Appendix 2

Chief Constable of Cleveland

STATEMENT OF ACCOUNTS – 2015/16

CONTENTS

CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE INTRODUCTION 3
1. CHANGES TO ACCOUNTING POLICIES 3
2. FURTHER INFORMATION 3

STATEMENT OF RESPONSIBILITIES 4

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CLEVELAND 5

NARRATIVE STATEMENT (PERFORMANCE/FINANCIAL REVIEW) 6
1. INTRODUCTION 6
2. THE STATEMENT OF ACCOUNTS 6
3. THE CHIEF CONSTABLE FOR CLEVELAND REVENUE POSITION 8
4. CAPITAL 9
5. PENSIONS 9
6. CHANGE FROM 2014/15 POSITION 9
7. NON FINANCIAL PERFORMANCE DATA 9
8. EVENTS AFTER THE REPORTING PERIOD 11

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2016 12

MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2016 13

MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2015 13

BALANCE SHEET AT 31st MARCH 2016 14

CASHFLOW STATEMENT 2015/16 15

NOTES TO THE CORE FINANCIAL STATEMENTS 16
1. ACCOUNTING POLICIES 16
A) OVERHEADS AND SUPPORT SERVICES 16
B) VALUE ADDED TAX 16
C) EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS 16
D) REVENUE RECOGNITION 16
E) PENSIONS 16
F) RESERVES 17
G) POST BALANCE SHEET EVENTS 17
H) CONTINGENT LIABILITIES 17
I) CONTINGENT ASSETS 17
J) JOINT CONTROLLED OPERATIONS 17
2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED 18
3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES 18
4. ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY 18
5. MATERIAL ITEMS OF INCOME AND EXPENSE 18
6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS 18
7. FINANCING AND INVESTMENT INCOME & EXPENDITURE 20
8. OFFICERS' EMOLUMENTS 20
9. TERMINATION BENEFITS 22

DRAFT SUBJECT TO AUDIT

10. RELATED PARTIES 22
11. AUDIT COSTS 22
12. PENSIONS 22
13. PENSIONS LIABILITY 24
14. UNUSABLE RESERVES 29
15. ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS 29
16. CONTINGENT LIABILITIES / ASSETS 31
17. POST BALANCE SHEET EVENT 33
18. AUTHORISATION OF ACCOUNTS 33

POLICE PENSION FUND 34

GLOSSARY OF TERMS 37

DRAFT SUBJECT TO AUDIT

CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE INTRODUCTION

1. CHANGES TO ACCOUNTING POLICIES

There are no changes to accounting policies for the accounting period 2015/2016.

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 of the Chief Constable at Cleveland Police, Shared Service Centre, Ash House, III Acres, Princeton Drive, Thornaby, Stockton on Tees TS17 6AJ

Graeme Slaughter FCMA
CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE

DRAFT SUBJECT TO AUDIT

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 2016.

Signature:

Date:

Graeme Slaughter FCMA
Chief Finance Officer of the Chief Constable

Signature:

Date:

Iain Spittal
Temporary Chief Constable for Cleveland Police

DRAFT SUBJECT TO AUDIT

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CLEVELAND

Opinion To Follow

DRAFT SUBJECT TO AUDIT

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 her. A scheme of consent is in operation between the two determining their respective responsibilities.

On the 1st 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 2015/16 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 2016 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 2015/16.

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.

DRAFT SUBJECT TO AUDIT

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 2015/16 (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 31st March 2016. 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.

DRAFT SUBJECT TO AUDIT

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 Chief Constable:-

	Original 2015/16 Budget	Revised 2015/16 Budget	Year End 2015/16 Position	Outturn
Police Force Planned Expenditure	£000s	£000s	£000s	£000s
Police Pay	67,133	67,100	66,296	(804)
Police Overtime	1,582	1,913	2,051	138
Police Community Support Officer Pay	3,770	3,770	3,635	(135)
Staff Pay	6,740	7,001	7,268	267
Non-Pay	37,980	41,185	41,789	604
Total Planned Expenditure	**117,205**	**120,969**	**121,039**	**70**

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

	£000's
Total Comprehensive Income and Expenditure	**113,473**
Actuarial Gains / /loss on Pension Schemes:-	
Local Government Pension Scheme	2,463
Police Pension 1987	(89,530)
Injury Awards	4,114
Police Pension 2006	16,813
Police Pension 2015	684
(Surplus) or Deficit on Provision of Service	**48,017**
Net change in Pension Liability	(58,580)
Employers Pension Contributions	10,563
Additional Resources Provide by OPCC	70
Outturn	**70**

From Table 1 it can be seen that the overall position for the Force as at the 31st March 2016 was that of a slight overspend £70k. Overall this represents a total overspend of 0.06% against the 2015/16 revenue budget. This is set against several years of underspend (1.7% 2014/15). The marginal overspend was due to the costs of investigating the unprecedented number of homicides in March 2016.

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 2015/16). 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 2015/16 and 2014/15 financial years against its available workforce as at the 31st March 2016 and the 31st March 2015.

	Budgeted Establishment 2015/16	Available Workforce as at 31/3/16	Variance to Budget 2015/16	Budgeted Establishment 2014/15	Available Workforce as at 31/3/15	Variance to Budget 2014/15
Police Officers (FTE)	1,351	1,270	(81)	1,378	1,333	(45)
Police Staff (FTE)	340	341	1	329	317	(12)
Total	**1,691**	**1,611**	**(80)**	**1,707**	**1,650**	**(57)**

4. CAPITAL

The Force also receives an annual capital budget and for the 2015/16 financial year this equated to £5,189k. The force did not spend all of its capital allocation largely due to four ICT projects being delayed and falling into the first quarter of 2016/17. The amount of underspend against the capital budget was £1,638k (£1,945k underspend 2014/15).

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 ISA19. 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 £1,330m is recorded in the Balance sheet of the CC.

In 2015/16 the Home Office implemented a new Police Officer pension scheme for all new entrants and existing Officers dependant on level of service.

6. CHANGE FROM 2014/15 POSITION

The 2015/16 statements highlight the following areas of change from the 2014/15 position:

Comprehensive Income & Expenditure Statement

Net Cost of Services (NCOS) has decreased by £1.334m. This is largely due to the year on year reduction in the IAS 19 costs included within the NCOS.

Balance Sheet

The increase in the Balance sheet of £114m reflects the increased Pension liability as reported by the actuary.

7. NON FINANCIAL PERFORMANCE DATA

Cleveland Police Force has undergone some major changes in terms of how it functions and how it reports its performance during the financial year 2015/16.

One such change is the introduction of the force's Balanced Score Card. This performance tool 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.

DRAFT SUBJECT TO AUDIT

The Force's core objective for the financial year 2015/16 was:

- Making our communities safer, helping them to be stronger

The scorecard illustrates:

- Overall Public Confidence and Perceptions of Police Performance
- Victim Satisfaction
- Stop and Search
- 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 public confidence is at 72% set against 74% in the previous year. This 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 58% 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 63%.

It should be noted that the Crime Survey for England and Wales is for a calendar year and does not match the financial years. Therefore the data for 2015/16 financial year related to the period January 2015 to December 2015 and for the financial year 2014/15 the data related to the period January 2014 to December 2014.

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 2015/16 has remained at the same level as 2014/15, 79%. This figure is taken from data relating to the period April 2015 through to March 2016.

Further work is being carried out by the force throughout 2016/17 to increase this overall level of satisfaction with areas such as the length of time taken to resolve a case, regularised feedback to the victims in relation to their case and delay in police attendance being particularly reviewed.

Stop and Search

During 2015/16 there has been significant training in this area and the use of 'stop and search' is being improved upon by using intelligence to direct operational activity. The quality of 'stop and search' is being monitored with 78% being stopped with sufficient grounds (data based on 7 months to March 2016) and 25% of the stop and searches now leading to an arrest.

Due to changes in the way that 'stop and search' data is collected, historical comparisons are currently unavailable.

Anti-Social Behaviour Incidents (ASB)

Over the last 12 months the Force has received 42,837 reports of ASB (43,729 in 2014/15). Nuisance behaviour continues to account for almost two thirds of the ASB although the force is starting to see this area of ASB reduce in number. Conversely incidents classed as 'personal' ASB have increased by 22%. This increase can be linked to our ability to correctly identify vulnerable victims and those incidents associated with a higher level of threat, risk and harm.

DRAFT SUBJECT TO AUDIT

8. EVENTS AFTER THE REPORTING PERIOD

No adjusting post balance sheet events have been identified for the period accounting period 2015/16.

DRAFT SUBJECT TO AUDIT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2016

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.

	2015/2016			2014/2015		
DETAIL	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Local Policing	68,311	0	68,311	70,573	0	70,573
Dealing with the Public	5,436	0	5,436	5,388	0	5,388
Criminal Justice Arrangements	10,951	0	10,951	10,441	0	10,441
Road Policing	3,877	0	3,877	4,628	0	4,628
Specialist Operations	8,779	0	8,779	9,128	0	9,128
Intelligence	10,759	0	10,759	10,868	0	10,868
Specialist Investigation	22,685	0	22,685	20,926	0	20,926
Investigative Support	3,025	0	3,025	2,990	0	2,990
National Policing	2,992	0	2,992	3,658	0	3,658
Undistributed Costs	22	0	22	125	0	125
Net Cost of Services before funding	**136,837**	**0**	**136,837**	**138,725**	**0**	**138,725**
Intra Group Funding	**0**	**127,009**	**(127,009)**	**0**	**127,563**	**(127,563)**
Net Cost of Services	**136,837**	**127,009**	**9,828**	**138,725**	**127,563**	**11,162**
Financing & Investment income and Expenditure (note			38,189			45,851
(Surplus) or Deficit on Provision of Service			**48,017**			**57,013**
Re-measurements of the defined benefit liability (Note			65,456			71,663
Other Comprehensive Income and Expenditure			**65,456**			**71,663**
Total Comprehensive Income and Expenditure			**113,473**			**128,676**

DRAFT SUBJECT TO AUDIT

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

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 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**

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Balance at 31st March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**1,074,314**	**1,074,314**
(Surplus) or deficit on provision of services (accounting basis)	57,013	0	0	0	0	**57,013**	0	**57,013**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**85,163**	**85,163**
Total Comprehensive Expenditure and Income	**57,013**	**0**	**0**	**0**	**0**	**57,013**	**85,163**	**142,176**
Total Adjustments between accounting basis & funding basis under regulations	**(57,013)**	**0**	**0**	**0**	**0**	**(57,013)**	**57,013**	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**0**	**0**	**0**	**0**	**0**	**0**	**142,176**	**142,176**
Total Transfers to/from Reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(Increase) / Decrease in Year	**0**	**0**	**0**	**0**	**0**	**0**	**142,176**	**142,176**
Balance at 31 March 2015	**0**	**0**	**0**	**0**	**0**	**0**	**1,216,490**	**1,216,490**

DRAFT SUBJECT TO AUDIT

BALANCE SHEET AT 31st MARCH 2016

The Balance Sheet shows the value of the assets and liabilities as at 31st March 2016. 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 2016 £000	31 March 2015 £000
Property, Plant and Equipment		-	-
Investment Property		-	-
Intangible Assets		-	-
Long Term Investments		-	-
Long Term Debtors		-	-
Total Long Term Assets		-	-
Current Assets			
Short Term Investments		-	-
Assets Held for Sale		-	-
Inventories		-	-
Short Term Debtors		-	-
Cash and Cash Equivalents		-	-
Total Current Assets		**-**	**-**
Total Assets		**-**	**-**
Current Liabilities			
Cash and Cash Equivalents		-	-
Short Term Borrowing		-	-
Short Term Creditors		-	-
Provisions		-	-
Total Current Liabilities		**-**	**-**
Long Term Creditors		-	-
Provisions		-	-
Long Term Borrowing		-	-
Other Long Term Liabilities : PFI		-	-
Pensions Liability	12	(1,329,963)	(1,216,490)
Total Long Term Liabilities		**(1,329,963)**	**(1,216,490)**
Total Liabilities		**(1,329,963)**	**(1,216,490)**
Net Assets		**(1,329,963)**	**(1,216,490)**
Usable Reserves		-	-
Unusable Reserves	14	1,329,963	1,216,490
Total Reserves		**1,329,963**	**1,216,490**

DRAFT SUBJECT TO AUDIT

CASHFLOW STATEMENT 2015/16

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.

	2015/2016 £000	2014/2015 £000
OPERATING ACTIVITIES		
Cash Outflows	-	-
Cash Inflows	-	-
Operating Activities Net Cash Flow	**-**	**-**
INVESTING ACTIVITIES		
Returns on Investments and Servicing of Finance		
Capital Activities	-	-
Investing Activities Net Cash Flow	**-**	**-**
Net Cash Outflow/(Inflow) before financing	**-**	**-**
FINANCING ACTIVITIES		
Management of Liquid Resources		
Financing		
Financing Activities Net Cash Flow	**-**	**-**
Net (Increase)/Decrease in cash	**-**	**-**
Cash brought forward		
Cash carried forward		
Net (Increase)/Decrease in cash	**-**	**-**

DRAFT SUBJECT TO AUDIT

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 2015/16 (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 2015/16.

C) EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional and Extraordinary items, of which the Chief Constable has none in 2015/16, 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.

DRAFT SUBJECT TO AUDIT

- 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 15 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.

DRAFT SUBJECT TO AUDIT

2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31st March 2016 but not adopted:-

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions);
- Annual Improvements to IFRS' 2010 – 2012 and 2012 -2014 Cycles
- Amendments to IFRS 11 Joint Arrangements (accounting for Acquisitions of Interests in Joint operations)
- Amendments to IAS 16 and Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification on acceptable methods of depreciation and amortisation)
- Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
- The Changes to the format of the Pension Fund Account and the Net Assets Statement

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING 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.

4. 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:12 Pension Liability. The overall pension liability at the 31st March 2016 is £1.330m.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

DRAFT SUBJECT TO AUDIT

FOR THE YEAR ENDED 31ST MARCH 2016

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplie Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total CC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
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
	(58,580)	**0**	**0**	**0**	**0**	**(58,580)**	**58,580**	**0**
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
	10,563	**0**	**0**	**0**	**0**	**10,563**	**(10,563)**	**0**
Voluntary revenue provision for repayment of debt	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Adjustments between accounting basis & funding basis under regulations	**(48,017)**	**0**	**0**	**0**	**0**	**(48,017)**	**48,017**	**0**

FOR THE YEAR ENDED 31ST MARCH 2015

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total CC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(71,407)	0	0	0	0	(71,407)	71,407	0
	(71,407)	**0**	**0**	**0**	**0**	**(71,407)**	**71,407**	**0**
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	14,394	0	0	0	0	14,394	(14,394)	0
	14,394	**0**	**0**	**0**	**0**	**14,394**	**(14,394)**	**0**
Voluntary revenue provision for repayment of debt	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Adjustments between accounting basis & funding basis under regulations	**(57,013)**	**0**	**0**	**0**	**0**	**(57,013)**	**57,013**	**0**

DRAFT SUBJECT TO AUDIT

7. FINANCING AND INVESTMENT INCOME & EXPENDITURE

	2015/2016 £000	2014/2015 £000
Interest payable and similar charges	0	0
Pension interest cost & expected return on pension assets	38,189	45,851
Interest receivable and similar income	0	0
Total Finance and Investment Income and Expenditure	**38,189**	**45,851**

8. OFFICERS' EMOLUMENTS

During the financial year 2015/16, 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:

	Number of Employee 2015/16			
Remuneration Band	**Police Officers**	**Support Staff**	**Total**	**2014/2015**
£50,000 - £54,999	0	0	0	0
£55,000 - £59,999	0	0	0	0
£60,000 - £64,999	0	0	0	1
£65,000 - £69,999	0	2	2	2
£70,000 - £74,999	0	1	1	2
£75,000 - £79,999	0	0	0	1
£80,000 - £84,999	2	0	2	3
£85,000 - £89,999	3	0	3	3
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	0	1	1	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	2	0	2	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	2	0	2	1
£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	1
Total	**9**	**4**	**13**	**14**

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:

DRAFT SUBJECT TO AUDIT

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 - Iain 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.

Remuneration Disclosure 2014/15:

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

Notes:-

1) During financial year 2014/15 the CC Cheer was seconded to College of Policing from 5/1/15-13/3/15 to run the National Senior Command Course. The College of Policing was recharged £30,853.93 for her services.

2) During the period of secondment of the CC Cheer, DCC Spittal acted up as CC and ACC Nickless acted up as DCC.

DCC = Deputy Chief Constable
ACC = Assistant Chief Constable
CFO (CC) = Chief Finance Officer of the Chief Constable

DRAFT SUBJECT TO AUDIT

9. TERMINATION BENEFITS

In the financial year there were no termination benefits were paid.

10. 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.

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.

11. AUDIT COSTS

In 2015/16 the Chief Constable incurred the following fees totalling £15k relating to external audit:

	2015/2016 £000	2014/2015 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	15	20
Refund on Prior year audit fees	0	(2)
Total Audit Costs	**15**	**18**

12. 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.

DRAFT SUBJECT TO AUDIT

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**	
	2015/2016 £000	**2014/2015 £000**	**2015/2016 £000**	**2014/2015 £000**	**2015/2016 £000**	**2014/2015 £000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	1,819	1,509	18,572	23,987	20,391	25,496
Curtailment/settlements	-	-	-	-	-	-
Past service cost	-	60	-	-	-	60
Change to accounting policies	-	-	-	-	-	-
Financing and Investment Income and Expenditure						
Interest cost	2,427	2,813	37,593	45,293	40,020	48,106
Expected return on assets	(1,831)	(2,255)	-	-	(1,831)	(2,255)
Other investment Income	-	-	-	-	-	-
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	**2,415**	**2,127**	**56,165**	**69,280**	**58,580**	**71,407**
Other post employment Benefit Charged to the CIES						
Return on Plans asest	-	(2,620)	-	-	-	(2,620)
Actuarial (gains) /losses : Financial Asumptions	-	7,680	(44,222)	95,823	(44,222)	103,503
Actuarial (gains) /losses: Demographic assupmtions	-	-	(12,245)	-	(12,245)	-
Actuarial (gains) /losses : liabilty experience	-	(443)	156,035	(8,172)	156,035	(8,615)
Total Post employment Beneifit Charged to the CIES	**2,415**	**6,744**	**155,733**	**156,931**	**158,148**	**163,675**
Movement in Reserves Statement:						
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(2,415)	(2,127)	(56,165)	(69,280)	(58,580)	(71,407)
Actual amount charged against General fund balances for pensions in the year:						
Contribution in year	1,052	1,124	9,511	13,271	10,563	14,395
Unfunded Pension Payments	-	-	-	-	-	-

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

DRAFT SUBJECT TO AUDIT

	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme		Total	
	31/03/16	31/03/15	31/03/16	31/03/15	31/03/16	31/03/15	31/03/16	31/03/15	31/03/16	31/03/15	31/03/16	31/03/15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance Actuarial Loss Adjustment 1st April 2013				4,228							-	4,228
Estimated funded liabilities in scheme	73,769	75,859	-	-			-	-			73,769	75,859
Estimated unfunded liabilities in scheme	378	408	1,203,110	1,075,758	68,998	71,258	31,121	46,125	8,713	-	1,312,320	1,193,549
Estimated assets in scheme	56,126	57,146	-	-	-		-	-			56,126	57,146
Net Liability	**18,021**	**19,121**	**1,203,110**	**1,079,986**	**68,998**	**71,258**	**31,121**	**46,125**	**8,713**	**-**	**1,329,963**	**1,216,490**

Note 13 contain details of the assumptions made in estimating the figures included in this note.

13. 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 31st March 2016 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 £1.330m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1.330m. 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 31st March 2016.

The main assumptions used in their calculations are detailed below:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/16	31/03/15	31/03/16	31/03/15
Rate of inflation (RPI)	2.9%	2.9%	2.9%	2.9%
Rate of inflation (CPI)	1.8%	1.8%	1.8%	1.8%
Rate of increase in salaries	3.3%	3.3%	3.3%	3.3%
Rate of increase in pensions	1.8%	1.8%	1.8%	1.8%
Rate for discounting scheme liabilities	3.5%	3.2%	3.4%	3.2%

Mortality Assumptions						
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Males	Females	Males	Females	Males	Females
Retiring today	23.10	25.60	22.80	25.30	22.80	25.30
Retiring in 20 years	25.30	28.00	24.90	27.60	24.90	27.60

DRAFT SUBJECT TO AUDIT

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 2015		Assets at 31 March 2016		Asset Split as at 31 March 2016	
	£000	%	£000	%	Quoted	Unquoted
Equities	48,003	84.0%	47,651	84.9%	84.4%	0.5%
Gilts	971	1.7%	786	1.4%	1.4%	0.0%
Bonds	1,943	3.4%	898	1.6%	1.6%	0.0%
Property	3,657	6.4%	3,929	7.0%	0.9%	6.1%
Cash	1,429	2.5%	2,862	5.1%	5.1%	0.0%
Other	1,143	2.0%	0	0.0%	0.0%	0.0%
Total	**57,146**	**100.0%**	**56,126**	**100.0%**	**93.4%**	**6.6%**

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

	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 £000
Actual Return Less Expected return on Pension Scheme Assets	(2,980)	2,620	31,826	20,605	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	5,443	(7,237)	(121,356)	(76,237)	4,114	(5,255)	16,813	(6,159)	684	0
Actuarial Gain/(Loss) in Pension Plan	**2,463**	**(4,617)**	**(89,530)**	**(55,632)**	**4,114**	**(5,255)**	**16,813**	**(6,159)**	**684**	**0**
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
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	**2,463**	**(4,617)**	**(89,530)**	**(55,632)**	**4,114**	**(5,255)**	**16,813**	**(6,159)**	**684**	**0**
Effect of Change in Accounting Methodology	0	0	0	0			0	0	0	0

DRAFT SUBJECT TO AUDIT

Summary of Costs recognised in Other Comprehensive Income:-

	31/03/16
Local Government Pension Scheme	2,463
1987 Police Pension Scheme	(89,530)
Injury Awards	4,114
2015 Police Pension Scheme	16,813
2015 Police Pension Scheme	684
Total	**(65,456)**

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 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 Restated £000	Year to 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 £000	Year to 31/03/16 £000	Year to 31/03/15 £000
Opening Balance Actuarial Loss Adjustment 1st April 2013	0	0	0	0	0	0	0	0	0	0
Opening Defined Benefit Obligation	76,267	66,092	1,079,986	975,441	71,258	63,140	46,125	35,732	0	0
Current Service Cost	1,819	1,509	10,442	20,039	1,592	2,137	239	1,811	6,299	0
Interest Cost	2,427	2,813	33,819	41,064	2,249	2,674	1,477	1,555	48	0
Actuarial losses (gains)	(5,443)	7,237	121,356	76,237	(4,114)	5,255	(16,813)	6,159	(684)	
Losses (gains) on curtailments	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	(1,475)	(1,998)	(45,738)	(38,604)	(1,987)	(1,948)	0	7	23	0
Past Service Cost	0	60	0	0	0	0	0	0	0	0
Contribution by Scheme participants	552	554	3,245	5,809	0	0	93	861	3,027	0
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
Closing Defined Benefit Obligation	**74,147**	**76,267**	**1,203,110**	**1,079,986**	**68,998**	**71,258**	**31,121**	**46,125**	**8,713**	**0**
Opening fair value of Scheme assets	57,146	52,591	0	0	0	0	0	0	0	0
Expected return on Scheme assets	1,831	2,255	0	0	0	0	0	0	0	0
Actuarial gains (losses)	(2,980)	2,620	31,826	20,605	0	0	0	0	0	0
Contributions by employer including unfunded benefits	1,052	1,124	10,667	12,190	1,987	1,948	(93)	(868)	(3,050)	0
Contributions by Scheme participants	552	554	3,245	5,809	0	0	93	861	3,027	0
Change to Accounting Policies	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(1,475)	(1,998)	(45,738)	(38,604)	(1,987)	(1,948)	0	7	23	0
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
Fair Value of Scheme Assets at end of Period	**56,126**	**57,146**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Reconcilation of Opening and Closing Net Obligation

Opening Balance Adjustment 1st April 2013	0	0	0	0	0	0	0	0	0	0
Opening Surplus / (Deficit)	(19,121)	(13,501)	(1,079,986)	(975,441)	(71,258)	(63,140)	(46,125)	(35,732)	0	0
Current Service Cost	(1,819)	(1,509)	(10,442)	(20,039)	(1,592)	(2,137)	(239)	(1,811)	(6,299)	0
Contributions by employer including unfunded benefits	1,052	1,124	10,667	12,190	1,987	1,948	(93)	(868)	(3,050)	0
Contributions by Scheme participants	0	0	0	0	0	0	0	0	0	0
Past Service Costs	0	(60)	0	0	0	0	0	0	0	0
Interest Costs	(2,427)	(2,813)	(33,819)	(41,064)	(2,249)	(2,674)	(1,477)	(1,555)	(48)	0
Expected return on Scheme assets	1,831	2,255	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	2,463	(4,617)	(89,530)	(55,632)	4,114	(5,255)	16,813	(6,159)	684	0
Fair Value of Scheme Assets/ (Liabilities) at end of Period	**(18,021)**	**(19,121)**	**(1,203,110)**	**(1,079,986)**	**(68,998)**	**(71,258)**	**(31,121)**	**(46,125)**	**(8,713)**	**0**

DRAFT SUBJECT TO AUDIT

Funded LGPS benefits : Cleveland Police	Sensitivity Analysis		
	+0.1% p.a.	Base 15/16	-0.1% p.a.
Discount Rate Assumptions			
Present Value of total obilgation (£m's)	72,143	73,769	75,432
% change in present value of total obligation	-2.2%		2.3%
Projected Service cost (£M's)	1,628	1,697	1,768
Approx % change in projected service cost	-4.0%		4.2%
Rate of General increase in Salaries			
Present Value of total obilgation (£m's)	74,120	73,769	73,422
% change in present value of total obligation	0.5%		-0.5%
Projected Service cost (£M's)	1,697	1,697	1,697
Approx % change in projected service cost	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obilgation (£m's)	75,077	73,769	72,486
% change in present value of total obligation	1.8%		-1.7%
Projected Service cost (£M's)	1,768	1,697	1,628
Approx % change in projected service cost	4.2%		-4.0%
Post retirement mortality assumption			
Present Value of total obilgation (£m's)	75,629	73,769	71,900
% change in present value of total obligation	2.5%		-2.5%
Projected Service cost (£M's)	1,755	1,697	1,639
Approx % change in projected service cost	3.4%		-3.4%

DRAFT SUBJECT TO AUDIT

Police Pension Schemes : Group	Sensitivity Analysis		
	Group and Cleveland Police		
1987 Police Pension Scheme:-	**+0.1% p.a.**	**Base 15/16**	**-0.1% p.a.**
Discount Rate Assumptions			
Present Value of total obilgation (£m's)	1,183,023	1,203,110	1,223,538
% change in present value of total obligation	-1.7%		1.7%
Rate of General increase in Salaries			
Present Value of total obilgation (£m's)	1,207,205	1,203,110	1,199,051
% change in present value of total obligation	0.3%		-0.3%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obilgation (£m's)	1,219,404	1,203,110	1,187,043
% change in present value of total obligation	1.4%		-1.3%
Post retirement mortality assumption			
Present Value of total obilgation (£m's)	1,234,391	1,203,110	1,171,801
% change in present value of total obligation	2.6%		-2.6%
2006 Police Pension Scheme:-			
Discount Rate Assumptions			
Present Value of total obilgation (£m's)	29,994	31,121	32,291
% change in present value of total obligation	-3.6%		3.8%
Rate of General increase in Salaries			
Present Value of total obilgation (£m's)	31,732	31,121	30,523
% change in present value of total obligation	2.0%		-1.9%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obilgation (£m's)	31,670	31,121	30,583
% change in present value of total obligation	1.8%		-1.7%
Post retirement mortality assumption			
Present Value of total obilgation (£m's)	31,930	31,121	30,311
% change in present value of total obligation	2.6%		-2.6%
Injury Awards :-			
Discount Rate Assumptions			
Present Value of total obilgation (£m's)	67,824	68,998	70,193
% change in present value of total obligation	-1.7%		1.7%
Rate of General increase in Salaries			
Present Value of total obilgation (£m's)	69,288	68,998	68,711
% change in present value of total obligation	0.4%		-0.4%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obilgation (£m's)	69,899	68,998	68,108
% change in present value of total obligation	1.3%		-1.3%
Post retirement mortality assumption			
Present Value of total obilgation (£m's)	70,792	68,998	67,202
% change in present value of total obligation	2.6%		-2.6%
2015 Police Pension Scheme :-			
Discount Rate Assumptions			
Present Value of total obilgation (£m's)	8,405	8,713	9,032
% change in present value of total obligation	-3.5%		3.7%
Rate of General increase in Salaries			
Present Value of total obilgation (£m's)	8,893	8,713	8,537
% change in present value of total obligation	2.1%		2.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obilgation (£m's)	8,850	8,713	8,578
% change in present value of total obligation	1.6%		-1.5%
Post retirement mortality assumption			
Present Value of total obilgation (£m's)	8,960	8,713	8,486
% change in present value of total obligation	2.6%		-2.6%

DRAFT SUBJECT TO AUDIT

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 31/03/17	Year to 31/03/18	Year to 31/03/17	Year to 31/03/18
Funded: -	£000s	£000s	£000s	£000s
Service cost	17,795	18,382	1,697	1,753
Net Interest cost	43,967	44,781	599	642
Total	**61,762**	**63,163**	**2,296**	**2,395**

	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/17	Year to 31/03/18	Year to 31/03/17	Year to 31/03/18
UnFunded :-	£000s	£000s	£000s	£000s
Service cost	-		-	-
Net Interest cost	-		13	12
Total	**-**	**-**	**13**	**12**

14. UNUSABLE RESERVES

Description of Reserve	31 March 2014 £000	Additions in Year £000	Reductions in Year £000	31 March 2015 £000	Additions in Year £000	Reductions in Year £000	31 March 2016 £000
Pension Reserve	1,074,313	(16,649)	158,826	1,216,490	(12,394)	125,867	1,329,963
Total Unusable Reserves	**1,074,313**	**(16,649)**	**158,826**	**1,216,490**	**(12,394)**	**125,867**	**1,329,963**

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.

15. ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS

The Cleveland Police Force has 2 strategic collaborative arrangements that are classified as Joint Operations under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

They are:

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

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

1 Cleveland Durham Special Operations Unit (CDSOU)

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

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

DRAFT SUBJECT TO AUDIT

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 2015/16 as required under the Section 22A agreement. Both forces hold their assets and liabilities separately within their individual group accounts.

Cleveland and Durham Specialist Operations Unit				
Road Policing	**Total Costs £000's**	**Apportionment**	**Durham 2015/16 £000's**	**Cleveland 2015/16 £000's**
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
Tactical Training Unit				
Employees Costs	714	50%	357	357
Non Pay Costs	1,078	50%	539	539
Income	(29)	50%	(15)	(15)
	1,762		881	881
Total Unit Costs	13,397	-	6,699	6,699
Reserve as 31st March	**Total Reserves**			
Road Policing	-	50%	-	-
Tactical Training Unit	162	50%	81	81
	162		81	81

2 North East Regional Special Operations Unit (NERSOU)

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit but the funding is through a combination of Home Office Grants and Force contributions. The Force allocation is based on Home Office Core Grant allocations and for the financial period April 2015 to March 2016 the funding contributions made were Cleveland 22.1%, Durham 20.9% and Northumbria 57.0%.

DRAFT SUBJECT TO AUDIT

All assets purchased by each Force to be used by NERSOU are held on the balance sheet of the purchasing Force. Jointly funded assets are classified as those purchased through specific Home Office grants. These are currently valued at £211K of which Cleveland's share is valued at £110K. The unit has reserves of £9K of which Cleveland's share is £2K.

NERSOU operates throughout the North East region.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2015/16 as required under the Section 22A agreement.

North East Regional Special Opertions 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
Contributions / Reserve				
Durham	950	950		
Cleveland	1004		1004	
Northumbria	2590			2590
Reserve movements	391	81	87	223
	4,935	1,031	1,091	2,813
Reserve as 31st March	9	2	2	5

16. CONTINGENT LIABILITIES / ASSETS

Contingent Liabilities

Regulation A19

One of the many tools the PCC and Force used to address the cuts in its funding was the application of Regulation A19 which compels police officers to retire on reaching 30 years of service with the police force 'in the general interests of efficiency. The use of A19 is lawful provided it is a proportionate means of achieving a legitimate aim (more commonly known as 'objectively justified'). The PCC and the Force has produced a rationale (objective justification) as to why it has been necessary, for the purposes of efficiency and effectiveness, to apply Regulation A19. The PCC and Force believes that the use of A19 is fair and that it meets the long term operational, planning and budgetary requirements.

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

This judgement was appealed and was over turned in favour of the Forces and was found not to be discriminatory in regards to age. However, the Staff Side have applied to the High Court for leave to appeal the ruling. The Court of Appeal has granted permission to Appeal which will be heard in January 2017. The Force/PCC has 49 appeals against the use of regulation A19 that have been stayed pending the final appeal. Consequently, the impact of this ruling has yet to be determined.

DRAFT SUBJECT TO AUDIT

The outcome of any future legal challenges is not yet clear and no value can be put on a potential future liability. These appeals are therefore disclosed in the accounts as a contingent liability rather than a provision.

Police Pension Scheme 2015 Leigh Day Police Pension Challenge

The Chief Constable of Cleveland along with other Chief Constables and the Home Office, currently has 25 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. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

Employment Tribunals

At the end of the financial year 2015/16 the force had 6 outstanding employment tribunal claims against the Chief Constable for race discrimination, transferred discrimination, victimisation and harassment.

All 6 claims are due to proceed to employment tribunals later in 2016 or early 2017. However, two of the claims are due to move forward to mediation in June 2016 and may not require the need to proceed to an employment hearing.

All 6 of the claims are being disputed and as such there is no absolute future obligation on the force coupled to this no reliable measurement of the potential obligation can be made. Therefore these claims are being disclosed in the accounts as contingent liabilities rather than provisions.

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.

Contingent Assets:

Police Pension Scheme 2015 Leigh Day Police Pension Challenge

The Chief Constable of Cleveland along with other Chief Constables and the Home Office, currently has 25 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. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

The outcome of these claims is not yet clear and no value can be put on a potential future liability. As the claims are disclosed in the accounts as a contingent liability rather than a provision the equal

DRAFT SUBJECT TO AUDIT

and opposite asset that the Home Office will have to provide is also disclosed in the accounts as a contingent asset.

17. POST BALANCE SHEET EVENT

No adjusting post balance sheet event have been identified for 2015/16.

18. 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 xxth September 2016. This is the date up to which events after the Balance Sheet date have been considered.

DRAFT SUBJECT TO AUDIT

POLICE PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

FUND ACCOUNT	2015/2016 £000	2014/2015 £000
Contributions Receivable		
From Employer		
Normal	(9,829)	(11,560)
Capital contribution due to Ill Health Early Retirement	(838)	(631)
From Members	(6,364)	(6,671)
Transfers In		
Individual Transfers in from Other Schemes	(499)	(55)
Benefits Payable		
Pensions	32,866	31,471
Commutations and Lump Sum Retirement Benefits	7,914	6,255
Lump Sum death benefits	73	95
Ill Health Lump Sum Benefits	1,137	947
Payments to and on Account of Leavers		
Refunds of Contributions	0	(1)
Inter Authority Adjustments	211	63
Individual Transfers out to Other Schemes	559	350
Sub-Total for the year before transfer from the PCC to fund the deficit for the year	25,230	20,264
Additional funding payable by the PCC to fund the deficit for the year	(25,230)	(20,264)
Net Amount Payable/Receivable for the Year	0	0

DRAFT SUBJECT TO AUDIT

NET ASSETS STATEMENT	31st March 2016 £000	31st March 2015 £000
Current Assets		
Contributions due from Employer	290	278
Unpaid/Paid in Advance Pension Benefits	41	4,228
Amount due to Sponsoring Department	0	0
Other Current Assets & Liabilities	176	160
Total Curent Assets	507	4,666
Long Term Assets		
Unpaid/Paid in Advance Pension Benefits	0	0
Total Long Term Assets	0	0
Current Liabilities		
Central Government Bodies	0	0
Other Local Authorities	290	278
All other bodies	217	4,388
Total Curent Liabilities	507	4,666
Long Term Liabilities		
All other bodies	0	0
Total Long Term Liabilities	0	0
Net Assets	0	0

DRAFT SUBJECT TO AUDIT

Notes to the Pension Fund

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

The funding arrangements for the Police Pension scheme in England and Wales changed on 1st April 2006. Before 1st 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 12 and 13 of the main statements.

DRAFT SUBJECT TO AUDIT

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 gainsor 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: Currents 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.

DRAFT SUBJECT TO AUDIT

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.

DRAFT SUBJECT TO AUDIT

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.

DRAFT SUBJECT TO AUDIT