

# GROUP AND PCC STATEMENT OF ACCOUNTS – 2014/2015

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# **EXPLANATORY FOREWORD AND FINANCIAL REVIEW**

## **1. INTRODUCTION**

In November 2012 the election of the first Police and Crime Commissioner (PCC) for the area policed by Cleveland Police was held, this represented a significant shift in the way the police are governed and held to account. One of the key reforms was to replace the Cleveland Police Authority with the Office of the Police and Crime Commissioner for Cleveland. At the same time the 'Chief Constable' was established in law as a separate corporation sole. The primary function of the PCC is to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

All of the financial transactions incurred during 2014/15 for policing in Cleveland have been recognised within this Statement of Accounts, which sets out the overall position of the Cleveland PCC Group for the year ended 31st March 2015. The Group position 'PCC Group' reflects the consolidated accounts of the PCC and the Chief Constable. This Foreword provides an overview of the accounting arrangements and outlines the financial performance of the PCC Group during 2014/15.

## **2. THE STATEMENT OF ACCOUNTS**

The accounting arrangements between the PCC and Chief Constable during the current financial year are that the PCC is responsible for the finances of the whole Group and controls the assets, liabilities and reserves which were transferred from the Police Authority on the 22nd November 2012. The PCC receives all of the income and funding and makes all payments for the Group from the PCC Police Fund. In turn the Chief Constable fulfils the functions under the Police Reform and Social Responsibility Act 2011 (Act), within an annual budget set by the PCC (in consultation with the CC). A scheme of delegation is in operation between the two bodies determining their respective responsibilities.

This Statement of Accounts covers the financial year ended 31st March 2015 and has been prepared in accordance with the provisions of the Accounts and Audit Regulations 2011, the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The PCC receives funding from Central Government and precept income from local Councils.

The Statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) are detailed below along with the objective of each statement:

**Comprehensive Income and Expenditure Statement** – 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 precept. PCCs raise precept to cover expenditure in accordance with regulations; this may be different from the accounting cost. The amount chargeable to precept is shown in the Movement in Reserves Statement.

**Movement in Reserves Statement** – This statement shows the movement in the year 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 precept) and unusable reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the PCC Group'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 for council tax setting purposes.

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC.

**Balance Sheet** – The Balance Sheet shows the value as at 31<sup>st</sup> March 2015 of the assets and liabilities recognised by the PCC Group.

The net assets of the PCC Group (assets less liabilities) are matched by the reserves held by the PCC Group. Reserves are reported in two categories.

The first category of reserves is usable reserves, i.e. those reserves that the PCC Group 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 is unusable reserves and refers to those that the PCC Group is not able to use to provide services. This category of reserves 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 which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group during the reporting period. The statement shows how the PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC Group are funded by way of precept and grant income or from the recipients of services provided by the PCC Group.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC Group'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 Group.

The 2014/15 statements highlight the following areas of change from the 2013/14 position:

**Group Comprehensive Income & Expenditure Statement:**

- Net Cost of Services (NCOS) has decreased by £4.5m, primarily due to reduction in planned resources of £4.0m.
- The deficit on the Provision of Service has moved from a £54m deficit to a £53.1m deficit. This is predominately as the impact noted above on the NCOS and a reduction in Grant and Taxation income of £1.1M, an increase in Pension Financing costs of £1.5m offset by a reduction in the loss on disposal of non-current assets.
- Other Comprehensive Income and Expenditure has moved by £83.1m due to changes in actuarial assumptions relating to the Pension Fund offset by no requirement or movements in the value of the Groups fixed assets.

**Group Balance Sheet:**

- Property, Plant, Equipment and Intangible Assets have decreased by £1.4m which comprises spend of £2.8m offset by in year depreciation charges of £4.1m.
- The value of Debtors (long and short term) has increase by £4.3m, primarily as a result of the timing of prepayments in advance made in 2013/14 of £0.8m, in comparison to £1.5m in 2014/15. Increases in Government debtors of £1.9m of which £1.2m relates to Home Office Pension debtor and £1.0m in relation to HMRC. Local Authority Debtors of £0.9m of which £0.5m relates to Northumbria and West Yorkshire Police forces.
- The value of Creditors (short and long term ) has increased by £1.1m, primarily as a result of an increase in accrual in respect of Goods received not invoiced and year end pay accrual of £0.4m.
- Provisions have increased by £2.0m, primarily as the result of the reclassification of an Insurance Reserve as a provision in line with criteria detailed in IAS37.
- During the year the PCC has repaid £1.340m of loans no new ones were taken out, current borrowing is well within the limits approved by the PCC.
- The Pension Liability and Reserves have both increased mainly as a result of changes in actuarial assumptions as detailed above.
- The Usable Reserves of the PCC Group have increased by £0.2m; primarily as a result of an increase in the General Fund of £1.8m comprising £1.2m underspend and £0.6m planned increases. Increase in earmarked reserves of £0.3m. Offset by reclassification £2.0m of an Insurance Reserve as a provision in line with criteria detailed in IAS37.

**PCC Comprehensive Income & Expenditure Statement:**

- Net Cost of Services (NCOS) has decreased by £2.433m, primarily due to removal of pension costs transferred to the Chief Constable following the "Stage 2 transfer of staff.
- The deficit on the Provision of Service has moved from a (£0.981m) surplus to a (£3.955m) surplus. This is predominately as the impact noted above on the NCOS and a reduction in Grant and Taxation income of £1.1M, a decrease in Pension Financing costs of £0.683 offset by a reduction in the loss on disposal of non-current assets.
- Other Comprehensive Income and Expenditure has moved by £16.5m due to changes in actuarial assumptions relating to the Pension Fund £4.6m and no revaluations in year. Resulting in movement of £11.906m.

**PCC Balance Sheet:**

- The Pension Liability and Reserves have both decreased by £12.794m as a result of the impact of "Stage 2" transfer of staff to the Chief Constable.

### 3. THE POLICE & CRIME COMMISSIONER REVENUE BUDGET FOR 2014/2015

The following table shows the 2014/2015 budget and the final outturn:

	Original 2014/15 Budget	Revised 2014/15 Budget	Year End 2014/15 Position	Outturn
Police Grant	(49,443)	(49,443)	(49,443)	0
RSG/National Non Domestic Rate	(40,313)	(40,313)	(40,313)	0
<b>Government Grant</b>	<b>(89,756)</b>	<b>(89,756)</b>	<b>(89,756)</b>	<b>0</b>
Council Tax Precept	(28,797)	(28,797)	(29,394)	(597)
Collection Surplus Increase Appropriated to Reserves	0	0	597	597
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
<b>Precept related Funding</b>	<b>(36,465)</b>	<b>(36,465)</b>	<b>(36,465)</b>	<b>0</b>
Specific Grants	(5,619)	(5,998)	(5,917)	81
Victims and Witness Funding	(180)	(417)	(420)	(3)
Partnership Income/Fees and Charges	(2,233)	(4,292)	(5,449)	(1,157)
<b>Total Funding</b>	<b>(134,253)</b>	<b>(136,928)</b>	<b>(138,007)</b>	<b>(1,079)</b>

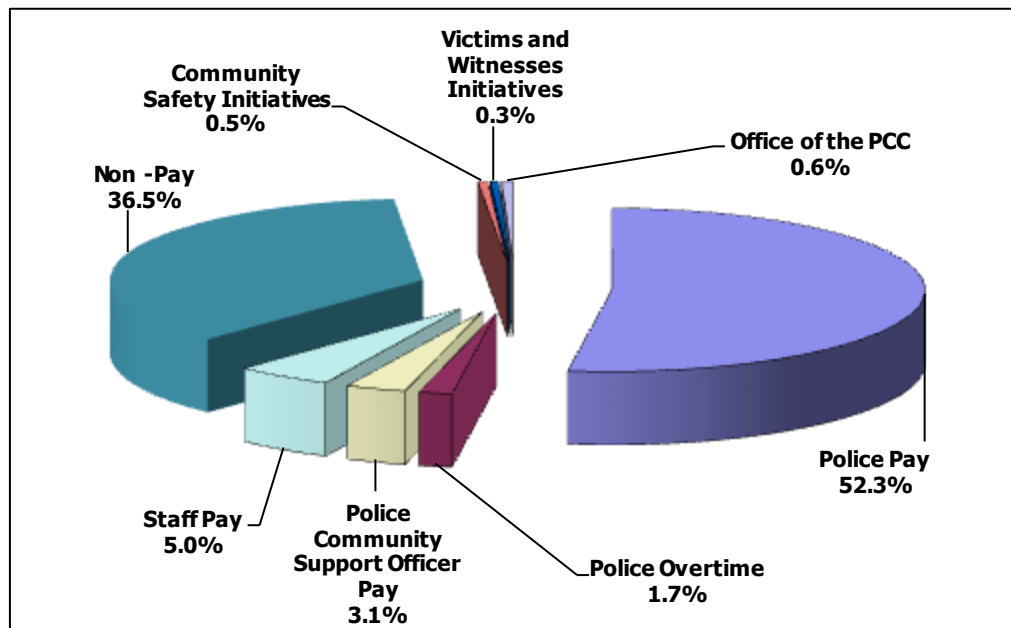
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s
Staff Pay	585	585	603	18
Non Pay Expenditure	300	300	278	(22)
Income	0	0	(100)	(100)
<b>Total Planned Expenditure</b>	<b>885</b>	<b>885</b>	<b>781</b>	<b>(104)</b>
<b>Central Services</b>	£000s	£000s	£000s	£000s
Staff Pay	180	180	187	7
Non Pay Expenditure	60	60	84	24
PFI	6,820	2,206	2,033	(173)
Asset Management	2,100	6,358	8,773	2,415
	<b>9,160</b>	<b>8,804</b>	<b>11,077</b>	<b>2,273</b>
<b>Proposed Community Safety Expenditure</b>	£000s	£000s	£000s	£000s
<b>Total Community Safety Initiatives</b>	<b>1,510</b>	<b>877</b>	<b>679</b>	<b>(198)</b>
<b>Victims and Witnesses Initiatives</b>	<b>258</b>	<b>495</b>	<b>464</b>	<b>(31)</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s
Police Pay	70,558	69,985	68,223	(1,762)
Police Overtime	1,354	2,320	2,242	(78)
Police Community Support Officer Pay	4,419	4,419	4,053	(366)
Staff Pay	6,484	6,633	6,523	(110)
Non-Pay	38,590	40,778	41,021	243
<b>Total Planned Expenditure</b>	<b>121,405</b>	<b>124,135</b>	<b>122,062</b>	<b>(2,073)</b>

<b>(Surplus)/Deficit</b>	£000s	£000s	£000s	£000s
Transfers to/(from) General Fund	(680)	602	602	0
Transfers to Capital Reserves	0	1,151	1,151	0
Transfers from Earmarked Reserves	0	(3,210)	(3,210)	0
Transfers to Earmarked Reserves	1,715	3,190	3,190	0
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>0</b>	<b>(1,211)</b>	<b>(1,211)</b>

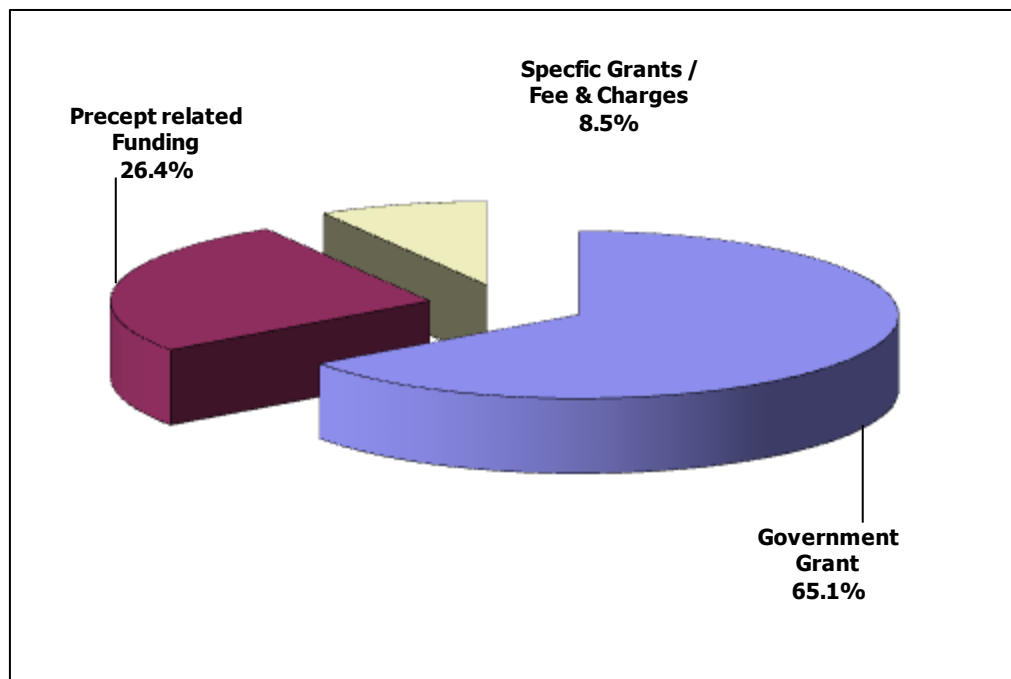
### 4. POLICE & CRIME COMMISSIONER GENERAL REVENUE BALANCES

	2014/2015 £000	2013/2014 £000
<b>Opening Balance</b>	<b>(7,031)</b>	<b>(7,446)</b>
Budgeted transfer (into)/from balances	(602)	421
<b>Planned Position</b>	<b>(7,633)</b>	<b>(7,025)</b>
(Surplus) or Deficit on Years activities	(1,211)	(6)
<b>Available balance at 31 March</b>	<b>(8,844)</b>	<b>(7,031)</b>

## WHERE THE MONEY GOES TO:



## WHERE THE MONEY COMES FROM:



## 5. CAPITAL

The PCC spent £2.782m on capital projects during the year. The programme was fully financed from capital resources in the year.



## **6. PENSIONS**

As part of the terms and conditions of employment of its officers and other employees, the PCC Group offers retirement benefits. Although these will not actually be payable until employees retire, the PCC Group has a commitment to make the payments, which need to be recognised at the time that employees earn their future entitlement. This is a requirement of International Accounting Standard (IAS) 19 – Employee Benefits. However during the year clarification has been received from CIPFA regarding the accounting treatment to be applied for pension contributions (revised IAS19) and this has resulted in the prior year adjustment.

## **7. CHANGES TO ACCOUNTING POLICIES**

The accounts include additional accounting policies in respect of Joint Controlled Operations and Contingent Assets / Liabilities for the 2014/15 financial year.

## **8. EVENTS AFTER THE REPORTING PERIOD**

An adjusting post balance sheet event has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman. This has been outlined in Note 45.

## **9. BORROWING FACILITIES**

The PCC currently has £19.3m worth of borrowing taken out with the Public Works Loan Board (PWLB), the repayment of these loans are phased over the next 8 years and have been taken out to fund the PCC's capital programme. The PCC undertook no new borrowing and repaid £1.340m in the 2014/15 financial year.

## **10. FURTHER INFORMATION**

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This was advertised in the local press.

Further information may be obtained from the Chief Finance Officer at The Office of the Police & Crime Commissioner for Cleveland, P O Box 70, Ladgate Lane, Middlesbrough TS8 9EH

M. PORTER,  
CHIEF FINANCE OFFICER FOR THE PCC

# **STATEMENT OF RESPONSIBILITIES**

## **The PCC's Responsibilities**

The PCC 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 PCC's Office that Officer is the Chief Finance Officer to the PCC;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

## **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the PCC Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice).

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer to the PCC has also ensured that the Chief Finance Officer to Cleveland Police has:

- Applied the accounting policies consistently and in a prudent manner;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts give a true and fair presentation of the financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31st March 2015.

Date:

Signature:

**M Porter, Chief Finance Officer to the PCC**

## **The PCC's Responsibilities**

In accordance with the requirements of the Accounts and Audit Regulations 2011 I confirm that the Statement of Accounts was approved by the PCC:

Date:

Signature:

**Police & Crime Commissioner for Cleveland**

# **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND**

## **Independent auditor's report to the Police and Crime Commissioner for Cleveland**

### **Opinion on the financial statements**

We have audited the financial statements of the Police and Crime Commissioner for Cleveland for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner (PCC) and Group Movement in Reserves Statements, the PCC and Group Comprehensive Income and Expenditure Statements, the PCC and Group Balance Sheets, the PCC and Group Cash Flow Statement, the Police Pension Fund Statement and Net Assets Statement and the related notes. 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 Police and Crime Commissioner for Cleveland 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 PCC, 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 the Chief Finance Officer's Responsibilities, 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cleveland as at 31 March 2015 and of its expenditure and income for the year then ended;

- give a true and fair view of the financial position of the Group as at 31 March 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 explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

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

We have nothing to report in these respects.

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

### ***Respective responsibilities of the PCC and the auditor***

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner for Cleveland 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 arrangements for securing economy, efficiency and effectiveness are operating effectively.

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Cleveland 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 Police and Crime Commissioner for Cleveland 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, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cleveland 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 in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Kirkham, Partner  
For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Date:

## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE** **STATEMENT FOR THE YEAR ENDED 31st MARCH 2015**

This statement shows the accounting cost in year of the Group in accordance with generally accepted accounting practice. In practice all funding is received, and the respective payments made, by the PCC.

DETAIL	2014/2015			2013/2014		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing	70,573	3,191	67,382	67,944	3,399	64,545
Dealing with the Public	5,388	50	5,338	5,928	63	5,865
Criminal Justice Arrangements	10,441	325	10,116	13,632	702	12,930
Road Policing	4,628	1,160	3,468	8,887	723	8,165
Specialist Operations	9,128	1,775	7,353	5,056	1,781	3,275
Intelligence	10,868	453	10,415	4,562	287	4,275
Specialist Investigation	20,926	1,047	19,879	29,092	1,592	27,499
Investigative Support	2,990	97	2,893	4,071	178	3,893
National Policing	3,658	1,989	1,669	2,971	1,002	1,969
Exceptional Items	0	0	0	0	0	0
Corporate and Democratic Core	2,425	528	1,897	3,458	2,815	643
Undistributed Costs	125	0	125	41	0	41
<b>Net Cost of Services</b>	<b>141,150</b>	<b>10,615</b>	<b>130,535</b>	<b>145,641</b>	<b>12,542</b>	<b>133,100</b>
Other Operating Expenditure (Note 9)			652			1,575
Financing & Investment Income and Expenditure (Note 10)			49,915			48,498
Taxation & Non-Specific Grant Income (Note 11)			(128,044)			(129,129)
<b>(Surplus) or Deficit on Provision of Service</b>			<b>53,058</b>			<b>54,043</b>
(Surplus)/Deficit on Revaluation of PPE			0			(11,906)
(Surplus)/Deficit on Revaluation of available for sale assets			0			0
Re-measurements of the defined benefit liability (Note 23)			72,224			1,022
<b>Other Comprehensive Income and Expenditure</b>			<b>72,224</b>			<b>(10,884)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>125,282</b>			<b>43,159</b>

## **PCC COMPREHENSIVE INCOME AND EXPENDITURE** **STATEMENT FOR THE YEAR ENDED 31st MARCH 2015**

This statement shows the accounting cost in year of the PCC in accordance with generally accepted accounting practice. In practice all funding is received, and the respective payments made, by the PCC. The Statement details the funding allocated to the CC for the discharge of function.

DETAIL	2014/2015			2013/2014		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing	0	3,191	(3,191)	359	3,399	(3,039)
Dealing with the Public	0	50	(50)	0	63	(63)
Criminal Justice Arrangements	0	325	(325)	65	702	(637)
Road Policing	0	1,160	(1,160)	5	723	(717)
Specialist Operations	0	1,775	(1,775)	5	1,781	(1,776)
Intelligence	0	453	(453)	65	287	(222)
Specialist Investigation	0	1,047	(1,047)	48	1,592	(1,545)
Investigative Support	0	97	(97)	104	178	(75)
National Policing	0	1,989	(1,989)	13	1,002	(989)
Exceptional Items	0	0	0	0	0	0
Corporate and Democratic Core	2,425	528	1,897	3,458	2,815	643
Undistributed Costs	0	0	0	0	0	0
<b>Net Cost of Services before Funding</b>	<b>2,425</b>	<b>10,615</b>	<b>(8,190)</b>	<b>4,121</b>	<b>12,542</b>	<b>(8,421)</b>
Intra Group Funding	<b>127,563</b>	<b>0</b>	<b>127,563</b>	<b>130,227</b>	<b>0</b>	<b>130,227</b>
<b>Net Cost of Services</b>	<b>129,988</b>	<b>10,615</b>	<b>119,373</b>	<b>134,348</b>	<b>12,542</b>	<b>121,806</b>
Other Operating Expenditure (Note 9)			652			1,575
Financing & Investment income and Expenditure (Note 10)			4,064			4,767
Taxation & Non-Specific Grant Income (Note 11)			(128,044)			(129,129)
<b>(Surplus) or Deficit on Provision of Service</b>			<b>(3,955)</b>			<b>(981)</b>
(Surplus)/Deficit on Revaluation of PPE			0			(11,906)
(Surplus)/Deficit on Revaluation of available for sale assets			0			0
Re-measurements of the defined benefit liability (Note 23)			561			(4,049)
<b>Other Comprehensive Income and Expenditure</b>			<b>561</b>			<b>(15,955)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(3,394)</b>			<b>(16,936)</b>

## **GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2015**

This statement shows the movement in the year on the different reserves held by the Group. The statement analyses the reserves between "usable" and "unusable". The Group holds the reserves in respect of pension liability and the movements are included within this statement in line with the accounting standard IAS19.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31st March 2014 Restated</b>	<b>(7,031)</b>	<b>(6,796)</b>	<b>(137)</b>	<b>(387)</b>	<b>(140)</b>	<b>(14,491)</b>	<b>1,072,520</b>	<b>1,058,028</b>
(Surplus) or deficit on provision of services (accounting basis)	53,058	0	0	0	0	53,058	0	53,058
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72,224</b>	<b>72,224</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>53,058</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,058</b>	<b>72,224</b>	<b>125,282</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>(54,837)</b>	<b>0</b>	<b>137</b>	<b>0</b>	<b>83</b>	<b>(54,616)</b>	<b>54,616</b>	<b>(0)</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,779)</b>	<b>0</b>	<b>137</b>	<b>0</b>	<b>83</b>	<b>(1,558)</b>	<b>126,840</b>	<b>125,282</b>
<b>Total Transfers to/from Reserves</b>	<b>(34)</b>	<b>1,376</b>	<b>0</b>	<b>(17)</b>	<b>0</b>	<b>1,325</b>	<b>(1,325)</b>	<b>0</b>
<b>(Increase) / Decrease in Year</b>	<b>(1,814)</b>	<b>1,376</b>	<b>137</b>	<b>(17)</b>	<b>83</b>	<b>(234)</b>	<b>125,516</b>	<b>125,282</b>
<b>Balance at 31 March 2015</b>	<b>(8,845)</b>	<b>(5,420)</b>	<b>0</b>	<b>(404)</b>	<b>(57)</b>	<b>(14,725)</b>	<b>1,198,035</b>	<b>1,183,310</b>
<b>Reserves held for:</b>								
Capital purposes		(2,386)	(137)		(140)	(2,664)		
Revenue Purpose	(7,031)	(4,410)		(387)		(11,828)		
<b>Total at 31 March 2014</b>	<b>(7,031)</b>	<b>(6,796)</b>	<b>(137)</b>	<b>(387)</b>	<b>(140)</b>	<b>(14,491)</b>		
Capital purposes		(1,235)	0		(57)	(1,292)		
Revenue Purpose	(8,845)	(4,185)		(404)		(13,434)		
<b>Total at 31 March 2015</b>	<b>(8,845)</b>	<b>(5,420)</b>	<b>0</b>	<b>(404)</b>	<b>(57)</b>	<b>(14,726)</b>		



## **PCC MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2015**

This statement shows the movement in the year on the different reserves held by the PCC. The statement analyses the reserves between "usable" and "unusable". The PCC holds the reserves in respect of Local Government Pension liability and the movements are included within this statement in line with the accounting standard IAS19.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total PCC Reserves £000
<b>Balance at 31st March 2014</b>	<b>(7,031)</b>	<b>(6,796)</b>	<b>(137)</b>	<b>(387)</b>	<b>(140)</b>	<b>(14,491)</b>	<b>(1,794)</b>	<b>(16,284)</b>
(Surplus) or deficit on provision of services (accounting basis)	(3,955)	0	0	0	0	(3,955)	0	(3,955)
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,939)</b>	<b>(12,939)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,955)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,955)</b>	<b>(12,939)</b>	<b>(16,894)</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>2,175</b>	<b>0</b>	<b>137</b>	<b>0</b>	<b>83</b>	<b>2,395</b>	<b>(2,395)</b>	<b>(0)</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,780)</b>	<b>0</b>	<b>137</b>	<b>0</b>	<b>83</b>	<b>(1,559)</b>	<b>(15,334)</b>	<b>(16,894)</b>
<b>Total Transfers to/from Reserves</b>	<b>(34)</b>	<b>1,376</b>	<b>0</b>	<b>(17)</b>	<b>0</b>	<b>1,325</b>	<b>(1,325)</b>	<b>0</b>
<b>(Increase) / Decrease in Year</b>	<b>(1,813)</b>	<b>1,376</b>	<b>137</b>	<b>(17)</b>	<b>83</b>	<b>(234)</b>	<b>(16,659)</b>	<b>(16,894)</b>
<b>Balance at 31 March 2015</b>	<b>(8,844)</b>	<b>(5,420)</b>	<b>0</b>	<b>(404)</b>	<b>(57)</b>	<b>(14,725)</b>	<b>(18,454)</b>	<b>(33,179)</b>
<b>Reserves held for:</b>								
Capital purposes		(2,386)	(137)		(140)	(2,664)		
Revenue Purpose	(7,031)	(4,410)		(387)		(11,828)		
<b>Total at 31 March 2014</b>	<b>(7,031)</b>	<b>(6,796)</b>	<b>(137)</b>	<b>(387)</b>	<b>(140)</b>	<b>(14,491)</b>		
Capital purposes		(1,235)	0		(57)	(1,292)		
Revenue Purpose	(8,844)	(4,185)		(404)		(13,433)		
<b>Total at 31 March 2015</b>	<b>(8,844)</b>	<b>(5,420)</b>	<b>0</b>	<b>(404)</b>	<b>(57)</b>	<b>(14,725)</b>		

## **GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2014**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31st March 2013</b>	<b>(7,446)</b>	<b>(2,903)</b>	<b>(16)</b>	<b>(463)</b>	<b>(259)</b>	<b>(11,087)</b>	<b>1,021,727</b>	<b>1,010,640</b>
Opening Balance Actuarial Adjustments 1st April 2013							4,228	4,228
<b>Adjusted Opening Balance as at 1st April 2013 Restated</b>	<b>(7,446)</b>	<b>(2,903)</b>	<b>(16)</b>	<b>(463)</b>	<b>(259)</b>	<b>(11,087)</b>	<b>1,025,955</b>	<b>1,014,868</b>
(Surplus) or deficit on provision of services (accounting basis)	54,043	0	0	0	0	54,043	0	54,043
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,884)</b>	<b>(10,884)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>54,043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,043</b>	<b>(10,884)</b>	<b>43,159</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>(58,490)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(58,493)</b>	<b>58,493</b>	<b>0</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(4,448)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(4,450)</b>	<b>47,609</b>	<b>43,159</b>
<b>Total Transfers to/from Reserves</b>	<b>4,862</b>	<b>(3,893)</b>	<b>0</b>	<b>76</b>	<b>0</b>	<b>1,044</b>	<b>(1,044)</b>	<b>(720)</b>
(Increase) / Decrease in Year	414	(3,893)	(122)	76	119	(3,406)	46,565	42,439
<b>Balance at 31 March 2014 Restated</b>	<b>(7,031)</b>	<b>(6,796)</b>	<b>(137)</b>	<b>(387)</b>	<b>(140)</b>	<b>(14,491)</b>	<b>1,072,520</b>	<b>1,058,028</b>

## **PCC MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2014**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total PCC Reserves £000
<b>Balance at 31st March 2013</b>	<b>(7,446)</b>	<b>(2,903)</b>	<b>(16)</b>	<b>(463)</b>	<b>(259)</b>	<b>(11,087)</b>	<b>11,739</b>	<b>652</b>
(Surplus) or deficit on provision of services (accounting basis)	(981)	0	0	0	0	(981)	0	(981)
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,956)</b>	<b>(15,956)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(981)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(981)</b>	<b>(15,956)</b>	<b>(16,937)</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>(3,464)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(3,467)</b>	<b>3,467</b>	<b>0</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(4,445)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(4,448)</b>	<b>(12,489)</b>	<b>(16,937)</b>
<b>Total Transfers to/from Reserves</b>	<b>4,861</b>	<b>(3,893)</b>	<b>0</b>	<b>76</b>	<b>0</b>	<b>1,044</b>	<b>(1,044)</b>	<b>0</b>
(Increase) / Decrease in Year	416	(3,893)	(122)	76	119	(3,404)	(13,533)	(16,937)
<b>Balance at 31 March 2014</b>	<b>(7,031)</b>	<b>(6,796)</b>	<b>(137)</b>	<b>(387)</b>	<b>(140)</b>	<b>(14,491)</b>	<b>(1,794)</b>	<b>(16,284)</b>

## **GROUP BALANCE SHEET AT 31st MARCH 2015**

The Group Balance Sheet shows the value of the assets and liabilities recognised by the PCC Group as at 31<sup>st</sup> March 2015.

	Notes	31 March 2015 £000	31 March 2014 Restated £000	1st April 2013 Restated £000
<b>Long Term Assets</b>				
Property, Plant and Equipment	12	50,888	51,580	59,276
Investment Property		-	-	-
Intangible Assets	14	5,046	5,743	6,540
Assets Held for Sale	19	17,489	17,489	
Long Term Investments		-	-	-
Long Term Debtors	17	1,309	5,537	6,153
<b>Total Long Term Assets</b>		<b>74,732</b>	<b>80,349</b>	<b>71,969</b>
<b>Current Assets</b>				
Short Term Investments		-	-	-
Assets Held for Sale		-	-	-
Inventories	16	75	80	89
Short Term Debtors	17	18,026	9,480	14,080
Cash and Cash Equivalents	18	6,330	4,461	3,300
<b>Total Current Assets</b>		<b>24,431</b>	<b>14,021</b>	<b>17,469</b>
<b>Total Assets</b>		<b>99,163</b>	<b>94,370</b>	<b>89,438</b>
<b>Current Liabilities</b>				
Cash and Cash Equivalents		-	-	-
Short Term Borrowing	33	(1,100)	(1,340)	(3,760)
Short Term Creditors	20	(14,762)	(9,392)	(14,039)
Provisions	21	(2,193)	(243)	(349)
<b>Total Current Liabilities</b>		<b>(18,055)</b>	<b>(10,975)</b>	<b>(18,148)</b>
<b>Long Term Liabilities</b>				
Long Term Creditors	20	-	(4,228)	(4,228)
Provisions		-	-	-
Long Term Borrowing	33	(18,160)	(19,260)	(20,600)
Other Long Term Liabilities : PFI	29	(27,606)	(28,666)	(29,534)
Pensions Liability	22	(1,218,651)	(1,089,269)	(1,031,796)
<b>Total Long Term Liabilities</b>		<b>(1,264,418)</b>	<b>(1,141,423)</b>	<b>(1,086,158)</b>
<b>Total Liabilities</b>		<b>(1,282,473)</b>	<b>(1,152,398)</b>	<b>(1,104,306)</b>
<b>Net Assets</b>		<b>(1,183,310)</b>	<b>(1,058,029)</b>	<b>(1,014,868)</b>
Usable Reserves	38	(14,725)	(14,491)	(11,087)
Unusable Reserves	39	1,198,035	1,072,520	1,025,955
<b>Total Reserves</b>		<b>1,183,310</b>	<b>1,058,029</b>	<b>1,014,868</b>

## PCC BALANCE SHEET AT 31st MARCH 2015

The PCC Balance Sheet shows the value of the assets and liabilities recognised by the PCC as at 31<sup>st</sup> March 2015.

		Notes	31 March 2015	31 March 2014	1st April 2013
			£000	Restated £000	Restated £000
<b>Long Term Assets</b>					
Property, Plant and Equipment	12		50,888	51,580	59,276
Investment Property			-	-	-
Intangible Assets	14		5,046	5,743	6,540
Asset Held for Sale	19		17,489	17,489	
Long Term Investments			-	-	-
Long Term Debtors	17		1,309	5,537	6,153
<b>Total Long Term Assets</b>			<b>74,732</b>	<b>80,349</b>	<b>71,969</b>
<b>Current Assets</b>					
Short Term Investments			-	-	-
Assets Held for Sale			-	-	-
Inventories	16		75	80	89
Short Term Debtors	17		18,026	9,480	14,080
Cash and Cash Equivalents	18		6,330	4,461	3,300
<b>Total Current Assets</b>			<b>24,430</b>	<b>14,021</b>	<b>17,469</b>
<b>Total Assets</b>			<b>99,162</b>	<b>94,370</b>	<b>89,438</b>
<b>Current Liabilities</b>					
Cash and Cash Equivalents			-	-	-
Short Term Borrowing	33		(1,100)	(1,340)	(3,760)
Short Term Creditors	20		(14,762)	(9,392)	(14,039)
Provisions	21		(2,193)	(243)	(349)
<b>Total Current Liabilities</b>			<b>(18,055)</b>	<b>(10,975)</b>	<b>(18,148)</b>
<b>Long Term Liabilities</b>					
Long Term Creditors	20		-	(4,228)	(4,228)
Provisions			-	-	-
Long Term Borrowing	33		(18,160)	(19,260)	(20,600)
Other Long Term Liabilities : PFI	29		(27,606)	(28,666)	(29,534)
Pensions Liability	22		(2,162)	(14,956)	(17,579)
<b>Total Long Term Liabilities</b>			<b>(47,928)</b>	<b>(67,110)</b>	<b>(71,941)</b>
<b>Total Liabilities</b>			<b>(65,983)</b>	<b>(78,085)</b>	<b>(90,090)</b>
<b>Net Assets</b>			<b>33,179</b>	<b>16,284</b>	<b>(651)</b>
Usable Reserves	38		(14,725)	(14,491)	(11,087)
Unusable Reserves	39		(18,454)	(1,793)	11,738
<b>Total Reserves</b>			<b>(33,179)</b>	<b>(16,284)</b>	<b>651</b>

## **GROUP & PCC CASHFLOW STATEMENT 2014/15**

The Group and PCC Cash Flow Statement show the changes in cash and cash equivalents during the reporting period.

	2014/2015 £000	2013/2014 £000
<b>OPERATING ACTIVITIES</b>		
<u>Cash Outflows</u>		
Cash paid to and on behalf of employees	86,187	87,933
Cash payment to reduce the PFI liability	1,059	868
Cash paid to suppliers of goods and services	56,764	60,999
	144,010	149,800
<u>Cash Inflows</u>		
Precept received	(28,834)	(27,608)
National non-domestic rates	(40,313)	(42,300)
Other grants	(81,466)	(84,020)
Rents	(36)	(32)
Cash received for goods and services	(153)	(2,005)
Other operating cash receipts	(2,197)	(4,595)
	(152,999)	(160,560)
<b>Operating Activities Net Cash Flow</b>	<b>(8,989)</b>	<b>(10,760)</b>
<b>INVESTING ACTIVITIES</b>		
<u>Returns on Investments and Servicing of Finance</u>		
Cash outflows - Interest paid	4,049	4,545
Cash inflows - Interest received	(46)	(38)
	4,003	4,507
<u>Capital Activities</u>		
Cash outflows - Purchase of non current assets	3,076	2,707
Cash inflows - Sale of non current assets	(73)	(188)
- Capital grant received	(1,225)	(1,188)
	1,778	1,331
<b>Investing Activities Net Cash Flow</b>	<b>5,781</b>	<b>5,838</b>
<b>Net Cash Outflow/(Inflow) before financing</b>	<b>(3,208)</b>	<b>(4,922)</b>
<b>FINANCING ACTIVITIES</b>		
<u>Management of Liquid Resources</u>		
Net increase/(decrease) in investments	-	-
Net increase/(decrease) in imprests	-	-
	-	-
<u>Financing</u>		
Cash outflows - Repayment of amounts borrowed	1,340	3,760
Cash inflows - New loans raised	-	-
	1,340	3,760
<b>Financing Activities Net Cash Flow</b>	<b>1,340</b>	<b>3,760</b>
<b>Net (Increase)/Decrease in cash</b>	<b>(1,868)</b>	<b>(1,161)</b>
<b>Cash brought forward</b>	4,461	3,300
<b>Cash carried forward</b>	6,330	4,461
<b>Net (Increase)/Decrease in cash</b>	<b>(1,868)</b>	<b>(1,161)</b>

# **GROUP & PCC NOTES TO THE CORE FINANCIAL STATEMENTS**

## **1. GROUP ACCOUNTING POLICIES**

### **A) 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 generate economic benefit during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the PCC Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Property, Plant and Equipment – fair value, determined using the basis of existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets reclassified as Held for Sale are valued at Market Value.

#### **Revaluations & Impairment**

Assets included in the Balance Sheet at fair value are revalued every five years (revalued as at 31<sup>st</sup> March 2014), and reviewed annually for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value (market value) are identified, they are accounted for by:

- 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 (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) 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.

### **Impairment**

Where there is a material reduction in the value of an asset caused by a consumption of economic benefits (e.g. physical damage or deterioration in the quality of the service provided by the asset) the loss is reflected through an impairment charge to Net Cost of Services.

Impairment losses are accounted as a decrease in valuation as set out above.

Where an impairment loss is reversed subsequently, 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.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property; 40 Years
- Plant, furniture and equipment – straight-line allocation over the useful life of the asset; 5 – 10 Years
- Motor Vehicles – straight-line allocation over the useful life of the assets; 3 Years
- Specialist vehicles – straight-line allocation over the useful life of the assets; 4 - 15 Years

For assets acquired in the year, depreciation is applied from the 1st April of the following financial year. Incomplete assets are not depreciated until they are brought into use. A full year's depreciation is charged in the year of disposal to be consistent with not charging any depreciation until the 1<sup>st</sup> April of the year after an asset is brought into use.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and a significantly different useful economic life, the components are depreciated separately from 1<sup>st</sup> April 2010. The PCC Group has undertaken this review and has no significant components in the 2014/15 financial year – this review will be undertaken annually.

### **Disposals and 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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) and any receipts from the

disposal are transferred to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

## **B) INTANGIBLE ASSETS**

Expenditure on non-current assets that do not have physical substance but are controlled by the PCC Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC Group.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore 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 the Capital Receipts Reserve.

### **Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service
- amortisation of intangible assets attributable to the 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.

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

## **C) DE MINIMIS LEVEL**

Capital Expenditure – The PCC has agreed a de minimis level of £5,000 for the acquisition, renewal or replacement of buildings, vehicles, plant, machinery or other equipment to count as prescribed capital expenditure.



Capital Receipts – All receipts from the sale of non-current assets, are to be classified as a capital receipt.

## **D) GOVERNMENT GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the PCC Group when there is reasonable assurance that:

- the PCC Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired, using the grant or contribution, are required to be consumed by the recipient as specified, or they 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. When no conditions exist or have been satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are 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 reserve; where it has been applied, it is posted to the Capital Adjustment Account.

## **E) 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 those that 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 PCC Group's cash management.

## **F) LEASES**

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

### **The PCC Group as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets.

The PCC has finance leases relating to PFI (as disclosed in note 24).

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

## **G) DEBTORS AND CREDITORS**

Both the revenue and capital accounts of the PCC Group are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to or payable by the PCC Group during the year are included in the accounts whether or not the cash has actually been received or paid in the year. No de minimis is applied to this process.

## **H) VALUATION OF INVENTORIES**

Inventories held at 31st March are valued at the lower of cost or current market value.

## **I) LOANS AND RECEIVABLES**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Credits to the income and expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all investments that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year.

## **J) FINANCIAL INSTRUMENTS**

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. They are recognised in the Balance Sheet when, and only when, the holder becomes committed to the purchase. The only exceptions are trade receivables and trade debtors when the PCC Group recognises these transactions on delivery or receipt.

## **K) PROVISIONS**

Provisions represent the best estimate, at the balance sheet date, of expenditure required to settle the present obligation. The outcome must be able to be estimated reliably and have a probable outcome. Details of individual provisions are given in the Notes to the Core Financial Statements.

## **L) RESERVES**

The PCC sets aside specific amounts as reserves (Usable) for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be charged against the Surplus or Deficit on

the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves (Unusable) are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC.

## **M) SELF-INSURED RISKS**

The PCC Group maintains external insurance policies for major risks such as Third Party Motor cover and Employer's Liability. The excess on these policies and claims arising from less significant risk areas are borne by the Insurance Fund. Details of the Fund balance are shown in the notes on Provisions.

## **N) INVESTMENTS**

Surplus cash is invested externally on a day-to-day basis. Investments at 31<sup>st</sup> March are shown in the balance sheet at fair value.

## **O) EMPLOYEE BENEFITS**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as time off in lieu, flexitime and paid holidays for current employees and are recognised as an expense for services in the year in which employees render service to the PCC Group. An accrual is made for the cost of these entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that employee benefits are charged to revenue in the financial year in which the absence occurs but are not chargeable against Council Tax.

## **P) PENSIONS**

The PCC Group participates in two different pension schemes, which meet the needs of police officers and support staff. The schemes provide members with defined benefits related to pay and service. Employees' and employers' contribution levels are based on percentages on pensionable pay set nationally by the Home Office and are subject to triennial review by the Government Actuary Department. The schemes are as follows: -

### **i) Uniformed Police**

The PCC Group meet the pension payments by the payment of an employer's pension contribution based on a percentage of pay into the pension fund.

The pension fund is balanced to nil each year by a transfer to/from the Police Fund.

This scheme has no assets and does not take into account the liabilities to pay pensions and other benefits after the period end.

### **ii) Support Staff**

Support Staff, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme, which is operated by Teesside Pension Fund. The pension costs charged to the PCC Group's accounts equate to the employer's contributions paid to the fund on behalf of

eligible employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pensions costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government Regulations. The PCC Group complies with the requirements of IAS19 in that the Balance Sheet shows the full value of future liabilities in respect of retirement benefits payable to its employees.

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) requires the following accounting policies to be applied to the various elements of the net asset/liability:

- Where a PCC participates in more than one scheme, schemes with net assets should be shown separately from those with net liabilities.
- The attributable assets of each scheme should be measured at fair value, which is based on bid value.
- The attributable liabilities of each scheme should be measured on an actuarial basis using the projected unit method.
- Scheme liabilities should be discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The surplus/deficit in each scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme.
- The current service cost should be based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date.
- The interest cost should be based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.
- Actuarial gains/losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- Past service costs should be disclosed on a straight-line basis over the period in which the increase in benefits rest.
- Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions should be measured at the date on which the employer becomes demonstrably committed to the transaction and disclosed in the notes to the accounts covering that date. Gains arising from settlement/curtailments not allowed for in the actuarial assumptions should be measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

## **Q) OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

## **R) PRIVATE FINANCE INITIATIVE**

The PCC is party to two separate PFI schemes. One for the provision of Firearms Training facilities at Urray Nook. The other is for the provision of centralised custody and District HQ facilities.

The treatment of transactions under the schemes is in accordance with IFRIC 12 – Service Concessions and the IFRS Code.

## **S) VALUE ADDED TAX**

VAT is included in the accounts only if it is irrecoverable from Her Majesty revenue Customs (HMRC). There is an on-going legal challenge in respect of the treatment of VAT on the hammer price of auction vehicles that have been seized. A provision has been created to cover the likely costs of judgement if the case is found in favour of the HMIC.

## **T) PRECEPT**

Precept is accounted for on an agency basis.

## **U) POST BALANCE SHEET EVENTS**

Events after the Balance Sheet date are reflected by the PCC Group up to the date when the Statement of Accounts are authorised for issue.

## **V) EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS**

Exceptional and Extraordinary items, of which the PCC Group has none in 2014/15, would be disclosed on the face of the Income and Expenditure Account and fully explained in the notes to the accounts.

Prior period adjustments, where material and applicable to prior years, are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of the reserves for the cumulative effect.

## **W) REVENUE RECOGNITION**

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Group.

## **X) JOINT CONTROLLED OPERATIONS**

The PCC Group engages in collaborative working arrangements with the Northumbria and Durham Forces. The collaborative arrangements cover the delivery of a number of specific services on a regional basis.

The North East Regional Special Operations Unit (NERSOU) is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit but the funding is through a combination of Home Office Grants and Force contributions. The Force allocation is based on Home Office Core Grant allocations and for the financial period April 2014 to March 2015 the funding contributions made were Cleveland 22.1%, Durham 20.9% and Northumbria 57.0%.

The Cleveland and Durham Special Operation unit is managed through a Section 22A agreement whereby both forces have a 50:50 financial obligation in terms of the joint operations income and expenditure and have equal voting rights in terms of decisions made about the unit.

Each participant accounts for the assets it controls, the liabilities it incurs, the expenses that it incurs and the income receivable in relation to amounts re-charged to the venture.

The PCC Group also engages in collaborative working in partnership with North Yorkshire and Durham forces (Evolve). This Collaboration is at an early stage, but a Joint Governance Board has been established.

## **Y) CONTINGENT LIABILITIES**

A contingent liability arises where an event has taken place that gives rise to 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 are disclosed in a note to the accounts.

## **Z) CONTINGENT ASSETS**

A contingent asset arises where an event has taken place that gives rise to a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED**

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31st March 2015 but not adopted:-

- IFRS 13 Fair Value Measurement (May 2011);
- IFRIC 21 Levies
- Annual Improvements to IFRSs (2011 – 2013 Cycle), namely:-
  - IFRS 1: Meaning of effective IFRSs;
  - IFRS 13: Scope of paragraph 52 (portfolio exception); and
  - IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property

It is not anticipated that any of these amendments will have a material effect on the Financial Statements and require retrospective application.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

The Pensions Ombudsman has published his determination in a case concerning the lump sum paid to a fire-fighter on his retirement. The case has relevance to many fire-fighters and police officers who retired in the early 2000's.

The Forces Pension Administrator, Kier, has informed the Home Office that there are 272 surviving police officers and 12 deceased police officers that are affected by this determination. An assessment of the financial impact of this decision has been undertaken by Keir in-line with guidance received from the Government's Actuary's Department. The liability has been assessed at £4.228M. See note 45 Prior Period Adjustment.

#### **4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances and transactions cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCC Group's Balance Sheet at 31<sup>st</sup> March 2015 or which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Pension 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. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. Details of the impact of these assumptions are provided at Note 23: Pension Liability of the accounts.

The Pension liability includes an estimated liability of £4.228M relating to Commutation error by GAD. Full details of the assumptions relating to this adjustment are detailed in Note 45 Prior Period Adjustment: Police Pension Commutation Adjustment.

**Employee Benefits:** An accrual has been made for employee benefits outstanding at the year end, comprising flexitime, annual leave, Time of in Lieu and re-rostered rest days. The accrual is estimated based on returns from each department and data captured from the Duty Management system. Approximately 45% of the accrual (£2.088m) relates to Annual Leave and 40% relates to rest days in lieu (RDIL). An increase or decrease of 5% in the number of Annual Leave and RDIL owed would change the accrual by £90k.

**Provisions:** A provision has been made for the settlement of ongoing claims not covered by insurers, based on claims received. An assessment of the settlement values of these claims is based on information received for our Insurers and past experience of similar claims. Due to the nature of the claims experience it is difficult to make a dependable assessment of the window during which particular litigation might determine, and consequently when any cost may be incurred.

**Property, Plant and Equipment:** Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance and repairs that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether current spending on repairs and maintenance will be sustainable, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £34k for every year that useful lives had to be reduced.

Valuation of assets and consideration of impairment depends on a number of complex judgements and a firm of Surveyors and Valuers is engaged to provide expert advice about the assumptions to be applied. The valuation (and any impairment review) is commissioned in accordance with UKPS

1.3 of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. The effects on the asset valuation of changes in the assumptions interact in complex ways and are difficult to evaluate.

## **5. MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no material items of income and expense which are not already disclosed on the face of the Comprehensive Income and Expenditure Statement or in the associated notes.

## **6. EVENTS AFTER THE BALANCE SHEET DATE**

An adjusting post balance sheet event has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman. This has been outlined in Note 45.



## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

GROUP FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(880)	0	0	0	0	(880)	880	0
Depreciation and Impairment of fixed assets	(3,200)	0	0	0	0	(3,200)	3,200	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(11)	0	0	0	0	(11)	11	0
Sale of Assets	0	0	(73)	0	0	(73)	73	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(71,651)	0	0	0	0	(71,651)	71,651	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	(62)	0	0	0	1,308	1,246	(1,246)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,225	0	0	0	(1,225)	0	0	0
Accumulated Absences Adjustment	(26)	0	0	0	0	(26)	26	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	597	0	0	0	0	597	(597)	0
	<b>(74,016)</b>	<b>0</b>	<b>(73)</b>	<b>0</b>	<b>83</b>	<b>(74,006)</b>	<b>74,006</b>	<b>(0)</b>
Statutory provision for the repayment of debt	2,157	0	0	0	0	2,157	(2,157)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	211	0	0	211	(211)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	14,494	0	0	0	0	14,494	(14,494)	0
	<b>16,651</b>	<b>0</b>	<b>211</b>	<b>0</b>	<b>0</b>	<b>16,861</b>	<b>(16,861)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	<b>2,528</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,528</b>	<b>(2,528)</b>	<b>0</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(54,837)</b>	<b>0</b>	<b>137</b>	<b>0</b>	<b>83</b>	<b>(54,617)</b>	<b>54,617</b>	<b>(0)</b>

**PCC FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015**

	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Revenue Grants Unapplied Reserve</b>	<b>Capital Grants Unapplied Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total PCC Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(880)	0	0	0	0	(880)	880	0
Depreciation and Impairment of fixed assets	(3,200)	0	0	0	0	(3,200)	3,200	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(11)	0	0	0	0	(11)	11	0
Sale of Assets	0	0	(73)	0	0	(73)	73	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(244)	0	0	0	0	(244)	244	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	(62)	0	0	0	1,308	1,246	(1,246)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,225	0	0	0	(1,225)	0	0	0
Accumulated Absences Adjustment	(26)	0	0	0	0	(26)	26	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	597	0	0	0	0	597	(597)	0
	<b>(2,609)</b>	<b>0</b>	<b>(73)</b>	<b>0</b>	<b>83</b>	<b>(2,600)</b>	<b>2,600</b>	<b>(0)</b>
Statutory provision for the repayment of debt	2,157	0	0	0	0	2,157	(2,157)	0
Use of Capital Receipts	0	0	211	0	0	211	(211)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	99	0	0	0	0	99	(99)	0
	<b>2,256</b>	<b>0</b>	<b>211</b>	<b>0</b>	<b>0</b>	<b>2,467</b>	<b>(2,467)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	<b>2,528</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,528</b>	<b>(2,528)</b>	<b>0</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>2,175</b>	<b>0</b>	<b>137</b>	<b>0</b>	<b>83</b>	<b>2,395</b>	<b>(2,395)</b>	<b>(0)</b>

**GROUP FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(871)	0	0	0	0	(871)	871	0
Depreciation and Impairment of fixed assets	(3,896)	0	0	0	0	(3,896)	3,896	0
Depreciation on Revaluation	0	0	0	0	0	0	0	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(1,134)	0	0	0	0	(1,134)	1,134	0
Sale of Assets	0	0	(122)	0	0	(122)	122	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(72,638)	0	0	0	0	(72,638)	72,638	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	1,308	1,308	(1,308)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,189	0	0	0	(1,189)	0	0	0
Accumulated Absences Adjustment	577	0	0	0	0	577	(577)	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	138	0	0	0	0	138	(138)	0
	<b>(76,636)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(76,638)</b>	<b>76,638</b>	<b>0</b>
Statutory provision for the repayment of debt	1,958	0	0	0	0	1,958	(1,958)	0
Capital expenditure charged to the General Fund	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	0	0	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,187	0	0	0	0	16,187	(16,187)	0
	<b>18,145</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,145</b>	<b>(18,145)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(58,490)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(58,493)</b>	<b>58,493</b>	<b>0</b>

**PCC FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(871)	0	0	0	0	(871)	871	0
Depreciation and Impairment of fixed assets	(3,896)	0	0	0	0	(3,896)	3,896	0
Depreciation on Revaluation	0	0	0	0	0	0	0	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(1,134)	0	0	0	0	(1,134)	1,134	0
Sale of Assets	0	0	(122)	0	0	(122)	122	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(2,819)	0	0	0	0	(2,819)	2,819	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	1,309	1,309	(1,309)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,189	0	0	0	(1,189)	0	0	0
Accumulated Absences Adjustment	577	0	0	0	0	577	(577)	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	138	0	0	0	0	138	(138)	0
	<b>(6,817)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(6,819)</b>	<b>6,819</b>	<b>0</b>
Statutory provision for the repayment of debt	1,958	0	0	0	0	1,958	(1,958)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	0	0	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,393	0	0	0	0	1,393	(1,393)	0
	<b>3,351</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,351</b>	<b>(3,351)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(3,465)</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>119</b>	<b>(3,468)</b>	<b>3,468</b>	<b>0</b>

## 8. TRANSFERS TO / FROM EARMARKED RESERVES

Group and PCC Reserves	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	at 31 March 2013 £000	In 2013/14 £000	Out 2013/14 £000	at 31 March 2014 £000	In 2014/15 £000	Out 2014/15 £000	at 31 March 2015 £000
Insurance Fund	(1,675)	0	0	(1,675)	(305)	1,980	0
Direct Revenue Funding of Capital	(105)	(2,659)	378	(2,386)	(818)	1,969	(1,235)
Injury Pension Reserve	(16)	(1,184)	0	(1,200)	0	0	(1,200)
PFI Sinking Fund	(247)	0	32	(215)	(40)	0	(255)
Incentivisation Grant	(197)	(109)	0	(307)	0	46	(261)
Neighbourhood Policing	(16)	0	0	(16)	0	16	0
Specials	(62)	0	0	(62)	(16)	0	(78)
Urlay Nook TTC	(48)	0	0	(48)	(33)	0	(81)
Development Fund	(12)	0	0	(12)	0	12	0
Invest to Save	(83)	0	0	(83)	(19)	102	0
Devolved Budget Carry Forwards	(8)	0	0	(8)	0	8	0
Estates Reserve	(48)	(240)	0	(288)	0	0	(288)
PCC Transition Reserve	(292)	0	292	0	0	0	0
Police Property Act Fund	(30)	(55)	58	(27)	(6)	37	3
Risk Reserve	(66)	0	66	(0)	0	0	(0)
Job Evaluation Reserve	0	(292)	0	(292)	0	0	(292)
NERSOU	0	0	0	0	(88)	0	(88)
Innovation Fund	0	(105)	0	(105)	0	105	0
Victims and Witness Scheme	0	(75)	0	(75)	0	75	0
Early Retirement / Voluntary	0	0	0	0	(875)	0	(875)
Community Safety Fund	0	0	0	0	(494)	0	(494)
Road Safety Initiative Reserve	0	0	0	0	(381)	104	(277)
Revenue Grants Unapplied	(463)	(296)	372	(387)	(28)	11	(404)
<b>Total</b>	<b>(3,366)</b>	<b>(5,015)</b>	<b>1,198</b>	<b>(7,184)</b>	<b>(3,105)</b>	<b>4,464</b>	<b>(5,824)</b>

### Insurance Reserve

Following an annual review of the earmarked reserves it was decided that the insurance reserve should be reclassified as a provision in line with the criteria detailed in IAS37. Namely:-

- 1 The liability is as a result of a past event ie: outstanding insurance claims.
- 2 If liability is established there will be an outflow of resources to settle the liability;
- 3 The amount of the obligation / liability is in line with the provision set for each case by our Insurers.

### Direct Revenue Funding of Capital

This reserve is held to meet the cost of capital schemes; contributions to and applications of revenue funding for capital schemes have been made in 2014/15.

### Injury Pension Reserve

To allow for the variable nature of future injury/medical retirements of Police Officers and the capital equivalent charges of these occurring, £1.184m was added in 2013/14 to fund medical retirements over the next three financial years.

### Action Stations PFI Sinking Fund

Changes to the PFI buildings will result in variable increases to the Unitary Charge across the life of the contract. However, these changes are of variable amounts given their different life cycles. This

sinking fund will be used to manage the uneven changes to that charge across the remaining life of the contract.

### **Incentivisation Grant**

This reserve relates to Cleveland's share of seized cash provided by the Government and will be spent on eligible schemes in future years.

### **Neighbourhood Policing**

This reserve was released in 2014/ 2015.

### **Specials**

This was an unexpected Government grant awarded late in 2008/09. It can only be used for Specials and is therefore earmarked to be used in future years as the need arises.

### **Tactical Training Centre**

The Tactical Training Centre has reserves that total £162k which are held by the PCC for Durham, PCC's share of these reserves total £81k.

### **Development Fund**

This reserve was released in 2014/ 2015.

### **Invest to Save**

Funding set aside to allow the PCC Group to invest in resources or people to generate process improvements that will in turn generate savings in future years.

This reserve was released in 2014/ 2015.

### **Devolved Budget Carry Forwards**

This reserve was released in 2014/ 2015.

### **Estates Reserve**

This reserve is for costs associated with the on-going Estates review.

### **PCC Transition Reserve**

These funds were set aside to contribute towards the cost of any transition required as a result of the proposals set out within the Policing in the 21<sup>st</sup> Century paper. Now that the transition has been complete the reserve has been released in 2013/14.

### **Police Property Act Fund**

The Police Property Act Fund comprises monies received by the PCC from property confiscated by order of court and then sold. The PCC Group administers the fund and considers applications from voluntary organisations and community groups within the Cleveland area. The main aim of the fund is to support local projects undertaken by voluntary/charitable organisations that benefit the communities of Cleveland, especially those which have a positive impact in reducing crime and disorder at a local level.

### **Risk Reserve**

A reserve set up in 2012/13 to mitigate against future risks of the group but this has been released in 2013/14.

### **Job Evaluation Reserve**

This reserve has been set up in 2013/14 in order to cover any future costs from the Job Evaluation project.

### **NERSOU**

North East Regional Special Operations Unit (NERSO) is collaboration between Northumbria, Durham and Cleveland Forces to address organised and serious crime. At the 31<sup>st</sup> March 2015 the reserves position was £401K of which Cleveland's share is £88K.

### **Innovation Reserve**

A reserve set up in 2013/14 to provide funds for costs in relation to the internal costs of the implementation of projects supported by successful Innovation Fund bids.

### **Victims and Witness Scheme**

A fund to be released by the PCC as spend is incurred on this initiative.

### **Early Retirement /Voluntary Redundancy**

The PCC has established a reserve for the potential costs associated with moving to future structures required to deliver policing services going forward within the expected budgetary constraints.

### **Community Safety Fund**

The PCC has established the reserve to support local community safety initiatives.

### **Road Safety Initiative Reserve**

The reserve has been created to hold funding to be spent on road safety initiatives as advised by the Cleveland Road safety Partnership.

### **Revenue Grants Unapplied**

These grants are those which either have no specified conditions or the conditions have been met. They will be matched to relevant expenditure as incurred.

## **9. OTHER OPERATING EXPENDITURE**

<b>Group and PCC</b>	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
Levies	641	504
Gains/losses on disposal of Non-current Assets	11	1,071
<b>Total Other Operating Expenditure</b>	<b>652</b>	<b>1,575</b>

## 10. FINANCING AND INVESTMENT INCOME & EXPENDITURE

<b>Group</b>	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
Interest payable and similar charges	4,050	4,062
Net interest on defined benefit liability	45,911	44,474
Interest receivable and similar income	(46)	(38)
<b>Total Finance and Investment Income and Expenditure</b>	<b>49,915</b>	<b>48,498</b>

<b>PCC</b>	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
Interest payable and similar charges	4,050	4,062
Net interest on defined benefit liability	60	743
Interest receivable and similar income	(46)	(38)
<b>Total Finance and Investment Income and Expenditure</b>	<b>4,064</b>	<b>4,767</b>

## 11. TAXATION & NON SPECIFIC GRANT INCOME

<b>Group and PCC</b>	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
National Non Domestic rates	(40,313)	(42,299)
Police Grants	(50,243)	(51,049)
Precepts	(29,394)	(27,746)
Local Council Tax Support	(6,868)	(6,846)
Capital Grants and Contributions	(1,225)	(1,189)
<b>Total Taxation and Non Specific Grant Income</b>	<b>(128,044)</b>	<b>(129,129)</b>



## 12. PROPERTY, PLANT AND EQUIPMENT.

### Property, Plant and Equipment 2014/2015

Group and PCC	Land and Buildings £000	PFI £000	Vehicles £000	Plant and Equipment £000	Non - Operational £000	Total £000
Gross book value at 1 April 2014	12,772	29,750	4,509	21,960	1,587	70,578
Gross Book Prior Year Adjustments		-				-
Accumulated depreciation	(7)	-	(2,760)	(16,231)		(18,998)
Prior Year Adjustments	-	-	-		-	-
<b>Net Book Value at 1 April 2014</b>	<b>12,765</b>	<b>29,750</b>	<b>1,749</b>	<b>5,729</b>	<b>1,587</b>	<b>51,580</b>
Adjustments to opening balances: Cost	6	-	-	(4)	(2)	(0)
Adjustments to opening balances: Dep			(3)	3		0
<b>Net Book Value at 1 April 2014</b>	<b>12,771</b>	<b>29,750</b>	<b>1,746</b>	<b>5,728</b>	<b>1,585</b>	<b>51,580</b>
Additions	101	356	272	633	1,311	2,673
Reclassification	-	-	10	75	(160)	(75)
Disposals	-	-	(405)			(405)
Revaluations : Revaluation Reserves	-	-				-
Revaluations : Surplus / Deficit	-	-				-
Assets Reclassified (to)/From Assets Held for sale	-	-				-
<b>Book value at 31 March 2015</b>	<b>12,872</b>	<b>30,106</b>	<b>1,623</b>	<b>6,436</b>	<b>2,736</b>	<b>53,773</b>
Depreciation for 2014/15	(309)	(785)	(539)	(1,575)	-	(3,208)
Depreciation on Disposals 2014/15	-	-	323			323
Revaluations : Revaluation Reserves	-	-				-
Revaluations : Surplus / Deficit	-	-				-
<b>Net Book Value at 31 March 2015</b>	<b>12,563</b>	<b>29,321</b>	<b>1,407</b>	<b>4,861</b>	<b>2,736</b>	<b>50,888</b>

### Property, Plant and Equipment 2013/2014

Group and PCC	Land and Buildings £000	PFI £000	Vehicles £000	Plant and Equipment £000	Non - Operational £000	Total £000
Gross book value at 1 April 2013	22,840	31,759	4,545	20,930	1,349	81,423
Transfer Capital Adjustment Account						-
Gross Book Prior Year Adjustments		-				-
Accumulated depreciation	(2,043)	(3,078)	(2,597)	(14,812)		(22,530)
Prior Year Adjustments	314	67	2		-	382
<b>Net Book Value at 1 April 2013</b>	<b>21,111</b>	<b>28,748</b>	<b>1,950</b>	<b>6,118</b>	<b>1,349</b>	<b>59,276</b>
Adjustments to opening balances						-
<b>Net Book Value at 1 April 2013</b>	<b>21,111</b>	<b>28,748</b>	<b>1,950</b>	<b>6,118</b>	<b>1,349</b>	<b>59,276</b>
Additions	74	666	533	861	904	3,038
Reclassification	(252)	252	62	604	(666)	-
Disposals	(1,389)		(633)	(435)		(2,457)
Revaluations : Revaluation Reserves	(90)					(90)
Revaluations : Surplus / Deficit	(3,409)	(2,927)				(6,337)
Assets Reclassified (to)/From Assets Held for sale	(5,640)					(5,640)
<b>Book value at 31 March 2014</b>	<b>10,404</b>	<b>26,739</b>	<b>1,912</b>	<b>7,148</b>	<b>1,587</b>	<b>47,790</b>
Depreciation for 2013/14	(301)	(774)	(603)	(1,847)	-	(3,525)
Depreciation on Disposals 2013/14	332	(0)	440	428		1,201
Revaluations : Revaluation Reserves	149					149
Revaluations : Surplus / Deficit	2,180	3,785				5,965
<b>Net Book Value at 31 March 2014</b>	<b>12,765</b>	<b>29,750</b>	<b>1,749</b>	<b>5,729</b>	<b>1,587</b>	<b>51,580</b>

#### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 40 years (land is not depreciated)
- Vehicles – 3 – 15 years
- Plant, Furniture & Equipment – 5 to 10 years

#### Capital Commitments

As at 31st March 2014, the PCC Group was contractually committed to capital works which amounted to approximately £1.932m (£2.753m at 31<sup>st</sup> March 2014).

### Revaluations

Freehold properties were re-valued as at 31<sup>st</sup> March 2014 by Sanderson Weatherall, Chartered Surveyors in accordance with the CIPFA Capital Accounting Guidance notes VGM8A and 8B and the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual "The Red Book". The next five yearly revaluations will take place in 2018/19.

The Code requires that PCC should undertake a review of the Balance Sheet value of each category of assets at the end of each reporting period. Where there is reason to believe that its value has changed materially in the period, the valuation should be adjusted accordingly.

For Land & Buildings, this is taken care of as part of the revaluation. For Plant & Machinery and Vehicles, all asset lives and residual values were reviewed and therefore any values adjusted accordingly.

## 13. INVESTMENT PROPERTIES

The PCC Group does not currently hold any properties or land for investment purposes.

## 14. INTANGIBLE ASSETS

The PCC 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, based on assessments of the period that the software is expected to be of use to the PCC Group. The useful lives assigned to the major software suites used by the PCC Group are assessed individually.

Group and PCC	Intangibles £000
Balance at 1 April 2014	7,858
Prior Year Adjustments	0
Accumulated Amortisation	(2,115)
Prior Year Adjustments	-
<b>Net Carrying Amount 31st March 2014</b>	<b>5,743</b>
Additions	109
Reclassification	75
Disposals	-
Revaluations	-
Amortisation on Disposals	-
Amortisation	(880)
<b>Net Carrying amount at 31 March 2015</b>	<b>5,046</b>
<b>Gross Carrying Amounts</b>	<b>8,042</b>
<b>Accumulated Amortisation</b>	<b>(2,996)</b>

## **15. FINANCIAL INSTRUMENTS**

All the PCC Group's financial assets relate to loans and receivables and are measured at fair value which, in all cases, is their absolute value. Debtors are reviewed for impairment and the provision for doubtful debts reflects any risk relating to uncertainty around receipt.

All financial liabilities relate to creditors and are measured at their fair value.

Financial instruments give rise to certain areas of risk which must be mitigated:

Credit risk – the possibility that other parties might fail to pay amounts due to the PCC Group.

Liquidity risk – the possibility that the PCC Group might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the PCC Group as a result of changes in such measures as interest rates.

The PCC Group is not open to material exposures to these risks due to a range of controls:

- an authorisation procedure for all investments
- access to borrowing from the Public Works Loan Board
- a high proportion of fixed rate investments
- a programme of authorised and reviewed Prudential Indicators and Treasury Management Reports which are taken to the PCC bi-annually.

<b>Group and PCC</b>	<b>31 March 2015</b>	<b>31 March 2014</b>	<b>1st April 2013</b>
	<b>£000</b>	<b>Restated £000</b>	<b>Restated £000</b>
<b>Long Term Assets:</b>			
Long Term Investments	-	-	-
Long Term Debtors	1,309	5,537	6,153
	<b>1,309</b>	<b>5,537</b>	<b>6,153</b>
<b>Short-Term Assets:</b>			
Short Term Investments	-	-	-
Cash and Cash Equivalents	6,330	4,461	3,300
	<b>6,330</b>	<b>4,461</b>	<b>3,300</b>
<b>Debtors:</b>			
Government Departments	8,350	6,466	5,017
Other Local Authorities	1,657	792	2,448
Other Debtors	5,286	863	1,748
Less provision for doubtful debts	(4)	(7)	(15)
	<b>15,289</b>	<b>8,114</b>	<b>9,198</b>
<b>Short-Term Liabilities:</b>			
Short Term Loans	(1,100)	(1,340)	(3,760)
Bank current Accounts	-	-	-
	<b>(1,100)</b>	<b>(1,340)</b>	<b>(3,760)</b>
<b>Creditors:</b>			
Government Departments	(58)	(273)	(790)
Inland Revenue/ Customs and Excise	(1,718)	(1,830)	(1,579)
Other Local Authorities	(662)	(521)	(722)
Sundry Creditors	(9,970)	(4,400)	(8,031)
	<b>(12,408)</b>	<b>(7,024)</b>	<b>(11,122)</b>
<b>Long Term Liabilities:</b>			
Long Term Creditors		(4,228)	(4,228)
Long Term Borrowing	(18,160)	(19,260)	(20,600)
PFI Liabilities	(27,606)	(28,666)	(29,534)
	<b>(45,766)</b>	<b>(52,154)</b>	<b>(54,362)</b>

	<b>31 March 2015</b>	<b>31 March 2014</b>
Interest Expense	4,050	4,062
Interest Income	(46)	(38)
<b>Net (gain)/loss for the year</b>	<b>4,004</b>	<b>4,024</b>

<b>Long Term Borrowing Maturity Period</b>	<b>Fair Value 31 March 2015 £000</b>	<b>Cost 31 March 2015 £000</b>
1/2 years	(1,744)	(1,744)
2/5 years	(3,644)	(3,644)
5/10 years	(12,772)	(12,772)
Over 10 years	-	-
<b>Total Long Term Loans</b>	<b>(18,160)</b>	<b>(18,160)</b>

## 16. INVENTORIES

Group and PCC	31 March 2015 £000	31 March 2014 £000
	Uniforms	Uniforms
Opening Balance	80	89
Purchases	89	69
Recognised in Year	(94)	(78)
<b>Closing Balance</b>	<b>75</b>	<b>80</b>

## 17. DEBTORS

Short Term Group and PCC Debtors	31 March 2015 £000	31 March 2014 Restated £000	1st April 2013 Restated £000
Government Departments	8,350	6,466	5,017
Other Local Authorities	2,813	1,388	2,448
Other Debtors	5,286	863	1,748
	<b>16,450</b>	<b>8,717</b>	<b>9,213</b>
Less: Provision for doubtful debts	(4)	(7)	(15)
	<b>16,445</b>	<b>8,710</b>	<b>9,198</b>
Add: Payments in Advance	1,581	770	4,882
<b>Total Short Term Debtors</b>	<b>18,026</b>	<b>9,480</b>	<b>14,080</b>
<b>Long Term Group and PCC Debtors</b>			
Other Debtors	1,309	5,537	6,152
<b>Total Long Term Debtors</b>	<b>1,309</b>	<b>5,537</b>	<b>6,152</b>

## 18. CASH AND CASH EQUIVALENTS

Group and PCC	31 March 2015 £000	31 March 2014 £000
Cash held by the PCC	78	109
Bank current Accounts	6,252	4,352
Short-term deposits	0	0
<b>Total Cash and Cash Equivalents</b>	<b>6,330</b>	<b>4,461</b>

## 19. ASSETS HELD FOR SALE

Group and PCC	Land and Buildings	Total
	£000	£000
<b>Balance Outstanding 1st April 2014</b>	17,489	17,489
Asset newly classified as held for sale	-	-
Revaluation Losses	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
	-	-
<b>Balance outstanding at 31st March 2015</b>	<b>17,489</b>	<b>17,489</b>

## 20. CREDITORS

	31 March 2015	31 March 2014	1st April 2013
	£000	Restated £000	Restated £000
<b>Short Term Group and PCC Creditors</b>			
Government Departments	(58)	(273)	(790)
Her Majesty's Revenue & Customs (HMRC)	(1,718)	(1,830)	(1,579)
Other Local Authorities	(662)	(558)	(722)
Accumulated Compensated Absences Creditor	(2,088)	(2,062)	(2,639)
Sundry Creditors	(9,970)	(4,400)	(8,031)
<b>Sub total</b>	<b>(14,497)</b>	<b>(9,124)</b>	<b>(13,761)</b>
Add: Income in Advance	(264)	(268)	(278)
<b>Total Creditors</b>	<b>(14,762)</b>	<b>(9,392)</b>	<b>(14,039)</b>
<b>Long Term Group and PCC Creditors</b>			
Sundry Creditors	-	(4,228)	(4,228)
<b>Total Long Term Creditors</b>	<b>-</b>	<b>(4,228)</b>	<b>(4,228)</b>

## 21. PROVISIONS

Group and PCC	Balance at 31 March 2014	Additions In 2014/15	Applications Out 2014/15	Balance at 31 March 2015
Provision Description	£000	£000	£000	£000
Staff & PCSO ER/VR	(137)	0	137	0
VAT Provision	0	(63)	0	(63)
Holiday Overtime Pay	0	(150)	0	(150)
Insurance	(106)	0	106	0
Insurance Liabilities	0	(1,980)	0	(1,980)
<b>Total</b>	<b>(243)</b>	<b>(2,193)</b>	<b>243</b>	<b>(2,193)</b>

## **Staff Pay & PCSO ER/VR**

This provision has been set up for ER/VR payments which are committed to and calculated but payment falls after the 31<sup>st</sup> March 2014. This provision has been released.

## **VAT Provision**

There is an on-going legal challenge in respect of the treatment of VAT on the hammer price of auction vehicles that have been seized. A provision has been created to cover the likely costs of judgement if the case is found in favour of the HMIC.

## **Holiday Overtime Pay**

Following a recent court ruling in respect of holiday pay in regards to regularised overtime payments the PCC has created this provision to address any prior liability associated with this ruling.

## **Insurance**

Pre 1995 Cleveland Police were insured under a joint policy, the Cleveland County Council Insurance Fund which comprised the four Local Authorities, Cleveland Police and the Probation Service, with Middlesbrough Borough Council (MBC) being the Lead Authority, this policy was underwritten by Municipal Mutual Insurance (MMI).

Insurance companies follow a strict code of practice and as such cannot simply declare themselves bankrupt and cease all trading; they instead enter into a phase termed 'run off', whereby they cease writing all new business although they still continue to meet their liabilities with the remaining funds, i.e. pay off any claims that are subsequently made relating to the expired policies. These claims can surface a number of years later, in fact up to 40-50 years later.

MMI have been in 'run off' since September 1992. MMI's funds have now reached a point whereby they may not be able to continue to meet their liabilities; this has resulted in them invoking the Scheme of Arrangement on the 13th November 2012. This provision was made in respect of the Levy that is expected to be imposed on the PCC for Cleveland as a scheme creditor and has been adjusted in 2013/14 in line with the latest estimation.

This provision has been released in 2014/15.

## **Insurance Liabilities**

Following an annual review of the earmarked reserves it was decided that the insurance reserve should be reclassified as a provision in line with the criteria detailed in IAS37. Namely:-

- 1 The liability is as a result of a past event ie: outstanding insurance claims.
- 2 If liability is established there will be an outflow of resources to settle the liability;
- 3 The amount of the obligation / liability is in line with the provision set for each case by our Insurers.

## **22. PENSIONS**

As part of the terms and conditions of employment of its officers and other employees, the PCC Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the PCC Group has a commitment to disclose the payments that will need to be made at the time that employees earn their future entitlement.

The PCC Group participates in two pension schemes:

The **Local Government Pension Scheme** for civilian employees, administered by Teesside Pension Fund – this is a funded scheme, meaning that the PCC Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Participants of the scheme can leave the scheme within two years of their joining date and receive a full refund of their contributions.

The **Police Pension Scheme** for police officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Participants of the scheme can leave the scheme within two years of their joining date and receive a full refund of their contributions.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on injury and medical pensions paid in the year and the capital equivalent charge as a result of medical/injury early retirements, so the real cost of retirement benefits is reversed out within the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:



Group	Local Government Pension Scheme		Police Pension Scheme		Total	
	2014/2015 £000	2013/2014 £000	2014/2015 £000	2013/2014 £000	2014/2015 £000	2013/2014 £000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
Current service cost	1,660	2,047	23,987	26,088	25,647	28,135
Curtailement/settlements	-	-	-	-	-	-
Past service cost	93	29	-	-	93	29
Change to accounting policies	-	-	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>						
Interest cost	3,096	3,392	45,293	43,731	48,389	47,123
Expected return on assets	(2,478)	(2,649)	-	-	(2,478)	(2,649)
Other investment Income	-	-	-	(15,806)	-	(15,806)
<b>Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service</b>	<b>2,371</b>	<b>2,819</b>	<b>69,280</b>	<b>54,013</b>	<b>71,651</b>	<b>56,832</b>
<b>Other post employment Benefit Charged to the CIES</b>						
Return on Plans asset	(2,879)	4,889	-	-	(2,879)	4,889
Actuarial (gains) /losses : Financial Assumptions	8,500	(2,227)	95,823	(4,196)	104,323	(6,423)
Actuarial (gains) /losses: Demographic assumptions	-	1,649	-	25,776	-	27,425
Actuarial (gains) /losses : liability experience	(443)	(8,360)	(8,172)	1,279	(8,615)	(7,081)
<b>Total Post employment Benefit Charged to the CIES</b>	<b>7,549</b>	<b>(1,230)</b>	<b>156,931</b>	<b>76,872</b>	<b>164,480</b>	<b>75,642</b>
<b>Movement in Reserves Statement:</b>						
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(2,371)	(2,819)	(69,280)	(54,013)	(71,651)	(56,832)
<b>Actual amount charged against General fund balances for pensions in the year:</b>						
Contribution in year	1,223	1,393	13,271	14,794	14,494	16,187
Unfunded Pension Payments	-	-	-	-	-	-

PCC	Local Government Pension Scheme	
	2014/2015 £000	2013/2014 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	151	2,047
Curtailment/settlements	-	-
Past service cost	33	29
Change to accounting policies	-	-
<b>Financing and Investment Income and Expenditure</b>		
Interest cost	283	3,392
Expected return on assets	(223)	(2,649)
Other investment Income	-	-
<b>Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service</b>	<b>244</b>	<b>2,819</b>
<b>Other post employment Benefit Charged to the CIES</b>		
Return on Plans asset	(259)	4,889
Actuarial (gains) /losses : Financial Assumptions	820	(2,227)
Actuarial (gains) /losses: Demographic assumptions	-	1,649
Actuarial (gains) /losses : liability experience	-	(8,360)
<b>Total Post employment Benefit Charged to the CIES</b>	<b>805</b>	<b>(1,230)</b>
<b>Movement in Reserves Statement:</b>		
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(244)	(2,819)
<b>Actual amount charged against General fund balances for pensions in the year:</b>		
Contribution in year	99	1,393
Unfunded Pensions Payments	-	-

Employer contributions are calculated as the difference between the benefits paid and the member contributions in the year.

Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		Total	
	31/03/15	31/03/14	31/03/15	31/03/14 Restated	31/03/15	31/03/14	31/03/15	31/03/14	31/03/15	31/03/14 Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance										
Actuarial Loss										
Adjustment 1st April 2013			4,228	4,228					4,228	4,228
Estimated funded liabilities in scheme	83,501	72,507	-	-			-	-	83,501	72,507
Estimated unfunded liabilities in scheme	408	401	1,075,758	971,213	71,258	63,140	46,125	35,732	1,193,549	1,070,486
Estimated assets in scheme	62,627	57,952	-	-			-	-	62,627	57,952
<b>Net Liability</b>	<b>21,282</b>	<b>14,956</b>	<b>1,079,986</b>	<b>975,441</b>	<b>71,258</b>	<b>63,140</b>	<b>46,125</b>	<b>35,732</b>	<b>1,218,651</b>	<b>1,089,269</b>

PCC	Local Government Pension Scheme	
	31/03/15 £000	31/03/14 £000
Estimated funded liabilities in scheme	7,642	72,507
Estimated unfunded liabilities in scheme	-	401
Estimated assets in scheme	5,480	57,952
<b>Net Liability</b>	<b>2,162</b>	<b>14,956</b>

NB: The opening balance adjustment as at 1<sup>st</sup> April 2013 relates to a prior period adjustment in respect of the Police Pension Commutation Adjustment. See Note 45: Prior Period Adjustment.

Note 23 contains details of the assumptions made in estimating the figures included in this note.

## 23. PENSIONS LIABILITY

Note 1 accounting policies contains details of the PCC Group's participation in the Local Government Pension Scheme (administered by Teesside Pension Fund) and the Police Pension Scheme in providing civilian and uniformed officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31<sup>st</sup> March 2015 are as follows:

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,218m has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,183m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Police Pension Scheme and the Teesside Pension Fund liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, with estimates for the PCC Group being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2013.

The main assumptions used in their calculations have been:

Group and PCC	Local Government Pension Scheme		Police Pension Scheme	
	31/03/15	31/03/14	31/03/15	31/03/14
Rate of inflation (RPI)	2.9%	3.4%	2.9%	3.4%
Rate of inflation (CPI)	1.8%	2.4%	1.8%	2.5%
Rate of increase in salaries	3.3%	3.9%	3.3%	3.9%
Rate of increase in pensions	1.8%	2.4%	1.8%	2.4%
Rate for discounting scheme liabilities	3.2%	4.3%	3.2%	4.3%

Group and PCC	Mortality Assumptions					
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Males	Females	Males	Females	Males	Females
Retiring today	23.00	25.50	23.00	25.30	23.00	25.30
Retiring in 20 years	25.20	27.80	25.20	27.60	25.20	27.60

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Teesside Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

Group and PCC	Assets at 31 March 2014		Assets at 31 March 2015		Asset Split as at 31 March 2015	
	£000	%	£000	%	Quoted	Unquoted
Equities	46,941	81.0%	52,607	84.0%	82.4%	1.6%
Gilts	1,101	1.9%	1,065	1.7%	1.7%	0.0%
Bonds	2,666	4.6%	2,129	3.4%	3.4%	0.0%
Property	3,014	5.2%	4,008	6.4%	0.8%	5.6%
Cash	3,014	5.2%	1,566	2.5%	2.5%	0.0%
Other	1,217	2.1%	1,253	2.0%	1.5%	0.5%
<b>Total</b>	<b>57,952</b>	<b>100.0%</b>	<b>62,627</b>	<b>100.0%</b>	<b>92.3%</b>	<b>7.7%</b>

The table below summaries the Re-measurements of the defined benefit liability as recognised in the Group CIES:-

Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme	
	Year to 31/03/15	Year to 31/03/14	Year to 31/03/15	Year to 31/03/14	Year to 31/03/15	Year to 31/03/14	Year to 31/03/15	Year to 31/03/14
	£000	£000	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	2,879	(4,889)	20,605	18,764	0	0	0	0
Experience Gains and Losses Arising on the Scheme Liabilities	0	0	0	0	0	0	0	0
Other Experience Gains/(Losses) on Liabilities	0	0	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(8,057)	8,938	(76,237)	(22,382)	(5,255)	(1,276)	(6,159)	799
<b>Actuarial Gain/(Loss) in Pension Plan</b>	<b>(5,178)</b>	<b>4,049</b>	<b>(55,632)</b>	<b>(3,618)</b>	<b>(5,255)</b>	<b>(1,276)</b>	<b>(6,159)</b>	<b>799</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0	0	0
<b>Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income</b>	<b>(5,178)</b>	<b>4,049</b>	<b>(55,632)</b>	<b>(3,618)</b>	<b>(5,255)</b>	<b>(1,276)</b>	<b>(6,159)</b>	<b>799</b>
Effect of Change in Accounting Methodology	0	0	0	0			0	0

<b>Summary</b>	
	<b>31/03/15</b>
Local Government Pension Scheme	(5,178)
1987 Police Pension Scheme	(55,632)
Injury Awards	(5,255)
2006 Police Pension Scheme	(6,159)
<b>Total Gains/(Loss) Recognised CIES</b>	<b><u>(72,224)</u></b>

The table below summaries the Re-measurements of the defined benefit liability as recognised in the PCC CIES:-

PCC	Local Government Pension Scheme	
	Year to 31/03/15 £000	Year to 31/03/14 £000
Actual Return Less Expected return on Pension Scheme Assets	259	(4,889)
Experience Gains and Losses Arising on the Scheme Liabilities	0	0
Other Experience Gains/(Losses) on Liabilities	0	0
Changes in Demographic/Financial Assumptions Underlying the Scheme Liabilities	(820)	8,938
<b>Actuarial Gain/(Loss) in Pension Plan</b>	<b>(561)</b>	<b>4,049</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0
Fall and Other Factors	0	0
<b>Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income</b>	<b>(561)</b>	<b>4,049</b>
Effect of Change in Accounting Methodology	0	0

Asset and Benefit Obligation Reconciliation								
Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme	
	Year to 31/03/15 £000	Year to 31/03/14 £000	Year to 31/03/15 £000	Year to 31/03/14 Restated £000	Year to 31/03/15 £000	Year to 31/03/14 £000	Year to 31/03/15 £000	Year to 31/03/14 £000
Opening Balance Actuarial Loss								
Adjustment 1st April 2013	0	0	0	4,228	0	0	0	0
Opening Defined Benefit Obligation	72,908	77,779	975,441	919,017	47,334	58,935	35,732	32,037
Current Service Cost	1,660	2,047	20,039	21,713	2,137	2,288	1,811	2,087
Interest Cost	3,096	3,392	41,064	39,748	2,674	2,552	1,555	1,431
Actuarial losses (gains)	8,057	(8,938)	76,237	22,382	5,255	1,276	6,159	(799)
Losses (gains) on curtailments	0	0	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(2,502)	(2,019)	(38,604)	(37,583)	(1,948)	(1,911)	7	82
Past Service Cost	93	29	0	0	0	0	0	0
Contribution by Scheme participants	597	618	5,809	5,936	0	0	861	894
Additional Employer Contributions	0	0	0	0	0	(15,806)	0	0
Unfunded pension payments	0	0	0	0	0	0	0	0
<b>Closing Defined Benefit Obligation</b>	<b>83,909</b>	<b>72,908</b>	<b>1,079,986</b>	<b>975,441</b>	<b>55,452</b>	<b>47,334</b>	<b>46,125</b>	<b>35,732</b>

Opening fair value of Scheme assets	57,953	60,201	0	0	0	0	0	0
Expected return on Scheme assets	2,478	2,649	0	0	0	0	0	0
Actuarial gains (losses)	2,879	(4,889)	20,605	18,764	0	0	0	0
Contributions by employer including unfunded benefits	1,223	1,393	12,190	12,883	1,948	1,911	(868)	(976)
Contributions by Scheme participants	597	618	5,809	5,936	0	0	861	894
Change to Accounting Policies	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(2,502)	(2,019)	(38,604)	(37,583)	(1,948)	(1,911)	7	82
Gain on Settlement	0	0	0	0	0	0	0	0
<b>Fair Value of Scheme Assets at end of Period</b>	<b>62,628</b>	<b>57,953</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Reconciliation of Opening and Closing Net Obligation								
Opening Balance Actuarial Loss								
Adjustment 1st April 2013	0	0	0	(4,228)	0	0	0	0
Opening Surplus / (Deficit)	(14,955)	(17,578)	(975,441)	(919,017)	(47,334)	(58,935)	(35,732)	(32,037)
Current Service Cost	(1,660)	(2,047)	(20,039)	(21,713)	(2,137)	(2,288)	(1,811)	(2,087)
Contributions by employer including unfunded benefits	1,223	1,393	12,190	12,883	1,948	1,911	(868)	(976)
Contributions by Scheme participants	0	0	0	0	0	0	0	0
Past Service Costs	(93)	(29)	0	0	0	0	0	0
Interest Costs	(3,096)	(3,392)	(41,064)	(39,748)	(2,674)	(2,552)	(1,555)	(1,431)
Expected return on Scheme assets	2,478	2,649	0	0	0	0	0	0
Gain on Settlement	0	0	0	0	0	0	0	0
Actuarial (losses) gains	(5,178)	4,049	(55,632)	(3,618)	(5,255)	(1,276)	(6,159)	799
<b>Fair Value of Scheme Assets/ (Liabilities) at end of Period</b>	<b>(21,281)</b>	<b>(14,955)</b>	<b>(1,079,986)</b>	<b>(975,441)</b>	<b>(55,452)</b>	<b>(63,140)</b>	<b>(46,125)</b>	<b>(35,732)</b>

NB: The opening balance adjustment as at 1<sup>st</sup> April 2013 relates to a prior period adjustment in respect of the Police Pension Commutation Adjustment. See Note 45: Prior Period Adjustment.

PCC	Local Government Pension Scheme	
	Year to 31/03/15 £000	Year to 31/03/14 £000
<b>Opening Defined Benefit Obligation</b>	72,908	77,779
Stage 2 Opening Balance Adjustment	(66,092)	0
<b>Revised Opening Balance as per Actuary Report</b>	<b>6,816</b>	<b>77,779</b>
Current Service Cost	151	2,047
Interest Cost	283	3,392
Actuarial losses (gains)	820	(8,938)
Losses (gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Estimated benefits paid net of transfers in	(504)	(2,019)
Past Service Cost	33	29
Contribution by Scheme participants	43	618
Additional Employer Contributions	0	0
Unfunded pension payments	0	0
<b>Closing Defined Benefit Obligation</b>	<b>7,642</b>	<b>72,908</b>

<b>Opening fair value of Scheme assets</b>	57,953	60,201
Stage 2 Opening Balance Adjustment	(52,592)	0
<b>Revised Opening Balance as per Actuary Report</b>	<b>5,361</b>	<b>60,201</b>
Expected return on Scheme assets	223	2,649
Actuarial gains (losses)	259	(4,889)
Contributions by employer including unfunded benefits	99	1,393
Contributions by Scheme participants	43	618
Change to Accounting Policies	0	0
Estimated benefits paid including unfunded benefits	(504)	(2,019)
Gain on Settlement	0	0
<b>Fair Value of Scheme Assets at end of Period</b>	<b>5,481</b>	<b>57,953</b>

Reconciliation of Opening and Closing Net Obligation		
<b>Opening Surplus / (Deficit)</b>	(14,955)	(17,578)
Stage 2 Opening Balance Adjustment	13,500	0
<b>Revised Opening Balance as per Actuary Report</b>	<b>(1,455)</b>	<b>(17,578)</b>
Current Service Cost	(151)	(2,047)
Contributions by employer including unfunded benefits	99	1,393
Contributions by Scheme participants	0	0
Past Service Costs	(33)	(29)
Interest Costs	(283)	(3,392)
Expected return on Scheme assets	223	2,649
Estimated benefits paid including unfunded benefits	0	0
Gain on Settlement	0	0
Actuarial (losses) gains	(561)	4,049
<b>Fair Value of Scheme Assets / (Liabilities) at end of Period</b>	<b>(2,161)</b>	<b>(14,955)</b>

Group	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17
	£000s	£000s	£000s	£000s
Service cost	21,509	22,218	2,021	2,088
Net Interest cost	37,960	39,331	663	710
<b>Total</b>	<b>59,469</b>	<b>61,549</b>	<b>2,684</b>	<b>2,798</b>

PCC	Local Government Pensions	Local Government Pensions
	Year to 31/03/16	Year to 31/03/17
	£000s	£000s
Service cost	177	183
Net Interest cost	68	72
<b>Total</b>	<b>245</b>	<b>255</b>

The table below details the approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 and projected service cost for the year ending 31 March 2015.

Funded LGPS benefits : Group	Sensitivity Analysis	
	+0.1% per Annum	-0.1% per Annum
<b>Discount Rate Assumptions</b>		
Present Value of total obligation (£m's)	81,663	85,380
% change in present value of total obligation	-2.2%	2.3%
Projected Service cost (£M's)	1,948	2,097
Approx % change in projected service cost	-3.6%	3.8%
<b>Rate of General increase in Salaries</b>		
Present Value of total obligation (£m's)	83,965	83,043
% change in present value of total obligation	0.5%	-0.5%
Projected Service cost (£M's)	2,021	2,021
Approx % change in projected service cost	0.0%	0.0%
<b>Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions</b>		
Present Value of total obligation (£m's)	84,843	82,182
% change in present value of total obligation	1.6%	-1.6%
Projected Service cost (£M's)	2,097	1,948
Approx % change in projected service cost	3.1%	-3.6%
<b>Post retirement mortality assumption</b>		
Present Value of total obligation (£m's)	85,708	81,294
% change in present value of total obligation	2.6%	-2.6%
Projected Service cost (£M's)	2,091	1,951
Approx % change in projected service cost	3.5%	-3.5%

## 24. LEASED ASSETS – RENTALS

The PCC has entered into an operating lease arrangement for photocopying/printing equipment which expires in May 2016.

	<b>Finance Leases £000</b>	<b>Operating Leases £000</b>
Total Rentals paid in 2014/2015	0	33
Outstanding undischarged Leasing Obligations.		
2015/2016	0	15
2016/2017	0	1

The PCC entered into a Finance Lease for 125 years in 2006/07 in relation to the land on which the Kirkleatham PFI building is situated. The PCC also entered into a 999 year lease in 2009/10 in relation to the land on which the Road Policing Unit is situated. There are no additional obligations in respect of these transactions. The Leases are recorded within the asset register of the PCC Group.

## 25. OFFICERS' EMOLUMENTS

During the financial year 2014/2015, the numbers of senior police officers (above the rank of Superintendent) and staff whose remuneration, excluding employers' pension contributions and compensation for loss of office, was £50,000 or more in bands of £5,000 were:

### Group

Remuneration Band	Number of Employees 2014/15			2013/2014
	Police Officers	Support Staff	Total	
£50,000 - £54,999	0	0	0	1
£55,000 - £59,999	0	0	0	1
£60,000 - £64,999	0	1	1	1
£65,000 - £69,999	1	1	2	4
£70,000 - £74,999	1	2	3	0
£75,000 - £79,999	1	1	2	2
£80,000 - £84,999	3	0	3	1
£85,000 - £89,999	2	1	3	3
£90,000 - £94,999	0	1	1	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	1
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	2
£120,000 - £124,999	1	0	1	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	1	0	1	1
<b>Total</b>	<b>10</b>	<b>7</b>	<b>17</b>	<b>18</b>

This table includes senior employees and relevant police officers (as per the requirements of LAAP bulletin 85) which are disclosed by position or name (as required) below:



## Group Remuneration Disclosure 2014/15:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 14/15	Pension Contributions
	£	£	£	£	£	£	£	£	£
Chief Constable - J Cheer	145,581	145,581	0	0	0	3,564	0	149,145	0
The PCC	70,000	70,000	0	0	0	0	0	70,000	8,820
DCC	120,519	120,519	0	0	0	3,734	0	124,253	26,917
ACC	95,640	78,664	0	3,327	0	125	0	82,116	16,757
ACC	107,976	69,273	0	0	0	0	0	69,273	13,644
ACC	106,908	6,750	0	4,963	0	0	0	11,713	1,629
CFO: CC	97,611	87,148	0	0	0	0	0	87,148	10,979
CFO : PCC	93,518	93,518	0	0	0	0	0	93,518	11,783
Chief of Staff-PCC	86,874	78,763	0	0	0	0	0	78,763	9,907

### Notes:-

- 1) During financial year 2014/15 the CC Cheer was seconded to the College of Policing from 5/1/15-13/3/15 to run the Senior Commanders Course for officers wanting to apply for ACPO positions or support staff equivalents. The College of Policing was recharged £30,853.93 for her services.
- 2) During the period of secondment of the CC Cheer, DCC Spittal acted up as CC and the ACC Nickless acted up as DCC.
- 3) A collaboration agreement was put in place from the 14th July 2014, and continues to be in place, for the PCC's CFO to provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC also. 40% of the PCC CFO's time is now spent providing this service and the North Yorkshire PCC pays for 40% of the costs incurred in providing this service. During 2014/15 the salary costs recharged to the North Yorkshire PCC totalled £34,199
- 4) The PCC appointed a new Chief of Staff in April 2014.

## Group Remuneration Disclosure 2013/14:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 13/14	Pension Contributions
	£	£	£	£	£	£	£	£	£
Chief Constable - J Cheer	145,149	144,343	0	0	0	2,973	0	147,316	35,471
The PCC	70,000	70,000	0	0	0	0	0	70,000	10,010
DCC	110,880	93,863	0	0	0	1,603	0	95,466	22,067
ACC	113,602	113,602	0	0	0	2,610	0	116,212	25,969
ACC	106,063	106,063	0	7,779	0	0	3,432	117,274	25,289
CFO: CC	95,808	44,473	0	1,333	0	0	0	45,806	6,359
CFO: CC	84,348	35,145	0	0	0	0	0	35,145	7,036
CFO : PCC	85,212	85,212	0	0	0	0	0	85,212	12,182

### Notes:-

- 1) From April 2013 the statutory position of CFO of the Chief Constable was fulfilled by an officer on secondment from Durham Constabulary. The costs of this arrangement to October 2013 were £6,365.

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

CFO to the CC = Chief Financial Officer to the Chief Constable

CFO to the PCC = Chief Financial Officer to the Police & Crime Commissioner

## PCC

Remuneration Band	Number of Employees 2014/15			2013/2014
	Police Officers	Support Staff	Total	
£50,000 - £54,999	0	0	0	0
£55,000 - £59,999	0	0	0	0
£60,000 - £64,999	0	0	0	0
£65,000 - £69,999	0	0	0	1
£70,000 - £74,999	0	1	1	0
£75,000 - £79,999	0	1	1	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	1
£90,000 - £94,999	0	1	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>2</b>

## PCC Remuneration Disclosure 2014/15:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 14/15	Pension Contributions
	£	£	£	£	£	£	£	£	£
The PCC	70,000	70,000	0	0	0	0	0	70,000	8,820
CFO: PCC	93,518	93,518	0	0	0	0	0	93,518	11,783
Chief of Staff- PCC	86,874	78,763	0	0	0	0	0	78,763	9,907

## PCC Remuneration Disclosure 2013/14:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 13/14	Pension Contributions
	£	£	£	£	£	£	£	£	£
The PCC	70,000	70,000	0	0	0	0	0	70,000	10,010
CFO: PCC	85,212	85,212	0	0	0	0	0	85,212	12,182

## 26. TERMINATION BENEFITS

In the financial year the PCC group paid termination benefits (including pension costs) totalling £88k affecting 4 individuals within the organisation.

Group and PCC  Banding	Number of staff			
	Number Compulsory Redundancies	Number of Other departures	Total Number of departures	Total cost of Exit package each band
£0 - £20,000	0	3	3	£37,664
£20,001 - £40,000	0	0	0	£0
£40,001 - £60,000	0	1	1	£50,000
£60,001 - £80,001	0	0	0	£0
<b>Total</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>£87,664</b>

## 27. MEMBERS ALLOWANCES

Approved allowances paid to members of the Independent Audit Committee of the PCC Group were as follows:

Group and PCC	2014/2015 £000	2013/2014 £000
Allowances for approved duties	10	10
Travel and Subsistence	0	0
<b>Total Members Allowances</b>	<b>10</b>	<b>10</b>

## 28. RELATED PARTIES

### Group and PCC

The PCC Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the PCC Group or to be controlled or influenced by the PCC Group. Disclosure of these transactions allows readers to assess the extent to which the PCC Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the PCC Group.

Central Government has effective control over the general operations of the PCC Group – it is responsible for providing the statutory framework within which the PCC Group operates and provides the majority of its funding in the form of Grants. During the year material transactions with related parties arose as follows and are included within the Income and Expenditure account:

<b>Government Departments</b>	£000's
<b>Income</b>	
Police Grant	49,443
NNDR	40,313
Pension Top up Grant	20,264
Local Council Tax Support	6,868
PFI Grant	4,106
Capital Grant	1,225
Dedicated Security Posts Funding	954
Grant in Lieu of Council Tax	800
Innovation Grant	455
Ministry of Justice Victim & Witness Grant	419
Capital Financing Grant	207
	<b>125,055</b>
<b>Expenditure</b>	
Police National Computer (PNC)	320
Police National Database (PND)	227
IDENT1 (Livescan)	65
Pentip	43
National Police Procurement Hub	25
National ANPR Database (NADC)	25
National Ballistics Intelligence Service (NABIS)	17
Identity & Access Management (IAM)	16
NMAT2 CASWEB & MIRWEB	15
ACPO Criminal Records Office (ACRO)	9
National Collision Database (CRASH)	7
National Mobile Phone Register (NMPR)	4
Microfiche Service (ACRO)	1
	<b>775</b>

During 2014/15 no-one has declared related parties interests.

## 29. PRIVATE FINANCE INITIATIVE

### Group and PCC

As at the end of 2014/15 the PCC Group has 2 long term contracts under the Private Finance Initiative.

- 1) The contract for the Tactical Training Centre for Urray Nook (referred as Urray Nook) was entered into in April 2000 with payments commencing in April 2001.
  - The Strategic Partnership Agreement (SPA) with Cleveland FM Services contains clauses and schedules that ensure the services described within the agreement are to be delivered. Schedules contain a design and construction element and an output specification describing the quality of the services required. A payment performance mechanism underpins the contract charges agreed.
  - At the end of the contract term the SPA contains rights for the asset ownership to transfer to the Police and Crime Commissioner (PCC) from Support Services (Cleveland) Ltd..

- The SPA contains rights for the PCC and Support Services (Cleveland) Ltd. to terminate the SPA, and these include: --
    - Termination and compensation rights for default by either party
    - Termination and compensation rights under a 'force majeure' event
    - Rights for voluntary termination by the PCC only
  
  - The contract expires in 2025/26.
- 2) During 2006/07 the contract for the Centralised Cell Accommodation and District HQ facilities (referred to as Action Stations) commenced with payments beginning in January 2007.
- The Strategic Partnership Agreement (SPA) with Cleveland FM Services contains clauses and schedules that ensure the services described within the agreement are to be delivered. Schedules contain a design and construction element and an output specification describing the quality of the services required. A payment performance mechanism underpins the contract charges agreed.
  
  - At the end of the contract term the SPA contains rights for the asset ownership to transfer to the Police and Crime Commissioner (PCC) from Cleveland FM Services.
  
  - The SPA contains rights for the PCC and Cleveland FM services Ltd to terminate the SPA, and these include: --
    - Termination and compensation rights for default by either party
    - Termination and compensation rights under a 'force majeure' event
    - Rights for voluntary termination by the PCC only

The contract expires in 2031/2.

The contracts are accounted for in accordance with IFRIC 12 and details of the movement in assets and liabilities, plus information regarding future payments is shown below:

	<b>Urray Nook</b>		<b>Action Stations</b>		<b>Total</b>	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	4,750	(4,542)	25,000	(24,124)	29,750	(28,666)
Movements:					0	0
Depreciation	(114)	0	(671)	0	(785)	0
Lifecycle maintenance	61	0	295	0	356	0
Revaluation / Reclassification	0	0	0	0	0	0
Principal repayment	0	257	0	803	0	1,060
<b>Balance c/f</b>	<b>4,697</b>	<b>(4,285)</b>	<b>24,624</b>	<b>(23,321)</b>	<b>29,321</b>	<b>(27,606)</b>

	<b>Urlay Nook</b>		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	661	802	276
2 to 5 years	3,407	2,962	879
6 to 10 years	3,975	3,333	2,453
11 to 15 years	833	541	676

	<b>Action Stations</b>		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	2,404	2,251	523
2 to 5 years	8,279	8,861	4,273
6 to 10 years	14,175	8,773	5,543
11 to 15 years	15,939	6,313	8,387
16 to 20 years	5,420	1,819	4,595

### 30. AUDIT COSTS

In 2014/15 the PCC Group incurred the following fees for external audit services:

#### Group Audit Fees

	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	65	65
Fees payable to external audit in respect of additional services requested	0	1
Refund of Fees for prior year	(7)	(10)
<b>Total Audit Costs</b>	<b>58</b>	<b>56</b>

#### PCC Audit Fees

	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	45	45
Fees payable to external audit in respect of additional services requested		1
Refund on Prior year audit fees	(5)	(7)
<b>Total Audit Costs</b>	<b>40</b>	<b>39</b>

## 31. INFORMATION ON ASSETS HELD

### Group and PCC

<b>Analysis of Assets</b>	<b>2014/2015</b>	<b>2013/2014</b>
<b>Buildings</b>		
Police Headquarters	1	1
Operational Police Stations	11	11
Non-Operational Police Stations	0	0
Radio Mast site	1	1
<b>Total</b>	<b>13</b>	<b>13</b>
<b>Vehicles</b>		
Cars	190	192
Vans	69	74
Other Vehicles	19	13
<b>Total</b>	<b>278</b>	<b>279</b>

In addition to the above, there are 4 Operational Police Stations plus a Firearms Range held under Private Finance Initiative schemes.

## 32. CAPITAL EXPENDITURE IN THE YEAR AND SOURCES OF FINANCE

### Group and PCC

<b>Capital Expenditure and Financing</b>	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	2,673	3,038
Intangible Assets	109	74
Revenue Expenditure Funded from Capital under Statute	-	-
<b>Total Capital Investment</b>	<b>2,782</b>	<b>3,112</b>
<b>Sources of Finance:</b>		
Capital Receipts	(211)	-
Government Grants and Contributions	(1,246)	(1,168)
Other Grants and Contributions	-	(141)
Direct Revenue Contributions	(1,325)	(1,043)
Supported Borrowing	-	(760)
Unsupported Borrowing	-	-
<b>Total Finance</b>	<b>(2,782)</b>	<b>(3,112)</b>

<b>Capital Financing Requirement</b>	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>56,560</b>	<b>57,759</b>
Additions in Year	2,782	3,112
Sources of Finance	(2,782)	(2,352)
Minimum / Voluntary Revenue Provision	(4,685)	(1,959)
<b>Closing Financing Requirement</b>	<b>51,875</b>	<b>56,560</b>

### 33. BORROWING

#### Group and PCC

Interest rates vary between 3.24% and 5.08%. The weighted average rate is 4.26%

	31 March 2015 £000	31 March 2014 £000
<b>Public Works Loans Board</b>		
Due in the next Financial Year	(1,100)	(1,340)
Long Term Loans	(18,160)	(19,260)
<b>Total Borrowing</b>	<b>(19,260)</b>	<b>(20,600)</b>

Maturity Period	31 March 2015 £000	31 March 2014 £000
1/2 years	(1,744)	(1,100)
2/5 years	(3,644)	(2,616)
5/10 years	(12,772)	(15,544)
Over 10 years	-	-
<b>Total Long Term Loans</b>	<b>(18,160)</b>	<b>(19,260)</b>

### 34. PROCEEDS OF CRIME ACT 2002

The PCC Group is holding cash at bank totalling £0.616m in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

### 35. AGENCY SERVICES

#### Consortium Charges

The PCC Group has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2014/15 amounted to £0.370m (£0.370m in 2013/14).

#### National Police Air Service (NPAS)

The PCC group has an agency agreement with the National Police Air Service (effective from 1<sup>st</sup> April 2013) to provide Helicopter support services. The annual contribution in 2014/15 was £1.437m.

#### Other National Police Services

The PCC Group made a subscription payment to the Home Office for a range of ICT services. Detailed below the annual cost for 2014/15 was £0.775M.



	<b>£000'S</b>
Police National Computer (PNC)	320
Police National Database (PND)	227
IDENT1 (Livescan)	65
Pentip	43
National Police Procurement Hub	25
National ANPR Database (NADC)	25
National Ballistics Intelligence Service (NABIS)	17
Identity & Access Management (IAM)	16
NMAT2 CASWEB & MIRWEB	15
ACPO Criminal Records Office (ACRO)	9
National Collision Database (CRASH)	7
National Mobile Phone Register (NMPR)	4
Microfiche Service (ACRO)	1
	<b>775</b>

### 36. RECONCILIATION OF YEAR-END POSITION TO SURPLUS/DEFICIT ON PROVISION OF SERVICES

<b>Reconciliation to (Surplus) or Deficit on Provision of Service:</b>	
<b>Net (Under)/Over spending</b>	(1,211)
<b><i>Adjustments between accounting basis and funding basis:</i></b>	
Minimum Revenue Provision	(4,685)
Depreciation & Amortisation	4,088
Loss/(Gain) on the sale of non current assets	11
Net change in Pension Liability	71,651
Employers Pension Contributions	(14,494)
Recognition of capital grants	(1,163)
Movement in Accumulated Absences creditor	26
Movement in Precept debtor	(597)
Rounding	(1)
<b><i>Transfers (to)/from Reserves:</i></b>	
Transfer (to)/from General Fund	(602)
Other transfers (to)/from reserves	34
<b>(Surplus) or Deficit on Provision of Service</b>	<b>53,058</b>

### 37. RECONCILIATION OF SURPLUS/DEFICIT ON PROVISION OF SERVICE TO NET COST OF SERVICES

<b>Reconciliation to Net Cost of Services:</b>	
<b>(Surplus) or Deficit on Provision of Service</b>	<b>53,058</b>
<b>Taxation and non-specific grant income:</b>	
Capital Grants	1,225
Local Council Tax Support	6,868
Precept	29,394
Police Grant	50,243
National Non Domestic Rates	40,313
Pension Fund top-up grant	0
<b>Financing &amp; Investment income and Expenditure:</b>	
Interest receivable and similar income	46
Pension interest cost & expected return on pension assets	(45,911)
Interest payable and similar charges	(4,050)
<b>Other Operating Expenditure:</b>	
(Loss)/Gain on the sale of non current assets	(11)
Levies	(641)
Roundings	1
<b>Net Cost of Services</b>	<b>130,534</b>

### 38. USABLE RESERVES

#### Group and PCC

Description of Reserve	31 March 2014 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2015 £000
Insurance Fund	(1,675)	(305)	1,980	0
Earmarked Reserves	(5,121)	(2,771)	2,473	(5,420)
Revenue Grants Unapplied Reserve	(387)	(28)	11	(404)
Capital Grants Unapplied Reserve	(140)	(1,225)	1,308	(57)
Capital Receipts Unapplied Reserve	(137)	(73)	211	0
General Fund	(7,031)	(2,493)	680	(8,844)
<b>Total Usable Reserves</b>	<b>(14,491)</b>	<b>(6,897)</b>	<b>6,663</b>	<b>(14,725)</b>

**Insurance Fund** – This reserve has been reclassified as a provision in line with the criteria detailed in IAS37

**Earmarked Reserves** – Please see Note 8 for a detailed analysis

**Revenue Grants Unapplied Reserve** – These revenue grants are those which either have no specified conditions or the conditions have been met. They will be matched to relevant expenditure as incurred.

**Capital Grants Unapplied Reserve** – These capital grants are those which have been received but expenditure has not yet been incurred. They will be matched to relevant expenditure as incurred.

**Capital Receipts Unapplied Reserve** – These capital receipts have been received from the disposal of non-current assets with any balance yet to applied to fund capital expenditure.

**General Fund** – This balance is available in order to support the future operations of the organisation should the need arise due to unforeseen circumstances.

### 39. UNUSABLE RESERVES

#### Group

Description of Reserve	1st April 2013 Restated £000	31 March 2014 Restated £000	Additions in Year £000	Reductions in Year £000	31 March 2015 £000
Revaluation Reserve	(815)	(12,725)	0	8	(12,717)
Capital Adjustment Account	(7,244)	(5,527)	(2,782)	(523)	(8,831)
Pension Reserve	1,031,796	1,089,269	(17,839)	147,221	1,218,651
Collection Fund Adjustment Account	(422)	(559)	(1,156)	559	(1,156)
Accumulated Absence Reserve	2,639	2,062	2,088	(2,062)	2,088
<b>Total Unusable Reserves</b>	<b>1,025,955</b>	<b>1,072,520</b>	<b>(19,689)</b>	<b>145,204</b>	<b>1,198,035</b>

**Revaluation Reserve** – contains gains made by the PCC Group from increases in the value of its non-current assets since 1<sup>st</sup> April 2007, which is when the reserve was created.

**Capital Adjustment Account** – absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. This account also contains any revaluation gains prior to 1<sup>st</sup> April 2007.

**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.

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

**Accumulated Absence Reserve** – 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 the impact on the General Fund balance is neutralised by transfers to/from the account.

#### PCC

Description of Reserve	31 March 2014 £000	Additions in Year £000	Reductions in Year £000	31 March 2015 £000
Revaluation Reserve	(12,725)	0	8	(12,717)
Capital Adjustment Account	(5,527)	(2,782)	(523)	(8,831)
Pension Reserve	14,956	(66,414)	53,620	2,162
Collection Fund Adjustment Account	(559)	(1,156)	559	(1,156)
Accumulated Absence Reserve	2,062	2,088	(2,062)	2,088
<b>Total Unusable Reserves</b>	<b>(1,793)</b>	<b>(68,264)</b>	<b>51,603</b>	<b>(18,454)</b>

## 40. CAPITAL ADJUSTMENT ACCOUNT

### Group and PCC

Group and PCC	31 March 2015 £000	31 March 2014 £000
<b>Balance at 1 April</b>	<b>(5,527)</b>	<b>(7,244)</b>
Prior year adjustment	-	4
Revaluation adjustments	-	372
Partnership financing of Capital Expenditure		
Revenue contribution to capital	(1,325)	(1,044)
MRP less Depreciation	(605)	2,437
Transfer from Government Grants Deferred	(1,246)	(1,309)
Capital Receipts Applied	(211)	-
Disposals	82	1,257
<b>Balance at 31 March</b>	<b>(8,832)</b>	<b>(5,527)</b>

## 41. GRANT INCOME

### Group and PCC

ANALYSIS OF GRANTS	31 March 2015 £000	31 March 2014 £000
<b>Credited to Taxation and Non specific Grant Income:</b>		
National Non Domestic Rates	(40,313)	(42,299)
Police Grant	(50,243)	(51,049)
Precepts	(29,394)	(27,746)
Local Council Tax Support	(6,868)	(6,846)
Capital Grants and Contributions	(1,225)	(1,189)
	<b>(128,043)</b>	<b>(129,129)</b>
<b>Credited to services:</b>		
PFI - Urlay Nook	(941)	(941)
Dedicated Security Posts Funding	(954)	(1,176)
PFI - Action Stations	(3,165)	(3,165)
Capital Financing Grant	(207)	(243)
Incentivisation Grant	(111)	(298)
PCC Community Safety	(1)	(1,698)
PCC Victim & Witness	(419)	(205)
Home Office Special Grant		(870)
Counter Terrorism Security Advisor Grant	(146)	
Innovation Fund Grants	(393)	
Partnership Grants	(168)	(944)
	<b>(6,505)</b>	<b>(9,540)</b>
<b>Total Grant Income</b>	<b>(134,548)</b>	<b>(138,669)</b>

These grants have all been recognised within the Income and Expenditure Statement; however £132k sits within creditors as income in advance as there is the potential this may have to be returned to the originating organisation.

## 42. ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS

The Cleveland Police Force has 2 strategic collaborative arrangements that are classified as Joint Operations under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

They are:

1. Cleveland Durham Special Operations Unit (CDSOU)
2. North East Regional Special Operations Unit (NERSOU)

In line with the new requirements under IFRS 3, 10, 11 and 12 as well as IAS27 and 28 and in line with the CIPFA Code of Practice the following notes must be disclosed in the annual statements.

### 1 Cleveland Durham Special Operations Unit (CDSOU)

CDSOU is a joint unit staffed by both the Cleveland and Durham Police Forces to provide firearms operations and training, together with road policing both in area and district, and strategic road policing including collision investigation, traffic management and safety cameras.

In accordance with the CIPFA Code of Practice mechanism it was determined that the arrangement be classified as a Joint Operation therefore there are no group accounting considerations only single entity statements are required.

The governance of the Joint Operation is managed through a Section 22A agreement whereby both forces have a 50:50 financial obligation in terms of the joint operations income and expenditure and have equal voting rights in terms of decisions made about the unit.

CDSOU operates across the Durham and the Cleveland Force boundaries.

The statement below highlights the income and expenditure for the financial year 2014/2015 as required under the Section 22A agreement. There are no joint assets or liabilities held within the unit only annual revenue costs. Both forces hold their assets and liabilities separately within their individual group accounts.

<b>Cleveland and Durham Specialist Operations Unit</b>				
	<b>Total Costs £000's</b>	<b>Apportionment</b>	<b>Durham 2014/15 £000's</b>	<b>Cleveland 2014/15 £000's</b>
<b>Road Policing</b>				
Employees Costs	10,224	50%	5,112	5,112
Non Pay Costs	756	50%	378	378
Income	(84)	50%	(42)	(42)
	10,896		5,448	5,448
<b>Tactical Training Unit</b>				
Employees Costs	710	50%	355	355
Non Pay Costs	979	50%	490	490
Income	(48)	50%	(24)	(24)
	1,641		821	821
<b>Total Unit Costs</b>	12,538	-	6,269	6,269
<b>Reserve as 31st March</b>	<b>Total Reserves</b>			
Road Policing	-	50%	-	-
Tactical Training Unit	162	50%	81	81
	162		81	81

## 2 North East Regional Special Operations Unit (NERSOU)

NERSOU is a joint unit staffed by the Cleveland, Durham and Northumbria Police Forces to deliver an increased response to tackling serious and organised crime that transcends Force borders in the region. It comprises a number of highly specialised teams of officers and staff from the three Forces who work with embedded partners from Her Majesty's Revenue and Customs (HMRC), UK Border Force and the National Crime Agency (NCA) to effectively tackle serious and organised crime across the region.

In accordance with the CIPFA Code of Practice mechanism it was determined that the arrangement be classified as a Joint Operation therefore there are no group accounting considerations only single entity statements are required.

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit but the funding is through a combination of Home Office Grants and Force contributions. The Force allocation is based on Home Office Core Grant allocations and for the financial period April 2014 to March 2015 the funding contributions made were Cleveland 22.1%, Durham 20.9% and Northumbria 57.0%.

All assets purchased by each Force to be used by NERSOU are held on the balance sheet of the purchasing Force. Jointly funded assets are classified as those purchased through specific Home Office grants. These are currently valued at £120,639 of which Cleveland's share is valued at £26,661. The unit has reserves of £400,897 of which Cleveland's share is £88,447.

NERSOU operates throughout the North East region.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2014/2015 as required under the Section 22A agreement.

<b>North East Regional Special Operations Unit</b>				
	<b>Apportionment Total Costs</b>	<b>Durham 2014/15 20.90% £000's</b>	<b>Cleveland 2014/15 22.10% £000's</b>	<b>Northumbria 2014/15 57.00% £000's</b>
Employees Costs	4,813	1,006	1,064	2,743
Non Pay Costs	758	158	168	432
Income	(1,185)	(248)	(262)	(675)
	4,386	917	969	2,500
<b>Contributions / Reserve</b>				
Durham	949	949		
Cleveland	1004		1004	
Northumbria	2589			2589
<b>Reserve movements</b>	(157)	(33)	(35)	(89)
	4,386	917	969	2,500
<b>Reserve as 31st March</b>	401	84	88	229

## 43. CONTINGENT LIABILITIES

### Regulation A19

One of the many tools the PCC and Force used to address the cuts in its funding was the application of Regulation A19 which compels police officers to retire on reaching 30 years of service with the police force 'in the general interests of efficiency. The use of A19 is lawful provided it is a proportionate means of achieving a legitimate aim (more commonly known as 'objectively justified').

The PCC and the Force has produced a rationale (objective justification) as to why it has been necessary, for the purposes of efficiency and effectiveness, to apply Regulation A19. The PCC and Force believes that the use of A19 is fair and that it meets the long term operational, planning and budgetary requirements.

In the recent test case, an Employment Tribunal unanimously found, "that the practice of requiring the retirement of nearly all officers in the Forces who could be required to retire under Regulation A19 of the Police Pensions Regulations 1987 was not a proportionate means of achieving a legitimate aim", in the particular circumstances of those Forces and therefore amounted to age discrimination.

This judgement has been appealed but the appeal has not yet been heard. The Force/PCC has 49 appeals against the use of regulation A19 that have been stayed pending the appeal. Consequently, the impact of this ruling has yet to be determined. The outcome of any future legal challenges is not yet clear and no value can be put on a potential future liability. These appeals are therefore disclosed in the accounts as a contingent liability rather than a provision.

#### **44. POST BALANCE SHEET EVENT**

An adjusting post balance sheet event has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman. The details of which and the impact on the financial statements are outlined in Note 45 Prior Period Adjustment.

#### **45. PRIOR PERIOD ADJUSTMENT: POLICE PENSION COMMUTATION FACTOR**

The Pensions Ombudsman has published his determination in a case concerning the lump sum paid to a fire-fighter on his retirement. The case has relevance to many fire-fighters and police officers who retired in the early 2000's.

A complaint was raised and upheld concerning the frequency of reviews on commutation factors between the periods 1998 and 2006.

The complaint stated that as no review took place between these periods it eliminated the opportunity of retirees to gain the benefit of more beneficial terms which would have applied resulting in a higher cash sum on retirement or a higher residual pension for the same amount of lump sum.

The Pensions Ombudsman found that failure to review these rates in a timely fashion amounted to maladministration and therefore the complaint was upheld.

This determination will result in all police officers who retired between 2001 (when the first review should have taken place following a review in 1998) to 2006 (when a review did take place) having their retirement benefits re-evaluated.

This work is being led by Government Actuaries Department who had the statutory responsibility to maintain and review the commutation factors along with police officer pension administrators.

The Forces Pension Administrator, Kier, has informed the Home Office that there are 272 surviving police officers and 12 deceased police officers that are affected by this determination. An assessment of the financial impact of this decision has been undertaken by Keir in-line with guidance received from the Governments Actuary's Department. The liability has been assessed at £4.228M.

The decision of the Ombudsman has been assessed against accounting standards and it has been determined that the impact of this error should be treated as a prior period adjustment. It is anticipated (in line with guidance) that the liability will not crystallise until the financial year 2015/16 As a result the following adjustments have been made to the accounts:-

##### **1) Pension Fund Account:-**

- a. 1st April 2013 position included in the Pension Fund statement, with the Net Assets Statement updated to include a £4.228M long term liability to reflect funding from PCC and £4.228M long term asset to reflect unpaid pensions.
- b. Prior Period Adjustment narrative included within Pension Fund notes.

### **2) Group Balance Sheet**

- a. 1st April 2013 position included to reflect the increase in Pension Liability and Pension reserves of £4.228M.
- b. Long term Debtors and Creditors increased by £4.228m as at 1st April 2013 and 31st March 2014 to reflect income from Home office and payments to pensioners.
- c. Short term Debtors and Short term Creditors increased by £4.228m to reflect the movement of (b) to payable / receivable in less than 12 months.

### **3) Group MIRS**

- a. Opening balance adjustment included to reflect the 1st April 2013 Pension Liability of £4.228M in the unusable reserves position.

### **4) PCC Balance Sheet**

- a. Long term Debtors and Creditors increased by £4.228m as at 1st April 2013 and 31st March 2014 to reflect income from Home office and payments to pensioners.
- b. Short term Debtors and Short term Creditors increased by £4.228m to reflect the movement of (b) to payable / receivable in less than 12 months.

### **5) Notes to the Accounts**

- a. Note 3 Group and PCC Critical Judgements in Applying Accounting Policies: updated to reflect judgements in respect of Police Pension commutation issue.
- b. Note 4 Group and PCC Assumptions made about Future and other major sources of estimation uncertainty: updated to reflect judgements in respect of Police Pension commutation issue.
- c. Note 15 Group and PCC Financial Instruments: 1st April 2013 position included and updated for changes to Long and Short term Debtors and Creditors.
- d. Note 17 and 20 Group and PCC Short Term Debtors and Creditors: 1st April 2013 position included and updated for changes to reflect impact of Police Pension Commutation issue.
- e. Notes 22 Group Pensions and Note 23 Group Pension Liability: An opening balance adjustment as at 1st April 2013 to "1987 Police Pension Scheme" of £4.228M has been applied to reflect impact of the liability.
- f. Note 39: Group Unusable Reserves: Inclusion of 1st April 2013 position to reflect Balance Sheet position.
- g. Note 44 Post Balance Sheet event provides reason for a prior period adjustment.

## **46. AUTHORISATION OF ACCOUNTS**

The Chief Finance Officer of the Police and Crime Commissioner for Cleveland has set and authorised the date of issue for the Statement of Accounts as the 28th September 2015. This is the date up to which events after the Balance Sheet date have been considered. An adjusting Post Balance Sheet Event (Note 44) has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman.



## **PENSION FUND**

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

<b>FUND ACCOUNT</b>	<b>2014/2015 £000</b>	<b>2013/2014 £000</b>
<b>Contributions Receivable</b>		
From Employer		
Normal	(11,560)	(12,481)
Capital contribution due to Ill Health Early Retirement	(631)	(402)
From Members	(6,671)	(6,830)
<b>Transfers In</b>		
Individual Transfers in from Other Schemes	(55)	(182)
<b>Benefits Payable</b>		
Pensions	31,471	29,907
Commutations and Lump Sum Retirement Benefits	6,255	7,185
Lump Sum death benefits	95	191
Ill Health Lump Sum Benefits	947	648
<b>Payments to and on Account of Leavers</b>		
Refunds of Contributions	(1)	0
Inter Authority Adjustments	63	76
Individual Transfers out to Other Schemes	350	78
<b>Sub-Total for the year before transfer from the PCC to fund the deficit for the year</b>	<b>20,264</b>	<b>18,190</b>
<b>Additional funding payable by the PCC to fund the deficit for the year</b>	<b>(20,264)</b>	<b>(18,190)</b>
<b>Net Amount Payable/Receivable for the Year</b>	<b>0</b>	<b>0</b>

<b>NET ASSETS STATEMENT</b>	<b>31st March 2015</b>	<b>31st March 2014</b>	<b>1st April 2013</b>
	<b>£000</b>	<b>Restated £000</b>	<b>Restated £000</b>
<b>Current Assets</b>			
Contributions due from Employer	278	262	246
Unpaid/Paid in Advance Pension Benefits	4,228	0	2,214
Amount due to Sponsoring Department	0	0	0
Other Current Assets & Liabilities	160	166	165
<b>Total Current Assets</b>	<b>4,666</b>	<b>428</b>	<b>2,625</b>
<b>Long Term Assets</b>			
Unpaid/Paid in Advance Pension Benefits	0	4,228	4,228
<b>Total Long Term Assets</b>	<b>0</b>	<b>4,228</b>	<b>4,228</b>
<b>Current Liabilities</b>			
Central Government Bodies	0	0	0
Other Local Authorities	278	279	280
All other bodies	4,388	149	2,345
<b>Total Current Liabilities</b>	<b>4,666</b>	<b>428</b>	<b>2,625</b>
<b>Long Term Liabilities</b>			
All other bodies	0	4,228	4,228
<b>Total Long Term Liabilities</b>	<b>0</b>	<b>4,228</b>	<b>4,228</b>
<b>Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Pension Fund

The Pension Fund Accounts have been prepared in accordance with the IFRS Code and on an accruals basis. This means that sums due to or from the Pension Fund are included as they fall due, whether or not the cash has been received or paid. The accounting convention adopted is historical cost.

The funding arrangements for the Police Pension scheme in England and Wales changed on 1<sup>st</sup> April 2006. Before 1<sup>st</sup> April 2006 the scheme did not have a percentage of pensionable pay type of employer's contribution, rather each Police Authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as individual entities are concerned. Entities will no longer meet the pension outgoings directly; instead they will pay an employer's pension contribution based on a percentage of pay (24.2%) into the Pension Fund. Each entity is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation.

The Pension fund has no investment assets and the fund is balanced to nil each year by a transfer to/from the Police Fund. Benefits payable are funded by contributions from employers (24.2%) and employees (in a range of 11.9% to 15.05%) and any difference is met by a top-up grant from the Home Office.

Employers are also required to make payments into the Pension fund in respect of ill health retirements as they are granted.

Transfer values are those sums payable by or received from, other pension schemes for individuals only and relate to periods of previous pensionable employment. Transfers are accounted for on a receipts and payments basis.

The Pension Fund was established and is controlled under the Police Pension Fund Regulations 2009 (SI 2009 No 2060).

The Fund is administered by the entity.

The accounting policies detailed in this Statement of Accounts have been followed in dealing with items which are judged material in accounting for, or reporting on, the transactions and net assets of the fund. No significant estimation techniques have been adopted.

The Net Assets Statement does not include liabilities to pay pension and other benefits after the Balance Sheet date. The liabilities of the Pension scheme are accounted for under IAS19 and details can be found above.

Details of the long-term pension fund obligation are provided in Notes 22 and 23 of the main statements.

### **Prior Period Adjustment: Police Pension Commutation Factors**

The Pensions Ombudsman has published his determination in a case concerning the lump sum paid to a fire-fighter on his retirement. The case has relevance to many fire-fighters and police officers who retired in the early 2000's.

A complaint was raised and upheld concerning the frequency of reviews on commutation factors between the periods 1998 and 2006.

The complaint stated that as no review took place between these periods it eliminated the opportunity of retirees to gain the benefit of more beneficial terms which would have applied resulting in a higher cash sum on retirement or a higher residual pension for the same amount of lump sum.

The Pensions Ombudsman found that failure to review these rates in a timely fashion amounted to maladministration and therefore the complaint was upheld.

This determination will result in all police officers who retired between 2001 (when the first review should have taken place following a review in 1998) to 2006 (when a review did take place) having their retirement benefits re-evaluated.

This work is being led by Government Actuaries Department who had the statutory responsibility to maintain and review the commutation factors along with police officer pension administrators.

The Forces Pension Administrator, Kier, has informed the Home Office that there are 272 surviving police officers and 12 deceased police officers that are affected by this determination. An assessment of the financial impact of this decision has been undertaken by Keir in-line with guidance received from the Governments Actuary's Department. The liability has been assessed at £4.228M.

The decision of the Ombudsman has been assessed against accounting standards and it has been determined that the impact of this error should be treated as a prior period adjustment. It is anticipated (in line with guidance) that the liability will not crystallise until the financial year 2015/16 As a result the following adjustments have been made to the Pension fund:-

Pension Fund Account:-

- a. 1st April 2013 position included in the Pension Fund statement, with the Net Assets Statement updated to include a £4.228M long term liability to reflect funding from PCC and £4.228M long term asset to reflect unpaid pensions.

## **GLOSSARY OF TERMS**

This Glossary of Terms is designed to aid interpretation of the PCC's Group Statement of Accounts.

**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 BENEFITS:** The benefits for service up to a given point in time, whether vested rights or not.

**ACTUARIAL GAINS AND LOSSES:** For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

**ACTUARIAL VALUATION:** A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**AGENCY SERVICES:** The provision of services by a Police and Crime Commissioner or Chief Constable (the agent) on behalf of another Police and Crime Commissioner or Chief Constable, which is legally responsible for providing those services. The responsible Police and Crime Commissioner or Chief Constable reimburses the Police and Crime Commissioner or Chief Constable providing the service.

**AMORTISED COST:** The cost of an intangible asset after amortisation, which is the systematic allocation of the depreciable amount of an asset over its useful life.

**APPROPRIATIONS:** Amounts transferred to or from revenue or capital reserves.

**ASSET:** An item which has a value; for example, land and buildings, vehicles, equipment, cash.

**BALANCES:** The total general balances available are the accumulated surplus of income over expenditure which enable operation without borrowing until the first precept and grant payments are received in the early part of the financial year. Balances are also used to cover any unexpected expenditure during the financial year.

**BALANCE SHEET:** This sets out the financial position of an organisation on a particular date. It shows the balances and reserves at the organisation's disposal, its long-term indebtedness, the fixed and net current assets employed in its operations and summarised information on the fixed assets held.

**BUDGET:** A statement of an organisation's plans in financial terms. A budget is prepared and approved before the start of each financial year and is used to monitor actual expenditure throughout the year.

**CAPITAL ADJUSTMENT ACCOUNT:** The account through which all financing of fixed assets is charged.

**CAPITAL EXPENDITURE:** Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

**CAPITAL FINANCING CHARGES:** The repayment of loans and interest used to pay for capital projects.

**CAPITAL GRANT:** Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

**CAPITAL RECEIPTS:** The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

**CAPITAL RESERVE:** Created to provide an alternative source of financing for capital expenditure and to ensure some stability in the level of capital programmes that can be financed.

**CASH FLOW STATEMENT:** This summarises the cash receipts and payments of the Group arising from transactions for both revenue and capital purposes.

**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA):** This is the main professional body for accountants working in the public services.

**COLLECTION FUND:** A fund administered by each District Council in which individuals' council tax payments are paid. The Police and Crime Commissioner raises a precept on the fund to finance part of their net revenue expenditure.

**COLLECTION FUND ADJUSTMENT ACCOUNT:** The account through which to implement the accruals basis for recording the precept in these accounts without affecting the bottom line for taxpayers.

**COMPONENT ACCOUNTING:** Component accounting requires that where an asset has several components, which can be physically separated from the principal asset and which have significantly different useful lives, these should be recognised separately and should be depreciated based on their respective useful lives. Component accounting aims to improve depreciation accounting and thus improves the measurement of operating results. It also facilitates accounting for replacements.

**CONTINGENCY:** The sum of money set aside to meet unforeseen expenditure or liability.

**COUNCIL TAX:** The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

**CREDIT APPROVAL:** Authorisations given by Central Government to local authorities, which enable them to finance capital expenditure by borrowing or other credit arrangements such as leasing.

**CREDITORS:** Individuals or organisations to whom money is owed at the end of the financial year.

**CURRENT ASSETS AND LIABILITIES:** Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short term.

**CURRENT SERVICE COSTS (PENSIONS):** The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

**CURTAILMENT:** For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

**DEBTORS:** Individuals or organisations from whom money is owed at the end of the financial year.

**DEFERRED LIABILITIES:** Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period of time.

**DEFERRED PENSIONS:** Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

**DEFINED BENEFIT SCHEME:** A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

**DEPRECIATION:** An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

**DIRECT REVENUE FINANCING:** Resources provided from the revenue budget to finance the cost of capital projects.

**DISCRETIONARY BENEFITS:** Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under discretionary powers.

**EARMARKED RESERVES:** These reserves represent monies set aside that can only be used for a specific purpose.

**EXPECTED RATE OF RETURN ON PENSION ASSETS:** For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS:** Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside ordinary activities and are not expected to recur.

**FINANCE AND OPERATING LEASE:** A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service revenue account.

**FINANCIAL REGULATIONS:** A written code of procedures approved by the Police and Crime Commissioner, intended to provide a framework for proper financial management.

**FIXED ASSETS:** Tangible assets that yield benefits for a period of more than one year.

**GAD:** The Government Actuaries Department. They provide estimates of the liabilities of the Police Pension Scheme.

**GOING CONCERN:** The concept that an organisation will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**GOVERNMENT GRANTS:** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**IMPAIRMENT:** A reduction in the value of an asset from the balance sheet value occurring as a result of a change in the condition and consumption of the asset or as a result of market conditions.

**INCOME AND EXPENDITURE ACCOUNT:** This summarises the resources generated and consumed for the year and shows how the costs have been financed.

**INTEREST INCOME:** The money earned from the investment of surplus cash.

**INTEREST COSTS (PENSIONS):** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards; and
- (c) Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

INVESTMENTS (PENSION FUND): The investments of a Pension Fund will be accounted for in the statements of that Fund. However, sponsoring bodies are also required to disclose, as part of disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

MINIMUM REVENUE PROVISION (MRP): The statutory minimum amount which a Police and Crime Commissioner is required to set aside on an annual basis as a provision to redeem debt.

NET BOOK VALUE: The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST: The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NATIONAL NON-DOMESTIC RATES (NNDR): The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a central government pool that is then distributed according to resident population.

NON-OPERATIONAL ASSETS: Non-operational assets are fixed assets held but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSETS: Fixed assets held and occupied, used or consumed in the direct delivery of those services for which they have either a statutory or discretionary responsibility.

OUTTURN: The actual amount spent in the financial year.

PAST SERVICE COST: For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PAYMENTS IN ADVANCE: These represent payments prior to 31 March for supplies and services received by the Group after 1 April.

PENSION FUND: A fund which makes pension payments on retirement of its participants.

POLICE GRANT: A grant paid by the government to Police and Crime Commissioners as a proportion of the Formula Spending Share or FSS.

PRECEPT: The income which the Police and Crime Commissioner requires the District Council to raise from Council Tax on behalf of the Police and Crime Commissioner.

PROJECTED UNIT METHOD: An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners, and their dependents, allowing where appropriate for future increases and
- the accrued benefits for members in service at the valuation date.

**PROVISION:** An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise are uncertain.

**PUBLIC WORKS LOAN BOARD (PWLB):** A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RECEIPTS IN ADVANCE:** These represent income received prior to 31 March for supplies and services provided by the Group after 1 April.

**RESERVES:** Monies set aside by the Group that do not fall within the definition of provisions.

**RETIREMENT BENEFITS:** All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE CONTRIBUTIONS TO CAPITAL:** Contribution from the Comprehensive Income and Expenditure Statement to finance capital expenditure and thus reduce the requirement to borrow.

**REVENUE SUPPORT GRANT (RSG):** General government grant support towards expenditure.

**REVALUATION RESERVE:** This account represents the difference between the current valuation of fixed assets and the historic costs of those assets. This Account came into effect 1 April 2007.

**SCHEME LIABILITIES:** The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employee is committed to provide for service up to the valuation date.

**SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP):** A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the cost of services.

**SETTLEMENT:** An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

**STATEMENT OF ACCOUNTING POLICIES:** This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are explained. Changes in policies from previous years have been clearly shown.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS:** This explains the responsibilities of both the Police and Crime Commissioner and Police and Crime Commissioner's Chief Finance Officer in respect of the Statement of Accounts.

**STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAP):** These standards were adopted by the Accounting Standards Board (ASB) from its predecessor, the Accounting Standards Committee (ASC), and regulate the preparation and presentation of financial statements. Any new Standards are now referred to as Financial Reporting Standards (FRS). The CIPFA Code of Practice on Local Authority Accounting 2007 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.



**TRANSFER VALUES:** Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

**TREASURY MANAGEMENT POLICY (TMP):** This is a policy adopted to manage investments, cash flows, and banking transactions. It governs the control of risks associated with these activities and the pursuit of optimum investment return balanced with security of investment.

**WORK IN PROGRESS:** The cost of work done on an uncompleted project at the balance sheet date.