

Chief Constable of Cleveland

STATEMENT OF ACCOUNTS – 2014/2015 CONTENTS

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CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE **INTRODUCTION**

1. CHANGES TO ACCOUNTING POLICIES

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

2. FURTHER INFORMATION

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

Further information may be obtained from the Chief Finance Officer 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

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 her 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 presentation 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 2015.

Signature:

Date:

Graeme Slaughter FCMA
Chief Finance Officer of the Chief Constable

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CLEVELAND

Opinion on the financial statements

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

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Chief Constable and the auditor

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

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

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

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

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

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

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

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

Conclusion

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

Certificate

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

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

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Date:

EXPLANATORY FOREWORD

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 2014/15 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 2015 and has been prepared in accordance with the provisions of the Accounts and Audit Regulations 2011, the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The 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 2014/15 (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 2015. 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 POSTION

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

	Original 2014/15 Budget	Revised 2014/15 Budget	Year End 2014/15 Position	Outturn
<u>Police Force Planned Expenditure</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Police Pay	70,558	69,985	68,223	(1,762)
Police Overtime	1,354	2,320	2,242	(78)
Police Community Support Officer Pay	4,419	4,419	4,053	(366)
Staff Pay	6,484	6,633	6,523	(110)
Non-Pay	38,590	40,778	41,021	243
Total Planned Expenditure	121,405	124,135	122,062	(2,073)

The Force has a strong track record of delivering savings and keeping within budget allocated by the Police and Crime Commissioner (PCC). There is a balanced budget in place for 2015/16, incorporating the savings required. The PCC has identified a budget shortfall of £11.3 million over the three years 2016/17 to 2018/19. Steps are being taken to manage this shortfall and a number of significant work streams are in place to develop a sustainable service model within these financial constraints.

4. 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 £1,216m is recorded in the Balance sheet of the CC.

5. CHANGE FROM 2013/14 POSITION

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

Comprehensive Income & Expenditure Statement

Net Cost of Services (NCOS) has decreased by £2.795m. This is largely due to lower spending as a result of the savings required to meet reducing level of government funding offset by a recharge to NCOS for IAS 19 relating to pension costs.

Balance Sheet

The increase in the Balance sheet of £142m reflects the increased Pension liability as reported by the actuary and the impact of Stage 2 transfer of designated staff.

6. EVENTS AFTER THE REPORTING PERIOD

An adjusting post balance sheet event has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman. This has been outlined in Note 17.

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

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 the accounting standard IAS19.

DETAIL	2014/2015			2013/2014		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing	70,573	0	70,573	67,585	0	67,585
Dealing with the Public	5,388	0	5,388	5,928	0	5,928
Criminal Justice Arrangements	10,441	0	10,441	13,567	0	13,567
Road Policing	4,628	0	4,628	8,882	0	8,882
Specialist Operations	9,128	0	9,128	5,051	0	5,051
Intelligence	10,868	0	10,868	4,497	0	4,497
Specialist Investigation	20,926	0	20,926	29,044	0	29,044
Investigative Support	2,990	0	2,990	3,967	0	3,967
National Policing	3,658	0	3,658	2,958	0	2,958
Undistributed Costs	125	0	125	41	0	41
Net Cost of Services before funding	138,725	0	138,725	141,520	0	141,520
Intra Group Funding	0	127,563	(127,563)	0	130,227	(130,227)
Net Cost of Services	138,725	127,563	11,162	141,520	130,227	11,293
Financing & Investment income and Expenditure (note 7)			45,851			43,731
(Surplus) or Deficit on Provision of Service			57,013			55,024
Re-measurements of the defined benefit liability (Note 12)			71,663			5,071
Other Comprehensive Income and Expenditure			71,663			5,071
Total Comprehensive Income and Expenditure			128,676			60,095

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

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 2014 Restated	(0)	0	0	0	0	0	1,074,313	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
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

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Balance at 31st March 2013	0	0	0	0	0	(0)	1,009,989	1,009,989
Opening Balance Actuarial Adjustments 1st April 2013							4,228	4,228
Adjusted Opening Balance as at 1st April 2013 Restated	0	0	0	0	0	(0)	1,014,217	1,014,217
(Surplus) or deficit on provision of services (accounting basis)	55,025	0	0	0	0	55,025	0	55,025
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	5,071	5,071
Total Comprehensive Expenditure and Income	55,025	0	0	0	0	55,025	5,071	60,096
Total Adjustments between accounting basis & funding basis under regulations	(55,025)	0	0	0	0	(55,025)	55,025	0
Net (Increase) / Decrease before Transfers to	(0)	0	0	0	0	(0)	60,096	60,096
Total Transfers to/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	(0)	0	0	0	0	(0)	60,096	60,096
Balance at 31 March 2014 Restated	(0)	0	0	0	0	0	1,074,313	1,074,313

BALANCE SHEET AT 31st MARCH 2015

The Balance Sheet shows the value of the assets and liabilities as at 31st March 2015. 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 2015 £000	31 March 2014 Restated £000	1st April 2013 Restated £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	(1,216,490)	(1,074,313)	(1,014,217)
Total Long Term Liabilities		(1,216,490)	(1,074,313)	(1,014,217)
Total Liabilities		(1,216,490)	(1,074,313)	(1,014,217)
Net Assets		(1,216,490)	(1,074,313)	(1,014,217)
Usable Reserves		-	-	-
Unusable Reserves	14	1,216,490	1,074,313	1,014,217
Total Reserves		1,216,490	1,074,313	1,014,217

CASHFLOW STATEMENT 2014/15

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.

	2014/2015	2013/2014
	£000	£000
OPERATING ACTIVITIES		
<u>Cash Outflows</u>	-	-
<u>Cash Inflows</u>	-	-
Operating Activities Net Cash Flow	-	-
INVESTING ACTIVITIES		
<u>Returns on Investments and Servicing of Finance</u>		
<u>Capital Activities</u>	-	-
Investing Activities Net Cash Flow	-	-
Net Cash Outflow/(Inflow) before financing	-	-
FINANCING ACTIVITIES		
<u>Management of Liquid Resources</u>		
<u>Financing</u>		
Financing Activities Net Cash Flow	-	-
Net (Increase)/Decrease in cash	-	-
Cash brought forward		
Cash carried forward		
Net (Increase)/Decrease in cash	-	-

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 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- 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 2014/15.

C) EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional and Extraordinary items, of which the Chief Constable has none in 2014/15, 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.

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

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

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

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

2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

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

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING 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.

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

The Forces Pension Administrator, Kier, has informed the Home Office that there are 272 surviving police officers and 12 deceased police officers that are affected by this determination. An assessment of the financial impact of this decision has been undertaken by Keir in-line with guidance received from the Governments Actuary's Department. The liability has been assessed at £4.228M. See note 18 Prior Period Adjustment.

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 2015 is £1.216m. The Pension liability includes an estimated liability of £4.228M relating to Commutation error by GAD. Full details of the assumptions relating to this adjustment are detailed in Note 18 Prior Period Adjustment: Police Pension Commutation Adjustment.

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

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

FOR THE YEAR ENDED 31ST MARCH 2014

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	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	(69,819)	0	0	0	0	(69,819)	69,819	0
	(69,819)	0	0	0	0	(69,819)	69,819	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	14,794	0	0	0	0	14,794	(14,794)	0
	14,794	0	0	0	0	14,794	(14,794)	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	(55,025)	0	0	0	0	(55,025)	55,025	0

7. FINANCING AND INVESTMENT INCOME & EXPENDITURE

	2014/2015 £000	2013/2014 £000
Interest payable and similar charges	0	0
Pension interest cost & expected return on pension assets	45,851	43,731
Interest receivable and similar income	0	0
Total Finance and Investment Income and Expenditure	45,851	43,731

8. OFFICERS' EMOLUMENTS

During the financial year 2014/15, 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 2014/15			2013/2014
	Police Officers	Support Staff	Total	
£50,000 - £54,999	0	0	0	1
£55,000 - £59,999	0	0	0	1
£60,000 - £64,999	0	1	1	1
£65,000 - £69,999	1	1	2	3
£70,000 - £74,999	1	1	2	0
£75,000 - £79,999	1	0	1	2
£80,000 - £84,999	3	0	3	1
£85,000 - £89,999	2	1	3	2
£90,000 - £94,999	0	0	0	1
£95,000 - £99,999	0	0	0	1
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	2
£120,000 - £124,999	1	0	1	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	1	0	1	1
Total	10	4	14	16

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 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.

Remuneration Disclosure 2013/14:

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

Notes:-

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

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

9. TERMINATION BENEFITS

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

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

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 2014/15 the Chief Constable incurred the following fees totalling £18k relating to external audit:

	2014/2015 £000	2013/2014 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	20	20
Refund on Prior year audit fees	(2)	(3)
Total Audit Costs	18	17

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.

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	
	2014/2015 £000	2013/2014 £000	2014/2015 £000	2013/2014 £000	2014/2015 £000	2013/2014 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	1,509	-	23,987	26,088	25,496	26,088
Curtailement/settlements	-	-	-	-	-	-
Past service cost	60	-	-	-	60	-
Change to accounting policies	-	-	-	-	-	-
Financing and Investment Income and Expenditure						
Interest cost	2,813	-	45,293	43,731	48,106	43,731
Expected return on assets	(2,255)	-	-	-	(2,255)	-
Other investment Income	-	-	-	-	-	-
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	2,127	-	69,280	69,819	71,407	69,819
Other post employment Benefit Charged to the CIES						
Return on Plans asset	(2,620)	-	-	-	(2,620)	-
Actuarial (gains) /losses : Financial Assumptions	7,680	-	95,823	(4,196)	103,503	(4,196)
Actuarial (gains) /losses: Demographic assumptions	-	-	-	25,776	-	25,776
Actuarial (gains) /losses : liability experience	(443)	-	(8,172)	1,279	(8,615)	1,279
Total Post employment Benefit Charged to the CIES	6,744	-	156,931	92,678	163,675	92,678
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	(2,127)	-	(69,280)	(69,819)	(71,407)	(69,819)
Actual amount charged against General fund balances for pensions in the year:						
Contribution in year	1,124	-	13,271	14,794	14,395	14,794
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		Total	
	31/03/15 £000	31/03/14 £000	31/03/15 £000	31/03/14 Restated £000	31/03/15 £000	31/03/14 £000	31/03/15 £000	31/03/14 £000	31/03/15 £000	31/03/14 Restated £000
Opening Balance										
Actuarial Loss										
Adjustment 1st April 2013			4,228	4,228					4,228	4,228
Estimated funded liabilities in scheme	75,859		-	-			-	-	75,859	-
Estimated unfunded liabilities in scheme	408		1,075,758	971,213	71,258	63,140	46,125	35,732	1,193,549	1,070,085
Estimated assets in scheme	57,146		-	-			-	-	57,146	-
Net Liability	19,121	-	1,079,986	975,441	71,258	63,140	46,125	35,732	1,216,490	1,074,313

NB: The opening balance adjustment as at 1st April 2013 relates to a prior period adjustment in respect of the Police Pension Commutation Adjustment. See Note 18: Prior Period Adjustment.

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 2015 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 £1.216m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1.216m. 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 2013.

The main assumptions used in their calculations are detailed below:

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

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

The Group accounts contain an additional disclosure detailing the percentage split of the investment portfolio by asset type. We have insufficient information from the actuary to provide this analysis for the CC elements of LGPS. Furthermore the Group also contains a sensitivity analysis detailing the impact of changing to key assumptions. We have insufficient information from the actuary to provide this analysis for the CC elements of LGPS.

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	
	Year to 31/03/15 £000	Year to 31/03/14 £000	Year to 31/03/15 £000	Year to 31/03/14 £000	Year to 31/03/15 £000	Year to 31/03/14 £000	Year to 31/03/15 £000	Year to 31/03/14 £000
Actual Return Less Expected return on Pension Scheme Assets	2,620	0	20,605	18,764	0	0	0	0
Experience Gains and Losses Arising on the Scheme Liabilities	0	0	0	0	0	0	0	0
Other Experience Gains/(Losses) on Liabilities	0	0	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(7,237)	0	(76,237)	(22,382)	(5,255)	(1,276)	(6,159)	799
Actuarial Gain/(Loss) in Pension Plan	(4,617)	0	(55,632)	(3,618)	(5,255)	(1,276)	(6,159)	799
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0	0	0
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	(4,617)	0	(55,632)	(3,618)	(5,255)	(1,276)	(6,159)	799
Effect of Change in Accounting Methodology	0	0	0	0			0	0

Summary	31/03/15
Local Government Pension Scheme	(4,617)
1987 Police Pension Scheme	(55,632)
Injury Awards	(5,255)
2006 Police Pension Scheme	(6,159)
Total Gains/(Loss) Recognised CIES	(71,663)

Asset and Benefit Obligation Reconciliation								
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme	
	Year to 31/03/15	Year to 31/03/14	Year to 31/03/15	Year to 31/03/14 Restated	Year to 31/03/15	Year to 31/03/14	Year to 31/03/15	Year to 31/03/14
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance Actuarial Loss								
Adjustment 1st April 2013	0	0	0	4,228	0	0	0	0
Opening Defined Benefit Obligation	66,092	0	975,441	919,017	63,140	58,935	35,732	32,037
Current Service Cost	1,509	0	20,039	21,713	2,137	2,288	1,811	2,087
Interest Cost	2,813	0	41,064	39,748	2,674	2,552	1,555	1,431
Actuarial losses (gains)	7,237	0	76,237	22,382	5,255	1,276	6,159	(799)
Losses (gains) on curtailments	0	0	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(1,998)	0	(38,604)	(37,583)	(1,948)	(1,911)	7	82
Past Service Cost	60	0	0	0	0	0	0	0
Contribution by Scheme participants	554	0	5,809	5,936	0	0	861	894
Additional Employer Contributions	0	0	0	0	0	0	0	0
Unfunded pension payments	0	0	0	0	0	0	0	0
Closing Defined Benefit Obligation	76,267	0	1,079,986	975,441	71,258	63,140	46,125	35,732

Opening fair value of Scheme assets	52,591	0	0	0	0	0	0	0
Expected return on Scheme assets	2,255	0	0	0	0	0	0	0
Actuarial gains (losses)	2,620	0	20,605	18,764	0	0	0	0
Contributions by employer including unfunded benefits	1,124	0	12,190	12,883	1,948	1,911	(868)	(976)
Contributions by Scheme participants	554	0	5,809	5,936	0	0	861	894
Change to Accounting Policies	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(1,998)	0	(38,604)	(37,583)	(1,948)	(1,911)	7	82
Gain on Settlement	0	0	0	0	0	0	0	0
Fair Value of Scheme Assets at end of Period	57,146	0	0	0	0	0	0	0

Reconciliation of Opening and Closing Net Obligation								
Opening Balance Adjustment 1st April 2013	0	0	0	(4,228)	0	0	0	0
Opening Surplus / (Deficit)	(13,501)	0	(975,441)	(919,017)	(63,140)	(58,935)	(35,732)	(32,037)
Current Service Cost	(1,509)	0	(20,039)	(21,713)	(2,137)	(2,288)	(1,811)	(2,087)
Contributions by employer including unfunded benefits	1,124	0	12,190	12,883	1,948	1,911	(868)	(976)
Contributions by Scheme participants	0	0	0	0	0	0	0	0
Past Service Costs	(60)	0	0	0	0	0	0	0
Interest Costs	(2,813)	0	(41,064)	(39,748)	(2,674)	(2,552)	(1,555)	(1,431)
Expected return on Scheme assets	2,255	0	0	0	0	0	0	0
Gain on Settlement	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	0	0	0	0	0	0	0	0
Actuarial (losses) gains	(4,617)	0	(55,632)	(3,618)	(5,255)	(1,276)	(6,159)	799
Fair Value of Scheme Assets / (Liabilities) at end of Period	(19,121)	0	(1,079,986)	(975,441)	(71,258)	(63,140)	(46,125)	(35,732)

NB: The opening balance adjustment as at 1st April 2013 relates to a prior period adjustment in respect of the Police Pension Commutation Adjustment. See Note 18: Prior Period Adjustment.

	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17
	£000s	£000s	£000s	£000s
Service cost	21,509	22,218	1,844	1,905
Net Interest cost	37,960	39,331	595	638
Total	59,469	61,549	2,439	2,543

14. UNUSABLE RESERVES

Description of Reserve	1st April 2013 Restated £000	31 March 2014 Restated £000	Additions in Year £000	Reductions in Year £000	31 March 2015 £000
Pension Reserve	1,014,217	1,074,313	(16,649)	158,826	1,216,490
Total Unusable Reserves	1,014,217	1,074,313	(16,649)	158,826	1,216,490

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 2014/15.

They are:

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

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

1 Cleveland Durham Special Operations Unit (CDSOU)

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

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

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

CDSOU operates across the Durham and the Cleveland Force boundaries.

The statement below highlights the income and expenditure for the financial year 2014/2015 as required under the Section 22A agreement. Both forces hold their assets and liabilities separately within their individual group accounts.

Cleveland and Durham Specialist Operations Unit				
	Total Costs £000's	Apportionment	Durham 2014/15 £000's	Cleveland 2014/15 £000's
Road Policing				
Employees Costs	10,224	50%	5,112	5,112
Non Pay Costs	756	50%	378	378
Income	(84)	50%	(42)	(42)
	10,896		5,448	5,448
Tactical Training Unit				
Employees Costs	710	50%	355	355
Non Pay Costs	979	50%	490	490
Income	(48)	50%	(24)	(24)
	1,641		821	821
Total Unit Costs	12,538	-	6,269	6,269
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 2014 to March 2015 the funding contributions made were Cleveland 22.1%, Durham 20.9% and Northumbria 57.0%.

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

NERSOU operates throughout the North East region.

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

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

16. CONTINGENT LIABILITIES

Regulation A19

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

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

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

17. POST BALANCE SHEET EVENT

An adjusting post balance sheet event has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman. The details of which and the impact on the financial statements are outlined in Note 18 Prior Period Adjustment.

18. PRIOR PERIOD ADJUSTMENT: POLICE PENSION COMMUTATION FACTOR

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

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

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

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

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

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

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

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

1) Pension Fund Account:-

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

2) Balance Sheet:-

- a. 1st April 2013 position included to reflect the increase in Pension Liability and Pension reserves of £4.228M.

3) Movement in Reserves Statement:-

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

4) Notes to the Accounts:-

- a. Note 3 Critical Judgements.
- b. Note 4 Assumptions made about the future and other major sources of estimation uncertainty.
- c. Notes 12 Pensions and Note 13 Pension Liability: An opening balance adjustment as at 1st April 2013 to "1987 Police Pension Scheme" of £4.228M has been applied to reflect impact of the liability.
- d. Note 14: Unusable Reserves: Inclusion of 1st April 2013 position to reflect Balance Sheet position.
- e. Note 17 Post Balance Sheet event provides reason for a prior period adjustment.

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 28th September 2015. This is the date up to which events after the Balance Sheet date have been considered. An adjusting Post Balance Sheet Event (Note 17) has been identified for 2014/15 in relation to a ruling by the Pension Ombudsman.

POLICE PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

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

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

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 (24.2%) into the Pension Fund. Each entity is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation.

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

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

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

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

The Fund is administered by the entity.

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

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

Details of the long-term pension fund obligation are provided in Notes 12 and 13 of the main statements.

Prior Period Adjustment: Police Pension Commutation Factors

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

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

This Glossary of Terms is designed to aid interpretation of the 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.

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

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

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

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

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

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

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

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

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

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

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

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

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards; and

(c) Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

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

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.

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

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

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.

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

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

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

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

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

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

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

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

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