

The Chief Constable of  
Cambridgeshire  
Constabulary

**STATEMENT OF  
ACCOUNTS  
2014/15**

# The Chief Constable of Cambridgeshire Constabulary

## STATEMENT OF ACCOUNTS 2014/15

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## **Explanatory Foreword by the Chief Finance Officer**

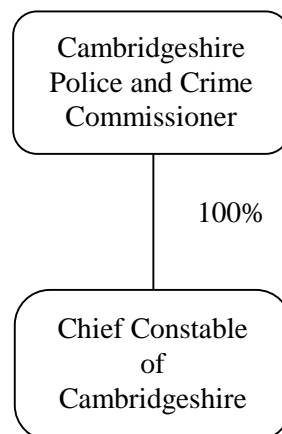
### **Introduction**

This Statement of Accounts sets out the financial position of the Chief Constable of Cambridgeshire for the year ended 31 March 2015.

When the Police Reform and Social Responsibility Act 2011 came into force on 22 November 2012 one of the key reforms was to replace Police Authorities with Police and Crime Commissioners. At the same time the Chief Constable of Cambridgeshire Constabulary was established as a separate body, via creation of a corporation sole, responsible for the operational policing of Cambridgeshire.

The Police and Crime Commissioner's function 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 for Cambridgeshire Constabulary and together both corporation soles form the Cambridgeshire Police and Crime Commissioner (PCC) and the Chief Constable (CC) of Cambridgeshire (herein referred to as "the Group").

### **Group Structure**



As the holding parent, the Cambridgeshire Police and Crime Commissioner guarantees any outstanding liability 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 Accounts, not those of the Chief Constable, and that the Police and Crime Commissioner provides the Chief Constable with an annual devolved budget for the delivery of the policing service.

There is a separate set of accounts setting out the financial position of the group.

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

### **Financial Governance role of the Chief Constable**

The Chief Constable has responsibility to ensure best value in the provision of efficient and effective operational policing within Cambridgeshire. Whilst the Police and Crime Commissioner holds the Chief Constable to account for the delivery of policing services, the Chief Constable has complete operational independence on the deployment of policing resources.

The Chief Constable works within an operational delivery budget provided by the Police and Crime Commissioner and is responsible for managing overall expenditure within this budget in accordance with the Scheme of Consent and Financial Regulations.

The Police and Crime Commissioner sets strategic policing priorities for Cambridgeshire Constabulary, monitors performance against these priorities and holds the Chief Constable to account for the way the Force is performing and the use of the budget. In discharging the important duty to secure best value, the Police and Crime Commissioner seeks to maintain an efficient and effective police force for Cambridgeshire.

### **Role of the Chief Finance Officer to the Chief Constable**

The Chief Finance Officer is the professional adviser on financial matters to the Chief Constable. The Chief Finance Officer has certain statutory duties in relation to financial administration and stewardship. This statutory responsibility includes securing the production of a true and fair view of the accounts, maintaining financial standing and an adequate and effective internal audit function.

The Chief Finance Officer is responsible for advising the Chief Constable on whether a decision is likely to be considered contrary to or not wholly in accordance with the budget and financial policies. The Chief Finance Officer to the Chief Constable works closely with the Police and Crime Commissioner's Chief Finance Officer to ensure overall financial objectives are delivered. This is set out in a memorandum of understanding on their respective roles and responsibilities.

### **The Statement of Accounts**

The Chief Constable has day to day control over most of the Police and Crime Commissioner's assets, daily direction and control over all police officers and a great majority of police staff. The cost of delivering the policing service is reflected in the accounts of the Chief Constable, in line with IAS 18 – Revenue recognition. The core statement of accounts is supported by a Statement of Accounting Policies and explanatory notes follow each statement.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. This statement shows only movements involving reserves held in relation to staff under the direction and control of the Chief Constable for financial year 2014/15, as all other reserves are held by the Cambridgeshire Police and Crime Commissioner.

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing the policing service in accordance with generally accepted accounting practices.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held. All assets and the majority of liabilities are held by the Cambridgeshire Police and Crime Commissioner so the balance sheet for the Chief Constable

shows balances only for liabilities and reserves in relation to staff under the direction and control of the Chief Constable.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. However during 2014/15 all cash is held by the Cambridgeshire Police and Crime Commissioner so the cash flow statement for the Chief Constable shows nil cash balances.

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

### **Financial Performance and Mid Term Plan**

For details on the financial performance, please see the group accounts. These can be obtained from the Office of the Cambridgeshire Police and Crime Commissioner, see website for details <http://www.cambridgeshire-pcc.gov.uk>.



Niki Howard CPFA

Chief Finance Officer to the Chief Constable, Cambridgeshire Constabulary

## **Statement of Responsibilities for the Statement of Accounts**

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

The Chief Constable 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.
- 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 Chief Constable'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 Chief Constable at 31 March 2015 and its income and expenditure for the year then ended.



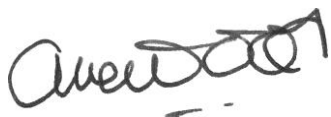
Niki Howard CPFA

Chief Finance Officer to the Chief Constable, Cambridgeshire Constabulary

22 September 2015

### **Completion of the Approval Process by the Chief Constable**

In accordance with the requirements of s8 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts was approved on 22 September 2015.



Alec Wood

Chief Constable, Cambridgeshire Constabulary

22 September 2015

## Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2013</b>	-	(1,155,347)	(1,155,347)
<b><u>Movement in reserves during 2013/14</u></b>			
Surplus or (deficit) on provision of services	(52,219)	-	(52,219)
Other Comprehensive Expenditure and Income	-	41,359	41,359
<b>Total Comprehensive Expenditure and Income</b>	<b>(52,219)</b>	<b>41,359</b>	<b>(10,860)</b>
Adjustments between accounting basis & funding basis under regulations	52,219	(52,219)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>(10,860)</b>	<b>(10,860)</b>
Transfers to/from Earmarked Reserves	-	-	-
<b>Increase/(Decrease) in 2013/14</b>	<b>-</b>	<b>(10,860)</b>	<b>(10,860)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>-</b>	<b>(1,166,207)</b>	<b>(1,166,207)</b>
<b><u>Movement in reserves during 2014/15</u></b>			
Surplus or (deficit) on provision of services	<b>(48,785)</b>	-	<b>(48,785)</b>
Other Comprehensive Expenditure and Income	-	<b>(136,755)</b>	<b>(136,755)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(48,785)</b>	<b>(136,755)</b>	<b>(185,540)</b>
Transfer from Chief Constable to PCC	-	<b>401</b>	<b>401</b>
Adjustments between accounting basis & funding basis under regulations	<b>48,785</b>	<b>(48,785)</b>	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>(185,139)</b>	<b>(185,139)</b>
Transfers to/from Earmarked Reserves	-	-	-
<b>Increase/(Decrease) in 2014/15</b>	<b>-</b>	<b>(185,139)</b>	<b>(185,139)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>-</b>	<b>(1,351,346)</b>	<b>(1,351,346)</b>

This statement shows balances only for reserves in relation to staff under the direction and control of the Chief Constable for the financial year 2014/15, as all other reserves are held by the Cambridgeshire Police and Crime Commissioner.

## Comprehensive Income and Expenditure Statement

Restated 2013/14 Gross Expenditure £000	Restated 2013/14 Gross Income £000	Restated 2013/14 Net Expenditure £000		2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
			Police Services			
60,259	-	60,259	Local policing	55,941	-	55,941
11,106	-	11,106	Dealing with the Public	12,225	-	12,225
10,113	-	10,113	Criminal Justice	10,502	-	10,502
6,094	-	6,094	Road Policing	6,464	-	6,464
8,565	-	8,565	Specialist Operations	5,877	-	5,877
8,649	-	8,649	Intelligence	10,825	-	10,825
20,039	-	20,039	Specialist Investigations	19,966	-	19,966
3,541	-	3,541	Investigative Support	4,489	-	4,489
2,817	-	2,817	National Policing	2,961	-	2,961
<u>131,183</u>	<u>-</u>	<u>131,183</u>		<u>129,250</u>	<u>-</u>	<u>129,250</u>
			Central Services			
20	-	20	The Corporate and Democratic Core	16	-	16
42	-	42	Non Distributed Costs	32	-	32
<u>(128,776)</u>	<u>-</u>	<u>(128,776)</u>	Intra-Group Adjustment for financial resources consumed	<u>(131,644)</u>	<u>-</u>	<u>(131,644)</u>
<u>(128,714)</u>	<u>-</u>	<u>(128,714)</u>		<u>(131,596)</u>	<u>-</u>	<u>(131,596)</u>
2,469	-	2,469	<b>Net Cost of Services</b>	<b>(2,346)</b>	<b>-</b>	<b>(2,346)</b>
<u>54,094</u>	<u>(4,344)</u>	<u>49,750</u>	Financing and Investment Income and Expenditure (note 9)	<u>55,704</u>	<u>(4,573)</u>	<u>51,131</u>
56,563	(4,344)	52,219	<b>(Surplus) or Deficit on Provision of Services (note 13)</b>	<b>53,358</b>	<b>(4,573)</b>	<b>48,785</b>
		(38,436)	Actuarial (Gains)/Losses on Pension Assets and Liabilities			<b>144,768</b>
		<u>(2,923)</u>	Return on Plan Assets excluding amounts included in net interest on the net defined benefit liability (asset)			<u><b>(8,013)</b></u>
		<u>(41,359)</u>	<b>Other Comprehensive Income and Expenditure</b>			<u><b>136,755</b></u>
		<u>10,860</u>	<b>Total Comprehensive Income and Expenditure</b>			<u><b>185,540</b></u>

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



## Balance Sheet

2013/14			2014/15	
£000	£000	Notes	£000	£000
	<u>-</u>			<u>-</u>
		<b>Long Term Assets</b>		
	<u>-</u>			<u>-</u>
		<b>Current Assets</b>		
(1,347)	<u>(1,347)</u>	Short Term Creditors	(1,113)	<u>(1,113)</u>
		<b>Current Liabilities</b>		
(1,164,860)	<u>(1,164,860)</u>	Other Long Term Liabilities	(1,350,233)	<u>(1,350,233)</u>
		<b>Long Term Liabilities</b>		
	<u>(1,166,207)</u>	<b>Net Liabilities</b>		<u>(1,351,346)</u>
	-	Usable Reserves		-
	<u>1,166,207</u>	Unusable Reserves		<u>1,351,346</u>
	<u>1,166,207</u>	<b>Net Reserves</b>		<u>1,351,346</u>

The unaudited accounts were issued on 29 June 2015 and the audited accounts were authorised for issue on 22 September 2015.



Niki Howard CPFA

Chief Finance Officer to the Chief Constable, Cambridgeshire Constabulary

22 September 2015

## **Cash Flow Statement**

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
(52,219)	Net surplus/(deficit) on the provision of services	<b>(48,785)</b>
52,219	Adjust net (deficit) or surplus on the provision of services for non cash movements (note 12)	<b>48,785</b>
<hr/> -	Net cash flows from Operating Activities	<hr/> -
-	Investing Activities	-
-	Financing Activities	-
<hr/> -	Net increase/(decrease) in cash and cash equivalents	<hr/> -
-	Cash and cash equivalents at the beginning of the reporting period	-
<hr/> -	Cash and cash equivalents at the end of the reporting period	<hr/> -

This statement does not show any cash balances for the financial year 2014/15 as all cash and cash equivalents are held by the Cambridgeshire Police and Crime Commissioner.

## **Notes to the Accounts**

### **1. Accounting Policies**

#### **General Principles**

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

The Statement of Accounts has been prepared with reference to:

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

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

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

The Financial Statements included here represent the accounts for the Chief Constable. 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 Police and Crime Commissioner Group and the Chief Constable have adopted consistent accounting policies.

#### **Accruals of Income and Expenditure**

Items of income and expenditure are accounted for in the year to which they relate. Payments may be made, or receipts received, in the year prior or subsequent to the current year. This means that all material sums received or receivable during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Adjustments between

years are made by way of accruals and prepayments of both income and expenditure. With the exception of payroll-related accruals/prepayments and any accruals/prepayments automatically generated by the accounting system a de-minimis limit of £1,000 is applied (£500 limit is applied for transactions involving collaborated units).

#### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior periods.

#### Prior Period Adjustment

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

#### **Employee Benefits**

##### Benefits Payable During Employment

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

##### Termination Benefits

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

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

Pensions Reserve to remove the notional debits and credits for termination benefits relating to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post Employment Benefits

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

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

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

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

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

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

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

*Current Service Cost*

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

*Interest Cost*

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

*Expected Return on Assets*

This is a measure of the estimated return (income from dividends, interest, etc.) on the investments held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but an estimate at the beginning of the financial year of the long-term future expected investment return for each asset class. The expected return on assets is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The expected return is based on:

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

*Actuarial Gains and Losses*

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

*Past Service Costs*

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

*Settlements and Curtailments*

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

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

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

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

*Contributions paid to defined benefit schemes*

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

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

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

**Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**Overheads and Support Services**

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

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

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

**Value Added Tax (VAT)**

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

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

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

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

The relevant amendments are set out in Appendix C of the 2015/16 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. No impact on the General Fund Balance is expected as a result of the future adoption of these amendments.

## **3. Critical judgements in applying Accounting Policies**

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

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

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

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

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

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



The key judgements and estimation uncertainty that have a significant risk of causing material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Pensions Liability</b>	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 Government's 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 2014/15, the Group's actuaries advised that the net pension liability had increased by £165.81m for Police Pension Schemes (including a decrease of £53.11m as a result of changes in demographic assumptions and an increase of £200.04m as a result of changes in financial assumptions) and increased by £19.57m for Police Staff Pensions (including an increase of £26.74m as a result of changes in financial assumptions).

## **5. Events after the Reporting Period**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 22 September 2015. Events taking place after this date are not reflected in the statement of accounts or notes.

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

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculation and expect to make the necessary payments by December 2015. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014/15.

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

**6. Restatement of prior year comparatives**

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

The fully restated 2013/14 Comprehensive Income and Expenditure Statement is provided on page 7. The adjustment of the Comprehensive Income and Expenditure Statement from the version published in the 2013/14 Statement of Accounts is as follows:

	<b>As Previously Stated 2013/14</b>	<b>Correction 2013/14</b>	<b>As Restated 2013/14</b>
	<b>Gross Expenditure £000</b>	<b>Gross Expenditure £000</b>	<b>Gross Expenditure £000</b>
<b>Police Services</b>			
Local policing	62,521	(2,262)	60,259
Dealing with the Public	11,523	(417)	11,106
Criminal Justice	10,501	(388)	10,113
Road Policing	6,332	(238)	6,094
Specialist Operations	8,897	(332)	8,565
Intelligence	8,988	(339)	8,649
Specialist Investigations	20,801	(762)	20,039
Investigative Support	3,679	(138)	3,541
National Policing	2,950	(133)	2,817
	<u>136,192</u>	<u>(5,009)</u>	<u>131,183</u>
<b>Central Services</b>			
The Corporate and Democratic Core	20	-	20
Non Distributed Costs	42	-	42
Intra-Group Adjustment for financial resources consumed	(133,785)	5,009	(128,776)
	<u>(133,723)</u>	<u>5,009</u>	<u>(128,714)</u>
<b>Net Cost of Services</b>	2,469	-	2,469

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

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

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

During 2014/15 the Chief Constable approved a total of £562,576.28 for various additional capital programme schemes, each falling within 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.

<b>Restated 2013/14 £000</b>		<b>2014/15 £000</b>
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**Comprehensive Income and Expenditure Statement**

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

### 8. 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 Chief Constable in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure.

<b>2013/14</b>			<b>2014/15</b>	
<b>Usable Reserves £000</b>	<b>Movement in Unusable Reserves £000</b>		<b>Usable Reserves £000</b>	<b>Movement in Unusable Reserves £000</b>
		<b>Adjustments involving the Pensions Reserve:</b>		
		Reversal of items relating to post employment benefits (debited) or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	<b>81,400</b>	<b>(81,400)</b>
82,913	(82,913)			
		Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(32,381)</b>	<b>32,381</b>
(30,358)	30,358			
		<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>		
		Amount by which employee remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(234)</b>	<b>234</b>
(336)	336			
<u>52,219</u>	<u>(52,219)</u>		<u>48,785</u>	<u>(48,785)</u>

## 9. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
54,094	Pensions interest cost	<b>55,704</b>
(4,344)	Expected return on pension assets	<b>(4,573)</b>
<u>49,750</u>		<u><b>51,131</b></u>

## 10. Creditors

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Other Entities and Individuals	<u><b>(1,113)</b></u>	<u>(1,347)</u>
	<u><b>(1,113)</b></u>	<u>(1,347)</u>

The balance of creditors is a financial instrument, within the category of current other liabilities and is included in disclosure note 18 of the Group accounts.

## 11. Unusable Reserves

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Pensions Reserve	<b>(1,350,233)</b>	(1,164,858)
Accumulating Compensated Absence Adjustment Account	<u><b>(1,113)</b></u>	<u>(1,347)</u>
	<u><b>(1,351,346)</b></u>	<u>(1,166,205)</u>

### *Pension Reserve*

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

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

However, statutory arrangements require benefits earned to be financed as the Group makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The movements on the pensions liability have been disclosed in Note 18.

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	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	<b>(1,164,858)</b>	(1,153,662)
Pension reserve opening balance transfer to PCC	<b>401</b>	-
Actuarial gains or losses on pensions assets and liabilities	<b>(136,755)</b>	41,359
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>(81,402)</b>	(82,913)
Employer's pensions contributions and direct payments to pensioners payable in the year	<b>32,381</b>	30,358
	<b><u>(1,350,233)</u></b>	<b><u>(1,164,858)</u></b>

***Accumulated Absences Account***

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

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

**12. Cash Flow Statement – Operating Activities**

The cash flows for the operating activities include the following items:

		<b>2014/15</b>
		<b>£000</b>
<b>2013/14</b>		
<b>£000</b>		
52,555	Movement in Pension Liability	<b>49,019</b>
(336)	Other non-cash items charged to the net surplus or deficit on the provision of services	<b>(234)</b>
<b><u>52,219</u></b>		<b><u>48,785</u></b>

**13. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, the Chief Constable's resource allocation discussions are based on management accounts presented to the Chief Constable which have a different basis of preparation. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement); and

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- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

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

	<b>Police Services £000 2014/15</b>	<b>Police Services £000 2013/14</b>
Government Grants		
Income from Fees and Charges	<u>(2,347)</u>	<u>(2,413)</u>
Total Income	(2,347)	(2,413)
Employee Expenses	<b>86,625</b>	89,626
Premises Expenses	<b>3,868</b>	3,892
Transport Expenses	<b>1,035</b>	1,550
Collaboration	<b>20,229</b>	11,962
Supplies and Services	<u><b>12,030</b></u>	<u>18,804</u>
Total Expenditure	<b>123,787</b>	125,834
Net Expenditure	<u><b>121,440</b></u>	<u>123,421</u>

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

The Chief Constable does not report internally on asset and liability balances.



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	<b>Police Services</b>	<b>Amounts not reported to management for decision making</b>	<b>Group Level</b>	<b>Amounts reported at not included in I&amp;E</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Grants	-	-	-	-	-
Income from Fees and Charges	2,347	-	(2,347)	-	-
Income from council tax	-	-	-	-	-
Intra Group Adjustment	-	-	131,644	-	131,644
<b>Total Income</b>	<b>2,347</b>	<b>-</b>	<b>129,297</b>	<b>-</b>	<b>131,644</b>
Employee expenses	86,625	17,134	-	-	103,759
Premises	3,868	11	-	-	3,879
Transport	1,035	90	1,072	-	2,197
Supplies and services	12,030	8,100	185	(850)	19,463
Collaboration	20,229	(20,833)	604	-	-
Financing and investment Income and Expenditure	-	51,131	-	-	51,131
<b>Total Expenditure</b>	<b>123,787</b>	<b>55,633</b>	<b>1,861</b>	<b>(850)</b>	<b>180,429</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>121,440</b>	<b>55,633</b>	<b>(127,436)</b>	<b>(850)</b>	<b>48,785</b>

Restated  
2013/14

	<b>Police Services</b>	<b>Amounts not reported to management for decision making</b>	<b>Group Level</b>	<b>Amounts reported at not included in I&amp;E</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Grants	-	-	-	-	-
Income from Fees and Charges	2,413	-	(2,413)	-	-
Income from council tax	-	-	-	-	-
Intra Group Adjustment	-	-	128,776	-	128,776
<b>Total Income</b>	<b>2,413</b>	<b>-</b>	<b>126,363</b>	<b>-</b>	<b>128,776</b>
Employee expenses	89,626	18,619	-	-	108,245
Premises	3,892	206	-	-	4,098
Transport	1,550	86	790	-	2,426
Supplies and services	11,962	2,973	2,249	(708)	16,476
Collaboration	18,804	(19,413)	609	-	-
Financing and investment Income and Expenditure	-	49,750	-	-	49,750
<b>Total Expenditure</b>	<b>125,834</b>	<b>52,221</b>	<b>3,648</b>	<b>(708)</b>	<b>180,995</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>123,421</b>	<b>52,221</b>	<b>(122,715)</b>	<b>(708)</b>	<b>52,219</b>

## 14. Joint Operations

### Eastern Region Special Operations Unit

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

Expenditure of £2.008m has been consolidated into the Chief Constable's Comprehensive Income and Expenditure Statement. As all assets, liabilities and reserves, except those relating to staff and officers under the direction and control of the Chief Constable, are held by the PCC only the operational policing costs of the ERSOU joint operation have been included in the Chief Constable's Comprehensive Income and Expenditure Statement. The full consolidation is included in the PCC and Group Statement of Accounts.

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

<b>2014/15</b>	<b>Beds</b>	<b>Cambs</b>	<b>Essex</b>	<b>Herts</b>	<b>Norfolk</b>	<b>Suffolk</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Running Costs	1,558	2,008	952	2,847	2,267	1,732	11,364
<b>2013/14</b>	<b>Beds</b>	<b>Cambs</b>	<b>Essex</b>	<b>Herts</b>	<b>Norfolk</b>	<b>Suffolk</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Running Costs	1,136	1,074	444	1,654	1,226	938	6,472

### 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 is overseen governance boards where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces' share of assets, liabilities, income and expenditure are consolidated into their own financial statements.

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

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

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

## 15. Officer's Remuneration

The remuneration paid to the Chief Constable and Chief Officers is as follows:

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

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

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

	2014/15	2013/14
£50,000 to £54,999	1	1
£55,000 to £59,999	3	5
£60,000 to £64,999	1	-
£65,000 to £69,999	-	-
£70,000 to £74,999	-	2
£75,000 to £79,999	3	2
£80,000 to £84,999	-	1
£85,000 to £89,999	3	4
£90,000 to £94,999	1	-
£95,000 to £99,999	2	1
£100,000 to £104,999	-	1
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	1	-
£125,000 to £129,999	-	-
£130,000 to £134,999	-	-
£135,000 to £139,999	1	-
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	1	-
£155,000 to £159,999	-	-
£160,000 to £164,999	-	1
	<u>17</u>	<u>19</u>

The numbers above include the senior employees and relevant police officers disclosed earlier in Note 15.

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	2014/15	2013/14	2014/15	2013/14
	No.	No.	£'000	£'000
£0 - £20,000	4	10	34	94
£20,001 - £40,000	3	1	89	35
£60,001 - £80,000	-	-	-	-
	<u>7</u>	<u>11</u>	<u>123</u>	<u>129</u>

## 16. Audit Costs

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

	2014/15	2013/14
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor:	20	20

## 17. Related Parties

The Chief Constable is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by it). Disclosure of these transactions allows readers to assess the extent to which the Chief Constable 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 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 decision of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

### Central Government

Central government has significant influence over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Chief Constable has with other parties. Grants received from government departments are set out in the PCC Group and the PCC Statement of Accounts.

### Officers

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

### Cambridgeshire Police Shrievalty Trust

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

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

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

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

The Chief Constable has a pooled budget arrangement (joint operation) with the 5 other eastern police forces for the provision of tackling organised crime and further pooled budget arrangements (joint operation) with Bedfordshire Police and Hertfordshire Constabulary for the provision of a range of policing services. Transactions and balances outstanding are detailed in the PCC Group and the PCC Statement of Accounts 2014/15.

The Chief Constable participates in three pension schemes the Local Government Pension Scheme (LGPS) for Police Staff, the Police Pension Scheme (PPS) for Police Officers in service on or before 31 March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1 April 2006. All schemes are administered by Cambridgeshire County Council, see Note 18 for details of transactions and balances outstanding.

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

## **18. Retirement Benefits**

### ***Participation in Pension Schemes***

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

The Chief Constable participates in three pension schemes:

- i) the Local Government Pension Scheme (LGPS) for Police Staff, administered by Cambridgeshire County Council. This is a defined benefit, funded scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Following the Stage 2 transfer of staff under the direction and control of the Police and Crime Commissioner, as corporations sole the Police and Crime Commissioner and Chief Constable are separate employers in the scheme, which is reflected in the figures included in the financial statements; and
- ii) the Police Pension Scheme (PPS) for Police Officers in service on or before 31 March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1 April 2006. Both schemes are defined benefit, unfunded schemes, administered by Cambridgeshire County Council, meaning that there are no investment assets built up to meet the pension liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Injury Awards paid under both Police Pension Schemes are disclosed separately. These payments are unfunded and are paid directly by the Chief Constable. Injury awards are subject to the same

treatment as the Police Pension Schemes, with the movement on the liability being attributable to any change in interest costs and actuarial gains/losses. New injury awards are shown as past service costs in the year which they are made.

***Transactions relating to post-employment benefits***

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



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	2014/15					2013/14				
	PPS £000	NPPS £000	Injury Awards £000	LGPS-Chief Constable £000	Total £000	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	Total £000
<b>Comprehensive Income and Expenditure Account</b>										
<i>Cost of Services:</i>										
Current service cost	17,410	6,220	1,020	5,589	30,239	20,190	6,530	1,090	5,311	33,121
Past service costs	-	-	-	32	32	-	-	-	42	42
Effect of settlements	-	-	-	(401)	(401)	-	-	-	-	-
	<b>17,410</b>	<b>6,220</b>	<b>1,020</b>	<b>5,220</b>	<b>29,870</b>	<b>20,190</b>	<b>6,530</b>	<b>1,090</b>	<b>5,353</b>	<b>33,163</b>
<i>Financing and Investment Income and Expenditure:</i>										
Net interest expense	43,600	2,010	3,250	2,271	51,131	42,810	1,750	3,180	2,010	49,750
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>										
	<b>61,010</b>	<b>8,230</b>	<b>4,270</b>	<b>7,491</b>	<b>81,001</b>	<b>63,000</b>	<b>8,280</b>	<b>4,270</b>	<b>7,363</b>	<b>82,913</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>										
Return on plan assets	-	-	-	(8,013)	(8,013)	-	-	-	(2,923)	(2,923)
Actuarial gains and losses arising on changes in demographic assumptions	(32,700)	(4,500)	(15,910)	-	(53,110)	-	-	-	(2,496)	(2,496)
Actuarial gains and losses arising on changes in financial assumptions	176,650	13,180	10,210	26,739	226,779	(30,210)	(3,460)	(1,130)	10,589	(24,211)
Other	(24,380)	(2,040)	(440)	(2,041)	(28,901)	(9,880)	(1,330)	(1,000)	481	(11,729)
	<b>119,570</b>	<b>6,640</b>	<b>(6,140)</b>	<b>16,685</b>	<b>136,755</b>	<b>(40,090)</b>	<b>(4,790)</b>	<b>(2,130)</b>	<b>5,651</b>	<b>(41,359)</b>
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</i>										
	<b>180,580</b>	<b>14,870</b>	<b>(1,870)</b>	<b>24,176</b>	<b>217,756</b>	<b>22,910</b>	<b>3,490</b>	<b>2,140</b>	<b>13,014</b>	<b>41,554</b>
<b>Movement in Reserves Statement</b>										
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(61,010)	(8,230)	(4,270)	(7,491)	(81,001)	(63,000)	(8,280)	(4,270)	(7,363)	(82,913)
<i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>										
Employer's contributions payable to the schemes	27,180	(1,650)	2,240	4,611	32,381	25,300	(1,840)	2,260	4,640	30,358

**Assets and Liabilities in Relation to Post Employment Benefits**

Reconciliation of present value of the scheme liabilities:

	2014/15					2013/14				
	Unfunded	Unfunded	Unfunded	LGPS- Chief	Total	Unfunded	Unfunded	Unfunded	LGPS- Chief	Total
	Liabilities	Liabilities	Liabilities			Liabilities	Liabilities	Liabilities		
	PPS	NPPS	Injury	Constable	Liabilities	PPS	NPPS	Injury	Constable	Liabilities
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April	995,760	41,850	74,520	158,276	1,270,406	998,150	36,520	74,640	139,305	1,248,615
Current service cost	17,410	6,220	1,020	5,589	30,239	20,190	6,530	1,090	5,311	33,121
Past service costs	-	-	-	32	32	-	-	-	42	42
Effect of settlements	-	-	-	(1,121)	(1,121)	-	-	-	-	-
Interest cost	43,600	2,010	3,250	6,844	55,704	42,810	1,750	3,180	6,354	54,094
Contributions by scheme participants	4,580	1,679	-	1,516	7,775	4,980	1,910	-	1,510	8,400
Benefits paid	(31,760)	(29)	(2,240)	(2,964)	(36,993)	(30,280)	(70)	(2,260)	(2,820)	(35,430)
Remeasurement gain/(loss):										
Actuarial gains/losses arising from changes in demographic assumptions	(32,700)	(4,500)	(15,910)	-	(53,110)	-	-	-	(2,496)	(2,496)
Actuarial gains/losses arising from changes in financial assumptions	176,650	13,180	10,210	26,739	226,779	(30,210)	(3,460)	(1,130)	10,589	(24,211)
Other	(24,380)	(2,040)	(440)	(2,041)	(28,901)	(9,880)	(1,330)	(1,000)	481	(11,729)
<b>Balance at 31 March</b>	<b>1,149,160</b>	<b>58,370</b>	<b>70,410</b>	<b>192,870</b>	<b>1,470,810</b>	<b>995,760</b>	<b>41,850</b>	<b>74,520</b>	<b>158,276</b>	<b>1,270,406</b>

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Reconciliation of fair value of the scheme assets:

	2014/15					2013/14				
	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	Total Assets £000	PPS £000	NPPS £000	Injury Awards £000	LGPS- Chief Constable £000	Total Assets £000
Balance at 1 April	-	-	-	105,548	105,548	-	-	-	94,951	94,951
Interest Income				4,573	4,573	-	-	-	4,344	4,344
Remeasurement gain/(loss):				(720)	(720)					
The return on plan assets, excluding the amount included in the net interest expense	-	-	-	8,013	8,013	-	-	-	2,923	2,923
Contributions from employer	27,180	(1,650)	2,240	4,611	32,381	25,300	(1,840)	2,260	4,640	30,360
Contributions from employees into the scheme	4,580	1,679	-	1,516	7,775	4,980	1,910	-	1,510	8,400
Benefits paid	(31,760)	(29)	(2,240)	(2,964)	(36,993)	(30,280)	(70)	(2,260)	(2,820)	(35,430)
<b>Closing fair value of scheme assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,577</b>	<b>120,577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,548</b>	<b>105,548</b>

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

	PPS £000		NPPS £000		Injury Awards £000		LGPS £000		Total £000	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Present value of the defined benefit obligation	1,149,160	995,760	58,370	41,850	70,410	74,520	192,870	158,276	1,470,810	1,270,406
Fair Value of Plan Assets	-	-	-	-	-	-	(120,577)	(105,548)	(120,577)	(105,548)
<b>Net Liability arising from defined benefit obligation</b>	<b>1,149,160</b>	<b>995,760</b>	<b>58,370</b>	<b>41,850</b>	<b>70,410</b>	<b>74,520</b>	<b>72,293</b>	<b>52,728</b>	<b>1,350,233</b>	<b>1,164,858</b>

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

	<b>31 March 15</b>	<b>31 March 14</b>
	<b>'£000</b>	<b>'£000</b>
Cash and Cash Equivalents	<b>3,613</b>	1,407
Private Equity	<b>8,549</b>	6,279
Debt Securities		
Corporate Bonds	-	-
Corporate Bonds (Non - investments grade)	-	-
UK government	-	-
Other	-	-
Real Estate		
UK Property	-	-
Overseas Property	-	-
Equity Instruments:		
By industry type		
Consumer	<b>11,942</b>	9,216
Manufacturing	<b>7,392</b>	8,710
Energy and Utilities	<b>3,397</b>	3,740
Financial Institutions	<b>9,861</b>	10,648
Health and Care	<b>5,870</b>	3,112
Information Technology	<b>5,452</b>	6,312
Other	-	293
Investment Funds and Unit Trusts		
Equities	<b>37,145</b>	33,938
Bonds	<b>18,385</b>	16,089
Hedge Funds	-	
Other	<b>8,971</b>	5,804
	<u><b>120,577</b></u>	<u><b>105,548</b></u>

The liabilities are the underlying commitments that the Chief Constable has to pay retirement benefits in the long-term. The total liability of £1,350,233k has a significant impact on the net worth of the Chief Constable as presented in the Balance Sheet, giving rise to negative equity of £1,351,347k. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains stable:

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

***Basis of Estimating Assets and Liabilities***

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

The principal assumptions used by the actuary have been:

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

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

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

***Impact on Cash Flows***

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2016 is £5,049k (2014/15 £4,637k). Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £10,720k (2014/15 £11,403k).

## **Pension Account**

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

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

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

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

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

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

Full details of the Chief Constable's retirement benefits have been disclosed in Note 18.

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**Fund Account**

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



## **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.
Audit Commission	An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to ensure that Local Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
Budget	A financial statement of the Group's plans for any given year.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
Creditors	Amounts owed by the Chief Constable for services rendered by employees, but for which payment has not been made at the date of the balance sheet.
Curtailement (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.
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.
Expected Rate of Return on Pension Assets	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.
Financial 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).
Income	Amounts that an organisation receives, or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that period.
Injury Award	An injury award compensates an individual for the potential loss of earnings for injury sustained whilst on duty that results in some level of disablement which hinders or prevents them from working in the future. An injury award is a life time award.
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 organisation's share of pension scheme assets associated with its liability to pay future retirement benefits.
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.
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.
Reserves	Amounts set aside by an organisation 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 Expenditure	The day-to-day spending and income of an organisation on such items as staff, goods, services and equipment.
Revenue Fund Balances	The accumulated surplus of income over expenditure held in reserve.
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 employers of the primary responsibility for a pension obligation.



## **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF CAMBRIDGESHIRE**

### **Opinion on the Chief Constable of Cambridgeshire financial statements**

We have audited the financial statements of the Chief Constable of Cambridgeshire for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Chief Constable of Cambridgeshire Movement in Reserves Statement, the Chief Constable of Cambridgeshire Comprehensive Income and Expenditure Statement, the Chief Constable of Cambridgeshire Balance Sheet, the Chief Constable of Cambridgeshire Cash Flow Statement, the related notes 1 to 18 and the Chief Constable of Cambridgeshire Pension Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable of Cambridgeshire circumstances and have been consistently

applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non- financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Cambridgeshire as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

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

We have nothing to report in these respects.

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

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

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

**Conclusion**

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

**Certificate**

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

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

Date: 22 September 2015