

GROUP AND PCC STATEMENT OF ACCOUNTS – 2018/2019

CONTENTS

NARRATIVE STATEMENT (PERFORMANCE /FINANCIAL REVIEW)	3
1. INTRODUCTION	3
2. THE STATEMENT OF ACCOUNTS	3
3. THE POLICE & CRIME COMMISSIONER REVENUE BUDGET FOR 2018/2019	6
4. POLICE & CRIME COMMISSIONER GENERAL REVENUE BALANCES	8
5. CAPITAL	9
6. PENSIONS	9
7. CHANGES TO ACCOUNTING POLICIES	9
8. EVENTS AFTER THE REPORTING PERIOD	9
9. BORROWING FACILITIES	9
10. NON FINANCIAL PERFORMANCE DATA	9
STATEMENT OF RESPONSIBILITIES	13
INDEPENDENT AUDITOR’S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND	14
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2019	18
PCC COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2019	19
GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2019 .	20
PCC MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2019	20
GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2018 .	21
PCC MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2018	21
GROUP BALANCE SHEET AT 31st MARCH 2019	22
PCC BALANCE SHEET AT 31st MARCH 2019	23
GROUP & PCC CASHFLOW STATEMENT 2018/19	24
GROUP & PCC NOTES TO THE CORE FINANCIAL STATEMENTS	25
1. GROUP ACCOUNTING POLICIES	25
A) PROPERTY, PLANT AND EQUIPMENT	25
B) INTANGIBLE ASSETS	27
C) DE MINIMIS LEVEL	28
D) GOVERNMENT GRANTS AND CONTRIBUTIONS.....	28
E) CASH AND CASH EQUIVALENTS	28
F) LEASES	28
G) DEBTORS AND CREDITORS	29
H) VALUATION OF INVENTORIES.....	29
I) LOANS AND RECEIVABLES	29
J) FINANCIAL INSTRUMENTS	29
K) PROVISIONS	29
L) RESERVES	30
M) SELF-INSURED RISKS	30
N) INVESTMENTS.....	30

O)	EMPLOYEE BENEFITS.....	30
P)	PENSIONS.....	30
Q)	OVERHEADS AND SUPPORT SERVICES	31
R)	PRIVATE FINANCE INITIATIVE	32
S)	VALUE ADDED TAX.....	32
T)	PRECEPT.....	32
U)	POST BALANCE SHEET EVENTS.....	32
V)	EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS	32
W)	REVENUE RECOGNITION.....	32
X)	JOINT CONTROLLED OPERATIONS.....	32
Y)	CONTINGENT LIABILITIES	33
Z)	CONTINGENT ASSETS.....	33
AA)	FAIR VALUE.....	33
2	EXPENDITURE & FUNDING ANALYSIS.....	34
3.	ACCOUNTING STANDARDS ISSUED NOT ADOPTED	36
4.	CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES.....	37
5.	ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY	37
6.	MATERIAL ITEMS OF INCOME AND EXPENSE	40
7.	EVENTS AFTER THE BALANCE SHEET DATE	41
8.	ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS.....	41
9.	TRANSFERS TO / FROM EARMARKED RESERVES	45
10.	FINANCING AND INVESTMENT INCOME & EXPENDITURE	47
11.	TAXATION & NON SPECIFIC GRANT INCOME	47
12.	PROPERTY, PLANT AND EQUIPMENT.....	48
13.	INTANGIBLE ASSETS	49
14.	FINANCIAL INSTRUMENTS	49
15.	DEBTORS	51
16.	CASH AND CASH EQUIVALENTS	51
17.	ASSETS HELD FOR SALE	51
18.	CREDITORS.....	51
19.	PROVISIONS	52
20.	PENSIONS	52
21.	PENSIONS LIABILITY	54
22.	LEASED ASSETS – RENTALS	61
23.	OFFICERS' EMOLUMENTS.....	61
24.	TERMINATION BENEFITS	64
25.	MEMBERS ALLOWANCES	64
26.	RELATED PARTIES	64
27.	PRIVATE FINANCE INITIATIVE	65
28.	AUDIT COSTS.....	67
29.	CAPITAL EXPENDITURE IN THE YEAR AND SOURCES OF FINANCE.....	67
30.	BORROWING.....	68
31.	AGENCY SERVICES	68
32.	USABLE RESERVES	68
33.	UNUSABLE RESERVES.....	69
34.	CAPITAL ADJUSTMENT ACCOUNT.....	70
35.	GRANT INCOME.....	70
36.	ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS.....	71
37.	CONTINGENT LIABILITIES / ASSETS	75
38.	POST BALANCE SHEET EVENT	75
39.	AUTHORISATION OF ACCOUNTS	76
	PENSION FUND.....	77
	GLOSSARY OF TERMS	79

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 2018/19 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 2019. The Group position 'PCC Group' reflects the consolidated accounts of the PCC and the Chief Constable. This narrative statement provides an overview of the accounting arrangements and outlines the financial performance of the PCC Group during 2018/19.

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 and consent is in operation between the two bodies determining their respective responsibilities.

This Statement of Accounts covers the financial year ended 31st March 2019 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 2018/19.

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 2018/19 (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 31st March 2019 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 2018/19 statements highlight the following areas of change from the 2017/18 position:

Group Comprehensive Income & Expenditure Statement:

- Net Cost of Services (NCOS) has increased by £56.3m. Primarily relating to the Pension accounting adjustments of £56.4m offset by increased income.
- The deficit on the Provision of Service has moved from a £54.2m deficit to a £110.4m deficit. An increase of £56.2m. This is a combination of the impact of an increase in Financing & Investment costs of £1.8m a decrease in the other operating expenditure of £0.1m offset by an increase in funding £1.9m, Net of the increase in NCOS.
- Other Comprehensive Income and Expenditure has decreased by £10.6m due to changes in actuarial assumptions relating to the Pension Fund and the surplus on revaluations.

Group Balance Sheet:

- Property, Plant & Equipment, Intangible Assets and Assets held for sale has decreased by £11.5m which comprises spend of £5.6m which is offset by in year depreciation charges of £4.4m, revaluation/impairment adjustments of £9.9m and Net disposals of £2.8m.
- The value of Debtors (long and short term) has decreased by £2.6m, primarily due to decrease in Pensions accrual £2.6m, decrease in Historical investigation unit accrual of £0.8m offset by a net increase in Precept owing of £1.0m, (Precept owing £1.3m less increase in Precept bad debts £0.3m).
- The value of Creditors (short and long term) has increased by £0.2m.
- Provisions have increased by £0.4m, primarily as a result of the impact of the actuary's Insurance liability review £0.8m, offset by the release of costs on the Insurance provision in line with costs incurred on outstanding cases and payments relating to Allard judgements from the Employment related reserve (£0.4m).
- During the year the PCC undertook new borrowing of £3.0m, current borrowing is well within the limits approved by the PCC and repaid £0.9m.
- The Pension Liability and Reserves have both increased by £97.7m, 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 increase of £3.2m; primarily due to Net decrease on General Fund of £0.1m, net increase on earmarked reserves of £2.7m, and an increase in Capital grants reserve of £0.5m. A detailed breakdown of the earmarked reserves can be found at Note 9 of the accounts.

Group and PCC Cashflow:

- The Group had a Net increase in cash in the year of £1.9m this has resulted from a cash inflow from operating activities of £10.7m, Capital receipts & grants of £3.1m and new borrowing of £3.0m, which funded £4.5m of investments, £5.6m of capital activities and financing cost of £4.0m and repayment of £0.9m of borrowing.

PCC Comprehensive Income & Expenditure Statement:

- Net Cost of Services (NCOS) has increased by £13.8m, primarily as the result of the impact of property revaluations.
- The deficit on the Provision of Service has increased by £12.1m to a £11.3m deficit. This is a combination of the impact an increase funding of £1.9m increase in financing costs. Net of the increase in NCOS.
- Other Comprehensive Income and Expenditure has moved by £2.6m due to changes in actuarial assumptions relating to the Pension Fund, and surplus on revaluations of £2.1m

PCC Balance Sheet:

- The overall movement on the PCC balance sheet is a decrease in Net assets and total Reserves of £8.7m. 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 £0.4m.

3. THE POLICE & CRIME COMMISSIONER REVENUE BUDGET FOR 2018/2019

The following table shows the 2018/2019 budget and the final outturn:

	Original 2018/19 Budget	Revised 2018/19 Budget	Year End 2018/19 Position	Outturn
	£000s	£000s	£000s	£000s
Police Grant	(45,508)	(45,508)	(45,508)	(0)
RSG/National Non Domestic Rate	(37,992)	(37,992)	(37,992)	0
Government Grant	(83,500)	(83,500)	(83,500)	(0)
Council Tax Precept	(34,582)	(34,582)	(34,582)	0
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
Precept related Funding	(42,250)	(42,250)	(42,250)	(0)
Specific Grants	(6,157)	(8,800)	(9,743)	(943)
Partnership Income/Fees and Charges	(2,737)	(3,671)	(4,247)	(576)
Total Funding	(134,644)	(138,221)	(139,739)	(1,519)
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s
Staff Pay	680	680	684	4
Non Pay Expenditure	230	230	213	(17)
Income	(50)	(79)	(133)	(54)
Total Planned Expenditure	860	831	764	(67)
Central Services	£000s	£000s	£000s	£000s
Staff Pay	465	584	695	111
Non Pay Expenditure	95	95	896	801
PFI	7,060	2,231	2,072	(159)
Asset Management	1,855	6,414	6,399	(15)
	9,475	9,324	10,062	738
Proposed Community Safety Expenditure	£000s	£000s	£000s	£000s
Total Community Safety Initiatives	2,589	1,378	1,073	(305)
Victims and Witnesses Initiatives	1,350	1,289	1,161	(128)
Office of the PCC Planned Expenditure	(120,370)	(125,399)	(126,680)	(1,282)
Police Force Planned Expenditure	£000s	£000s	£000s	£000s
Police Pay	64,043	65,833	65,275	(558)
Police Overtime	1,402	1,836	2,340	504
Police Community Support Officer Pay	4,360	4,719	4,383	(336)
Staff Pay	10,525	11,622	11,644	22
Non-Pay	39,440	39,293	39,661	368
Total Planned Expenditure	119,770	123,303	123,303	0
(Surplus)/Deficit	£000s	£000s	£000s	£000s
	(600)	(2,096)	(3,377)	(1,281)
Transfers to/(from) General Fund	(950)	(940)	(940)	(0)
Transfers from Earmarked Reserves	0	(399)	(399)	0
Transfers to Earmarked Reserves	1,550	3,436	3,849	414
Net (Surplus)/Deficit After Reserves	0	0	(868)	(868)

As can be seen from the table above the overall position for the Group as at the 31st March 2019 was an £868k underspend. The 2017/18 Group underspend was £58K.

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 2018/19 financial period.

The following table shows the 2018/2019 budget and the final outturn for the PCC:

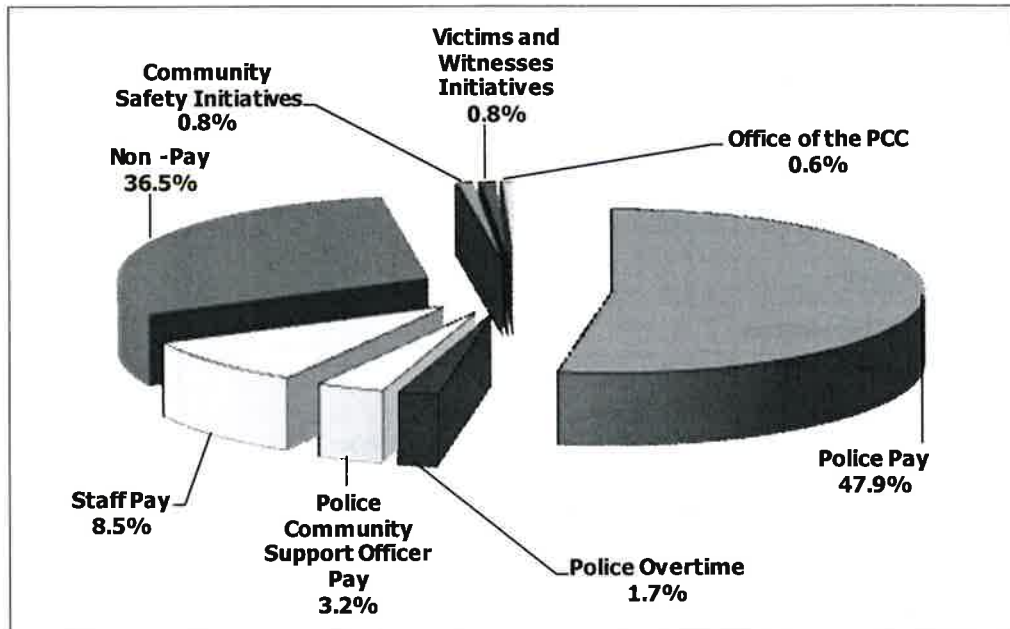
	Original 2018/19 Budget	Revised 2018/19 Budget	Year End 2018/19 Position	Outturn
	£000s	£000s	£000s	£000s
Police Grant	(45,508)	(45,508)	(45,508)	(0)
RSG/National Non Domestic Rate	(37,992)	(37,992)	(37,992)	0
Government Grant	(83,500)	(83,500)	(83,500)	(0)
Council Tax Precept	(34,582)	(34,582)	(34,582)	0
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
Precept related Funding	(42,250)	(42,250)	(42,250)	(0)
Specific Grants	(6,157)	(8,800)	(9,743)	(943)
Partnership Income/Fees and Charges	(2,737)	(3,671)	(4,247)	(576)
Total Funding	(134,644)	(138,221)	(139,739)	(1,519)
Office of the PCC Planned Expenditure				
	£000s	£000s	£000s	£000s
Staff Pay	680	680	684	4
Non Pay Expenditure	230	230	213	(17)
Income	(50)	(79)	(133)	(54)
Total Planned Expenditure	860	831	764	(67)
Central Services				
	£000s	£000s	£000s	£000s
Staff Pay	465	584	695	111
Non Pay Expenditure	95	95	896	801
PFI	7,060	2,231	2,072	(159)
Asset Management	1,855	6,414	6,399	(15)
	9,475	9,324	10,062	738
Proposed Community Safety Expenditure				
	£000s	£000s	£000s	£000s
Total Community Safety Initiatives	2,589	1,378	1,073	(305)
Victims and Witnesses Initiatives	1,350	1,289	1,161	(128)
Office of the PCC Planned Expenditure	(120,370)	(125,399)	(126,680)	(1,282)

As can be seen from the table above the overall position for the PCC as at the 31st March 2019 was a (£1,282k) underspend prior to movement on reserves. Overall this represents a total underspend of 1.02% against the group budget (Compared with 1.86% 2017/18).

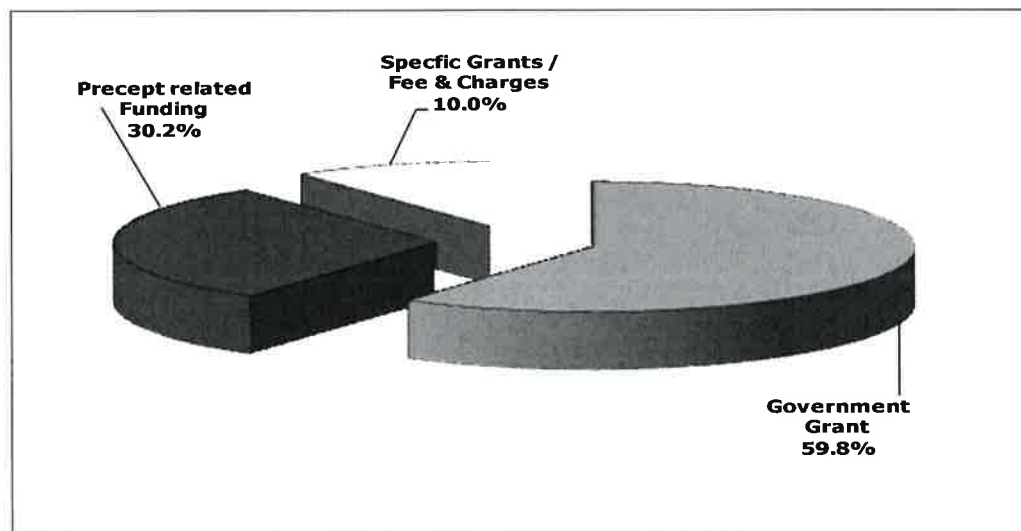
4. POLICE & CRIME COMMISSIONER GENERAL REVENUE BALANCES

	2018/2019 £000	2017/2018 £000
Opening Balance	(6,074)	(8,016)
Budgeted transfer (into)/from balances	950	2,000
Planned Position	(5,124)	(6,016)
(Surplus) or Deficit on Years activities	(868)	(58)
Available balance at 31 March	(5,992)	(6,074)

WHERE THE MONEY GOES TO:



WHERE THE MONEY COMES FROM:



5. CAPITAL

The Group funded an annual capital budget for the 2018/19 financial year of £7,395k (excluding Lifecycle costs of £270k 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 (£0.3m) several ICT projects (£1.2m) and Fleet replacement programme of (£0.2m) which are planned to be completed during 2019/20. The amount of underspend against the capital budget was £1.795m (£1.423m underspend 2017/18).

The Group spent £5.6m 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. The cost of this entitlement is recognised in the Comprehensive Income and Expenditure Account of the Group. A Pension liability of £1,765m is recorded in the Balance sheet of the Group

7. CHANGES TO ACCOUNTING POLICIES

There are no changes in accounting policies for the 2018/19 financial year.

8. EVENTS AFTER THE REPORTING PERIOD

No adjusting post balance sheet events have been identified for 2018/19.

9. BORROWING FACILITIES

The PCC currently has £31.064m worth of borrowing taken out with the Public Works Loan Board (PWLb), the repayment of these loans are phased over the next 41 years and have been taken out to fund the PCC's capital programme. The PCC undertook £3m of new borrowing and repaid £0.872m in the 2018/19 financial year.

10. NON FINANCIAL PERFORMANCE DATA

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 for 2016 – 2020 which set out the commitments, challenges and opportunities for the next five years. The plan was refreshed in 2019 and work is currently taking place to assess the major achievements of 2018/19.

At the core of the refreshed plan are five clear objectives:

- Investing in Our Police;
- A better deal for victims and witnesses;
- Tackling offending and 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 600

community meetings, consulted via the local media, the website, by direct contact with the public, through the Police and Crime Panel and with the public, private and voluntary organisations across the Cleveland area.

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

The PCC monitors Force performance in a number of ways, including:

- 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 Performance Group meeting; and
- Attending at least one local meeting in each of Cleveland's neighbourhood police team areas every year.

The major achievements for 2018/19 have been as follows:

Investing in Our Police

- Police and partners have achieved a number of efficiencies however the PCC has made repeated calls to local, regional and national politicians for fairer funding for Cleveland Police.
- Securing an additional £1.2m of funding to develop and transform domestic and sexual violence services across Cleveland.
- Investment in more body worn cameras
- The Transformation of Professional Standards has seen the appointment of an external, non-warranted, head of the new Directorate of Standards and Ethics who continues to drive forward change and improvements.

A better deal for victims and witnesses

The PCC commissions services to support those that have become a victim of crime. Initiatives supported this year have included

- Delivery of activities set out in the Violence Against Women and Girls Strategy
- Publishing a domestic abuse victims family court advisory leaflet
- Reviewing the multi-agency risk assessment conference to better combat repeat victimisation and reoffending
- Reviewing Integrated Offender Management (IOM) scheme to include domestic abuse.
- Mapping the victim's journey through the Criminal Justice System to identify gaps and areas for improvement.
- Funding for specialist advice to schools on domestic violence incidents
- Funding to Barnardos to provide specialist support to anyone under 18 who has experienced sexual violence.
- Victim Care and Advice Service – since the service began it has reached out to over 4,000 vulnerable victims and the contract has been extended to enable a pilot project that allows support to be provided to vulnerable and repeat victims of anti-social behaviour. During year 2 of the contract, in Cleveland alone VCAS have reviewed 46,611 crimes/incidents to identify victims that met the VCAS vulnerability criteria, of the 3,573 that met the criteria 28% went on to have a full victims needs assessment completed.
- Support is provided to Cleveland Police relating to the national scheme Action Fraud. To date 404 Friends Against Scams sessions have been delivered to victims of fraud, youth groups, faith groups and disability groups.
- The Halo project was commissioned to support victims of Honour Based Violence/Forced Marriage and Female Genital Mutilation. Referral numbers have increased each quarter with the majority from the Middlesbrough area.

- Sexual Assault Referral Centre (SARC) and Independent Sexual Violence Advisor (ISVA) have been re-commissioned by the OPCC in collaboration with NHS England.

PCC crime prevention activities have included

- Funding to Crime Prevention Panels to purchase crime prevention equipment
- Funding activities for young people during the summer months
- Raising awareness of and promoting cultural awareness.

Tackling Offending and Reoffending

- Restorative Cleveland celebrated its official launch in November 2018, coinciding with Restorative Justice (RJ) Week. Restorative Cleveland was introduced formerly to key partners and professionals and feedback received indicates the content and speakers were positively received by those in attendance.
- Supported by funding from the PCC, the Youth Offending Teams across Cleveland have delivered 389 interventions, including assessment and intervention programmes for young people and their families and restorative services for victims.
- The PCC has a specialist restorative justice team, who are responsible for the facilitation and monitoring of cases across Cleveland. In December 2017 the PCC awarded a two year contract for the provision of Restorative Justice Services which will be delivered by Safe in Tees Valley.
- The PCC also chairs a multi-agency Reducing Re-offending meeting.
- A successful joint bid developed by Clinical Commissioning Groups, Youth Offending Services and the Office of the Police and Crime Commissioner for Cleveland has secured funding from NHS England to provide training and support for professionals working directly with young people at risk of offending behaviour to help them identify signs of speech, language and communication difficulties.
- The PCC supports a Liaison and Diversion Service which operates in police custody suites to identify and assess individuals, who may have a mental health, learning disability, substance misuse or other vulnerability. Following assessment individuals are supported through the criminal justice system and signposted into appropriate services.
- The implementation of Cleveland Divert, a deferred prosecution model to divert adult offenders from the criminal justice system.
- Consultation with victims undertaken to better understand their experiences of reporting crime and the support they were offered.
- Locally work is being undertaken on a whole system approach to female offending, to work in partnership to deliver a range of desistance provisions, improve co-ordination of existing provision, improve pathways to effective intervention and engage female offenders.
- Supported by funding from the PCC, during the Youth Offending Team's across Cleveland have delivered over 212 triage interventions. They include assessment and intervention programmes for young people and their families as well as restorative services for victims.
- The Ministry of Justice have awarded £200,000 for support services in Cleveland to support female offenders who have experienced domestic or sexual violence.
- Pioneering work on heroin assisted treatment

Working Together to Make Cleveland Safer

- Work is continuing to embed E-cins to encourage partners to share key information. The multi-agency tool is improving information sharing across services and a project manager has been appointed to further develop and coordinate information sharing with partners.

- Cleveland Connected, the forum for information sharing with public sector partners now has over 11,000 members and over 700 businesses who regularly receive information from the force.
- The re-introduction of Police School Liaison Officers
- Funding Middlesbrough and Stockton MIND to deliver an Appropriate Adult service, supporting vulnerable people in custody.

Securing the Future of Our Communities

- The PCC has attended over 600 Your Force Your Voice meetings held in the community giving residents the opportunity to discuss their concerns including issues such as rural crime, hate crime and anti-social behaviour.
- The PCC hosted a series of public consultations in shopping centres across all four Local Authority areas to gather resident's opinions on the new custody diversion scheme 'Cleveland Divert'. People were overwhelmingly supportive of giving first time offenders of low level offences an opportunity for rehabilitation.
- The PCC supports/funds a number of initiatives aimed at improving community cohesion and helping those subjected to hate crime
- The PCC Chairs the Cleveland Strategic Hate Crime and Incident Group
- Show Racism the Red Card Workshops to educate young people about the causes and consequences of racism have been attended by over 1700 Cleveland children over the last 12 months.
- A regional refugee forum to work with refugee led community organisations across Cleveland to produce a video for new arrivals on how the crime justice system works in this country and how to seek help with hate related incidents.
- Funding the development of a Cleveland Anti-Trafficking Network with partners to tackle Modern Day Slavery and Human Trafficking.
- Funding local organisation for example, The purchase of 20 coats for volunteers of the Redcar Beacons. The Beacons provide a caring presence in Redcar Town Centre on Friday and Saturday nights between 10pm and 3am, during the night time economy period when members of the public may become vulnerable and in need of help.

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, Cleveland Community Safety Hub, 1 Cliffland Way, Stainton Way, Hemlington, Middlesbrough, TS8 9GL
TS17 6AJ

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:

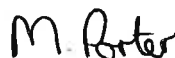
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

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 2019.

Date: 25th July 2019 Signature: M Porter



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: 25 / 7 / 19

Signature:



Barry Coppinger, Police & Crime Commissioner for Cleveland

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

Report on the financial statements

Opinion

We have audited the financial statements of the Office of the Police and Crime Commissioner for Cleveland (PCC) and Group for the year ended 31 March 2019, which comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, the Group Police Pension Fund Statement and Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cleveland and Group as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Police and Crime Commissioner for Cleveland and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:-

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner for Cleveland and Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to

the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Police and Crime Commissioner for Cleveland and Group is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Police and Crime Commissioner for Cleveland and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:-

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Police and Crime Commissioner for Cleveland's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cleveland has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Police and Crime Commissioner for Cleveland put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Police and Crime Commissioner for Cleveland

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner for Cleveland has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner for Cleveland's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of the Police and Crime Commissioner for Cleveland and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Police and Crime Commissioner for Cleveland and Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Police and Crime Commissioner for Cleveland and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of the Office of the Police and Crime Commissioner for Cleveland and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Gavin Barker
Director
For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham DH1 5TS

31 July 2019

GROUP COMPREHENSIVE INCOME AND EXPENDITURE **STATEMENT FOR THE YEAR ENDED 31st MARCH 2019**

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	2018/2019			2017/2018		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay Costs	121,448		121,448	81,490		81,490
Police Community Support Officer Pay Costs	5,173		5,173	4,763		4,763
Police Staff Support Pay Costs	13,818		13,818	11,511		11,511
OPCC Staff Pay Costs	1,359		1,359	1,109		1,109
Police Non Pay Costs	38,992		38,992	36,355		36,355
OPCC Non Pay Costs	22,148		22,148	8,761		8,761
OPCC Income	0	13,505	(13,505)	0	10,773	(10,773)
Undistributed Costs	204		204	70		70
Net Cost of Services	203,142	13,505	189,637	144,058	10,773	133,285
Other Operating Expenditure			277			399
Financing & Investment Income and Expenditure (Note 10)			46,787			44,942
Taxation & Non-Specific Grant Income (Note 11)			(126,336)			(124,445)
(Surplus) or Deficit on Provision of Service			110,365			54,181
(Surplus)/Deficit on Revaluation of PPE			(2,110)			0
(Surplus)/Deficit on Revaluation of available for sale assets			0			0
Re-measurements of the defined benefit liability (Note 21)			(1,502)			7,025
Other Comprehensive Income and Expenditure			(3,612)			7,025
Total Comprehensive Income and Expenditure			106,753			61,206

PCC COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2019

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	2018/2019			2017/2018		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
OPCC Staff Pay Costs	1,359	0	1,359	1,109	0	1,109
OPCC Non Pay Costs	22,148	0	22,148	8,761	0	8,761
OPCC Income	0	13,505	(13,505)	0	10,773	(10,773)
Undistributed Costs	121		121			
Net Cost of Services before Funding	23,628	13,505	10,123	9,870	10,773	(904)
Intra Group Funding	123,160	0	123,160	120,353	0	120,353
Net Cost of Services	146,788	13,505	133,283	130,223	10,773	119,449
Other Operating Expenditure			277			399
Financing & Investment Income & Expenditure (Note 10)			4,091			3,809
Taxation & Non-Specific Grant Income (Note 11)			(126,336)			(124,445)
(Surplus) or Deficit on Provision of Service			11,315			(787)
(Surplus)/Deficit on Revaluation of PPE			(2,110)			0
Re-measurements of the defined benefit liability (Note 21)			(523)			(27)
Other Comprehensive Income and Expenditure			(2,633)			(27)
Total Comprehensive Income and Expenditure			8,682			(814)

GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2019

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
Balance at 31st March 2018	(6,074)	(7,242)	0	(136)	(1,002)	(14,455)	1,648,846	1,634,391
(Surplus) or deficit on provision of services (accounting basis)	110,365	0.0	0.0	0.0	0.0	110,365	0.0	110,365
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(3,612)	(3,612)
Total Comprehensive Expenditure and Income	110,365	0	0	0	0	110,365	(3,612)	106,753
Total Adjustments between accounting basis & funding basis under regulations (Note 8)	(113,218)	0	0	0	(515)	(113,733)	113,733	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,853)	0	0	0	(515)	(3,368)	110,122	106,753
Total Transfers (to)/from Reserves	2,935	(2,698)	0	0	0	237	(237)	0
(Increase) / Decrease in Year	82	(2,698)	0	0	(515)	(3,131)	109,885	106,753
Balance at 31 March 2019	(5,992)	(9,940)	0	(136)	(1,517)	(17,586)	1,758,730	1,741,144
Reserves held for:								
Capital purposes		(3,228)	0		(1,002)	(4,230)		
Revenue Purpose	(6,074)	(4,014)		(136)		(10,225)		
Total at 31 March 2018	(6,074)	(7,242)	0	(136)	(1,002)	(14,455)		
Capital purposes		(1,572)	0		(1,517)	(3,089)		
Revenue Purposes	(5,992)	(8,368)		(136)		(14,496)		
Total at 31 March 2019	(5,992)	(9,940)	0	(136)	(1,517)	(17,585)		

PCC MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2019

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
Balance at 31st March 2018	(6,074)	(7,242)	0	(136)	(1,002)	(14,454)	(15,700)	(30,155)
(Surplus) or deficit on provision of services (accounting basis)	11,315	0	0	0	0	11,315	0	11,315
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(2,633)	(2,633)
Total Comprehensive Expenditure and Income	11,315	0	0	0	0	11,315	(2,633)	8,682
Total Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,168)	0	0	0	(515)	(14,683)	14,683	(0)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,854)	0	0	0	(515)	(3,369)	12,050	8,682
Total Transfers (to)/from Reserves	2,935	(2,698)	0	0	0	237	(237)	0
(Increase) / Decrease in Year	82	(2,698)	0	0	(515)	(3,132)	11,813	8,682
Balance at 31 March 2019	(5,992)	(9,940)	0	(136)	(1,517)	(17,586)	(3,886)	(21,472)
Reserves held for:								
Capital purposes		(3,228)	0		(1,002)	(4,230)		
Revenue Purpose	(6,074)	(4,014)		(136)		(10,224)		
Total at 31 March 2018	(6,074)	(7,242)	0	(136)	(1,002)	(14,454)		
Capital purposes		(1,572)	0		(1,517)	(3,089)		
Revenue Purposes	(5,992)	(8,368)		(136)		(14,497)		
Total at 31 March 2019	(5,992)	(9,940)	0	(136)	(1,517)	(17,586)		

GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2018

	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 2017	(8,016)	(6,264)	0	(136)	(683)	(15,099)	1,588,320	1,573,221
(Surplus) or deficit on provision of services (accounting basis)	54,181	0	0	0	0	54,181	0	54,181
Other Comprehensive Income and Expenditure	(1)	0	0	0	0	(1)	7,025	7,024
Total Comprehensive Expenditure and Income	54,180	0	0	0	0	54,180	7,025	61,205
Total Adjustments between accounting basis & funding basis under regulations (Note B)	(53,699)	0	0	0	(319)	(54,018)	53,984	(34)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	481	0	0	0	(319)	162	61,009	61,171
Total Transfers (to)/from Reserves	1,461	(978)	0	0	0	483	(483)	0
(Increase) / Decrease in Year	1,943	(978)	0	0	(319)	645	60,526	61,171
Balance at 31 March 2018	(6,074)	(7,242)	0	(136)	(1,002)	(14,455)	1,648,846	1,634,391

PCC MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2018

	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 2017	(8,016)	(6,264)	0	(136)	(683)	(15,099)	(14,205)	(29,304)
(Surplus) or deficit on provision of services (accounting basis)	(787)	0	0	0	0	(787)	0	(787)
Other Comprehensive Income and Expenditure	(1)	0	0	0	0	(1)	(27)	(28)
Total Comprehensive Expenditure and Income	(788)	0	0	0	0	(788)	(27)	(815)
Total Adjustments between accounting basis & funding basis under regulations (Note B)	1,270	0	(0)	0	(319)	951	(985)	(34)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	482	0	(0)	0	(319)	163	(1,012)	(849)
Total Transfers (to)/from Reserves	1,461	(978)	0	0	0	483	(483)	0
(Increase) / Decrease in Year	1,942	(978)	(0)	0	(319)	646	(1,495)	(849)
Balance at 31 March 2018	(6,074)	(7,242)	0	(136)	(1,002)	(14,454)	(15,700)	(30,154)

GROUP BALANCE SHEET AT 31st MARCH 2019

The Group Balance Sheet shows the value of the assets and liabilities recognised by the PCC Group as at 31st March 2019.

	Notes	31 March 2019 £000	31 March 2018 £000
Long Term Assets			
Property, Plant and Equipment	12	56,006	64,889
Intangible Assets	13	3,211	3,318
Assets Held for Sale	17	9,216	11,758
Long Term Debtors	15	1,071	1,241
Total Long Term Assets		69,504	81,206
Current Assets			
Short Term Investments		4,500	-
Inventories		65	75
Short Term Debtors	15	22,302	24,762
Cash and Cash Equivalents	16	2,685	791
Total Current Assets		29,552	25,628
Total Assets		99,056	106,834
Current Liabilities			
Short Term Borrowing	30	(2,772)	(872)
Short Term Creditors	18	(16,316)	(16,089)
Provisions	19	(4,117)	(3,722)
Total Current Liabilities		(23,205)	(20,683)
Long Term Liabilities			
Long Term Borrowing	30	(28,292)	(28,064)
Other Long Term Liabilities : PFI	27	(23,238)	(24,743)
Pensions Liability	21	(1,765,465)	(1,667,735)
Total Long Term Liabilities		(1,816,995)	(1,720,542)
Total Liabilities		(1,840,200)	(1,741,225)
Net Assets		(1,741,144)	(1,634,391)
Usable Reserves	32	(17,586)	(14,455)
Unusable Reserves	33	1,758,730	1,648,846
Total Reserves		1,741,144	1,634,391

PCC BALANCE SHEET AT 31st MARCH 2019

The PCC Balance Sheet shows the value of the assets and liabilities recognised by the PCC as at 31st March 2019.

	Notes	31 March 2019 £000	31 March 2018 £000
Long Term Assets			
Property, Plant and Equipment	12	56,006	64,889
Intangible Assets	13	3,211	3,318
Asset Held for Sale	17	9,216	11,758
Long Term Debtors	15	1,071	1,241
Total Long Term Assets		69,504	81,206
Current Assets			
Short Term Investments		4,500	-
Inventories		65	75
Short Term Debtors	15	22,302	24,762
Cash and Cash Equivalents	16	2,685	791
Total Current Assets		29,552	25,628
Total Assets		99,056	106,834
Current Liabilities			
Short Term Borrowing	30	(2,772)	(872)
Short Term Creditors	18	(16,316)	(16,089)
Provisions	19	(4,117)	(3,722)
Total Current Liabilities		(23,205)	(20,683)
Long Term Liabilities			
Long Term Borrowing	30	(28,292)	(28,064)
Other Long Term Liabilities : PFI	27	(23,238)	(24,743)
Pensions Liability	21	(2,849)	(3,190)
Total Long Term Liabilities		(54,379)	(55,997)
Total Liabilities		(77,584)	(76,680)
Net Assets		21,472	30,155
Usable Reserves	32	(17,586)	(14,455)
Unusable Reserves	33	(3,886)	(15,700)
Total Reserves		(21,472)	(30,155)

GROUP & PCC CASHFLOW STATEMENT 2018/19

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

	2018/2019 £000	2017/2018 £000
OPERATING ACTIVITIES		
<u>Cash Outflows</u>		
Cash paid to and on behalf of employees	86,779	90,768
Cash payment to reduce the PFI liability	1,505	1,222
Cash paid to suppliers of goods and services	58,740	54,184
	147,024	146,174
<u>Cash Inflows</u>		
Precept received	(34,257)	(32,457)
National non-domestic rates	(37,992)	(37,992)
Other grants	(80,904)	(78,658)
Rents	(29)	(45)
Cash received for goods and services	(677)	(207)
Other operating cash receipts	(3,871)	(986)
	(157,730)	(150,346)
Operating Activities Net Cash Flow	(10,706)	(4,172)
INVESTING ACTIVITIES		
<u>Returns on Investments and Servicing of Finance</u>		
Cash outflows - Interest paid	4,103	3,752
Cash inflows - Interest received	(92)	(22)
	4,011	3,729
<u>Capital Activities</u>		
Cash outflows - Purchase of non current assets	5,577	16,361
Cash inflows - Sale of non current assets	(2,633)	(172)
- Capital grant received	(515)	(515)
	2,429	15,674
Investing Activities Net Cash Flow	6,440	19,403
Net Cash Outflow/(Inflow) before financing	(4,266)	15,231
FINANCING ACTIVITIES		
<u>Management of Liquid Resources</u>		
Net increase/(decrease) in investments	4,500	(5,500)
Net increase/(decrease) in imprests	-	-
	4,500	(5,500)
<u>Financing</u>		
Cash outflows - Repayment of amounts borrowed	872	-
Cash inflows - New loans raised	(3,000)	(11,760)
	(2,128)	(11,760)
Financing Activities Net Cash Flow	2,372	(17,260)
Net (Increase)/Decrease in cash	(1,894)	(2,029)
Cash brought forward	791	(1,238)
Cash carried forward	2,685	791
Net (Increase)/Decrease in cash	(1,894)	(2,029)

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 28th February 2019), 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 1st 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 1st April 2010. The PCC Group has undertaken this review and has no significant components in the 2018/19 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 27).

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 31st 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 2018/19 (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 2018/19 (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.
- Undistributed 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 Urlay 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, Durham and North Yorkshire 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 36 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 EXPENDITURE & FUNDING ANALYSIS

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.

Group

Funding Analysis	Expenditure Chargeable to the General Fund	2018/2019 Adjustments Between funding & Accounting Basis	Net Expenditure in the CIES	Expenditure Chargeable to the General Fund	2017/2018 Adjustments Between funding & Accounting Basis	Net Expenditure in the CIES
	£000's	£000's	£000's	£000's	£000's	£000's
Police Officer Pay Costs	68,051	(53,397)	121,448	69,335	(12,155)	81,490
Police Community Support Officer Pay Costs	4,382	(791)	5,173	4,286	(477)	4,763
Police Staff Support Pay Costs	11,706	(2,112)	13,818	10,358	(1,153)	11,511
OPCC Staff Pay Costs	1,258	(101)	1,359	1,029	(80)	1,109
Police Non Pay Costs	34,556	(4,436)	38,992	31,844	(4,511)	36,355
OPCC Non Pay Costs	15,022	(7,127)	22,148	15,963	7,203	8,761
OPCC Income	(13,505)	0	(13,505)	(10,773)	0	(10,773)
Undistributed Costs	204	0	204	70	0	70
Net Cost of Services	121,674	(67,963)	189,637	122,112	(11,173)	133,285
Other Operating Expenditure	158	(119)	277	283	(116)	399
Financing & Investment Income & Expenditure (Note 10)	4,010	(42,777)	46,787	3,731	(41,211)	44,942
Taxation & Non-Specific Grant Income	(125,760)	576	(126,336)	(124,183)	262	(124,445)
(Surplus) or Deficit on Provision of Service	82	(110,283)	110,365	1,942	(52,238)	54,181
Opening General Fund Balance	(6,074)			(8,016)		
(Surplus) or Deficit on Provision of Service	82			1,942		
Closing General Fund Balance	(5,992)			(6,074)		

Notes to Funding Analysis 2018/2019	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
	Police Officer Pay Costs	(53,397)	0	(53,451)
Police Community Support Officer Pay Costs	(791)	0	(791)	0
Police Staff Support Pay Costs	(2,112)	0	(2,112)	0
OPCC Staff Pay Costs	(101)	0	(101)	0
Police Non Pay Costs	(4,436)	(4,436)	0	0
OPCC Non Pay Costs	(7,127)	(10,072)	0	2,945
Net Cost of Services	(67,963)	(14,508)	(56,455)	2,999
Other Operating Expenditure	(119)	(119)	0	0
Financing & Investment Income & Expenditure (Note 10)	(42,777)	0	(42,777)	0
Taxation & Non-Specific Grant Income	576	0	0	576
(Surplus) or Deficit on Provision of Service	(110,283)	(14,626)	(99,232)	3,575

Notes to Funding Analysis 2017/2018	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
	Police Officer Pay Costs	(12,155)	0	(12,206)
Police Community Support Officer Pay Costs	(477)	0	(477)	0
Police Staff Support Pay Costs	(1,153)	0	(1,153)	0
OPCC Staff Pay Costs	(80)	0	(80)	0
Police Non Pay Costs	(4,511)	(4,511)	0	0
OPCC Non Pay Costs	7,203	1,958	0	5,244
Net Cost of Services	(11,173)	(2,552)	(13,916)	5,296
Other Operating Expenditure	(116)	(116)	0	0
Financing & Investment Income & Expenditure (Note 10)	(41,211)	0	(41,211)	0
Taxation & Non-Specific Grant Income	262	0	0	262
(Surplus) or Deficit on Provision of Service	(52,238)	(2,668)	(55,127)	5,558

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.

Funding	2018/2019			2017/2018		
	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
Police Officer Pay Costs	54	54	0	51	51	0
OPCC Staff Pay Costs	1,258	(101)	1,359	1,029	(80)	1,109
Police Non Pay Costs	(4,436)	(4,436)	0	(4,511)	(4,511)	0
OPCC Non Pay Costs	15,022	(7,127)	22,148	15,963	7,203	8,761
OPCC Income	(13,505)	0	(13,505)	(10,773)	0	(10,773)
Undistributed Costs	121	0	121	0	0	0
Net Cost of Services	(1,486)	(11,610)	10,124	1,759	2,662	(904)
Intra Group Funding	123,160	0	123,160	120,353	0	120,353
Net Cost of Services	121,674	(11,610)	133,283	122,112	2,662	119,449
Other Operating Expenditure	158	(119)	277	283	(116)	399
Financing & Investment Income & Expenditure (Note 10)	4,010	(81)	4,091	3,731	(78)	3,809
Taxation & Non-Specific Grant Income	(125,760)	576	(126,336)	(124,183)	262	(124,445)
(Surplus) or Deficit on Provision of Service	82	(11,233)	11,315	1,942	2,730	(787)
Opening General Fund Balance	(6,074)			(8,016)		
(Surplus) or Deficit on Provision of Service	82			1,942		
Closing General Fund Balance	(5,992)			(6,074)		

Notes to Funding Analysis 2018/2019	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
Police Officer Pay Costs	54	0	0	54
OPCC Staff Pay Costs	(101)	0	(101)	0
Police Non Pay Costs	(4,436)	(4,436)	0	0
OPCC Non Pay Costs	(7,127)	(10,072)	0	2,945
Net Cost of Services	(11,610)	(14,508)	(101)	2,999
Other Operating Expenditure	(119)	(119)	0	0
Financing & Investment Income & Expenditure (Note 10)	(81)	0	(81)	0
Taxation & Non-Specific Grant Income	576	0	0	576
(Surplus) or Deficit on Provision of Service	(11,233)	(14,626)	(182)	3,576

Notes to Funding Analysis 2017/2018	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
Police Officer Pay Costs	51	0	0	51
OPCC Staff Pay Costs	(80)	0	(80)	0
Police Non Pay Costs	(4,511)	(4,511)	0	0
OPCC Non Pay Costs	7,203	1,958	0	5,244
Net Cost of Services	2,662	(2,552)	(80)	5,295
Other Operating Expenditure	(116)	(116)	0	0
Financing & Investment Income & Expenditure (Note 10)	(78)	0	(78)	0
Taxation & Non-Specific Grant Income	262	0	0	262
(Surplus) or Deficit on Provision of Service	2,730	(2,668)	(158)	5,557

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 2019 but not adopted:-

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments.

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 31st March 2019 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 21: Pension Liability of the accounts.

McCloud Judgement: Local Government Pension Scheme (LGPS)

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud / Sargent' judgement which found that the transitional protection arrangements put in place when the Firefighters' and Judges' pension scheme were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the government's request on 27 June 2019. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation.

There is considerable uncertainty on the financial impact for Employers participating in the LGPS. Whilst the court case did not represent members with LGPS benefits, it may be appropriate to account for LGPS pension liabilities on the basis the Government will also apply a remedy to all other public sector schemes which were reformed around the same time with similar age-related protections, rather than await a legal challenge and test case to pass through the courts.

The potential level of remedy in the LGPS is also extremely uncertain and will not become clear until an agreement is reached in the Employment Tribunal in relation to McCloud/Sargeant, and government agrees a policy for the LGPS.

In terms of amount to recognise, it would be challenging to argue that any particular measurement is the most appropriate 'fair' value to choose. Auditors may focus on a 'worst-case' scenario due to it being a figure that is readily available (following analysis published by the Government Actuary's Department (GAD) – see below) and, as such, potentially the most common figure disclosed by public sector bodies and other LGPS employers.

GAD, under instruction of the LGPS Scheme Advisory Board (England and Wales) was asked to calculate the worst case scenario impact at Scheme level. In their paper titled "Local Government Pension Scheme Potential impact of McCloud/Sargeant ruling on pension accounts disclosures" dated 10 June 2019, they state for a salary increase assumption of CPI + 1.5%, the worst case scenario impact is estimated to be a 3.2% increase in the active liabilities, and for a salary increase assumption of CPI + 0.0%, the worst case scenario impact is estimated to be an increase in the active liabilities of less than 0.1%.

We instructed the actuary to calculate an additional liability based on figures prepared by GAD for the whole Scheme.

The Force reports pension costs using a salary increase assumption of CPI+1%. We have therefore adjusted GAD's figures assuming there is a linear increase between the two and so we have allowed for the McCloud liability as 2.1% of the active liability (before McCloud) as at 31 March 2019.

The Past Service Cost recognised in relation to the McCloud Judgement, on the basis set out above, is £0.883M.

We have not calculated updated projected expense figures. Please be aware that the projected Current Service Cost for 2019/20 will be higher than previously assumed.

Limitations-

Note that figures are based on a worst-case scenario (as defined by GAD), allowing for the final salary underpin to be extended to all members including post 2012 joiners (although not those who leave service without any entitlement to immediate benefits). In addition, the calculations are approximate based on an estimate based on the LGPS liabilities as a whole. The actual impact on the Force's pension liabilities (on a worst case basis) will depend on their membership profile, with the cost being higher for younger members. Not only is there a longer period over which their assumed higher salary growth would apply, but they have a higher state pension age meaning that the cost of the underpin is greater.

McCloud Judgement: Police Pension Schemes

The actuary has prepared the IAS 19 accounting figures on the basis of accounting for the McCloud judgement as a constructive obligation. The additional liability is shown as a Past Service Cost over the accounting period based on an effective date of 31 March 2019.

No allowance has been made for Indexation and Equalisation of GMPs as this is nil (or negligible) in the 2015 and 2017 scheme.

In summary, we have calculated the additional liability arising had all members stayed in the Scheme they were a member of at 31 March 2015. The projections have been prepared using Scenario 1 which assumed the progression of relative salaries in the 1987 and 2006 Schemes beyond 1 April 2015 has stayed in proportion to those at 31 March 2015 (i.e. salaries in both the 1987 and 2006 scheme would have reduced over the last 4 years in line with the Force's total payroll reductions in the Police Pension Schemes).

The Past Service Cost of McCloud has been calculated as £18.9M. We have not calculated updated projected expense figures. Please be aware that the projected Current Service Cost for 2019/20 will be higher than previously assumed.

GMP Indexation and Equalisation Impact on Local Government Pension Scheme and Police Pension Schemes

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. The rate at which GMP was accrued, and the date it is payable, is different for men and women, meaning there is an inequality for male and female members who have GMP.

On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

HMT has gone on record since the Lloyds judgement to say, "Public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment."

Under arrangements which existed before 6 April 2016, public service pension schemes and the State Pension worked in tandem. The Additional Pension (AP) element of the State Pension was used to equalise the effect of unequal GMP payable by the public sector schemes, through a process of top-up payments through the AP (the cost of which was met by central government).

The top-up was paid because pension schemes do not pay pension increases (after 60 for females / 65 for males) on GMPs accrued before April 1988, and they cap pension increases (after 60 for females / 65 for males) at 3% p.a. on GMPs earned between 1988 and 1997. AP was used to top up pension increases on GMPs to the full rate of CPI inflation so the state and scheme pensions, when combined, kept pace with inflation.

However, reforms were made to the State Pension system in April 2016 which scrapped AP and removed the facility for central government to equalise GMP payments.

In March 2016 the government introduced an 'interim solution' for public sector schemes to compensate members who were set to lose out from the removal of AP and, without which, would have resulted in men and women being treated differently. This was done by making the relevant public sector scheme pay full increases on GMP pensions for individuals reaching State Pension Age (SPA) from 5 April 2016 through to 5 December 2018 (the date when state pension ages for male and females were equalised). In January 2018 the interim solution was extended to individuals reaching SPA before 5 April 2021, passing further cost to the public service schemes including the LGPS. The Government's view is that this solution meets equalisation requirements.

The Government has committed to continuing to compensate all members of public service pension schemes reaching SPA after this date but is considering alternative methods for implementing this compensation (such as converting GMP into scheme benefits) before legislating beyond 2021. At time of writing this solution has not been confirmed.

The liability of the first 'interim solution' (to 5 December 2018) was included in the balance sheet for years ending in 2017 and recognised through OCI in the same year. It was practical to recognise this liability at that time due to the liability being included within the 2016 valuations of the LGPS which was used to update employer accounting figures over 2017. The additional liability from extending the interim solution to 2021 was not calculated for the year ending 2018.

We have undertaken calculations for a typical LGPS Fund to quantify the value of the second interim solution, extended indefinitely beyond April 2021. We believe this would approximately represent the cost of meeting the government's commitment to protect all public sector scheme members from the

removal of AP. Using 2016 valuation data for a typical Fund, for individuals whose SPA is after 5 December 2018, we have calculated the difference between:

- (a) the GMP liabilities calculated assuming pension increases at CPI, and
- (b) the GMP liabilities calculated assuming pension increases of 0% on pre 88 GMP, and CPI capped at 3% on post 88 GMP.

This difference was expressed as a percentage of the reported liability for the Fund. The results of the calculations are that this compensation could increase the defined benefit obligation in the region of 0.3% at a Fund level.

The Past Service cost in respect of LGPS using the method set out above has been calculated at 31 March 2019 to be £0.303M.

The Past Service Cost in respect of the PPS 1987 scheme using the method set out above, has been calculated at 31 March 2019 to be £6.031M. GMPs are nil (or negligible) in the other Schemes because GMPs stopped accruing in April 1997.

Limitations-

Generally, employers with a higher proportion of older members with membership between 1978 and 1997 (dates when GMP was accrued) could see a higher cost. Calculations of the percentage increase in liability due to GMP Indexation were undertaken using funding assumptions of a typical Fund. It is believed that the percentage would not be materially different if valued using the accounting assumptions adopted by the Employer at the 31st March 2019.

Employee Benefits: An accrual has been made for employee benefits outstanding at the year end, comprising flexitime, annual leave, Time off in Lieu and re-rostered rest days. The accrual is estimated based on returns from each department and data captured from the Duty Management system. Approximately 45% of the accrual of £2.298m relates to Annual Leave and 43% 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 £115k.

Provisions: A provision has been made for the settlement of on-going 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 £30k 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 31ST MARCH 2019

	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
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(962)	0	0	0	0	(962)	962	0
Depreciation and Impairment of fixed assets	(15,499)	0	0	0	0	(15,499)	15,499	0
Depreciation on Revaluation	(14)	0	0	0	0	(14)	14	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	(119)	0	0	0	0	(119)	119	0
Sale of Assets	0	0	(2,632)	0	0	(2,632)	2,632	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(109,898)	0	0	0	0	(109,898)	109,898	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	10	0	0	0	(0)	10	(10)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	515	0	0	0	(515)	0	0	0
Accumulated Absences Adjustment	54	0	0	0	0	54	(54)	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	61	0	0	0	0	61	(61)	0
	(125,853)	0	(2,632)	0	(515)	(128,999)	129,000	0
Statutory provision for the repayment of debt	2,262	0	0	0	0	2,262	(2,262)	0
Capital expenditure charged to the General Fund Balance	(294)	0	0	0	0	(294)	294	0
Use of Capital Receipts	0	0	2,632	0	0	2,632	(2,632)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	10,666	0	0	0	0	10,666	(10,666)	0
	12,634	0	2,632	0	0	15,266	(15,266)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	(113,218)	0	0	0	(515)	(113,733)	113,733	0

PCC FOR THE YEAR ENDED 31ST MARCH 2019

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(962)	0	0	0	0	(962)	962	0
Depreciation and Impairment of fixed assets	(15,499)	0	0	0	0	(15,499)	15,499	0
Depreciation on Revaluation	(14)	0	0	0	0	(14)	14	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	(119)	0	0	0	0	(119)	119	0
Sale of Assets	0	0	(2,632)	0	0	(2,632)	2,632	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(329)	0	0	0	0	(329)	329	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	10	0	0	0	(0)	10	(10)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	515	0	0	0	(515)	0	0	0
Accumulated Absences Adjustment	54	0	0	0	0	54	(54)	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	61	0	0	0	0	61	(61)	0
	(16,283)	0	(2,632)	0	(515)	(19,430)	19,431	0
Statutory provision for the repayment of debt	2,262	0	0	0	0	2,262	(2,262)	0
Capital expenditure charged to the General Fund Balance	(294)	0	0	0	0	(294)	294	0
Use of Capital Receipts	0	0	2,632	0	0	2,632	(2,632)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	147	0	0	0	0	147	(147)	0
	2,115	0	2,632	0	0	4,747	(4,747)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	(14,168)	0	0	0	(515)	(14,683)	14,683	0

GROUP FOR THE YEAR ENDED 31ST MARCH 2018

	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
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(1,040)	0	0	0	0	(1,040)	1,040	0
Depreciation and Impairment of fixed assets	(3,462)	0	0	0	0	(3,462)	3,462	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	(0)
Government Grants Deferred amortisation	0	0	0	0	0	0	(34)	(34)
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	(116)	0	0	0	0	(116)	116	0
Sale of Assets	0	0	(172)	0	0	(172)	172	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(66,492)	0	0	0	0	(66,492)	66,492	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	3,783	0	0	0	195	3,978	(3,978)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	515	0	0	0	(515)	0	0	0
Accumulated Absences Adjustment	52	0	0	0	0	52	(52)	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	(252)	0	0	0	0	(252)	252	0
	(67,022)	0	(172)	0	(319)	(67,513)	67,480	(34)
Statutory provision for the repayment of debt	1,958	0	0	0	0	1,958	(1,958)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	172	0	0	172	(172)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	11,365	0	0	0	0	11,365	(11,365)	0
	13,323	0	172	0	0	13,495	(13,495)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	(53,699)	0	0	0	(319)	(54,018)	53,984	(34)

PCC FOR THE YEAR ENDED 31ST MARCH 2018

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(1,040)	0	0	0	0	(1,040)	1,040	0
Depreciation and Impairment of fixed assets	(3,462)	0	0	0	0	(3,462)	3,462	0
Depreciation on Revaluation	(8)	0	0	0	0	(8)	8	0
Government Grants Deferred amortisation	0	0	0	0	0	0	(34)	(34)
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	(116)	0	0	0	0	(116)	116	0
Sale of Assets	0	0	(172)	0	0	(172)	172	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(261)	0	0	0	0	(261)	261	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	3,783	0	0	0	195	3,978	(3,978)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	515	0	0	0	(515)	0	0	0
Accumulated Absences Adjustment	51	0	0	0	0	51	(51)	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	(252)	0	0	0	0	(252)	252	0
	(791)	0	(172)	0	(319)	(1,283)	1,247	(34)
Statutory provision for the repayment of debt	1,958	0	0	0	0	1,958	(1,958)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	172	0	0	172	(172)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	103	0	0	0	0	103	(103)	0
	2,061	0	172	0	0	2,233	(2,233)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	1,270	0	(0)	0	(319)	951	(985)	(34)

9. TRANSFERS TO / FROM EARMARKED RESERVES

Group and PCC Reserves	Balance at 31 March 2017 £000	Transfers In 2017/2018 £000	Transfers Out 2017/2018 £000	Balance at 31 March 2018 £000	Transfers In 2018/2019 £000	Transfers Out 2018/2019 £000	Balance at 31 March 2019 £000
Direct Revenue Funding of Capital	(3,241)	(1,863)	3,434	(1,669)	(2,277)	287	(3,659)
Injury Pension Reserve	(320)	0	75	(245)	0	0	(245)
Airwave Project	0	0	0	0	(166)	0	(166)
PFI Sinking Fund	(138)	(75)	0	(213)	(75)	0	(288)
Incentivisation Grant	(271)	(141)	0	(412)	(100)	0	(512)
Urly Nook TTC	(81)	0	0	(81)	0	0	(81)
Police Property Act Fund	(42)	(51)	54	(39)	(36)	12	(63)
Job Evaluation Reserve	(550)	0	550	0	0	0	0
NERSOU	(153)	0	108	(45)	(101)	0	(146)
Community Safety Fund	(450)	0	128	(322)	0	81	(241)
Road Safety Initiative Reserve	(629)	(29)	0	(658)	0	0	(658)
Collaboration Reserve	(389)	(602)	49	(942)	(93)	0	(1,036)
Insurance / Legal Reserve	0	(500)	0	(500)	(175)	244	(431)
Pay inflation reserve	0	(1,700)	0	(1,700)	0	700	(1,000)
PCC Change Reserve	0	(50)	0	(50)	(50)	0	(100)
Digital Forensic Reserve	0	0	0	0	(245)	0	(245)
CP Change Reserve	0	0	0	0	(500)	0	(500)
Commissioning Services Reserve	0	(366)	0	(366)	(229)	25	(569)
Revenue Grants Unapplied	(137)	0	0	(137)	0	0	(137)
Total	(6,401)	(5,376)	4,398	(7,379)	(4,047)	1,349	(10,077)

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 2018/19.

Injury Pension Reserve

To allow for the variable nature of future injury/medical retirements of Police Officers and the capital equivalent charges incurred. No release was required in 2018/19, all medical retirement were resourced from the Force revenue budget.

Airwave Projects

This reserve was created in 2018/2019 to support the required investment in Airwave to maintain current capability whilst the National replacement solution is developed / delivered.

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.

Tactical Training Centre

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

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. This project was closed in 2017/2018 and the reserve released.

NERSOU

North East Regional Special Operations Unit (NERSOU) is a collaboration between Northumbria, Durham and Cleveland Forces to address organised and serious crime. At the 31st March 2019 the reserves position was £610K of which Cleveland's share is £146K.

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 support to the work in relation to collaboration activity with other Forces and partners

Insurance – Legal Reserve

The reserve has been created to mitigate and manage the risks associated with increased costs of litigation and claims.

Pay Inflation Reserve

The reserve has been created to mitigate and manage the risks associated with increased costs of pay inflation.

OPCC Change Reserve

The reserve has been created to support change within the OPCC.

Digital Forensic Reserve

The reserve has been created to support changes required to upgrade the digital forensic services with the Force in line with the approved business case.

CP Change Reserve

The reserve has been created to support change within the Force.

Commissioning Services Reserve

The reserve has been created to support the OPCC commitment to invest in a range of services and projects namely; Drug and early youth intervention projects, Wellbeing and Domestic abuse initiatives and other services.

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. FINANCING AND INVESTMENT INCOME & EXPENDITURE

Group	2018/2019 £000	2017/2018 £000
Interest payable and similar charges	4,103	3,753
Net interest on defined benefit liability	42,777	41,211
Interest receivable and similar income	(92)	(22)
Total Finance and Investment Income and Expenditure	46,787	44,942

PCC	2018/2019 £000	2017/2018 £000
Interest payable and similar charges	4,103	3,753
Net interest on defined benefit liability	81	78
Interest receivable and similar income	(92)	(22)
Total Finance & Investment Income & Expenditure	4,091	3,809

11. TAXATION & NON SPECIFIC GRANT INCOME

Group and PCC	2018/2019 £000	2017/2018 £000
National Non Domestic rates	(37,992)	(37,992)
Police Grants	(46,308)	(46,308)
Precepts	(34,644)	(32,404)
Local Council Tax Support	(6,868)	(6,868)
Capital Grants and Contributions	(524)	(873)
Total Taxation and Non Specific Grant Income	(126,336)	(124,445)

12. PROPERTY, PLANT AND EQUIPMENT.

Property, Plant and Equipment 2018/2019

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 2018	13,893	32,348	5,937	24,402	13,733	90,312
Accumulated depreciation	(1,231)	(3,238)	(2,367)	(18,587)	-	(25,423)
Prior Year Adjustments	-	-	-	-	-	-
Net Book Value at 1 April 2018	12,662	29,110	3,570	5,815	13,733	64,889
Adjustments to opening balances: Cost	-	-	-	-	-	-
Adjustments to opening balances: Dep	-	-	-	-	-	-
Net Book Value at 1 April 2018	12,662	29,110	3,570	5,815	13,733	64,889
Additions	66	-	449	771	3,977	5,263
Reclassification	13,391	-	47	3,227	(17,199)	(533)
Disposals	-	-	(794)	(4,726)	-	(5,519)
Revaluations : Revaluation Reserves	752	(2,226)	-	-	-	(1,474)
Revaluations : Surplus / Deficit	(12,375)	(1,463)	-	-	0	(13,838)
Assets Reclassified (to)/From Assets Held for sale	-	-	-	-	-	-
Book value at 31 March 2019	14,496	25,421	3,272	5,088	511	48,789
Depreciation	(334)	(855)	(1,188)	(1,097)	-	(3,474)
Depreciation on Disposals	-	-	635	4,674	-	5,309
Revaluations / Impairments	287	3,297	-	-	-	3,584
Revaluations : Surplus / Deficit	1,238	561	-	-	-	1,799
Net Book Value at 31 March 2019	15,687	28,425	2,719	8,665	511	56,006

Property, Plant and Equipment 2017/2018

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 2017	12,837	31,865	5,098	23,568	2,386	75,754
Gross Book Prior Year Adjustments	-	-	-	-	-	-
Accumulated depreciation	(935)	(2,396)	(2,426)	(17,726)	-	(23,483)
Prior Year Adjustments	-	-	-	-	-	-
Net Book Value at 1 April 2017	11,902	29,469	2,671	5,843	2,386	52,271
Adjustments to opening balances: Cost	-	-	-	-	-	-
Adjustments to opening balances: Dep	-	-	-	-	-	-
Net Book Value at 1 April 2017	11,902	29,469	2,671	5,843	2,386	52,271
Additions	-	483	1,582	1,060	13,252	16,377
Reclassification	1,516	-	368	21	(1,905)	-
Disposals	(53)	-	(1,111)	(248)	-	(1,411)
Revaluations : Revaluation Reserves	-	-	-	-	-	-
Revaluations : Surplus / Deficit	-	-	-	-	-	-
Assets Reclassified (to)/From Assets Held for sale	-	-	-	-	-	-
Book value at 31 March 2018	13,365	29,952	3,510	6,676	13,733	67,236
Depreciation	(310)	(842)	(838)	(1,074)	-	(3,063)
Depreciation on Disposals	14	-	897	213	-	1,124
Revaluations / Impairments	(407)	-	-	-	-	(407)
Revaluations : Surplus / Deficit	-	-	-	-	-	-
Net Book Value at 31 March 2018	12,662	29,110	3,570	5,815	13,733	64,889

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 2019, the PCC Group was contractually committed to capital works which amounted to approximately £1.195m (£2.075m at 31st March 2018).

Revaluations

Freehold properties were re-valued as at 28th February 2019 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 2023/24.

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 a desk review is undertaken to assess the asset value against market conditions. For Plant & Machinery and Vehicles, all asset lives and residual values were reviewed and therefore any values adjusted accordingly.

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

13. INTANGIBLE ASSETS

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

Group and PCC	31 March 2019	31 March 2018
	£000	£000
Balance at 1 April	9,290	9,273
Accumulated Amortisation	(5,972)	(4,932)
Net Carrying Amount 31st March	3,318	4,341
Additions	323	16
Reclassification	533	-
Disposals	(1,250)	-
Revaluations	-	-
Amortisation on Disposals	1,250	-
Amortisation	(962)	(1,040)
Net Carrying amount at 31 March	3,211	3,318
Gross Carrying Amounts	8,896	9,290
Accumulated Amortisation	(5,684)	(5,972)

14. 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.

Group and PCC	31 March 2019 £000	31 March 2018 £000
Long Term Assets:		
Long Term Investments	-	-
Long Term Debtors	1,071	1,241
	1,071	1,241
Short-Term Assets:		
Short Term Investments	4,500	-
Cash and Cash Equivalents	2,685	791
	7,185	791
Debtors:		
Government Departments	9,600	8,605
Other Local Authorities	2,970	2,815
Other Debtors	621	684
Less provision for doubtful debts	-	-
	13,191	12,104
Short-Term Liabilities:		
Short Term Loans	(2,772)	(872)
Cash and Cash Equivalents	-	-
	(2,772)	(872)
Creditors:		
Government Departments	(388)	(1,059)
Other Local Authorities	(1,232)	(871)
Sundry Creditors	(5,642)	(6,084)
	(7,262)	(8,014)
Long Term Liabilities:		
Long Term Creditors		
Long Term Borrowing	(28,292)	(28,064)
PFI Liabilities	(23,238)	(24,743)
	(51,530)	(52,807)

	31 March 2019	31 March 2018
Interest Expense	4,103	3,753
Interest Income	(92)	(22)
Net (gain)/loss for the year	4,011	3,731

Long Term Borrowing Maturity Period	Fair Value	Cost
	31 March 2019 £000	31 March 2019 £000
New Loans Rate :		
1/2 years	(3,454)	(3,272)
2/5 years	(10,189)	(9,500)
5/10 years	(1,553)	(1,520)
Over 10 years	(14,812)	(14,000)
Total Long Term Loans	(30,008)	(28,292)
Premature Repayment Rate :		
1/2 years	(3,515)	(3,272)
2/5 years	(10,495)	(9,500)
5/10 years	(1,635)	(1,520)
Over 10 years	(17,948)	(14,000)
Total Long Term Loans	(33,593)	(28,292)

The PCC'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.

15. DEBTORS

	31 March 2019 £000	31 March 2018 £000
Short Term Group and PCC Debtors		
Government Departments	9,600	10,239
Other Local Authorities	10,480	9,046
Other Debtors	621	684
	20,701	19,969
Less: Provision for doubtful debts	(3,682)	(3,357)
	17,019	16,612
Add: Payments in Advance	5,283	8,151
Total Short Term Debtors	22,302	24,762
Long Term Group and PCC Debtors		
Other Debtors	1,071	1,241
Total Long Term Debtors	1,071	1,241

16. CASH AND CASH EQUIVALENTS

Group and PCC	31 March 2019 £000	31 March 2018 £000
Cash held by the PCC	78	78
Bank current Accounts	2,607	714
Short-term deposits	0	0
Total Cash and Cash Equivalents	2,685	791

17. ASSETS HELD FOR SALE

Group and PCC	2018/2019 £000	2017/2018 £000
Balance Outstanding	11,758	11,758
Retirements - Part	(2,542)	-
Balance outstanding	9,216	11,758

18. CREDITORS

	31 March 2019 £000	31 March 2018 £000
Short Term Group and PCC Creditors		
Government Departments	(388)	(1,059)
Her Majesty's Revenue & Customs (HMRC)	(2,145)	(2,070)
Other Local Authorities	(4,762)	(3,507)
Accumulated Compensated Absences	(2,298)	(2,353)
Sundry Creditors	(5,642)	(6,084)
Sub total	(15,235)	(15,073)
Add: Income in Advance	(1,081)	(1,017)
Total Creditors	(16,316)	(16,089)
Long Term Group and PCC Creditors		
Sundry Creditors	-	-
Total Long Term Creditors	-	-

19. PROVISIONS

Group and PCC Provision Description	Balance at 31 March 2017 £000	Transfers In 2017/2018 £000	Transfers Out 2017/2018 £000	Balance at 31 March 2018 £000	Transfers In 2018/2019 £000	Transfers Out 2018/2019 £000	Balance at 31 March 2019 £000
Insurance	(172)	0	70	(102)	(51)	0	(153)
Insurance Liabilities	(3,129)	0	865	(2,264)	(901)	790	(2,375)
Employee Related Remuneration	(1,500)	0	143	(1,357)	(356)	123	(1,589)
Total	(4,801)	-	1,078	(3,722)	(1,308)	913	(4,117)

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. A claim for £70K was received and paid in 2017/18. An actuarial review of liability was undertaken in March 2019 and indicated the provision be increased to £153K. 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 37.

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. An actuarial review of liability was undertaken in March 2019 and indicated the provision be increased to £2,375K.

Employee Related Remuneration

The provision is required to fund the potential costs relating to employee related remuneration claims. In 2018/19 we have released £172K to cover the cost of claims. A review of liability was undertaken in March 2019 by the in-house legal team and indicated the provision be increased to £1,589K.

20. 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	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	3,745	3,293	22,077	21,865	25,822	25,158
Curtailment/settlements	-	-	-	-	-	-
Past service cost	1,186	123	40,113	-	41,299	123
Financing and Investment Income and Expenditure						
Interest cost	2,831	2,690	42,081	40,567	44,912	43,257
Expected return on assets	(2,135)	(2,046)	-	-	(2,135)	(2,046)
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	5,627	4,060	104,271	62,432	109,898	66,492
Other post employment Benefit Charged to the CIES						
Return on Plan assets	(4,623)	(775)	-	-	(4,623)	(775)
Actuarial (gains) /losses : Financial Assumptions	4,873	1	95,885	29,016	100,758	29,017
Actuarial (gains) /losses : Demographic assumptions	(4,524)	-	(61,275)	-	(65,799)	-
Actuarial (gains) /losses : liability experience	216	516	2,515	8,199	2,731	8,715
Total Post Employment Benefit Charged to the CIES	1,569	3,802	141,396	99,647	142,965	103,449
Movement in Reserves Statement:						
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(5,627)	(4,060)	(104,271)	(62,432)	(109,898)	(66,492)
Actual amount charged against General fund balances for pensions in the year:						
Contribution in year	1,927	1,706	8,739	9,659	10,666	11,365

PCC	Local Government Pension Scheme	
	2018/2019 £000	2017/2018 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	248	183
Financing and Investment Income and Expenditure		
Interest cost	353	339
Expected return on assets	(272)	(261)
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	329	261
Other post employment Benefit Charged to the CIES		
Return on Plan assets	(590)	(98)
Actuarial (gains) /losses : Financial Assumptions	580	1
Actuarial (gains) /losses: Demographic assumptions	(542)	-
Actuarial (gains) /losses : liability experience	29	70
Total Post Employment Benefit Charged to the CIES	(194)	234
Movement in Reserves Statement:		
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(329)	(261)
Actual amount charged against General fund balances for pensions in the year:		
Contribution in year	147	103

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	
	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000
Estimated funded liabilities in scheme	116,367	109,030	-	-	-	-	-	-	-	-	116,367	109,030
Estimated unfunded liabilities in scheme	340	364	1,513,779	1,465,076	91,389	87,529	49,999	45,114	82,920	42,280	1,738,427	1,640,363
Less : Estimated assets in scheme	89,329	81,658	-	-	-	-	-	-	-	-	89,329	81,658
Net Liability	27,378	27,736	1,513,779	1,465,076	91,389	87,529	49,999	45,114	82,920	42,280	1,765,465	1,667,735

PCC	Local Government Pension Scheme	
	31/03/19 £000	31/03/18 £000
Estimated funded liabilities in scheme	14,190	13,660
Estimated assets in scheme	11,341	10,470
Net Liability	2,849	3,190

Note 21 contain details of the assumptions made in estimating the figures included in this note.

21. PENSIONS LIABILITY

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

The underlying assets and liabilities for retirement benefits attributable to the Group at 31st March 2019 are as follows.

Note 5 of the accounts outlines the impacts on scheme liabilities of the McCloud and Guaranteed Minimum Pension (GMP) Indexation and Equalisation these are included below.

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,765m (increase of £97.7m) 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 £1,741m. 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 31st March 2019.

The main assumptions used in their calculations have been:

Group and PCC	Local Government Pension Scheme		Police Pension Scheme	
	31/03/19	31/03/18	31/03/19	31/03/18
Rate of inflation (RPI)	3.2%	3.1%	3.3%	3.2%
Rate of inflation (CPI)	2.1%	2.0%	2.2%	2.0%
Rate of increase in salaries	3.1%	3.0%	3.2%	3.1%
Rate of increase in pensions	2.1%	2.0%	2.2%	2.1%
Pension accounts Revaluation rate	2.1%	2.0%	0.0%	0.0%
Rate for discounting scheme liabilities	2.5%	2.6%	2.4%	2.6%

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	22.20	24.10	22.10	24.50	22.10	24.50	22.90	25.50
Retiring in 20 years	23.90	25.90	23.90	26.30	23.90	26.30	25.10	27.80

Estimated Pension Expense in Future Periods

Group	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/20 £000s	Year to 31/03/21 £000s	Year to 31/03/20 £000s	Year to 31/03/21 £000s
Funded :-				
Current Service cost	24,299	25,149	3,901	4,022
Net Interest cost	40,586	41,924	620	680
Total	64,885	67,073	4,521	4,702

Group	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/20 £000s	Year to 31/03/21 £000s	Year to 31/03/20 £000s	Year to 31/03/21 £000s
Unfunded :-				
Current Service cost	-	-	-	-
Net Interest cost	-	-	8	8
Total	-	-	8	8

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 2018		Assets at 31 March 2019		Asset Split as at 31 March 2019	
	£000	%	£000	%	Quoted	Unquoted
Equities	65,245	79.9%	64,228	71.9%	71.9%	0.0%
Property	5,961	7.3%	8,218	9.2%	7.9%	1.3%
Cash	9,064	11.1%	15,007	16.8%	16.8%	0.0%
Other	1,388	1.7%	1,876	2.1%	2.1%	0.0%
Total	81,658	100.0%	89,329	100.0%	98.7%	1.3%

PCC	Assets at 31 March 2018		Assets at 31 March 2019		Asset Split as at 31 March 2019	
	£000	%	£000	%	Quoted	Unquoted
Equities	8,366	79.9%	8,154	71.9%	71.9%	0.0%
Property	764	7.3%	1,043	9.2%	7.9%	1.3%
Cash	1,162	11.1%	1,906	16.8%	16.8%	0.0%
Other	178	1.7%	238	2.1%	2.1%	0.0%
Total	10,470	100.0%	11,341	100.0%	98.7%	1.3%

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

Group	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18	Year to 31/03/19	Year to 31/03/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	4,623	775	34,569	29,932	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(565)	(517)	(28,859)	(32,163)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)
Actuarial Gain/(Loss) in Pension Plan	4,058	258	5,710	(2,231)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	4,058	258	5,710	(2,231)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)

Summary	31/03/19 £000	31/03/18 £000
Local Government Pension Scheme	4,058	258
1987 Police Pension Scheme	5,710	(2,231)
Injury Awards	(1,992)	(2,096)
2006 Police Pension Scheme	(2,843)	(1,570)
2015 Police Pension Scheme	(3,431)	(1,386)
Total Gains/(Loss) Recognised		
CIES	1,502	(7,025)

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

Analysis of Amount Recognised in Other Comprehensive Income		
PCC	Local Government Pension Scheme	
	Year to 31/03/19 £000	Year to 31/03/18 £000
Actual Return Less Expected return on Pension Scheme Assets	590	98
Changes in Demographic/Financial Assumptions Underlying the Scheme Liabilities	(67)	(71)
Actuarial Gain/(Loss) in Pension Plan	523	27
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	523	27

Group	Asset and Benefit Obligation Reconciliation									
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000
Opening Defined Benefit Obligation	109,394	104,139	1,465,076	1,428,390	87,529	83,698	45,114	41,939	42,280	25,916
Current Service Cost	3,745	3,293	7,024	9,121	1,788	1,743	245	253	13,020	10,748
Interest costs	2,831	2,690	37,499	36,606	2,248	2,148	1,181	1,094	1,153	719
Actuarial losses (gains)	565	517	28,859	32,163	1,992	2,096	2,843	1,570	3,431	1,386
Estimated benefits paid net of transfers in	(1,898)	(2,152)	(47,638)	(43,531)	(2,168)	(2,156)	543	179	70	(16)
Past Service Cost	1,186	123	21,213	0	0	0	0	0	18,900	0
Contribution by Scheme participants	884	784	1,746	2,327	0	0	73	79	4,066	3,527
Closing Defined Benefit Obligation	116,707	109,394	1,513,779	1,465,076	91,389	87,529	49,999	45,114	82,920	42,280

Opening fair value of Scheme assets	81,658	78,499	0	0	0	0	0	0	0	0
Expected return on Scheme assets	2,135	2,046	0	0	0	0	0	0	0	0
Actuarial gains (losses)	4,623	775	34,569	29,932	0	0	0	0	0	0
Contributions by employer including unfunded benefits	1,927	1,706	11,323	11,272	2,168	2,156	(616)	(258)	(4,136)	(3,511)
Contributions by Scheme participants	884	784	1,746	2,327	0	0	73	79	4,066	3,527
Estimated benefits paid including unfunded benefits	(1,898)	(2,152)	(47,638)	(43,531)	(2,168)	(2,156)	543	179	70	(16)
Fair Value of Scheme Assets at end of Period	89,329	81,658	0	0	0	0	0	0	0	0

Reconciliation of Opening and Closing Net Obligation										
Opening Surplus / (Deficit)	(27,736)	(25,640)	(1,465,076)	(1,428,390)	(87,529)	(83,698)	(45,114)	(41,939)	(42,280)	(25,916)
Current Service Cost	(3,745)	(3,293)	(7,024)	(9,121)	(1,788)	(1,743)	(245)	(253)	(13,020)	(10,748)
Contributions by employer including unfunded benefits	1,927	1,706	11,323	11,272	2,168	2,156	(616)	(258)	(4,136)	(3,511)
Past Service Costs	(1,186)	(123)	(21,213)	0	0	0	0	0	(18,900)	0
Interest Costs	(2,831)	(2,690)	(37,499)	(36,606)	(2,248)	(2,148)	(1,181)	(1,094)	(1,153)	(719)
Expected return on Scheme assets	2,135	2,046	0	0	0	0	0	0	0	0
Actuarial (losses) gains	4,058	258	5,710	(2,231)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)
Fair Value of Scheme Assets/ (Liabilities) at end of Period	(27,378)	(27,736)	(1,513,779)	(1,465,076)	(91,389)	(87,529)	(49,999)	(45,114)	(82,920)	(42,280)

Summary	31/03/19 £000	31/03/18 £000
Local Government Pension Scheme	(27,378)	(27,736)
1987 Police Pension Scheme	(1,513,779)	(1,465,076)
Injury Awards	(91,389)	(87,529)
2006 Police Pension Scheme	(49,999)	(45,114)
2015 Police Pension Scheme	(82,920)	(42,280)
	(1,765,465)	(1,667,735)

Asset and Benefit Obligation Reconciliation		
PCC	Local Government Pension Scheme	
	Year to 31/03/19 £000	Year to 31/03/18 £000
Opening Defined Benefit Obligation	13,660	13,017
Current Service Cost	248	183
Interest Cost	353	339
Actuarial losses (gains)	67	71
Estimated benefits paid net of transfers in	(216)	(11)
Contribution by Scheme participants	78	61
Closing Defined Benefit Obligation	14,190	13,660

Opening fair value of Scheme assets	10,470	9,958
Expected return on Scheme assets	272	261
Actuarial gains (losses)	590	98
Contributions by employer including unfunded benefits	147	103
Contributions by Scheme participants	78	61
Estimated benefits paid including unfunded benefits	(216)	(11)
Fair Value of Scheme Assets at end of Period	11,341	10,470

Opening Surplus / (Deficit)	(3,190)	(3,059)
Current Service Cost	(248)	(183)
Contributions by employer including unfunded benefits	147	103
Interest Costs	(353)	(339)
Expected return on Scheme assets	272	261
Actuarial (losses) gains	523	27
Fair Value of Scheme Assets/ (Liabilities) at end of Period	(2,849)	(3,190)

Estimated Pension Expense in Future Periods

PCC	Local Government Pensions	Local Government Pensions
	Year to 31/03/20	Year to 31/03/21
	£000s	£000s
Service cost	256	264
Net Interest cost	69	73
Total	325	337

Police Pension Schemes	Sensitivity Analysis		
	Cleveland Police		
	+0.1% p.a.	Base 18/19	-0.1% p.a.
1987 Police Pension Scheme:-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	1,485,154	1,513,779	1,542,955
% change in present value of total obligation	-1.9%		1.9%
Projected Service Costs (£000's)	7,328	7,567	7,812
Approx % Change in Projected Service Cost	-3.2%		3.2%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	1,519,885	1,513,779	1,507,733
% change in present value of total obligation	0.4%		-0.4%
Projected Service Costs (£000's)	7,660	7,567	7,475
Approx % Change in Projected Service Cost	1.2%		-1.2%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	1,536,783	1,513,779	1,491,135
% change in present value of total obligation	1.5%		-1.5%
Projected Service Costs (£000's)	7,717	7,567	7,419
Approx % Change in Projected Service Cost	2.0%		-2.0%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	1,562,724	1,513,779	1,465,355
% change in present value of total obligation	3.2%		-3.2%
Projected Service Costs (£000's)	7,871	7,567	7,267
Approx % Change in Projected Service Cost	4.0%		-4.0%
2006 Police Pension Scheme:-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	48,203	49,999	51,862
% change in present value of total obligation	-3.6%		3.7%
Projected Service Costs (£000's)	261	274	287
Approx % Change in Projected Service Cost	-4.6%		4.8%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	50,964	49,999	49,054
% change in present value of total obligation	1.9%		-1.9%
Projected Service Costs (£000's)	282	274	267
Approx % Change in Projected Service Cost	2.7%		-2.7%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	50,882	49,999	49,133
% change in present value of total obligation	1.8%		-1.7%
Projected Service Costs (£000's)	280	274	269
Approx % Change in Projected Service Cost	2.0%		-2.0%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	51,616	49,999	48,400
% change in present value of total obligation	3.2%		-3.2%
Projected Service Costs (£000's)	285	274	263
Approx % Change in Projected Service Cost	4.1%		-4.1%

Injury Awards :-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	89,670	91,389	93,141
% change in present value of total obligation	-1.9%		1.9%
Projected Service Costs (£000's)	1,862	1,913	1,965
Approx % Change in Projected Service Cost	-2.6%		2.7%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	91,830	91,389	90,953
% change in present value of total obligation	0.5%		-0.5%
Projected Service Costs (£000's)	1,934	1,913	1,892
Approx % Change in Projected Service Cost	1.1%		-1.1%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	92,695	91,389	90,102
% change in present value of total obligation	1.4%		-1.4%
Projected Service Costs (£000's)	1,943	1,913	1,883
Approx % Change in Projected Service Cost	1.6%		-1.6%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	94,344	91,389	88,466
% change in present value of total obligation	3.2%		-3.2%
Projected Service Costs (£000's)	1,975	1,913	1,852
Approx % Change in Projected Service Cost	3.2%		-3.2%
2015 Police Pension Scheme :-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	80,037	82,920	85,906
% change in present value of total obligation	-3.5%		3.6%
Projected Service Costs (£000's)	13,891	14,545	15,223
Approx % Change in Projected Service Cost	-4.5%		4.7%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	82,920	82,920	82,920
% change in present value of total obligation	0.0%		0.0%
Projected Service Costs (£000's)	14,545	14,545	14,545
Approx % Change in Projected Service Cost	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	85,803	82,920	79,934
% change in present value of total obligation	3.5%		-3.6%
Projected Service Costs (£000's)	15,199	14,545	13,867
Approx % Change in Projected Service Cost	4.5%		-4.7%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	85,601	82,920	80,267
% change in present value of total obligation	3.2%		-3.2%
Projected Service Costs (£000's)	15,153	14,545	13,943
Approx % Change in Projected Service Cost	4.2%		-4.1%

Funded LGPS benefits : Group	Sensitivity Analysis			Sensitivity Analysis			Sensitivity Analysis		
	PCC			Cleveland Police			Group		
	+0.1% p.a.	Base 18/19	-0.1% p.a.	+0.1% p.a.	Base 18/19	-0.1% p.a.	+0.1% p.a.	Base 18/19	-0.1% p.a.
Discount Rate Assumptions									
Present Value of total obligation (£000's)	13,892	14,190	14,494	99,945	102,177	104,459	113,837	116,367	118,953
% change in present value of total obligation	-2.1%		2.1%	-2.2%		2.2%	-2.2%		2.2%
Projected Service cost (£000's)	247	256	266	3,518	3,645	3,775	3,765	3,901	4,041
Approx % change in projected service cost	-3.6%		3.7%	-3.5%		3.6%	-3.5%		3.6%
Rate of General increase in Salaries									
Present Value of total obligation (£000's)	14,260	14,190	14,121	102,709	102,177	101,651	116,969	116,367	115,772
% change in present value of total obligation	0.5%		-0.5%	0.5%		-0.5%	0.5%		-0.5%
Projected Service cost (£000's)	256	256	256	3,645	3,645	3,645	3,901	3,901	3,901
Approx % change in projected service cost	0.0%		0.0%	0.0%		0.0%	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions									
Present Value of total obligation (£000's)	14,423	14,190	13,961	103,921	102,177	100,465	118,344	116,367	114,426
% change in present value of total obligation	1.6%		-1.6%	1.7%		-1.7%	1.7%		-1.7%
Projected Service cost (£000's)	266	256	247	3,775	3,645	3,518	4,041	3,901	3,765
Approx % change in projected service cost	3.7%		-3.6%	3.6%		-3.5%	3.6%		-3.5%
Post retirement mortality assumption									
Present Value of total obligation (£000's)	14,636	14,190	13,747	105,389	102,177	98,990	120,025	116,367	112,737
% change in present value of total obligation	3.1%		-3.1%	3.1%		-3.1%	3.1%		-3.1%
Projected Service cost (£000's)	267	256	245	3,786	3,645	3,505	4,053	3,901	3,750
Approx % change in projected service cost	4.2%		-4.1%	3.9%		-3.8%	3.9%		-3.9%

22. LEASED ASSETS – RENTALS

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

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.

23. OFFICERS' EMOLUMENTS

During the financial year 2018/2019, the numbers of police officers 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: (note the analysis only includes those bands which contain employees.)

Group

Remuneration Band	Number of Employees 2018/19			2017/18
	Police Officers	Support Staff	Total	
£50,000 - £54,999	83	6	89	81
£55,000 - £59,999	39	2	41	25
£60,000 - £64,999	7	0	7	10
£65,000 - £69,999	4	2	6	6
£70,000 - £74,999	4	2	6	8
£75,000 - £79,999	3	2	5	3
£80,000 - £84,999	1	0	1	6
£85,000 - £89,999	3	2	5	3
£90,000 - £94,999	0	2	2	4
£95,000 - £99,999	1	1	2	1
£100,000 - £104,999	1	0	1	1
£110,000 - £114,999	2	1	3	2
£120,000 - £124,999	0	0	0	1
£155,000 - £159,999	1	0	1	0
Total	149	20	169	151

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 2018/19:

The remuneration disclosures, only includes a classification of payment when costs have been incurred. As a result bonus payments, compensation for loss of office and other payments have been excluded as no costs have been incurred.

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Benefits in Kind	Total Remuneration excluding Pension Contribution 18/19	Pension Contributions
	£	£	£	£	£	£
Chief Constable -M Veale : Note 1	155,397	157,493	0	0	157,493	28,817
The PCC	71,400	70,000	0	0	70,000	10,220
DCC : Note 1	117,690	103,039	0	1,151	104,190	22,719
ACC 1	113,475	113,814	1,520	0	115,334	26,600
ACC 2	113,475	116,226	1,576	0	117,802	20,853
ACO	93,645	94,406	86	0	94,492	13,770
CFO: CC	93,645	94,406	370	0	94,776	13,770
CFO : PCC	91,866	110,538	450	0	110,988	16,123
Chief of Staff-PCC	90,393	96,097	548	0	96,645	13,976

- 1) The following appointments / promotions / were made during 2018-2019:-
 - a. Mr Veale left the organisation in January 2019.
 - b. Mr Freeman (CC) is a temporary secondment for Humberside Police from January 2019 and remains in post as at 31st March 2019. The total costs incurred in 18/19 were £34,893 (inclusive of pension contributions).
 - c. DCC : Left the organisation in February 2019.
 - d. An ACC is on secondment from Northumbria Police undertaking the role of DCC which commenced in October 2018 and remains in post as 31st March 2019. The total costs incurred in 18/19 were £60,983 (inclusive of pension contributions)

- 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 also provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC. The North Yorkshire PCC took on responsibility for the Governance of North Yorkshire Fire and Rescue Service from November 2018 and the collaboration agreement has been extended to include this. All costs incurred in provided this service to North Yorkshire is recharged. During 2018/19 the remuneration costs recharged to the North Yorkshire PFCC totalled £61,153.

Group Remuneration Disclosure 2017/18:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Benefits in Kind	Total Remuneration excluding Pension Contribution 17/18	Pension Contributions
	£	£	£	£	£	£
Chief Constable -M Veale : Note 1	152,350	17,799	0	0	17,799	4,240
Chief Constable -Ian Spittal : Note 1	153,876	111,057	0	2,843	113,900	8,178
The PCC	70,000	70,000	0	0	70,000	9,520
DCC : Note 1	115,383	120,403	0	1,961	122,364	27,730
ACC - Temp	97,563	17,285	0	0	17,285	3,539
ACC 1	104,889	101,714	1,005	0	102,719	23,744
ACC 2	111,249	113,895	2,080	0	115,975	26,578
ACO	90,900	90,900	0	0	90,900	12,362
CFO: CC	90,900	90,900	192	0	91,092	12,362
CFO : PCC	89,172	99,306	671	0	99,977	13,487
Chief of Staff-PCC	87,741	87,772	128	0	87,900	11,933

Notes:-

- 1) The following appointments were made during 2017-2018:-
 - a. Mr Spittal (Chief Constable) retired on 31st December 2018.
 - b. Mr Veale was appointed Chief Constable on the 5th March 2018.
 - c. DCC Mr Nickless remuneration is inclusive of a period when he acted in the role of the Temporary Chief Constable.
 - d. The role of the temporary ACC end on the 18th June 2017
 - e. The Force appointed two ACC's in the year. ACC 1 was appointed in May and ACC 2 appointed in April 2017 and these appointments are reflected above.
 - f. ACC 2 acted as Temporary DCC and the remuneration is included in the details above.
 - g. The Force appointed Assistant Chief Officer (ACO) in April 2017.

- 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 2017/18 the salary costs recharged to the North Yorkshire PCC totalled £50,839.

PCC

Remuneration Band	Number of Employees 2018/19			2017/2018
	Police Officers	Support Staff	Total	
£50,000 - £54,999	0	1	1	1
£55,000 - £59,999	0	1	1	0
£65,000 - £69,999	0	1	1	0
£70,000 - £74,999	0	0	0	1
£85,000 - £89,999	0	0	0	1
£95,000 - £99,999	0	1	1	1
£110,000 - £114,999	0	1	1	0
Total	0	5	5	4

Note: The analysis only includes those bands which contain employees.

PCC Remuneration Disclosure 2018/19:

The remuneration disclosures, only includes a classification of payment when costs have been incurred. As result bonus payments, compensation for loss of office, benefits in kind and other payments have been excluded as no costs have been incurred.

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding Pension Contribution 18/19	Pension Contributions
	£	£	£	£	£
The PCC	71,400	70,000	0	70,000	10,220
CFO: PCC	91,866	110,538	450	110,988	16,123
Chief of Staff- PCC	90,393	96,097	548	96,645	13,976

- 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 also provide the statutory role of PCC's Chief Finance Officer to the North Yorkshire PCC. The North Yorkshire PCC took on responsibility for the Governance of North Yorkshire Fire and Rescue Service from November 2018 and the collaboration agreement has been extended to include this. All costs incurred in provided this service to North Yorkshire is recharged. During 2018/19 the remuneration costs recharged to the North Yorkshire PFCC totalled £61,153.

PCC Remuneration Disclosure 2017/18:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding Pension Contribution 17/18	Pension Contributions
	£	£	£	£	£
The PCC	70,000	70,000	0	70,000	9,520
CFO: PCC	89,172	99,306	671	99,977	13,487
Chief of Staff- PCC	87,741	87,772	128	87,900	11,933

- 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 2017/18 the salary costs recharged to the North Yorkshire PCC totalled £50,839.

24. TERMINATION BENEFITS

In the financial year the PCC group paid a termination benefit to the value of £0.102m of which £0.023m related to the PCC (£0.031m 2017/18).

Group and PCC Banding	Number of staff			
	Number Compulsory Redundancies	Number of Other departures	Total Number of departures	Total cost of Exit package each band
£0 - £20,000	0	1	1	£9,857
£20,001 - £40,000	0	3	3	£91,646
Total	0	4	4	£101,503

25. MEMBERS ALLOWANCES

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

Group and PCC	2018/2019 £000	2017/2018 £000
Allowances for approved duties	10	9
Other Allowances	4	0
Total Members Allowances	14	9

26. 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:

Government Departments		£000's
Income		
Police Grant		45,508
NNDR		37,992
Pension Top up Grant		30,710
Local Council Tax Support		6,868
PFI Grant		4,106
Special Grant		2,945
Capital Grant & Contributions		524
Grant in Lieu of Council Tax		800
Dedicated Security Posts Funding		224
Ministry of Justice Victim & Witness Grant		656
Capital Financing Grant		576
Incentivisation Grant		187
Police Transformation Fund		433
		131,530
Expenditure		
Home Office: National Law Enforcement ICT Charges		783
		783

During 2018/19 no-one has declared related parties interests.

27. PRIVATE FINANCE INITIATIVE

Group and PCC

As at the end of 2018/19 the PCC Group has 2 long term contracts under the Private Finance Initiative.

- 1) The contract for the Tactical Training Centre for Uray Nook (referred as Uray 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:

2018/2019	Urray Nook		Action Stations		Total	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	5,173	(3,832)	23,937	(20,911)	29,110	(24,743)
Movements:						
Depreciation	(135)	0	(719)	0	(854)	0
Lifecycle maintenance	0	0	0	0	0	0
Revaluation / Impairment	(868)	0	1,036	0	168	0
Principal repayment	0	334		1,171	0	1,505
Balance c/f	4,171	(3,498)	24,253	(19,740)	28,424	(23,238)

2017/18	Urray Nook		Action Stations		Total	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	5,241	(4,131)	24,227	(21,834)	29,468	(25,965)
Movements:						
Depreciation	(135)	0	(706)	0	(841)	0
Lifecycle maintenance	67	0	416	0	483	0
Revaluation / Reclassification	0	0	0	0	0	0
Principal repayment	0	299	0	923	0	1,222
Balance c/f	5,173	(3,832)	23,937	(20,911)	29,110	(24,743)

	Urray Nook		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	719	770	368
2 to 5 years	3,164	2,739	1,841
6 to 10 years	1,644	1,135	1,289
11 to 15 years	0	0	0

	Action Stations		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	2,132	2,116	1,215
2 to 5 years	11,587	7,044	3,997
6 to 10 years	15,278	7,004	7,905
11 to 15 years	8,669	2,849	6,630
16 to 20 years	0	0	0

28. AUDIT COSTS

In 2018/19 the PCC Group incurred the following fees for external audit services:

Group Audit Fees

	2018/2019 £000	2017/2018 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	38	49
Total Audit Costs	38	49

PCC Audit Fees

	2018/2019 £000	2017/2018 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	26	34
Total Audit Costs	26	34

29. CAPITAL EXPENDITURE IN THE YEAR AND SOURCES OF FINANCE

Group and PCC

Capital Expenditure and Financing	31 March 2019 £000	31 March 2018 £000
Capital Investment:		
Property, Plant and Equipment	5,263	16,377
Intangible Assets	323	16
Capital expenditure not adding to asset values	23	-
Total Capital Investment	5,609	16,393
Sources of Finance:		
Capital Receipts	(2,600)	(172)
Government Grants and Contributions	-	(3,432)
Other Grants and Contributions	(9)	(546)
Direct Revenue Contributions	-	(483)
Supported Borrowing	-	(760)
Unsupported Borrowing	(3,000)	(11,000)
Total Finance	(5,609)	(16,393)

Capital Financing Requirement	31 March 2019 £000	31 March 2018 £000
Opening Capital Financing Requirement	58,996	49,194
Additions in Year	5,609	16,393
Sources of Finance (Excluding Borrowing)	(2,609)	(4,633)
Minimum / Voluntary Revenue Provision	(2,262)	(1,958)
Closing Financing Requirement	59,734	58,996

30. BORROWING

Group and PCC

Interest rates vary between 1.64% and 5.08%. The weighted average rate is 3.33%

	31 March 2019 £000	31 March 2018 £000
Public Works Loans Board		
Due in the next Financial Year	(2,772)	(872)
Long Term Loans	(28,292)	(28,064)
Total Borrowing	(31,064)	(28,936)

Maturity Period	31 March 2019 £000	31 March 2018 £000
1/2 years	(3,272)	(2,772)
2/5 years	(9,500)	(10,272)
5/10 years	(1,520)	(4,020)
Over 10 years	(14,000)	(11,000)
Total Long Term Loans	(28,292)	(28,064)

31. AGENCY SERVICES

Consortium Charges

The PCC Group has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2018/19 amounted to £0.337m (£0.403m in 2017/18).

National Police Air Service (NPAS)

The PCC group has an agency agreement with the National Police Air Service (effective from 1st April 2013) to provide Helicopter support services. The annual contribution in 2018/19 was £0.352m. (£0.391m 2017/18).

Other National Police Services

The PCC Group made a subscription payment to the Home Office for a range of National Law Enforcement ICT services. Annual cost for 2018/19 was £0.783M. (£0.805M in 2017/18).

32. USABLE RESERVES

Group and PCC

Description of Reserve	31 March 2017 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2018 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2019 £000
Earmarked Reserves	(6,264)	(5,376)	4,398	(7,242)	(4,047)	1,349	(9,940)
Revenue Grants Unapplied Reserve	(136)	0	0	(136)	0	0	(136)
Capital Grants Unapplied Reserve	(683)	(515)	195	(1,002)	(515)	(0)	(1,517)
Capital Receipts Unapplied Reserve	0	(172)	172	0	(2,632)	2,632	0
General Fund	(8,016)	(58)	2,000	(6,074)	(868)	950	(5,992)
Total Usable Reserves	(15,099)	(6,121)	6,765	(14,455)	(8,061)	4,931	(17,586)

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.

33. UNUSABLE RESERVES

Group

Description of Reserve	31 March 2017 £000	Additions in Year £000	Reductions in Year £000	31 March 2018 £000	Additions in Year £000	Reductions in Year £000	31 March 2019 £000
Revaluation Reserve	(6,969)	0	8	(6,961)	(2,110)	2,556	(6,515)
Capital Adjustment Account	(12,208)	(4,667)	2,832	(14,043)	9,454	2,370	(2,219)
Pension Reserve	1,605,584	(13,411)	75,563	1,667,736	(12,801)	110,531	1,765,466
Collection Fund Adjustment Account	(490)	(238)	490	(238)	(300)	238	(300)
Accumulated Absence Reserve	2,404	2,353	(2,404)	2,353	2,298	(2,353)	2,298
Total Unusable Reserves	1,588,320	(15,963)	76,489	1,648,846	(3,458)	113,342	1,758,730

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

Capital Adjustment Account – absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. This account also contains any revaluation gains prior to 1st April 2007. Further information can be found in Note 34.

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 20: 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 31st March 2019.

PCC

Description of Reserve	31 March 2017 £000	Additions in Year £000	Reductions in Year £000	31 March 2018 £000	Additions in Year £000	Reductions in Year £000	31 March 2019 £000
Revaluation Reserve	(6,969)	0	8	(6,961)	(2,110)	2,556	(6,515)
Capital Adjustment Account	(12,208)	(4,667)	2,832	(14,043)	9,454	2,370	(2,219)
Pension Reserve	3,059	522	(391)	3,190	601	(942)	2,849
Collection Fund Adjustment Account	(490)	(238)	490	(238)	(300)	238	(300)
Accumulated Absence Reserve	2,404	2,353	(2,404)	2,353	2,298	(2,353)	2,298
Total Unusable Reserves	(14,205)	(2,030)	535	(15,699)	9,944	1,868	(3,886)

34. CAPITAL ADJUSTMENT ACCOUNT

Group and PCC

Group and PCC	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	(14,043)	(12,208)
Capital expenditure not adding to asset values	294	-
Revaluation / Impairment adjustments	12,039	(34)
Partnership financing of Capital Expenditure	(10)	(546)
Revenue contribution to capital	(237)	(483)
MRP less Depreciation	2,153	2,544
Transfer from Government Grants Deferred	-	(3,432)
Capital Receipts Applied	(2,632)	(172)
Disposals	217	288
Balance at 31 March	(2,219)	(14,043)

35. GRANT INCOME

Group and PCC

ANALYSIS OF GRANTS	31 March 2019 £000	31 March 2018 £000
Credited to Taxation and Non specific Grant Income:		
National Non Domestic Rates	(37,992)	(37,992)
Police Grant	(46,308)	(46,308)
Precepts	(34,644)	(32,404)
Local Council Tax Support	(6,868)	(6,868)
Capital Grants and Contributions	(524)	(873)
	(126,336)	(124,445)
Credited to services:		
PFI - Urlay Nook	(941)	(941)
Dedicated Security Posts Funding	(224)	(331)
PFI - Action Stations	(3,165)	(3,165)
Capital Financing Grant	(576)	(261)
Incentivisation Grant	(187)	(264)
PCC Victim & Witness	(656)	(659)
Special Grant	(2,945)	(1,227)
Innovation Fund Grants	-	18
Police Transformation Fund	(433)	(479)
Violence against Women	(222)	-
Female Offender Grant	(48)	-
Youth intervention Fund	(314)	-
Heroin & Crack Action Grant	(32)	-
Partnership Grants	(29)	(4)
	(9,772)	(7,310)
Total Grant Income	(136,108)	(131,755)

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

36. 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 2018/19.

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 2018/2019 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.

Cleveland and Durham Specialist Operations Unit				
	Total Costs £000's	Apportionment	Durham 2018/19 £000's	Cleveland 2018/19 £000's
Road Policing				
Employees Costs	8,861	50%	4,430	4,430
Non Pay Costs	889	50%	444	444
Income	(232)	50%	(116)	(116)
	9,518		4,759	4,759
Tactical Training Unit				
Employees Costs	784	50%	392	392
Non Pay Costs	1,302	50%	651	651
Income	(235)	50%	(117)	(117)
	1,852		926	926
Total Unit Costs	11,370	-	5,685	5,685
Reserve as 31st March	Total Reserves			
Road Policing	-	50%	-	-
Tactical Training Unit	162	50%	81	81
	162		81	81

Cleveland and Durham Specialist Operations Unit				
	Total Costs £000's	Apportionment	Durham 2017/18 £000's	Cleveland 2017/18 £000's
Road Policing				
Employees Costs	8,721	50%	4,361	4,361
Non Pay Costs	748	50%	374	374
Income	(206)	50%	(103)	(103)
	9,264		4,632	4,632
Tactical Training Unit				
Employees Costs	821	50%	410	410
Non Pay Costs	1,202	50%	601	601
Income	(29)	50%	(15)	(15)
	1,993		997	997
Total Unit Costs	11,257	-	5,628	5,628
Reserve as 31st March	Total Reserves			
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 2018 to March 2019 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 2018/19 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

Three Force Integrated Dog Unit				
	Total Costs Apportionment £000's	Durham 2018/19 30.12% £000's	Cleveland 2018/19 33.02% £000's	North Yorkshire 2018/19 36.86% £000's
Employees Costs	2,347	707	775	865
Non Pay Costs	248	75	82	91
Income	(9)	(3)	(3)	(3)
Total Unit Costs	2,586	779	854	953
Reserve as 31st March Integrated Dogs Unit	Total Reserves			
	-	-	-	-
	-	-	-	-

Three Force Integrated Dog Unit				
	Total Costs Apportionment £000's	Durham 2017/18 30.12% £000's	Cleveland 2017/18 33.02% £000's	North Yorkshire 2017/18 36.86% £000's
Employees Costs	2,359	711	779	870
Non Pay Costs	196	59	65	72
Income	(17)	(5)	(6)	(6)
Total Unit Costs	2,538	765	838	936
Reserve as 31st March Integrated Dogs Unit	Total Reserves			
	-	-	-	-
	-	-	-	-

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 2018 to March 2019 the funding contributions made were Cleveland 24.75%, Durham 22.86% and Northumbria 52.39%.

Jointly funded assets are classified and those purchased through specific Home Office grants and by contributions from each force. These are currently valued at £308K (NBV) of which Cleveland's share is valued at £99K. The unit has reserves of £610K of which Cleveland's share is £146K (Prior year £45K).

NERSOU operates throughout the North East region.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2018/19 as required under the Section 22A agreement.

North East Regional Special Operations Unit				
	Apportionment Total Costs	Durham 2018/19 22.86% £000's	Cleveland 2018/19 24.75% £000's	Northumbria 2018/19 52.39% £000's
Employees Costs	8,788	2,009	2,175	4,604
Non Pay Costs	1,438	329	356	753
Income	(3,459)	(791)	(856)	(1,812)
	6,767	1,547	1,675	3,545
Contributions / Reserve				
Durham	1,656	1,656		
Cleveland	1,793		1,793	
Northumbria	3,796			3,796
Reserve movements	(478)	(109)	(118)	(251)
	6,767	1,547	1,675	3,545
Reserve as 31st March	610	136	146	328

North East Regional Special Operations Unit				
	Apportionment Total Costs	Durham 2017/18 22.74% £000's	Cleveland 2017/18 24.86% £000's	Northumbria 2017/18 52.40% £000's
Employees Costs	7,523	1,711	1,870	3,942
Non Pay Costs	1,620	368	403	849
Income	(2,580)	(587)	(641)	(1,352)
	6,562	1,492	1,631	3,439
Contributions / Reserve				
Durham	1,520	1,520		
Cleveland	1,661		1,661	
Northumbria	3,502			3,502
Reserve movements	(121)	(27)	(30)	(63)
	6,562	1,492	1,631	3,439
Reserve as 31st March	201	42	45	113

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 was agreed as part of the section 22A agreement. 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 2018/19 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

Cleveland and North Yorkshire Major Incident Team			
	Apportionment Total Costs	Cleveland 2018/19 51.50% £000's	North Yorkshire 2018/19 48.50% £000's
Employees Costs	3,273	1,686	1,587
Non Pay Costs	95	49	46
Income	0	0	0
	3,368	1,735	1,633
Contributions			
Cleveland		1,735	
North Yorkshire			1,633
	3,368	1,735	1,633

Cleveland and North Yorkshire Major Incident Team			
	Apportionment Total Costs	Cleveland 2017/18 51.50% £000's	North Yorkshire 2017/18 48.50% £000's
Employees Costs	3,102	1,597	1,504
Non Pay Costs	79	40	38
Income	0	0	0
	3,180	1,638	1,542
Contributions			
Cleveland		1,638	
North Yorkshire			1,542
	3,180	1,638	1,542

37. CONTINGENT LIABILITIES / ASSETS

Contingent Liabilities:-

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. 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.

38. POST BALANCE SHEET EVENT

There are no post balance sheet events to report.

39. 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 25th July 2019. 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	2018/2019	2017/2018
	£000	£000
Contributions Receivable		
From Employer		
Normal	(9,244)	(9,517)
Capital contribution due to Ill Health Early Retirement	(820)	(459)
From Members	(5,885)	(6,111)
Transfers In		
Individual Transfers in from Other Schemes	(807)	(413)
Benefits Payable		
Pensions	37,255	35,051
Commutations and Lump Sum Retirement Benefits	9,609	9,260
Lump Sum death benefits	183	0
Ill Health Lump Sum Benefits	1,444	663
Payments to and on Account of Leavers		
Refunds of Contributions	3	13
Inter Authority Adjustments	231	181
Individual Transfers out to Other Schemes	0	0
Sub-Total for the year before transfer from the PCC to fund the deficit for the year	31,969	28,668
Additional funding payable to the PCC to fund the deficit for the year (Home Office)	(30,710)	(27,372)
Additional funding payable by the PCC to fund the deficit for the year	(1,259)	(1,296)
Net Amount Payable/Receivable for the Year	0	0

NET ASSETS STATEMENT	31st March 2019	31st March 2018
	£000	£000
Current Assets		
Debtors:-		
Other Local Authorities	348	383
Bodies External to General Government	221	247
Total Current Assets	569	630
Long Term Assets		
Bodies External to General Government	0	0
Total Long Term Assets	0	0
Current Liabilities		
Creditors :-		
Other Local Authorities	348	383
Bodies External to General Government	221	247
Total Current Liabilities	569	630
Long Term Liabilities		
Bodies External to General Government	0	0
Total Long Term Liabilities	0	0
Net Assets	0	0
PENSION FUND ACCOUNT	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 1st April 2006. Before 1st April 2006 the scheme did not have a percentage of pensionable pay type of employer's contribution, rather each Police Authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as individual entities are concerned. Entities will no longer meet the pension outgoings directly; instead they will pay an employer's pension contribution based on a percentage of pay (21.3%) into the Pension Fund. Each entity is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation.

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

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

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

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

The Fund is administered by the entity.

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

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

Details of the long-term pension fund obligation are provided in Notes 20 and 21 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.

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.

