

# GROUP AND PCC STATEMENT OF ACCOUNTS – 2016/2017

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

## **1. INTRODUCTION**

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

All of the financial transactions incurred during 2016/17 for policing in Cleveland have been recognised within this Statement of Accounts, which sets out the overall position of the Cleveland PCC Group for the year ended 31st March 2017. The Group position 'PCC Group' reflects the consolidated accounts of the PCC and the Chief Constable. This Foreword provides an overview of the accounting arrangements and outlines the financial performance of the PCC Group during 2016/17.

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

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

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

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

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

**Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from precept. PCCs raise precept to cover expenditure in accordance with regulations; this may be different from the accounting cost. The amount chargeable to precept is shown in the Movement in Reserves Statement.

**Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local precept) and unusable reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the PCC Group's services, more details of which are shown in the Comprehensive

Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

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

**Balance Sheet** – The Balance Sheet shows the value as at 31<sup>st</sup> March 2017 of the assets and liabilities recognised by the PCC Group.

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

The first category of reserves is usable reserves, i.e. those reserves that the PCC Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is unusable reserves and refers to those that the PCC Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC Group are funded by way of precept and grant income or from the recipients of services provided by the PCC Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC Group's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC Group.

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

**Group Comprehensive Income & Expenditure Statement:**

- Net Cost of Services (NCOS) has decreased by £1.157m.
- The deficit on the Provision of Service has moved from a £48.6m deficit to a £54.5m deficit. An increase of £5.9m. This is predominately as a result of the impact of an increase in Pension Financing costs of £6.4m an increase in the loss on disposal of non-current assets of £2.2m offset by an increase in Precepts of £1.1m, Capital Grants and contributions of £0.5m and a reduction in Interest payable of £0.2m.
- Other Comprehensive Income and Expenditure has increased by £157.0m due to changes in actuarial assumptions relating to the Pension Fund offset by reduction in surplus on revaluations.

**Group Balance Sheet:**

- Property, Plant & Equipment, Intangible Assets and Assets held for sale has decreased by £2.9m which comprises spend of £6.5m which is offset by in year depreciation charges of £3.8m and Net disposals of £5.7m.
- The value of Debtors (long and short term) has increased by £4.3m, primarily due to Pensions accrual of £2.6m, increase in Precept owing of £0.6m and increase in "other debtors relating to contracts and year end pay accrual.
- The value of Creditors (short and long term) has increased by £0.7m. Primarily due to increase Precept creditor of £0.7m. An decrease in "Sundry Creditors" of £1.4m has been offset by an increase in "Income in Advance" of £0.7m and "Other Local Authority" creditors of £0.7m
- Provisions have increased by £0.8m, primarily as a result of the release of the Strategic Contract Change, VAT and Holiday Pay provisions totalling £1.6m, the creation of a new provision for Allard Judgement (£1.5m) and the Net movement on the two Insurance provisions in line with Insurers assessment of outstanding case liability (£0.9m).
- During the year the PCC has repaid £1.774m of loans and undertook new borrowing of £0.760m, current borrowing is well within the limits approved by the PCC.
- The Pension Liability and Reserves have both increased mainly as a result of changes in actuarial assumptions as detailed within the notes to the accounts.
- The Usable Reserves of the PCC Group has seen a net decrease of £0.504m; primarily due to Net movement on General Fund where an in year contribution to revenue of £0.925m, was offset by £0.313m in year underspend. A detailed breakdown of the earmarked reserves can be found at Note 8 of the accounts.

**Group and PCC Cashflow:**

- The Group had a Net decrease in cash in the year of £10.1m. this comprises short term investments at the balance sheet date of £5.5m, Net increase of Capital expenditure of £2.2m and Net movement of borrowing of £1.0m.

**PCC Comprehensive Income & Expenditure Statement:**

- Net Cost of Services (NCOS) has increased by £1.9m, due to an increase in Gross Income of £0.9m offset by an increase in inter Group funding of £2.5m as a result of increase in pension liability.
- The deficit on the Provision of Service has increased by £2.5m to a £3.0m deficit. This is predominately due to an increase in the loss on disposal of non-current assets.
- Other Comprehensive Income and Expenditure deficit has increased by £1.3m due to changes in actuarial assumptions relating to the Pension Fund £1.0m and reduction in the on year revaluation surplus of £0.3m.

### PCC Balance Sheet:

- The overall movement on the PCC balance sheet is a reduction in Net assets and total Reserves of £3.8m. The only variation from those reported in the Group Balance sheet above relates to the Pension Liability. The PCC only records Pensions for the PCC staff and this balance has moved by £0.8m.

### 3. THE POLICE & CRIME COMMISSIONER REVENUE BUDGET FOR 2016/2017

The following table shows the 2016/2017 budget and the final outturn:

	Original 2016/17 Budget	Revised 2016/17 Budget	Year End 2016/17 Position	Outturn
	£000s	£000s	£000s	£000s
Police Grant	(46,152)	(46,152)	(46,152)	0
RSG/National Non Domestic Rate	(38,532)	(38,532)	(38,532)	0
<b>Government Grant</b>	<b>(84,684)</b>	<b>(84,684)</b>	<b>(84,684)</b>	<b>0</b>
Council Tax Precept	(31,642)	(31,642)	(31,642)	0
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
<b>Precept related Funding</b>	<b>(39,310)</b>	<b>(39,310)</b>	<b>(39,310)</b>	<b>0</b>
Specific Grants	(6,506)	(6,879)	(6,675)	204
Partnership Income/Fees and Charges	(2,760)	(5,135)	(5,625)	(490)
<b>Total Funding</b>	<b>(133,260)</b>	<b>(136,008)</b>	<b>(136,294)</b>	<b>(286)</b>
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s
Staff Pay	620	620	658	38
Non Pay Expenditure	278	278	269	(9)
Income	(48)	(73)	(89)	(16)
<b>Total Planned Expenditure</b>	<b>850</b>	<b>825</b>	<b>838</b>	<b>13</b>
<b>Central Services</b>	£000s	£000s	£000s	£000s
Staff Pay	295	253	241	(12)
Non Pay Expenditure	40	40	196	156
PFI	6,890	2,742	2,566	(176)
Asset Management	1,625	4,868	4,852	(16)
	<b>8,850</b>	<b>7,903</b>	<b>7,855</b>	<b>(48)</b>
<b>Proposed Community Safety Expenditure</b>	£000s	£000s	£000s	£000s
<b>Total Community Safety Initiatives</b>	<b>2,077</b>	<b>2,051</b>	<b>1,085</b>	<b>(966)</b>
<b>Victims and Witnesses Initiatives</b>	<b>733</b>	<b>876</b>	<b>980</b>	<b>104</b>
<b>Office of the PCC Planned Expenditure</b>	<b>(120,750)</b>	<b>(124,353)</b>	<b>(125,536)</b>	<b>(1,183)</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s
Police Pay	66,769	66,923	67,319	396
Police Overtime	1,575	1,777	2,055	278
Police Community Support Officer Pay	4,077	4,077	3,841	(236)
Staff Pay	7,949	8,978	9,106	128
Non-Pay	39,040	38,810	41,336	2,526
<b>Total Planned Expenditure</b>	<b>119,410</b>	<b>120,565</b>	<b>123,657</b>	<b>3,092</b>
<b>(Surplus)/Deficit</b>	£000s	£000s	£000s	£000s
<b>(1,340)</b>	<b>(3,788)</b>	<b>(1,879)</b>	<b>1,909</b>	
Transfers to/(from) General Fund	(1,550)	(383)	(383)	0
Transfers from Earmarked Reserves	0	(1,000)	(1,000)	0
Transfers to Earmarked Reserves	2,890	5,171	2,949	(2,222)
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>0</b>	<b>(313)</b>	<b>(313)</b>

As can be seen from the table above the overall position for the Group as at the 31<sup>st</sup> March 2017 was a (£313k) underspend. Overall this represents a total underspend of 0.54% against the group budget (0.56% 2015/16).

In terms of cashflows the OPCC has responsibility for the Cashflow and reviews the cash position on a daily basis. An annual review is undertaken to ascertain when or if the expected cash outflows would exceed the expected cash inflows and cause potential cash shortage. Should this be anticipated discussions take place with the bank to put in place a time limited overdraft facility to cover such eventualities. Levels of acceptable overdraft are reviewed within the Annual Prudential Indicators report.

There were no periods of unknown cash restrictions during the financial year and the OPCC is not expecting any issues with the Cashflow during the 2017/18 financial period.

The following table shows the 2016/2017 budget and the final outturn for the PCC:

	<b>Original 2016/17 Budget</b>	<b>Revised 2016/17 Budget</b>	<b>Year End 2016/17 Position</b>	<b>Outturn</b>
	£000s	£000s	£000s	£000s
Police Grant	(46,152)	(46,152)	(46,152)	0
RSG/National Non Domestic Rate	(38,532)	(38,532)	(38,532)	0
<b>Government Grant</b>	<b>(84,684)</b>	<b>(84,684)</b>	<b>(84,684)</b>	<b>0</b>
Council Tax Precept	(31,642)	(31,642)	(31,642)	0
Collection Surplus Increase Appropriated to Reserves	0	0	0	0
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
<b>Precept related Funding</b>	<b>(39,310)</b>	<b>(39,310)</b>	<b>(39,310)</b>	<b>0</b>
Specific Grants	(6,506)	(6,879)	(6,675)	204
Victims and Witness Funding	0	0	0	0
Partnership Income/Fees and Charges	(2,760)	(5,135)	(5,625)	(490)
<b>Total Funding</b>	<b>(133,260)</b>	<b>(136,008)</b>	<b>(136,294)</b>	<b>(286)</b>

<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s
Staff Pay	620	620	658	38
Non Pay Expenditure	278	278	269	(9)
Income	(48)	(73)	(89)	(16)
<b>Total Planned Expenditure</b>	<b>850</b>	<b>825</b>	<b>838</b>	<b>13</b>
<b>Central Services</b>	£000s	£000s	£000s	£000s
Staff Pay	295	253	241	(12)
Non Pay Expenditure	40	40	196	156
PFI	6,890	2,742	2,566	(176)
Asset Management	1,625	4,868	4,852	(16)
	<b>8,850</b>	<b>7,903</b>	<b>7,855</b>	<b>(48)</b>
<b>Proposed Community Safety Expenditure</b>	£000s	£000s	£000s	£000s
<b>Total Community Safety Initiatives</b>	<b>2,077</b>	<b>2,051</b>	<b>1,085</b>	<b>(966)</b>
<b>Victims and Witnesses Initiatives</b>	<b>733</b>	<b>876</b>	<b>980</b>	<b>104</b>
<b>Office of the PCC Planned Expenditure</b>	<b>(120,750)</b>	<b>(124,353)</b>	<b>(125,536)</b>	<b>(1,183)</b>

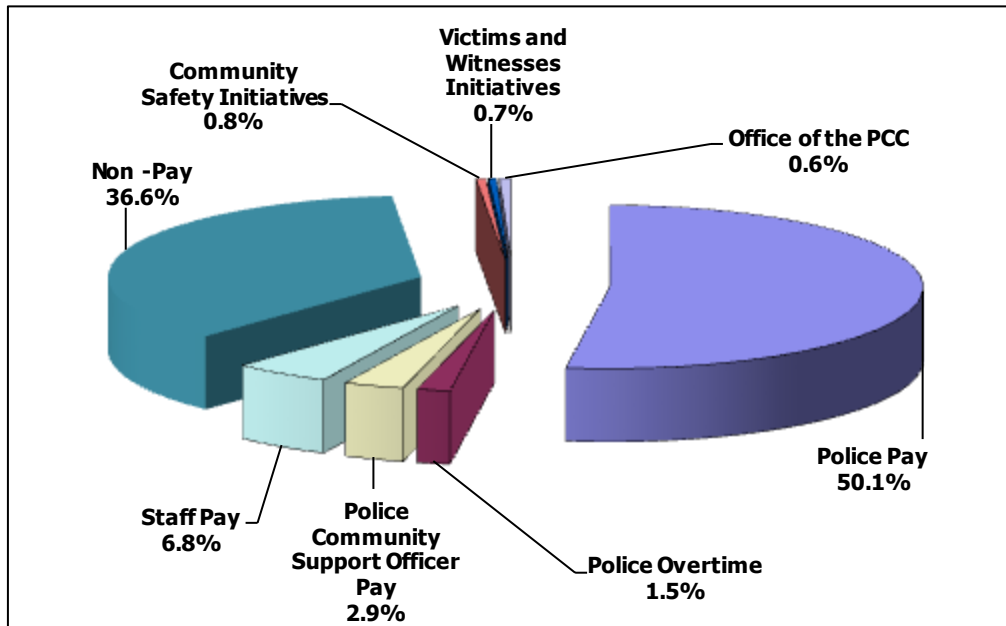
As can be seen from the table above the overall position for the PCC as at the 31<sup>st</sup> March 2017 was a (£1,183k) underspend. Overall this represents a total underspend of 0.94% against the group budget (0.65% 2015/16).



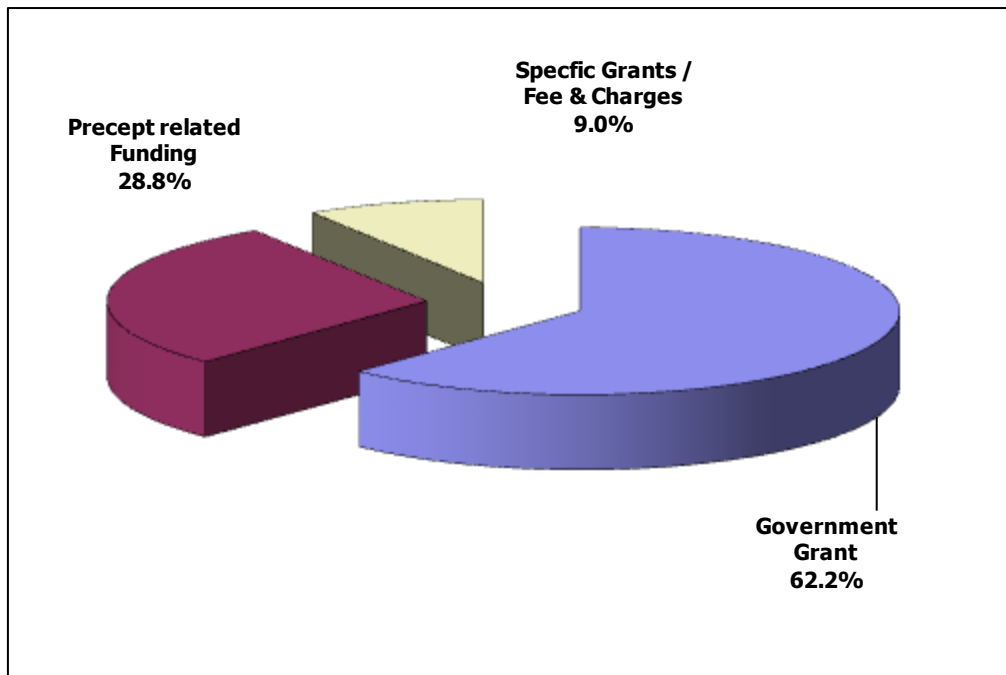
#### 4. POLICE & CRIME COMMISSIONER GENERAL REVENUE BALANCES

	2016/2017 £000	2015/2016 £000
<b>Opening Balance</b>	<b>(8,627)</b>	<b>(8,844)</b>
Budgeted transfer (into)/from balances	925	952
<b>Planned Position</b>	<b>(7,703)</b>	<b>(7,892)</b>
(Surplus) or Deficit on Years activities	(313)	(735)
<b>Available balance at 31 March</b>	<b>(8,016)</b>	<b>(8,627)</b>

#### WHERE THE MONEY GOES TO:



#### WHERE THE MONEY COMES FROM:



## **5. CAPITAL**

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

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

## **6. PENSIONS**

As part of the terms and conditions of employment of its officers and other employees, the PCC Group offers retirement benefits. Although these will not actually be payable until employees retire, the PCC Group has a commitment to make the payments, which need to be recognised at the time that employees earn their future entitlement. This is a requirement of International Accounting Standard (IAS) 19 – Employee Benefits.

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

There are no changes in accounting policies for the 2016/17 financial year.

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

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

## **9. BORROWING FACILITIES**

The PCC currently has £17.176m worth of borrowing taken out with the Public Works Loan Board (PWLB), the repayment of these loans are phased over the next 8 years and have been taken out to fund the PCC's capital programme. The PCC undertook £0.760m of new borrowing and repaid £1.774m in the 2016/17 financial year.

## **10. NON FINANCIAL PERFORMANCE DATA**

After four years in office, the Police and Crime Commissioner (PCC) was re-elected in May 2016. In order to continue the progress made between 2012 and 2016 a new Police and Crime Plan was prepared which sets out the commitments, challenges and opportunities for the next five years.

At the core of the plan are five clear objectives:

- Investing in our Police;
- A better deal for victims and witnesses;
- Tackling re-offending;
- Working together to make Cleveland safer; and
- Securing the future of our communities.

The PCC's objectives reflect the policing priorities of the public and have been drawn up following extensive consultation with the community. The PCC has attended over 400 community meetings, consulted via the local media, the website, by direct contact with the

public, through the Police and Crime Panel and with public, private and voluntary organisations across the Cleveland area.

The Plan outlines actions that have been taken, work that is taking place and those initiatives that are planned for the future.

In order to ensure the delivery of the objectives the following are undertaken by the PCC:

- weekly accountability meetings with the Chief Constable;
- monthly scrutiny meetings with the force and partners;
- Monitoring the force control room log and the serious incidents log on a daily basis;
- attendance at the Force's tactical (monthly) and strategic (quarterly) performance meetings; and
- attending at least one local meeting in each of Cleveland's neighbourhood police team areas every year. The Your Force, Your Voice meetings are the PCCs personal pledge to provide a chance for the public to raise issues directly with him.

Some highlights of our achievements, our current actions and plans for the future are detailed below.

The major achievements are as follows:

- £2million has been invested to protect vulnerable people;
- Working in partnership with the Police and Crime Commissioner for Durham, a victim care and advice service has been established;
- A Violence Against Women and Girls Strategy for the North East has been developed with the PCCs for Durham and Northumbria;
- An Integrated Offender Management Unit has been established at Holme House Prison which is a Cleveland wide multi-agency hub that works together to support and manage our most prolific offenders;
- Taken responsibility for criminal justice through the Cleveland and Durham Local Criminal Justice Board. Working with criminal justice partners to deliver joined-up, integrated services;
- Collaboration with North Yorkshire Police has brought about a combined Major Investigation Team, as part of the Evolve programme. The team based in both Middlesbrough and Harrogate leads on national and international manhunts for local cases and is responsible for investigating crimes of extortion and stranger rape; and
- Support has been given to over 100 local community safety projects and the PCC works with communities to draw up new plans for the future.

Current Work:

- The sale of the Ladgate Lane headquarters has allowed an investment in a multi-million pound Community Safety Hub at Hemlington which will provide a cost-effective and viable base for policing in the future, it will be a base for decision-making during major incidents and house the police control room, and is due to open in Summer 2018. The hub will support the aims for further collaboration with agencies;
- The review of the professional standards department and the way in which we handle complaints is underway with the aim to be a national lead in this area;
- Further development of Restorative Cleveland and awareness raising of the restorative approach opportunities amongst victims;
- Monitoring the impact and support of the wider development of Operation Encompass – an initiative to provide support to young victims of Domestic Abuse via their school and the multi-agency Children's Safeguarding hubs;
- Working with both the National Probation Service and Durham Tees Valley Community Rehabilitation Company to support them through current and any future reform;
- Further developing the use of ECINS, a multi-agency tool designed to improve information sharing across services;

- Support the Chief Constable in the Seven Force Collaboration (North-East Region) in meeting strategic policing requirements; and
- Continue to work with schools to prevent offending and victimisation. Including delivery of a programme designed to challenge racism, extremism and radicalisation. Show Racism the Red Card enables residents to familiarise themselves with the causes and consequences of racism.

Future developments:

- To provide more support for vulnerable groups, including students, businesses and asylum seekers;
- To provide more dedicated support for vulnerable victims of anti-social behaviour;
- Support Clinical Commissioning Groups and health partners in developing digital care records to enable early identification of domestic abuse;
- Work in partnership to tackle all strands of hate crime, including awareness raising, improving reporting and support;
- To raise awareness and seek intelligence amongst agencies and communities to tackle human trafficking and modern day slavery;
- To work with the Youth Offending Service to review the triage service delivered to young people and support the Youth Offending Team through the changes to Youth Justice Reform;
- Work with the new combined authority and Tees Valley Mayor following the election in May 2017;
- Work with the Rural Crime Forum in encouraging reporting and preventing rural crime; and
- Ensure road traffic victims have the opportunity to participate in restorative justice.

The Office of the Police and Crime Commissioner (OPCC) has developed a performance framework which has been prepared in conjunction with the Police and Crime Plan the scrutiny programme and in conjunction with the performance models used by Cleveland Police. The approach provides the structure on which the PCC will scrutinise both the Chief Constable and the force and those services commissioned by the PCC. Information from the Performance Framework will also be provided to the Police and Crime Panel to facilitate their monitoring of the PCC. The framework was launched in April 2017 and as such performance information is still in its infancy, however as the framework is embedded this will enable more detailed performance data to be provided in the future.

## **11. FURTHER INFORMATION**

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This was published on the OPCC website.

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

M. PORTER,  
CHIEF FINANCE OFFICER FOR THE PCC

# **STATEMENT OF RESPONSIBILITIES**

## **The PCC's Responsibilities**

The PCC is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this PCC's Office that Officer is the Chief Finance Officer to the PCC;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

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

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

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

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

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

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

The Statement of Accounts give a true and fair view of the financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31st March 2017.

Date:

Signature:

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

## **The PCC's Responsibilities**

In accordance with the requirements of the Local Audit and Accountability Act 2014 I confirm that the Statement of Accounts was approved by the PCC:

Date:

Signature:

**Barry Coppinger, Police & Crime Commissioner for Cleveland**

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

**To Follow**

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

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

DETAIL	2016/2017			2015/2016		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay Costs	74,811		74,811	75,279		75,279
Police Community Support Officer Pay Costs	4,064		4,064	3,887		3,887
Police Staff Support Pay Costs	9,506		9,506	7,673		7,673
OPCC Staff Pay Costs	947		947	1,084		1,084
Police Non Pay Costs	41,858		41,858	43,980		43,980
OPCC Non Pay Costs	8,508		8,508	8,059		8,059
OPCC Income	0	10,678	(10,678)	0	9,784	(9,784)
Undistributed Costs	27		27	22		22
<b>Net Cost of Services</b>	<b>139,721</b>	<b>10,678</b>	<b>129,043</b>	<b>139,984</b>	<b>9,784</b>	<b>130,200</b>
Other Operating Expenditure (Note 10)			2,535			351
Financing & Investment Income and Expenditure (Note 11)			48,257			42,057
Taxation & Non-Specific Grant Income (Note 12)			(125,370)			(124,052)
<b>(Surplus) or Deficit on Provision of Service</b>			<b>54,465</b>			<b>48,556</b>
(Surplus)/Deficit on Revaluation of PPE			0			(292)
(Surplus)/Deficit on Revaluation of available for sale assets			0			0
Re-measurements of the defined benefit liability (Note 24)			221,951			65,233
<b>Other Comprehensive Income and Expenditure</b>			<b>221,951</b>			<b>64,941</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>276,416</b>			<b>113,497</b>

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

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

Funding Analysis	2016/2017			2015/2016		
	Expenditure Chargeable to the General Fund £000's	2016/2017 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's	Expenditure Chargeable to the General Fund £000's	2015/2016 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's
Police Officer Pay Costs	68,699	(6,112)	74,811	65,970	(9,309)	75,279
Police Community Support Officer Pay Costs	3,837	(227)	4,064	3,887	0	3,887
Police Staff Support Pay Costs	8,974	(532)	9,506	6,906	(767)	7,673
OPCC Staff Pay Costs	913	(34)	947	919	(165)	1,084
Police Non Pay Costs	38,082	(3,776)	41,858	40,102	(3,878)	43,980
OPCC Non Pay Costs	10,442	1,934	8,508	10,564	2,505	8,059
OPCC Income	(10,678)	0	(10,678)	(9,784)	0	(9,784)
Undistributed Costs	27	0	27	22	0	22
<b>Net Cost of Services</b>	<b>120,296</b>	<b>(8,747)</b>	<b>129,043</b>	<b>118,586</b>	<b>(11,614)</b>	<b>130,200</b>
Other Operating Expenditure (Note 10)	249	(2,286)	2,535	311	(40)	351
Financing & Investment Income & Expenditure (Note 11)	3,597	(44,660)	48,257	3,800	(38,257)	42,057
Taxation & Non-Specific Grant Income	(124,455)	915	(125,370)	(123,432)	620	(124,052)
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(313)</b>	<b>(54,778)</b>	<b>54,465</b>	<b>(735)</b>	<b>(49,291)</b>	<b>48,556</b>

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

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

DETAIL	2016/2017			2015/2016		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
OPCC Staff Pay Costs	947	0	947	1,084	0	1,084
OPCC Non Pay Costs	8,508	0	8,508	8,059	0	8,059
OPCC Income	0	10,678	(10,678)	0	9,784	(9,784)
<b>Net Cost of Services before Funding</b>	<b>9,455</b>	<b>10,678</b>	<b>(1,223)</b>	<b>9,143</b>	<b>9,784</b>	<b>(641)</b>
Intra Group Funding	123,462	0	123,462	121,012	0	121,012
<b>Net Cost of Services</b>	<b>132,917</b>	<b>10,678</b>	<b>122,239</b>	<b>130,155</b>	<b>9,784</b>	<b>120,371</b>
Other Operating Expenditure (Note 10)			2,535			351
Financing & Investment Income & Expenditure (Note 11)			3,672			3,868
Taxation & Non-Specific Grant Income (Note 12)			(125,370)			(124,052)
<b>(Surplus) or Deficit on Provision of Service</b>			<b>3,076</b>			<b>538</b>
(Surplus)/Deficit on Revaluation of PPE			0			(292)
(Surplus)/Deficit on Revaluation of available for sale assets			0			0
Re-measurements of the defined benefit liability (Note 24)			779			(223)
<b>Other Comprehensive Income and Expenditure</b>			<b>779</b>			<b>(515)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>3,855</b>			<b>23</b>

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

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

	2016/2017			2015/2016		
	Expenditure Chargeable to the General Fund £000's	Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's	Expenditure Chargeable to the General Fund £000's	Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's
<b>Funding</b>						
Police Officer Pay Costs	(67)	(67)	0	(248)	(248)	0
OPCC Staff Pay Costs	913	(34)	947	919	(165)	1,084
Police Non Pay Costs	(3,776)	(3,776)	0	(3,878)	(3,878)	0
OPCC Non Pay Costs	10,442	1,934	8,508	10,565	2,506	8,059
OPCC Income	(10,678)	0	(10,678)	(9,784)	0	(9,784)
Undistributed Costs	0	0	0	0	0	0
<b>Net Cost of Services</b>	<b>(3,167)</b>	<b>(1,943)</b>	<b>(1,223)</b>	<b>(2,426)</b>	<b>(1,785)</b>	<b>(641)</b>
Intra Group Funding	123,462	0	123,462	121,012	0	121,012
<b>Net Cost of Services</b>	<b>120,295</b>	<b>(1,943)</b>	<b>122,239</b>	<b>118,586</b>	<b>(1,785)</b>	<b>120,371</b>
Other Operating Expenditure (Note 10)	249	(2,286)	2,535	311	(40)	351
Financing & Investment Income & Expenditure (Note 11)	3,597	(75)	3,672	3,800	(68)	3,868
Taxation & Non-Specific Grant Income (Note 12)	(124,455)	915	(125,370)	(123,432)	620	(124,052)
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(313)</b>	<b>(3,389)</b>	<b>3,076</b>	<b>(735)</b>	<b>(1,273)</b>	<b>538</b>



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

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31st March 2016</b>	(8,627)	(6,471)	0	(137)	(370)	(15,603)	1,312,408	1,296,806
(Surplus) or deficit on provision of services (accounting basis)	54,465	0	0	0	0	54,465	0	54,465
<b>Other Comprehensive Income and Expenditure</b>	0	(1)	0	1	0	0	221,951	221,951
<b>Total Comprehensive Expenditure and Income</b>	54,465	(1)	0	1	0	54,465	221,951	276,416
<b>Total Adjustments between accounting basis &amp; funding basis under regulations (Note 8)</b>	(54,601)	0	0	0	(313)	(54,914)	54,913	(0)
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(136)	(1)	0	1	(313)	(449)	276,864	276,416
<b>Total Transfers (to)/from Reserves</b>	748	207	0	0	0	955	(955)	0
<b>(Increase) / Decrease in Year</b>	611	206	0	1	(313)	506	275,909	276,416
<b>Balance at 31 March 2017</b>	(8,016)	(6,264)	0	(136)	(683)	(15,099)	1,588,319.66	1,573,221
<b>Reserves held for:</b>								
Capital purposes		(3,228)	0		(370)	(3,598)		
Revenue Purpose	(8,627)	(3,243)		(137)		(12,006)		
<b>Total at 31 March 2016</b>	(8,627)	(6,471)	0	(137)	(370)	(15,603)		
Capital purposes		(3,241)	0		(683)	(3,924)		
Revenue Purposes	(8,016)	(3,023)		(136)		(11,175)		
<b>Total at 31 March 2017</b>	(8,016)	(6,264)	0	(136)	(683)	(15,099)		

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

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total PCC Reserves £000
<b>Balance at 31st March 2016</b>	<b>(8,627)</b>	<b>(6,471)</b>	<b>0</b>	<b>(137)</b>	<b>(370)</b>	<b>(15,603)</b>	<b>(17,555)</b>	<b>(33,158)</b>
(Surplus) or deficit on provision of services (accounting basis)	3,076	0	0	0	0	3,076	0	3,076
Other Comprehensive Income and Expenditure	0	(1)	0	1	0	0	781	781
<b>Total Comprehensive Expenditure and Income</b>	<b>3,076</b>	<b>(1)</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>3,076</b>	<b>781</b>	<b>3,857</b>
Total Adjustments between accounting basis & funding basis under regulations (Note 8)	(3,211)	0	0	0	(313)	(3,524)	3,524	(0)
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(135)</b>	<b>(1)</b>	<b>0</b>	<b>1</b>	<b>(313)</b>	<b>(448)</b>	<b>4,305</b>	<b>3,857</b>
Total Transfers (to)/from Reserves	747	207	0	0	0	955	(955)	0
<b>(Increase) / Decrease in Year</b>	<b>611</b>	<b>206</b>	<b>0</b>	<b>1</b>	<b>(313)</b>	<b>507</b>	<b>3,350</b>	<b>3,857</b>
<b>Balance at 31 March 2017</b>	<b>(8,016)</b>	<b>(6,264)</b>	<b>0</b>	<b>(136)</b>	<b>(683)</b>	<b>(15,099)</b>	<b>(14,205)</b>	<b>(29,304)</b>
<b>Reserves held for:</b>								
Capital purposes		(3,228)	0		(370)	(3,598)		
Revenue Purpose	(8,627)	(3,243)		(137)		(12,006)		
<b>Total at 31 March 2016</b>	<b>(8,627)</b>	<b>(6,471)</b>	<b>0</b>	<b>(137)</b>	<b>(370)</b>	<b>(15,603)</b>		
Capital purposes		(3,241)	0		(683)	(3,924)		
Revenue Purposes	(8,016)	(3,023)		(136)		(11,175)		
<b>Total at 31 March 2017</b>	<b>(8,016)</b>	<b>(6,264)</b>	<b>0</b>	<b>(136)</b>	<b>(683)</b>	<b>(15,099)</b>		

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Group Reserves £000
Balance at 31st March 2015	(8,846)	(5,420)	0	(404)	(57)	(14,726)	1,198,035	1,183,309
Opening Balance Actuarial Adjustments 1st April 2015							3	3
Adjusted Opening Balance as at 1st April 2015	(8,846)	(5,420)	0	(404)	(57)	(14,726)	1,198,038	1,183,312
(Surplus) or deficit on provision of services (accounting basis)	48,556	0	0	0	0	48,556	0	48,556
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	64,941	64,941
Total Comprehensive Expenditure and Income	48,556	0	0	0	0	48,556	64,941	113,497
Total Adjustments between accounting basis & funding basis under regulations (Note 8)	(49,924)	0	0	0	(313)	(50,237)	50,236	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(1,368)	0	0	0	(313)	(1,681)	115,177	113,497
Total Transfers (to)/from Reserves	1,588	(1,051)	0	267	0	804	(804)	(720)
(Increase) / Decrease in Year	220	(1,051)	0	267	(313)	(877)	114,373	112,777
Balance at 31 March 2016	(8,627)	(6,471)	0	(137)	(370)	(15,603)	1,312,409	1,296,806

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total PCC Reserves £000
Balance at 31st March 2015	(8,845)	(5,420)	0	(404)	(57)	(14,726)	(18,454)	(33,179)
(Surplus) or deficit on provision of services (accounting basis)	539	0	0	0	0	539	0	539
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(516)	(516)
Total Comprehensive Expenditure and Income	539	0	0	0	0	539	(516)	23
Total Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,906)	0	0	0	(313)	(2,219)	2,219	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(1,367)	0	0	0	(313)	(1,680)	1,703	23
Total Transfers (to)/from Reserves	1,588	(1,051)	0	267	0	804	(804)	0
(Increase) / Decrease in Year	220	(1,051)	0	267	(313)	(876)	899	23
Balance at 31 March 2016	(8,627)	(6,471)	0	(137)	(370)	(15,603)	(17,555)	(33,158)

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

The Group Balance Sheet shows the value of the assets and liabilities recognised by the PCC Group as at 31<sup>st</sup> March 2017.

	Notes	31 March 2017 £000	31 March 2016 £000
<b>Long Term Assets</b>			
Property, Plant and Equipment	13	52,271	50,977
Investment Property		-	-
Intangible Assets	15	4,341	5,320
Assets Held for Sale	20	11,758	14,994
Long Term Investments		-	-
Long Term Debtors	18	1,148	1,309
<b>Total Long Term Assets</b>		<b>69,518</b>	<b>72,600</b>
<b>Current Assets</b>			
Short Term Investments		5,500	-
Assets Held for Sale		-	-
Inventories	17	85	82
Short Term Debtors	18	19,429	15,079
Cash and Cash Equivalents	19	-	8,860
<b>Total Current Assets</b>		<b>25,014</b>	<b>24,021</b>
<b>Total Assets</b>		<b>94,532</b>	<b>96,621</b>
<b>Current Liabilities</b>			
Cash and Cash Equivalents	19	(1,238)	-
Short Term Borrowing	34	-	(1,744)
Short Term Creditors	21	(12,989)	(12,284)
Provisions	22	(4,801)	(4,040)
<b>Total Current Liabilities</b>		<b>(19,028)</b>	<b>(18,068)</b>
<b>Long Term Liabilities</b>			
Long Term Creditors	21	-	-
Provisions		-	-
Long Term Borrowing	34	(17,176)	(16,416)
Other Long Term Liabilities : PFI	30	(25,965)	(26,808)
Pensions Liability	24	(1,605,584)	(1,332,134)
<b>Total Long Term Liabilities</b>		<b>(1,648,725)</b>	<b>(1,375,358)</b>
<b>Total Liabilities</b>		<b>(1,667,753)</b>	<b>(1,393,426)</b>
<b>Net Assets</b>		<b>(1,573,221)</b>	<b>(1,296,805)</b>
Usable Reserves	37	(15,099)	(15,603)
Unusable Reserves	38	1,588,320	1,312,408
<b>Total Reserves</b>		<b>1,573,221</b>	<b>1,296,805</b>

## PCC BALANCE SHEET AT 31st MARCH 2017

The PCC Balance Sheet shows the value of the assets and liabilities recognised by the PCC as at 31<sup>st</sup> March 2017.

	Notes	31 March 2017 £000	31 March 2016 £000
<b>Long Term Assets</b>			
Property, Plant and Equipment	13	52,271	50,977
Investment Property		-	-
Intangible Assets	15	4,341	5,320
Asset Held for Sale	20	11,758	14,994
Long Term Investments		-	-
Long Term Debtors	18	1,148	1,309
<b>Total Long Term Assets</b>		<b>69,518</b>	<b>72,600</b>
<b>Current Assets</b>			
Short Term Investments		5,500	-
Assets Held for Sale		-	-
Inventories	17	85	82
Short Term Debtors	18	19,429	15,079
Cash and Cash Equivalents	19	-	8,860
<b>Total Current Assets</b>		<b>25,014</b>	<b>24,021</b>
<b>Total Assets</b>		<b>94,532</b>	<b>96,621</b>
<b>Current Liabilities</b>			
Cash and Cash Equivalents	19	(1,238)	-
Short Term Borrowing	34	-	(1,744)
Short Term Creditors	21	(12,989)	(12,284)
Provisions	22	(4,801)	(4,040)
<b>Total Current Liabilities</b>		<b>(19,028)</b>	<b>(18,068)</b>
<b>Long Term Liabilities</b>			
Long Term Creditors	21	-	-
Provisions		-	-
Long Term Borrowing	34	(17,176)	(16,416)
Other Long Term Liabilities : PFI	30	(25,965)	(26,808)
Pensions Liability	24	(3,059)	(2,171)
<b>Total Long Term Liabilities</b>		<b>(46,200)</b>	<b>(45,395)</b>
<b>Total Liabilities</b>		<b>(65,228)</b>	<b>(63,463)</b>
<b>Net Assets</b>		<b>29,304</b>	<b>33,158</b>
Usable Reserves	37	(15,099)	(15,603)
Unusable Reserves	38	(14,205)	(17,555)
<b>Total Reserves</b>		<b>(29,304)</b>	<b>(33,158)</b>

## **GROUP & PCC CASHFLOW STATEMENT 2016/17**

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

	<b>2016/2017 £000</b>	<b>2015/2016 £000</b>
<b>OPERATING ACTIVITIES</b>		
<u>Cash Outflows</u>		
Cash paid to and on behalf of employees	93,862	84,775
Cash payment to reduce the PFI liability	843	799
Cash paid to suppliers of goods and services	59,820	58,004
	154,526	143,578
<u>Cash Inflows</u>		
Precept received	(32,600)	(30,590)
National non-domestic rates	(38,532)	(38,753)
Other grants	(78,890)	(78,083)
Rents	(40)	(28)
Cash received for goods and services	(3,842)	638
Other operating cash receipts	(2,626)	(4,682)
	(156,529)	(151,498)
<b>Operating Activities Net Cash Flow</b>	<b>(2,003)</b>	<b>(7,920)</b>
<b>INVESTING ACTIVITIES</b>		
<u>Returns on Investments and Servicing of Finance</u>		
Cash outflows - Interest paid	3,646	3,847
Cash inflows - Interest received	(49)	(48)
	3,597	3,800
<u>Capital Activities</u>		
Cash outflows - Purchase of non current assets	6,522	4,355
Cash inflows - Sale of non current assets	(3,380)	(2,861)
- Capital grant received	(1,122)	(1,003)
	2,020	491
<b>Investing Activities Net Cash Flow</b>	<b>5,617</b>	<b>4,290</b>
<b>Net Cash Outflow/(Inflow) before financing</b>	<b>3,614</b>	<b>(3,630)</b>
<b>FINANCING ACTIVITIES</b>		
<u>Management of Liquid Resources</u>		
Net increase/(decrease) in investments	5,500	-
Net increase/(decrease) in imprests	-	-
	5,500	-
<u>Financing</u>		
Cash outflows - Repayment of amounts borrowed	1,744	1,100
Cash inflows - New loans raised	(760)	-
	984	1,100
<b>Financing Activities Net Cash Flow</b>	<b>6,484</b>	<b>1,100</b>
<b>Net (Increase)/Decrease in cash</b>	<b>10,098</b>	<b>(2,530)</b>
<b>Cash brought forward</b>	<b>8,860</b>	<b>6,330</b>
<b>Cash carried forward</b>	<b>(1,238)</b>	<b>8,860</b>
<b>Net (Increase)/Decrease in cash</b>	<b>10,098</b>	<b>(2,530)</b>

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

## **1. GROUP ACCOUNTING POLICIES**

### **A) PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to generate economic benefit during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

Surplus assets are valued at Fair Value.

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

#### **Revaluations & Impairment**

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and a significantly different useful economic life, the components are depreciated separately from 1<sup>st</sup> April 2010. The PCC Group has undertaken this review and has no significant components in the 2016/17 financial year – this review will be undertaken annually.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

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

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



When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) and any receipts from the disposal are transferred to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts.

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

## **B) INTANGIBLE ASSETS**

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds the Capital Receipts Reserve.

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

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

- depreciation attributable to the assets used by the relevant service
- amortisation of intangible assets attributable to the service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

## **C) DE MINIMIS LEVEL**

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

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

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

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

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

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired, using the grant or contribution, are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When no conditions exist or have been satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve; where it has been applied, it is posted to the Capital Adjustment Account.

## **E) CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are those that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the PCC Group's cash management.

## **F) LEASES**

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

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

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value

of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The PCC has finance leases relating to PFI (as disclosed in note 30).

### **Operating Leases**

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

## **G) DEBTORS AND CREDITORS**

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

## **H) VALUATION OF INVENTORIES**

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

## **I) LOANS AND RECEIVABLES**

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

## **J) FINANCIAL INSTRUMENTS**

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

## **K) PROVISIONS**

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

## **L) RESERVES**

The PCC sets aside specific amounts as reserves (Usable) for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be charged against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

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

## **N) INVESTMENTS**

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

## **O) EMPLOYEE BENEFITS**

### **Benefits Payable during Employment**

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

## **P) PENSIONS**

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

### **i) Uniformed Police**

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

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

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

## **ii) Support Staff**

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) requires the following accounting policies to be applied to the various elements of the net asset/liability:

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multifunctional, democratic organisation.

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

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

## **R) PRIVATE FINANCE INITIATIVE**

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

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

## **S) VALUE ADDED TAX**

VAT is included in the accounts only if it is irrecoverable from Her Majesty revenue Customs (HMRC).

## **T) PRECEPT**

Precept is accounted for on an agency basis.

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

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

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

Exceptional and Extraordinary items would be disclosed on the face of the Comprehensive Income and Expenditure Account and fully explained in the notes to the accounts.

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

## **W) REVENUE RECOGNITION**

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

## **X) JOINT CONTROLLED OPERATIONS**

The PCC Group engages in collaborative working arrangements with the Northumbria and Durham Forces. The collaborative arrangements cover the delivery of a number of specific services on a regional basis. (Details of which can be found at Note 41 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 PCC Group also engages in collaborative working in partnership with North Yorkshire and Durham forces (Evolve). This Collaboration is monitored by a Joint Governance Board.

## **Y) CONTINGENT LIABILITIES**

A contingent liability arises where an event has taken place that gives rise to a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

## **Z) CONTINGENT ASSETS**

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

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

## **AA) FAIR VALUE**

The PCC Group measures its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

## 2 FUNDING ANALYSIS

### Group

	Adjustments Between funding & Accounting Basis	Adjustments for Capital	Pension Adjustments	Other Adjustments
	£000's	Note 2a £000's	Note 2b £000's	Note 2c £000's
<b>Notes to Funding Analysis 2016/2017</b>				
Police Officer Pay Costs	(6,112)	0	(6,045)	(67)
Police Community Support Officer Pay Costs	(227)	0	(227)	0
Police Staff Support Pay Costs	(532)	0	(532)	0
OPCC Staff Pay Costs	(34)	0	(34)	0
Police Non Pay Costs	(3,776)	(3,776)	0	0
OPCC Non Pay Costs	1,934	1,572	0	362
OPCC Income	0	0	0	0
Undistributed Costs	0	0	0	0
<b>Net Cost of Services</b>	<b>(8,747)</b>	<b>(2,204)</b>	<b>(6,838)</b>	<b>295</b>
Other Operating Expenditure (Note 10)	(2,286)	(2,286)	0	0
Financing & Investment Income & Expenditure (Note 11)	(44,660)	0	(44,660)	0
Taxation & Non-Specific Grant Income	915	0	0	915
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(54,778)</b>	<b>(4,490)</b>	<b>(51,498)</b>	<b>1,210</b>

	Adjustments Between funding & Accounting Basis	Adjustments for Capital	Pension Adjustments	Other Adjustments
	£000's	Note 2a £000's	Note 2b £000's	Note 2c £000's
<b>Notes to Funding Analysis 2015/2016</b>				
Police Officer Pay Costs	(9,309)	0	(9,061)	(248)
Police Community Support Officer Pay Costs	0	0	0	0
Police Staff Support Pay Costs	(767)	0	(767)	0
OPCC Staff Pay Costs	(165)	0	(165)	0
Police Non Pay Costs	(3,878)	(3,878)	0	0
OPCC Non Pay Costs	2,505	1,870	0	635
OPCC Income	0	0	0	0
Undistributed Costs	0	0	0	0
<b>Net Cost of Services</b>	<b>(11,614)</b>	<b>(2,008)</b>	<b>(9,993)</b>	<b>387</b>
Other Operating Expenditure (Note 10)	(40)	(40)	0	0
Financing & Investment Income & Expenditure (Note 11)	(38,257)	0	(38,257)	0
Taxation & Non-Specific Grant Income	620	0	0	620
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(49,291)</b>	<b>(2,048)</b>	<b>(48,250)</b>	<b>1,007</b>

### 2a Adjustments for Capital Purpose

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

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



## 2b Pension Adjustments

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

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

## 2c Other Adjustments

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

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses and Deficits on the Collection Fund.

## PCC

	Adjustments Between funding & Accounting Basis	Adjustments for Capital	Pension Adjustments	Other Adjustments
	£000's	Note 2a £000's	Note 2b £000's	Note 2c £000's
<b>Notes to Funding Analysis 2016/2017</b>				
Police Officer Pay Costs	(67)	0	0	(67)
Police Community Support Officer Pay Costs	0	0	0	0
Police Staff Support Pay Costs	0	0	0	0
OPCC Staff Pay Costs	(34)	0	(34)	0
Police Non Pay Costs	(3,776)	(3,776)	0	0
OPCC Non Pay Costs	1,934	1,572	0	362
OPCC Income	0	0	0	0
Undistributed Costs	0	0	0	0
<b>Net Cost of Services</b>	<b>(1,943)</b>	<b>(2,204)</b>	<b>(34)</b>	<b>295</b>
Other Operating Expenditure (Note 10)	(2,286)	(2,286)	0	0
Financing & Investment Income & Expenditure (Note 11)	(75)	0	(75)	0
Taxation & Non-Specific Grant Income	915	0	0	915
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(3,389)</b>	<b>(4,490)</b>	<b>(109)</b>	<b>1,210</b>

	Adjustments Between funding & Accounting Basis	Adjustments for Capital	Pension Adjustments	Other Adjustments
	£000's	Note 2a £000's	Note 2b £000's	Note 2c £000's
<b>Notes to Funding Analysis 2015/2016</b>				
Police Officer Pay Costs	(248)	0	0	(248)
Police Community Support Officer Pay Costs	0	0	0	0
Police Staff Support Pay Costs	0	0	0	0
OPCC Staff Pay Costs	(165)	0	(165)	0
Police Non Pay Costs	(3,878)	(3,878)	0	0
OPCC Non Pay Costs	2,506	1,870	0	636
OPCC Income	0	0	0	0
Undistributed Costs	0	0	0	0
<b>Net Cost of Services</b>	<b>(1,785)</b>	<b>(2,008)</b>	<b>(165)</b>	<b>388</b>
Other Operating Expenditure (Note 10)	(40)	(40)	0	0
Financing & Investment Income & Expenditure (Note 11)	(68)	0	(68)	0
Taxation & Non-Specific Grant Income	620	0	0	620
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(1,273)</b>	<b>(2,048)</b>	<b>(233)</b>	<b>1,008</b>

### 3. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

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

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

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

### 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

#### Future government funding

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

#### Accounting principles

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances and transactions cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCC Group's Balance Sheet at 31<sup>st</sup> March 2017 of which there is significant risks of material adjustment in the forthcoming financial year are as follows:

**Pension Liability:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase,

changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied. Details of the impact of these assumptions are provided at Note 24: Pension Liability of the accounts.

**Employee Benefits:** An accrual has been made for employee benefits outstanding at the year end, comprising flexitime, annual leave, Time of in Lieu and re-rostered rest days. The accrual is estimated based on returns from each department and data captured from the Duty Management system. Approximately 44% of the accrual (£2.403m) relates to Annual Leave and 42% relates to rest days in lieu (RDIL). An increase or decrease of 5% in the number of Annual Leave and RDIL owed would change the accrual by £103k.

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

**Property, Plant and Equipment:** Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance and repairs that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether current spending on repairs and maintenance will be sustainable, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £32k for every year that useful lives had to be reduced.

Valuation of assets and consideration of impairment depends on a number of complex judgements and a firm of Surveyors and Valuers is engaged to provide expert advice about the assumptions to be applied. The valuation (and any impairment review) is commissioned in accordance with UKPS 1.3 of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. The effects on the asset valuation of changes in the assumptions interact in complex ways and are difficult to evaluate.

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

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

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

There are no events after the Balance sheet date to report

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

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(1,085)	0	0	0	0	(1,085)	1,085	0
Depreciation and Impairment of fixed assets	(2,682)	0	0	0	0	(2,682)	2,682	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(2,286)	0	0	0	0	(2,286)	2,286	0
Sale of Assets	0	0	(3,380)	0	0	(3,380)	3,380	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(62,807)	0	0	0	0	(62,807)	62,807	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	540	0	0	0	888	1,428	(1,428)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,201	0	0	0	(1,201)	0	0	0
Accumulated Absences Adjustment	(67)	0	0	0	0	(67)	67	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(286)	0	0	0	0	(286)	286	0
	<b>(67,481)</b>	<b>0</b>	<b>(3,380)</b>	<b>0</b>	<b>(313)</b>	<b>(71,174)</b>	<b>71,174</b>	<b>0</b>
Statutory provision for the repayment of debt	1,572	0	0	0	0	1,572	(1,572)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	3,380	0	0	3,380	(3,380)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	11,308	0	0	0	0	11,308	(11,308)	0
	<b>12,880</b>	<b>0</b>	<b>3,380</b>	<b>0</b>	<b>0</b>	<b>16,260</b>	<b>(16,260)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(54,601)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(313)</b>	<b>(54,914)</b>	<b>54,914</b>	<b>0</b>

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

	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Revenue Grants Unapplied Reserve £000</b>	<b>Capital Grants Unapplied Reserve £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total PCC Reserves £000</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(1,085)	0	0	0	0	(1,085)	1,085	0
Depreciation and Impairment of fixed assets	(2,682)	0	0	0	0	(2,682)	2,682	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(2,286)	0	0	0	0	(2,286)	2,286	0
Sale of Assets	0	0	(3,380)	0	0	(3,380)	3,380	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(196)	0	0	0	0	(196)	196	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	540	0	0	0	888	1,428	(1,428)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,201	0	0	0	(1,201)	0	0	0
Accumulated Absences Adjustment	(67)	0	0	0	0	(67)	67	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(286)	0	0	0	0	(286)	286	0
	<b>(4,870)</b>	<b>0</b>	<b>(3,380)</b>	<b>0</b>	<b>(313)</b>	<b>(8,563)</b>	<b>8,563</b>	<b>(0)</b>
Statutory provision for the repayment of debt	1,572	0	0	0	0	1,572	(1,572)	0
Use of Capital Receipts	0	0	3,380	0	0	3,380	(3,380)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	87	0	0	0	0	87	(87)	0
	<b>1,659</b>	<b>0</b>	<b>3,380</b>	<b>0</b>	<b>0</b>	<b>5,039</b>	<b>(5,039)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(3,211)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(313)</b>	<b>(3,524)</b>	<b>3,524</b>	<b>(0)</b>

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

	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Revenue Grants Unapplied Reserve £000</b>	<b>Capital Grants Unapplied Reserve £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Group Reserves £000</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(1,111)	0	0	0	0	(1,111)	1,111	0
Depreciation and Impairment of fixed assets	(2,759)	0	0	0	0	(2,759)	2,759	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(39)	0	0	0	0	(39)	39	0
Sale of Assets	0	0	(2,861)	0	0	(2,861)	2,860	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(58,915)	0	0	0	0	(58,915)	58,915	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	690	690	(690)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,003	0	0	0	(1,003)	0	0	0
Accumulated Absences Adjustment	(248)	0	0	0	0	(248)	248	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(380)	0	0	0	0	(380)	380	0
	<b>(62,458)</b>	<b>0</b>	<b>(2,861)</b>	<b>0</b>	<b>(313)</b>	<b>(65,632)</b>	<b>65,631</b>	<b>0</b>
Statutory provision for the repayment of debt	1,870	0	0	0	0	1,870	(1,870)	0
Capital expenditure charged to the General Fund	0	0	0	0	0	0	0	0
Balance	0	0	2,861	0	0	2,861	(2,861)	0
Use of Capital Receipts	0	0	0	0	0	0	0	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	10,665	0	0	0	0	10,665	(10,665)	0
	<b>12,535</b>	<b>0</b>	<b>2,861</b>	<b>0</b>	<b>0</b>	<b>15,395</b>	<b>(15,395)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(49,923)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(313)</b>	<b>(50,237)</b>	<b>50,236</b>	<b>0</b>

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

	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Revenue Grants Unapplied Reserve £000</b>	<b>Capital Grants Unapplied Reserve £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total PCC Reserves £000</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>								
Amortisation of intangible fixed assets	(1,111)	0	0	0	0	(1,111)	1,111	0
Depreciation and Impairment of fixed assets	(2,759)	0	0	0	0	(2,759)	2,759	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(39)	0	0	0	0	(39)	39	0
Sale of Assets	0	0	(2,861)	0	0	(2,861)	2,861	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(335)	0	0	0	0	(335)	335	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	690	690	(690)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,003	0	0	0	(1,003)	0	0	0
Accumulated Absences Adjustment	(248)	0	0	0	0	(248)	248	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(380)	0	0	0	0	(380)	380	0
	<b>(3,878)</b>	<b>0</b>	<b>(2,861)</b>	<b>0</b>	<b>(313)</b>	<b>(7,051)</b>	<b>7,051</b>	<b>0</b>
Statutory provision for the repayment of debt	1,870	0	0	0	0	1,870	(1,870)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	2,861	0	0	2,861	(2,861)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	102	0	0	0	0	102	(102)	0
	<b>1,972</b>	<b>0</b>	<b>2,861</b>	<b>0</b>	<b>0</b>	<b>4,832</b>	<b>(4,832)</b>	<b>0</b>
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(1,906)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(313)</b>	<b>(2,219)</b>	<b>2,219</b>	<b>0</b>

## 9. TRANSFERS TO / FROM EARMARKED RESERVES

Group and PCC Reserves	Balance at 31 March 2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance at 31 March 2016 £000	Transfers In 2016/17 £000	Transfers Out 2016/17 £000	Balance at 31 March 2017 £000
Direct Revenue Funding of Capital	(1,235)	(1,993)	0	(3,228)	(2,399)	2,386	(3,241)
Injury Pension Reserve	(1,200)	0	560	(640)	0	320	(320)
PFI Sinking Fund	(255)	(40)	0	(295)	(40)	197	(138)
Incentivisation Grant	(261)	0	68	(193)	(79)	0	(271)
Specials	(78)	0	39	(39)	0	39	0
Urray Nook TTC	(81)	0	0	(81)	0	0	(81)
Estates Reserve	(288)	0	115	(173)	0	173	0
Police Property Act Fund	3	(30)	10	(17)	(45)	19	(42)
Job Evaluation Reserve	(292)	(258)	0	(550)	0	0	(550)
NERSOU	(88)	0	86	(2)	(151)	0	(153)
Early Retirement / Voluntary	(875)	0	875	0	0	0	0
Community Safety Fund	(494)	(106)	0	(600)	0	150	(450)
Road Safety Initiative Reserve	(277)	(338)	166	(449)	(239)	59	(629)
Collaboration Reserve	0	(204)	0	(204)	(185)	0	(389)
Revenue Grants Unapplied	(404)	(18)	285	(137)	0	0	(137)
<b>Total</b>	<b>(5,825)</b>	<b>(2,987)</b>	<b>2,203</b>	<b>(6,608)</b>	<b>(3,136)</b>	<b>3,344</b>	<b>(6,401)</b>

### Direct Revenue Funding of Capital

This reserve is held to meet the cost of capital schemes; contributions to and applications of revenue funding for capital schemes have been made in 2016/17.

### Injury Pension Reserve

To allow for the variable nature of future injury/medical retirements of Police Officers and the capital equivalent charges incurred. £0.320m was released in 2016/17 to fund 4 medical retirements.

### Action Stations PFI Sinking Fund

Changes to the PFI buildings will result in variable increases to the Unitary Charge across the life of the contract. However, these changes are of variable amounts given their different life cycles. This sinking fund will be used to manage the uneven changes to that charge across the remaining life of the contract.

### Incentivisation Grant

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

### Specials

This was an unexpected Government grant awarded late in 2008/09. It can only be used for Specials and is therefore earmarked to be used in future years as the need arises. This reserve was fully utilised in 2016/17.

### Tactical Training Centre

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



### **Estates Reserve**

This reserve is for costs associated with the on-going Estates review. This reserve was fully utilised in 2016/2017.

### **Police Property Act Fund**

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

### **Job Evaluation Reserve**

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

### **NERSOU**

North East Regional Special Operations Unit (NERSO) is collaboration between Northumbria, Durham and Cleveland Forces to address organised and serious crime. At the 31<sup>st</sup> March 2017 the reserves position was £691K of which Cleveland's share is £153K.

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

The PCC has established a reserve for the potential costs associated with moving to future structures required to deliver policing services going forward within the expected budgetary constraints. This reserve was released in 2015/2016.

### **Community Safety Fund**

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

### **Road Safety Initiative Reserve**

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

### **Collaboration Reserve**

The reserve has been created to provide to support the work in relation to collaboration activity with other Forces and partners

### **Revenue Grants Unapplied**

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

## 10. OTHER OPERATING EXPENDITURE

Group and PCC	2016/2017 £000	2015/2016 £000
Levies	249	311
(Gains)/losses on disposal of Non-current Assets	2,286	40
<b>Total Other Operating Expenditure</b>	<b>2,535</b>	<b>351</b>

## 11. FINANCING AND INVESTMENT INCOME & EXPENDITURE

Group	2016/2017 £000	2015/2016 £000
Interest payable and similar charges	3,646	3,847
Net interest on defined benefit liability	44,660	38,257
Interest receivable and similar income	(49)	(48)
<b>Total Finance and Investment Income and Expenditure</b>	<b>48,257</b>	<b>42,057</b>

PCC	2016/2017 £000	2015/2016 £000
Interest payable and similar charges	3,646	3,847
Net interest on defined benefit liability	75	68
Interest receivable and similar income	(49)	(48)
<b>Total Finance and Investment Income and Expenditure</b>	<b>3,672</b>	<b>3,868</b>

## 12. TAXATION & NON SPECIFIC GRANT INCOME

Group and PCC	2016/2017 £000	2015/2016 £000
National Non Domestic rates	(38,532)	(38,753)
Police Grants	(46,952)	(47,217)
Precepts	(31,356)	(30,210)
Local Council Tax Support	(6,868)	(6,868)
Capital Grants and Contributions	(1,662)	(1,003)
<b>Total Taxation and Non Specific Grant Income</b>	<b>(125,370)</b>	<b>(124,052)</b>

## 13. PROPERTY, PLANT AND EQUIPMENT.

### Property, Plant and Equipment 2016/2017

Group and PCC	Land and Buildings £000	PFI £000	Vehicles £000	Plant and Equipment £000	Non - Operational £000	Total £000
Gross book value at 1 April 2016	12,870	30,910	4,716	24,428	2,247	75,171
Gross Book Prior Year Adjustments	-	-	-	-	-	-
Accumulated depreciation	(626)	(1,578)	(2,939)	(19,051)	-	(24,194)
Prior Year Adjustments	-	-	-	-	-	-
<b>Net Book Value at 1 April 2016</b>	<b>12,244</b>	<b>29,332</b>	<b>1,777</b>	<b>5,377</b>	<b>2,247</b>	<b>50,977</b>
Adjustments to opening balances: Cost	-	-	-	-	-	-
Adjustments to opening balances: Dep	-	-	-	-	-	-
<b>Net Book Value at 1 April 2016</b>	<b>12,244</b>	<b>29,332</b>	<b>1,777</b>	<b>5,377</b>	<b>2,247</b>	<b>50,977</b>
Additions	12	955	1,628	558	3,300	6,453
Reclassification	-	-	(34)	956	(958)	(36)
Disposals	(45)	-	(1,212)	(2,373)	(2,203)	(5,833)
Revaluations : Revaluation Reserves	-	-	-	-	-	-
Revaluations : Surplus / Deficit	-	-	-	-	-	-
Assets Reclassified (to)/From Assets Held for sale	-	-	-	-	-	-
<b>Book value at 31 March 2017</b>	<b>12,211</b>	<b>30,287</b>	<b>2,159</b>	<b>4,517</b>	<b>2,386</b>	<b>51,560</b>
Depreciation for 2016/17	(311)	(818)	(514)	(1,048)	-	(2,691)
Depreciation on Disposals 2016/17	2	-	1,027	2,373	-	3,402
Revaluations : Revaluation Reserves	-	-	-	-	-	-
Revaluations : Surplus / Deficit	-	-	-	-	-	-
<b>Net Book Value at 31 March 2017</b>	<b>11,902</b>	<b>29,469</b>	<b>2,671</b>	<b>5,843</b>	<b>2,386</b>	<b>52,271</b>

### Property, Plant and Equipment 2015/2016

Group and PCC	Land and Buildings £000	PFI £000	Vehicles £000	Plant and Equipment £000	Non - Operational £000	Total £000
Gross book value at 1 April 2015	12,879	30,106	4,387	22,664	2,736	72,772
Accumulated depreciation	(316)	(785)	(2,980)	(17,803)	-	(21,884)
Prior Year Adjustments	-	-	-	-	-	-
<b>Net Book Value at 1 April 2015</b>	<b>12,563</b>	<b>29,321</b>	<b>1,407</b>	<b>4,861</b>	<b>2,736</b>	<b>50,888</b>
Adjustments to opening balances: Cost	-	-	-	-	-	-
Adjustments to opening balances: Dep	-	-	-	-	-	-
<b>Net Book Value at 1 April 2015</b>	<b>12,563</b>	<b>29,321</b>	<b>1,407</b>	<b>4,861</b>	<b>2,736</b>	<b>50,888</b>
Additions	31	804	858	942	1,616	4,251
Reclassification	(40)	-	41	822	(2,105)	(1,282)
Disposals	-	-	(570)	-	-	(570)
Revaluations : Revaluation Reserves	-	-	-	-	-	-
Revaluations : Surplus / Deficit	-	-	-	-	-	-
Assets Reclassified (to)/From Assets Held for sale	-	-	-	-	-	-
<b>Book value at 31 March 2016</b>	<b>12,554</b>	<b>30,125</b>	<b>1,736</b>	<b>6,625</b>	<b>2,247</b>	<b>53,287</b>
Depreciation for 2015/16	(310)	(793)	(416)	(1,248)	-	(2,767)
Depreciation on Disposals 2015/16	-	-	457	-	-	457
Revaluations : Revaluation Reserves	-	-	-	-	-	-
Revaluations : Surplus / Deficit	-	-	-	-	-	-
<b>Net Book Value at 31 March 2016</b>	<b>12,244</b>	<b>29,332</b>	<b>1,777</b>	<b>5,377</b>	<b>2,247</b>	<b>50,977</b>

#### Depreciation

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

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

## Capital Commitments

As at 31st March 2017, the PCC Group was contractually committed to capital works which amounted to approximately £2.727m (£2.222m at 31<sup>st</sup> March 2016).

2016/17 Capital Commitments	£'000s
<b>Group and PCC : Asset Classification</b>	
Land and Buildings	418
Vehicles	835
Plant and Equipment	1,346
<b>Total Property, Plant &amp; Equipment</b>	<b>2,599</b>
Intangible	128
<b>Grand Total</b>	<b>2,727</b>

## Revaluations

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

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

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

## 14. INVESTMENT PROPERTIES

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

## 15. INTANGIBLE ASSETS

The PCC Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PCC Group. The useful lives assigned to the major software suites used by the PCC Group are assessed individually.

<b>Group and PCC</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	9,428	8,042
Prior Year Adjustments	0	0
Accumulated Amortisation	(4,108)	(2,997)
Prior Year Adjustments	-	-
<b>Net Carrying Amount 31st March</b>	<b>5,320</b>	<b>5,045</b>
Additions	70	104
Reclassification	36	1,282
Disposals	(261)	-
Revaluations	-	-
Amortisation on Disposals	261	-
Amortisation	(1,085)	(1,111)
<b>Net Carrying amount at 31 March</b>	<b>4,341</b>	<b>5,320</b>
<b>Gross Carrying Amounts</b>	<b>9,273</b>	<b>9,428</b>
<b>Accumulated Amortisation</b>	<b>(4,932)</b>	<b>(4,108)</b>

## 16. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

	31 March 2017	31 March 2016
Group and PCC	£000	£000
<b>Long Term Assets:</b>		
Long Term Investments	-	-
Long Term Debtors	1,148	1,309
	<b>1,148</b>	<b>1,309</b>
<b>Short-Term Assets:</b>		
Short Term Investments	5,500	-
Cash and Cash Equivalents	-	8,860
	<b>5,500</b>	<b>8,860</b>
<b>Debtors:</b>		
Government Departments	5,602	8,001
Other Local Authorities	2,117	1,216
Other Debtors	2,992	236
Less provision for doubtful debts	(1)	(3)
	<b>10,710</b>	<b>9,451</b>
<b>Short-Term Liabilities:</b>		
Short Term Loans	-	(1,744)
Cash and Cash Equivalents	(1,316)	-
	<b>(1,316)</b>	<b>(1,744)</b>
<b>Creditors:</b>		
Government Departments	(368)	(40)
Other Local Authorities	(722)	(743)
Sundry Creditors	(4,960)	(6,335)
	<b>(6,050)</b>	<b>(7,117)</b>
<b>Long Term Liabilities:</b>		
Long Term Creditors		
Long Term Borrowing	(17,176)	(16,416)
PFI Liabilities	(25,965)	(26,808)
	<b>(43,141)</b>	<b>(43,224)</b>

	31 March 2017	31 March 2016
Interest Expense	3,646	3,848
Interest Income	(49)	(48)
<b>Net (gain)/loss for the year</b>	<b>3,597</b>	<b>3,800</b>

Long Term Borrowing Maturity Period	Fair Value 31 March 2017 £000	Cost 31 March 2017 £000
<b>New Loans Rate :</b>		
1/2 years	(919)	(872)
2/5 years	(11,319)	(10,044)
5/10 years	(6,885)	(6,260)
Over 10 years	-	-
<b>Total Long Term Loans</b>	<b>(19,123)</b>	<b>(17,176)</b>
<b>Premature Repayment Rate :</b>		
1/2 years	(932)	(872)
2/5 years	(11,718)	(10,044)
5/10 years	(7,282)	(6,260)
Over 10 years	-	-
<b>Total Long Term Loans</b>	<b>(19,932)</b>	<b>(17,176)</b>

The PPC's Long Term Borrowing consists solely of loans taken from the Public Works Loans Board (PWLB). The fair value of the PWLB loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date which has been assumed as the PWLB new borrowing rates.

## 17. INVENTORIES

<b>Group and PCC</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
	Uniforms	Uniforms
Opening Balance	82	75
Purchases	117	125
Recognised in Year	(114)	(118)
<b>Closing Balance</b>	<b>85</b>	<b>82</b>

## 18. DEBTORS

<b>Short Term Group and PCC Debtors</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Government Departments	6,480	8,879
Other Local Authorities	7,310	5,824
Other Debtors	2,992	236
	<b>16,782</b>	<b>14,939</b>
Less: Provision for doubtful debts	(3,158)	(3,023)
	<b>13,624</b>	<b>11,917</b>
Add: Payments in Advance	5,805	3,162
<b>Total Short Term Debtors</b>	<b>19,429</b>	<b>15,079</b>
<b>Long Term Group and PCC Debtors</b>		
Other Debtors	1,148	1,309
<b>Total Long Term Debtors</b>	<b>1,148</b>	<b>1,309</b>

## 19. CASH AND CASH EQUIVALENTS

<b>Group and PCC</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Cash held by the PCC	78	75
Bank current Accounts	(1,316)	8,785
Short-term deposits	0	0
<b>Total Cash and Cash Equivalents</b>	<b>(1,238)</b>	<b>8,860</b>

## 20. ASSETS HELD FOR SALE

Group and PCC	2016/2017	2015/2016
	£000	£000
<b>Balance Outstanding</b>	14,994	17,489
Asset newly classified as held for sale	-	-
Revaluation Losses	-	-
Revaluation Gains	-	292
Impairment Losses	-	-
Retirements - Part	(3,236)	(2,787)
<b>Balance outstanding</b>	<b>11,758</b>	<b>14,994</b>

## 21. CREDITORS

Short Term Group and PCC Creditors	31 March 2017	31 March 2016
	£000	£000
Government Departments	(368)	(40)
Her Majesty's Revenue & Customs (HMRC)	(1,836)	(1,601)
Other Local Authorities	(2,267)	(1,555)
Accumulated Compensated Absences	(2,404)	(2,336)
Sundry Creditors	(4,960)	(6,335)
<b>Sub total</b>	<b>(11,834)</b>	<b>(11,866)</b>
Add: Income in Advance	(1,155)	(417)
<b>Total Creditors</b>	<b>(12,989)</b>	<b>(12,284)</b>
<b>Long Term Group and PCC Creditors</b>		
Sundry Creditors	-	-
<b>Total Long Term Creditors</b>	<b>-</b>	<b>-</b>

## 22. PROVISIONS

Group and PCC	Balance at 31 March 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
VAT Provision	(63)	0	0	(63)	0	63	(0)
Holiday Overtime Pay	(150)	0	120	(30)	0	30	(0)
Insurance	0	(172)	0	(172)	0	0	(172)
Insurance Liabilities	(1,980)	(532)	237	(2,274)	(1,270)	416	(3,129)
Employee Related Remuneration	0	0	0	0	(1,500)	0	(1,500)
Strategic Contract Changes	0	(1,500)	0	(1,500)	0	1,500	0
<b>Total</b>	<b>(2,193)</b>	<b>(2,204)</b>	<b>357</b>	<b>(4,039)</b>	<b>(2,770)</b>	<b>2,009</b>	<b>(4,801)</b>



## **VAT Provision**

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

## **Holiday Overtime Pay**

Following a recent court ruling in respect of holiday pay in regards to regularised overtime payments the PCC has created this provision to address any prior liability associated with this ruling. In 2015/16 we have released the proportion of the provision relating to Police Officers as agreement has been reached between both parties. Negotiations continue with Police staff employees and as a consequence the provision holds a balance for this potential liability. This provision has been released and the annual costs built into the annual budgets of the Group.

## **Insurance**

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

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

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

This provision has been increased in 2015/16 by £172K in line with projections provided by the MMI administrators. There are likely to be further charges made against this provision in the future. However, at this time they can't be confirmed in terms of financial magnitude or timeframe. Therefore there is a contingent liability included in the accounts under note 42.

## **Insurance Liabilities**

The provision is required to fund the potential liability in respect of current Insurance claims. The potential liability is calculated with reference to the "reserves" set by the Insurers on a case by case basis.

## **Employee Related Remuneration**

The provision is required to fund the potential costs relating to employee related remuneration claims.

## **Strategic Contract Changes**

The PCC has agreed to some significant changes to two of the Strategic Contracts that the organisation is a party too. These will deliver significant recurring contract price reductions. The changes have been agreed in 2015/16 but with the costs falling due in 2016/17. The costs are

predominantly dependent on reductions to the workforces that deliver the contracts and the PCC will pick up the costs that enable these changes to happen. The provision has been fully released in 2016/17 to meet the liability associated with these changes.

## **23. PENSIONS**

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

The PCC Group participates in two pension schemes:

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

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

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

Group	Local Government Pension Scheme		Police Pension Scheme		Total	
	2016/2017 £000	2015/2016 £000	2016/2017 £000	2015/2016 £000	2016/2017 £000	2015/2016 £000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
Current service cost	2,093	2,086	16,053	18,572	18,146	20,658
Curtailment/settlements	-	-	-	-	-	-
Past service cost	1	-	-	-	1	-
Change to accounting policies	-	-	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>						
Interest cost	2,837	2,670	43,975	37,593	46,812	40,263
Expected return on assets	(2,152)	(2,006)	-	-	(2,152)	(2,006)
Other investment Income	-	-	-	-	-	-
<b>Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service</b>	<b>2,779</b>	<b>2,750</b>	<b>60,028</b>	<b>56,165</b>	<b>62,807</b>	<b>58,915</b>
<b>Other post employment Benefit Charged to the CIES</b>						
Return on Plan assets	(14,893)	3,265	-	-	(14,893)	3,265
Actuarial (gains) /losses : Financial Assumptions	19,590	(5,201)	251,029	(44,222)	270,619	(49,423)
Actuarial (gains) /losses: Demographic assumptions	(2,212)	-	-	(12,245)	(2,212)	(12,245)
Actuarial (gains) /losses : liability experience	1,485	(750)	(5,669)	156,212	(4,184)	155,462
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>6,749</b>	<b>64</b>	<b>305,388</b>	<b>155,910</b>	<b>312,137</b>	<b>155,974</b>
<b>Movement in Reserves Statement:</b>						
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(2,779)	(2,750)	(60,028)	(56,165)	(62,807)	(58,915)
<b>Actual amount charged against General fund balances for pensions in the year:</b>						
Contribution in year	1,300	1,154	10,008	9,511	11,308	10,665
Unfunded Pension Payments	-	-	-	-	-	-

PCC	Local Government Pension Scheme	
	2016/2017 £000	2015/2016 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	121	267
Curtailement/settlements	-	-
Past service cost	-	-
Change to accounting policies	-	-
<b>Financing and Investment Income and Expenditure</b>		
Interest cost	258	243
Expected return on assets	(183)	(175)
Other investment Income	-	-
<b>Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service</b>	<b>196</b>	<b>335</b>
<b>Other post employment Benefit Charged to the CIES</b>		
Return on Plan assets	(4,676)	285
Actuarial (gains) /losses : Financial Assumptions	1,925	(507)
Actuarial (gains) /losses: Demographic assumptions	(200)	-
Actuarial (gains) /losses : liability experience	3,730	(1)
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>975</b>	<b>112</b>
<b>Movement in Reserves Statement:</b>		
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(196)	(335)
<b>Actual amount charged against General fund balances for pensions in the year:</b>		
Contribution in year	87	102
Unfunded Pensions Payments	-	-

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

Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme		Total	
	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000	31/03/17 £000	31/03/16 £000
Estimated funded liabilities in scheme	103,763	81,305	-	-	-	-	-	-	-	-	103,763	81,305
Estimated unfunded liabilities in scheme	376	378	1,428,390	1,203,110	83,698	68,998	41,939	31,121	25,916	8,713	1,580,319	1,312,320
Less : Estimated assets in scheme	78,499	61,491	-	-	-	-	-	-	-	-	78,499	61,491
<b>Net Liability</b>	<b>25,640</b>	<b>20,192</b>	<b>1,428,390</b>	<b>1,203,110</b>	<b>83,698</b>	<b>68,998</b>	<b>41,939</b>	<b>31,121</b>	<b>25,916</b>	<b>8,713</b>	<b>1,605,583</b>	<b>1,332,134</b>

PCC	Local Government Pension Scheme	
	31/03/17 £000	31/03/16 £000
Estimated funded liabilities in scheme	13,017	7,536
Estimated unfunded liabilities in scheme	-	-
Estimated assets in scheme	9,958	5,365
<b>Net Liability</b>	<b>3,059</b>	<b>2,171</b>

Note 24 contain details of the assumptions made in estimating the figures included in this note.

## 24. PENSIONS LIABILITY

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

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

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,606m has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,573m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Police Pension Scheme and the Teesside Pension Fund liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, with estimates for the PCC Group being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2016.

The main assumptions used in their calculations have been:

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

Group and PCC	Mortality Assumptions							
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Males	Females	Males	Females	Males	Females	Males	Females
Retiring today	22.80	24.90	22.80	25.40	22.80	25.40	22.80	25.40
Retiring in 20 years	25.00	27.20	25.00	27.70	25.00	27.70	25.00	27.70

## Estimated Pension Expense in Future Periods

Group	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19
<b>Funded :-</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Current Service cost	23,429	24,132	2,993	3,083
Net Interest cost	40,588	41,708	638	694
<b>Total</b>	<b>64,017</b>	<b>65,840</b>	<b>3,631</b>	<b>3,777</b>

Group	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/16	Year to 31/03/17	Year to 31/03/17	Year to 31/03/18
<b>UnFunded :-</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Current Service cost	-	-	9	9
Net Interest cost	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>9</b>

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

Group	Assets at 31 March 2016		Assets at 31 March 2017		Asset Split as at 31 March 2016	
	£000	%	£000	%	Quoted	Unquoted
Equities	52,206	84.9%	62,799	80.0%	80.0%	0.0%
Gilts	861	1.4%	157	0.2%	0.2%	0.0%
Bonds	984	1.6%	157	0.2%	0.2%	0.0%
Property	4,304	7.0%	5,416	6.9%	0.7%	6.2%
Cash	3,136	5.1%	8,792	11.2%	11.2%	0.0%
Other	0	0.0%	1,177	1.5%	1.1%	0.4%
<b>Total</b>	<b>61,491</b>	<b>100.0%</b>	<b>78,499</b>	<b>100.0%</b>	<b>93.4%</b>	<b>6.6%</b>

PCC	Assets at 31 March 2016		Assets at 31 March 2017		Asset Split as at 31 March 2016	
	£000	%	£000	%	Quoted	Unquoted
Equities	4,555	84.9%	7,966	80.0%	80.0%	0.0%
Gilts	75	1.4%	20	0.2%	0.2%	0.0%
Bonds	86	1.6%	20	0.2%	0.2%	0.0%
Property	376	7.0%	687	6.9%	0.7%	6.2%
Cash	274	5.1%	1,115	11.2%	11.2%	0.0%
Other	0	0.0%	149	1.5%	1.1%	0.4%
<b>Total</b>	<b>5,365</b>	<b>100.0%</b>	<b>9,958</b>	<b>100.0%</b>	<b>93.4%</b>	<b>6.6%</b>

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

Analysis of Amount Recognised in Other Comprehensive Income										
Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	14,892	(3,265)	27,424	31,826	0	0	0	0	0	0
Experience Gains and Losses Arising on the Scheme Liabilities	0	0	0	0	0	0	0	0	0	0
Other Experience Gains/(Losses) on Liabilities	0	0	0	0	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(18,862)	5,951	(215,435)	(121,356)	(12,887)	4,114	(9,649)	16,813	(7,434)	684
<b>Actuarial Gain/(Loss) in Pension Plan</b>	<b>(3,970)</b>	<b>2,686</b>	<b>(188,011)</b>	<b>(89,530)</b>	<b>(12,887)</b>	<b>4,114</b>	<b>(9,649)</b>	<b>16,813</b>	<b>(7,434)</b>	<b>684</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0	0	0	0	0
<b>Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income</b>	<b>(3,970)</b>	<b>2,686</b>	<b>(188,011)</b>	<b>(89,530)</b>	<b>(12,887)</b>	<b>4,114</b>	<b>(9,649)</b>	<b>16,813</b>	<b>(7,434)</b>	<b>684</b>
Effect of Change in Accounting Methodology	0	0	0	0	0	0	0	0	0	0

Summary	31/03/17	31/03/16
	£000	£000
Local Government Pension Scheme	(3,970)	2,686
1987 Police Pension Scheme	(188,011)	(89,530)
Injury Awards	(12,887)	4,114
2006 Police Pension Scheme	(9,649)	16,813
2015 Police Pension Scheme	(7,434)	684
<b>Total Gains/(Loss) Recognised</b>		
<b>CIES</b>	<b>(221,951)</b>	<b>(65,233)</b>

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

PCC	Local Government Pension Scheme	
	Year to 31/03/17	Year to 31/03/16
	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	4,676	(285)
Experience Gains and Losses Arising on the Scheme Liabilities	0	0
Other Experience Gains/(Losses) on Liabilities	0	0
Changes in Demographic/Financial Assumptions Underlying the Scheme Liabilities	(5,455)	508
<b>Actuarial Gain/(Loss) in Pension Plan</b>	<b>(779)</b>	<b>223</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0
Fall and Other Factors	0	0
<b>Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income</b>	<b>(779)</b>	<b>223</b>
Effect of Change in Accounting Methodology	0	0

Asset and Benefit Obligation Reconciliation										
Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16	Year to 31/03/17	Year to 31/03/16
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Defined Benefit Obligation	81,683	83,909	1,203,110	1,079,986	68,998	71,258	31,121	46,125	8,713	0
Current Service Cost	2,093	2,086	8,406	10,442	1,456	1,592	180	239	6,011	6,299
Interest Cost	2,837	2,670	40,251	33,819	2,313	2,249	1,057	1,477	354	48
Actuarial losses (gains)	18,862	(5,951)	215,435	121,356	12,887	(4,114)	9,649	(16,813)	7,434	(684)
Losses (gains) on curtailments	0	0	0	0	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(2,030)	(1,650)	(41,580)	(45,738)	(1,956)	(1,987)	(147)	0	165	23
Past Service Cost	1	0	0	0	0	0	0	0	0	0
Contribution by Scheme participants	693	619	2,768	3,245	0	0	79	93	3,239	3,027
Additional Employer Contributions	0	0	0	0	0	0	0	0	0	0
Unfunded pension payments	0	0	0	0	0	0	0	0	0	0
<b>Closing Defined Benefit Obligation</b>	<b>104,139</b>	<b>81,683</b>	<b>1,428,390</b>	<b>1,203,110</b>	<b>83,698</b>	<b>68,998</b>	<b>41,939</b>	<b>31,121</b>	<b>25,916</b>	<b>8,713</b>

Opening fair value of Scheme assets	61,492	62,628	0	0	0	0	0	0	0	0
Expected return on Scheme assets	2,152	2,006	0	0	0	0	0	0	0	0
Actuarial gains (losses)	14,892	(3,265)	27,424	31,826	0	0	0	0	0	0
Contributions by employer including unfunded benefits	1,300	1,154	11,388	10,667	1,956	1,987	68	(93)	(3,404)	(3,050)
Contributions by Scheme participants	693	619	2,768	3,245	0	0	79	93	3,239	3,027
Change to Accounting Policies	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(2,030)	(1,650)	(41,580)	(45,738)	(1,956)	(1,987)	(147)	0	165	23
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
<b>Fair Value of Scheme Assets at end of Period</b>	<b>78,499</b>	<b>61,492</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Reconciliation of Opening and Closing Net Obligation										
Opening Surplus / (Deficit)	(20,191)	(21,281)	(1,203,110)	(1,079,986)	(68,998)	(71,258)	(31,121)	(46,125)	(8,713)	0
Current Service Cost	(2,093)	(2,086)	(8,406)	(10,442)	(1,456)	(1,592)	(180)	(239)	(6,011)	(6,299)
Contributions by employer including unfunded benefits	1,300	1,154	11,388	10,667	1,956	1,987	68	(93)	(3,404)	(3,050)
Contributions by Scheme participants	0	0	0	0	0	0	0	0	0	0
Past Service Costs	(1)	0	0	0	0	0	0	0	0	0
Interest Costs	(2,837)	(2,670)	(40,251)	(33,819)	(2,313)	(2,249)	(1,057)	(1,477)	(354)	(48)
Expected return on Scheme assets	2,152	2,006	0	0	0	0	0	0	0	0
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
Actuarial (losses) gains	(3,970)	2,686	(188,011)	(89,530)	(12,887)	4,114	(9,649)	16,813	(7,434)	684
<b>Fair Value of Scheme Assets/ (Liabilities) at end of Period</b>	<b>(25,640)</b>	<b>(20,191)</b>	<b>(1,428,390)</b>	<b>(1,203,110)</b>	<b>(83,698)</b>	<b>(68,998)</b>	<b>(41,939)</b>	<b>(31,121)</b>	<b>(25,916)</b>	<b>(8,713)</b>

Summary	31/03/17 £000	31/03/16 £000
Local Government Pension Scheme	(25,640)	(20,191)
1987 Police Pension Scheme	(1,428,390)	(1,203,110)
Injury Awards	(83,698)	(68,998)
2006 Police Pension Scheme	(41,939)	(31,121)
2015 Police Pension Scheme	(25,916)	(8,713)
	<b>(1,605,584)</b>	<b>(1,332,134)</b>



<b>Asset and Benefit Obligation Reconciliation</b>		
<b>PCC</b>	<b>Local Government Pension Scheme</b>	
	<b>Year to 31/03/17 £000</b>	<b>Year to 31/03/16 £000</b>
<b>Opening Defined Benefit Obligation</b>	<b>7,536</b>	<b>7,642</b>
Current Service Cost	121	267
Interest Cost	258	243
Actuarial losses (gains)	5,455	(508)
Losses (gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Estimated benefits paid net of transfers in	(410)	(175)
Past Service Cost	0	0
Contribution by Scheme participants	57	67
Additional Employer Contributions	0	0
Unfunded pension payments	0	0
<b>Closing Defined Benefit Obligation</b>	<b>13,017</b>	<b>7,536</b>

<b>Opening fair value of Scheme assets</b>	<b>5,365</b>	<b>5,481</b>
Expected return on Scheme assets	183	175
Actuarial gains (losses)	4,676	(285)
Contributions by employer including unfunded benefits	87	102
Contributions by Scheme participants	57	67
Change to Accounting Policies	0	0
Estimated benefits paid including unfunded benefits	(410)	(175)
Gain on Settlement	0	0
<b>Fair Value of Scheme Assets at end of Period</b>	<b>9,958</b>	<b>5,365</b>

<b>Opening Surplus / (Deficit)</b>	<b>(2,171)</b>	<b>(2,161)</b>
Current Service Cost	(121)	(267)
Contributions by employer including unfunded benefits	87	102
Contributions by Scheme participants	0	0
Past Service Costs	0	0
Interest Costs	(258)	(243)
Expected return on Scheme assets	183	175
Gain on Settlement	0	0
Actuarial (losses) gains	(779)	223
<b>Fair Value of Scheme Assets/ (Liabilities) at end of Period</b>	<b>(3,059)</b>	<b>(2,171)</b>

### Estimated Pension Expense in Future Periods

<b>PCC</b>	<b>Local Government Pensions</b>	<b>Local Government Pensions</b>
	<b>Year to 31/03/18</b>	<b>Year to 31/03/19</b>
	<b>£000s</b>	<b>£000s</b>
Service cost	172	177
Net Interest cost	78	82
<b>Total</b>	<b>250</b>	<b>259</b>

The table below details the approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2017 and projected service cost for the year ending 31 March 2017.

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

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

Funded LGPS benefits : Group	Sensitivity Analysis			Sensitivity Analysis			Sensitivity Analysis		
	PCC			Cleveland Police			Group		
	+0.1% p.a.	Base 16/17	-0.1% p.a.	+0.1% p.a.	Base 16/17	-0.1% p.a.	+0.1% p.a.	Base 16/17	-0.1% p.a.
<b>Discount Rate Assumptions</b>									
Present Value of total obligation (£m's)	12,744	13,017	13,296	88,763	90,746	92,773	101,507	103,763	106,069
% change in present value of total obligation	-2.1%		2.1%	-2.2%		2.2%	-2.2%		2.2%
Projected Service cost (£M's)	166	172	179	2,722	2,821	2,933	2,888	2,993	3,112
Approx % change in projected service cost	-3.7%		3.8%	-3.5%		3.6%	-3.5%		4.0%
<b>Rate of General increase in Salaries</b>									
Present Value of total obligation (£m's)	13,081	13,017	12,954	-1,219	90,746	90,278	11,862	103,763	103,232
% change in present value of total obligation	0.5%		-0.5%	0.5%		-0.5%	-88.6%		-0.5%
Projected Service cost (£M's)	172	172	172	2,821	2,821	2,821	2,993	2,993	2,993
Approx % change in projected service cost	0.0%		0.0%	0.0%		0.0%	0.0%		0.0%
<b>Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions</b>									
Present Value of total obligation (£m's)	13,231	13,017	12,807	92,294	90,746	89,226	105,525	103,763	102,033
% change in present value of total obligation	1.6%		-1.6%	1.7%		-1.7%	1.7%		-1.7%
Projected Service cost (£M's)	179	172	166	2,923	2,821	2,722	3,102	2,993	2,888
Approx % change in projected service cost	3.8%		-3.7%	3.6%		-3.5%	3.6%		-3.5%
<b>Post retirement mortality assumption</b>									
Present Value of total obligation (£m's)	13,404	13,017	12,632	93,445	90,746	88,064	106,849	103,763	100,696
% change in present value of total obligation	300.0%		-3.0%	3.0%		-3.0%	3.0%		-3.0%
Projected Service cost (£M's)	179	172	165	2,925	2,821	2,718	3,104	2,993	2,883
Approx % change in projected service cost	4.0%		-4.0%	3.7%		-3.7%	3.7%		-3.7%

## 25. LEASED ASSETS – RENTALS

The PCC has entered into an operating lease arrangement for photocopying/printing equipment which expires in May 2019.

	Finance Leases £000	Operating Leases £000
Total Rentals paid in 2016/2017	0	24
Outstanding undischarged Leasing Obligations.		
2017/2018	0	24
2018/2019	0	24
2019/2020	0	2

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

## 26. OFFICERS' EMOLUMENTS

During the financial year 2016/2017, the numbers of senior police officers (above the rank of Superintendent) and staff whose remuneration, excluding employers' pension contributions and compensation for loss of office, was £50,000 or more in bands of £5,000 were:

## Group

Remuneration Band	Number of Employees 2016/17			2015/2016
	Police Officers	Support Staff	Total	
£50,000 - £54,999	1	2	3	1
£55,000 - £59,999	1	1	2	0
£60,000 - £64,999	0	1	1	0
£65,000 - £69,999	0	0	0	2
£70,000 - £74,999	0	3	3	2
£75,000 - £79,999	1	1	2	0
£80,000 - £84,999	2	0	2	2
£85,000 - £89,999	0	0	0	4
£90,000 - £94,999	1	1	2	0
£95,000 - £99,999	0	2	2	2
£100,000 - £104,999	1	0	1	0
£105,000 - £109,999	0	0	0	2
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	1	0	1	0
£120,000 - £124,999	0	0	0	2
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	1	0	1	0
<b>Total</b>	<b>9</b>	<b>11</b>	<b>20</b>	<b>17</b>

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

### Group Remuneration Disclosure 2016/17:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 16/17	Pension Contributions
	£	£	£	£	£	£	£	£	£
Chief Constable -Ian Spittal	152,354	152,142	0	288	0	2,075	0	154,505	34,615
The PCC	70,000	70,000	0	0	0	0	0	70,000	8,820
DCC	114,240	115,849	0	0	0	1,910	0	117,759	26,619
ACC - Temp	97,563	101,150	0	122	0	0	0	101,272	20,371
CFO: CC	98,586	95,124	0	0	0	0	0	95,124	11,783
CFO : PCC	89,172	99,078	0	21	0	0	0	99,099	12,449
Chief of Staff-PCC	87,741	90,879	0	283	0	0	0	91,162	11,408

Notes:-

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

- 2) A collaboration agreement was put in place from the 14th July 2014, and continues to be in place, for the PCC's CFO to provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC also. 40% of the PCC CFO's time is now spent providing this service and the North Yorkshire PCC pays for 40% of the costs incurred in providing this service. During 2016/17 the salary costs recharged to the North Yorkshire PCC totalled £49,518.
- 3) A collaboration agreement was put in place covering the 1st April 2016 to the 31st July 2016, for the PCC's Chief of Staff to provide the role of Chief Executive and Monitoring Officer to the North Yorkshire PCC based on spending one day per week working on North Yorkshire PCC business. During 2016/17 the salary costs recharged to the North Yorkshire PCC totalled £9,790.

#### Group Remuneration Disclosure 2015/16:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 15/16	Pension Contributions
	£	£	£	£	£	£	£	£	£
Chief Constable - J Cheer	144,243	124,161	0	0	0	3,248	0	127,409	0
Temp. Chief Constable - Ian Spittal	137,133	121,159	0	138	0	1,896	0	123,193	27,186
The PCC	70,000	70,000	0	55	0	0	0	70,055	8,820
DCC : TEMP	113,109	107,047	0	0	0	1,496	0	108,543	24,419
ACC : TEMP	96,597	89,591	0	87	0	0	0	89,678	19,787
CFO: CC	97,611	97,786	0	77	0	0	0	97,863	12,321
CFO : PCC	88,290	98,448	0	47	0	0	0	98,495	12,404
Chief of Staff -PCC	86,874	87,030	0	79	0	0	0	87,109	10,965

#### 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 from December 2015.
  - c. Mr Irvine acted up as temporary ACC with effect from December 2015.
- 2) A collaboration agreement was put in place from the 14th July 2014, and continues to be in place, for the PCC's CFO to provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC also. 40% of the PCC CFO's time is now spent providing this service and the North Yorkshire PCC pays for 40% of the costs incurred in providing this service. During 2015/16 the salary costs recharged to the North Yorkshire PCC totalled £48,887

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

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

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

**PCC**

Remuneration Band	Number of Employees 2016/17			2015/2016
	Police Officers	Support Staff	Total	
£50,000 - £54,999	0	1	1	1
£55,000 - £59,999	0	0	0	0
£60,000 - £64,999	0	0	0	0
£65,000 - £69,999	0	0	0	0
£70,000 - £74,999	0	1	1	1
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	1
£90,000 - £94,999	0	1	1	0
£95,000 - £99,999	0	1	1	1
<b>Total</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>4</b>

**PCC Remuneration Disclosure 2016/17:**

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 16/17	Pension Contributions
	£	£	£	£	£	£	£	£	£
The PCC	70,000	70,000	0	0	0	0	0	70,000	8,820
CFO: PCC	89,172	99,078	0	21	0	0	0	99,099	12,449
Chief of Staff- PCC	87,741	90,879	0	283	0	0	0	91,162	11,408

- 1) A collaboration agreement was put in place from the 14th July 2014, and continues to be in place, for the PCC's CFO to provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC also. 40% of the PCC CFO's time is now spent providing this service and the North Yorkshire PCC pays for 40% of the costs incurred in providing this service. During 2016/17 the salary costs recharged to the North Yorkshire PCC totalled £49,518.
- 2) A collaboration agreement was put in place covering the 1st April 2016 to the 31st July 2016, for the PCC's Chief of Staff to provide the role of Chief Executive and Monitoring Officer to the North Yorkshire PCC based on spending one day per week working on North Yorkshire PCC business. During 2016/17 the salary costs recharged to the North Yorkshire PCC totalled £9,790.

**PCC Remuneration Disclosure 2015/16:**

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 15/16	Pension Contributions
	£	£	£	£	£	£	£	£	£
The PCC	70,000	70,000	0	55	0	0	0	70,055	8,820
CFO: PCC	88,290	98,448	0	47	0	0	0	98,495	12,404
Chief of Staff- PCC	86,874	87,030	0	79	0	0	0	87,109	10,965

- 1) A collaboration agreement was put in place from the 14th July 2014, and continues to be in place, for the PCC's CFO to provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC also. 40% of the PCC CFO's time is now spent providing this service and the North

Yorkshire PCC pays for 40% of the costs incurred in providing this service. During 2015/16 the salary costs recharged to the North Yorkshire PCC totalled £48,887

## 27. TERMINATION BENEFITS

In the financial year the PCC group paid no termination benefits (£Nil 2015/16).

## 28. MEMBERS ALLOWANCES

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

Group and PCC	2016/2017 £000	2015/2016 £000
Allowances for approved duties	10	10
Additional Duties	3	4
Travel and Subsistence	0	0
<b>Total Members Allowances</b>	<b>13</b>	<b>14</b>

## 29. RELATED PARTIES

### Group and PCC

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

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

Middlesbrough Borough Council administers the Teesside Pension Fund of which the Office of the PCC is a member as a Corporate Body.

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



<b>Government Departments</b>		£000's
<b>Income</b>		
Police Grant		46,152
NNDR		38,532
Pension Top up Grant		24,352
Local Council Tax Support		6,868
PFI Grant		4,106
Capital Grant & Contributions		1,662
Grant in Lieu of Council Tax		800
Dedicated Security Posts Funding		680
Ministry of Justice Victim & Witness Grant		663
Capital Financing Grant		632
Incentivisation Grant		211
Tees Vulnerable NHS Grant		175
Innovation Grant		116
Police Transformation Fund		91
		<b>125,040</b>
<b>Expenditure</b>		
Police National Computer (PNC)		249
Police National Database (PND)		182
IDENT1 (Livescan)		103
Schengen II (SIS II)		63
Pentip		40
Identity & Access Management (IAM)		38
National ANPR Database (NADC)		33
ACPO Criminal Records Office (ACRO)		30
National Police Procurement Hub		26
National Ballistics Intelligence Service (NABIS)		19
National DNA Delivery Unit		15
Child Abuse Image Database		15
National Policing Risk Management Team		13
NMAT2 CASWEB & MIRWEB		11
Prisoner Recalls & Licences		10
National Collision Database (CRASH)		8
Microfiche archive		7
ID Untegrated Offender Manangement (IDIOM)		5
		<b>867</b>

During 2016/17 no-one has declared related parties interests.

### 30. PRIVATE FINANCE INITIATIVE

#### Group and PCC

As at the end of 2016/17 the PCC Group has 2 long term contracts under the Private Finance Initiative.

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

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

The contract expires in 2031/2.

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

<b>2016/17</b>	<b>Urly Nook</b>		<b>Action Stations</b>		<b>Total</b>	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	4,655	(4,010)	24,676	(22,798)	29,332	(26,808)
Movements:						
Depreciation	(118)	0	(700)	0	(818)	0
Lifecycle maintenance	704	0	251	0	955	0
Revaluation / Reclassification	0	0	0	0	0	0
Principal repayment	0	(121)	0	964	0	843
<b>Balance c/f</b>	<b>5,241</b>	<b>(4,131)</b>	<b>24,227</b>	<b>(21,834)</b>	<b>29,469</b>	<b>(25,965)</b>

<b>2015/16</b>	<b>Urly Nook</b>		<b>Action Stations</b>		<b>Total</b>	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	4,697	(4,286)	24,624	(23,321)	29,321	(27,607)
Movements:						
Depreciation	(116)	0	(678)	0	(793)	0
Lifecycle maintenance	74	0	730	0	804	0
Revaluation / Reclassification	0	0	0	0	0	0
Principal repayment	0	276	0	523	0	799
<b>Balance c/f</b>	<b>4,655</b>	<b>(4,010)</b>	<b>24,676</b>	<b>(22,798)</b>	<b>29,332</b>	<b>(26,808)</b>

	<b>Urlay Nook</b>		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	684	814	299
2 to 5 years	3,005	2,983	1,504
6 to 10 years	3,360	669	2,329
11 to 15 years	0	0	0

	<b>Action Stations</b>		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	2,175	2,218	923
2 to 5 years	9,737	8,017	4,252
6 to 10 years	15,200	7,779	6,338
11 to 15 years	14,735	5,429	10,325
16 to 20 years	0	0	0

### 31. AUDIT COSTS

In 2016/17 the PCC Group incurred the following fees for external audit services:

#### Group Audit Fees

	<b>2016/2017 £000</b>	<b>2015/2016 £000</b>
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	49	49
Fees payable to external audit in respect of additional services requested	0	0
Refund of Fees for prior year	0	0
<b>Total Audit Costs</b>	<b>49</b>	<b>49</b>

#### PCC Audit Fees

	<b>2016/2017 £000</b>	<b>2015/2016 £000</b>
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	34	34
Fees payable to external audit in respect of additional services requested	0	0
Refund on Prior year audit fees	0	0
<b>Total Audit Costs</b>	<b>34</b>	<b>34</b>

## 32. INFORMATION ON ASSETS HELD

### Group and PCC

<b>Analysis of Assets</b>	<b>2016/2017</b>	<b>2015/2016</b>
<b><u>Buildings</u></b>		
Police Headquarters	1	1
Operational Police Stations	11	11
Non-Operational Buildings	1	0
Radio Mast site	1	1
<b>Total</b>	<b>14</b>	<b>13</b>
<b><u>Vehicles</u></b>		
Cars	255	197
Vans	67	75
Other Vehicles	11	12
<b>Total</b>	<b>333</b>	<b>284</b>

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

#### **Non-Operational Building:-**

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

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

#### Group and PCC

<b>Capital Expenditure and Financing</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	6,453	4,251
Intangible Assets	70	104
Revenue Expenditure Funded from Capital under Statute	-	-
<b>Total Capital Investment</b>	<b>6,523</b>	<b>4,355</b>
<b>Sources of Finance:</b>		
Capital Receipts	(3,380)	(2,861)
Government Grants and Contributions	(888)	(690)
Other Grants and Contributions	(540)	-
Direct Revenue Contributions	(955)	(804)
Supported Borrowing	(760)	-
Unsupported Borrowing	-	-
<b>Total Finance</b>	<b>(6,523)</b>	<b>(4,355)</b>

<b>Capital Financing Requirement</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>50,005</b>	<b>51,875</b>
Additions in Year	6,523	4,355
Sources of Finance (Excluding Borrowing)	(5,762)	(4,355)
Minimum / Voluntary Revenue Provision	(1,172)	(1,870)
<b>Closing Financing Requirement</b>	<b>49,594</b>	<b>50,005</b>

## 34. BORROWING

### Group and PCC

Interest rates vary between 1.64% and 5.08%. The weighted average rate is 4.07%

	31 March 2017 £000	31 March 2016 £000
<b>Public Works Loans Board</b>		
Due in the next Financial Year	-	(1,744)
Long Term Loans	(17,176)	(16,416)
<b>Total Borrowing</b>	<b>(17,176)</b>	<b>(18,160)</b>

Maturity Period	31 March 2017 £000	31 March 2016 £000
1/2 years	(872)	-
2/5 years	(10,044)	(6,916)
5/10 years	(6,260)	(9,500)
Over 10 years	-	-
<b>Total Long Term Loans</b>	<b>(17,176)</b>	<b>(16,416)</b>

## 35. PROCEEDS OF CRIME ACT 2002

The PCC Group is holding cash at bank totalling £0.642m (£0.495m 2015/16) in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

## 36. AGENCY SERVICES

### Consortium Charges

The PCC Group has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2016/17 amounted to £0.381m (£0.380m in 2015/16).

### National Police Air Service (NPAS)

The PCC group has an agency agreement with the National Police Air Service (effective from 1<sup>st</sup> April 2013) to provide Helicopter support services. The annual contribution in 2016/17 was £1.004m. (£1.437m 2015/16).

### Other National Police Services

The PCC Group made a subscription payment to the Home Office for a range of ICT services. Detailed below the annual cost for 2016/17 was £0.871M. (£0.977M in 2015/16)

	£000'S
Police National Computer (PNC)	249
Police National Database (PND)	182
IDENT1 (Livescan)	103
SIS II	63
Pentip	40
Identity & Access Management (IAM)	38
National ANPR Database (NADC)	33
ACPO Criminal Records Office (ACRO)	30
National Police Procurement Hub	25
National Ballistics Intelligence Service (NABIS)	19
National DNA Delivery Unit	15
Child Abuse Image Database	15
Nayional Policing Risk Management Team	13
NMAT2 CASWEB & MIRWEB	11
Prisoner Recalls & Licences	10
National Collision Database (CRASH)	8
MicroFiche Service	7
ID Untegrated Offender Manangement (IDIOM)	5
National Mobile Phone Register (NMPR)	5
	871

## 37. USABLE RESERVES

### Group and PCC

Description of Reserve	31 March 2015 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2016 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2017 £000
Earmarked Reserves	(5,419)	(2,969)	1,918	(6,470)	(3,136)	3,344	(6,264)
Revenue Grants Unapplied Reserve	(404)	(18)	285	(136)	0	0	(136)
Capital Grants Unapplied Reserve	(57)	(1,003)	690	(370)	(1,201)	888	(683)
Capital Receipts Unapplied Reserve	0	(2,861)	2,861	0	(3,380)	3,380	0
General Fund	(8,844)	(1,074)	1,291	(8,627)	(3,624)	4,235	(8,016)
<b>Total Usable Reserves</b>	<b>(14,724)</b>	<b>(7,925)</b>	<b>7,045</b>	<b>(15,603)</b>	<b>(11,341)</b>	<b>11,846</b>	<b>(15,099)</b>

**Earmarked Reserves** – Please see Note 9 for a detailed analysis

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

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

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

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

## 38. UNUSABLE RESERVES

### Group

Description of Reserve	31 March 2015 £000	Additions in Year £000	Reductions in Year £000	31 March 2016 £000	Additions in Year £000	Reductions in Year £000	31 March 2017 £000
Revaluation Reserve	(12,717)	(292)	2,795	(10,213)	0	3,244	(6,969)
Capital Adjustment Account	(8,831)	(4,355)	2,114	(11,072)	(5,763)	4,627	(12,208)
Pension Reserve	1,218,651	(12,671)	126,154	1,332,134	(13,460)	286,910	1,605,584
Collection Fund Adjustment Account	(1,156)	(776)	1,156	(776)	(490)	776	(490)
Accumulated Absence Reserve	2,088	2,336	(2,088)	2,336	2,404	(2,336)	2,404
<b>Total Unusable Reserves</b>	<b>1,198,035</b>	<b>(15,758)</b>	<b>130,131</b>	<b>1,312,408</b>	<b>(17,309)</b>	<b>293,221</b>	<b>1,588,320</b>

**Revaluation Reserve** – contains gains made by the PCC Group from increases in the value of its non-current assets since 1<sup>st</sup> April 2007, which is when the reserve was created. The Net reduction in the reserve primarily relates to the partial disposal of Headquarters (£3,244K).

**Capital Adjustment Account** – absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. This account also contains any revaluation gains prior to 1<sup>st</sup> April 2007. Further information can be found in Note 39.

**Pension Reserve** – absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Further information can be found in Note 23: Pensions.

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

**Accumulated Absence Reserve** – absorbs the differences that would otherwise arise on the General fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require the impact on the General Fund balance is neutralised by transfers to/from the account. The reduction in year represents the settlement of prior year liability and the addition in year reflects the liability as the 31<sup>st</sup> March 2017.

### PCC

Description of Reserve	31 March 2015 £000	Additions in Year £000	Reductions in Year £000	31 March 2016 £000	Additions in Year £000	Reductions in Year £000	31 March 2017 £000
Revaluation Reserve	(12,717)	(292)	2,795	(10,213)	0	3,244	(6,969)
Capital Adjustment Account	(8,831)	(4,355)	2,114	(11,072)	(5,763)	4,627	(12,208)
Pension Reserve	2,161	510	(500)	2,171	379	509	3,059
Collection Fund Adjustment Account	(1,156)	(776)	1,156	(776)	(490)	776	(490)
Accumulated Absence Reserve	2,088	2,336	(2,088)	2,336	2,404	(2,336)	2,404
<b>Total Unusable Reserves</b>	<b>(18,455)</b>	<b>(2,577)</b>	<b>3,477</b>	<b>(17,555)</b>	<b>(3,470)</b>	<b>6,820</b>	<b>(14,205)</b>



## 39. CAPITAL ADJUSTMENT ACCOUNT

### Group and PCC

Group and PCC	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>(11,072)</b>	<b>(8,832)</b>
Prior year adjustment	-	1
Partnership financing of Capital Expenditure	(540)	
Revenue contribution to capital	(955)	(804)
MRP less Depreciation	2,196	2,000
Transfer from Government Grants Deferred	(888)	(690)
Capital Receipts Applied	(3,380)	(2,861)
Disposals	2,431	113
<b>Balance at 31 March</b>	<b>(12,208)</b>	<b>(11,072)</b>

## 40. GRANT INCOME

### Group and PCC

ANALYSIS OF GRANTS	31 March 2017 £000	31 March 2016 £000
<b>Credited to Taxation and Non specific Grant Income:</b>		
National Non Domestic Rates	(38,532)	(38,753)
Police Grant	(46,952)	(47,218)
Precepts	(31,356)	(30,210)
Local Council Tax Support	(6,868)	(6,868)
Capital Grants and Contributions	(1,662)	(1,003)
	<b>(125,370)</b>	<b>(124,052)</b>
<b>Credited to services:</b>		
PFI - Urlay Nook	(941)	(941)
Dedicated Security Posts Funding	(680)	(906)
PFI - Action Stations	(3,165)	(3,165)
Capital Financing Grant	(632)	(228)
Incentivisation Grant	(211)	(69)
PCC Victim & Witness	(663)	(623)
Counter Terrorism Security Advisor Grant	-	(98)
Innovation Fund Grants	(116)	(48)
Tees Vulnerable NHS Grant	(175)	-
Police Transformation Fund	(91)	-
Partnership Grants	(4)	(40)
	<b>(6,678)</b>	<b>(6,118)</b>
<b>Total Grant Income</b>	<b>(132,048)</b>	<b>(130,170)</b>

These grants have all been recognised within the Income and Expenditure Statement; however £154k (£164K prior year) sits within creditors as income in advance as there is the potential this may have to be returned to the originating organisation.

## **41. ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS**

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

They are:

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

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

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

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

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

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

CDSOU operates across the Durham and the Cleveland Force boundaries.

The statement below highlights the income and expenditure for the financial year 2016/2017 as required under the Section 22A agreement. There are no joint assets or liabilities held within the unit only annual revenue costs. Both forces hold their assets and liabilities separately within their individual group accounts.

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

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

## 2 Cleveland Durham North Yorkshire Integrated Dog Support Unit

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

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit. The Force allocation is borne in proportion to Net Revenue Expenditure (NRE) irrespective of how much each force makes use of the service. For the financial period April 2016 to March 2017 the funding contributions made were Cleveland 33.02%, Durham 30.12% and North Yorkshire 36.86%.

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

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

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

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

### **3 North East Regional Special Operations Unit (NERSOU)**

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit but the funding is through a combination of Home Office Grants and Force contributions. The Force allocation is based on Home Office Core Grant allocations and for the financial period April 2016 to March 2017 the funding contributions made were Cleveland 22.1%, Durham 20.9% and Northumbria 57.0%.

All assets purchased by each Force to be used by NERSOU are held on the balance sheet of the purchasing Force. Jointly funded assets are classified and those purchased through specific Home Office grants. These are currently valued at £184K (NBV) of which Cleveland's share is valued at £79K. The unit has reserves of £691K of which Cleveland's share is £153K (Prior year £2K).

NERSOU operates throughout the North East region.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2016/2017 as required under the Section 22A agreement.

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

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

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

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

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

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the two Forces have equal voting rights in terms of decision made about the unit. The Force allocation is borne in proportion to Net Revenue Expenditure (NRE) and demand and for the financial period April 2016 to March 2017 the funding contributions made were Cleveland 51.5% and North Yorkshire 48.5%.

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

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

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

## **42. CONTINGENT LIABILITIES / ASSETS**

### **Contingent Liabilities:-**

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

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

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

#### **Municipal Mutual Insurance (MMI)**

Due to the potential liabilities that the force may face in regards to the on-going requirements to pay long standing claims against MMI it is prudent to identify a contingent liability in the statement of accounts.

It is an unknown amount and has an unknown longevity due to the nature of the claims. We have been advised by the administrator of MMI that we will have a levy charged in 2016/17 and this is accounted for in the provisions under note 22. This has not been received during the financial year 2016-17 is predicted to be paid during the next financial year. However, for further unknown levies it is not possible to clearly state any future amounts in terms of timeframe or indeed financial magnitude. Therefore it is necessary to identify this as a contingent liability in the accounts.

### **Guaranteed Minimum Pension**

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

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

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

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

## **43. POST BALANCE SHEET EVENT**

There are no post balance sheet events to report.

## **44. AUTHORISATION OF ACCOUNTS**

The Chief Finance Officer of the Police and Crime Commissioner for Cleveland has set and authorised the date of issue for the Statement of Accounts as the XXth September 2017. This is the date up to which events after the Balance Sheet date have been considered



# PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

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

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

## Notes to the Pension Fund

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

The funding arrangements for the Police Pension scheme in England and Wales changed on 1<sup>st</sup> April 2006. Before 1<sup>st</sup> April 2006 the scheme did not have a percentage of pensionable pay type of employer's contribution, rather each Police Authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as individual entities are concerned. Entities will no longer meet the pension outgoings directly; instead they will pay an employer's pension contribution based on a percentage of pay (21.3%) into the Pension Fund. Each entity is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation.

The Pension fund has no investment assets and the fund is balanced to nil each year by a transfer to/from the Police Fund. Benefits payable are funded by contributions from employers (21.3%) and employees (in a range of 11.9% to 15.05%) and any difference is met by a top-up grant from the Home Office.

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

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

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

The Fund is administered by the entity.

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

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

Details of the long-term pension fund obligation are provided in Notes 23 and 24 of the main statements.

## **GLOSSARY OF TERMS**

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

**ACCRUAL:** The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**OUTTURN:** The actual amount spent in the financial year.

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

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

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

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

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

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

- the benefits for pensioners and deferred pensioners, and their dependents, allowing where appropriate for future increases and

- the accrued benefits for members in service at the valuation date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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