10,795	10,795	Short Term Debtors	19	14,537	14,537
13,057	13,057	Cash and Cash Equivalents	20	14,927	14,927
<u>24,613</u>	<u>24,613</u>	Current Assets		<u>30,218</u>	<u>30,218</u>
(411)	(411)	Short Term Borrowing	17	(429)	(429)
(11,772)	(13,120)	Short Term Creditors	21	(11,412)	(12,525)
(19)	(19)	Grants Receipts in Advance - Capital	22	-	-
<u>(12,202)</u>	<u>(13,550)</u>	Current Liabilities		<u>(11,841)</u>	<u>(12,954)</u>
(792)	(792)	Provisions	23	(4,634)	(4,634)
(10,191)	(10,191)	Long Term Borrowing	17	(9,762)	(9,762)
(30)	(30)	Long Term Creditors	36	(76)	(76)
-	(1,164,858)	Other Long Term Liabilities	37	(631)	(1,350,864)
<u>(11,013)</u>	<u>(1,175,871)</u>	Long Term Liabilities		<u>(15,103)</u>	<u>(1,365,336)</u>
<u>50,334</u>	<u>(1,115,872)</u>	Net Assets/(Liabilities)		<u>53,857</u>	<u>(1,297,489)</u>
(26,261)	(26,261)	Usable Reserves		(27,698)	(27,698)
(24,073)	1,142,133	Unusable Reserves	25	(26,159)	1,325,187
<u>(50,334)</u>	<u>1,115,872</u>	Total Reserves		<u>(53,857)</u>	<u>1,297,489</u>

The unaudited accounts were issued on 29 June 2015 and the audited accounts were authorised for issue on 23 September 2015.

Josie Gowler FCA

Chief Finance Officer to Cambridgeshire Police and Crime Commissioner

23 September 2015

Group and Police and Crime Commissioner's Cash Flow Statement

2013/14			2014/15	
PCC £000	Group £000		PCC £000	Group £000
4,548	(47,670)	Net surplus/(deficit) on the provision of services	2,018	(46,768)
9,895	62,113	Adjust net (deficit) or surplus on the provision of services for non cash movements (note 27)	6,059	54,845
<u>14,443</u>	<u>14,443</u>	Net cash flows from Operating Activities	<u>8,077</u>	<u>8,077</u>
		Investing Activities		
(4,985)	(4,985)	Purchase of Property, Plant and Equipment	(5,809)	(5,809)
-	-	Proceeds from the sale of property, plant and equipment	13	13
		Financing Activities		
(557)	(557)	Repayments of long term loans	(411)	(411)
<u>8,901</u>	<u>8,901</u>	Net increase/(decrease) in cash and cash equivalents	<u>1,870</u>	<u>1,870</u>
4,156	4,156	Cash and cash equivalents at the beginning of the reporting period	13,057	13,057
<u>13,057</u>	<u>13,057</u>	Cash and cash equivalents at the end of the reporting period (Note 21)	<u>14,927</u>	<u>14,927</u>

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the transactions for the 2014/15 financial year and the position at 31 March 2015. The Accounts and Audit (England) Regulations 2011 requires the preparation of an annual Statement of Accounts, prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the ‘common needs of most users’
- The underlying assumption that the Group is a going concern and that materiality has been set at the relevant level for the individual entities and the Group
- The following fundamental qualitative characteristics:
 - relevance, and
 - faithful representation
- The following qualitative characteristics:
 - comparable
 - verifiable
 - timely, and
 - understandable

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. Accounting policies are reviewed annually and have been applied consistently, as appropriate.

Following the passing of the Police Reform and Social Responsibility Act 2011 Cambridgeshire Police Authority was replaced on 22 November 2012 with two ‘corporation sole’ bodies, the Cambridgeshire Police and Crime Commissioner (‘the Commissioner’) and the Chief Constable of Cambridgeshire Constabulary (‘the Chief Constable’). Both bodies are required to prepare separate Statement of Accounts.

The Financial Statements included here represent the accounts for the Commissioner and also those for the Group. The term ‘Group’ is used to indicate individual transactions and policies of the Commissioner and the Chief Constable for the year ended 31 March 2015. The identification of the Commissioner as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the Commissioner under the Police Reform and Social Responsibility Act 2011.

The accounting policies below apply to both the Commissioner and the Group, unless stated otherwise in the heading of the individual policies.

Accruals of Income and Expenditure

Items of income and expenditure are accounted for in the year to which they relate. Payments may be made, or receipts received, in the year prior or subsequent to the current year. This means that all material sums received or receivable during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Adjustments between years are made by way of accruals and prepayments of both income and expenditure. With the exception of payroll-related accruals/prepayments and any accruals/prepayments automatically generated by the accounting system a de-minimis limit of £1,000 is applied (£500 limit is applied for transactions involving collaborated units).

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date of supplies and their consumption, they are carried as inventories on the Balance Sheet. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management arrangements.

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 effects of transactions, other events and conditions on 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 periods.

Prior Period Adjustment (Commissioner only)

A prior period adjustment has been included due to additional guidance on the inclusion of lease charges in the Chief Constable's Comprehensive Income and Expenditure Statement for the use of the Commissioner's assets. In the prior period, depreciation and amortisation charges were included in the Chief Constable's Comprehensive Income and Expenditure Statement to serve as a proxy for lease charges; the additional guidance clarifies that this is inappropriate as the Chief Constable cannot enter into credit agreements. A Comprehensive Income and Expenditure Statement has been produced to reflect this for both this year and the prior period.

Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the asset used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Group is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonus and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Group. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits relating to pensions enhancements 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

The Group participates in three defined benefit pension schemes: the Police Pension Scheme (PPS) for police officers in service before 31 March 2006, the New Police Pensions Scheme (NPPS) for officers starting service on or after 1 April 2006 and the Local Government Pension Scheme for Police Staff (LGPS). Pension contributions and further costs that arise in respect of certain pensions paid to retired employees on an unfunded basis are charged to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement

(as appropriate). The Police and Crime Commissioner's Accounts include the cost of providing pensions to the staff under the direction and control of the Commissioner only.

Injury Awards paid under both Police Pension Schemes are disclosed separately. These payments are unfunded and are paid directly by the Group. Injury awards are subject to the same treatment as the Police Pension Schemes, with the movement on the liability being attributable to any change in interest costs and actuarial gains/losses. New injury awards are shown as past service costs in the year which they are made.

The PPS and the NPPS are unfunded schemes and have no attributable assets.

The LGPS is a funded scheme and as such the assets of the scheme are attributable to the Group and are included in the Balance Sheet at their fair value as follows:

- Quoted securities – current bid price;
- Unquoted securities – an estimate of fair value;
- Unitised securities – average of the bid and offer price;
- Property – open market value or other basis determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual and Practice Statements;
- Insurance policies matching the amount and timing of benefits payable under the scheme – amount of the related obligations; and
- Other insurance policies – a method giving the best approximation of fair value given the circumstances of the scheme.

Scheme assets include current assets, such as debtors and cash, as well as the investment portfolio. Accrued expenses and other current liabilities (such as fees payable to fund managers) are deducted from the net asset/liability. All scheme assets are held and monitored by Cambridgeshire County Council LGPS (the administrator); further information can be seen within their statement of accounts for 2014/15.

Liabilities largely comprise benefits promised under the formal terms of the pension scheme. Scheme liabilities are measured using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings. The change in the net pensions liability is analysed over the following headings:

Current Service Cost

This is the increase in liabilities as a result of years of service earned in the current year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Interest Cost

This is the expected increase in the present value of liabilities accrued during the year as they move one year closer to being paid. Interest cost is charged to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Return on Assets

This is a measure of the estimated return (income from dividends, interest, etc.) on the investments held by the scheme for the year. It is not intended to reflect the actual realised

return by the scheme, but an estimate at the beginning of the financial year of the long-term future expected investment return for each asset class. The expected return on assets is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The expected return is based on:

- for quoted corporate or government bonds – application of the current redemption yield at the start of the year to the market value of bonds held; and
- for other assets (especially equities) – application of the rate of return expected for each significant class of assets over the long-term at the beginning of the year to the fair value of assets held.

Actuarial Gains and Losses

This element arises where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been updated. For instance, there may have been an unexpectedly high pay award in the year, or new research might alter assumptions about general levels of mortality. Actuarial gains and losses are recognised in the Pension Reserve.

Past Service Costs

These arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. For instance, if scheme regulations were amended to increase the multiplier derived from years of service applied to final salaries in calculating pensions, total liabilities would rise but the majority of this rise would not relate to employee activity in the current year. It is therefore presented separately from the Current Service Cost and is charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

Settlements and Curtailments

These are events that change pension liabilities but are not normally covered by actuarial assumptions.

Settlements are irrevocable actions that relieve the employer of the primary responsibility for pension obligations (e.g. the transfer of scheme assets and liabilities relating to a group of employees moving to another scheme).

Curtailments are events that reduce the expected years of future service of present employees or reduce for a number of employees the accrual of defined benefits for some or all of their future service (e.g. closing a service unit of the Group).

Gains or losses on settlements and curtailments are debited to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

Contributions paid to defined benefit schemes

This is the cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as a separate expense.

Actual amount charged against the General Fund Balance for pensions in the year

Revenue charges in respect of current and past service costs, interest costs and the expected return on assets are reversed in order that actual employer's contributions and retirement benefits payable are recognised in the General Fund Balance. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove notional debits and credits 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 Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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.

Financial Assets

Financial assets are divided into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investing Income and Expenditure line in Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans made by the Group this means that the amount carried in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

The Group does not hold any available-for-sale assets.

Financial Liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their

amortised cost. Annual charges to Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Therefore, for most of the borrowings that the Group has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as a part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Group has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from a Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Government Grants and Contributions

Government grants and contributions are accounted for on an accruals basis and credited when the conditions for their receipt have been complied with and there is a reasonable assurance that the grant or contribution will be received. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Specific revenue grants are credited within the Net Cost of Services where they are matched with the expenditure to which they relate. Grants to cover general expenditure are credited to the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement as a source of finance.

Grants and contributions towards property, plant and equipment are credited to the Comprehensive Income and Expenditure Statement once their conditions have been satisfied and then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

Heritage Assets

The Constabulary has assembled a collection of policing and policing related memorabilia consisting of historic uniforms, accoutrements and assorted artefacts of interest in a policing context. Articles have been donated by retired and retiring Police Officers and other interested

parties. The Group considers that obtaining valuations would involve a disproportionate cost in comparison to the benefits to the users of the financial statements, and consequently the assets are not recognised in the Balance Sheet. This is because of the diverse nature of the collection and lack of comparable values. Further information on the collection is given in Note 16 to the accounts.

Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and are controlled by the Group (e.g. software) and bring benefits to the Group for more than one financial year, are capitalised in the first year of the project. The balance is amortised to the Comprehensive Income and Expenditure Statement over the economic life of the asset to reflect the pattern of consumption of benefits. In most cases it is assumed that software will have an economic life of 5 years.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Group's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. In practice, no intangible assets held by the Group meet this criterion, and are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the Police Services line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Police Services line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. Therefore, gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories and Works in Progress

Inventories are valued at the lower of cost or net realisable value in the Balance Sheet. A valuation of Inventories and Works in Progress is undertaken annually.

Joint Operations

Joint operations are activities undertaken by the Group in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and credits and debits the Comprehensive Income and Expenditure Statement with the income and expenditure it receives or incurs. Jointly controlled operations undertaken by the Group are in relation to a pooled budget arrangement with five other eastern forces for the provision of tackling organised crime, in relation to the collaboration agreement with National Police Air Service (NPAS), and in relation to the units collaborated with the Bedfordshire Police and Crime Commissioner/Bedfordshire Police and Hertfordshire Police and Crime Commissioner/Hertfordshire Constabulary (see Note 29).

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risk and rewards attributable to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a corresponding liability representing the Group's obligation to the lessor. Initial direct costs of the Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability; and
- a finance charge debited to the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets' estimated useful life.

The Group is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Overheads and Support Services

The costs of overheads and support services are charged to those services benefitting from the supply applying the total absorption costing principal in accordance with the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). This requires that the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Group's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefit to the Group for a period of more than one financial year. Any asset acquired for other than a cash consideration or where payment is deferred is included in the Balance Sheet at a fair value. A de-minimis value of £10,000 for capitalising individual items has been adopted except for expenditure on vehicles which is always recorded on the property, plant and equipment register.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and properties and other operational assets are included in the Balance Sheet at fair value. Non-specialised operational properties are valued on the basis of “Existing Use Value” (EUV). Specialised operational properties are valued on the basis of “Depreciated Replacement Cost” (DRC) if market evidence of EUV is not available; and
- Non-operational land and properties and other non-operational assets, including investment properties and any assets surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. This is normally open market value.

Assets that are included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. In the years between formal valuations, the continuing appropriateness of fair values based on the previous valuation is assessed by reference to market trends and professional advice. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains or gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to Police Services.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance; or
- Where there is no balance or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

All valuations are on a basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by RICS.

Valuations in 2014/15 have been carried out by the Group’s own valuer: Mr C Luscombe FRICS IRRV (Director of Estates (OPCC)).

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance; or
- where there is no balance or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Disposal

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are then credited to the Comprehensive Income and Expenditure Statement, netting off the carrying value of the asset at the time of disposal. Any Revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as Capital Receipts. These are credited to the Capital Receipts Reserve, and held until applied to finance new capital investment or set-aside to reduce the Group's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The gain or loss on disposal of assets is not a credit or charge against council tax, and is instead appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for all assets with a finite useful life, and is calculated using the straight-line method. The value of the asset (less any residual value) is depreciated over its useful life. Where an item of property, plant and equipment comprises two or more major components with substantially different useful economic lives, each component is treated separately for depreciation purposes. A de-minimis value has been adopted for components. Only components which are more than 20% of the value of the asset and are worth over £50,000 will be depreciated separately for assets valued over £200,000. Part provision may be made for newly acquired assets, unless acquired towards the end of the year. No provision is made for non-depreciable land and non-operational assets, or if the charge would be immaterial. Assets are depreciated on the basis shown in the Notes to the Core Statement of Accounts (Note 14 - Depreciation Methodologies). Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Provisions

Provisions are made where an event has taken place that gives the Group an obligation to incur future expenses which are likely or certain to be incurred but the amount or timing of which cannot be determined accurately, but can be estimated reliably. These include provisions for bad and doubtful debts and the cost of meeting insurance claims falling below the Group's policy excesses. Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingent Liabilities

A contingent liability arises where an event has taken place that give the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered to be reserves. Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure which is to be financed by a reserve is incurred, it is charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Group has set aside a number of revenue reserves and details of these are provided in the notes to the accounts. Reserves include earmarked reserves set aside for specific policy purposes and liabilities. Certain reserves can only be used for specific statutory purposes. The Revaluation Reserve, the Capital Adjustment Account and the Usable Capital Receipts Account are examples of such reserves.

Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards that have been issued but have not yet been adopted

For 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 *Fair Value Measurement* (May 2011);
- IFRIC 21 *Levies*;
- Annual improvements to IFRSs (2011 – 2013 Cycle):
 - IFRS 1 – Meaning of effective IFRSs;
 - IFRS 3 – Scope of exceptions for joint ventures;
 - IFRS13 – Scope of paragraph 52 (portfolio exception); and
 - IAS 40 – Clarifying the interrelationship of IFRS 3 *Business Combinations* and IAS 40 *Investment Property* when classifying property as investment property or owner-occupied property.

The relevant amendments are set out in Appendix C of the 2014/15 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. No impact on the General Fund Balance is expected as a result of the future adoption of these amendments.

3. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for Police and Crime Commissioners, and consequently Chief Constables. However, it has been determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision.

All income, including that from grants, is received and controlled by the Police and Crime Commissioner. As a result, no income is included within the Accounts of the Chief Constable.

It has been judged that all property, plant and equipment is owned and controlled by the PCC and as such is not included in the Chief Constable's Accounts.

4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the income and expenditure 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 in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Commissioner will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The value of the land and buildings is dependent upon a professional judgement based on information available at the time of making the valuation. Due to changes in economic conditions a valuation taken on a different date could potentially result in a different valuation.</p>	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings increases by £44k for every year that useful lives are reduced.</p> <p>Impossible to quantify as economic changes could lead to an increase or decrease in the value of PPE; however if the market moved by 1% this would have an impact of £323k on the net book value of land and buildings.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. We have engaged the Governments Actuary's Department to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>However, the assumptions interact in complex ways. During 2014/15, the Group's actuaries advised that the net pension liability had increased by £165.81m for Police Pension Schemes (including a decrease of £53.11m as a result of changes in demographic assumptions and an increase of £200.04m as a result of changes in financial assumptions) and increased £19.57m for Police Staff Pensions (including an increase of £26.74m as a result of changes in financial assumptions).</p>

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 23rd September 2015. Events taking place after this date are not reflected in the statement of accounts or notes.

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 1st December 2001 and 1st 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 calculation and expect to make the necessary payments by December 2015. 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.

No other events taking place before the authorisation for issue date provided information about conditions existing at 31 March 2015 for which the figures in the statement of accounts and notes needed to be adjusted in all material respects to reflect the impact of this information.

6. Restatement of prior year comparatives

A prior period adjustment has been included following additional advice on the effect of the Police and Reform Social Responsibility Act 2011 on the Statement of Accounts, requiring a change in accounting policies. In 2013/14 depreciation and amortisation charges were included in the Chief Constable's Comprehensive Income and Expenditure Statement to serve as a proxy for lease charges for use of the PCC's assets; the additional guidance clarifies that this is inappropriate as the Chief Constable cannot enter into credit agreements. The restatement has transferred £5m from the Chief Constable's gross expenditure in the Comprehensive Income and Expenditure to the PCC's gross expenditure, also reducing the intra-group adjustment for financial resources consumed by the same amount. This restatement does not affect the Net Cost of Services, nor does it impact on the Balance Sheet.

The fully restated 2013/14 Comprehensive Income and Expenditure Statement (PCC) is provided on page 9. The adjustment of the Comprehensive Income and Expenditure Statement from the version published in the 2013/14 Statement of Accounts is as follows:

	As Previously Stated 2013/14			Correction	As Restated 2013/14		
	Gross	Gross	Net	Gross	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Expenditure	Income	Expenditure
	£000	£000	£000	£000	£000	£000	£000
Police Services							
Local policing	126	(2,410)	(2,284)	2,272	2,398	(2,410)	(12)
Dealing with the Public	27	(395)	(368)	419	446	(395)	51
Criminal Justice	18	(1,246)	(1,228)	389	407	(1,246)	(839)
Road Policing	5	(315)	(310)	238	243	(315)	(72)
Specialist Operations	9	(311)	(302)	333	342	(311)	31
Intelligence	3	(286)	(283)	341	344	(286)	58
Specialist Investigations	7	(1,673)	(1,666)	765	772	(1,673)	(901)
Investigative Support	3	(100)	(97)	139	142	(100)	42
National Policing	1	(1,929)	(1,928)	113	114	(1,929)	(1,815)
	<u>199</u>	<u>(8,665)</u>	<u>(8,466)</u>	<u>5,009</u>	<u>5,208</u>	<u>(8,665)</u>	<u>(3,457)</u>
Central Services							
The Corporate and Democratic Core	2,485	-	2,485	-	2,485	-	2,485
Non Distributed Costs	-	-	-	-	-	-	-
Intra-Group Adjustment for financial resources consumed	<u>133,785</u>	<u>-</u>	<u>133,785</u>	<u>(5,009)</u>	<u>128,776</u>	<u>-</u>	<u>128,776</u>
	<u>136,270</u>	<u>-</u>	<u>136,270</u>	<u>(5,009)</u>	<u>131,261</u>	<u>-</u>	<u>131,261</u>
Net Cost of Services	136,469	(8,665)	127,804	-	136,469	(8,665)	127,804

7. Intra Group Funding Arrangements Between the Police and Crime Commissioner and the Chief Constable

The PCC receives all funding on behalf of the group. There is no transfer of real cash between the PCC and the Chief Constable as the latter does not have a bank account into which monies can be received or paid from.

The table below shows the movement through the intra-group account within the respective Balance Sheets. PCC resources consumed at the request of the CC are reflected in the PCC and CC Balance sheets though an inter-group adjustment. Similarly an intra-group adjustment is made through the PCC and CC Balance Sheets to reflect the PCC funding of these resources.

During 2014/15 the Chief Constable approved a total of £562,576.28 for various additional capital programme schemes, each falling with the Chief Constable's delegated limit for capital expenditure, funded from savings made within the annual devolved budget for delivering the policing service. Given that all assets are held in the Balance Sheet of the PCC, the transfer of these resources back from the Chief Constable to the PCC for the purchase of additional property, plant and equipment assets is reflected in the table below.

Restated 2013/14 £000		2014/15 £000
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Comprehensive Income and Expenditure Statement

128,776	PCC resources consumed at the request of the CC	131,644
(128,776)	PCC funding for resources consumed at the request of the CC	(131,644)

8. Group's Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

<u>Usable Reserves</u>					<u>Usable Reserves</u>			
General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000		General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
4,715	-	-	(4,715)	Charges for depreciation and impairment of non-current assets	4,339			(4,339)
57	-	-	(57)	Revaluation losses on property, plant and equipment	927			(927)
295	-	-	(295)	Amortisation of intangible assets	385			(385)
(1,179)	-	-	1,179	Capital grants and contributions that have been applied to capital financing	(1,205)			1,205
448	-	-	(448)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	301			(301)
(750)	-	-	750	Use of Reserves to finance new capital expenditure	(503)			503
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
(2,630)	-	-	2,630	Capital expenditure charged against the General Fund	(3,377)			3,377
(908)	-	-	908	Statutory provision for the financing of capital investment	(842)			842

Adjustments involving the Capital Receipts Reserve:

-	-	-	-	Transfer of sales proceeds credited as part of the (loss)/gain on disposal to the Comprehensive Income and Expenditure Statement	(13)	13
-	-	-	-	Use of the Capital Receipts Reserve to finance new capital expenditure	(12)	12
				Transfer from Deferred Capital Receipts Reserve upon receipt of cash	150	(150)

Adjustments involving the Capital Carry Forward Reserve:

Use of the Capital Carry Forward Reserve to finance new capital expenditure	(537)	537
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Adjustments involving the Pensions Reserve:

82,913	-	-	(82,913)	Reversal of items relating to post employment benefits (debited) or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	81,531	(81,531)
(30,359)	-	-	30,359	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,485)	32,485

				Adjustments involving the Collection Fund Adjustment Account:	
				Amount by which council tax income credited to the	
				Comprehensive Income and Expenditure Statement is different	
				from council tax income calculated for the year in accordance	
(423)	-	-	423	(233)	233
				with statutory requirements	
				Adjustment involving the Accumulating Compensated Absences	
				Adjustment Account:	
				Amount by which employee remuneration charged to the	
				Comprehensive Income and Expenditure Statement on an accruals	
				basis is different from remuneration chargeable in the year in	
(336)	-	-	336	(234)	234
				accordance with statutory requirements	
<hr/>				<hr/>	
51,843	-	-	(51,843)	48,054	- 151 (48,205)
<hr/>				<hr/>	

9. PCC's Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure.

2013/14				2014/15			
Usable Reserves				Usable Reserves			
General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Movement in Unusable Reserves	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Movement in Unusable Reserves
£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
4,715	-	-	(4,715)	4,339	-	-	(4,339)
57	-	-	(57)	927	-	-	(927)
295	-	-	(295)	385	-	-	(385)
(1,179)	-	-	1,179	(1,205)	-	-	1,205
448	-	-	(448)	301	-	-	(301)
(750)	-	-	750	(503)	-	-	503
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
(2,630)	-	-	2,630	(3,377)	-	-	3,377
(908)	-	-	908	(842)	-	-	842

Adjustments involving the Capital Receipts Reserve:								
-	-	-	-	Transfer of sales proceeds credited as part of the (loss)/gain on disposal to the Comprehensive Income and Expenditure Statement	(13)	13	-	
				Transfer from Deferred Capital Receipts Reserve upon receipt of cash		150	(150)	
-	-	-	-	Use of the Capital Receipts Reserve to finance new capital expenditure		(12)	12	
Adjustments involving the Capital Carry Forward Reserve:								
				Use of the Capital Carry Forward Reserve to finance new capital expenditure	(537)		537	
Adjustments involving the Pensions Reserve:								
-	-	-	-	Reversal of items relating to post employment benefits (debited) or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	130		(130)	
				Employer's pensions contributions and direct payments to pensioners payable in the year	(104)		104	
Adjustments involving the Collection Fund Adjustment Account:								
(423)	-	-	423	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(233)		233	
<u>(375)</u>	<u>-</u>	<u>-</u>	<u>375</u>		<u>(732)</u>	<u>-</u>	<u>151</u>	<u>581</u>

10. Group and Police and Crime Commissioner's Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance 31 March 2013	2013/14		Balance 31 March 2014	2014/15			Balance 31 March 2015
		Added to Reserve	Applied		Added to Reserve	Transfer	Applied	
	£000	£000	£000	£000	£000	£000	£000	£000
Innovation Reserve	592	-	-	592	-	(592)	-	-
Carry Forward Projects Reserve	1,114	985	(1,114)	985	846	-	(985)	846
Insurance Reserve	1,028	-	(120)	908	139	-	0	1,047
Ill-Health Retirement Reserve	627	-	-	627	-	-	-	627
Capital Reserve	6,275	-	(750)	5,525	-	(339)	(503)	4,683
Collaboration Initiatives Reserve	2,016	90	-	2,106	-	(2,106)	-	-
Drug Forfeiture (Operational) Reserve	177	-	(80)	97	7	26	(3)	127
Operational Contingency Reserve	500	-	-	500	-	(500)	-	-
Metis Programme Year 3 and 4 Reserve	-	2,000	-	2,000	-	(2,000)	-	-
Budget Assistance Reserve	-	2,625	-	2,625	2,000	5,172	-	9,797
Capital Carry Forward Reserve	-	537	-	537	1,573	339	(537)	1,912
Casualty Reduction & Support Reserve	-	-	-	-	515	-	-	515
Collaboration & Commissioning Reserve	-	-	-	-	241	-	-	241
	<u>12,329</u>	<u>6,237</u>	<u>(2,064)</u>	<u>16,502</u>	<u>5,321</u>	<u>-</u>	<u>(2,028)</u>	<u>19,795</u>

Carry Forward Projects

Funds transferred to the Carry Forward Projects Reserve are underspends attributable to revenue commitments that are to be applied in the coming year.

Insurance

The purpose of this reserve is to finance self-insured liabilities and the policy excesses that are not covered by external policies.

Ill-Health Retirement

This reserve is maintained to meet exceptional costs of ill-health retirements.

Capital

This reserve has been established to provide the Commissioner with future flexibility in capital financing.

Drug Forfeiture (Operational)

Funds transferred to the Drug Forfeiture Reserve are amounts received from the courts, earmarked to fight drug crime.

Budget Assistance

The reserve has been established to meet budget pressures in future years, and especially to bridge the funding gap in the years to 2019/20, particularly where change/transformation work does not coincide with required savings.

Capital Carry Forward

The reserve will fund approved capital carried forward expenditure in future years.

Casualty Reduction and Support

This reserve has been established using surplus income generated by the BCH Collaborated Cameras, Tickets and Collisions Unit to finance roads safety and casualty reduction work.

Collaboration and Commissioning

The reserve will fund assurance work for the OPCC regarding collaboration and services commissioning.

11. Group and Police and Crime Commissioner's Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2013/14		2014/15
£000		£000
(10,947)	Pension Top Up Grant Received from Home Office	(13,529)
10,947	Pension Top Up Grant Transferred to Pension Fund	13,529
<u>448</u>	Losses on the disposal of non-current assets	<u>288</u>
<u>448</u>		<u>288</u>

12. Group and Police and Crime Commissioner's Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2013/14			2014/15	
PCC	Group		PCC	Group
£000	£000		£000	£000
475	475	Interest payable and similar charges	510	510
-	54,094	Pensions interest cost	51	55,755
-	(4,344)	Expected return on pension assets	(34)	(4,607)
(94)	(94)	Interest receivable and similar income	(124)	(124)
<u>381</u>	<u>50,131</u>		<u>403</u>	<u>51,534</u>

13. Group and Police and Crime Commissioner's Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income

2013/14		2014/15
£000		£000
(45,812)	Council tax income	(47,586)
-	Revenue Support Grant	-
(26,544)	Non-domestic rates	(25,309)
(59,646)	Non-ringfenced government grants	(57,959)
(1,179)	Capital grants and contributions	(1,205)
<u>(133,181)</u>		<u>(132,059)</u>

14. Group and Police and Crime Commissioner's Property, Plant and Equipment

	Land and Buildings £000	IT and Comms £000	Plant and Equipment £000	Vehicles £000	Assets Under Construction £000	Total £000		
Cost or valuation								
At 1 April 2014	39,173	-	13,619	4,432	7,022	-	2,193	66,439
Additions	520	109	314	1,616	3,043			5,602
Disposals	(1)	(31)	(121)	(1,216)	-			(1,369)
Reclassifications	39	474	20	(7)	(721)			(195)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	313	-	-	-	-			313
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(2,354)	-	-	-	-			(2,354)
At 31 March 2015	37,690	14,171	4,645	7,415	4,515			68,436
Accumulated depreciation								
At 1 April 2014	(4,604)	-	(7,885)	(3,133)	(3,849)	-	-	(19,471)
Charge for 2014/15	(1,016)	(2,190)	(480)	(653)	-			(4,339)
Disposals		24	101	945	-			1,070
Reclassifications		-	-	-	-			-
Revaluations depreciation written out to the Revaluation Reserve	1,797	-	-	-	-			1,797
Revaluations depreciation written out to Surplus/Deficit on the Provision of Services	1,427	-	-	-	-			1,427
At 31 March 2015	(2,396)	(10,051)	(3,512)	(3,557)				(19,516)
Net book value								
31 March 2015	35,294	4,120	1,133	3,858	4,515			48,920
31 March 2014	34,569	5,734	1,299	3,173	2,193			46,968

Comparative Movement in 2013/14

	Land and Buildings £000	IT and Comms £000	Plant and Equipment £000	Vehicles £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2013	36,496	21,551	5,458	6,983	4,044	74,532
Additions	1,062	249	391	1,137	1,624	4,463
Disposals	(28)	(9,735)	(1,450)	(1,156)	-	(12,369)
Reclassifications	1,381	1,554	33	58	(3,475)	(449)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	408	-	-	-	-	408
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(146)	-	-	-	-	(146)
At 31 March 2014	<u>39,173</u>	<u>13,619</u>	<u>4,432</u>	<u>7,022</u>	<u>2,193</u>	<u>66,439</u>
Accumulated depreciation						
At 1 April 2013	(3,881)	(15,093)	(3,956)	(4,095)	-	(27,025)
Charge for 2013/14	(1,092)	(2,374)	(581)	(668)	-	(4,715)
Disposals	21	9,582	1,404	914	-	11,921
Reclassifications	-	-	-	-	-	-
Revaluations depreciation written out to the Revaluation Reserve	265	-	-	-	-	265
Revaluations depreciation written out to Surplus/Deficit on the Provision of Services	83	-	-	-	-	83
At 31 March 2014	<u>(4,604)</u>	<u>(7,885)</u>	<u>(3,133)</u>	<u>(3,849)</u>	<u>-</u>	<u>(19,471)</u>
Net book value						
31 March 2014	<u>34,569</u>	<u>5,734</u>	<u>1,299</u>	<u>3,173</u>	<u>2,193</u>	<u>46,968</u>
31 March 2013	<u>32,615</u>	<u>6,458</u>	<u>1,502</u>	<u>2,888</u>	<u>4,044</u>	<u>47,507</u>

Depreciation

The following useful lives have been used in the calculation of depreciation on a straight line basis:

- Buildings – 20 to 60 years
- Vehicles – 3 to 7 years, depending on type
- Plant and Equipment – 5 years
- IT and Communications - 5 years

Land and assets under construction are not depreciated.

Residual Values

The following residual values have been applied:

- Vehicles – 25% of cost.

Capital Commitments

No significant (i.e. in excess of £500k) capital contracts had been entered into by the commissioner at 31 March 2015 (31 March 2014 £nil).

Revaluations

The following statement shows the progress of the Commissioners's programme of the revaluation of property, plant and equipment. Asset values of land and buildings are reviewed at 1 April each year in 5 yearly intervals in a rolling programme, or sooner where there is a material change in value in any year. In the years between formal valuations, the continuing appropriateness of fair values based on previous valuations is assessed by reference to market trends and professional advice. Land and building valuations in 2014/15 have been carried out by the Commissioner's own valuer: Mr C Luscombe FRICS IRRV (OPCC Director of Estates) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of all other items of plant and equipment are based on historical cost.

The basis for valuation of property, plant and equipment is set out in the Statement of Accounting Policies.

	Intangible Assets	Property, Plant & Equipment				Total
	Software Licenses	Land and Buildings	IT and Comms	Plant and Equipment	Vehicles	
Assets valued at Historical cost:	2,110	-	14,171	4,645	7,415	28,341
Valued at current Value in:						
2014/15	-	21,604	-	-	-	21,604
2013/14	-	5,245	-	-	-	5,245
2012/13	-	1,155	-	-	-	1,155
2011/12	-	9,454	-	-	-	9,454
2010/11	-	231	-	-	-	231
	<u>2,110</u>	<u>37,690</u>	<u>14,171</u>	<u>4,645</u>	<u>7,415</u>	<u>66,031</u>

15. Group and Police and Crime Commissioner's Intangible Assets

The Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life of 5 years, in line with other IT and Communication Assets. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £385k (2013/14 £295k) is chargeable to Police Services in the Comprehensive Income and Expenditure Statement.

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

	2014/15	2013/14
	£000	£000
Balance at start of year:		
Gross carrying amount	1,883	2,188
Accumulated amortisation	(595)	(1,151)
Net carrying amount at start of year	1,288	1,037
Additions	33	96
Reclassifications from assets under construction	194	450
Disposals	-	(851)
Amortisation for the period	(385)	(295)
Amortisation on disposals	-	851
Net carrying amount at end of year	1,130	1,288
Comprising:		
Gross carrying amount	2,110	1,883
Accumulated amortisation	(980)	(595)
	1,130	1,288

16. Group and Police and Crime Commissioner's Heritage Assets

The Constabulary has assembled a collection of policing and policing related memorabilia consisting of historic uniforms, accoutrements and assorted artefacts of interest in a policing context. Articles have been donated by retired and retiring Police Officers and other interested parties. The collection comprises, broadly, of 131 items of uniform, 503 items of equipment and effects ranging from truncheons to forged notes and radios and from exterior glass lamps to constabulary signage. The collection is not recognised in the Balance Sheet as, given the nature of the assets, the Group does not consider it practicable to obtain a valuation. The collection is held at Police premises and options for displays are under consideration.

17. Group and Police and Crime Commissioner's Financial Instruments

Categories of Financial Instruments

	Long Term		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Loans and Receivables	533	680	2,100	2,413
Total Debtors	533	680	2,100	2,413
Public Works Loan Board loans	9,762	10,191	429	411
Loans from other local authorities	-	-	-	-
Other liabilities	-	-	8,244	8,235
Cash Overdrawn	-	-	-	-
Total Creditors	9,762	10,191	8,673	8,646

There are no financial instruments disclosed in the Balance Sheet which would be categorised as financial liabilities at fair value through income and expenditure.

The group balance of current other liabilities at 31st March 2015 shown above consists of £7,131k relating to the PCC and £1,113k relating to the Chief Constable (2013/14 £6,888k and £1,347k respectively).

Income, Expense, Gains and Losses

	2014/15		2013/14	
	Financial Liabilities: Measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Liabilities: Measured at amortised cost £000	Financial Assets: Loans and Receivables £000
Interest expense	510	-	475	-
Impairment losses	-	-	-	-
Total expense in surplus or (deficit) on the provision of services	510	-	475	-
Interest Income	-	(124)	-	(94)
Total income in surplus or (deficit) on the provision of services	-	(124)	-	(94)
Net gain/(loss) for the year	510	(124)	475	(94)

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- the fair value of Public Works Loan Board (PWLB) loans as at 31 March 2015 has been calculated by reference to the premature payment set of interest rates in force on that day;
- the fair value of PWLB loans as at 31 March 2014 has been calculated by reference to the premature payment set of interest rates in force on that day;
- estimated ranges of interest rates at 31 March 2015 of 1.29% to 1.53% for long term loans from the PWLB, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- the carrying amount of an instrument maturing within 12 months is assumed to approximate to its fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The carrying and fair values of financial liabilities carried at amortised cost and of loans and receivables are as follows:

	31 March 2015		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities at amortised cost:				
Public Works Loan Board Loans	<u>(10,191)</u>	<u>(12,950)</u>	<u>(10,601)</u>	<u>(12,300)</u>

The fair value on borrowing is greater than the carrying amount because the Group's portfolio consists of a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. All other financial liabilities and loans and receivables mature within 12 months and therefore their carrying values are assumed to approximate to their fair values.

18. Group and Police and Crime Commissioner's Inventories

	Uniform Stores	
	2014/15	2013/14
	£000	£000
Balance at 1 April	761	745
Purchases	1,401	1,469
Recognised as an expense in the year	(434)	(430)
Recharged to collaboration partners	<u>(974)</u>	<u>(1,023)</u>
Balance at 31 March	<u>754</u>	<u>761</u>

19. Group and Police and Crime Commissioner's Debtors

	2014/15	2013/14
	£000	£000
Central Government Bodies	5,884	3,122
Other Local Authorities	4,118	3,933
NHS Bodies	-	3
Other Entities and Individuals	<u>4,535</u>	<u>3,737</u>
	<u>14,537</u>	<u>10,795</u>

20. Group and Police and Crime Commissioner's Cash and Cash Equivalents

	2014/15	2013/14
	£000	£000
Cash held by the Commissioner	16	9
Bank current accounts	58	(34)
Short term deposits	<u>14,853</u>	<u>13,082</u>
	<u><u>14,927</u></u>	<u><u>13,057</u></u>

21. Group and Police and Crime Commissioner's Creditors

	2014/15		2013/14	
	PCC	Group	PCC	Group
	£000	£000	£000	£000
Central Government Bodies	(2,326)	(2,326)	(2,568)	(2,569)
Other Local Authorities	(5,933)	(5,933)	(5,680)	(5,680)
NHS Bodies	-	-	(17)	(17)
Public Corporations and Trading Funds	(2)	(2)	-	-
Other Entities and Individuals	<u>(3,151)</u>	<u>(4,264)</u>	<u>(3,507)</u>	<u>(4,854)</u>
	<u><u>(11,412)</u></u>	<u><u>(12,525)</u></u>	<u><u>(11,772)</u></u>	<u><u>(13,120)</u></u>

22. Group and Police and Crime Commissioner' Grants Receipts in Advance – Capital

The Group previously received grants that had not been recognised as income at the year-end as they had conditions attached to them which, if unfulfilled, would require the monies or property to be returned to the giver. The balance at the year-end is as follows:

	2014/15	2013/14
	£000	£000
National Police Improvement Agency grant for case and custody system	<u>-</u>	<u>(19)</u>
	<u><u>-</u></u>	<u><u>(19)</u></u>

23. Group and Police and Crime Commissioner's Provisions

Insurance

The balance at 31 March 2015 represents estimated outstanding claims under the 'excess' clauses of the Group's employers' and public liability, motor and property insurance policies. The settlement of these claims is likely to be spread over a number of years. There are no amounts in respect of liabilities covered by the insurance provision that are expected to be subject to reimbursement from third parties.

Multiple Workplace Tax Provision

HMRC have advised that they believe police forces are paying 'business' travel to officers and staff with multiple workplaces, mainly as a result of collaborative working with neighbouring forces, which they would regard as normal commuting under HMRC tax rules. Discussions are underway between the Group's tax advisors and HMRC regarding this issue. As a result a provision has been calculated for the PAYE, NI and VAT that may potentially be due from the

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Group to HMRC for multiple workplace travel since the first Bedfordshire, Cambridgeshire and Hertfordshire collaborative policing unit went live in 2011/12.

	2014/15	2013/14
	£000	£000
Insurance		
Balance at 1 April	792	567
Amounts used in year	(135)	-
Increase in year	<u>225</u>	<u>225</u>
Balance at 31 March	<u><u>657</u></u>	<u><u>792</u></u>
	2014/15	2013/14
	£000	£000
Mutiple Workplace Tax Provision		
Balance at 1 April	-	-
Amounts used in year	-	-
Increase in year	<u>3,977</u>	<u>-</u>
Balance at 31 March	<u><u>3,977</u></u>	<u><u>-</u></u>
Total Provision	<u><u>4,634</u></u>	<u><u>792</u></u>

24. Group and Police and Crime Commissioner's Usable Reserves

Movement in the Group and Police and Crime Commissioner's usable reserves are detailed in the Movement in Reserves Statement.

25. Group and Police and Crime Commissioner's Unusable Reserves

	2014/15		2013/14	
	Group	PCC £000	Group £000	PCC £000
Revaluation Reserve	4,566	4,566	2,640	2,640
Capital Adjustment Account	21,083	21,083	20,375	20,375
Pensions Reserve	(1,350,864)	(631)	(1,164,857)	-
Collection Fund Adjustment Account	461	461	228	228
Accumulated Absences Account	(1,113)	-	(1,349)	-
Deferred Capital Receipts Reserve	680	680	830	830
	<u>(1,325,187)</u>	<u>26,159</u>	<u>(1,142,133)</u>	<u>24,073</u>

Revaluation Reserve (Group and Police and Crime Commissioner)

The revaluation reserve contains the gains made by the Group arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

	2014/15	2013/14
	£000	£000
Balance at 1 April	2,640	2,055
Upward revaluation of assets	2,402	737
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(292)	(64)
Accumulated gains on assets sold or scrapped	-	-
Difference between fair value depreciation and historical cost depreciation	(184)	(88)
Balance at 31 March	<u>4,566</u>	<u>2,640</u>

Capital Adjustment Account (Group and Police and Crime Commissioner)

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

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15	2013/14
	£000	£000
Balance at 1 April	20,375	20,335
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(4,339)	(4,715)
Revaluation losses on Property, Plant and Equipment	(927)	(57)
Amortisation of intangible assets	(385)	(295)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(300)	(448)
Revaluation gains written down in the year	183	88
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	12	-
Use of the Reserves to finance new capital expenditure	503	750
Use of Capital Carry Forward Reserve to finance new capital expenditure	537	-
Capital grants credited to the Comprehensive Income and Expense Statement that have been applied to capital financing	1,205	1,179
Statutory provision for the financing of capital investment charged against the General Fund	842	908
Capital expenditure charged against the General Fund	3,377	2,630
Balance at 31 March	21,083	20,375

Pension Reserve (Group and Police and Crime Commissioner)

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group accounts for post employment benefits:

- in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service;
- by updating the liabilities recognised to reflect inflation;
- by changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Group makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The movements on the pensions liability have been disclosed in Note 37.

	Group 2014/15 £000	2013/14 £000
Balance at 1 April	(1,164,858)	(1,153,662)
Remeasurements of the net defined benefit liability/(asset)	(136,959)	41,359
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(81,532)	(82,913)
Employer's pensions contributions and direct payments to pensioners payable in the year	<u>32,485</u>	<u>30,358</u>
	<u>(1,350,864)</u>	<u>(1,164,858)</u>
	PCC 2014/15 £000	2013/14 £000
Balance at 1 April	-	-
Pension reserve opening balance transfer from Chief Constable	(401)	-
Remeasurements of the net defined benefit liability/(asset)	(204)	-
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(130)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	<u>104</u>	<u>-</u>
	<u>(631)</u>	<u>-</u>

Collection Fund Adjustment Account (Group and Police and Crime Commissioner)

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

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	2014/15	2013/14
	£000	£000
Balance at 1 April	228	(195)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<u>233</u>	<u>423</u>
Balance at 31 March	<u>461</u>	<u>228</u>

Accumulated Absences Account (Group)

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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(1,347)	(1,683)
Amount by which employer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<u>234</u>	<u>336</u>
Balance at 31 March	<u>(1,113)</u>	<u>(1,347)</u>

Deferred Capital Receipts Reserve (Group and Police and Crime Commissioner)

The Deferred Capital Receipts Reserve absorbs the timing differences arising from the sale of non current assets where the capital receipts are to be fully or partly received in a future financial year.

The helicopter was transferred to the National Police Air Service (NPAS) on 1 October 2012. The Police and Crime Commissioner will receive £1.139m as a result of this transfer, paid in installments until 2020/21. The balance of £680k on this account represents the Net Present Value (NPV) of future receipts.

	2014/15	2013/14
	£000	£000
Balance at 1 April	830	830
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer of deferred sale proceeds to Usable Capital Receipts upon receipt of cash	<u>(150)</u>	<u>-</u>
Balance at 31 March	<u>680</u>	<u>830</u>

26. Group and Police and Crime Commissioner's Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14			2014/15	
PCC	Group		PCC	Group
£000	£000		£000	£000
4,715	4,715	Depreciation	4,339	4,339
57	57	Impairment and downward valuations	927	927
295	295	Amortisation	385	385
2,596	2,596	Increase/decrease in creditors	76	75
1,998	1,998	Increase/decrease in debtors	(3,595)	(3,595)
(16)	(16)	Increase/decrease in inventories	6	6
-	52,554	Movement in Pension Liability	24	49,045
448	448	Carrying amount of non-current assets and non current assets held for sale, sold or derecognised	288	288
(198)	(534)	Other non-cash items charged to the net surplus or deficit on the provision of services	3,609	3,375
9,895	62,113		6,059	54,845

27. Group's 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, the Group's resource allocation discussions are based on management accounts presented to the Group which have a different basis of preparation. 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); and
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

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The income and expenditure of the Group as recorded in the management accounts for the year is as follows:

	Police Services £000 2014/15	Police Services £000 2013/14
Government Grants	-	-
Income from Fees and Charges	<u>2,347</u>	<u>2,413</u>
Total Income	2,347	2,413
Employee Expenses	87,359	90,172
Premises Expenses	3,904	3,925
Transport Expenses	1,035	1,550
Supplies and Services	<u>38,567</u>	<u>39,573</u>
Total Expenditure	130,865	135,220
Net Expenditure	<u>128,518</u>	<u>132,807</u>

This reconciliation shows how the figures in the analysis of Police Services income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

The Group does not report internally on asset and liability balances.

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2014/15

	Police Services £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Accounts £000	Total £000
	£'000	£'000	£'000	£'000	£'000
Government Grants	-	4,570	-	83,903	88,473
Income from Fees and Charges	2,347	4,288	-	-	6,635
Income from council tax	-	233	-	47,353	47,586
Total Income	2,347	9,091	-	131,256	142,694
Employee expenses	86,625	17,134	-	-	103,759
Premises	3,868	11	-	-	3,879
Transport	1,035	1,162	-	-	2,197
Supplies and services	12,031	8,284	(850)	-	19,465
Collaborated Initiatives	20,229	(20,229)	-	-	-
Financing and investment Income and Expenditure	-	51,131	-	-	51,131
Total Chief's Expenditure	123,788	57,493	(850)	-	180,431
Employee expenses	734	149	-	-	883
Premises	36	-	-	-	36
Transport	-	23	-	-	23
Supplies and services	361	1,383	-	-	1,744
Depreciation and Impairment of Fixed Assets	-	5,656	-	-	5,656
Minimum Revenue Provision for capital financing	842	-	(842)	-	-
Capital Expenditure charged to General Fund Balance	1,940	-	(1,940)	-	-
Loss on Disposal of Fixed Assets	-	288	-	-	288
Financing and investment Income and Expenditure	506	(105)	-	-	401
Contributions from reserves	2,658	635	(3,293)	-	-
Total PCC's Expenditure	7,077	8,029	(6,075)	-	9,031
(Surplus) or deficit on the provision of services	128,518	56,431	(6,925)	(131,256)	46,768

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Restated
2013/14

	Police Services £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Accounts £000	Total £000
	£'000	£'000	£'000	£'000	£'000
Government Grants	-	3,364	-	87,463	90,827
Income from Fees and Charges	2,413	2,795	-	-	5,208
Income from council tax	-	423	-	45,389	45,812
Total Income	2,413	6,582	-	132,852	141,847
Employee expenses	89,625	18,619	-	-	108,244
Premises	3,892	206	-	-	4,098
Transport	1,550	876	-	-	2,426
Supplies and services	11,963	5,221	(708)	-	16,476
Collaborated Initiatives	18,804	(18,804)	-	-	-
Financing and investment Income and Expenditure	-	49,750	-	-	49,750
Total Chief's Expenditure	125,834	55,868	(708)	-	180,994
Employee expenses	547	71	-	-	618
Premises	33	2	-	-	35
Transport	-	13	-	-	13
Supplies and services	1,700	261	-	-	1,961
Depreciation and Impairment of Fixed Assets	-	5,067	-	-	5,067
Minimum Revenue Provision for capital financing	908	-	(908)	-	-
Capital Expenditure charged to General Fund Balance	589	2,041	(2,630)	-	-
Loss on Disposal of Fixed Assets	-	448	-	-	448
Financing and investment Income and Expenditure	475	(94)	-	-	381
Contributions from reserves	5,134	(960)	(4,174)	-	-
Total PCC's Expenditure	9,386	6,849	(7,712)	-	8,523
(Surplus) or deficit on the provision of services	132,807	56,135	(8,420)	(132,852)	47,670

28. Office of the Police and Crime Commissioner Costs

	Commissioner and OPCC £000 2014/15	Commissioner and OPCC £000 2013/14
<u>Expenditure</u>		
Office of the Police and Crime Commissioner		
Commissioner and Deputy	109	109
OPCC Staff (on Police Staff terms & conditions)	688	438
Premises Costs	36	33
Legal Fees	2	6
External Audit Fees	40	40
Internal Audit Fees	48	46
Independent Audit Committee	9	6
Independent Members' expenses (dog welfare visitors and misconduct panel)	2	2
Other office and running expenses (eg: subscriptions, computer, travel, printing & stationery)	91	191
	1,025	871
Partnerships		
Cadets	6	-
Victims Commissioning/Restorative Justice		
Victims Commissioning Grant Distributed	521	233
Victims Support Competed Services Grant Distributed	345	-
Other Grants/Funding		
Community Safety and Crime Reduction Grants	1,212	828
Innovation Fund Grant Distributed	853	143
Innovation Fund Revenue Contribution to Capital Outlay ^	1,713	847
Other Corporate Costs		
PCC carry forwards (transfer to Carry Forward Project Reserve)	103	-
Transfer required by statute of Chief Constable's		
2013/14 carry forward to Chief Constable's accounts ^^	918	-
Transfer of underspend to Collaboration & Commissioning Reserve	241	-
Total Expenditure	6,937	2,922
<u>Income</u>		
Office of the Police and Crime Commissioner		
Other Income	(21)	-
Partnerships		
Cadets Grant	(17)	-
Victims Commissioning/Restorative Justice		
Victims Commissioning Grant Received	(454)	(300)
Victims Support Competed Services Grant Received	(345)	-
Other Grants/Funding		
Innovation Fund Grant Received	(2,565)	(989)
Net Expenditure	3,535	1,633

^ Relates to the financing of capital expenditure directly from revenue

^^ Reserves are held by PCC not Chief Constable

29. Joint Operations

Eastern Region Special Operations Unit

The Eastern Region Special Operations Unit (ERSOU) was established 1st April 2010 as a joint arrangement between 6 forces – Hertfordshire, Cambridgeshire, Essex, Suffolk, Norfolk and Bedfordshire, to provide one serious and organised crime unit for the eastern region. ERSOU is run by a management board where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces' share of assets, liabilities, income and expenditure are consolidated into their own financial statements.

The operational policing costs are included in the Chief Constable's Comprehensive Income and Expenditure Statement. Expenditure of £67k and a government grant of £453k have been consolidated into the PCC's Comprehensive Income and Expenditure Statement. Total expenditure of £2,075k and the government grant of £453k have been consolidated into the Group Comprehensive Income and Expenditure Statement.

The income and expenditure for the ERSOU joint operation is shown below:

2014/15	Beds £'000	Cambs £'000	Essex £'000	Herts £'000	Norfolk £'000	Suffolk £'000	Total £'000
Home Office Grant	(351)	(453)	(544)	(641)	(511)	(391)	(2,891)
Running Costs	1,558	2,008	952	2,847	2,267	1,732	11,364
Depreciaton	51	67	20	95	76	58	367
Surplus / Deficit	1,258	1,622	428	2,301	1,832	1,399	8,840

2013/14	Beds £'000	Cambs £'000	Essex £'000	Herts £'000	Norfolk £'000	Suffolk £'000	Total £'000
Home Office Grant	(151)	(192)	(187)	(278)	(219)	(168)	(1,195)
Running Costs	1,136	1,074	444	1,654	1,226	938	6,472
Depreciaton	43	39	33	69	44	34	262
Surplus / Deficit	1,028	921	290	1,445	1,051	804	5,539

Bedfordshire, Cambridgeshire and Hertfordshire (BCH) Collaborative Units

Cambridgeshire Police and Crime Commissioner and Cambridgeshire Constabulary participates in collaborative arrangements with Bedfordshire Police and Crime Commissioner/ Bedfordshire Police and Hertfordshire Police and Crime Commissioner/Hertfordshire Constabulary. The collaborated units are jointly staffed and funded by the three forces and are overseen by governance boards where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces' share of assets, liabilities, income and expenditure are consolidated into their own financial statements.

Expenditure of £16.237m has been consolidated into the Chief Constable's Comprehensive Income and Expenditure Statement and the Group's Comprehensive Income and Expenditure Statement.

The net operating costs for the BCH joint operations is shown below:

2013/14				2014/15				
Beds £'000	Cambs £'000	Herts £'000	Total £'000		Beds £'000	Cambs £'000	Herts £'000	Total £'000
				Tri-force Protective Services				
2,511	2,184	2,548	7,243	Armed Policing Unit	2,453	2,150	2,510	7,113
57	73	104	234	Collaboration Team	921	1,184	1,684	3,789
284	358	478	1,121	Camera, Tickets, Collisions	(389)	(495)	(660)	(1,544)
595	558	396	1,549	Counter Terrorism & Domestic Extremism	595	557	396	1,548
711	879	1,199	2,789	Dogs	706	878	1,188	2,772
2,635	3,162	3,941	9,738	Major Crime Unit	2,513	3,045	3,793	9,351
211	364	388	963	Operational Planning & Public Order	200	348	367	915
164	208	300	672	Protective Services Command Team	160	205	292	657
3,263	4,695	6,355	14,313	Roads Policing Unit	3,211	4,645	6,227	14,083
2,188	2,659	3,651	8,498	Scientific Services Unit	2,131	2,615	3,589	8,335
12,619	15,140	19,360	47,120	Total Tri-force Protective Services	12,501	15,132	19,386	47,019
				Tri-force Organisational Support				
809	832	1,226	2,867	Professional Standards Unit	800	830	1,223	2,853
-	-	-	-	Information Assurance	32	33	49	114
204	234	349	787	Procurement	209	242	360	811
1,013	1,066	1,575	3,654	Total Tri-force Organisational Support	1,041	1,105	1,632	3,778
13,632	16,206	20,935	50,774	Total Net Operating Costs	13,542	16,237	21,018	50,797

The assets and liabilities funded by the joint units, as reflected in the balance sheet of the forces are shown below. These balances and each force's share in accordance with the agreed cost sharing ratios are not significantly different.

2013/14				2014/15			
Beds £'000	Cambs £'000	Herts £'000	Total £'000	Beds £'000	Cambs £'000	Herts £'000	Total £'000
517	324	1,065	1,906	521	327	1,075	1,923
(71)	(79)	(40)	(190)	(71)	(80)	(41)	(192)
(446)	(245)	(1,025)	(1,716)	(450)	(247)	(1,034)	(1,731)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
				Net Assets	-	-	-
				Reserves	-	-	-
				Equity	-	-	-

30. Group and Police and Crime Commissioner's Officers' Remuneration

The remuneration paid to the Police and Crime Commissioner, Deputy Police and Crime Commissioner and Chief Officers is as follows:

		Salaries, fees & allowances £	Bonuses £	Expenses allowance £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employer's pension contributions £	Total Remuneration including pension contributions £
<u>Police and Crime Commissioner Accounts</u>								
Police & Crime Commissioner	2014/15	70,929	-	-	-	70,929	-	70,929
- Sir Graham Bright	2013/14	71,607	-	-	-	71,607	-	71,607
Deputy Police & Crime Commissioner (0.4 FTE)	2014/15	28,011	-	-	-	28,011	-	28,011
- Mr B Ashton	2013/14	28,047	-	-	-	28,047	-	28,047
Chief Executive (0.9 FTE)	2014/15	91,118	-	-	-	91,118	18,039	109,156
	2013/14	90,539	-	-	-	90,539	17,066	107,605
Chief Finance Officer (OPCC) * †	2014/15	7,283	-	-	-	7,283	1,313	8,596
	2013/14	34,651	-	-	10,000	44,651	-	44,651

* 2014/15: The post of Chief Finance Officer (OPCC) was fulfilled for most of the year by an agency worker provided by Reed Specialist Recruitment Limited at a cost of £55,695.66. The established position was filled from 02/03/2015.

† 2013/14: The post of Chief Finance Officer (OPCC) was occupied on an interim arrangement to May 2013 and with an established position until September 2013. Post this date this function was provided by the Chief Finance Officer (Constabulary) from 01/10/2013.

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		Salaries, fees & allowances	Bonuses	Expenses allowance	Benefits in Kind	Total Remuneration excluding pension contributions	Employer's pension contributions	Total Remuneration including pension contributions
<u>Chief Constable's Accounts</u>								
Chief Constable - Mr S Parr **	2014/15	151,287	-	-	7,825	159,112	-	159,112
	2013/14	149,793	-	-	8,108	157,901	13,418	171,319
Deputy Chief Constable <i>to 23/08/2013</i>	2014/15	-	-	-	-	-	-	-
	2013/14	52,300	-	-	65	52,365	-	52,365
Deputy Chief Constable <i>from 27/08/2013</i>	2014/15	136,447	-	-	1,325	137,772	26,990	164,762
	2013/14	84,989	-	-	-	84,989	16,010	100,998
Assistant Chief Constable	2014/15	120,816	-	-	1,325	122,141	26,023	148,163
	2013/14	119,486	-	-	-	119,486	25,765	145,251
Chief Finance Officer (Constabulary)	2014/15	95,456	-	-	-	95,456	19,051	114,507
	2013/14	95,110	-	-	-	95,110	17,991	113,101

** Opted out of employer's pension scheme in September 2013

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The number of employees and senior police officers (being officers holding a rank above that of superintendent) whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, was as follows:

	Group		PCC	
	2014/15	2013/14	2014/15	2013/14
£50,000 to £54,999	1	1	-	-
£55,000 to £59,999	5	5	2	-
£60,000 to £64,999	1		-	
£65,000 to £69,999	-	-	-	-
£70,000 to £74,999	1	3	1	1
£75,000 to £79,999	3	2	-	-
£80,000 to £84,999	-	1	-	-
£85,000 to £89,999	3	4	-	-
£90,000 to £94,999	1	1	-	1
£95,000 to £99,999	2	1	-	-
£100,000 to £104,999	-	1	-	-
£105,000 to £109,999	-	-	-	-
£110,000 to £114,999	-	-	-	-
£115,000 to £119,999	-	1	-	-
£120,000 to £124,999	1	-	-	-
£125,000 to £129,999	-	-	-	-
£130,000 to £134,999	-	-	-	-
£135,000 to £139,999	1	-	-	-
£140,000 to £144,999	-	-	-	-
£145,000 to £149,999	-	-	-	-
£150,000 to £154,999	1	-	-	-
£155,000 to £159,999	-	-	-	-
£160,000 to £164,999	-	1	-	-
	20	21	3	2

The numbers above include the senior employees and relevant police officers disclosed earlier in Note 30.

The numbers of exit packages with total cost per band and the total cost of redundancies agreed are set out below:

Exit package cost band	Group		Total cost of exit packages	
	Number of redundancies		2014/15	2013/14
	2014/15	2013/14	£'000	£'000
	No.	No.		
£0 - £20,000	4	10	34	94
£20,001 - £40,000	3	1	89	35
	7	11	123	129

31. Group and Police and Crime Commissioner's Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts.

	2014/15	2013/14
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor:		
Police and Crime Commissioner	40	40
Chief Constable	20	20
	60	60
	60	60

32. Group and Police and Crime Commissioner's Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/2015.

Credited to Taxation and Non-Specific Grant Income

	2014/15	2013/14
	£'000	£'000
Police Grant	51,964	53,667
Precepts	47,586	45,812
Non-Domestic Rates Redistribution	25,309	26,544
Localising Council Tax Support	4,822	4,807
Council Tax Freeze	1,173	1,172
Capital Grants	1,205	1,179
	132,059	133,181
	132,059	133,181

Credited to Services

	2014/15	2013/14
	£'000	£'000
Community Support Officers	-	-
Counter Terrorism	373	383
Drug Testing on Charge	-	-
Other Government Grants	130	165
Prison Liaison Officers	131	128
Youth Crime & Substance Misuse Prevention Grant		
Innovation Fund	2,566	1,558
Community Safety		924
Victims Commissioning	454	244
Restorative Justice	344	55
	3,998	3,458
	3,998	3,458

33. Group and Police and Crime Commissioner's Related Parties

The Group is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Group or to be controlled or

influenced by it). Disclosure of these transactions allows readers to assess the extent to which the Group might be constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group.

Central Government

Central government has significant influence over the general operations of the Group – it is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Grants received from government departments are set out in Note 32. Grant receipts outstanding at 31 March 2015 are shown in Note 22.

Officers

The Chief Constable had a car loan from the Group for £19,299 at an interest rate of 0.5%. The amount outstanding at 31 March 2015 was £0 (31 March 2014 £2,706).

The Chief Constable continues to have an interest free loan from the Group of £200,000, received in 2013/14 and to be repaid upon retirement from his lump sum commutation, in relation to his delayed retirement.

During the year, the Chief Constable, the Assistant Chief Constable and the Chief Finance Officer (Constabulary) were trustees of the Shrievalty Trust.

Cambridgeshire Police Shrievalty Trust

The Cambridgeshire Police Shrievalty Trust is a charitable organisation supported by the Group whose objective is to support efforts to "Create a Safer Cambridgeshire". Details of Officers who were trustees throughout the period are set out below:

Officers: S Parr, Chief Constable
 M Hopkins, Assistant Chief Constable
 N Howard, Chief Finance Officer (Constabulary)

In the year to 31 March 2015, the Group had dealings with the Trust being a general grant contribution of £50,000, a grant contribution of £36,000 from the Victims Support Competed Services Grant, plus a donation of £10,000 to support a Domestic Abuse project (2013/14 £60,000 general grant contribution, plus a donation of £20,000 to support a Domestic Abuse project).

Other Public Bodies (subject to common control by central government)

The Group has a pooled budget arrangement (joint operation) with the 5 other eastern police forces for the provision of tackling organised crime and further pooled budget arrangements (joint operation) with Bedfordshire Police and Hertfordshire Constabulary for the provision of a range of policing services. Transactions and balances outstanding are detailed in Note 29.

The Group participates in three pension schemes the Local Government Pension Scheme (LGPS) for Police Staff, the Police Pension Scheme (PPS) for Police Officers in service on or before 31 March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1 April 2006. All schemes are administered by Cambridgeshire County Council, see Note 37 for details of transactions and balances outstanding.

During the year the Group made payments totalling £1,320k to the six local authorities for National Non-Domestic Rates Bills (2013/14 £1,319k).

34. Group and Police and Crime Commissioner's Third Party Funds

Third Party Funds are monies administered, but not owned by the Group. The Code of Practice requires that these funds are treated separately from the Group's accounts and are excluded from the main Income and Expenditure Account and Balance Sheet.

Police Property Act

Under section 43 of the Powers of Criminal Courts Act 1973, the Group is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held by the Group, pending a decision by the Courts.

Misuse of Drugs Act

Section 27 of the Misuse of Drugs Act 1971 empowers Police Groups to retain monies seized during investigations. The Courts may release property or monies to the Group so that it is used to tackle drug related crime and drug abuse.

The amount held under the two Acts, as at 31 March 2015, was £488,952 (31 March 2014: £251,103).

35. Group and Police and Crime Commissioner's Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Group, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Group that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 £000	2013/14 £000
<i>Opening Capital Financing Requirement</i>	25,276	26,183
<i>Capital Investment</i>		
Property, Plant and Equipment	5,602	4,463
Intangible Assets	33	96
<i>Source of Finance</i>		
Capital Receipts	(12)	
Government Grants	(1,205)	(1,179)
<i>Sums set aside from revenue</i>		
Direct revenue contributions	(3,377)	(2,630)
Transfer from Capital Reserve	(503)	(750)
Transfer from Capital Carry Forward Res	(537)	
Minimum Revenue Provision	(842)	(908)
<i>Closing Capital Financing Requirement</i>	<u>24,435</u>	<u>25,275</u>
 <i>Explanation of movement in year</i>		
<i>Increase in underlying need to borrowing (unsupported by government financial assistance)</i>	(668)	(481)
<i>(Decrease) in Creditors</i>	(174)	(426)
	<u>(842)</u>	<u>(907)</u>

36. Group and Police and Crime Commissioner's Leases

Finance Leases

The Group has acquired a number of building assets under finance leases.

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

Finance Leases - NBV

	2014/15	2013/14
	£000	£000
Land and Buildings	471	684

The Group is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Group and finance costs that will be payable by the Group in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

Finance Leases - Minimum lease payments

	31 March	31 March
	2015	2014
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
current	16	-
non-current	60	30
Finance costs payable in future years	165	162
Minimum lease payments	241	192

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March	31 March	31 March	31 March
	2015	2014	2015	2014
	£000	£000	£000	£000
Not later than one year				
Later than one year and not later than five years	21	3	16	-
Later than five years	46	13	30	-
	174	176	30	30
	241	192	76	30

Operating Leases

The Group has acquired a number of buildings under operating leases.

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

	£000	£000
Not later than one year	141	130
Later than one year and not later than five years	434	437
Later than five years	43	44
	618	611

The expenditure charged to the Police Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £280k (2013/14 £275k).

37. Group's Retirement Benefits

Participation in Pension Schemes

As part of the terms and conditions of employment of its Police Officers and Police Staff, the Group offers retirement benefits which are normally payable on retirement. The Group, however, is required to disclose its commitment to pay future retirement benefits as those benefits are earned by officers or employees.

The Group participates in three pension schemes:

- i) the Local Government Pension Scheme (LGPS) for Police Staff, administered by Cambridgeshire County Council. This is a defined benefit, funded scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Following the Stage 2 transfer of staff under the direction and control of the Police and Crime Commissioner, as corporations sole the Police and Crime Commissioner and Chief Constable are separate employers in the scheme, which is reflected in the figures included in the financial statements; and

- ii) the Police Pension Scheme (PPS) for Police Officers in service on or before 31 March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1 April 2006. Both schemes are defined benefit, unfunded schemes, administered by Cambridgeshire County Council, meaning that there are no investment assets built up to meet the pension liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Injury Awards paid under both Police Pension Schemes are disclosed separately. These payments are unfunded and are paid directly by the Group. Injury awards are subject to the same treatment as the Police Pension Schemes, with the movement on the liability being attributable to any change in interest costs and actuarial gains/losses. New injury awards are shown as past service costs in the year which they are made.

Transactions relating to post employment benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by staff rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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	2014/15						2013/14					
	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total £000	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total £000
Comprehensive Income and Expenditure Account												
<i>Cost of Services:</i>												
Current service cost	17,410	6,220	1,020	5,589	113	30,352	20,190	6,530	1,090	5,311	-	33,121
Past service costs	-	-	-	32	-	32	-	-	-	42	-	42
Effect on Settlements				(401)	401	-						
	17,410	6,220	1,020	5,220	514	30,384	20,190	6,530	1,090	5,353	-	33,163
<i>Financing and Investment Income and Expenditure:</i>												
Net interest expense	43,600	2,010	3,250	2,271	17	51,148	42,810	1,750	3,180	2,010	-	49,750
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	61,010	8,230	4,270	7,491	531	81,532	63,000	8,280	4,270	7,363	-	82,913
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>												
Return on plan assets	-	-	-	(8,013)	(60)	(8,073)	-	-	-	(2,923)	-	(2,923)
Actuarial gains and losses arising on changes in demographic assumptions	(32,700)	(4,500)	(15,910)	-	-	(53,110)	-	-	-	(2,496)	-	(2,496)
Actuarial gains and losses arising on changes in financial assumptions	176,650	13,180	10,210	26,739	264	227,043	(30,210)	(3,460)	(1,130)	10,589	-	(24,211)
Other	(24,380)	(2,040)	(440)	(2,041)	-	(28,901)	(9,880)	(1,330)	(1,000)	481	-	(11,729)
	119,570	6,640	(6,140)	16,685	204	136,959	(40,090)	(4,790)	(2,130)	5,651	-	(41,359)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</i>	180,580	14,870	(1,870)	24,176	735	218,491	22,910	3,490	2,140	13,014	-	41,554
Movement in Reserves Statement												
Deficit for the Provision of Services for post employment benefits in accordance with the Code	(61,010)	(8,230)	(4,270)	(7,491)	(531)	(81,532)	(63,000)	(8,280)	(4,270)	(7,363)	-	(82,913)
<i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>												
Employer's contributions payable to the schemes	27,180	(1,650)	2,240	4,611	104	32,485	25,300	(1,840)	2,260	4,640	-	30,360

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2014/15						2013/14					
	Unfunded	Unfunded	Unfunded	LGPS- Chief	LGPS- Police	Total	Unfunded	Unfunded	Unfunded	LGPS- Chief	LGPS- Police	Total
	Liabilities	Liabilities	Liabilities				Liabilities	Liabilities	Liabilities			
	PPS	NPPS	Injury	Constable	Commissioner	Liabilities	PPS	NPPS	Injury	Constable	Commissioner	Liabilities
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April	995,760	41,850	74,520	158,276	-	1,270,406	998,150	36,520	74,640	139,305	-	1,248,615
Current service cost	17,410	6,220	1,020	5,589	113	30,352	20,190	6,530	1,090	5,311	-	33,121
Past service costs	-	-	-	32	-	32	-	-	-	42	-	42
Effect of settlements	-	-	-	(1,121)	1,121	-	-	-	-	-	-	-
Interest cost	43,600	2,010	3,250	6,844	51	55,755	42,810	1,750	3,180	6,354	-	54,094
Contributions by scheme participants	4,580	1,679	-	1,516	42	7,817	4,980	1,910	-	1,510	-	8,400
Benefits paid	(31,760)	(29)	(2,240)	(2,964)	-	(36,993)	(30,280)	(70)	(2,260)	(2,820)	-	(35,430)
Remeasurement gain/(loss):												
Actuarial gains/losses arising from changes in demographic assumptions	(32,700)	(4,500)	(15,910)	-	-	(53,110)	-	-	-	(2,496)	-	(2,496)
Actuarial gains/losses arising from changes in financial assumptions	176,650	13,180	10,210	26,739	264	227,043	(30,210)	(3,460)	(1,130)	10,589	-	(24,211)
Other	(24,380)	(2,040)	(440)	(2,041)	-	(28,901)	(9,880)	(1,330)	(1,000)	481	-	(11,729)
						-						
Balance at 31 March	1,149,160	58,370	70,410	192,870	1,591	1,472,401	995,760	41,850	74,520	158,276	-	1,270,406

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Reconciliation of fair value of the scheme assets:

	2014/15					2013/14						
	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total Assets £000	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total Assets £000
Balance at 1 April	-	-	-	105,548	-	105,548	-	-	-	94,951	-	94,951
Interest Income	-	-	-	4,573	34	4,607	-	-	-	4,344	-	4,344
Effect of Settlements	-	-	-	(720)	720	-	-	-	-	-	-	-
Remeasurement gain/(loss):												
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	8,013	60	8,073	-	-	-	2,923	-	2,923
Contributions from employer	27,180	(1,650)	2,240	4,611	104	32,485	25,300	(1,840)	2,260	4,640	-	30,360
Contributions from employees into the scheme	4,580	1,679	-	1,516	42	7,817	4,980	1,910	-	1,510	-	8,400
Benefits paid	(31,760)	(29)	(2,240)	(2,964)	-	(36,993)	(30,280)	(70)	(2,260)	(2,820)	-	(35,430)
						-						
Closing fair value of scheme assets	-	-	-	120,577	960	121,537	-	-	-	105,548	-	105,548

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plan is as follows:

	PPS £000		NPPS £000		Injury Awards £000		LGPS £000		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Present value of the defined benefit obligation	1,149,160	995,760	58,370	41,850	70,410	74,520	194,461	158,276	1,472,401	1,270,406
Fair Value of Plan Assets	-	-	-	-	-	-	(121,537)	(105,548)	(121,537)	(105,548)
Net Liability arising from defined benefit obligation	1,149,160	995,760	58,370	41,850	70,410	74,520	72,924	52,728	1,350,864	1,164,858

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The PPS has no assets to cover its liabilities. The LGPS's assets consist of the following categories, by proportion of the total assets held:

	LGPS- Police Commissioner £000	LGPS- Chief Constable £000	31 March 15 £000	31 March 14 £000
Cash and Cash Equivalents		3,613	3,613	1,407
Private Equity	13	8,549	8,562	6,279
Debt Securities				
Corporate Bonds	41	-	41	
Corporate Bonds (non - investments grade)	1	-	1	
UK government	5	-	5	
Other	8	-	8	
Real Estate				
UK Property	51	-	51	
Overseas Proprety	3	-	3	
Equity Instruments:				
By industry type				
Consumer	422	11,942	12,364	9,216
Manufacturing	11	7,392	7,403	8,710
Energy and Utilities	1	3,397	3,398	3,740
Financial Institutions	7	9,861	9,868	10,648
Health and Care	4	5,870	5,874	3,112
Information Technology	62	5,452	5,514	6,312
Other	2	-	2	293
Investment Funds and Unit Trusts				
Equities	271	37,145	37,416	33,938
Bonds	27	18,385	18,412	16,089
Hedge Funds	27	-	27	
Other	4	8,971	8,975	5,804
	960	120,577	121,537	105,548

The liabilities are the underlying commitments that the Group has to pay retirement benefits in the long-term. The total liability of £1,350,864k has a significant impact on the net worth of the Group as presented in the Balance Sheet, giving rise to negative equity of £1,297,494k. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains stable:

- i) the deficit on the LGPS will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary; and
- ii) finance is only required to be raised to cover police pensions as and when they are actually paid.

Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions made about mortality rates and salary levels. The PPS and the NPPS have been assessed by the Government Actuary's Department. The LGPS liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2014/15	2013/14	2014/15	2013/14
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5	22.5	23.3	23.4
Women	24.5	24.5	25.7	25.9
Longevity at 65 for future pensioners:				
Men	24.4	24.4	25.4	25.6
Women	26.9	26.9	27.9	28.0
Rate of Inflation	2.5	2.9	2.2	2.2
Rate of increase in salaries	4.4	4.7	4.2	4.5
Rate of increase in pensions	2.5	2.9	2.2	2.5
Rate for discounting scheme liabilities	3.3	4.3	3.3	4.4

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changed while all the assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Police Commissioner Scheme		Chief Constable Scheme		Police Pension Scheme		New Police Pension Scheme	
	Increase in Liability (%)	Approximate monetary amount £'000	Increase in Liability (%)	Approximate monetary amount £'000	Increase in Liability (%)	Approximate monetary amount £'000	Increase in Liability (%)	Approximate monetary amount £'000
Change in assumptions at 31 March 2015								
0.5% decrease in Real Discount Rate	15%	238	13%	24,316	12%	135,000	19%	10,800
1 year increase in member life expectancy	3%	48	3%	5,786	2%	20,000	2%	1,100
0.5% increase in the Salary Increase Rate	8%	120	5%	9,540	2%	27,000	8%	4,700
0.5% Increase in the Pension Increase Rate	7%	108	7%	14,148	9%	108,000	9%	5,000

Impact on Cash Flows

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2016 is £5,182k (2014/15 £4,637k). Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £10,720k (2014/15 £11,120k).

38. Group and Police and Crime Commissioner's Nature and Extent of Risks arising from Financial Instruments

The Group's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Group;
- Liquidity risk – the possibility that the Group might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

The Group's risk strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on resources available to fund services.

Risk management is carried out by a central treasury team under policies approved by the Group in the annual treasury management strategy. Specific areas such as interest rate risk, credit risk and the investment of surplus cash are covered within this.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Group's customers. Deposits are only made for a period of up to 364 days with either: the Debt Management Office (DMO), an Executive Agency of HM Treasury; with institutions or Money Market Funds having the highest rating from each of the three main credit agencies (i.e. Fitch Ratings, Moody's Corporation and Standard & Poor's), or with UK banks falling outside these rating criteria where the UK Government holds a significant stake. Investment limits are the lower of £5 million or 25% of available funds, with the exception of the DMO where deposits may be made to a limit of 100% of available funds.

With respect to amounts owed by the Group's customers and contractual debtors, the Group makes prudent provision for bad debts based on an assessment of the risks for each type of debt and the age and size of the balance outstanding. The majority of the Group's dealings are with public sector partners and the risks of default and uncollectability are considered to be lower than those associated with commercial debtors.

The following analysis summarises the Group's assessment of its potential maximum exposure to credit risk in relation to debtors:

	31 March 2015	31 March 2014
	£000	£000
Commercial Debtors	-	-

The Group has never experienced a loss from non-performance by any of its counterparties in relation to deposits and does not expect any such loss to arise.

The Group does not generally extend credit to its public sector partners or customers beyond 30 days such that £nil of the £1,292k balance is past its due date for payment. The past due but not impaired amount can be analysed by age and category of debtor as follows:

	31 March 2015			31 March 2014		
	Public Sector Debtors £000	Commercial Debtors £000	Total £000	Public Sector Debtors £000	Commercial Debtors £000	Total £000
Less than three months	1,220	72	1,292	850	37	887
Three to six months	-	-	-	-	-	-
Over six months	-	-	-	-	-	-
	1,220	72	1,292	850	37	887

Liquidity Risk

As the Group has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

Interest rate risk

The Group is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. The extent of that risk is limited by the scale of borrowing and investment activities undertaken. In 2014/15 the Group's investments were limited to overnight deposits, which therefore fall to be treated as investments at variable rates, and its borrowings were fixed rate Public Works Loan Board loans. By way of example, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall; and
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest receivable on variable rate investments will be credited to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance £ for £.

The Group has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Group's cost of borrowing and provide compensation for a proportion of any higher costs.

The scale of the Group's investment activities is such that the consequences of any adverse changes in interest rates on service delivery are unlikely to be significant in terms of a shortfall in resources, particularly as budgets are regularly reviewed and updated during the year. However, if interest rates had been one percentage point higher, with all other variables held constant, the financial effect for the 2014/15 year of account would be:

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	2014/15 £000	2013/14 £000
Increase in interest receivable on variable rate investments	59	77
Increase in Government grant receivable for financing costs	-	-
Impact on Income and Expenditure Account	<u>59</u>	<u>77</u>

Price Risk

The Group does not invest in equity shares and has no exposure to losses arising from movements in the prices of shares.

Foreign Exchange Risk

The Group has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

39. Group's Contingent Liability

During 2014/15 there were a number of legal developments in employment law that may have financial consequences for police forces in England and Wales. These concern legal challenges in respect of backdated and future payments of overtime and allowances, the most prominent being the ruling of the Employment Appeal Tribunal (EAT) in November 2014 (on the treatment of regular overtime in payments for holiday pay purposes) which may impact on all forces. At the date of publication of the unaudited accounts there was insufficient information to estimate any amount that the Group may be liable to pay. It is also unclear when the position will become known and when payments, if required, will have to be made. The Group considers that it cannot make a reasonable estimate of the liabilities at this point and has therefore disclosed the recent developments as contingent liabilities rather than as provisions in the Accounts.

Pension Account

The Group is required to maintain a Pensions Account in order to discharge its responsibility for paying the pensions of retired officers and their survivors and to account to the Home Office as sponsoring department for police pensions funding. The Pensions Account has the legal status of a fund for the purposes of the Local Government Finance Act and the accounting entries to be recorded there in and its administration are governed by The Police Pension Fund Regulations 2007.

Credits to the Pension Account include contributions from both the Group and serving police officers who are members of either the Police Pension Scheme (PPS) or the New Police Pension Scheme (NPPS) at a rate of 24.2%, 11% and 9% of pensionable salary respectively. These rates are set by the Home Office and are subject to triennial revaluation by the Government's Actuary Department.

Charges to the Pension Account include pensions to retired police officers and their survivors and commutations and lump sum retirement benefits.

The Pension Account is balanced to £nil each year by the receipt of pension top-up grant from, or by paying over any surplus to, the sponsoring department. The effect of this funding mechanism is that the employer's contribution of 24.2% of serving police officers' pensionable salary, together with injury pensions and a capital charge for ill-health retirements, falls to be charged to the Group's Comprehensive Income and Expenditure Statement.

The Pension Account is designed to discharge liabilities to pay pensions as they fall due and no account is taken of pensions and other liabilities after the period end.

A statement of account for the Pension Account, together with its net current assets and liabilities at 31 March 2015, is set out below. All Fund transactions are treated in accordance with the Group's accounting policies as set out at Note 1, where applicable.

Full details of the Group's retirement benefits have been disclosed in Note 37.

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Fund Account

	2014/15	2013/14
	£'000	£'000
Contributions receivable:		
From employer:		
Normal	(11,875)	(11,917)
Early retirements	(147)	(575)
From members	(6,642)	(6,341)
Transfers in	(85)	(550)
	(18,749)	(19,383)
Benefits payable:		
Pensions	25,766	24,578
Commutations and lump sum retirement benefits	6,024	5,417
	31,790	29,995
Payments to and on account of leavers:		
Refunds of contributions	13	3
Individual transfers out to other schemes	475	332
	488	335
Net amount payable / receivable for the year before top-up grant payable by sponsoring department	13,529	10,947
Amount (receivable from) / payable to sponsoring department	(13,529)	(10,947)
Balance on Fund at 31 March	-	-

Net Assets Statement

	2014/15	2013/14
	£'000	£'000
Net current assets and liabilities		
Amounts owed (to)/from General Fund	(335)	(316)
Remaining top-up grant due to/(from) the Home Office	335	316
Net current assets / (liabilities) at 31 March	-	-

The Police Pension Account does not hold any investment assets.

Glossary of Terms

Accrual	The recognition in the correct accounting period of income and expenditure as it is earned or incurred rather than as cash is received or paid.
Accrued Retirement Benefits (Pensions)	The retirement benefits for service up to a given point in time, whether vested rights or not.
Actuarial Gains And Losses (Pensions)	For a defined benefit scheme, the changes in deficits or surpluses that arise because events have not coincided with actuarial assumptions used in the last valuation (experience gains or losses) or because actuarial assumptions have changed.
Agency Services	The provision of services by an Authority (the agent) on behalf of another Authority, which is legally responsible for providing those services. The responsible Authority reimburses the Authority providing the service.
Appropriations	Amounts transferred to or from revenue or capital reserves.
Asset	An item owned by the Group which has an economic value e.g. land & buildings, debts or cash.
Audit Commission	An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to ensure that Local Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
Budget	A financial statement of the Group's plans for any given year.
Capital Adjustment Account	An account that reflects the difference between the cost of property, plant and equipment and the capital financing set aside to pay for them.
Capital Expenditure	Expenditure on new assets or on the enhancement of existing assets.
Capital Grants	Grants received towards capital spending on a particular service or project.
Capital Receipts	Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing debt.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
Collection Fund	A Fund administered by District Councils to receive council tax from chargeable persons. The Group precepts on the Fund to finance part of its net revenue expenditure.
Creditors	Amounts owed by the Group for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.

Curtailment (Pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of current staff or reduces for a number of staff the accrual of defined benefits for some or all of their future service.
Current Service Costs (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from pensionable service earned in the current period.
Debtors	Sums of money due to the Group, but unpaid at the balance sheet date.
Defined Benefit Scheme (Pensions)	A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an item of property, plant and equipment.
Earmarked Reserves	Funds set aside from the Comprehensive Income and Expenditure Statement that can only be used for specific purposes.
Effective Rate of Interest	The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Expected Rate of Return on Pension Assets	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.
Financial Asset	A right to future economic benefits controlled by the Group.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Financial Liability	An obligation to transfer economic benefits controlled by the Group.
Financial Reporting Standards (FRSs)	Standards developed by the Accounting Standards Board to regulate the preparation and presentation of statement of accounts (see Statements of Standard Accounting Practice).
Government Grants	Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Police Grant; or general (see Revenue Support Grant).
Impairment	The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Income	Amounts that the Group receives, or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that period.
Injury Award	An injury award compensates an individual for the potential loss of earnings for injury sustained whilst on duty that results in some level of disablement which hinders or prevents them from working in the future. An injury award is a life time award.
Intangible Assets	An asset that lacks physical substance and yields benefits to the Group and the services it provides for a period of more than one year.
International Financial Reporting Standards (IFRSs)	Standards developed by the International Accounting Standards Board to regulate the preparation and presentation of statement of accounts.
Investments (Pensions)	The Group's share of pension scheme assets associated with its liability to pay future retirement benefits.
Minimum Revenue Provision (MRP)	The minimum amount the Group is required by statute to set aside on an annual basis for the repayment of debt.
National Non-Domestic Rates (NNDR)	The business rate in the pound is set annually and centrally by Government. The income arising is collected in a central pool for distribution to Local Authorities on the basis of a formula.
Past Service Cost (Pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to staff service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits payable.
Precept	The cash sum levied by one Authority which is collected by another (a charging Authority). The Group is the precepting Authority and the District Councils are the charging Authorities.
Projected Unit Credit Method (Pensions)	An actuarial method of valuing a pension scheme's liability to pay future retirement benefits taking into account estimated increases in future earnings.
Property, Plant and Equipment	Assets that have a physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.
Provisions	Liabilities that are of uncertain timing or amount to be settled by the transfer of economic benefits.
Reserves	Amounts set aside by the Group that do not fall within the definition of a provision.
Retirement Benefits (Pensions)	All forms of consideration given by an employer in exchange for services rendered by staff that are payable after completion of the engagement.

Revenue Contributions to Capital Outlay	The financing of capital expenditure directly from Revenue rather than from loans or other sources.
Revenue Expenditure	The day-to-day spending and income of the Group on such items as staff, goods, services and equipment.
Revenue Fund Balances	The accumulated surplus of income over expenditure held in reserve.
Revenue Support Grant (RSG)	The general grant paid by Central Government to aid Local Authority (including the Group) spending generally.
Scheme Liabilities (Pensions)	The liabilities to pay future retirement benefits, measured using the projected unit credit method, of a defined benefit scheme for outgoings falling due after the valuation date.
Service Reporting Code of Practice (SeRCOP)	A CIPFA Code that is designed to ensure a consistent and comparable approach to the calculation of the cost of services.
Settlement (Pensions)	An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.