Cambridgeshire
Police & Crime
Commissioner

STATEMENT OF ACCOUNTS 2013/14

CAMBRIDGESHIRE POLICE AND CRIME COMMISSIONER
STATEMENT OF ACCOUNTS
2013/14

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Explanatory Foreword by the Chief Finance Officer

Introduction

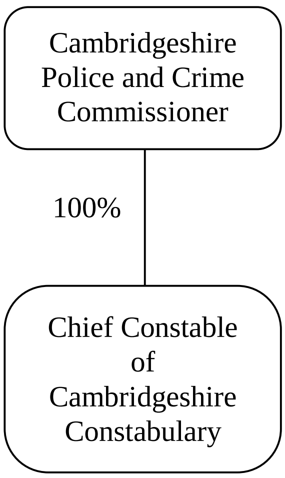
This Statement of Accounts sets out the financial position of the Cambridgeshire Police and Crime Commissioner and the Chief Constable of Cambridgeshire (herein referred to as "the Group") for the year ended 31 March 2014.

The Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, 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 Contabulary 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.

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 Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Balance Sheet of the Police and Crime Commissioner, has been included to reflect increased guidance on the application of IAS 18. A further prior year adjustment, with additional disclosures within the Group Accounts, has been included as a result of the amendments to IAS 19. 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 £132.8m. To balance the budget, the council tax (policing element) was increased by 1.96% and savings and efficiencies of £3.7m identified. At the end of the year, spending (before accounting adjustments) was £129.4m, an underspend of £3.4m.

Capital expenditure on buildings, vehicles and information and communications technology amounted to £4.6m. This was financed by grant (£2.0m), revenue contributions (£1.7m), and capital receipts/reserves (£0.9m). 78% of the budgeted capital programme was achieved.
The Balance Sheet shows a net liability of £1,116m, this is primarily due to the liabilities of the defined pension schemes (£1,165m). See Note 40 for more details.

Reserves

Total (useable) reserves at the 31 March 2014 are £26.2m of which £16.5m are earmarked for specific purposes. Of the remainder, the General Fund Balance, held as a working balance and general contingency, is £9.2m (about 7% of the Net Budget Requirement for 2014/15) and the Capital Receipts Reserve, £554k, 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

2013/14 is the fourth 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 budget reductions of around £12m will be required over the period April 2014 to March 2017.

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 be found.

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 Cambridgehire 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.

Robert Vickers CPFA

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 2014 and its income and expenditure for the year then ended.

Robert Vickers CPFA

Chief Finance Officer to Cambridgeshire Police and Crime Commissioner

30 June 2014

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 26 September 2014.

Sir Graham Bright

Cambridgeshire Police and Crime Commissioner

26 September 2014

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 2012	**7,001**	**19,142**	**66**	**26,209**	**(976,430)**	**(950,221)**
Movement in reserves during 2012/13 (restated)						
Deficit on provision of services	(41,699)	-	-	(41,699)	-	(41,699)
Other Comprehensive Expenditure and Income	-	-	-	-	(118,314)	(118,314)
Total Comprehensive Expenditure and Income	**(41,699)**	**-**	**-**	**(41,699)**	**(118,314)**	**(160,013)**
Adjustments between accounting basis & funding basis under regulations (note 8)	**37,090**	-	**488**	37,578	**(37,578)**	-
Net Increase before Transfers to Earmarked Reserves	**(4,609)**	**-**	**488**	**(4,121)**	**(155,892)**	**(160,013)**
Transfers to/(from) Earmarked Reserves (note 10)	6,813	(6,813)	-	-	-	-
Increase in 2012/13	**2,204**	**(6,813)**	**488**	**(4,121)**	**(155,892)**	**(160,013)**
Balance at 31 March 2013 carried forward	**9,205**	**12,329**	**554**	**22,088**	**(1,132,322)**	**(1,110,234)**
Movement in reserves during 2013/14						
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/(Decrease) 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/(Decrease) in 2013/14	**-**	**4,173**	**-**	**4,173**	**(9,811)**	**(5,638)**
Balance at 31 March 2014	**9,205**	**16,502**	**554**	**26,261**	**(1,142,133)**	**(1,115,872)**

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

Police and Crime Commissioner's 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 2012	**7,001**	**19,142**	**66**	**26,209**	**15,406**	**41,615**
Movement in reserves during 2012/13 (restated)						
Deficit on provision of services	3,645	-	-	3,645	-	3,645
Other Comprehensive Expenditure and Income	-	-	-	-	(147)	(147)
Total Comprehensive Expenditure and Income	**3,645**	-	-	**3,645**	**(147)**	**3,498**
Adjustments between accounting basis & funding basis under regulations (note 9)	**(8,254)**	-	**488**	(7,766)	**7,766**	-
Net Increase before Transfers to Earmarked Reserves	**(4,609)**	-	**488**	**(4,121)**	**7,619**	**3,498**
Transfers to/(from) Earmarked Reserves (note 10)	6,813	(6,813)	-	-	-	-
Increase in 2012/13	**2,204**	**(6,813)**	**488**	**(4,121)**	**7,619**	**3,498**
Balance at 31 March 2013 carried forward	**9,205**	**12,329**	**554**	**22,088**	**23,025**	**45,113**
Movement in reserves during 2013/14						
Deficit 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/(Decrease) 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/(Decrease) in 2013/14	-	**4,173**	-	**4,173**	**1,048**	**5,221**
Balance at 31 March 2014	**9,205**	**16,502**	**554**	**26,261**	**24,073**	**50,334**

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

Comprehensive Income and Expenditure Statement – Group

Restated 2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
			Police Services			
56,658	(5,275)	51,383	Local policing	62,647	(2,410)	60,237
15,443	(587)	14,856	Dealing with the Public	11,550	(395)	11,155
10,486	(777)	9,709	Criminal Justice	10,519	(1,246)	9,273
6,681	(909)	5,772	Road Policing	6,336	(315)	6,021
8,578	(260)	8,318	Specialist Operations	8,906	(311)	8,595
8,847	(286)	8,561	Intelligence	8,991	(286)	8,705
17,982	(1,787)	16,195	Specialist Investigations	20,809	(1,673)	19,136
4,635	(355)	4,280	Investigative Support	3,682	(100)	3,582
2,673	(1,712)	961	National Policing	2,950	(1,929)	1,021
131,983	(11,948)	120,035		136,390	(8,665)	127,725
			Central Services			
1,859	-	1,859	The Corporate and Democratic Core	2,505	-	2,505
118	-	118	Non Distributed Costs	42	-	42
1,977	-	1,977		2,547	-	2,547
133,960	(11,948)	122,012	**Net Cost of Services**	138,937	(8,665)	130,272
10,735	(10,542)	193	Other Operating Expenditure (note 11)	11,395	(10,947)	448
52,821	(3,941)	48,880	Financing and Investment Income and Expenditure (note 12)	54,569	(4,438)	50,131
-	(129,386)	(129,386)	Taxation and Non-Specific Grant Income (note 13)	-	(133,181)	(133,181)
197,516	(155,817)	41,699	**(Surplus) or Deficit on Provision of Services (note 28)**	204,901	(157,231)	47,670
		147	(Surplus) or deficit on revaluation of fixed assets (note 26)			(673)
		118,167	Remeasurements of the net defined benefit liability (asset) (note 40)			(41,359)
		118,314	Other Comprehensive Income and Expenditure			(42,032)
		160,013	Total Comprehensive Income and Expenditure			5,638

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

Comprehensive Income and Expenditure Statement – Police and Crime Commissioner

2012/13 Gross Expenditure £000	Restated 2012/13 Gross Income £000	2012/13 Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
			Police Services			
-	(5,275)	(5,275)	Local policing	126	(2,410)	(2,284)
-	(587)	(587)	Dealing with the Public	27	(395)	(368)
-	(777)	(777)	Criminal Justice	18	(1,246)	(1,228)
-	(909)	(909)	Road Policing	5	(315)	(310)
-	(260)	(260)	Specialist Operations	9	(311)	(302)
-	(286)	(286)	Intelligence	3	(286)	(283)
-	(1,787)	(1,787)	Specialist Investigations	7	(1,673)	(1,666)
-	(355)	(355)	Investigative Support	3	(100)	(97)
-	(1,712)	(1,712)	National Policing	1	(1,929)	(1,928)
-	(11,948)	(11,948)		199	(8,665)	(8,466)
			Central Services			
1,840	-	1,840	The Corporate and Democratic Core	2,485	-	2,485
-	-	-	Non Distributed Costs	-	-	-
135,188	-	135,188	Intra-Group Adjustment for finncial resources consumed	133,785	-	133,785
137,028	-	137,028		136,469	(8,665)	127,804
137,028	(11,948)	125,080	**Net Cost of Services**	136,469	(8,665)	127,804
10,735	(10,542)	193	Other Operating Expenditure (note 11)	11,395	(10,947)	448
521	(53)	468	Financing and Investment Income and Expenditure (note 12)	475	(94)	381
-	(129,386)	(129,386)	Taxation and Non-Specific Grant Income (note 13)	-	(133,181)	(133,181)
148,284	(151,929)	(3,645)	**(Surplus) or Deficit on Provision of Services**	148,339	(152,887)	(4,548)
		147	(Surplus) or deficit on revaluation of fixed assets (note 26)			(673)
		-	Remeasurements of the net defined benefit liability (asset) (note 40)			-
		147	Other Comprehensive Income and Expenditure			(673)
		(3,498)	Total Comprehensive Income and Expenditure			(5,221)

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

Group and Police and Crime Commissioner's Balance Sheet

31 March 2013				31 March 2014	
PCC £000	**Group £000**		Notes	**PCC £000**	**Group £000**
47,507	**47,507**	Property, Plant and Equipment	14	**46,968**	**46,968**
1,037	**1,037**	Intangible Assets	15	**1,288**	**1,288**
830	**830**	Long Term Debtors	18	**680**	**680**
49,374	**49,374**	**Long Term Assets**		**48,936**	**48,936**
745	**745**	Inventories	19	**761**	**761**
12,643	**12,643**	Short Term Debtors	20	**10,795**	**10,795**
4,156	**4,156**	Cash and Cash Equivalents	21	**13,057**	**13,057**
17,544	**17,544**	**Current Assets**		**24,613**	**24,613**
(540)	**(540)**	Short Term Borrowing	18	**(411)**	**(411)**
(10,025)	**(11,709)**	Short Term Creditors	22	**(11,772)**	**(13,120)**
(23)	**(23)**	Grants Receipts in Advance - Capital	23	**(19)**	**(19)**
(10,588)	**(12,272)**	**Current Liabilities**		**(12,202)**	**(13,550)**
(567)	**(567)**	Provisions	24	**(792)**	**(792)**
(10,619)	**(10,619)**	Long Term Borrowing	18	**(10,191)**	**(10,191)**
(30)	**(30)**	Long Term Creditors	39	**(30)**	**(30)**
-	**(1,153,664)**	Other Long Term Liabilities	40	**-**	**(1,164,858)**
(11,216)	**(1,164,880)**	**Long Term Liabilities**		**(11,013)**	**(1,175,871)**
45,114	**(1,110,234)**	**Net Liabilities**		**50,334**	**(1,115,872)**
(22,088)	**(22,088)**	Usable Reserves		**(26,261)**	**(26,261)**
(23,026)	**1,132,322**	Unusable Reserves	26	**(24,073)**	**1,142,133**
(45,114)	**1,110,234**	**Net Reserves**		**(50,334)**	**1,115,872**

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

Group and Police and Crime Commissioner's Cash Flow Statement

Restated 2012/13 PCC £000	Restated 2012/13 Group £000		2013/14 PCC £000	2013/14 Group £000
3,645	**(41,699)**	Net surplus/(deficit) on the provision of services	**4,548**	**(47,670)**
2,804	**48,148**	Adjust net (deficit) or surplus on the provision of services for non cash movements (note 27)	**9,895**	**62,113**
6,449	**6,449**	Net cash flows from Operating Activities	**14,443**	**14,443**
		Investing Activities		
(3,666)	**(3,666)**	Purchase of Property, Plant and Equipment	**(4,985)**	**(4,985)**
567	**567**	Proceeds from the sale of property, plant and equipment	**-**	**-**
		Financing Activities		
(5,368)	**(5,368)**	Repayments of long term loans	**(557)**	**(557)**
(2,018)	**(2,018)**	Net increase/(decrease) in cash and cash equivalents	**8,901**	**8,901**
6,174	**6,174**	Cash and cash equivalents at the beginning of the reporting period	**4,156**	**4,156**
4,156	**4,156**	Cash and cash equivalents at the end of the reporting period (Note 21)	**13,057**	**13,057**

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

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the transactions for the 2013/14 financial year and the position at 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 authority is a going concern and that materiality has been set at the relevant level for the authority
- The following key qualities 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. Given that this change results from the machinery of government changes, Section 9 of the Code requires that the Statement of Accounts are prepared using the principles that apply to group reorganisations. Specifically, as the acquired entity was 100% in public sector ownership both before and after acquisition, merger accounting must be applied.

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 2014. The identification of the Commissioner as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilites of the Commissioner under the Police Reform and Social Responsibility Act 2011.

Following the passing of the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013, the status of the Chief Constable has changed. Chief Constables are now permitted to apply sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions as they would apply to a Local Authority. Prior year restatements in the

Group Accounts have assumed that this statutory override also applied in the previous accounting period.

Prior Year Adjustment

A prior year adjustment has been included due to increased guidance on whether IAS 18 applies to police accounting. The additional guidance states that the Chief Constables accounts should reflect the day-to-day direction and control that the Chief Constable exercises over Police Officers, Police Staff and PCSOs, along with the running costs required to deliver a policing service. A Movement in Reserves Statement and Income and Expenditure Statement have been produced to reflect this for both this year and the prior year.

Pensions and other liabilities in respect of the officers and staff whose costs have been recognised in the Chief Constable's Income and Expenditure Statement have intially been recognised in the Balance Sheet of the Chief Constable.

A further prior year adjustment has been included as a result of the amendments to IAS 19 – Employee Benefits made in June 2011. The additional disclosure of the measurement of the net defined benefit asset or liability required an adjustment between realised and unrealised gains and losses, but with no overall effect on the total post employment benefit charged to the comprehensive income and expenditure account.

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.

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.

Exceptional Items

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

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.

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 provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision 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

<u>Benefits Payable During Employment</u>

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 Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

<u>Termination Benefits</u>

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 is demonstrably committed to either terminating the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

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

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). As the cost of pensions provided to staff under the direction and control of the Police and Crime Commissioner is not material, the cost of providing pensions to all staff is included in the Chief Constable's Accounts.

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 2013/14.

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 pensions liabilities but are not normally covered by actuarial assumptions.

Settlements are irrevocable actions that relieve the employer of the primary responsibility for pensions 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 Authority).

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.

<u>Actual amount charged against the General Fund Balance for pensions in the year</u>

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.

<u>Loans and Receivables</u>

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 the asset are credited/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/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 nature of the collection is such that the Group does not consider it practicable to obtain a valuation and consequently the assets are not recognised in the Balance Sheet. 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.

Jointly Controlled Operations

Jointly controlled 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 31).

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 benefiting from the supply applying the total absorption costing principal in accordance with the CIPFA Service Reporting Code of Practice 2013/14 (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 2013/14 have been carried out by the Group's own valuer: Mr C Luscombe FRICS IRRV (Head of Estates and Facilities Management).

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.

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 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation

- Annual Improvements to IFRSs 2009 – 2011 Cycle

The relevant amendments are set out in Appendix C of the 2013/14 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 adpotion 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. Depreciation and amortisation charges have been included in the Chief Constable's Comprehensive Income and Expenditure Statement to serve as a proxy for lease charges for the use of the PCC's assets.

A further critical judgement made in applying the accounting policies is that the restatement of prior year comparatives will assume that the statutory override permitted by the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 applied in the previous period also.

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)	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.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings increases by £45k for every year that useful lives are reduced.
	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.	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 £346k on the net book value of land and buildings.
Pensions Liability	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 Commissioner 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.	The effects on the net pension liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2013/14, the Commissioners's actuaries advised that the net pension liability had decreased by £34.80m for Police Pension Schemes and increased £10.59m for Police Staff Pensions as a result of estimates being amended as a result of experience and decreased by £47.01m attributable to updated assumptions.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30th June 2014. Events taking place after this date are not reflected in the statement of accounts or notes.

No other events taking place before this date provided information about conditions existing at 31 March 2014 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 year adjustment has been included in the Police and Crime Commisioner's Accounts due to increased guidance on whether IAS 18 applies to police accounting. The additional guidance states that the Police and Crime Commissioner's Accounts should reflect the day-to-day direction and control that the Chief Constable exercises over Police Officers, Police Staff and PCSOs, and should also not include the running costs required to deliver a policing service.

The effects of the restatement are as follows:

- Revenue expenditure directly relating to those budgets delegated to the Chief Constable for the provision of policing services are not included within the Police and Crime Commissioner's Accounts;
- The cost of employing and providing pensions to police officers and staff under the direction and control of the Chief Constable, including the expense associated with IAS 19 pensions and accumulated staff absences, are not included within the Police and Crime Commissioner's Accounts, even though in legal form all police officers and staff were employed by the Police and Crime Commissioner during Stage 1;
- The depreciation on property, plant and equipment assets has been removed from the Police and Crime Commissioner's Accounts and instead charged to the Chief Constable's Accounts, as a proxy for lease charges for the use of the Police and Crime Commissioner's assets;
- An intra-group adjustment has been made between the Police and Crime Commissioner's Comprehensive Income and Expenditure Statement and that of the Chief Constable for the financial resources consumed at the request of the Chief Constable;
- The Police and Crime Commissioner's Balance Sheet no longer contains the net liabilities associated with IAS 19 pensions and accumulated staff absences offset by unusable reserves.

The fully restated 2012/13 Movement in Reserves Statement is provided on page 6. The adjustments that have been made to the Movement in Reserves Statement over the version published in the 2012/13 Statement of Accounts are as follows:

	As Previously Stated 2012/13		**As Restated 2012/13**		**Correction 2012/13**	
	Usable Reserves £000	Unusable Reserves £000	Usable Reserves £000	Unusable Reserves £000	Usable Reserves £000	Unusable Reserves £000
Balance at 1 April 2012	**26,209**	**(976,430)**	**26,209**	**15,406**	**-**	**991,836**
Surplus or (deficit) on provision of services	(41,051)	-	3,645	-	44,696	-
Other Comprehensive Expenditure and Income	-	(118,962)	-	(147)	-	118,815
Total Comprehensive Expenditure and Income	**(41,051)**	**(118,962)**	**3,645**	**(147)**	**44,696**	**118,815**
Adjustments between accounting basis & funding basis under regulations	36,930	(36,930)	(7,766)	7,766	(44,696)	44,696
Increase/(Decrease) in 2012/13	**(4,121)**	**(155,892)**	**(4,121)**	**7,619**	**-**	**163,511**
Balance at 31 March 2013	**22,088**	**(1,132,322)**	**22,088**	**23,025**	**-**	**1,155,347**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

The fully restated 2012/13 Comprehensive Income and Expenditure Statement is provided on page 8. The adjustment of the Comprehensive Income and Expenditure Statement from the version published in the 2012/13 Statement of Accounts is as follows:

	As Previously Stated 2012/13			As Restated 2012/13		
	Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Police Services						
Local policing	56,658	(5,275)	51,383	-	(5,275)	(5,275)
Dealing with the Public	15,443	(587)	14,856	-	(587)	(587)
Criminal Justice	10,486	(777)	9,709	-	(777)	(777)
Road Policing	6,681	(909)	5,772	-	(909)	(909)
Specialist Operations	8,578	(260)	8,318	-	(260)	(260)
Intelligence	8,847	(286)	8,561	-	(286)	(286)
Specialist Investigations	17,982	(1,787)	16,195	-	(1,787)	(1,787)
Investigative Support	4,635	(355)	4,280	-	(355)	(355)
National Policing	2,673	(1,712)	961	-	(1,712)	(1,712)
	131,983	(11,948)	120,035	-	(11,948)	(11,948)
Central Services						
The Corporate and Democratic Core	1,859	-	1,859	1,840	-	1,840
Non Distributed Costs	118	-	118	-	-	-
Intra-Group Adjustment for finncial resources consumed	-	-	-	135,188	-	135,188
	1,977	-	1,977	137,027	-	137,027
Net Cost of Services	**133,960**	**(11,948)**	**122,012**	**137,027**	**(11,948)**	**125,079**
Financing and Investment Income and Expenditure	52,821	(4,589)	48,232	521	(53)	468
(Surplus) or Deficit on Provision of Services	**197,516**	**(156,465)**	**41,051**	**148,283**	**(151,929)**	**(3,645)**
Remeasurements of the net defined benefit liability (asset)			118,815			-
Other Comprehensive Income and Expenditure			**118,962**			-
Total Comprehensive Income and Expenditure			**160,013**			**(3,498)**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

Correction 2012/13

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Services			
Local policing	(56,658)	-	(56,658)
Dealing with the Public	(15,443)	-	(15,443)
Criminal Justice	(10,486)	-	(10,486)
Road Policing	(6,681)	-	(6,681)
Specialist Operations	(8,578)	-	(8,578)
Intelligence	(8,847)	-	(8,847)
Specialist Investigations	(17,982)	-	(17,982)
Investigative Support	(4,635)	-	(4,635)
National Policing	(2,673)	-	(2,673)
	(131,983)	-	(131,983)
Central Services			
The Corporate and Democratic Core	(19)	-	(19)
Non Distributed Costs	(118)	-	(118)
Intra-Group Adjustment for finncial resources consumed	135,188	-	135,188
	135,050	-	135,050
Net Cost of Services	**3,067**	**-**	**3,067**
Financing and Investment Income and Expenditure	(52,300)	4,536	(47,764)
(Surplus) or Deficit on Provision of Services	**(49,233)**	**4,536**	**(44,696)**
Remeasurements of the net defined benefit liability (asset)			(118,815)
Other Comprehensive Income and Expenditure			**(118,962)**
Total Comprehensive Income and Expenditure			**(163,511)**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

The fully restated 2012/13 Balance Sheet is provided on page 9. The adjustments that have been made to the Balance Sheet over the version published in the 2012/13 Statement of Accounts are as follows:

	As Previously Stated 2012/13	As Restated 2012/13	IAS 18 Correction 2012/13
	£000	**£000**	**£000**
Short Term Creditors	(11,709)	(10,025)	1,684
Current Liabilities	**(12,272)**	**(10,588)**	**1,684**
Other Long Term Liabilities	(1,153,664)	-	1,153,664
Long Term Liabilities	**(1,164,880)**	**(11,216)**	**1,153,664**
Net Liabilities	**(1,110,234)**	**45,114**	**1,155,348**
Unusable Reserves	1,132,322	(23,026)	(1,155,348)
Net Reserves	**1,110,234**	**(45,114)**	**(1,155,348)**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

The fully restated 2012/13 Cash Flow Statement is provided on page 10. The adjustments that have been made to the Cash Flow Statement over the version published in the 2012/13 Statement of Accounts are as follows:

	As Previously Stated 2012/13	**As Restated 2012/13**	**Correction 2012/13**
	£000	**£000**	**£000**
Net surplus/(deficit) on the provision of services	(41,051)	3,645	44,696
Adjust net (deficit) or surplus on the provision of services for non cash movements	47,500	2,804	(44,696)
Net cash flows from Operating Activities	**6,449**	**6,449**	**-**
Net increase/(decrease) in cash and cash equivalents	**(2,018)**	**(2,018)**	**-**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

A further prior year adjustment has been included in the Group Accounts as a result of the amendments to IAS 19 – Employee Benefits made in June 2011. The additional disclosure of the measurement of the net defined benefit asset or liability required an adjustment between realised and unrealised gains and losses, but with no overall effect on the total post employment benefit charged to the comprehensive income and expenditure account.

The effect of this restatement is a presentational change of £0.648m within the Group Comprehensive Income and Expenditure Statement, increasing the interest costs within the "Financing and Investment Income and Expenditure" line of the Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services, and reducing the costs in the "Other Comprehensive Income and Expenditure" line. This does not change the overall figure for Total Comprehensive Income and Expenditure, nor does it impact on the Balance Sheet.

The fully restated 2012/13 Movement in Reserves Statement is provided on page 5. The adjustments that have been made to the Movement in Reserves Statement over the version published in the 2012/13 Statement of Accounts are as follows:

	As Previously Stated 2012/13		**As Restated 2012/13**		**Correction 2012/13**	
	Usable Reserves £000	Unusable Reserves £000	Usable Reserves £000	Unusable Reserves £000	Usable Reserves £000	Unusable Reserves £000
Balance at 1 April 2012	**26,209**	**(976,430)**	**26,209**	**(976,430)**	**-**	**-**
Surplus or (deficit) on provision of services	(41,051)	-	(41,699)	-	648	-
Other Comprehensive Expenditure and Income	-	(118,962)	-	(118,314)	-	(648)
Total Comprehensive Expenditure and Income	**(41,051)**	**(118,962)**	**(41,699)**	**(118,314)**	**648**	**(648)**
Adjustments between accounting basis & funding basis under regulations	36,930	(36,930)	37,578	(37,578)	(648)	648
Increase/(Decrease) in 2012/13	**(4,121)**	**(155,892)**	**(4,121)**	**(155,892)**	**-**	**-**
Balance at 31 March 2013	**22,088**	**(1,132,322)**	**22,088**	**(1,132,322)**	**-**	**-**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

The fully restated 2012/13 Comprehensive Income and Expenditure Statement is provided on page 7. The adjustment of the Comprehensive Income and Expenditure Statement from the version published in the 2012/13 Statement of Accounts is as follows:

	As Previously Stated 2012/13			As Restated 2012/13		
	Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Financing and Investment Income and Expenditure	52,821	(4,589)	48,232	52,821	(3,941)	48,880
(Surplus) or Deficit on Provision of Services	**197,516**	**(156,465)**	**41,051**	**197,516**	**(155,817)**	**41,699**
Remeasurements of the net defined benefit liability (asset)			118,815			118,167
Other Comprehensive Income and Expenditure			**118,962**			**118,314**
Total Comprehensive Income and Expenditure			**160,013**			**160,013**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

Correction 2012/13

	Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**
Financing and Investment Income and Expenditure	-	648	648
(Surplus) or Deficit on Provision of Services	**-**	**648**	**648**
Remeasurements of the net defined benefit liability (asset)			(648)
Other Comprehensive Income and Expenditure			**(648)**
Total Comprehensive Income and Expenditure			-

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

The fully restated 2012/13 Cash Flow Statement is provided on page 10. The adjustments that have been made to the Cash Flow Statement over the version published in the 2012/13 Statement of Accounts are as follows:

	As Previously Stated 2012/13	**As Restated 2012/13**	**Correction 2012/13**
	£000	**£000**	**£000**
Net surplus/(deficit) on the provision of services	(41,051)	(41,699)	(648)
Adjust net (deficit) or surplus on the provision of services for non cash movements	47,500	48,148	648
Net cash flows from Operating Activities	**6,449**	**6,449**	**-**
Net increase/(decrease) in cash and cash equivalents	**(2,018)**	**(2,018)**	**-**

Note: figures may not cast as only lines that have changed, plus relevant totals are shown

7. Intra Group Funding Arrangements Between the Police and Crime Commisioner 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.

2012/13 £000		2013/14 £000
	Comprehensive Income and Expenditure Statement	
135,188	PCC resources consumed at the request of the CC	133,785
(135,188)	PCC funding for resources comsumed at the request of the CC	(133,785)

The PCC charges the Chief Constable for operational assets consumed in the year. The charge is made at fair value. The annual depreciation charge and impairments and downward valuations chargeable to the PCC's Comprehensive Income and Expenditure Statement are considered to be a reasonable proxy for fair value.

During 2013/14 the Chief Constable approved a total of £637,228.44 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 above.

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 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.

2012/13 Usable Reserves General Fund Balance £000	2012/13 Usable Reserves Earmarked General Fund Reserves £000	2012/13 Usable Reserves Capital Receipts Reserve £000	2012/13 Movement in Unusable Reserves £000		2013/14 Usable Reserves General Fund Balance £000	2013/14 Usable Reserves Earmarked General Fund Reserves £000	2013/14 Usable Reserves Capital Receipts Reserve £000	2013/14 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>				
4,694	-	-	(4,694)	Charges for depreciation and impairment of non-current assets	4,715	-	-	(4,715)
142	-	-	(142)	Revaluation losses on property, plant and equipment	57	-	-	(57)
123	-	-	(123)	Amortisation of intangible assets	295	-	-	(295)
(1,644)	-	-	1,644	Capital grants and contributions that have been applied to capital financing	(1,179)	-	-	1,179
1,590	-	-	(1,590)	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	448	-	-	(448)
(258)	-	-	258	Use of Reserves to finance new capital expenditure	(750)	-	-	750
				<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
(3,432)	-	-	3,432	Capital expenditure charged against the General Fund	(2,630)	-	-	2,630
(7,947)	-	-	7,947	Statutory provision for the financing of capital investment	(908)	-	-	908

				Adjustments involving the Capital Receipts Reserve:				
(1,397)	-	567	830	Transfer of sales proceeds credited as part of the (loss)/gain on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
-	-	(79)	79	Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
				Adjustments involving the Pensions Reserve:				
74,731	-	-	(74,731)	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	82,913	-	-	(82,913)
(29,271)	-	-	29,271	Employer's pensions contributions and direct payments to pensioners payable in the year	(30,359)	-	-	30,359
				Adjustments involving the Collection Fund Adjustment Account:				
(125)	-	-	125	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	(423)	-	-	423
				Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
(116)	-	-	116	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 accordance with statutory requirements	(336)	-	-	336
37,090	-	488	(37,578)		51,843	-	-	(51,843)

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.

2012/13 Usable Reserves General Fund Balance £000	2012/13 Usable Reserves Earmarked General Fund Reserves £000	2012/13 Usable Reserves Capital Receipts Reserve £000	2012/13 Movement in Unusable Reserves £000		2013/14 Usable Reserves General Fund Balance £000	2013/14 Usable Reserves Earmarked General Fund Reserves £000	2013/14 Usable Reserves Capital Receipts Reserve £000	2013/14 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>				
4,694	-	-	(4,694)	Charges for depreciation and impairment of non-current assets	4,715	-	-	(4,715)
142	-	-	(142)	Revaluation losses on property, plant and equipment	57	-	-	(57)
123	-	-	(123)	Amortisation of intangible assets	295	-	-	(295)
(1,644)	-	-	1,644	Capital grants and contributions that have been applied to capital financing	(1,179)	-	-	1,179
1,590	-	-	(1,590)	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	448	-	-	(448)
(258)	-	-	258	Use of Reserves to finance new capital expenditure	(750)	-	-	750
				<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
(3,432)	-	-	3,432	Capital expenditure charged against the General Fund	(2,630)	-	-	2,630
(7,947)	-	-	7,947	Statutory provision for the financing of capital investment	(908)	-	-	908

				Adjustments involving the Capital Receipts Reserve:				
(1,397)	-	567	830	Transfer of sales proceeds credited as part of the (loss)/gain on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
-	-	(79)	79	Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
				Adjustments involving the Collection Fund Adjustment Account:				
(125)	-	-	125	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	(423)	-	-	423
(8,254)	-	488	7,766		(375)	-	-	375

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 2013/14.

	Balance 31 March 2012	2012/13		Balance 31 March 2013	2013/14		Balance 31 March 2014
		Added to Reserve	Applied		Added to Reserve	Applied	
	£000	£000	£000	£000	£000	£000	£000
Innovation Reserve	624	-	(32)	592	-	-	592
Carry Forward Underspending Reserve	1,991	1,114	(1,991)	1,114	985	(1,114)	985
Insurance Reserve	1,895	-	(867)	1,028	-	(120)	908
Ill-Health Retirement Reserve	627	-	-	627	-	-	627
Capital Reserve	10,908	5,120	(9,753)	6,275	-	(750)	5,525
Operational Maintenance Reserve	500	-	(500)	-	-	-	-
Collaboration Initiatives Reserve	1,350	1,016	(350)	2,016	90	-	2,106
Recruitment Reserve	474	-	(474)	-	-	-	-
Reorganisation Reserve	677	-	(677)	-	-	-	-
Drug Forfeiture (Operational) Reserve	96	81	-	177	-	(80)	97
Operational Contingency Reserve	-	500	-	500	-	-	500
Metis Programme Year 3 and 4 Reserve	-	-	-	-	2,000	-	2,000
Budget Assistance Reserve	-	-	-	-	2,625	-	2,625
Capital Carry Forward Reserve	-	-	-	-	537	-	537
							-
	19,142	7,831	(14,644)	12,329	6,237	(2,064)	16,502

Innovation

This reserve is maintained to pump prime schemes which may achieve savings in the medium term.

Carry Forward Underspending

Funds transferred to the Carry Forward Underspending 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.

Operational Maintenance

This reserve has been established to provide flexibility in financing urgent replacements of critical operational equipment.

Collaboration Initiatives

This reserve can provide the funding for any new systems required to enable effective collaboration with partners.

Recruitment

This reserve has been established to finance short-term over recruitment of Police Officers in order to maximise resources to the front line.

Reorganisation

The reserve will be used to finance redundancy costs and the capital (one-off lump sum payments to the Local Government Pension Scheme) costs of early retirement.

Drug Forfeiture (Operational)

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

Operational Contingency

This reserve has been established to fund emerging operational pressures and priorities, at the request of the Chief Constable.

Metis Programme Year 3 and 4

The reserve has been established to fund years 3 and 4 of Programme Metis, designed to transform and modernise the way that policing in Cambridgeshire is delivered.

Budget Assistance

The reserve has been established to meet budget pressures in future years, 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.

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

2012/13 £000		2013/14 £000
(10,542)	Pension Top Up Grant Received from Home Office	(10,947)
10,542	Pension Top Up Grant Transferred to Pension Fund	10,947
193	Losses on the disposal of non-current assets	448
193		448

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

2012/13 PCC £000	2012/13 Group £000		2013/14 PCC £000	2013/14 Group £000
521	521	Interest payable and similar charges	475	475
-	52,300	Pensions interest cost	-	54,094
-	(3,888)	Expected return on pension assets	-	(4,344)
(53)	(53)	Interest receivable and similar income	(94)	(94)
468	48,880		381	50,131

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

2012/13 £000		2013/14 £000
(48,716)	Council tax income	(45,812)
(552)	Revenue Support Grant	-
(27,281)	Non-domestic rates	(26,544)
(51,193)	Non-ringfenced government grants	(59,646)
(1,644)	Capital grants and contributions	(1,179)
(129,386)		(133,181)

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 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	39,173	13,619	4,432	7,022	2,193	66,439
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	(4,604)	(7,885)	(3,133)	(3,849)	-	(19,471)
Net book value						
31 March 2014	34,569	5,734	1,299	3,173	2,193	46,968
31 March 2013	32,615	6,458	1,502	2,888	4,044	47,507

Comparative Movement in 2012/13

	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 2012	36,057	20,504	4,440	6,610	4,094	71,705
Additions	670	463	943	1,466	1,848	5,390
Disposals	-	-	-	(1,159)	-	(1,159)
Reclassifications	95	584	75	66	(1,898)	(1,078)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23	-	-	-	-	23
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(349)	-	-	-	-	(349)
At 31 March 2013	36,496	21,551	5,458	6,983	4,044	74,532
Accumulated depreciation						
At 1 April 2012	(2,973)	(12,688)	(3,341)	(4,274)	-	(23,276)
Charge for 2012/13	(945)	(2,405)	(615)	(729)	-	(4,694)
Disposals	-	-	-	908	-	908
Reclassifications	-	-	-	-	-	-
Revaluations depreciation written out to the Revaluation Reserve	11	-	-	-	-	11
Revaluations depreciation written out to Surplus/Deficit on the Provision of Services	26	-	-	-	-	26
At 31 March 2013	(3,881)	(15,093)	(3,956)	(4,095)	-	(27,025)
Net book value						
31 March 2013	32,615	6,458	1,502	2,888	4,044	47,507
31 March 2012	33,084	7,816	1,099	2,336	4,094	48,429

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 2014 (31 March 2013 £nil).

Revaluations

The following statement shows the progress of the Commissioners's programme of the revaluation of property, plant and equipment. Asset values 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 2013/14 have been carried out by the Commissioner’s own valuer: Mr C Luscombe FRICS IRRV (Head of Estates and Facilities Management) 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:	1,883	-	13,619	4,432	7,022	26,956
Valued at current Value in:						
2013/14	-	6,607	-	-	-	6,607
2012/13	-	1,666	-	-	-	1,666
2011/12	-	5,805	-	-	-	5,805
2010/11	-	13,919	-	-	-	13,919
2009/10	-	11,176	-	-	-	11,176
	1,883	39,173	13,619	4,432	7,022	66,129

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 £295k (2012/13 £123k) is chargeable to Police Services in the Comprehensive Income and Expenditure Statement.

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

	2013/14 £000	2012/13 £000
Balance at start of year:		
Gross carrying amount	2,188	1,086
Accumulated amortisation	(1,151)	(1,028)
Net carrying amount at start of year	1,037	58
Additions	96	23
Reclassifications from assets under construction	450	1,079
Disposals	(851)	-
Amortisation for the period	(295)	(123)
Amortisation on disposals	851	
Net carrying amount at end of year	1,288	1,037
Comprising:		
Gross carrying amount	1,883	2,188
Accumulated amortisation	(595)	(1,151)
	1,288	1,037

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 Assets Held for Sale

	2013/14 £'000	2012/13 £'000
Balance at 1 April	-	**1,337**
Assets newly classified as held for sale:		
- Land and buildings	-	-
- Helicopter	-	-
Disposals	-	**(1,337)**
Balance at 31 March	-	-

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

Categories of Financial Instruments

	Long Term		Current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Loans and Receivables	**680**	830	**2,413**	2,421
Total Debtors	**680**	830	**2,413**	2,421
Public Works Loan Board loans	**10,191**	10,619	**411**	540
Loans from other local authorities	**-**	-		-
Other liabilities	**-**	-	**8,235**	9,566
Cash Overdrawn	**-**	-		-
Total Creditors	**10,191**	10,619	**8,646**	10,106

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

Income, Expense, Gains and Losses

	2013/14		2012/13	
	Financial Liabilities: Measured at amortised cost	**Financial Assets: Loans and Receivables**	Financial Liabilities: Measured at amortised cost	Financial Assets: Loans and Receivables
	£000	**£000**	£000	£000
Interest expense	**475**	-	521	-
Impairment losses	-	-	-	-
Total expense in surplus or (deficit) on the provision of services	**475**	-	521	-
Interest Income	-	**(94)**	-	(53)
Total income in surplus or (deficit) on the provision of services	-	**(94)**	-	(53)
Net gain/(loss) for the year	**475**	**(94)**	521	(53)

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 2014 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 2013 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 2014 of 2.46% to 2.82% 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 after making an allowance for impairment.

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

	31 March 2014		31 March 2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities at amortised cost:				
Public Works Loan Board Loans	(10,601)	(12,300)	(11,527)	(14,299)

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.

19. Group and Police and Crime Commissioner's Inventories

	Uniform Stores	
	2013/14	**2012/13**
	£000	**£000**
Balance at 1 April	**745**	**529**
Purchases	**1,469**	**1,461**
Recognised as an expense in the year	**(430)**	**(391)**
Recharged to collaboration partners	**(1,023)**	**(854)**
Balance at 31 March	**761**	**745**

20. Group and Police and Crime Commissioner's Debtors

	2013/14	2012/13
	£000	£000
Central Government Bodies	**3,122**	5,535
Other Local Authorities	**3,933**	3,893
NHS Bodies	**3**	17
Other Entities and Individuals	**3,737**	3,198
	10,795	12,643

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

	2013/14	**2012/13**
	£000	**£000**
Cash held by the Commissioner	**9**	**11**
Bank current accounts	**(34)**	**(770)**
Short term deposits	**13,082**	**4,915**
	13,057	**4,156**

22. Group and Police and Crime Commissioner's Creditors

	2013/14		2012/13	
	PCC	**Group**	**PCC**	**Group**
	£000	**£000**	**£000**	**£000**
Central Government Bodies	**(2,568)**	**(2,569)**	(174)	(174)
Other Local Authorities	**(5,680)**	**(5,680)**	(5,213)	(5,213)
NHS Bodies	**(17)**	**(17)**	(2)	(2)
Public Corporations and Trading Funds	**-**	**-**	(5)	(5)
Other Entities and Individuals	**(3,507)**	**(4,854)**	(4,631)	(6,315)
	(11,772)	**(13,120)**	**(10,025)**	**(11,709)**

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

The Group has received a number of grants that have yet to be recognised as income as they have conditions attached to them which, if unfulfilled, will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2013/14	2012/13
	£000	**£000**
National Police Improvement Agency grant for case and custody system	**(19)**	**(23)**
	(19)	**(23)**

24. Group and Police and Crime Commissioner's Provisions

Insurance

The balance at 31 March 2014 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.

	Insurance	Insurance
	2013/14	2012/13
	£000	£000
Balance at 1 April	**567**	740
Amounts used in year	**-**	(173)
Increase in year	**225**	-
Balance at 31 March	**792**	567

25. 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.

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

	2013/14		2012/13	
	Group	**PCC**	Group	PCC
		£000	£000	£000
Revaluation Reserve	2,640	2,640	2,055	2,055
Capital Adjustment Account	20,375	20,375	20,335	20,335
Pensions Reserve	(1,164,857)	-	(1,153,662)	-
Collection Fund Adjustment Account	228	228	(195)	(195)
Accumulating Compensated Absence Adjustment Account	(1,349)	-	(1,685)	-
Deferred Capital Receipts Reserve	830	830	830	830
	(1,142,133)	**24,073**	(1,132,322)	23,025

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.

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.

	2013/14	2012/13
	£000	£000
Balance at 1 April	2,055	2,323
Upward revaluation of assets	737	13
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(64)	(160)
Accumulated gains on assets sold or scrapped	-	(55)
Difference between fair value depreciation and historical cost depreciation	(88)	(66)
Balance at 31 March	**2,640**	2,055

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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement 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 enhancement.

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.

	2013/14 £000	2012/13 £000
Balance at 1 April	20,335	13,403
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	(4,715)	(4,694)
Revaluation losses on Property, Plant and Equipment	(57)	(142)
Amortisation of intangible assets	(295)	(123)
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	(448)	(1,535)
Revaluation gains written down in the year	88	66
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	79
Capital grants credited to the Comprehensive Income and Expense Statement that have been applied to capital financing	1,179	1,644
Use of the Reserves to finance new capital expenditure	750	258
Statutory provision for the financing of capital investment charged against the General Fund *	908	7,947
Capital expenditure charged against the General Fund	2,630	3,432
Balance at 31 March	**20,375**	20,335

* 2012/13 figure includes a one-off additional amendment of £6.9m for retrospective application for financing of capital investment, funded from reserves

Pension Reserve (Group)

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 40.

	2013/14 **£000**	Restated 2012/13 £000
Balance at 1 April	(1,153,662)	(990,035)
Actuarial gains or losses on pensions assets and liabilities	41,359	(118,167)
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	(82,913)	(74,731)
Employer's pensions contributions and direct payments to pensioners payable in the year	30,359	29,271
	(1,164,857)	(1,153,662)

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.

	2013/14 **£000**	2012/13 £000
Balance at 1 April	(195)	(320)
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	423	125
Balance at 31 March	**228**	(195)

Accumulating Compensated Absences Adjustment Account (Group)

The Accumulating Compensated Absences Adjustment 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.

	2013/14	2012/13
	£000	£000
Balance at 1 April	(1,685)	(1,801)
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	336	116
Balance at 31 March	**(1,349)**	(1,685)

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.

	2013/14	2012/13
	£000	£000
Balance at 1 April	**830**	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	830
Balance at 31 March	**830**	830

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

The cash flows for operating activities include the following items:

2012/13 PCC £000	2012/13 Group £000		2013/14 PCC £000	2013/14 Group £000
4,694	4,694	Depreciation	**4,715**	**4,715**
142	142	Impairment and downward valuations	**57**	**57**
123	123	Amortisation	**295**	**295**
(332)	(332)	Increase/decrease in creditors	**2,596**	**2,596**
(1,157)	(1,157)	Increase/decrease in debtors	**1,998**	**1,998**
(217)	(217)	Increase/decrease in inventories	**(16)**	**(16)**
-	45,460	Movement in Pension Liability	**-**	**52,554**
1,590	1,590	Carry amount of non-current assets and non current assets held for sale, sold or derecognised	**448**	**448**
(2,039)	(2,155)	Other non-cash items charged to the net surplus or deficit on the provision of services	**(198)**	**(534)**
2,804	48,148		**9,895**	**62,113**

28. 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.

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

	Police Services £000 2013/14	Police Services £000 2012/13
Government Grants	-	3,876
Income from Fees and Charges	2,413	3,748
Total Income	**2,413**	7,624
Employee Expenses	90,172	97,047
Premises Expenses	3,925	4,073
Transport Expenses	1,550	2,099
Supplies and Services	39,573	37,753
Total Expenditure	**135,220**	140,972
Net Expenditure	**132,807**	133,348

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.

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 Initatives	18,804	(18,804)			-
Total Chief's Expenditure	**125,834**	**6,118**	**(708)**	**-**	**131,244**
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 Balanc	589	2,041	(2,630)		-
Loss on Disposal of Fixed Assets	-	448			448
Financing and investment Income and Expenditure	475	49,656			50,131
Contributions from reserves	5,134	(960)	(4,174)		-
Total PCC's Expenditure	**9,386**	**56,599**	**(7,712)**	**-**	**58,273**
(Surplus) or deficit on the provision of services	**132,807**	**56,135**	**(8,420)**	**(132,852)**	**47,670**

2012/13

	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	3,876	723	-	80,669	85,268
Income from Fees and Charges	3,748	3,603	-	-	7,351
Income from council tax	-	125	-	48,591	48,716
Total Income	**7,624**	**4,451**	**-**	**129,260**	**141,335**
Employee expenses	97,047	7,660	-	-	104,707
Premises	4,073	85	-	-	4,158
Transport	2,099	493	-	-	2,592
Supplies and services	37,753	(8,832)	(11,379)	-	17,542
Depreciation and Impairment of Fixed Assets	-	4,962	-	-	4,962
Loss on Disposal of Fixed Assets	-	193	-	-	193
Financing and investment Income and Expenditure	-	48,880	-	-	48,880
Total Expenditure	**140,972**	**53,441**	**(11,379)**	**-**	**183,034**
(Surplus) or deficit on the provision of services	**133,348**	**48,990**	**(11,379)**	**(129,260)**	**41,699**

29. Office of the Police and Crime Commissioner Costs

	Commissioner and OPCC	Commissioner and OPCC	Police Authority *	Total
	£000	£000	£000	£000
	2013/14	2012/13	2012/13	2012/13
Members' Allowances	**6**	-	124	124
Other Members' Costs	**-**	-	10	10
Commissioner and Deputy (incl oncosts and expenses)	**109**	38	-	38
Office Staffing Costs (including Agency Staff)	**438**	528	-	528
Legal Fees	**6**	21	-	21
External Audit Fees	**40**	76	-	76
Internal Audit Fees	**46**	56	-	56
Other office and running expenses	**82**	117	-	117
Community Safety Grants	**828**	79	-	79
Victims Commissioning Grants	**232**	-	-	-
Total Expenditure	**1,787**	914	134	1,048
Community Safety Grant	**(924)**	(83)	-	(83)
Victims Commissioning Grant	**(244)**	-	-	-
Restorative Justice Grant	**(55)**	-	-	-
Other Income	-	(7)	-	(7)
Net Expenditure	**563**	824	134	958

* Only Police Authority Members' costs have been separately identified. Remaining costs could be broadly appointioned as 7.7 months Police Authority and 4.3 months Police and Crime Commssioner.

30. Members' Allowances (Police Authority)

The total amount of members' allowances and expenses paid during the 2013/14 financial year was £5,879 (2012/13 £134,087). Details of members' allowances have been published on the Commissioner's website and are available on request.

31. Pooled Budgets

The Group has entered into a pooled budget arrangement with the 5 other eastern forces for the provision of tackling organised crime.

The arrangement is between the forces of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk and the table below shows the percentage of expenditure attributable to each force.

Force	**2013/14** %	2012/13 %
Bedfordshire	18.3%	18.3%
Cambridgeshire	16.9%	16.9%
Essex	4.6%	4.6%
Hertfordshire	26.1%	26.1%
Norfolk	19.4%	19.4%
Suffolk	14.8%	14.8%

Any surplus/deficit at the end of the year is shared on the percentages stated taking into account the income and capital expenditure met by each force. The pooled budget is hosted by Hertfordshire Constabulary on behalf of the six forces in the agreement.

	2013/14 £'000	2012/13 £'000
Funding Provided to the pooled budget:		
Cambridgeshire	**967**	1,001
Other Forces	**4,753**	4,783
	5,720	5,784
Revenue expenditure met from the pooled budget		
Cambridgeshire	**776**	961
Other Forces	**3,815**	4,734
	4,591	5,695
Capital expenditure met from the pooled budget		
Cambridgeshire	**19**	11
Other Forces	**1,075**	77
	1,094	88
Net (deficit)/surplus arising on the pooled budget during the year	**35**	1

The following assets are included on the balance sheet and are related to jointly controlled operations.

	2013/14 £000	2012/13 £'000
Vehicles	-	21
Capital Adjustment Account	-	21

Bedfordshire, Cambridgeshire and Hertfordshire Collaborative Units – Jointly Controlled Operations

Cambridgeshire Constabulary participates in collaborative arrangements with Bedfordshire Police and Hertfordshire Constabulary and plans to participate in further existing and new arrangements in the future. The collaborated units are jointly staffed and funded by the two or three forces as appropriate. The material benefits from working together include improved efficiency, effectiveness and resilience for each of the forces. The first collaborative unit was the Bedfordshire and Hertfordshire Major Crime Unit (B&HMCU) which became operational during November 2007. The table below sets out the aggregate income and expenditure on all collaborative units.

	2013/14	2012/13
	£'000	£'000
Running costs	**63,464**	58,412
Set up costs	**240**	88
Total expenditure	**63,704**	58,500
Contributions:		
Bedfordshire Police	**(18,162)**	(18,333)
Cambridgeshire Constabulary	**(16,303)**	(9,919)
Hertfordshire Constabulary	**(29,239)**	(30,248)
(Surplus) / deficit for the year	**-**	-

The following assets are included on the balance sheet and are related to jointly controlled operations.

	2013/14	2012/13
	£'000	£'000
ICT and Comms	**192**	233
Vehicles	**5**	-
Capital Adjustment Account	**197**	233

32. 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 £
Police and Crime Comissioner Accounts								
Police & Crime Commissioner * †	**2013/14**	**71,607**	**-**	**-**	**-**	**71,607**	**-**	**71,607**
- Sir Graham Bright	2012/13	25,083	-	-	-	25,083	-	25,083
Deputy Police & Crime Commissioner * †	**2013/14**	**28,047**	**-**	**-**	**-**	**28,047**	**-**	**28,047**
- Mr B Ashton	2012/13	8,581	-	-	-	8,581	-	8,581
Chief Executive *	**2013/14**	**90,539**	**-**	**-**	**-**	**90,539**	**17,066**	**107,605**
	2012/13	89,300	-	-	-	89,300	15,538	104,838
Chief Finance Officer (OPCC) **	**2013/14**	**34,651**	**-**	**-**	**10,000**	**44,651**	**-**	**44,651**
	2012/13	82,943	-	-	-	82,943	-	82,943

* Part-time

** The post of Chief Finance Officer (OPCC) was occupied on a 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.

† 2012/13 not full year costs. Start dates: Sir Graham Bright 22/11/2012; Mr B Ashton 11/12/2012

		Salaries, fees & allowances	Bonuses	Expenses allowance	Benefits in Kind	Total Remuneration excluding pension contributions	Employer's pension contributions	Total Remuneration including pension contributions
Chief Constable's Accounts								
Chief Constable - Mr S Parr	**2013/14**	**149,793**	**-**	**-**	**8,108**	**157,901**	**13,418**	**171,319**
	2012/13	156,882	-	-	238	157,120	32,202	189,322
Deputy Chief Constable *to 23/08/2013*	**2013/14**	**52,300**	**-**	**-**	**65**	**52,365**	**-**	**52,365**
	2012/13	126,943	-	-	359	127,302	19,925	147,227
Deputy Chief Constable *from 27/08/2013*	**2013/14**	**84,989**	**-**	**-**	**-**	**84,989**	**16,010**	**100,998**
	2012/13	-	-	-	-	-	-	-
Assistant Chief Constable	**2013/14**	**119,486**				**119,486**	**25,765**	**145,251**
	2012/13	118,555	-	-	-	118,555	25,615	144,170
Chief Finance Officer (Constabulary)	**2013/14**	**95,110**	**-**	**-**	**-**	**95,110**	**17,991**	**113,101**
	2012/13	94,140	-	-	-	94,140	16,380	110,520

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

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	
	2013/14	2012/13	**2013/14**	2012/13
£50,000 to £54,999	**1**	2	**-**	-
£55,000 to £59,999	**5**	3	**-**	-
£65,000 to £69,999	**-**	1	**-**	-
£70,000 to £74,999	**3**	1	**1**	-
£75,000 to £79,999	**2**	2	**-**	-
£80,000 to £84,999	**1**	2	**-**	-
£85,000 to £89,999	**4**	2	**-**	-
£90,000 to £94,999	**1**	2	**1**	1
£95,000 to £99,999	**1**	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 £139,999	**-**	1	**-**	-
£140,000 to £149,999	**-**	-	**-**	-
£150,000 to £154,999	**-**	-	**-**	-
£155,000 to £159,999	**-**	1	**-**	-
£160,000 to £164,999	**1**	-		-
	21	19	**2**	1

The numbers above include the senior employees and relevant police officers disclosed in Note 32.

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

	Group			
	Number of redundancies		Total cost of exit packages	
Exit package cost band	**2013/14**	2012/13	**2013/14**	2012/13
	No.	No.	**£'000**	£'000
£0 - £20,000	**10**	9	**94**	53
£20,001 - £40,000	**1**	3	**35**	73
£60,001 - £80,000	**-**	-	**-**	-
	11	12	**129**	126

34. 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.

	2013/14	2012/13
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor:		
Police Authority	**-**	11
Police and Crime Commissioner	**40**	45
Chief Constable	**20**	19
	60	75

35. 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 2013/2014.

Credited to Taxation and Non-Specific Grant Income

Police Grant	**53,667**	50,020
Precepts	**45,812**	48,716
Non-Domestic Rates Redistribution	**26,544**	27,281
Localising Council Tax Support	**4,807**	-
Council Tax Freeze	**1,172**	1,173
Revenue Support Grant	-	552
Capital Grants	**1,179**	1,644
	133,181	129,386

Credited to Services

	2013/14	2012/13
	£'000	£'000
Community Support Officers	-	3,684
Counter Terrorism	**383**	332
Drug Testing on Charge	-	221
Other Government Grants	**165**	140
Prison Liaison Officers	**128**	111
Youth Crime & Substance Misuse Prevention Grant	-	110
Innovation Fund	**1,558**	-
Community Safety	**924**	-
Victims Commissioning	**244**	-
Restorative Justice	**55**	-
	3,458	4,598

36. 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 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 35. Grant receipts outstanding at 31 March 2014 are shown in Note 20.

Officers

The Chief Constable and the former Deputy Chief Constable had car loans from the Group for £19,299 and £20,000 respectively at an interest rate of 0.5%. The amounts outstanding at 31 March 2014 were £2,706 and £0, respectively (31 March 2013 £12,226 and £8,736).

The Chief Constable received an interest free loan from the Group in 2013/14 for £200,000, 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.

The services of Chief Finance Officer (OPCC) for April 2013 were provided by Mr John Hummersone on a consultancy basis at a cost of £7,350 (Note 32).

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 2014, the Group had dealings with the Trust being a grant contribution of £60,000 (2012/13 £50,000), and a donation of £20,000 to support a Domestic Abuse project (2012/13: 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 with the 5 other eastern police forces for the provision of tackling organised crime and further pooled budget arrangements with Bedfordshire Police and Hertfordshire Constabulary for the provision of a range of policing services. Transactions and balances outstanding are detailed in Note 31.

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 40 for details of transactions and balances outstanding.

During the year the Group made payments totalling £1,319k to the six local authorities for National Non-Domestic Rates Bills (2012/13 £1,287k).

37. 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 2014, was £251,103 (31 March 2013: £395,293).

38. 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.

	2013/14	2012/13
	£000	£000
Opening Capital Financing Requirement	**26,183**	34,130
Capital Investment		
Property, Plant and Equipment	**4,463**	5,390
Intangible Assets	**96**	23
Source of Finance		
Capital Receipts	**-**	(79)
Government Grants	**(1,179)**	(1,644)
Sums set aside from revenue		
Direct revenue contributions	**(2,630)**	(3,432)
Transfer from Capital Reserve	**(750)**	(258)
Minimum Revenue Provision	**(908)**	(7,947)
Closing Capital Financing Requirement	**25,275**	26,183

Explanation of movement in year		
Increase in underlying need to borrowing (supported by government financial assistance)	**-**	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	**(481)**	(6,200)
(Decrease) in Creditors	**(426)**	(1,747)
	(907)	(7,947)

39. 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

	2013/14	2012/13
	£000	£000
Land and Buildings	**684**	722

Finance Leases - Minimum lease payments

	31 March 2014	31 March 2013
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
non-current	**30**	30
Finance costs payable in future years	**162**	165
Minimum lease payments	**192**	195

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.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
Not later than one year	**3**	3	**-**	-
Later than one year and not later than five years	**13**	10	**-**	-
Later than five years	**176**	182	**30**	30
	192	195	**30**	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:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	**130**	213
Later than one year and not later than five years	**437**	511
Later than five years	**44**	149
	611	873

The expenditure charged to the Police Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £275k (2012/13 £194k).

40. 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; 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:

	2013/14 PPS £000	2013/14 NPPS £000	2013/14 Injury Awards £000	2013/14 LGPS £000	2013/14 Total £000	2012/13 PPS £000	2012/13 NPPS £000	2012/13 Injury Awards £000	2012/13 LGPS £000	2012/13 Total £000
Comprehensive Income and Expenditure Account										
Cost of Services:										
Current service cost	20,190	6,530	1,090	5,311	33,121	17,230	3,590	860	4,521	26,201
Past service costs	-	-	-	42	42	-	-	-	118	118
	20,190	6,530	1,090	5,353	33,163	17,230	3,590	860	4,639	26,319
Financing and Investment Income and Expenditure:										
Net interest expense	42,810	1,750	3,180	2,010	49,750	42,120	1,230	3,350	1,712	48,412
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	63,000	8,280	4,270	7,363	82,913	59,350	4,820	4,210	6,351	74,731
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement										
Return on plan assets	-	-	-	(2,923)	(2,923)	-	-	-	(8,248)	(8,248)
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	(2,496)	(2,496)	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(30,210)	(3,460)	(1,130)	10,589	(24,211)	120,040	8,080	6,880	15,168	150,168
Other	(9,880)	(1,330)	(1,000)	481	(11,729)	(19,700)	(630)	(3,330)	(93)	(23,753)
	(40,090)	(4,790)	(2,130)	5,651	(41,359)	100,340	7,450	3,550	6,827	118,167
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	22,910	3,490	2,140	13,014	41,554	159,690	12,270	7,760	13,178	192,898
Movement in Reserves Statement										
Deficit for the Provision of Services for post employment benefits in accordance with the Code	(63,000)	(8,280)	(4,270)	(7,363)	(82,913)	(59,350)	(4,820)	(4,210)	(6,351)	(74,731)
Actual amount charged against the General Fund Balance for Pensions in the year:										
Employer's contributions payable to the schemes	25,300	(1,840)	2,260	4,640	30,360	24,830	(2,020)	2,120	4,339	29,269

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2013/14 Unfunded Liabilities PPS £000	2013/14 Unfunded Liabilities NPPS £000	2013/14 Unfunded Liabilities Injury £000	2013/14 Liabilities LGPS £000	2013/14 Total Liabilities £000	2012/13 Unfunded Liabilities PPS £000	2012/13 Unfunded Liabilities NPPS £000	2012/13 Unfunded Liabilities Injury £000	2012/13 Liabilities LGPS £000	2012/13 Total Liabilities £000
Balance at 1 April	998,150	36,520	74,640	139,305	1,248,615	863,290	22,230	69,000	114,742	1,069,262
Current service cost	20,190	6,530	1,090	5,311	33,121	17,230	3,590	860	4,521	26,201
Past service costs	-	-	-	42	42	-	-	-	118	118
Interest cost	42,810	1,750	3,180	6,354	54,094	42,120	1,230	3,350	5,600	52,300
Contributions by scheme participants	4,980	1,910	-	1,510	8,400	4,700	2,030	-	1,538	8,268
Benefits paid	(30,280)	(70)	(2,260)	(2,820)	(35,430)	(29,530)	(10)	(2,120)	(2,289)	(33,949)
Remeasurement gain/(loss):										
Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	(2,496)	(2,496)	-	-	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	(30,210)	(3,460)	(1,130)	10,589	(24,211)	120,040	8,080	6,880	15,168	150,168
Other	(9,880)	(1,330)	(1,000)	481	(11,729)	(19,700)	(630)	(3,330)	(93)	(23,753)
Balance at 31 March	995,760	41,850	74,520	158,276	1,270,406	998,150	36,520	74,640	139,305	1,248,615

Reconciliation of fair value of the scheme assets:

	2013/14 PPS £000	2013/14 NPPS £000	2013/14 Injury Awards £000	2013/14 LGPS £000	2013/14 Total Assets £000	2012/13 PPS £000	2012/13 NPPS £000	2012/13 Injury Awards £000	2012/13 LGPS £000	2012/13 Total Assets £000
Balance at 1 April	-	-	-	94,951	94,951	-	-	-	79,227	79,227
Interest Income	-	-	-	4,344	4,344	-	-	-	3,888	3,888
Remeasurement gain/(loss):										
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	2,923	2,923	-	-	-	8,248	8,248
Contributions from employer	25,300	(1,840)	2,260	4,640	30,360	24,830	(2,020)	2,120	4,339	29,269
Contributions from employees into the scheme	4,980	1,910	-	1,510	8,400	4,700	2,030	-	1,538	8,268
Benefits paid	(30,280)	(70)	(2,260)	(2,820)	(35,430)	(29,530)	(10)	(2,120)	(2,289)	(33,949)
Closing fair value of scheme assets	-	-	-	105,548	105,548	-	-	-	94,951	94,951

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

	PPS £000 2013/14	PPS £000 2012/13	NPPS £000 2013/14	NPPS £000 2012/13	Injury Awards £000 2013/14	Injury Awards £000 2012/13	LGPS £000 2013/14	LGPS £000 2012/13	Total 2013/14	Total 2012/13
Present value of the defined benefit obligation	995,760	998,150	41,850	36,520	74,520	74,640	158,276	139,305	1,270,406	1,248,615
Fair Value of Plan Assets	-	-	-	-	-	-	(105,548)	(94,951)	(105,548)	(94,951)
Net Liability arising from defined benefit obligation	995,760	998,150	41,850	36,520	74,520	74,640	52,728	44,354	1,164,858	1,153,664

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:

	31 March 14 £000	31 March 13 £000
Cash and Cash Equivalents	1,407	2,278
Private Equity	6,279	6,528
Equity Instruments:		
By industry type		
Consumer	9,216	8,908
Manufacturing	8,710	7,651
Energy and Utilities	3,740	3,287
Financial Institutions	10,648	7,840
Health and Care	3,112	2,693
Information Technology	6,312	4,806
Other	293	355
Investment Funds and Unit Trusts		
Equities	33,938	32,665
Bonds	16,089	11,244
Other	5,804	6,696
	105,548	94,951

The liabilities are the underlying commitments that the Group has to pay retirement benefits in the long-term. The total liability of £1,164,858k has a significant impact on the net worth of the Group as presented in the Balance Sheet, giving rise to negative equity of £1,115,872k. 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 method, an estimate of the pensions that will be payable in future years dependant on assumptions made about inter alia 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 2013/14	Local Government Pension Scheme 2012/13	Police Pension Scheme 2013/14	Police Pension Scheme 2012/13
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5	21	23.4	23.4
Women	24.5	23.8	25.9	25.8
Longevity at 65 for future pensioners:				
Men	24.4	22.9	25.6	25.7
Women	26.9	25.7	28	27.9
Rate of Inflation	2.9	2.8	2.5	2.5
Rate of increase in salaries	4.7	5.1	4.5	4.8
Rtae of increase in pensions	2.9	2.8	2.5	2.5
Rate for discounting scheme liabilities	4.3	4.5	4.4	4.3

The estimation of the defined benefit obligations is sensitive to the acturial assumptions set out in the table above. The sensitivity analysis 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 interrated. 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.

	Local Government Pension Scheme		Police Pension Scheme		New Police Pension Scheme	
Change in assumptions at 31 March 2014	Increase in Liability (%)	Approximate monetary amount £'000	Increase in Liability (%)	Approximate monetary amount £'000	Increase in Liability (%)	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	12%	19,011	11%	107,400	19%	8,000
1 year increase in member life expectancy	3%	4,748	2%	18,600	1%	600
0.5% increase in the Salary Increase Rate	5%	7,247	2%	19,500	10%	4,200
0.5% Increase in the Pension Increase Rate	7%	11,412	9%	87,900	9%	3,700

Impact on the Authority's Cash Flow

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2015 is £4,637k (2013/14 £4,447k). Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £11,120k (2013/14 £13,900k).

41. 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 minimize 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 Northern Rock; with institutions 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 Northern Rock where deposits may be made to a limit of 25% of available funds, within the Government guaranteed term of three months and 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 2014	31 March 2013
	£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 £887k 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 2014			31 March 2013		
	Public Sector Debtors	**Commercial Debtors**	**Total**	Public Sector Debtors	Commercial Debtors	Total
	£000	**£000**	**£000**	£000	£000	£000
Less than three months	**850**	**37**	**887**	96	37	133
Three to six months	-	-	-	-	22	22
Over six months	-	-	-	-	-	-
	850	**37**	**887**	96	59	155

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 2013/14 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 or short term fixed rate loans from other local authorities. 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 2013/14 year of account would be:

	2013/14	2012/13
	£000	£000
Increase in interest receivable on variable rate investments	**77**	58
Increase in Government grant receivable for financing costs	**-**	-
Impact on Income and Expenditure Account	**77**	58

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.

42. Group's Contingent Liability

Police Pension Scheme Commutation Factors

The Pensions Ombudsman has received a number of complaints regarding the lack of a review by the Government Actuary of the Police Pension Scheme 1987 commutation factors between 1998 and 2006 and that commutations paid and payable have been reduced as a consequence.

The Pensions Ombudsman intends to consider a test case on the same issue brought by a member of the Firefighters' scheme and there is a probability that any decision on the test case will apply to the Police scheme. The Ombudsman is yet to consider the test case as there have been legal hearings to determine whether the Ombudsman has jurisdiction over the Government Actuary's Department (GAD) for the entirety of the relevant period.

No estimate of costs has been disclosed given the uncertainty as to whether or not a liability will arise.

Accompanying Statements

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 these 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 2014, 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 40.

Fund Account

	2013/14	2012/13
	£'000	£'000
Contributions receivable:		
From employer:		
Normal	(11,917)	(11,975)
Early retirements	(575)	(299)
From members	(6,341)	(5,830)
Transfers in	(550)	(902)
	(19,383)	(19,006)
Benefits payable:		
Pensions	24,578	23,409
Commutations and lump sum retirement benefits	5,417	6,068
	29,995	29,477
Payments to and on account of leavers:		
Refunds of contributions	3	4
Individual transfers out to other schemes	332	65
	335	69
Net amount payable / receivable for the year before top-up grant payable by sponsoring department	10,947	10,541
Amount (receivable from) / payable to sponsoring department	(10,947)	(10,541)
Balance on Fund at 31 March	-	-

Net Assets Statement

	2013/14	2012/13
	£'000	£'000
Net current assets and liabilities		
Amounts owed (to)/from General Fund	(316)	4,933
Remaining top-up grant due to/(from) the Home Office	316	(4,933)
Net current assets / (liabilities) at 31 March	-	-

The Police Pension Fund Account does not hold any investment assets.

Audit Report

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

Opinion on the Police and Crime Commissioner for Cambridgeshire financial statements

We have audited the financial statements of the Police and Crime Commissioner for Cambridgeshire for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the *Police and Crime Commissioner for Cambridgeshire and Group Movement in Reserves Statement, the Police and Crime Commissioner for Cambridgeshire and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner for Cambridgeshire and Group Balance Sheet, the Police and Crime Commissioner for Cambridgeshire and Group Cash Flow Statement, the Police and Crime Commissioner for Cambridgeshire Pension Fund Account Statements*, and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the *Statement of Responsibilities for the Statement of Accounts* set out on page 4, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Cambridgeshire and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the *Statement of Accounts 2013/14* to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cambridgeshire as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the *Statement of Accounts 2013/14* for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner and the auditor

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, **the Police and Crime Commissioner for Cambridgeshire** put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Cambridgeshire in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

……………………………………..
Mark Hodgson

for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge

Date: ………September 2014

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 Police Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
Best Value Accounting Code of Practice (BVACOP)	A CIPFA Code that is designed to ensure a consistent and comparable approach to the calculation of the cost of services.
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.
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).
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 Liability	An obligation to transfer 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.
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 a 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 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 method, of a defined benefit scheme for outgoings falling due after the valuation date.
Settlement (Pensions)	An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.