

**Chief Constable of Cleveland**  
**STATEMENT OF ACCOUNTS – 2016/17**  
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# **CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE** **INTRODUCTION**

## **1. CHANGES TO ACCOUNTING POLICIES**

There are no changes to accounting policies for the accounting period 2016/2017.

## **2. FURTHER INFORMATION**

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The dates for which the accounts are available for inspection have been published on the Force website.

Further information may be obtained from the Chief Finance Officer to the Chief Constable at Cleveland Police, Shared Service Centre, Ash House, III Acres, Princeton Drive, Thornaby, Stockton on Tees TS17 6AJ

Joanne Gleeson Ba Hons ACMA  
CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE

# **STATEMENT OF RESPONSIBILITIES**

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

The Chief Constable as a Corporation Sole is required to:

- Make arrangements for the proper administration of the Force's financial affairs and to ensure that one of the Force's officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer of the Chief Constable;
- Manage the Force's affairs to secure economic, efficient and effective use of resources and safeguard the assets under his operational control.

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

The Chief Finance Officer of the Chief Constable is responsible for the preparation of the Chief Constable'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.

## **DECLARATION**

The Statement of Accounts gives a true and fair view of the financial position of the Chief Constable as a Corporation Sole at the accounting date and the Force's income and expenditure for the year ended 31st March 2017.

Signature:

Date: PUT SAME DATE AS THE OPCC

**Joanne Gleeson Ba Hons ACMA**  
**CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE**

Signature:

Date: PUT SAME DATE AS THE OPCC

**Iain Spittal**  
**Chief Constable for Cleveland Police**

**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF  
CONSTABLE FOR CLEVELAND**

**To Follow**

# **NARRATIVE STATEMENT (PERFORMANCE/FINANCIAL REVIEW)**

## **1. INTRODUCTION**

This Foreword provides an overview of the accounting arrangements of the Police and Crime Commissioner for Cleveland and the Chief Constable (CC) of Cleveland Police.

In November 2012 the office of elected Police and Crime Commissioner (PCC) was established. At the same time the Chief Constable was established in law as a separate Corporation Sole.

The primary function of the PCC is to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. The PCC is the recipient of all funding relating to policing and crime reduction, including government grant, precept and all other sources of income.

In turn the Chief Constable is responsible for maintaining the Queen's Peace and has direction and control over the Force's officers and staff. The Chief Constable holds office under the Crown but is appointed by the PCC. The Chief Constable operates within an annual budget set by the PCC in consultation with him. A scheme of consent is in operation between the two determining their respective responsibilities.

On the 1<sup>st</sup> April 2014 the PCC transferred designated staff to the employment of the Chief Constable under Stage 2 of the Police Reform and Social Responsibility Act.

The accounting arrangements between the PCC and Chief Constable during the financial year 2016/17 are that the accounts of the Chief Constable are integrated into the group accounts of the PCC. The PCC is responsible for the finances of the whole group and controls all assets, liabilities and reserves. The PCC receives all income and funding and makes all payments for the group.

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

This Statement of Accounts covers the financial year ended 31st March 2017 and has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The Chief Constable spends funds on providing Policing Services on behalf of the PCC. To prepare the annual statements of the Chief Constable as a Corporation Sole within the overall group accounts of the PCC, two critical judgements in the application of accounting policies have been made and applied in respect of assets.

Firstly, within group accounts one entity must have 'control' over another. The PCC is, therefore, deemed to have 'control' over the Chief Constable and, hence, the substance of the asset control sits with the PCC. This is distinct from the operational control exercised by the Chief Constable. As a consequence all assets are shown in the accounts of the PCC rather than those of the Chief Constable.

Secondly, an asset is an item from which economic benefit is expected to flow to the entity. Economic benefit within the public sector has to be measured by a change in General Fund balance due to the absence of profit making activities. As the General Fund must be held by the PCC, and therefore, all movements shown in the Movement on Reserves Statement of the PCC, then any economic benefit must be deemed to be flowing to him.

In addition, with regard to assets, the following apply:

- The Chief Constable is not allowed to borrow or have bank accounts and, therefore, these must sit with the PCC. Neither, can the Chief Constable hold any reserves and, therefore, under the matching concept, assets funded by borrowing and reserves should be in same set of books.
- Under legislation land must be owned and accounted for by the PCC. By controlling the land and, therefore, its sale, the PCC can be deemed to control the building which is located upon it.
- All contracts including PFI contracts are held by the PCC and, therefore, the assets and liabilities associated must be owned and accounted for by the PCC.

This results in 'nil' values for the above within the financial statements of the Chief Constable.

With regard to employees, the following judgement has also been made:

- In accordance with International Accounting Standard (IAS) 19 – Employee Benefits (ISA19), pension costs in respect of Police Officers and Police Staff employed by the CC are recorded in the accounts of the CC. These are then reversed out via the Movement on Reserves Statement. The CC also records the value of pension liability in the Balance sheet.

In order to show a cost associated with the overall operational activities of the Force, a Comprehensive Income & Expenditure Account is shown with an allocation of costs from the PCC being offset by funding provided by the PCC to an equal and opposite amount. The Net cost of service represents the ISA19 charges which are funded by the PCC on consolidation.

The Statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) are detailed below along with the objective of each statement:

**Comprehensive Income and Expenditure Statement** – This statement shows both the allocation of funding from the PCC and costs incurred by the Force in discharging its functions. In practice all funding is received, and the respective payments made, by the PCC. The balance on the comprehensive income and expenditure statement represents the impact of the pension obligations in line with accounting standard IAS19.

**Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves. The CC holds the reserves in respect of pension liability and the movements are included within this statement in line with the accounting standard IAS19.

**Balance Sheet** – The Balance Sheet shows the value of the assets and liabilities as at 31<sup>st</sup> March 2017. These are the assets or liabilities in respect of the Police Pension Fund in line with the accounting standard IAS19. Assets used by the Chief Constable in the delivery of policing services are held in the PCC's accounts and are charged for in the Comprehensive Income and Expenditure Statement.

**Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. However, as the PCC receives all income and funding and makes all payments for the Group from the PCC Police Fund, there are no cash flows for the Chief Constable. The costs of the operational activities undertaken by the Chief Constable are detailed in the Comprehensive Income and Expenditure Statement.

### 3. THE CHIEF CONSTABLE FOR CLEVELAND REVENUE POSITION

The Annual Statement of Accounts includes statutory technical adjustments that are not required to be reported against during the financial year such as IAS 19 Pension adjustments. It is therefore necessary to provide an audit trail of how the annual statements relate to the financial position reported throughout the year in the Corporate Financial Monitoring Reports. These reports are published quarterly on the OPCC website following reviews by the Force's Management Board and the PCC's scrutiny panel.

The following tables illustrate the difference between the two reporting mechanisms for transparency.

- 1) Management Accounts summary of the final outturn position of the Chief Constable (Table 1 below):-

	<b>Original 2016/17 Budget</b>	<b>Revised 2016/17 Budget</b>	<b>Year End 2016/17 Position</b>	<b>Outturn</b>
<b>Police Force Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Police Pay	66,769	66,923	67,319	396
Police Overtime	1,575	1,777	2,055	278
Police Community Support Officer Pay	4,077	4,077	3,841	(236)
Staff Pay	7,949	8,978	9,106	128
Non-Pay	39,040	38,810	41,336	2,526
<b>Total Planned Expenditure</b>	<b>119,410</b>	<b>120,565</b>	<b>123,657</b>	<b>3,092</b>

- 2) Reconciliation of the Total Comprehensive Income and Expenditure Statement for Chief Constable and the Management Accounts outturn summary:-

	<b>£000's</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>272,560</b>
<b>Actuarial Gains / /loss on Pension Schemes:-</b>	
Local Government Pension Scheme	(3,190)
Police Pension 1987	(188,011)
Injury Awards	(12,887)
Police Pension 2006	(9,649)
Police Pension 2015	(7,434)
<b>(Surplus) or Deficit on Provision of Service</b>	<b>51,389</b>
Net change in Pension Liability	(62,611)
Employers Pension Contributions	11,221
Additional Resources Provided by the PCC	3,092
Rounding	1
<b>Outturn</b>	<b>3,092</b>

From Table 1 it can be seen that the overall position for the Force as at the 31st March 2017 was an overspend of £3,092k. Overall this represents a total overspend of 2.56% against the 2016/17 revenue budget. The overspend was due to the costs of investigating the unprecedented number of homicides in April 2016, costs associated with settled legal claims and the requirement to provide for the possible future costs of employee related remuneration claims.

Table 1 also highlights that the majority of both the budgeted as well as actual spend is made against pay (67% of budgeted expenditure in 2016/17). The Force has an annual budgeted establishment of



both police officers and police staff (which includes Police Community Support Officers). The following table illustrates the budgeted establishments for both the 2016/17 and 2015/16 financial years against its available workforce as at the 31st March 2017 and the 31st March 2016.

	<b>Budgeted Establishment 2016/17</b>	<b>Available WorkForce as at 31/3/17</b>	<b>Variance to Budget 2016/17</b>	<b>Budgeted Establishment 2015/16</b>	<b>Available WorkForce as at 31/3/16</b>	<b>Variance to Budget 2015/16</b>
Police Officers (FTE)	1,292	1,284	(8)	1,351	1,270	(81)
Police Staff (FTE)	360	396	36	340	341	1
<b>Total</b>	<b>1,652</b>	<b>1,680</b>	<b>28</b>	<b>1,691</b>	<b>1,611</b>	<b>(80)</b>

#### 4. CAPITAL

The Group funded an annual capital budget for the 2016/17 financial year of £10,458k (inclusive of Lifecycle costs of £955k associated with the PFI's). The Group did not spend all of its capital allocation largely due to slippage in relation to the Community Safety Hub (£1.4M) several ICT projects (£2.6M), which are planned to be completed during 2017/18. The amount of underspend against the capital budget was £4.478M (£1.638M underspend 2015/16).

The Group spent £6.523m on capital projects during the year. The programme was fully financed from capital resources in the year.

#### 5. PENSIONS

As part of the terms and conditions of employment of its officers and designated staff, the CC offers retirement benefits. Although these will not actually be payable until employees retire, the CC has a commitment to make the payments. This is a requirement of IAS19. The commitment, therefore, needs to be recognised at the time that employees earn their future entitlement. The cost of this entitlement is recognised in the Comprehensive Income and Expenditure Account of the CC. A Pension liability of £1,603m is recorded in the Balance sheet of the CC.

#### 6. CHANGE FROM 2015/16 POSITION

The 2016/17 statements highlight the following areas of change from the 2015/16 position:

##### **Comprehensive Income & Expenditure Statement**

Net Cost of Services (NCOS) has decreased by £3.024m.

##### **Balance Sheet**

The increase in the Balance sheet of £0.273m reflects the increased Pension liability as reported by the actuary.

#### 7. NON FINANCIAL PERFORMANCE DATA

The Force's Balanced Scorecard has been devised to show very quickly what the Force's main performance outcomes are and how it is working towards them during the year in order for it to be able to provide the evidence that it is achieving its core objective.

The Force's core objective for the financial year 2016/17 was:

- Making our communities safer, helping them to be stronger.

The scorecard illustrates:

- Overall Public Confidence and Perceptions of Police Performance
- Victim Satisfaction
- Recorded Crime
- Anti-Social Behaviour Incidents

### **Overall Public Confidence and Perceptions of Police Performance**

In order to make our communities safer and help them to be stronger we need to ensure a high level of public confidence. Both public confidence and perceptions of police performance are measured via the Crime Survey for England and Wales.

In the Cleveland area overall public confidence is at 71% set against 74% in the previous year. Although technically the figure has decreased, the difference is not considered to be statistically significant and therefore performance is seen as stable for the past year. The Force's performance can be reviewed against the national average for England and Wales which is 78%.

However perceptions of police performance are slightly lower with only 57% (based on data for the 12 months ending September 2015) of the local residents perceiving that the Cleveland Force does a good or excellent job (61% 2014/15). This again can be compared to the national average in England and Wales which is 62%.

It should be noted that figures from the Crime Survey for England and Wales are based on interviews undertaken in the 12 months to the end of September 2016, with comparisons for the previous year based on interviews undertaken in the 12 months ending September 2015.

### **Victim Satisfaction**

The Force aims to place victims at the centre of everything that we do, achieving a high level of victim satisfaction is a key performance outcome. It is measured via the Victim Satisfaction Survey that is conducted amongst victims of violent crime, house burglary and vehicle crime. The Force's overall satisfaction level for the financial year 2016/17 is 83%. This represents a significant increase when compared to 2015/16 when it was 75%.

Over the past 12 months the Force has invested a significant amount of effort in order to improve the quality of service received throughout a 'victims journey'. For example, a review of local policing provision has enabled the force to realign its resources to better match demand, providing officers with the time needed to support victims and provide advice and guidance in accordance with their individual needs, including timely feedback. Furthermore, the force has actively sought to increase staff awareness in relation to the procedural justice and where necessary challenge unacceptable behaviour, highlighting the importance of their actions and the impact this can have on a victim.

### **Recorded Crime**

In 2016/17 overall crime (as reported by the public) increased by 9%. The observed increase is largely attributable to a rise in violence (up 18%) and specifically crimes 'without injury' (up 28%), mirroring the trend observed elsewhere across the country. Whilst the increase in vehicle crime is also a concern (up 13%), burglary has fallen ('house' down 2%, 'other' down 15%).

The increase in violence can be attributed to a number of factors. For example, the introduction of new offences such as malicious communications and the growing trend in cyber enabled harassment through the inappropriate use of social media. In addition, the force continues to improve the quality of its crime data integrity, ensuring that all lower level offending, including non-physical violence such as harassment, is captured and recorded appropriately.

## Anti-Social Behaviour Incidents (ASB)

Overall ASB is relatively stable. Over the last 12 months the Force has received 42,877 such reports (compared to 42,837 in 2015/16). Nuisance behaviour continues to account for almost two thirds of the ASB. These lower level incidents have risen by 5% when compared to the previous year. Conversely, there has been a significant reduction in the number of incidents carrying a higher level of risk i.e. those of a personal nature, which have fallen by 22%.

Sickness levels are monitored via the Tactical Performance Group and Strategic Performance Group and assessed periodically by the PCC at Finance, Resource & Policy Scrutiny Meetings. The sickness data as at end of March 2017 and March 2016 were as follows:

	<b>Total Working Days Lost 2016/17</b>	<b>Total Working Days Lost 2015/16</b>
<b>Police Officers</b>	14,480	13,572
<b>Police Staff</b>	3,883	2,948

Both Police Officer and Police Staff sickness has increased over the last 12 month period. Work is continuing with several Human Resources work streams being undertaken to try to reduce the days lost and enhance the wellbeing of the workforce.

## 8. EVENTS AFTER THE REPORTING PERIOD

No adjusting post balance sheet events have been identified for the period accounting period 2016/17.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2017

This statement shows both the allocation of funding from the PCC and costs incurred by the Force in discharging its functions. In practice all funding is received, and the respective payments made, by the PCC. The statements have been prepared assuming the going concern concept, i.e. its functions and services will continue in operational existence for the foreseeable future. The balance on the Comprehensive Income and Expenditure Statement represents the impact of the pension obligations in line with the accounting standard IAS19.

DETAIL	2016/2017			2015/2016		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay Costs	74,811	0	74,811	75,278	0	75,278
Police Community Support Officer Pay Costs	4,064	0	4,064	3,887	0	3,887
Police Staff Support Pay Costs	9,506	0	9,506	7,673	0	7,673
Police Non Pay Costs	41,858	0	41,858	43,980	0	43,980
Undistributed Costs	27	0	27	22	0	22
<b>Net Cost of Services</b>	<b>130,266</b>	<b>0</b>	<b>130,266</b>	<b>130,840</b>	<b>0</b>	<b>130,840</b>
Intra Group Funding		(123,462)	(123,462)	0	(121,012)	(121,012)
<b>Net Cost of Services</b>	<b>130,266</b>	<b>(123,462)</b>	<b>6,804</b>	<b>130,840</b>	<b>(121,012)</b>	<b>9,828</b>
Financing & Investment Income & Expenditure (Note 8)			44,585			38,189
<b>(Surplus) or Deficit on Provision of Service</b>			<b>51,389</b>			<b>48,017</b>
Re-measurements of the defined benefit liability (Note 14)			221,171			65,456
<b>Other Comprehensive Income and Expenditure</b>			<b>221,171</b>			<b>65,456</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>272,560</b>			<b>113,473</b>

## EXPENDITURE & FUNDING ANALYSIS YEAR ENDING 31st MARCH 2017

The Expenditure & Funding Analysis shows how the annual expenditure of the Force is consumed and the resources provided by the PCC in comparison with those resources consumed or earned by the Force in accordance with generally accepted accounting practice.

Funding	2016/2017			2015/2016		
	Expenditure Chargeable to the General Fund £000's	2016/2017 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's	Expenditure Chargeable to the General Fund £000's	2015/2016 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's
Police Officer Pay Costs	68,766	(6,045)	74,811	66,217	(9,061)	75,278
Police Community Support Officer Pay Costs	3,837	(227)	4,064	3,887	0	3,887
Police Staff Support Pay Costs	8,974	(532)	9,506	6,906	(767)	7,673
Police Non Pay Costs	41,858	0	41,858	43,980	0	43,980
Undistributed Costs	27	0	27	22	0	22
<b>Net Cost of Services</b>	<b>123,462</b>	<b>(6,804)</b>	<b>130,266</b>	<b>121,012</b>	<b>(9,828)</b>	<b>130,840</b>
Intra Group Funding	<b>(123,462)</b>	<b>0</b>	<b>(123,462)</b>	<b>(121,012)</b>	<b>0</b>	<b>(121,012)</b>
<b>Net Cost of Services</b>	<b>0</b>	<b>(6,804)</b>	<b>6,804</b>	<b>(0)</b>	<b>(9,828)</b>	<b>9,828</b>
Financing & Investment Income & Expenditure (Note 8)	0	(44,585)	44,585	0	(38,189)	38,189
<b>(Surplus) or Deficit on Provision of Service</b>	<b>0</b>	<b>(51,389)</b>	<b>51,389</b>	<b>(0)</b>	<b>(48,017)</b>	<b>48,017</b>

## **MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2017**

This statement shows the movement in the year on the different reserves. The CC 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 CC Reserves £000
Balance at 31st March 2016	0	0	0	0	0	0	1,329,963	1,329,964
(Surplus) or deficit on provision of services (accounting basis)	51,389	0	0	0	0	51,389	0	51,389
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	221,171	221,171
Total Comprehensive Expenditure and Income	51,389	0	0	0	0	51,389	221,171	272,560
Total Adjustments between accounting basis & funding basis under regulations	(51,389)	0	0	0	0	(51,389)	51,389	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	272,560	272,560
Total Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	0	0	0	0	0	0	272,560	272,560
Balance at 31 March 2017	0	0	0	0	0	0	1,602,524	1,602,524

## **MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2016**

	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 CC Reserves £000
Balance at 31st March 2015	0	0	0	0	0	0	1,216,490	1,216,490
(Surplus) or deficit on provision of services (accounting basis)	48,017	0	0	0	0	48,017	0	48,017
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	65,456	65,456
Total Comprehensive Expenditure and Income	48,017	0	0	0	0	48,017	65,456	113,473
Total Adjustments between accounting basis & funding basis under regulations	(48,017)	0	0	0	0	(48,017)	48,017	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	113,473	113,473
Total Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	0	0	0	0	0	0	113,473	113,473
Balance at 31 March 2016	0	0	0	0	0	0	1,329,963	1,329,963

## **BALANCE SHEET AT 31st MARCH 2017**

The Balance Sheet shows the value of the assets and liabilities as at 31<sup>st</sup> March 2017. These are the assets or liabilities in respect of the Police Pension Fund and the Local Government Pension scheme in line with the accounting standard IAS19. Assets used by the Chief Constable in the delivery of policing services are charged for in the Comprehensive Income and Expenditure Statement.

	Notes	31 March 2017 £000	31 March 2016 £000
Property, Plant and Equipment		-	-
Investment Property		-	-
Intangible Assets		-	-
Long Term Investments		-	-
Long Term Debtors		-	-
<b>Total Long Term Assets</b>		-	-
<b>Current Assets</b>			
Short Term Investments		-	-
Assets Held for Sale		-	-
Inventories		-	-
Short Term Debtors		-	-
Cash and Cash Equivalents		-	-
<b>Total Current Assets</b>		-	-
<b>Total Assets</b>		-	-
<b>Current Liabilities</b>			
Cash and Cash Equivalents		-	-
Short Term Borrowing		-	-
Short Term Creditors		-	-
Provisions		-	-
<b>Total Current Liabilities</b>		-	-
Long Term Creditors		-	-
Provisions		-	-
Long Term Borrowing		-	-
Other Long Term Liabilities : PFI		-	-
Pensions Liability	13	(1,602,524)	(1,329,963)
<b>Total Long Term Liabilities</b>		<b>(1,602,524)</b>	<b>(1,329,963)</b>
<b>Total Liabilities</b>		<b>(1,602,524)</b>	<b>(1,329,963)</b>
<b>Net Assets</b>		<b>(1,602,524)</b>	<b>(1,329,963)</b>
Usable Reserves		-	-
Unusable Reserves	15	1,602,524	1,329,963
<b>Total Reserves</b>		<b>1,602,524</b>	<b>1,329,963</b>

## **CASHFLOW STATEMENT 2016/17**

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. However, as the PCC receives all income and funding and makes all payments for the Group from the PCC Police Fund. There are no cash flows for the Chief Constable. The costs of the operational activities undertaken by the Chief Constable are detailed in the Comprehensive Income and Expenditure Statement.

	<b>2016/2017 £000</b>	<b>2015/2016 £000</b>
<b>OPERATING ACTIVITIES</b>		
<u>Cash Outflows</u>	-	-
<u>Cash Inflows</u>	-	-
<b>Operating Activities Net Cash Flow</b>	-	-
<b>INVESTING ACTIVITIES</b>		
<u>Returns on Investments and Servicing of Finance</u>		
<u>Capital Activities</u>	-	-
<b>Investing Activities Net Cash Flow</b>	-	-
<b>Net Cash Outflow/(Inflow) before financing</b>	-	-
<b>FINANCING ACTIVITIES</b>		
<u>Management of Liquid Resources</u>		
<u>Financing</u>		
<b>Financing Activities Net Cash Flow</b>	-	-
<b>Net (Increase)/Decrease in cash</b>	-	-
<b>Cash brought forward</b>		
<b>Cash carried forward</b>		
<b>Net (Increase)/Decrease in cash</b>	-	-

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **1. ACCOUNTING POLICIES**

### **A) 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 2016/17 (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:

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

The 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.

### **B) VALUE ADDED TAX**

VAT is included in the accounts only if it is irrecoverable from Her Majesty Revenue Customs (HMRC). There have been no significant VAT issues in 2016/17.

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

Exceptional and Extraordinary items, of which the Chief Constable has none in 2016/17, would be disclosed on the face of the Operating Cost Statement 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.

### **D) 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.

### **E) PENSIONS**

The PCC group participates in two different pension schemes, which meet the needs of police officers and police staff. The schemes provide members with defined benefits related to pay and service. Employees' and employers' contribution levels are based on percentages of pensionable pay and are subject to triennial review. The accounts of the CC record the transactions relating to police officers and police staff employed by the CC. Details of the scheme are detailed below:

- The CC meets the pension payments by the payment of an employer's pension contribution for Officers and Staff based on a percentage of pay into the pension fund.



- The Police Pension Fund is balanced to nil each year by a transfer to/from the Home Office 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.
- Local Government Pension Scheme is subject to triennial review of the assets and liabilities and these assets and liabilities are reflected in the accounts of the CC.

## **F) RESERVES**

The CC records the impact of future pension liabilities in the unusable section of reserves. This is offset by a long term liability.

## **G) POST BALANCE SHEET EVENTS**

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

## **H) 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.

## **I) 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.

## **J) JOINT CONTROLLED OPERATIONS**

CC Cleveland 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. (Details of which can be found at Note 16 of the accounts).

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 CC also engages in collaborative working in partnership with North Yorkshire and Durham Forces (Evolve). This Collaboration is monitored by a Joint Governance Board.

## **K) FAIR VALUE**

The PCC Group measures its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The PCC Group measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming that market participants act in their economic best interest).

When measuring the fair value of a non-financial asset, the PCC Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The PCC Group uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns.

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

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

## 2. FUNDING ANALYSIS

	<b>Adjustments Between funding &amp; Accounting Basis</b>	<b>Adjustments for Capital</b>	<b>Pension Adjustments</b>	<b>Other Adjustments</b>
	<b>£000's</b>	<b>Note 2a £000's</b>	<b>Note 2b £000's</b>	<b>Note 2c £000's</b>
<b>Notes to Funding Analysis 2016/2017</b>				
Police Officer Pay Costs	(6,045)	0	(6,045)	0
Police Community Support Officer Pay Costs	(227)	0	(227)	0
Police Staff Support Pay Costs	(532)	0	(532)	0
Police Non Pay Costs	0	0	0	0
Undistributed Costs	0	0	0	0
<b>Net Cost of Services</b>	<b>(6,804)</b>	<b>0</b>	<b>(6,804)</b>	<b>0</b>
Financing & Investment Income & Expenditure (Note 8)	(44,585)	0	(44,585)	0
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(51,389)</b>	<b>0</b>	<b>(51,389)</b>	<b>0</b>

	<b>Adjustments Between funding &amp; Accounting Basis</b>	<b>Adjustments for Capital</b>	<b>Pension Adjustments</b>	<b>Other Adjustments</b>
	<b>£000's</b>	<b>Note 2a £000's</b>	<b>Note 2b £000's</b>	<b>Note 2c £000's</b>
<b>Notes to Funding Analysis 2015/2016</b>				
Police Officer Pay Costs	(9,061)	0	(9,061)	0
Police Community Support Officer Pay Costs	0	0	0	0
Police Staff Support Pay Costs	(767)	0	(767)	0
Police Non Pay Costs	0	0	0	0
Undistributed Costs	0	0	0	0
<b>Net Cost of Services</b>	<b>(9,828)</b>	<b>0</b>	<b>(9,828)</b>	<b>0</b>
Financing & Investment Income & Expenditure (Note 8)	(38,189)	0	(38,189)	0
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(48,017)</b>	<b>0</b>	<b>(48,017)</b>	<b>0</b>

## 2a Adjustments for Capital Purpose

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

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

## 2b Pension Adjustments

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

- For Services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with the current service costs and past service costs.
- For Financing and Investment income and expenditure – the net interest on the defined liability is charged to the CIES.

## 2c Other Adjustments

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

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under

generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses and Deficits on the Collection Fund.

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

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31st March 2017 but not adopted:-

- Amendments to the reporting of pension fund scheme transaction costs
- Amendments to the reporting of investment concentration.

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

### **4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES**

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

#### **Future government funding**

There is a high degree of uncertainty about future levels of funding for police services. However it has been determined that this uncertainty is not sufficient to provide an indication that the assets might be impaired and/or reduce levels of service provision.

#### **Accounting principles**

It has been determined that substantially all assets and reserves of the PCC Group are recognised on the Group Balance Sheet.

### **5. ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Chief Constable 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. There are no such items in the accounts of the Chief Constable.

**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 and mortality rates. A firm of consulting actuaries is engaged to provide the Chief Constable with expert advice about the assumptions to be applied. Details of which are contained within Note: 13 Pension. The overall pension liability at the 31<sup>st</sup> March 2017 is £1,603m.

### **6. 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.

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

### FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

	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 CC Reserves £000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(62,611)	0	0	0	0	(62,611)	62,611	0
	<b>(62,611)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(62,611)</b>	<b>62,611</b>	<b>0</b>
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	11,221	0	0	0	0	11,221	(11,221)	0
	<b>11,221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,221</b>	<b>(11,221)</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>(51,390)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(51,390)</b>	<b>51,390</b>	<b>0</b>

### FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

	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 CC Reserves £000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(58,580)	0	0	0	0	(58,580)	58,580	0
	<b>(58,580)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(58,580)</b>	<b>58,580</b>	<b>0</b>
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	10,563	0	0	0	0	10,563	(10,563)	0
	<b>10,563</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,563</b>	<b>(10,563)</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>(48,017)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(48,017)</b>	<b>48,017</b>	<b>0</b>

## 8. FINANCING AND INVESTMENT INCOME & EXPENDITURE

	2016/2017 £000	2015/2016 £000
Interest payable and similar charges	0	0
Pension interest cost & expected return on pension assets	44,585	38,189
Interest receivable and similar income	0	0
<b>Total Finance and Investment Income and Expenditure</b>	<b>44,585</b>	<b>38,189</b>

## 9. OFFICERS' EMOLUMENTS

During the financial year 2016/17, the numbers of senior police officers (above the rank of Superintendent) and staff whose remuneration, excluding employers' pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	Number of Employee 2016/17			2015/2016
	Police Officers	Support Staff	Total	
£50,000 - £54,999	1	1	2	0
£55,000 - £59,999	1	1	2	0
£60,000 - £64,999	0	1	1	0
£65,000 - £69,999	0	0	0	2
£70,000 - £74,999	0	2	2	1
£75,000 - £79,999	1	1	2	0
£80,000 - £84,999	0	0	0	2
£85,000 - £89,999	2	0	2	3
£90,000 - £94,999	1	0	1	0
£95,000 - £99,999	0	1	1	1
£100,000 - £104,999	1	0	1	0
£105,000 - £109,999	0	0	0	2
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	1	0	1	0
£120,000 - £124,999	0	0	0	2
£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	0	0	0	0
£150,000 - £154,999	1	0	1	0
<b>Total</b>	<b>9</b>	<b>7</b>	<b>16</b>	<b>13</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) overleaf:

## Remuneration Disclosure 2016/17:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 16/17	Pension Contributions
	£	£	£	£	£	£	£	£
Chief Constable - Ian Spittal	152,354	152,142	0	288	2,075	0	154,505	34,615
DCC	114,240	115,849	0	0	1,910	0	117,759	26,619
ACC : Temp	97,563	101,150	0	122	0	0	101,272	20,371
CFO: CC	98,586	95,124	0	0	0	0	95,124	11,783

Notes:-

- 1) The following appointments were made during 2016-2017:-
  - a. Mr Spittal was appointed CC with effect from July 2016.
  - b. Mr Nickless was appointed DCC with effect from November 2016.
  - c. Mr Irvine acted up as temporary ACC with effect from December 2015.

## Remuneration Disclosure 2015/16:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 15/16	Pension Contributions
	£	£	£	£	£	£	£	£
Chief Constable - J Cheer	144,243	124,161	0	0	3,248	0	127,409	0
Temp. Chief Constable - Ian Spittal	137,133	121,159	0	138	1,896	0	123,193	27,186
DCC : Temp	113,109	107,047	0	0	1,496	0	108,543	24,419
ACC : Temp	96,597	89,591	0	87	0	0	89,678	19,787
CFO: CC	97,611	97,786	0	77	0	0	97,863	12,321

Notes:--

- 1) As a result of the CC's (J Cheer) retirement the following Officers have undertaken acting duties :-
  - a. DCC Mr Spittal acted up as temporary CC with effect from December 2015.
  - b. ACC Mr Nickless acted up as temporary DCC with effect December 2015.
  - c. Mr Irvine acted up as temporary ACC with effect from December 2015.

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

CFO (CC) = Chief Finance Officer of the Chief Constable

## 10. TERMINATION BENEFITS

In the financial year there were no termination benefits were paid, (Nil 2015/16).

## 11. RELATED PARTIES

The Chief Constable is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the entity or to be controlled or influenced by the entity). Disclosure of these transactions allows readers to assess the extent to which the entity 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 Chief Constable.

Central Government has effective control over the general operations of the CC – it is responsible for providing the statutory framework within which the CC operates and provides the majority of its funding in the form of Grants (via the PCC Group) and prescribes the terms of many of the transactions CC has with other parties. Grants received by the Group from Government Departments are included within the Intra Group funding on the face of the CIES.

All transactions with other public bodies were made with the PCC and are disclosed in the Group and PCC financial statements.

There were no related party transactions involving the Chief Constable, or chief officers of the Force.

The Police and Crime Commissioner for Cleveland (PCC) primary function of the PCC is to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. The PCC is the recipient of all funding relating to policing and crime reduction, including government grant, precept and all other sources of income. The PCC provides all the funding to the CC for the delivery of Policing function.

## 12. AUDIT COSTS

In 2016/17 the Chief Constable incurred the following fees totalling £15k relating to external audit:

	2016/2017 £000	2015/2016 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	15	15
Refund on Prior year audit fees	0	0
<b>Total Audit Costs</b>	<b>15</b>	<b>15</b>

## 13. PENSIONS

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

The CC participates in two Pension schemes namely:

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.

The **Local Government Pension Scheme** for police staff, administered by Teesside Pension Fund – this is a funded scheme, meaning that the employer 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.

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 and 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:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2016/2017 £000	2015/2016 £000	2016/2017 £000	2015/2016 £000	2016/2017 £000	2015/2016 £000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
Current service cost	1,972	1,819	16,053	18,572	18,025	20,391
Curtailment/settlements	-	-	-	-	-	-
Past service cost	1	-	-	-	1	-
Change to accounting policies	-	-	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>						
Interest cost	2,579	2,427	43,975	37,593	46,554	40,020
Expected return on assets	(1,969)	(1,831)	-	-	(1,969)	(1,831)
Other investment Income	-	-	-	-	-	-
<b>Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service</b>	<b>2,583</b>	<b>2,415</b>	<b>60,028</b>	<b>56,165</b>	<b>62,611</b>	<b>58,580</b>
<b>Other post employment Benefit Charged to the CIES</b>						
Return on Plan assets	(10,217)	2,980	-	-	(10,217)	2,980
Actuarial (gains) /losses : Financial Assumptions	17,630	(4,694)	251,029	(44,222)	268,659	(48,916)
Actuarial (gains) /losses: Demographic assumptions	(2,001)	-	-	(12,245)	(2,001)	(12,245)
Actuarial (gains) /losses : liability experience	(2,231)	(749)	(5,669)	156,035	(7,900)	155,286
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>5,764</b>	<b>(48)</b>	<b>305,388</b>	<b>155,733</b>	<b>311,152</b>	<b>155,685</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	(2,583)	(2,415)	(60,028)	(56,165)	(62,611)	(58,580)
<b>Actual amount charged against General fund balances for pensions in the year:</b>						
Contribution in year	1,213	1,052	10,008	9,511	11,221	10,563
Unfunded Pension Payments	-	-	-	-	-	-

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

	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme		Total	
	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000
Estimated funded liabilities in scheme	90,746	73,769	-	-	-	-	-	-	-	-	90,746	73,769
Estimated unfunded liabilities in scheme	376	378	1,428,390	1,203,110	83,698	68,998	41,939	31,121	25,916	8,713	1,580,319	1,312,320
Less :Estimated assets in scheme	68,541	56,126	-	-	-	-	-	-	-	-	68,541	56,126
<b>Net Liability</b>	<b>22,581</b>	<b>18,021</b>	<b>1,428,390</b>	<b>1,203,110</b>	<b>83,698</b>	<b>68,998</b>	<b>41,939</b>	<b>31,121</b>	<b>25,916</b>	<b>8,713</b>	<b>1,602,524</b>	<b>1,329,963</b>

Note 14 contain details of the assumptions made in estimating the figures included in this note.

## 14. PENSIONS LIABILITY

Note 1E of the accounting policies contains details of the CC's participation in the Police Pension Scheme and Local Government Pension Scheme in providing police officers and designated staff with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the CC at 31<sup>st</sup> March 2017 are as follows:

- The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £1,603m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1,603m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.
- 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. The Police Pension Scheme Fund and Local Government Pension Scheme liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, with estimates for the CC being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2016.

The main assumptions used in their calculations are detailed below:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/17	31/03/16	31/03/17	31/03/16
Rate of inflation (RPI)	3.1%	2.9%	3.1%	2.9%
Rate of inflation (CPI)	2.0%	1.8%	2.0%	1.8%
Rate of increase in salaries	3.0%	3.3%	3.0%	3.3%
Rate of increase in pensions	2.0%	1.8%	2.0%	1.8%
Rate for discounting scheme liabilities	2.6%	3.5%	2.0%	3.4%

Mortality Assumptions				
	Local Government Pension Scheme		All Police Pension Schemes	
	Males	Females	Males	Females
Retiring today	22.80	24.90	22.80	25.40
Retiring in 20 years	25.00	27.20	25.00	27.70

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:

	Assets at 31 March 2016		Assets at 31 March 2017		Asset Split as at 31 March 2017	
	£000	%	£000	%	Quoted	Unquoted
Equities	47,651	84.9%	54,833	80.0%	80.0%	0.0%
Gilts	786	1.4%	137	0.2%	0.2%	0.0%
Bonds	898	1.6%	137	0.2%	0.2%	0.0%
Property	3,929	7.0%	4,729	6.9%	0.7%	6.2%
Cash	2,862	5.1%	7,677	11.2%	11.2%	0.0%
Other	0	0.0%	1,028	1.5%	1.1%	0.4%
<b>Total</b>	<b>56,126</b>	<b>100.0%</b>	<b>68,541</b>	<b>100.0%</b>	<b>93.4%</b>	<b>6.6%</b>

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

Analysis of Amount Recognised in Other Comprehensive Income										
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/17 £000	Year to 31/03/16 £000	Year to 31/03/17 £000	Year to 31/03/16 £000	Year to 31/03/17 £000	Year to 31/03/16 £000	Year to 31/03/17 £000	Year to 31/03/16 £000	Year to 31/03/17 £000	Year to 31/03/16 £000
Actual Return Less Expected return on Pension Scheme Assets	10,217	(2,980)	27,424	31,826	0	0	0	0	0	0
Experience Gains and Losses Arising on the Scheme Liabilities	0	0	0	0	0	0	0	0	0	0
Other Experience Gains/(Losses) on Liabilities	0	0	0	0	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(13,407)	5,443	(215,435)	(121,356)	(12,887)	4,114	(9,649)	16,813	(7,434)	684
<b>Actuarial Gain/(Loss) in Pension Plan</b>	<b>(3,190)</b>	<b>2,463</b>	<b>(188,011)</b>	<b>(89,530)</b>	<b>(12,887)</b>	<b>4,114</b>	<b>(9,649)</b>	<b>16,813</b>	<b>(7,434)</b>	<b>684</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0	0	0	0	0
<b>Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income</b>	<b>(3,190)</b>	<b>2,463</b>	<b>(188,011)</b>	<b>(89,530)</b>	<b>(12,887)</b>	<b>4,114</b>	<b>(9,649)</b>	<b>16,813</b>	<b>(7,434)</b>	<b>684</b>
Effect of Change in Accounting Methodology	0	0	0	0	0	0	0	0	0	0

Summary of Costs recognised in Other Comprehensive Income:-

	31/03/17 £000	31/03/16 £000
Local Government Pension Scheme	(3,190)	2,463
1987 Police Pension Scheme	(188,011)	(89,530)
Injury Awards	(12,887)	4,114
2015 Police Pension Scheme	(9,649)	16,813
2015 Police Pension Scheme	(7,434)	684
<b>Total</b>	<b>(221,171)</b>	<b>(65,456)</b>

Asset and Benefit Obligation Reconciliation										
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16 Restated	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Defined Benefit Obligation	74,147	76,267	1,203,110	1,079,986	68,998	71,258	31,121	46,125	8,713	0
Current Service Cost	1,972	1,819	8,406	10,442	1,456	1,592	180	239	6,011	6,299
Interest Cost	2,579	2,427	40,251	33,819	2,313	2,249	1,057	1,477	354	48
Actuarial losses (gains)	13,407	(5,443)	215,435	121,356	12,887	(4,114)	9,649	(16,813)	7,434	(684)
Losses (gains) on curtailments	0	0	0	0	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(1,620)	(1,475)	(41,580)	(45,738)	(1,956)	(1,987)	(147)	0	165	23
Past Service Cost	1	0	0	0	0	0	0	0	0	0
Contribution by Scheme participants	636	552	2,768	3,245	0	0	79	93	3,239	3,027
Additional Employer Contributions	0	0	0	0	0	0	0	0	0	0
Unfunded pension payments	0	0	0	0	0	0	0	0	0	0
<b>Closing Defined Benefit Obligation</b>	<b>91,122</b>	<b>74,147</b>	<b>1,428,390</b>	<b>1,203,110</b>	<b>83,698</b>	<b>68,998</b>	<b>41,939</b>	<b>31,121</b>	<b>25,916</b>	<b>8,713</b>

Opening fair value of Scheme assets	56,126	57,146	0	0	0	0	0	0	0	0
Expected return on Scheme assets	1,969	1,831	0	0	0	0	0	0	0	0
Actuarial gains (losses)	10,217	(2,980)	27,424	31,826	0	0	0	0	0	0
Contributions by employer including unfunded benefits	1,213	1,052	11,388	10,667	1,956	1,987	68	(93)	(3,404)	(3,050)
Contributions by Scheme participants	636	552	2,768	3,245	0	0	79	93	3,239	3,027
Change to Accounting Policies	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(1,620)	(1,475)	(41,580)	(45,738)	(1,956)	(1,987)	(147)	0	165	23
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
<b>Fair Value of Scheme Assets at end of Period</b>	<b>68,541</b>	<b>56,126</b>	<b>0</b>	<b>0</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 Surplus / (Deficit)	(18,021)	(19,121)	(1,203,110)	(1,079,986)	(68,998)	(71,258)	(31,121)	(46,125)	(8,713)	0
Current Service Cost	(1,972)	(1,819)	(8,406)	(10,442)	(1,456)	(1,592)	(180)	(239)	(6,011)	(6,299)
Contributions by employer including unfunded benefits	1,213	1,052	11,388	10,667	1,956	1,987	68	(93)	(3,404)	(3,050)
Contributions by Scheme participants	0	0	0	0	0	0	0	0	0	0
Past Service Costs	(1)	0	0	0	0	0	0	0	0	0
Interest Costs	(2,579)	(2,427)	(40,251)	(33,819)	(2,313)	(2,249)	(1,057)	(1,477)	(354)	(48)
Expected return on Scheme assets	1,969	1,831	0	0	0	0	0	0	0	0
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	0	0	0	0	0	0	0	0	0	0
Actuarial (losses) gains	(3,190)	2,463	(188,011)	(89,530)	(12,887)	4,114	(9,649)	16,813	(7,434)	684
<b>Fair Value of Scheme Assets/ (Liabilities) at end of Period</b>	<b>(22,581)</b>	<b>(18,021)</b>	<b>(1,428,390)</b>	<b>(1,203,110)</b>	<b>(83,698)</b>	<b>(68,998)</b>	<b>(41,939)</b>	<b>(31,121)</b>	<b>(25,916)</b>	<b>(8,713)</b>

Summary Reconciliation of Closing Net Obligation	31/03/17	31/03/16
	£000	£000
Local Government Pension Scheme	(22,581)	(18,021)
1987 Police Pension Scheme	(1,428,390)	(1,203,110)
Injury Awards	(83,698)	(68,998)
2006 Police Pension Scheme	(41,939)	(31,121)
2015 Police Pension Scheme	(25,916)	(8,713)
<b>Total</b>	<b>(1,602,524)</b>	<b>(1,329,963)</b>

Funded LGPS benefits : Cleveland Police	Sensitivity Analysis		
	+0.1% p.a.	Base 16/17	-0.1% p.a.
<b>Discount Rate Assumptions</b>			
Present Value of total obligation (£m's)	88,763	90,746	92,773
% change in present value of total obligation	-2.2%		2.2%
Projected Service cost (£M's)	2,722	2,821	2,933
Approx % change in projected service cost	-3.5%		3.6%
<b>Rate of General increase in Salaries</b>			
Present Value of total obligation (£m's)	-1,219	90,746	90,278
% change in present value of total obligation	0.5%		-0.5%
Projected Service cost (£M's)	2,821	2,821	2,821
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)	92,294	90,746	89,226
% change in present value of total obligation	1.7%		-1.7%
Projected Service cost (£M's)	2,923	2,821	2,722
Approx % change in projected service cost	3.6%		-3.5%
<b>Post retirement mortality assumption</b>			
Present Value of total obligation (£m's)	93,445	90,746	88,064
% change in present value of total obligation	3.0%		-3.0%
Projected Service cost (£M's)	2,925	2,821	2,718
Approx % change in projected service cost	3.7%		-3.7%

Police Pension Schemes : Group	Sensitivity Analysis		
	Group and Cleveland Police		
	+0.1% p.a.	Base 16/17	-0.1% p.a.
<b>1987 Police Pension Scheme:-</b>			
<b>Discount Rate Assumptions</b>			
Present Value of total obligation (£m's)	1,401,380	1,428,390	1,455,921
% change in present value of total obligation	-1.9%		1.9%
Projected Service Costs (£m's)	10,281	11,183	11,554
Approx % Change in Projected Service Cost	-3.2%		3.3%
<b>Rate of General increase in Salaries</b>			
Present Value of total obligation (£m's)	1,434,007	1,428,390	1,422,829
% change in present value of total obligation	0.4%		-0.4%
Projected Service Costs (£m's)	11,324	11,183	11,043
Approx % Change in Projected Service Cost	1.3%		-1.3%
<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)	1,450,243	1,428,390	1,406,882
% change in present value of total obligation	1.5%		-1.5%
Projected Service Costs (£m's)	11,411	11,183	10,959
Approx % Change in Projected Service Cost	2.0%		-2.0%
<b>Post retirement mortality assumption</b>			
Present Value of total obligation (£m's)	1,470,981	1,428,390	-1,386,005
% change in present value of total obligation	3.0%		-3.0%
Projected Service Costs (£m's)	11,603	11,183	10,765
Approx % Change in Projected Service Cost	3.8%		-3.7%
<b>2006 Police Pension Scheme:-</b>			
<b>Discount Rate Assumptions</b>			
Present Value of total obligation (£m's)	40,433	41,939	43,502
% change in present value of total obligation	-3.6%		3.7%
Projected Service Costs (£m's)	251	263	276
Approx % Change in Projected Service Cost	-4.8%		4.9%
<b>Rate of General increase in Salaries</b>			
Present Value of total obligation (£m's)	42,748	41,939	41,147
% change in present value of total obligation	1.9%		-1.9%
Projected Service Costs (£m's)	270	263	256
Approx % Change in Projected Service Cost	2.8%		-2.8%
<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)	42,680	41,939	41,213
% change in present value of total obligation	1.8%		-1.7%
Projected Service Costs (£m's)	268	263	258
Approx % Change in Projected Service Cost	2.1%		-2.0%
<b>Post retirement mortality assumption</b>			
Present Value of total obligation (£m's)	43,190	41,939	40,695
% change in present value of total obligation	3.0%		-3.0%
Projected Service Costs (£m's)	273	263	253
Approx % Change in Projected Service Cost	3.9%		3.9%

<b>Injury Awards :-</b>			
<b>Discount Rate Assumptions</b>			
Present Value of total obligation (£m's)	82,124	83,698	85,303
% change in present value of total obligation	-1.9%		1.9%
Projected Service Costs (£m's)	1,783	1,832	1,882
Approx % Change in Projected Service Cost	-2.7%		2.7%
<b>Rate of General increase in Salaries</b>			
Present Value of total obligation (£m's)	84,096	83,698	83,304
% change in present value of total obligation	0.5%		-0.5%
Projected Service Costs (£m's)	1,853	1,832	1,812
Approx % Change in Projected Service Cost	1.1%		-1.1%
<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)	84,900	83,698	82,513
% change in present value of total obligation	1.4%		-1.4%
Projected Service Costs (£m's)	1,861	1,832	1,803
Approx % Change in Projected Service Cost	1.6%		-1.6%
<b>Post retirement mortality assumption</b>			
Present Value of total obligation (£m's)	86,194	83,698	81,214
% change in present value of total obligation	3.0%		-3.0%
Projected Service Costs (£m's)	1,867	1,832	1,778
Approx % Change in Projected Service Cost	3.0%		-3.0%
<b>2015 Police Pension Scheme :-</b>			
<b>Discount Rate Assumptions</b>			
Present Value of total obligation (£m's)	25,015	25,916	26,849
% change in present value of total obligation	-3.5%		3.6%
Projected Service Costs (£m's)	9,681	10,151	10,638
Approx % Change in Projected Service Cost	-4.8%		4.8%
<b>Rate of General increase in Salaries</b>			
Present Value of total obligation (£m's)	25,916	25,916	25,916
% change in present value of total obligation	0.0%		0.0%
Projected Service Costs (£m's)	10,151	10,151	10,151
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)	26,849	25,916	25,015
% change in present value of total obligation	3.6%		-3.5%
Projected Service Costs (£m's)	10,638	10,151	9,681
Approx % Change in Projected Service Cost	4.8%		-4.6%
<b>Post retirement mortality assumption</b>			
Present Value of total obligation (£m's)	26,689	25,916	25,148
% change in present value of total obligation	3.0%		-3.0%
Projected Service Costs (£m's)	10,554	10,151	9,750
Approx % Change in Projected Service Cost	4.0%		-4.0%

The table below provides details of estimated Pension expenses in future periods:-

	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19
	£000s	£000s	£000s	£000s
<b>Funded: -</b>				
Service cost	23,429	24,132	2,821	2,906
Net Interest cost	40,588	41,708	560	612
<b>Total</b>	<b>64,017</b>	<b>65,840</b>	<b>3,381</b>	<b>3,518</b>

	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19
	£000s	£000s	£000s	£000s
<b>UnFunded :-</b>				
Service cost	-	-	9	9
Net Interest cost	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>9</b>

## 15. UNUSABLE RESERVES

Description of Reserve	31 March 2015 £000	Additions in Year £000	Reductions in Year £000	31 March 2016 £000	Additions in Year £000	Reductions in Year £000	31 March 2017 £000
Pension Reserve	1,216,490	(12,394)	125,867	1,329,963	(13,190)	285,751	1,602,524
<b>Total Unusable Reserves</b>	<b>1,216,490</b>	<b>(12,394)</b>	<b>125,867</b>	<b>1,329,963</b>	<b>(13,190)</b>	<b>285,751</b>	<b>1,602,524</b>

**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. Further information can be found in Note 13 : Pensions.

## 16. ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS

The Cleveland Police Force has four strategic collaborative arrangements that are classified as Joint Operations under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

They are:

1. Cleveland Durham Special Operations Unit (CDSOU)
2. Cleveland Durham North Yorkshire Integrated Dog Support Unit
3. North East Regional Special Operations Unit (NERSOU)
4. Cleveland North Yorkshire Major Incident Team (CNYMIT)

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 2016/17 as required under the Section 22A agreement. 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 2016/17 £000's</b>	<b>Cleveland 2016/17 £000's</b>
<b>Road Policing</b>				
Employees Costs	8,919	50%	4,460	4,460
Non Pay Costs	733	50%	367	367
Income	(179)	50%	(89)	(89)
	9,474		4,737	4,737
<b>Tactical Training Unit</b>				
Employees Costs	736	50%	368	368
Non Pay Costs	1,074	50%	537	537
Income	(39)	50%	(20)	(20)
	1,771		886	886
<b>Total Unit Costs</b>	11,245	-	5,622	5,622
<b>Reserve as 31st March</b>	<b>Total Reserves</b>			
Road Policing	-	50%	-	-
Tactical Training Unit	162	50%	81	81
	162		81	81

<b>Cleveland and Durham Specialist Operations Unit</b>				
	<b>Total Costs £000's</b>	<b>Apportionment</b>	<b>Durham 2015/16 £000's</b>	<b>Cleveland 2015/16 £000's</b>
<b>Road Policing</b>				
Employees Costs	10,945	50%	5,473	5,473
Non Pay Costs	824	50%	412	412
Income	(134)	50%	(67)	(67)
	11,635		5,817	5,817
<b>Tactical Training Unit</b>				
Employees Costs	714	50%	357	357
Non Pay Costs	1,078	50%	539	539
Income	(29)	50%	(15)	(15)
	1,762		881	881
<b>Total Unit Costs</b>	13,397	-	6,699	6,699
<b>Reserve as 31st March</b>	<b>Total Reserves</b>			
Road Policing	-	50%	-	-
Tactical Training Unit	162	50%	81	81
	162		81	81

## 2 Cleveland Durham North Yorkshire Integrated Dog Support Unit

The Integrated Dog Support Unit is staffed by Cleveland, North Yorkshire and Durham Police Forces to provide an efficient and effective dog support function.

It formed part of the Evolve programme and commenced in August 2016.

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. The Force allocation is borne in proportion to Net Revenue Expenditure (NRE) irrespective of how much each force makes use of the service. For the financial period April 2016 to March 2017 the funding contributions made were Cleveland 33.02%, Durham 30.12% and North Yorkshire 36.86%.

Cleveland Durham North Yorkshire Integrated Dog Support Unit operates across the Durham, North Yorkshire and the Cleveland Force boundaries.

The statement below highlights the income and expenditure for the financial year 2016/17 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

<b>Joint Dog Unit with Durham (period 1st April to 31st July)</b>				
	<b>Total Costs £000's</b>	<b>Apportionment</b>	<b>Durham 2016/17 £000's</b>	<b>Cleveland 2016/17 £000's</b>
Employees Costs	597	50%	299	299
Non Pay Costs	41	50%	21	21
Income	-	50%	-	-
<b>Total Unit Costs</b>	<b>638</b>		<b>319</b>	<b>319</b>
<b>Reserve as 31st March</b>	<b>Total Reserves</b>			
Road Policing	-	50%	-	-
Tactical Training Unit	-	50%	-	-
	-		-	-

<b>Three Force Integrated Dog Unit (period 1st August to 31st March)</b>				
	<b>Total Costs Apportionment £000's</b>	<b>Durham 2016/17 30.12% £000's</b>	<b>Cleveland 2016/17 33.02% £000's</b>	<b>North Yorkshire 2015/16 36.86% £000's</b>
Employees Costs	1,653	498	546	609
Non Pay Costs	158	48	52	58
Income	-	-	-	-
<b>Total Unit Costs</b>	<b>1,811</b>	<b>545</b>	<b>598</b>	<b>668</b>
<b>Reserve as 31st March</b>	<b>Total Reserves</b>			
Road Policing	-	-	-	-
Tactical Training Unit	-	-	-	-
	-	-	-	-

### **3 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 2016 to March 2017 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 and those purchased through specific Home Office grants. These are currently valued at £184K (NBV) of which Cleveland's share is valued at £79K. The unit has reserves of £691K of which Cleveland's share is £153K (Prior year £2K).

NERSOU operates throughout the North East region.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2016/17 as required under the Section 22A agreement.

Durham Constabulary has acted as the lead force on behalf of the collaboration in acquiring a new building in which to relocate the NERSOU operations. The Building was acquired on the 31<sup>st</sup> March 2017. Each Force has recorded its share of the asset on its asset register as a non-operational asset. Cleveland share of the asset is £729K. Cleveland's share of the asset was funded by Home Office grants and a contribution of £400K. The total cost of the acquisition was £2.917m.

North East Regional Special Operations Unit				
	Apportionment Total Costs	Durham 2016/17 20.90% £000's	Cleveland 2016/17 22.10% £000's	Northumbria 2016/17 57.00% £000's
Employees Costs	6,360	1,329	1,406	3,626
Non Pay Costs	948	198	210	540
Income	(1,221)	(255)	(270)	(696)
	6,087	1,272	1,345	3,470
<b>Contributions / Reserve</b>				
Durham	1,414	1,414		
Cleveland	1,496		1,496	
Northumbria	3,858			3,858
<b>Reserve movements</b>	(681)	(142)	(151)	(388)
	6,087	1,272	1,345	3,470
<b>Reserve as 31st March</b>	691	144	153	394

North East Regional Special Operations Unit				
	Apportionment Total Costs	Durham 2015/16 20.90% £000's	Cleveland 2015/16 22.10% £000's	Northumbria 2015/16 57.00% £000's
Employees Costs	5,292	1,106	1,169	3,017
Non Pay Costs	665	139	147	379
Income	(1,022)	(214)	(225)	(583)
	4,935	1,031	1,091	2,813
<b>Contributions / Reserve</b>				
Durham	950	950		
Cleveland	1,004		1,004	
Northumbria	2,590			2,590
<b>Reserve movements</b>	391	81	87	223
	4,935	1,031	1,091	2,813
<b>Reserve as 31st March</b>	9	2	2	5

#### 4 Cleveland North Yorkshire Major Incident Team (CNYMIT)

The CNYMIT is staffed by Cleveland and North Yorkshire Police Forces to provide a joint major incident team. It provides an opportunity for exploiting and maximising economies of scale whilst at the same time providing the resilience both forces require in terms of managing and supporting major incidents.

It formed part of the Evolve programme and commenced in November 2016.

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 two Forces have equal voting rights in terms of decision made about the unit. The Force allocation is borne in proportion to Net Revenue Expenditure (NRE) and demand and for the financial period April 2016 to March 2017 the funding contributions made were Cleveland 51.5% and North Yorkshire 48.5%.

CNYMIT operates across the North Yorkshire and the Cleveland Force boundaries.

The statement below highlights the income and expenditure for the financial year 2016/17 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

<b>Cleveland and North Yorkshire Major Incident Team</b>			
	<b>Apportionment Total Costs</b>	<b>Cleveland 2016/17 51.50% £000's</b>	<b>North Yorkshire 2016/17 48.50% £000's</b>
Employees Costs	1,227	632	595
Non Pay Costs	30	16	14
Income	-	-	-
	<b>1,257</b>	<b>648</b>	<b>609</b>
<b>Contributions</b>			
Cleveland		648	
North Yorkshire			609
	<b>1,257</b>	<b>648</b>	<b>609</b>

## **17. CONTINGENT LIABILITIES / ASSETS**

### **Contingent Liabilities**

#### **Police Pension Scheme 2015 Leigh Day Police Pension Challenge**

The Chief Constable of Cleveland Police, along with other Chief Constables and the Home Office, currently has 48 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful.

Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

#### **Guaranteed Minimum Pension**

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. At present there is an inequality of benefits between male and female members who have GMP.

Although the Government intends that GMP should be equalised, at present it is not clear how this equalisation will be implemented. In July 2014 the Government stated an intention to develop fully considered proposals and to publish guidance when this work is completed, but no target date was given.

Until it is known how GMP equalisation will be carried out, the impact of allowing for it on liabilities is uncertain. As such, the potential increase in benefits is a contingent liability. No specific allowance has been made in the pension figures disclosed in these accounts.

It is anticipated that the Home Office would fund any liability that may arise should this contingent liability materialise.

## **18. POST BALANCE SHEET EVENT**

There are no post balance sheet events to report.

## **19. AUTHORISATION OF ACCOUNTS**

The Chief Finance Officer of the Chief Constable for Cleveland Police has set and authorised the date of issue for the Statement of Accounts as the (PUT SAME DATE AS OPCC) xxth September 2017. This is the date up to which events after the Balance Sheet date have been considered.

# POLICE PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

PENSION FUND ACCOUNT	2016/2017 £000	2015/2016 £000
<b>Contributions Receivable</b>		
From Employer		
Normal	(11,016)	(9,829)
Capital contribution due to Ill Health Early Retirement	(372)	(838)
From Members	(6,257)	(6,364)
<b>Transfers In</b>		
Individual Transfers in from Other Schemes	(362)	(499)
<b>Benefits Payable</b>		
Pensions	33,858	32,866
Commutations and Lump Sum Retirement Benefits	7,838	7,914
Lump Sum death benefits	0	73
Ill Health Lump Sum Benefits	544	1,137
<b>Payments to and on Account of Leavers</b>		
Refunds of Contributions	12	0
Inter Authority Adjustments	107	211
Individual Transfers out to Other Schemes	0	559
<b>Sub-Total for the year before transfer from the PCC to fund the deficit for the year</b>	24,352	25,230
<b>Additional funding payable by the PCC to fund the deficit for the year</b>	(24,352)	(25,230)
<b>Net Amount Payable/Receivable for the Year</b>	0	0

NET ASSETS STATEMENT	31st March 2017 £000	31st March 2016 £000
<b>Current Assets</b>		
Debtors:-		
Other Local Authorities	420	290
Bodies External to General Government	311	217
<b>Total Current Assets</b>	731	507
<b>Long Term Assets</b>		
Bodies External to General Government	0	0
<b>Total Long Term Assets</b>	0	0
<b>Current Liabilities</b>		
Creditors :-		
Other Local Authorities	420	290
Bodies External to General Government	311	217
<b>Total Current Liabilities</b>	731	507
<b>Long Term Liabilities</b>		
Bodies External to General Government	0	0
<b>Total Long Term Liabilities</b>	0	0
<b>Net Assets</b>	0	0



## Notes to the Pension Fund

The Pension Fund Accounts have been prepared in accordance with the Code of Practice 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 (21.3%) 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 (21.3%) 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 13 and 14 of the main statements.

## **GLOSSARY OF TERMS**

This Glossary of Terms is designed to aid interpretation of the CC's 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.

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

**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.

**CASH FLOW STATEMENT:** This summarises the cash receipts and payments 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.

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

**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.

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

**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.

**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.

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

**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.

**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 after 1 April.

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

**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.

**RESERVES:** Monies set aside 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.

**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.

**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.