



**DRAFT
STATEMENT OF
ACCOUNTS
2019/20**

These are unaudited draft Statement of Accounts which have been released for Public Inspection and external audit.

**CAMBRIDGESHIRE POLICE AND CRIME
COMMISSIONER
STATEMENT OF ACCOUNTS
2019/20**

Table of Contents

Preface by the Police and Crime Commissioner for Cambridgeshire	2
Narrative Report by the Chief Finance Officer	4
Statement of Responsibilities for the Statement of Accounts	13
Expenditure and Funding Analysis	14
The Core Statement of Accounts	
Comprehensive Income and Expenditure Statement	16
Movement in Reserves Statement	18
Balance Sheet	20
Cash Flow Statement	21
Notes to the Accounts	22
Accompanying Statements	
Pension Account	79
Glossary of Terms	81

Preface by the Police and Crime Commissioner for Cambridgeshire

Introduction to the 2019/20 Statement of Accounts by Ray Bisby, the Acting Police and Crime Commissioner for Cambridgeshire

I took office in November 2019, as the Acting Police and Crime Commissioner for Cambridgeshire for the period until elections were due to be held in May 2020 and to maintain stewardship of the role up until then. With recent government legislation now being implemented, I will continue in post until May 2021.

This year has been one of extreme change, in a landscape that has been impacted by the COVID-19 virus. It has been impressive to see ways that agencies have come together to offer operational support and work effectively together. The continuing professionalism demonstrated and mutual support has been truly inspirational.

In addition, there were specific changes for policing that occurred in the year. During 2019/20, the government announced funding for a national uplift programme to increase the number of police officers by 20,000, over a three year period. For Cambridgeshire this translated as approximately 200 new officers, with 21 being recruited within the year. At 31 March 2020, the number of actual police officers in Cambridgeshire was the highest ever establishment at 1,541.

In addition, the largest police funding settlement in a decade was announced in January 2020. This gave an increase of almost £11m to policing in Cambridgeshire for 2020/21. As part of the flexibility offered by government, I increased the policing element of Council Tax by the maximum level of £10 per Band D property, or 83p per month. This was approved by the Police and Crime Panel at their meeting in February. There is a clear steer now from government that much is expected from this investment.

2019/20 has been a year of continuing financial challenge, with pressures arising from national programmes needing to be implemented, as well as the requirement to invest in technology in order to cope with crime, as it becomes more sophisticated and cyber-related. A balanced budget for 2020/21 was achieved following the favourable funding settlement. Over the next four years, savings are required in order to create a sustainable situation.

The tri-force of Bedfordshire, Hertfordshire and Cambridgeshire (BCH) continues its successful collaboration. A focus this year has been to review our governance processes with a refresh to the memorandum of understanding between the individual forces. With a combined budget of over £100m for 2020/21 there is further potential to deliver benefits. The vision is to strengthen the approach to the commissioning of these services, to ensure that they are delivered at a level that is agreed, accepted and affordable to all parties.

The 7 Force programme successfully went live with a fully functioning Procurement team in January 2020. This will enable the collaborative buying power of all seven

forces to obtain better value for money from our contracts as well as enhancing inter-operability and efficiency across the police service.

In 2019/20 we welcomed Jane Gyford as the new Deputy Chief Constable for Cambridgeshire and also Jon Lee, as the new Director of Finance and Resources. They have already made a significant impact in the short time they have been in post.

I would like to thank everyone who has worked with me over the last few months and remain committed to building trust and confidence in our communities, in the most efficient and effective way possible.

Narrative Report by the Chief Finance Officer

Message from the Chief Finance Officer – Matthew Warren

As mentioned in the Acting Police and Crime Commissioner’s preface, the financial climate remains challenging. The Chief Constable and Constabulary Director of Finance and their staff continue to do an excellent job in managing the Constabulary budget in a professional and robust manner.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the PCC and Group
- Have confidence that the PCC has used and accounted for public money in an appropriate manner
- Be assured that the financial position of the PCC and Group is sound and secure

This Narrative Report provides information about the performance of the Cambridgeshire PCC, both financially and in delivering other objectives, including the key issues affecting the PCC and Group and their accounts. Further information on the performance for 2019/20 can be found in the Annual Report 2019/20. It also provides a summary of the financial position as at 31 March 2020 and is structured as follows:

1. Explanation of the PCC and Group
2. Financial Performance
3. Non-Financial Performance
4. Medium Term Financial Plan
5. Statement of Accounts 2019/20

1. Explanation of the PCC and Group

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 2020.

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

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

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

Local control arrangements have influenced the setting of the Accounting Policies, such that all income, working capital, cash balances and property, plant and equipment are included in

the Police and Crime Commissioner's and Group Accounts only, and that the Police and Crime Commissioner provides the Chief Constable with an annual devolved budget for the delivery of the policing service.

The Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and the publication of the Statement is required under the Accounts and Audit Regulations 2015.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing services.

2. Financial Performance

Revenue – Budget and Outturn 2019/20

The Police and Crime Commissioner approved a budget of £146.4m with anticipated £1.5m use of reserves. At the end of the year, spending was £145.5m, an underspend of £0.9m, with less reliance on the budgeted use of reserves.

Table 1 below summarises the revenue position and a reconciliation to the (Surplus) or Deficit on Provision of Services.

Table 1: PCC Revenue Budget and Outturn 2019/20

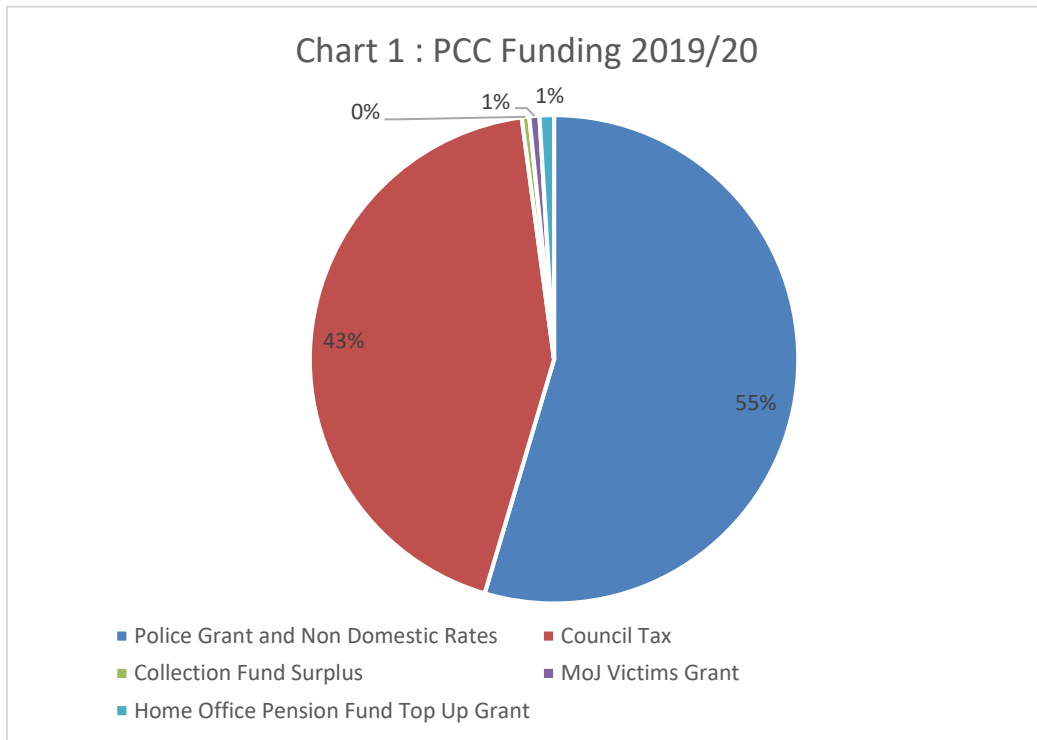
Group Result - Outturn 2019/20			
Description	Full Year Budget	Actual Outturn	Variance
Constabulary	143,206	141,102	(2,104)
OPCC office costs	1,276	1,085	(191)
Grants & Corporate costs	2,596	3,562	966
Capital financing	1,227	669	(558)
Non-Operational Estate Held for Investment	(5)	(67)	(62)
Total Budget	148,300	146,351	(1,949)
Contributions from Reserves	-1,888	61	1,949
Net Budget Requirement	146,412	146,412	0

Funding

The PCC budget is funded from a combination of Government grant and Council Tax, as set out on **Table 2** below and **Chart 1**.

Table 2: Budgeted Revenue Funding Sources 2019/20

	£'000
Police Grant and Non Domestic Rates	79,921
Council Tax	63,384
Collection Fund Surplus	731
MoJ Victims Grant	978
Home Office Pension Fund Top Up Grant	1,398
Total	146,412



Capital 2019/20

A 2019/20 capital programme of £14.1m was in place of which the year end spend was £9.2m, an underspend of £4.9m (£3m of this related to delay in potential land purchase in the future). £1.3m of the remaining underspend related to scheme slippages which will be carried forward into 2020/21. The summary capital programme is shown in **Table 3** below along with how it was financed, which is also shown in **Chart 2**.

Table 3: 2019/20 Capital Programme and Financing

	B/Fwd from previous years	Original 2019/20 Capital Programme	Previously Authorised Programme Amendments	Revised 2019/20 Capital Budget	Outturn 2019/20	%
All figures £'000						
Capital Payments:-						
Land & Buildings	1,275	4,243	2,272	7,790	4,289	55%
IT & Communications	591	3,107	642	4,340	3,058	70%
Fleet	-	1,525	-	1,525	1,540	101%
Other Collaboration	169	100	120	389	356	92%
Schemes approved subject to further business case	-	300	-266	34	-	0%
TOTAL	2,035	9,275	2,768	14,078	9,243	66%

	B/Fwd from previous years	Original 2019/20 Capital Programme	Previously Authorised Programme Amendments	Revised 2019/20 Capital Budget	Applied	Transfer to Capital Carry Forward Reserve
All figures £'000						
Capital Financing:-						
Capital Grants	344	790	1,152	2,286	2,007	280
Carry Forward Reserve	1,491	-	-	1,491	1,049	-
BAR	-	38	-	38	38	-
Capital Reserves	-	669	-	669	669	-
Capital Receipts	-	2,050	-	2,050	1,863	323
Estates Reserve	-	1,818	-	1,818	1,106	699
RCCO	-	440	75	515	493	-
Borrowing	200	3,470	1,541	5,211	2,018	-
TOTAL	2,035	9,275	2,768	14,078	9,243	1,302

Reserves

After the impact of revenue and capital spending and funding detailed above the usable reserves of the PCC are £17.0m, as detailed in **Table 4** below. Of these £7.2m relates to the General Reserve which is held primarily as a contingency for the cost of major police operations. This represents 4.9% of the Net Budget Requirement for 2019/20 which is considered a prudent percentage of the total budget to hold as a general reserve for operational contingencies.

Table 4: Usable Reserves as at 31 March 2020

	Balance 31 March 2019	2019/20		Balance 31 March 2020
	£000	Added to Reserve £000	Applied £000	£000
Carry Forward Projects Reserve	1,231	1,075	(1,231)	1,075
Insurance Reserve	862	114		976
Ill-Health Retirement Reserve	398	-	-	398
Capital Reserve	669	-	(669)	-
Drug Forfeiture (Operational) Reserve	146	226	-	372
Budget Assistance Reserve	2,610	-	(723)	1,887
Capital Carry Forward Reserve	1,491	1,022	(1,049)	1,464
Asset Incentivisation Reserve	-	466	-	466
Road Casualty Reduction & Support Fund	1,564	454	(968)	1,050
Collaboration & Commissioning Reserve	374	190	-	564
ICT Development Reserve	-	-	-	-
Estates Development Reserve	2,665	-	(1,805)	860
Total Earmarked Reserves	<u>12,010</u>	<u>3,547</u>	<u>(6,445)</u>	<u>9,112</u>
General Reserve	7,198	-	-	7,198
Total General and Earmarked Reserves	<u>19,208</u>	<u>3,547</u>	<u>(6,445)</u>	<u>16,310</u>
Capital Receipts Reserve	2,641	82	(2,186)	537
Unapplied Capital Receipts Reserve	-	189	-	189
Total Usable Reserves	<u>21,849</u>	<u>3,818</u>	<u>(8,631)</u>	<u>17,036</u>

3. Non Financial Performance

In 2017 the PCC set out his plans for the next four years in a new Police and Crime Plan. This centred around 4 key aims of Victims, Offenders, Community and Transformation and the plan sets out clear actions which will be taken in each of these four areas over the period of the plan. The detail of the performance during 2019/20 against each of these key areas can be found in the PCC's Annual Report.

In addition, the Force is subject to regular inspections by Her Majesty's Inspectorate of Constabulary (HMICFRS) and is rated against three main categories. Known as PEEL Inspections, the categories are Effectiveness, Efficiency and Legitimacy. Forces are rated as either Outstanding, Good, In Need of Improvement or Inadequate. The Constabulary overall rating is currently Good.

4. Medium Term Financial Plan

The Medium Term Financial Plan (MTFP) 2020/21 to 2023/24 was approved by the PCC in January 2020 and sets out the financial plans over the next four years. Even though this included a balanced budget for 2020/21 the policing budget in Cambridgeshire is facing significant pressures over the coming four years, with a current financial pressure over the period of £7.8m.

Plans are in place to address this funding gap and it is to be covered by the following measures over the four years:

- Maintaining collaboration with Bedfordshire Police and Hertfordshire Constabulary
- A new seven force collaboration across East Anglia and Kent
- A strategic review of the Police estate, working alongside other blue light services, to ensure the efficient use of all assets and look to realise revenue generation opportunities from the estate.

However, there are financial risks that the police are facing:

- The Home Office is planning a Comprehensive Spending Review and current funding is only guaranteed for one year, which has been delayed due to the Covid-19 pandemic
- The Covid-19 pandemic has raised significant concern over future funding
- Inflationary increases
- National risk assessments

The PCC needs to ensure the finances are in a strong position to deal with these risks and, as can be seen in section 2, the reserves are in a strong state.

Treasury Management

The PCC approves a Treasury Management and Investment Strategy Statement before the start of each financial year and receives regular updates on treasury performance during the year.

As at 31 March 2020 the PCC held investments of £4.0m (31 March 2019: £6.0m). The three main factors that will affect cash balances in the future are:

- Acquisitions and disposals relating to the capital programme
- Reserves balances
- Grants and contributions unapplied

The PCC is able to determine his own capital borrowing requirements in accordance with the CIPFA Code of Practice on Prudential Borrowing. As at 31 March 2020 the PCC had outstanding loans totalling £17.8m from the Public Works Loan Board (see note 18).

5. Financial Statements & EFA Disclosure

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the PCC.

Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the PCC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the PCC's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

The Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) is a disclosure note only to show how the annual expenditure is used and funded from resources (Government grants, Council Tax and Business Rates) by the PCC in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Policing Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

The Comprehensive Income and Expenditure Statement (CIES)

This 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 taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value at the 31 March 2020 of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund Capital expenditure or repay debt). The second category of reserves are unusable and includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet position at 31 March 2020 is negative £1.494m as shown below (31 March 2019 £1.597). At this time, the statutory arrangements for funding the Pension deficit mean that the financial position of the Constabulary continues to remain healthy.

	31/03/2020
	£m
Long Term Assets	60.55
Current Assets	28.30
Current Liabilities	(15.82)
Long Term Liabilities	(1,566.76)
Net Asset	(1,493.73)
Usable Reserves	(17.04)
Unusable Reserves	1,510.77
	1,493.73

The Cash Flow Statement

The Cash Flow Statement shows the changes in “cash” (cash and cash equivalents) of the PCC during the reporting period. The statement shows how the PCC generates and uses “cash” 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 PCC are funded by way of taxation and grant income or from the recipients of services provided by the Police. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC.

	31/3/20
Net Cash Flows from	£m
Operating Activities	11.20
Investing Activities	(7.02)
Financing Activities	(0.72)
Net Increase or (decrease) in cash and cash equivalents	3.46
Cash & Cash Equivalents	
At the beginning of the reporting period	3.48
At the end of the reporting period	6.94

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

PO Box 688

Huntingdon

PE29 9LA

Tel: 0300 333 3456, email: cambs-pcc@cambs.pnn.police.uk

Acknowledgements

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 Jon Lee and the Finance team for their hard work in preparing these accounts and their support during the year.



Matthew Warren CPFA

Chief Finance Officer to the Cambridgeshire Police and Crime Commissioner

29 May 2020

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).

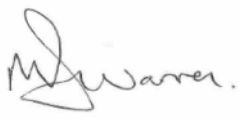
In preparing this Statement of Accounts, the Chief Finance Officer has:

- 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 2020 and its income and expenditure for the year then ended.



Matthew Warren CPFA
Chief Finance Officer to Cambridgeshire Police and Crime Commissioner
29 May 2020

Group Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) is not a primary statement but is of key importance in showing how the annual expenditure is used and funded from resources (Government grants, Council Tax and Business Rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	2019/20	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between the Funding and Accounting Basis				Adjustments between the Funding and Accounting Basis	
£000	£000	£000		£000	£000	£000
135,167	63,059	198,226	Police Services	144,591	20,841	165,432
2,499	85	2,584	Corporate, Democratic and Commissioning Services	3,545	101	3,646
137,666	63,144	200,810	Net Cost of Services	148,136	20,942	169,078
(134,401)	38,277	(96,124)	Other Income and Expenditure	(145,238)	40,812	(104,426)
3,265	101,421	104,686	(Surplus) or Deficit on Provision of Services	2,898	61,754	64,652
22,473			Opening General Fund Balance	19,208		
(3,265)			Less Deficit on General Fund in Year	(2,898)		
19,208			Closing General Fund Balance	16,310		

Police and Crime Commissioner's Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balance	2018/19		Net Expenditure in the Comprehensive Income and Expenditure Statement		2019/20		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between the Funding and Accounting Basis	£000			£000	Adjustments between the Funding and Accounting Basis	
(4,687)	501		(4,186)	Police Services	(5,434)	647	(4,787)
2,499	85		2,584	Corporate, Democratic and Commissioning Services	3,545	101	3,646
159,609			159,609	Intra-group Adjustment for financial resources consumed	165,571	-	165,571
157,421	586		158,007	Net Cost of Services	163,682	748	164,430
(154,156)	187		(153,969)	Other Income and Expenditure	(160,784)	138	(160,646)
3,265	773		4,038	(Surplus) or Deficit on Provision of Services	2,898	886	3,784
22,473				Opening General Fund Balance	19,208		
(3,265)				Less Deficit on General Fund in Year	(2,898)		
19,208				Closing General Fund Balance	16,310		

Comprehensive Income and Expenditure Statement – Group

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
206,454	(8,228)	198,226	Police Services	176,492	(11,060)	165,432
4,116	(1,532)	2,584	Corporate, Democratic and Commissioning Services	5,269	(1,623)	3,646
210,570	(9,760)	200,810	Net Cost of Services	181,761	(12,683)	169,078
380	-	380	Other Operating Expenditure (note 13)	414	-	414
38,556	-	38,556	Financing and Investment Income and Expenditure (note 14)	41,152	-	41,152
-	(135,060)	(135,060)	Taxation and Non-Specific Grant Income (note 15)	-	(145,992)	(145,992)
249,506	(144,820)	104,686	(Surplus) or Deficit on Provision of Services	223,327	(158,675)	64,652
		(2,552)	Surplus on revaluation of Property, Plant and Equipment (note 24)			(2,603)
		60,081	Remeasurement of the net defined benefit liability (note 33)			(165,757)
		57,529	Other Comprehensive Income and Expenditure			(168,360)
		162,215	Total Comprehensive Income and Expenditure			(103,708)

Comprehensive Income and Expenditure Statement – Police and Crime Commissioner

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
4,047	(8,233)	(4,186)	Police Services	6,273	(11,060)	(4,787)
4,116	(1,532)	2,584	Corporate, Democratic and Commissioning Services	5,269	(1,623)	3,646
159,609	-	159,609	Intra-Group Adjustment for financial resources consumed	165,571	-	165,571
167,772	(9,765)	158,007	Net Cost of Services	177,113	(12,683)	164,430
380	(19,755)	(19,375)	Other Operating Expenditure (note 13)	414	(15,546)	(15,132)
466	-	466	Financing and Investment Income and Expenditure (note 14)	478	-	478
-	(135,060)	(135,060)	Taxation and Non-Specific Grant Income (note 15)	-	(145,992)	(145,992)
168,618	(164,580)	4,038	(Surplus) or Deficit on Provision of Services	178,005	(174,221)	3,784
		(2,552)	Surplus on revaluation of Property, Plant and Equipment (note 24)			(2,603)
		260	Remeasurement of the net defined benefit liability (note 33)			(1,064)
		(2,292)	Other Comprehensive Income and Expenditure			(3,667)
		1,746	Total Comprehensive Income and Expenditure			117

Group Movement in Reserves Statement

	General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	<u>22,473</u>	<u>1,913</u>	<u>24,386</u>	<u>(1,459,608)</u>	<u>(1,435,222)</u>
Movement in reserves during 2018/19					
Total Comprehensive Income and Expenditure	(104,686)	-	(104,686)	(57,529)	(162,215)
Adjustments between accounting basis & funding basis under regulations (note 10)	101,421	728	102,149	(102,149)	-
Increase or (Decrease) in 2018/19	<u>(3,265)</u>	<u>728</u>	<u>(2,537)</u>	<u>(159,678)</u>	<u>(162,215)</u>
Balance at 31 March 2019 carried forward	<u>19,208</u>	<u>2,641</u>	<u>21,849</u>	<u>(1,619,286)</u>	<u>(1,597,437)</u>
Movement in reserves during 2019/20					
Total Comprehensive Income and Expenditure	(64,652)	-	(64,652)	168,360	103,708
Adjustments between accounting basis & funding basis under regulations (note 10)	61,754	(1,915)	59,839	(59,839)	-
Increase or (Decrease) in 2019/20	<u>(2,898)</u>	<u>(1,915)</u>	<u>(4,813)</u>	<u>108,521</u>	<u>103,708</u>
Balance at 31 March 2020	<u>16,310</u>	<u>726</u>	<u>17,036</u>	<u>(1,510,765)</u>	<u>(1,493,729)</u>

Police and Crime Commissioner Movement in Reserves Statement

	General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	22,473	1,913	24,386	33,161	57,547
Movement in reserves during 2018/19					
Total Comprehensive Income and Expenditure	(4,038)	-	(4,038)	2,292	(1,746)
Adjustments between accounting basis & funding basis under regulations (note 11)	773	728	1,501	(1,501)	-
Increase or (decrease) in 2018/19	(3,265)	728	(2,537)	791	(1,746)
Balance at 31 March 2019 carried forward	19,208	2,641	21,849	33,952	55,801
Movement in reserves during 2019/20					
Total Comprehensive Income and Expenditure	(3,784)	-	(3,784)	3,667	(117)
Adjustments between accounting basis & funding basis under regulations (note 11)	886	(1,915)	(1,029)	1,029	-
Increase or (Decrease) in 2019/20	(2,898)	(1,915)	(4,813)	4,696	(117)
Balance at 31 March 2020	16,310	726	17,036	38,648	55,684

Group and Police and Crime Commissioner's Balance Sheet

	Notes	31 March 2020			31 March 2019		
		Chief £000	PCC £000	Group £000	Chief £000	PCC £000	Group £000
Property, Plant and Equipment	16	-	56,321	56,321	-	50,439	50,439
Investment Property		-	122	122	-	603	603
Intangible Assets	17	-	4,112	4,112	-	4,344	4,344
Long Term Debtors	18	-	-	-	-	42	42
Long Term Assets		-	60,555	60,555	-	55,428	55,428
Short Term Investments	18	-	4,000	4,000	-	6,000	6,000
Assets Held for Sale		-	-	-	-	-	-
Inventories		-	1,099	1,099	-	968	968
Short Term Debtors	19	-	16,263	16,263	-	22,580	22,580
Cash and Cash Equivalents	20	-	6,941	6,941	-	3,485	3,485
Current Assets		-	28,303	28,303	-	33,033	33,033
Short Term Borrowing	18	-	(517)	(517)	-	(517)	(517)
Short Term Creditors	21	(1,825)	(13,485)	(15,310)	(1,513)	(11,856)	(13,369)
Current Liabilities		(1,825)	(14,002)	(15,827)	(1,513)	(12,373)	(13,886)
Long Term Creditors		-	(43)	(43)	-	(43)	(43)
Provisions	22	-	(1,738)	(1,738)	-	(1,188)	(1,188)
Long Term Borrowing	18	-	(17,322)	(17,322)	-	(18,050)	(18,050)
Other Long Term Liabilities	33	(1,547,588)	(69)	(1,547,657)	(1,651,725)	(1,006)	(1,652,731)
Long Term Liabilities		(1,547,588)	(19,172)	(1,566,760)	(1,651,725)	(20,287)	(1,672,012)
Net Assets/(Liabilities)		(1,549,413)	55,684	(1,493,729)	(1,653,238)	55,801	(1,597,437)
Usable Reserves	23	-	(17,036)	(17,036)	-	(21,849)	(21,849)
Unusable Reserves	24	1,549,413	(38,648)	1,510,765	1,653,238	(33,952)	1,619,286
Total Reserves		1,549,413	(55,684)	1,493,729	1,653,238	(55,801)	1,597,437

Group and Police and Crime Commissioner's Cash Flow Statement

	2019/20		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Net deficit on the provision of services	(3,784)	(64,652)	(4,038)	(104,686)
Adjust net surplus or deficit on the provision of services for non cash movements (note 25)	14,988	75,856	3,130	103,778
Net cash flows from Operating Activities	11,204	11,204	(908)	(908)
Investing Activities				
Purchase of Property, Plant and Equipment and Intangible Assets	(9,020)	(9,020)	(5,240)	(5,240)
Proceeds from the Sale of Property, Plant and Equipment	-	-	2,382	2,382
Purchase of Short Term Investments	(4,000)	(4,000)	(6,000)	(6,000)
Proceeds from the Sale of Short Term Investments	6,000	6,000	7,000	7,000
Financing Activities				
Repayments of long term borrowing	(728)	(728)	(481)	(481)
Cash Receipts of long term borrowing	-	-	-	-
Net decrease in cash and cash equivalents	3,456	3,456	(3,247)	(3,247)
Cash and cash equivalents at the beginning of the reporting period	3,485	3,485	6,732	6,732
Cash and cash equivalents at the end of the reporting period (Note 20)	6,941	6,941	3,485	3,485

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the transactions for the 2019/20 financial year and the position at 31 March 2020. The Accounts and Audit Regulations 2015 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 2019/20, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'
- The underlying assumption that the Group is a going concern and that materiality has been set at the relevant level for the individual entities and the Group
- The following fundamental qualitative characteristics:
 - Relevance, and
 - Faithful representation
- The following qualitative characteristics:
 - Comparable
 - Verifiable
 - Timely; and
 - Understandable

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Accounting policies are reviewed annually and have been applied consistently, as appropriate.

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

The Financial Statements included here represent the accounts for the Commissioner and also those for the Group. The term 'Group' is used to indicate individual transactions and policies of the Commissioner and the Chief Constable for the year ended 31 March 2020. The identification of the Commissioner as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the Commissioner under the Police Reform and Social Responsibility Act 2011.

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

(i) Accruals of Income and Expenditure

Items of income and expenditure are accounted for in the year to which they relate. Payments may be made, or receipts received, in the year prior or subsequent to the current year. This means that all material sums received or receivable during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Adjustments between years are made by way of accruals and prepayments of both income and expenditure. With the exception of payroll-related accruals/prepayments and any accruals/prepayments automatically generated by the accounting system a de-minimis limit of £5,000 is applied for revenue and £10,000 for capital.

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.

All sales and purchase orders are raised in the name of the PCC and monies are paid into their bank account. Therefore, all debtors and creditors sit in the PCC accounts. The PCC also signs off the fees and charges methodology and therefore income in the Chief's accounts are moved into the PCC at year end.

(ii) 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.

(iii) Charges to Revenue for Non-Current Assets

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

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

The Group is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue

towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Group in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue contribution in the General Fund Balance (known as the Minimum Revenue Provision) by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(iv) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

The Group participates in four defined benefit pension schemes: the Police Pension Scheme (PPS) for police officers in service before 31 March 2006 who are subject to transitional protection, the New Police Pensions Scheme (NPPS) for officers starting service on or after 1 April 2006 who are subject to transitional protection, the Police Pensions Scheme 2015 (PPS 2015) for officers starting service on or after 1 April 2015 and officers formerly members of PPS/NPPS who are not subject to transitional protection, and the Local Government Pension Scheme for Police Staff (LGPS). Pension contributions and further costs that arise in respect of certain pensions paid to retired employees on an unfunded basis are charged to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (as appropriate). The Police and Crime Commissioner's Accounts include the cost of providing pensions to the staff under the direction and control of the Commissioner only.

Injury Awards paid under the Police (Injury Benefit) Regulations 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, the NPPS and the PPS 2015 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 – a professional estimate of fair value;
- Unitised securities – current bid price; and
- Property – market value.

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 2019/20.

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 the 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The expected return is based on:

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

Actuarial Gains and Losses

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

Past Service Costs

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

Settlements and Curtailments

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

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

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

Gains or losses on settlements and curtailments are debited to the Comprehensive Income and Expenditure Statement.

Contributions paid to defined benefit schemes

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

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

Revenue charges in respect of current and past service costs, interest costs and the expected return on assets are reversed in order that actual employer's contributions and retirement benefits payable are recognised in the General Fund Balance. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove notional debits and credits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension

Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

(v) 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.

(vi) 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 the 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 or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

(vii) 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.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

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.

(viii) 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 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 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.

(ix) 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.

(x) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Group in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Group recognises: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

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 26).

A 7 force programme for a fully functioning Procurement Team covering Cambridgeshire, Bedfordshire, Hertfordshire, Sussex, Norfolk, Thames and Essex went live in January 2020. Costs are apportioned across the 7 forces.

(xi) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

(xii) 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 and the cost of the item can be measured reliably. 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, and expenditure on computers which should be grouped and recorded on the property, plant and equipment register if the value of the grouped assets exceed the de-minimis value of £10,000.

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:

- Assets under construction are included in the Balance Sheet at historical cost;
- Operational land and properties and other operational assets are included in the Balance Sheet at current value. Non-specialised operational properties are valued on the basis of "Existing Use Value" (EUV); and
- Non-operational land and properties and other non-operational assets, including any assets surplus to requirements, are included in the Balance Sheet at fair value, estimated at highest and best use from a market participant's perspective.

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 current values based on the previous valuation is assessed by reference to market trends and professional advice and a desktop Assessment is carried out of the higher valued properties. 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 and Desktop Assessments in 2019/20 have been carried out by the Group's own valuers: Mr C Luscombe FRICS IRRV (Director of Estates) and Mrs Elly McKee MRICS (Estates Management Surveyor).

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 Property, Plant and Equipment 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 £75,000 will be depreciated separately for assets valued over £300,000. 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 16 - 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.

(xiii) 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.

(xiv) Contingent Liabilities

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

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

(xv) 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.

(xvi) 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.

(xvii) Fair Value Measurement

The Group measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards adopted during the year

There have been no new Accounting Standards adopted in the year.

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

Standards that have been issued but not yet adopted, which may require disclosure in 2020/21 accounts, are anticipated to be listed in Appendix C of the 2020/21 Code when it is published. In the interim, potentially relevant standards include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

When these changes come into effect for financial year 2020/21 it is not expected that any will have a material impact on the Statement of Accounts.

The implementation of IFRS 16 – Leases has been deferred from 1st April 2020 to 1st April 2021 and due process has not yet been completed. Therefore this will not be considered under the 2020/21 code.

4. 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 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.

The valuations of our land and buildings requires professional judgements to be made using professional knowledge and using appropriate recent property price market information.

5. 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 revenues during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2019/20, the Group's actuaries advised that the net pension liability had decreased by £73m for Police Pension Schemes (including an decrease of £49m as a result of changes in financial assumptions) and a decrease of £31m for Police Staff Pensions (including a decrease of £31m as a result of changes in financial assumptions). A sensitivity analysis shown in Note 33 shows the impact that a 0.5% decrease in Real Discount Rate will have or a 0.5% increase in Salary or Pension Increase would have on the 3 pension schemes. The highest impact likely is on the Police Pension Scheme if the Real Discount Rate was reduced with a potential impact of £155m (10.5% reduction in liability).
Property, Plant & Equipment	PPE is depreciated over the useful lives of the assets which are dependent on assumption regarding the length of time the asset will be in operational use for, these vary for different classes of assets. In addition Land & Buildings are formally revalued as part of a 5 year rolling programme and so the potential exists for variations in value and changes in useful life.	Our land and buildings are valued at £43m. A 5% variation in value of the PCC's Land & Buildings would result in an approximate £2.1m change to the value shown in the PCC's Balance Sheet.

6. Events after the Reporting Period

The draft Statement of Accounts were authorised for issue by the Chief Finance Officer on 29th May 2020.

There are no events to report.

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

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

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 intra-group adjustment. Similarly an intra-group adjustment is made through the PCC and CC Balance Sheets to reflect the PCC funding of these resources.

During 2019/20 the Chief Constable approved a total of £274k for various additional capital programme schemes, each falling with the Chief Constable's delegated limit for capital expenditure, funded from savings made within the annual devolved budget for delivering the policing service. Given that all assets are held in the Balance Sheet of the PCC, the transfer of these resources back from the Chief Constable to the PCC for the purchase of additional property, plant and equipment assets is reflected in the table below.

	2019/20 £000	2018/19 £000
<u>Comprehensive Income and Expenditure Statement</u>		
PCC resources consumed at the request of the CC	165,571	159,609
PCC funding for resources consumed at the request of the CC	(165,571)	(159,609)

8. Group Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments relating to Capital Items (Note 8.1)	Adjustments relating to Pensions (Note 8.2)	Other Adjustments (Note 8.3)	2019/20
				Total Adjustments
	£000	£000	£000	£000
Police Services	647	19,882	312	20,841
Corporate, Democratic and Commissioning Services	-	101	-	101
Net Cost of Services	647	19,983	312	20,942
Other Income and Expenditure	-	40,700	112	40,812
Difference between the General Fund Surplus/Deficit and Comprehensive Income and Expenditure Surplus/Deficit	647	60,683	424	61,754
				2018/19
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments relating to Capital Items (Note 8.1)	Adjustments relating to Pensions (Note 8.2)	Other Adjustments (Note 8.3)	Total Adjustments
	£000	£000	£000	£000
Police Services	501	62,505	53	63,059
Corporate, Democratic and Commissioning Services	-	85	-	85
Net Cost of Services	501	62,590	53	63,144
Other Income and Expenditure	-	38,109	168	38,277
Difference between the General Fund Surplus/Deficit and Comprehensive Income and Expenditure Surplus/Deficit	501	100,699	221	101,421

Police and Crime Commissioner's Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments relating to Capital Items (Note 8.1)	Adjustments relating to Pensions (Note 8.2)	Other Adjustments (Note 8.3)	2019/20 Total Adjustments
	£000	£000	£000	£000
Police Services	647	-	-	647
Corporate, Democratic and Commissioning Services	-	101	-	101
Net Cost of Services	647	101	-	748
Other Income and Expenditure	-	26	112	138
Difference between the General Fund Surplus/Deficit and Comprehensive Income and Expenditure Surplus/Deficit	647	127	112	886
2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments relating to Capital Items (Note 8.1)	Adjustments relating to Pensions (Note 8.2)	Other Adjustments (Note 8.3)	Total Adjustments
	£000	£000	£000	£000
Police Services	501	-	-	501
Corporate, Democratic and Commissioning Services	-	85	-	85
Net Cost of Services	501	85	-	586
Other Income and Expenditure	-	19	168	187
Difference between the General Fund Surplus/Deficit and Comprehensive Income and Expenditure Surplus/Deficit	501	104	168	773

8.1 Adjustments relating to Capital Items

This column adds in depreciation and impairment and revaluation gains and losses in the service line and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

8.2 Adjustments relating to Pensions

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
- **Other Income and Expenditure** is the net interest on the defined benefit liability is charged to the CIES.

8.3 Other Adjustments

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For services this represents the removal of the accumulated absences accrual as allowed by statute.

9. Expenditure and Income Analysed by Nature

Group	2019/20	2018/19
	£'000	£'000
POLICE SERVICES		
Expenditure		
Police Pay and Allowances	66,130	62,561
Police Staff Pay and Allowances	45,063	42,339
Other Pay and Allowances	65	818
Other Employee Expenses	1,906	1,729
Police Pensions	32,252	71,940
Premises	5,052	4,734
Transport	3,250	3,208
Supplies and Services	14,960	13,734
Agency and Contracted Services	1,541	1,344
Depreciation and Impairment of Fixed Assets	6,273	4,047
Other Operating Expenditure	414	380
Financing and Investment Income and Expenditure	41,152	38,556
Total Expenditure	218,058	245,390
Income		
Government Grants	(1,424)	(769)
Income from Fees and Charges	(9,636)	(7,459)
Taxation and Non-Specific Grant Income	(145,992)	(135,060)
Total Income	(157,052)	(143,288)
CORPORATE, DEMOCRATIC AND COMMISSIONING SERVICES		
Expenditure		
Police Staff Pay and Allowances	969	936
Other Employee Expenses	3	34
Premises	57	59
Transport	10	10
Supplies and Services	4,230	3,077
Total Expenditure	5,269	4,116
Income		
Other Income	(5)	-
Government Grants	(1,618)	(1,532)
Total Income	(1,623)	(1,532)
Deficit on Provision of Services	64,652	104,686

<u>PCC</u>	2019/20	2018/19
	£'000	£'000
POLICE SERVICES		
Expenditure		
Depreciation and Impairment of Fixed Assets	6,273	4,047
Intra-Group Adjustment for financial resources consumed	165,571	159,609
Financing and Investment Income and Expenditure	478	466
Other Operating Expenditure	414	380
Total Expenditure	172,736	164,502
Income		
Government Grants	(1,424)	(770)
Income from Fees and Charges	(9,636)	(7,463)
Other Operating Income	(15,546)	(19,755)
Taxation and Non-Specific Grant Income	(145,992)	(135,060)
Funding from Chief (Re RCCO)	-	-
Total Income	(172,598)	(163,048)
CORPORATE, DEMOCRATIC AND COMMISSIONING SERVICES		
Expenditure		
Police Staff Pay and Allowances	969	936
Other Employee Expenses	3	34
Premises	57	59
Transport	10	10
Supplies and Services	4,230	3,077
Financing and Investment Income	-	-
Total Expenditure	5,269	4,116
Income		
Income from Fees and Charges	(5)	
Government Grants	(1,618)	(1,532)
Total Income	(1,623)	(1,532)
Deficit on Provision of Services	<u>3,784</u>	<u>4,038</u>

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

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

	2019/20		2018/19	
	Usable Reserves		Usable Reserves	
	General Fund Balance	Capital Receipts Reserve	General Fund Balance	Capital Receipts Reserve
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to the Pensions Reserve)	60,683	-	100,699	-
Council tax (transfers to (or from) Collection Fund)	112	-	168	-
Holiday pay (transferred to the Accumulated Absences Reserve)	312	-	53	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (the items are charged to the Capital Adjustment Account)	4,148	-	4,399	-
Total Adjustments to Revenue Resources	65,255	-	105,319	-
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	(2,382)	2,382
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(713)	-	(743)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(493)	-	(507)	-
Total Adjustments between Revenue and Capital Resources	(1,206)	-	(3,632)	2,382
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(1,863)	-	(1,215)
Addition of unapplied Capital Grant	(189)	189	-	-
Application of capital grants & Compulsory Purchase compensation to finance capital expenditure	(2,106)	-	(845)	-
Cash payments in relation to deferred capital receipts	-	82	-	140
Transfer from the Capital Receipts Reserve to the Capital Carry Forward Reserve	-	(323)	579	(579)
Total Adjustments to Capital Resources	(2,295)	(1,915)	(266)	(1,654)
Total Adjustments	61,754	(1,915)	101,421	728

11. Police and Crime Commissioner'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.

	2019/20		2018/19	
	Usable Reserves		Usable Reserves	
	General Fund Balance £000	Capital Receipts Reserve £000	General Fund Balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to the Pensions Reserve)	127	-	104	-
Council tax (transfers to (or from) Collection Fund)	112	-	168	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (the items are charged to the Capital Adjustment Account)	4,148	-	4,399	-
Total Adjustments to Revenue Resources	4,387	-	4,671	-
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	(2,382)	2,382
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(713)	-	(743)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(493)	-	(507)	-
Total Adjustments between Revenue and Capital Resources	(1,206)	-	(3,632)	2,382
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(1,863)	-	(1,215)
Addition of unapplied Capital Grant	(189)	189	-	-
Application of capital grants & Compulsory Purchase compensation to finance capital expenditure	(2,106)	-	(845)	-
Cash payments in relation to deferred capital receipts	-	82	-	140
Transfer from the Capital Receipts Reserve to the Capital Carry Forward Reserve	-	(323)	579	(579)
Total Adjustments to Capital Resources	(2,295)	(1,915)	(266)	(1,654)
Total Adjustments	886	(1,915)	773	728

12. 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 2019/20.

	Balance 31 March 2018	2018/19		Balance 31 March 2019	2019/20		Balance 31 March 2020
		Added to Reserve	Applied		Added to Reserve	Applied	
	£000	£000	£000	£000	£000	£000	£000
Carry Forward Projects Reserve	1,012	1,231	(1,012)	1,231	1,075	(1,231)	1,075
Insurance Reserve	862	-	-	862	114	-	976
Ill-Health Retirement Reserve	398	-	0	398	-	-	398
Capital Reserve	1,285	-	(616)	669	-	(669)	-
Drug Forfeiture (Operational) Reserve	116	30	0	146	226	-	372
Budget Assistance Reserve	4,216	-	(1,606)	2,610	-	(723)	1,887
Capital Carry Forward Reserve	2,173	918	(1,600)	1,491	1,022	(1,049)	1,464
Asset Incentivisation Reserve	-	-	0	-	466	-	466
Road Casualty Reduction & Support Fund	1,582	227	(245)	1,564	454	(968)	1,050
Collaboration & Commissioning Reserve	260	153	(39)	374	190	-	564
ICT Development Reserve	432	-	432	-	-	-	-
Estates Development Reserve	2,939	-	(274)	2,665	-	(1,805)	860
Total Earmarked Reserves	15,275	2,559	(5,824)	12,010	3,547	(6,445)	9,112
General Reserve	7,198	-	-	7,198	-	-	7,198
Total General and Earmarked Reserves	22,473	2,559	(5,824)	19,208	3,547	(6,445)	16,310
Capital Receipts Reserve	1,913	2,521	- 1,793	2,641	82	(2,186)	537
Unapplied Capital Receipts Reserve	-	-	-	-	189	-	189
Total Usable Reserves	24,386	5,080	(7,617)	21,849	3,818	(8,631)	17,036

Carry Forward Projects

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

Insurance

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

Ill-Health Retirement

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

Capital

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

Drug Forfeiture (Operational)

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

Asset Incentivisation Reserve

Funds transferred to the Asset Incentivisation Reserve are amounts received from the Proceeds of Crime Act (POCA)

Budget Assistance

The reserve has been established to meet budget pressures in future years, and especially to bridge the funding gap in the years to 2020/21, 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.

Road Casualty Reduction and Support Fund

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

Collaboration and Commissioning

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

ICT Development

The reserve has been created to ensure that the necessary resources are available for the replacement of the Airwaves police communications system by the Emergency Services Network.

Estates Development

This reserve has been established to fund upfront expenditure incurred as part of the continuing programme of estate rationalisation.

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

	2019/20		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Pension Top Up Grant Received from Home Office	(15,546)	(15,546)	(19,755)	(19,755)
Pension Top Up Grant Transferred to Pension Fund	-	15,546	-	19,755
Losses on the disposal of non-current assets	414	414	380	380
	(15,132)	414	(19,375)	380

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

	2019/20		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Interest payable and similar charges	627	627	650	650
Net interest on the net defined benefit liability	26	40,700	19	38,109
Interest receivable and similar income	(175)	(175)	(203)	(203)
	478	41,152	466	38,556

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

	2019/20 £000	2018/19 £000
Council tax income	(64,002)	(55,804)
Non-domestic rates	(31,053)	(30,583)
Non-ringfenced government grants	(49,165)	(47,828)
Capital grants and contributions	(1,772)	(845)
	(145,992)	(135,060)

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

	Land and Buildings £000	Plant and Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2019	42,335	23,954	6,966	743	1,661	75,659
Additions	146	60	(112)	-	7,875	7,969
Disposals	(26)	(3,312)	(1,255)	-	-	(4,593)
Reclassifications	2,780	2,584	1,912	-	(6,531)	745
Revaluation increases recognised in the Revaluation Reserve	2,579	-	-	-	-	2,579
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(2,721)	-	-	-	-	(2,721)
Impairments recognised in the Deficit on the Provision of Services	-	-	-	-	130	130
At 31 March 2020	45,093	23,286	7,511	743	3,135	79,768
Accumulated depreciation						
At 1 April 2019	(1,817)	(20,275)	(3,128)	-	-	(25,220)
Charge for 2019/20	(29)	(1,319)	(815)	-	-	(2,163)
Disposals	19	3,270	890	-	-	4,179
Revaluations depreciation written out to the Revaluation Reserve	(243)	-	-	-	-	(243)
Revaluation increase recognised in the Deficit on the Provision of Services	-	-	-	-	-	-
At 31 March 2020	(2,070)	(18,324)	(3,053)	0	0	(23,447)
Net book value						
31 March 2020	43,023	4,962	4,458	743	3,135	56,321
31 March 2019	40,518	3,679	3,838	743	1,661	50,439

In addition we hold one investment property with a net book value of £122k. We reclassified one building from Investment to PPE during the year for £500k.

	Land and Buildings £000	Plant and Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2018	39,813	22,651	6,192	813	2,384	71,853
Additions	2	2	-	-	4,026	4,030
Disposals	(183)	(151)	(1,242)	(70)	-	(1,646)
Reclassifications	964	1,452	2,016	-	(4,432)	-
Revaluation increases recognised in the Revaluation Reserve	2,552	-	-	-	-	2,552
Revaluation decreases recognised in the Deficit on the Provision of Services	(813)	-	-	-	-	(813)
	-	-	-	-	(317)	(317)
At 31 March 2019	42,335	23,954	6,966	743	1,661	75,659
Accumulated depreciation						
At 1 April 2018	(2,697)	(18,458)	(3,163)	(10)	-	(24,328)
Charge for 2018/19	703	(1,944)	(833)	(4)	-	(2,078)
Disposals	151	127	868	14	-	1,160
Reclassifications	20	-	-	-	-	20
Revaluations depreciation written out to the Revaluation Reserve	6	-	-	-	-	6
At 31 March 2019	(1,817)	(20,275)	(3,128)	-	-	(25,220)
Net book value						
31 March 2019	40,518	3,679	3,838	743	1,661	50,439
31 March 2018	37,117	4,193	3,029	802	2,384	47,525

Recognition

As well as the grouping of expenditure on computers (in line with the Group's Accounting Policies), items purchased as part of a capital scheme that are identical or related are grouped and recorded on the property, plant and equipment register if the value of the grouped assets exceed the de-minimis value of £10,000.

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

At 31 March 2020, the Group had not entered into any significant capital contracts. Included in the Medium Term Capital Plan is a new Southern Police Station, estimated cost of £35m.

Revaluations

The following statement shows the progress of the Group's programme of revaluation of property, plant and equipment. Asset values of land and buildings are reviewed at 1 April each year in 5 yearly intervals in a rolling programme, or sooner where there is a material change in value in any year or a property is reclassified (to Surplus Assets, Held for Sale Assets or Investment Properties). In the years between formal valuations, the continuing appropriateness of current values based on previous valuations is assessed by reference to market trends and professional advice. In addition a desktop assessment has been carried out on agreed properties as appropriate based on materiality levels. Land and building valuations in 2019/20 have been carried out by the Group's own valuers: Mr C Luscombe FRICS IRRV (OPCC Director of Estates) and Mrs E McKee MRICS (Estates Management Surveyor) 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.

Fair Value Hierarchy

Details of the Group's historic cost and information about the fair value hierarchy and techniques as at 31 March are as follows:

	Intangible	Property, Plant & Equipment				Investment	Total
	Assets	Land and	Surplus	Plant and	Vehicles		
	Software	Buildings	Assets	Equipment			
	Licenses						
Assets valued at Historical Cost:	7,770	-	743	23,286	7,511	-	39,310
Valued at Current Value in:							
2019/20	-	2,758	-	-	-	122	2,880
2018/19	-	2,953	-	-	-	-	2,953
2017/18	-	1,258	-	-	-	-	1,258
2016/17	-	14,110	-	-	-	-	14,110
2015/16	-	618	-	-	-	-	618
2014/15	-	23,396	-	-	-	-	23,396
	7,770	45,093	743	23,286	7,511	122	84,525

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Investment Properties

The fair value of the Group's investment properties is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Group's valuation experts work closely with finance staff reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

17. 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 £1,142k (2018/19 £1,182k) is chargeable to Police Services in the Comprehensive Income and Expenditure Statement.

The movement of assets are as follows:

	Intangibles			Intangibles		
	Intangibles £000	Development under £000	Total £000	Intangibles £000	Development under £000	Total £000
Balance at start of year:						
Gross carrying amount	7,536	812	8,348	4,281	3,073	7,354
Accumulated amortisation	(4,004)	-	(4,004)	(2,822)	-	(2,822)
Net carrying amount at start of year	3,532	812	4,344	1,459	3,073	4,532
Additions	-	1,155	1,155	-	935	935
Reclassifications from assets under construction	234	(479)	(245)	3,255	(3,255)	-
Impairments recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	59	59
Amortisation for the period	(1,142)	-	(1,142)	(1,182)	-	(1,182)
Amortisation on disposals	-	-	-	-	-	-
Net carrying amount at end of year	2,624	1,488	4,112	3,532	812	4,344
Comprising:						
Gross carrying amount	7,770	1,488	9,258	7,536	812	8,348
Accumulated amortisation	(5,146)	-	(5,146)	(4,004)	-	(4,004)
	2,624	1,488	4,112	3,532	812	4,344

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

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.
2019/20

Financial Assets

	Non Current		Current			Total £000
	Investments £000	Debtors £000	Cash £000	Investments £000	Debtors £000	
Fair Value through Profit and loss	-	-	-	-	-	-
Amortised Cost	43	-	6,941	4,000	9,438	20,422
Total Financial Assets	43	-	6,941	4,000	9,438	20,422

Financial Liabilities

	Non Current		Current		Total £000
	Borrowings £000	Creditors £000	Borrowings £000	Creditors £000	
Fair Value through Profit and loss	-	-	-	-	-
Amortised Cost	17,839	-	517	9,088	27,444
Total Financial Assets	17,839	-	517	9,088	27,444

2018/19

Financial Assets

	Non Current		Current			Total £000
	Investments £000	Debtors £000	Cash £000	Investments £000	Debtors £000	
Fair Value through Profit and loss	-	-	-	-	-	-
Amortised Cost	44	-	3,485	6,000	8,556	18,085
Total Financial Assets	44	-	3,485	6,000	8,556	18,085

Financial Liabilities

	Non Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
Fair Value through Profit and loss	-	-	-	-	-
Amortised Cost	18,050	-	517	9,088	27,655
Total Financial Assets	18,050	-	517	9,088	27,655

Fair Values of Financial Assets and Financial Liabilities

At 31st March 2020, the Group does not hold any Financial Assets carried at Fair Value. Financial liabilities and financial assets represented by borrowings 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 (Level 2) using the following assumptions:

- for the fair value of Public Works Loan Board (PWLB) loans, premature repayment rates from the PWLB are applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- the carrying amount of an instrument maturing within 12 months is assumed to approximate to its fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

	31 March 2020		31 March 2019 Restated	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities at amortised cost:				
Public Works loan Board loans	(17,839)	(24,873)	(18,050)	(23,376)

* restated 2019/20 carrying amount as incorrect

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 borrowings 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 Debtors

	2019/20	2018/19
	£000	£000
Trade Receivables	325	367
Prepayments	5,268	6,375
Other Receivables	10,670	15,838
	16,263	22,580

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

	2019/20	2018/19
	£000	£000
Cash held by the Commissioner	30	16
Bank current accounts	(19)	(481)
Short term deposits	6,930	3,950
	<u>6,941</u>	<u>3,485</u>

21. Group and Police and Crime Commissioner's Creditors

	2019/20		2018/19	
	PCC	Group	PCC	Group
	£000	£000	£000	£000
Trade Creditors	(1,224)	(1,224)	(1,910)	(1,910)
Other Creditors	(14,086)	(12,260)	(9,945)	(11,459)
	<u>(15,310)</u>	<u>(13,484)</u>	<u>(11,855)</u>	<u>(13,369)</u>

22. Group and Police and Crime Commissioner's Provisions

Insurance

The balance at 31 March 2020 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.

	2019/20	2018/19
	£000	£000
Insurance		
Balance at 1 April	888	888
Amounts used in year	-	-
Increase in year	571	-
Balance at 31 March	<u>1,459</u>	<u>888</u>
	<u>2019/20</u>	<u>2018/19</u>
	£000	£000
Legal Provision		
Balance at 1 April	300	134
Amounts used in year	(32)	-
Increase in year	11	166
Balance at 31 March	<u>279</u>	<u>300</u>
Total Provision	<u>1,738</u>	<u>1,188</u>

23. 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.

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

	2019/20		2018/19	
	Group £000	PCC £000	Group £000	PCC £000
Revaluation Reserve	14,893	14,893	12,533	12,533
Capital Adjustment Account	23,519	23,519	21,926	21,926
Pensions Reserve	(1,547,657)	(69)	(1,652,731)	(1,006)
Collection Fund Adjustment Account	278	278	391	391
Accumulated Absences Account	(1,825)	-	(1,513)	-
Deferred Capital Receipts Reserve	27	27	108	108
	(1,510,765)	38,648	(1,619,286)	33,952

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	12,533	11,540
Upward revaluation of assets	2,603	2,552
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	-	-
Accumulated gains on assets sold or scrapped	-	(1,579)
Difference between fair value depreciation and historical cost depreciation	(243)	20
Balance at 31 March	14,893	12,533

Capital Adjustment Account (Group and Police and Crime Commissioner)

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

The Account contains accumulated gains and losses on Investment Properties.

The Account also 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 11 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2019/20	2018/19
	£000	£000
Balance at 1 April	21,926	21,457
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	(2,163)	(2,052)
Revaluation losses on Property, Plant and Equipment	(2,968)	(813)
Amortisation of intangible assets	(1,142)	(1,182)
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	(414)	(1,179)
Revaluation gains (losses) written down in the year	243	(20)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,186	1,215
Use of the Reserves to finance new capital expenditure	2,512	803
Use of Capital Carry Forward Reserve to finance new capital expenditure	27	1,600
Capital grants credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,583	845
Compulsory Purchase Compensation applied to capital financing	523	-
Statutory provision for the financing of capital investment charged against the General Fund	713	744
Capital expenditure charged against the General Fund	493	508
Balance at 31 March	23,519	21,926

Pension Reserve (Group and Police and Crime Commissioner)

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

- in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service;
- by updating the liabilities recognised to reflect inflation; and
- 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 35.

	Group	
	2019/20	2018/19
	£000	£000
Balance at 1 April	(1,652,731)	(1,491,951)
Remeasurements of the net defined benefit liability	165,757	(60,081)
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(100,769)	(140,926)
Employer's pensions contributions and direct payments to pensioners payable in the year	40,086	40,227
	<u>(1,547,657)</u>	<u>(1,652,731)</u>

	PCC	
	2019/20	2018/19
	£000	£000
Balance at 1 April	(1,006)	(642)
Remeasurements of the net defined benefit liability	1,064	(260)
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(271)	(245)
Employer's pensions contributions and direct payments to pensioners payable in the year	144	141
	<u>(69)</u>	<u>(1,006)</u>

Accumulated Absences Account (Group)

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019/20 £000	2018/19 £000
Balance at 1 April	(1,513)	(1,460)
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	(312)	(53)
Balance at 31 March	<u>(1,825)</u>	<u>(1,513)</u>

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

The cash flows for operating activities include the following items:

	2019/20		2018/19	
	PCC £000	Group £000	PCC £000	Group £000
Depreciation	2,033	2,033	2,078	2,078
Amortisation	1,142	1,142	1,182	1,182
Impairment and downward valuations	2,968	2,968	1,045	1,045
Increase/decrease in creditors	1,716	1,716	433	433
Increase in debtors	6,246	6,246	(2,379)	(2,379)
Increase in inventories	(131)	(131)	(44)	(44)
Movement in Pension Liability	127	60,683	104	100,699
Carrying amount of non-current assets and non current assets held for sale, sold or derecognised	225	225	2,759	2,759
Other non-cash items charged to the net surplus or deficit on the provision of services	662	974	(2,048)	(1,995)
	<u>14,988</u>	<u>75,856</u>	<u>3,130</u>	<u>103,778</u>

26. Group and Police and Crime Commissioner's Joint Operations

Eastern Region Special Operations Unit

The Eastern Region Special Operations Unit (ERSOU) is a joint arrangement between 7 forces - Hertfordshire, Cambridgeshire, Essex, Suffolk, Norfolk, Kent and Bedfordshire, to provide one serious and organised crime unit for the eastern region. ERSOU is run by a management board where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces' share of assets, liabilities, income and expenditure are consolidated into their own financial statements.

During 2017/18 Bedfordshire police took over from Hertfordshire the lead force responsibility. However, the transactions for the unit are recorded through the Hertfordshire ledger. Legal title to all vehicles, equipment and premises owned and used by the unit transferred from Hertfordshire to Bedfordshire and the assets are recorded in its capital accounts and asset register.

All revenue costs and capital expenditure are shared between the seven forces in accordance with the percentages defined in the Section 22 agreement. All capital expenditure is fully funded in the year of expenditure and there is therefore no capital financing charge to the six participating forces.

ERSOU is a jointly controlled operation with no separate entity and is therefore not able to hold reserves in respect of any cumulative surplus or deficit at year end. Each participating Local Policing Body shows its share of the carried forward surplus in its accounts. The ERSOU operating account is shown in the following table. The expenditure figures do not include depreciation charges.

The Home Office grants were paid to Bedfordshire as agent for the participating forces.

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

2019/20	Beds £'000	Cambs £'000	Essex £'000	Herts £'000	Kent £'000	Norfolk £'000	Suffolk £'000	Total £'000
Home Office Grant	-426	-551	-1013	-772	-476	-626	-472	-4,336
Running Costs	2,384	3,083	2,946	4,318	2,721	3,497	2,640	21,589
Depreciation	39	35	20	61	4	47	39	245
Surplus / Deficit	1,997	2,567	1,953	3,607	2,249	2,918	2,207	17,498
2018/19	Beds £'000	Cambs £'000	Essex £'000	Herts £'000	Kent £'000	Norfolk £'000	Suffolk £'000	Total £'000
Home Office Grant	-517	-682	-1022	-951	-486	-749	-576	-4,983
Running Costs	2,314	2,998	2,450	4,218	2,215	3,379	2,572	20,146
Depreciation	50	46	28	85	7	64	54	334
Surplus / Deficit	1,847	2,362	1,456	3,352	1,736	2,694	2,050	15,497

Bedfordshire, Cambridgeshire and Hertfordshire (BCH) Collaborative Units

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

Expenditure of £28.039m (2018/19 £27.283m) has been consolidated into the Chief Constable's Comprehensive Income and Expenditure Statement and the Group's Comprehensive Income and Expenditure Statement.

7 Force Procurement

Procurement across Seven Forces; Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk has been collaborated to form a single 7F Procurement function during the latter quarter of the year. It's aim is delivery of an effective Police service and provide support for victims of crime by procuring and managing a high quality, value for money supply chain. The team will be working towards aligning contracts across the seven forces, increasing the opportunity for greater interoperability across the region and enhancing efficiency and effectiveness.

The costs to Cambridgeshire Constabulary during 2019/20 are £362k.

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

Beds 2018/19 £'000	Cambs 2018/19 £'000	Herts 2018/19 £'000	Total 2018/19 £'000		Beds 2019/20 £'000	Cambs 2019/20 £'000	Herts 2019/20 £'000	Total 2019/20 £'000
				Joint Protective Services				
2,691	2,345	2,700	7,736	Armed Policing Unit	2,809	2,471	2,816	8,096
696	860	1,161	2,717	Dogs	731	913	1,221	2,865
2,442	2,933	3,616	8,991	Major Crime Unit	2,492	3,022	3,691	9,205
284	363	514	1,161	Operational Planning & Public Order	280	362	506	1,148
211	269	381	861	Protective Services Command Team	245	318	444	1,007
93	119	169	381	Resilience	95	123	171	389
2,724	3,919	5,249	11,892	Roads Policing Unit	2,471	3,591	4,769	10,831
2,054	2,496	3,390	7,940	Scientific Services Unit	2,433	2,986	4,019	9,438
11,195	13,304	17,180	41,679	Total Joint Protective Services	11,556	13,786	17,637	42,979
				Operational Support				
271	346	489	1,106	Criminal Justice & Custody Management Team	277	359	502	1,138
599	765	1,083	2,447	Criminal Justice	655	850	1,187	2,692
101	195	159	455	Firearms & Explosives Licensing	108	210	171	489
40	51	72	163	Local Criminal Justice Board	0	0	0	0
-338	-427	-563	-1,328	Camera, Tickets, Collisions	-356	-454	-593	-1,403
3,740	4,774	6,761	15,275	ICT	3,603	4,671	6,527	14,801
242	309	437	988	Public Contact Senior Leader Team	303	393	549	1,245
4,655	6,013	8,438	19,106	Total Operational Support Expenditure	4,590	6,029	8,343	18,962
				Organisational Support				
514	657	930	2,101	Collaboration Team	455	590	825	1,870
3,891	5,093	7,408	16,392	HR / L&D	4,056	5,257	7,345	16,658
642	820	1,161	2,623	Information Management Department	668	866	1,210	2,744
1,070	1,102	1,607	3,779	Professional Standards Unit	1,104	1,149	1,659	3,912
231	294	417	942	Procurement	279	362	506	1,147
6,348	7,966	11,523	25,837	Total Organisational Support Expenditure	6,562	8,224	11,545	26,331
22,198	27,283	37,141	86,622	Total Net Operating Costs	22,708	28,039	37,525	88,272

27. 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 £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employer's pension contributions £	Total Remuneration including pension contributions £
<u>Police and Crime Commissioner Accounts</u>							
Police & Crime Commissioner							
<i>(Acting PCC) Ray Bisby from 27.11.2019</i>	2019/20	25,024	-	-	25,024	5,730	30,754
<i>Jason Ablewhite (01/04/2019- 11.11.2019)</i>	2019/20	44,030	-	-	44,030	10,083	54,113
<i>Jason Ablewhite</i>	2018/19	71,283	-	-	71,283	16,324	87,607
Deputy Police & Crime Commissioner							
<i>Ray Bisby (0.5FTE) (01/04/2019- 26/11/2019)</i>	2019/20	18,356	-	-	18,356	4,203	22,559
<i>Ray Bisby (0.5FTE)</i>	2018/19	28,000	-	-	28,000	6,412	34,412
Chief Executive (0.9 FTE)							
Dorothy Gregson	2019/20	97,312	-	-	97,312	22,284	119,596
	2018/19	96,603	-	-	96,603	22,122	118,725
Chief Finance Officer (OPCC)**							
<i>from 01/02/2017</i>	2019/20	9,526	-	-	9,526	-	9,526
	2018/19	15,277	-	-	15,277	-	15,277
Totals	2019/20	194,247	-	-	194,247	42,301	236,548
	2018/19	211,163	-	-	211,163	44,858	256,021

*Cambridgeshire Police and Crime Commissioner
Draft Statement of Accounts 2019/20*

		Salaries, fees & allowances	Bonuses	Benefits in Kind	Total Remuneration excluding pension contributions	Employer's pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£
Chief Constable's Accounts							
Chief Constable							
<i>Nick Dean</i>	2019/20	148,280	-	5,497	153,777	44,879	198,656
<i>Nick Dean from 29/09/2018</i>	2018/19	73,912	-	4,466	78,378	15,365	93,743
<i>Alec Wood to 28/09/2018</i>	2018/19	84,021	-	4,911	88,932	-	88,932
Deputy Chief Constable							
<i>Jane Gyford from 13/05/2019</i>	2019/20	114,781	-	-	114,781	32,799	147,580
<i>Alan Baldwin until 17/06/2019</i>	2019/20	33,063	-	-	33,063	7,804	40,867
<i>Alan Baldwin</i>	2018/19	125,880	-	5,163	131,043	24,863	155,906
Assistant Chief Constables							
<i>Dan Vajozvic (Constabulary and ERSOU)**</i>	2019/20	113,892	-	-	113,892	35,690	149,582
<i>Nav Malik & Dan Vajozvic</i>	2018/19	241,960	-	6,148	248,108	49,657	297,765
Chief Finance Officer (Constabulary)							
<i>Jon Lee from 11/12/2019</i>	2019/20	31,871	-	-	31,871	7,298	39,169
<i>Niki Howard until 30/09/2019</i>	2019/20	52,028	-	-	52,028	11,914	63,942
<i>Niki Howard</i>	2018/19	104,806	-	-	104,806	24,001	128,807
Assistant Chief Constable - BCH Joint Protective Services							
<i>Paul Fullwood</i>	2019/20	117,777	-	3,484	121,261	35,679	156,940
<i>Paul Fullwood</i>	2018/19	108,759	-	6,058	114,817	22,594	137,411
Totals	2019/20	611,691	-	8,981	620,672	176,063	796,735
	2018/19	739,337	-	26,746	766,083	136,480	902,563

** ACC Nav Malik has been seconded to a role outside of Cambridgeshire Police during the year. Dan was Cambridgeshire Constabulary ACC from Apr 19 - Oct 19 and ERSOU ACC from Oct 19 onwards. His post is being covered through a secondment by Sharn Basra from Bedfordshire Police. During this period we paid Bedfordshire Police £61,510.82 to cover the secondment costs

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		Chief	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£50,000 to £54,999	15	6	2	1	13	5
£55,000 to £59,999	3	3	1	-	2	3
£60,000 to £64,999	1	2	-	-	1	2
£65,000 to £69,999	1	-	-	-	1	-
£70,000 to £74,999	1	2	-	1	1	1
£75,000 to £79,999	1	3	-	-	1	3
£80,000 to £84,999	3	2	-	-	3	2
£85,000 to £89,999	1	3	-	-	1	3
£90,000 to £94,999	3	1	-	-	3	1
£95,000 to £99,999	1	2	1	1	-	1
£100,000 to £104,999	-	1	-	-	-	1
£105,000 to £109,999	1	1	-	-	1	1
£110,000 to £114,999	1	1	-	-	1	1
£115,000 to £119,999	2	1	-	-	2	1
£120,000 to £124,999	-	-	-	-	-	-
£125,000 to £129,999	-	-	-	-	-	-
£130,000 to £134,999	1	2	-	-	1	2
£135,000 to £139,999	-	-	-	-	-	-
£140,000 to £144,999	-	-	-	-	-	-
£145,000 to £149,999	1	-	-	-	1	-
	36	30	4	3	32	27

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

Exit package cost band	Group			
	Number of redundancies		in each band	
	2019/20	2018/19	2019/20	2018/19
	No.	No.	£'000	£'000
£0 - £20,000	5	6	62	48
£20,001 - £40,000	-	1	-	35
£40,001- £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
	5	7	62	83

28. 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.

	2019/20	2018/19
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor:		
Police and Crime Commissioner	23	23
Chief Constable	<u>12</u>	<u>12</u>
	<u>35</u>	<u>35</u>

29. 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 2019/20.

Credited to Services

	2019/20	2018/19
	£000	£000
Other Government Grants	143	97
Victims Commissioning	979	1,246
Early Intervention youth Fund	384	-
Violence Against Women	138	274
Pension Top up Grant	<u>1,398</u>	<u>-</u>
	<u>3,042</u>	<u>1,617</u>

Credited to Taxation and Non-Specific Grant Income

Credited to Taxation and Non-Specific Grants

	2019/20	2018/19
	£000	£000
Police Grant	48,868	47,660
Precepts	64,002	55,972
Non-Domestic Rates Redistribution	24,528	24,059
Localising Council Tax Support	4,822	4,822
Council Tax Freeze	1,703	1,702
Capital Grants	1,772	845
Police Uplift Grant	<u>297</u>	<u>-</u>
	<u>145,992</u>	<u>135,060</u>

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

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

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

Chief Constable (Police and Crime Commissioner)

The Police and Crime Commissioner has direct control over the groups finances, including responsibility for funding of all pensions' liabilities, and is responsible for setting the Police and Crime Plan. The Chief Constable operates within the budget set by the Police and Crime Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept (see note 7).

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 29. Grant receipts outstanding at 31 March 2020 are shown in Note 21.

Officers

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

Cambridgeshire Police Shrievalty Trust

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

Officers:

N Dean, Chief Constable

N Howard, Chief Finance Officer (Constabulary) (to 30/9/19)

In the year to 31 March 2020, the Group had dealings with the Trust being a Victims Support grant contribution of £50,000 (2018/19 £50,000).

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

The Group has a pooled budget arrangement (joint operation) with the 6 other eastern police forces for the provision of tackling organised crime and further pooled budget arrangements (joint operation) with Bedfordshire Police and Hertfordshire Constabulary for the provision of a range of policing services. Transactions and balances outstanding are detailed in Note 26.

The Group participates in four pension schemes the Local Government Pension Scheme (LGPS) for Police Staff, the Police Pension Scheme (PPS) for Police Officers in service before 31 March 2006 who are subject to transitional protection, the New Police Pensions Scheme (NPPS) for officers starting service on or after 1 April 2006 who are subject to transitional protection, the Police Pensions Scheme 2015 (PPS 2015) for officers starting service on or after 1 April 2016 and officers formerly members of PPS/NPPS who are not subject to transitional protection.

The LGPS scheme is administered by Cambridgeshire County Council and the PPS, NPPS and PPS 2015 are administered by XPS Pension Group; see Note 33 for details of transactions and balances outstanding.

During the year the Group made payments totalling £1,453k to the six local authorities for National Non-Domestic Rates Bills (2018/19 £1,469k).

31. 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 2020, was £356,947 (31 March 2019: £391,499).

32. 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.

	2019/20	2018/19
	£000	£000
<i>Opening Capital Financing Requirement</i>	21,027	21,947
<i>Capital Investment</i>		
Property, Plant and Equipment	7,969	4,030
Intangible Assets	1,155	935
<i>Source of Finance</i>		
Capital Receipts	(2,186)	(1,215)
Government Grants	(2,106)	(845)
Borrowing	(2,018)	(170)
<i>Sums set aside from revenue</i>		
Direct revenue contributions	(493)	(508)
Transfer from Capital Reserve	(669)	(277)
Transfer from Capital Carry Forward Reserve	(27)	(1,600)
Transfer from ICT Reserve	-	(432)
Transfer from Budget Assistance Reserve	(38)	-
Transfer from Estates Development Reserve	(1,805)	(94)
Minimum Revenue Provision	(713)	(744)
<i>Closing Capital Financing Requirement</i>	<u>20,096</u>	<u>21,027</u>
 <i>Explanation of movement in year</i>		
 <i>Increase in underlying need to borrowing (unsupported by government financial assistance)</i>	 1,010	 (645)
<i>Increase or (Decrease) in Creditors</i>	<u>(1,941)</u>	<u>(274)</u>
	<u>(931)</u>	<u>(919)</u>

33. 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 four 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. The Police and Crime Commissioner and Chief Constable are separate employers in the scheme, which is reflected in the figures included in the financial statements; and
- ii) the Police Pension Scheme (PPS) for police officers in service before 31 March 2006 who are subject to transitional protection, the New Police Pensions Scheme (NPPS) for

officers starting service on or after 1 April 2006 who are subject to transitional protection, the Police Pensions Scheme 2015 (PPS 2015) for officers starting service on or after 1 April 2016 and officers formerly members of PPS/NPPS who are not subject to transitional protection. All three schemes are defined benefit, unfunded schemes, administered by XPS Pension Group, 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 the 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:

	2019/20				2018/19			
	Police Pensions £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total £000	Police Pensions £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total £000
Comprehensive Income and Expenditure Account								
<i>Cost of Services:</i>								
Current service cost	42,548	12,004	245	54,797	25,945	10,114	214	36,273
Past service costs	5,250	22	-	5,272	65,750	782	12	66,544
	47,798	12,026	245	60,069	91,695	10,896	226	102,817
<i>Financing and Investment Income and Expenditure:</i>								
Net interest expense	38,390	2,284	26	40,700	36,200	1,890	19	38,109
	38,390	2,284	26	40,700	36,200	1,890	19	38,109
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	86,188	14,310	271	100,769	127,895	12,786	245	140,926
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>								
Return on plan assets	-	13,974	1,204	15,178	-	(6,156)	(122)	(6,278)
Actuarial gains and losses arising on changes in demographic assumptions	(47,160)	(6,087)	(72)	(53,319)	-	-	-	-
Actuarial (gains) and losses arising on changes in financial assumptions	(49,210)	(30,610)	(296)	(80,116)	44,620	23,797	382	68,799
Other	(28,500)	(17,100)	(1,900)	(47,500)	(2,420)	(20)	-	(2,440)
	(124,870)	(39,823)	(1,064)	(165,757)	42,200	17,621	260	60,081
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</i>	(38,682)	(25,513)	(793)	(64,988)	170,095	30,407	505	201,007
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(86,188)	(14,310)	(271)	(100,769)	(127,895)	(12,786)	(245)	(140,926)
<i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>								
Employer's contributions payable to the schemes	33,850	6,092	144	40,086	34,108	5,978	141	40,227

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2019/20				2018/19			
	Unfunded Liabilities Police Pensions £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total Liabilities £000	Unfunded Liabilities Police Pensions £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total Liabilities £000
Balance at 1 April	1,559,682	263,302	4,461	1,827,445	1,423,695	224,507	3,701	1,651,903
Current service cost	42,548	12,004	245	54,797	25,945	10,114	214	36,273
Past service costs	5,250	22	-	5,272	65,750	782	12	66,544
Interest cost	38,390	6,443	115	44,948	36,200	6,176	104	42,480
Contributions by scheme participants	7,210	1,693	53	8,956	6,540	1,645	49	8,234
Benefits paid	(41,060)	(4,452)	(1)	(45,513)	(40,648)	(3,699)	(1)	(44,348)
Remeasurement gain/loss:								
Actuarial gains/losses arising from changes in demographic assumptions	(47,160)	(6,087)	(72)	(53,319)	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(49,210)	(30,610)	(296)	(80,116)	44,620	23,797	382	68,799
Other	(28,500)	(17,100)	(1,900)	(47,500)	(2,420)	(20)	-	(2,440)
Balance at 31 March	1,487,150	225,215	2,605	1,714,970	1,559,682	263,302	4,461	1,827,445

Reconciliation of fair value of the scheme assets:

	2019/20				2018/19			
	Police Pensions £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total Assets £000	Police Pensions £000	LGPS- Chief Constable £000	LGPS- Police Commissioner £000	Total Assets £000
Balance at 1 April	-	171,259	3,455	174,714	-	156,893	3,059	159,952
Interest Income	-	4,159	89	4,248	-	4,286	85	4,371
Remeasurement gain/loss:								
The return on plan assets, excluding the amount included in the net interest expense	-	(13,974)	(1,204)	(15,178)	-	6,156	122	6,278
Contributions from employer	33,850	6,092	144	40,086	34,108	5,978	141	40,227
Contributions from employees into the scheme	7,210	1,693	53	8,956	6,540	1,645	49	8,234
Benefits paid	(41,060)	(4,452)	(1)	(45,513)	(40,648)	(3,699)	(1)	(44,348)
Closing fair value of scheme assets	-	164,777	2,536	167,313	-	171,259	3,455	174,714

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

	Police Pensions £000		LGPS £000		Total £000	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Present value of the defined benefit obligation	1,487,150	1,559,682	227,820	267,763	1,714,970	1,827,445
Fair Value of Plan Assets	-	-	(167,313)	(174,714)	(167,313)	(174,714)
Net Liability arising from defined benefit obligation	1,487,150	1,559,682	60,507	93,049	1,547,657	1,652,731

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

	LGPS-Police Commissioner £000	LGPS-Chief Constable £000	31 March 2020 £000	LGPS-Police Commissioner £000	LGPS-Chief Constable £000	31 March 2019 £000
Cash and Cash Equivalents	32	2,094	2,126	54	2,653	2,707
Private Equity	181	11,749	11,930	287	14,230	14,517
Debt Securities						
UK Government	113	7,346	7,459	87	4,333	4,420
Equity Instruments (by industry)						
Consumer	-	-	-	104	5,154	5,258
Manufacturing	-	-	-	66	3,293	3,359
Energy and Utilities	-	-	-	81	4,032	4,113
Financial Institutions	-	-	-	135	6,682	6,817
Health and Care	-	-	-	21	1,050	1,071
Information Technology	-	-	-	21	1,044	1,065
Other	-	-	-	-	-	-
Investment Funds and Unit Trusts						
Equities	1,668	108,348	110,016	1,914	94,912	96,826
Bonds	173	11,274	11,447	337	16,710	17,047
Hedge Funds	-	-	-	-	-	-
Other	196	12,701	12,897	408	20,225	20,633
Real Estate	173	11,240	11,413	-	-	-
Derivatives	-	25	25	-	-	-
	2,536	164,777	167,313	3,515	174,318	177,833

The liabilities are the underlying commitments that the Group has to pay retirement benefits in the long-term. The total liability of £1,594,817k has a significant impact on the net worth of the Group as presented in the Balance Sheet, giving rise to negative equity of £1,493,729k. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains stable:

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

Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions made about mortality rates and salary levels. The PPS, the NPPS and the PPS 2015 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 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.0	22.4	21.9	22.6
Women	24.0	24.4	23.6	24.5
Longevity at 45 for current pensioners				
Men	22.7	24.0	23.6	24.5
Women	25.5	26.3	25.2	26.4
Rate of increase in salaries	2.8	2.6	4.0	4.3
Rate of increase in pensions	2.5	2.3	2.0	2.3
Rate of discounting scheme liabilities	2.4	2.7	2.5	2.6

The estimation of the defined benefit obligations is sensitive to the actuarial 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 interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Police Commissioner Scheme		Chief Constable Scheme		Police Pension Scheme	
	Increase in Liability (%)	Approximate monetary amount £000	Increase in Liability (%)	Approximate monetary amount £000	Increase in Liability (%)	Approximate monetary amount £000
Charges in assumptions at 31 March 2020						
0.5% decrease in Real Discount Rate	15	394	12	26,118	-10.0	(147,000)
0.5% increase in the Salary Increase Rate	1	39	1	2,801	1	18,000
0.5% increase in the Pension Increase Rate	14	352	10	23,108	8	118,000

Impact on Cash Flows

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2020 is £5,960k (2018/19 £5,599k). Expected contributions for the Police Pension Scheme in the year to 31 March 2020 are £15,040k (2018/19 £11,457k).

McCloud / Sargeant judgement

The Chief Constable of Cambridgeshire along with other Chief Constables and the Home Office, currently has claims lodged in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

Impact on pension liability

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for Cambridgeshire to be approximately 4.4% or £67.5m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. In 2019-20, scheme actuaries have reviewed these assumptions and have allowed for the additional accrual of “better off” benefits for affected members during the year April 2019 to March 2020. This additional liability has been included in the Current Service Cost. This increase reflects a change in assumptions and therefore represents a gain/loss on remeasurement and reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

Compensation Claims

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31st March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

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

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and/or building societies unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poor's credit rating services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet minimum investment criteria. Additional selection criteria are also considered after this initial criteria is applied.

The PCC uses the creditworthiness service provided by Link Asset Service. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard & Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The Investment Strategy for 2019/20 was approved by the PCC on 24 January 2020

Investment limits are the lower of £10 million or 25% of available funds, with the exception of the DMO and MMFs where deposits may be made to a limit of 100% of available funds. Our investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the PCC's deposits but there was no evidence at the 31 March 2020 that this was likely to crystallise.

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 uncollectibility 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 2020 £000	31 March 2019 £000
Commercial Debtors	72	16

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 £325k balance is past its due date for payment. The balance is shown by debtor category as follows:

	31 March 2020			31 March 2019		
	Public Sector Debtors £000	Commercial Debtors £000	Total £000	Public Sector Debtors £000	Commercial Debtors £000	Total £000
Less than three months	253	72	325	351	16	367

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. The table below shows the liability.

	31/03/2020	31/03/2019
	£000	£000
Less than one year	996	1,141
Between one and two years	996	1,141
Between two and five years	2,988	3,423
More than five years	19,893	22,789
	24,873	28,494

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 2019/20 the Group's investments were all short-term investments comprising of overnight deposits, fixed term deposits and notice accounts, which therefore fall to be treated as investments at variable rates, and its borrowings were fixed rate Public Works Loan Board loans. By way of example, a rise in interest rates would have the following effects:

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

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

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 50 basis points higher, with all other variables held constant, the financial effect for the 2019/20 year of account would be:

	2019/20	2018/19
	£0	£0
Increase in interest receivable on variable rate investments	122	135
Increase in Government grant receivable for financing costs	-	-
Impact on Income and Expenditure Account	<u>122</u>	<u>135</u>

35. Transport Consortium

The PCC for Cambridgeshire belongs to the Chiltern Transport Consortium operated by Thames Valley Police. Cambridgeshire's contribution for 2019/20 was £2.6m (£2.6m in 2018/19). Costs are allocated to the forces in proportion to the size of their fleet. The total costs of the consortium are shown below:

	2019/20	2018/19
	£000	£000
Employee Costs	2,942	2,602
Premises	434	412
Running Costs	4,611	3,849
Insurance	2,352	3,599
Vehicles	9,662	7,764
Income	(1,537)	(1,488)
	<u>18,464</u>	<u>16,738</u>

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 all accounting entries are recorded, administrated and governed by The Police Pension Fund Regulations 2007.

Credits to the Pension Account include contributions from both the Chief Constable and serving police officers who are members of either the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) or the Police Pension Scheme 2015 (PPS 2015). The Chief Constable's contributions in 2019/20 were at a rate of 31.0% of pensionable salary (previously 21.3% plus further 2.9%). 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 31.0% of serving police officers' pensionable salary and 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 2020, 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 33.

Fund Account

	2019/20	2018/19
	£'000	£'000
Contributions receivable:		
From employer:		
Normal	(15,516)	(11,532)
Early retirements	(481)	(540)
From members	(6,668)	(6,386)
Transfers in	(558)	(173)
	<u>(23,223)</u>	<u>(18,631)</u>
Benefits payable:		
Pensions	31,763	30,368
Commutations and lump sum retirement benefits	6,899	7,975
	<u>38,662</u>	<u>38,343</u>
Payments to and on account of leavers:		
Refunds of contributions	108	30
Individual transfers out to other schemes	-	13
	<u>108</u>	<u>43</u>
Net amount payable / receivable for the year before top-up grant payable by sponsoring department	15,547	19,755
Amount (receivable from) / payable to sponsoring department	(15,547)	(19,755)
Balance on Fund at 31 March	<u>-</u>	<u>-</u>
Net Assets Statement		
	2018/19	2017/18
	£'000	£'000
Net current assets and liabilities		
Amounts owed (to)/from General Fund	(5,316)	(5,751)
Remaining top-up grant due to/(from) the Home Office	5,316	5,751
Net current assets / (liabilities) at 31 March	<u>-</u>	<u>-</u>

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.
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.
Creditors	Amounts owed by the Group for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.
Curtailment (Pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of current staff or reduces for a number of staff the accrual of defined benefits for some or all of their future service.
Current Service Costs (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from pensionable service earned in the current period.

Debtors	Sums of money due to the Group, but unpaid at the balance sheet date.
Defined Benefit Scheme (Pensions)	A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an item of property, plant and equipment.
Earmarked Reserves	Funds set aside from the Comprehensive Income and Expenditure Statement that can only be used for specific purposes.
Effective Rate of Interest	The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Expected Rate of Return on Pension Assets	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Financial Asset	A right to future economic benefits controlled by the Group.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Financial Liability	An obligation to transfer economic benefits controlled by the Group.
Financial Reporting Standards (FRSs)	Standards developed by the Accounting Standards Board to regulate the preparation and presentation of statement of accounts (see Statements of Standard Accounting Practice).
Government Grants	Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Police Grant; or general (see Revenue Support Grant).
Impairment	The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.
Income	Amounts that the Group receives, or expects to receive, from any source. Income includes fees, charges, sales, specific grants and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that period.

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

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