

**STATEMENT OF ACCOUNTS – 2013/2014
FOR THE OFFICE OF THE POLICE & CRIME COMMISSIONER
FOR CLEVELAND AND THE GROUP**

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EXPLANATORY FOREWORD AND 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.

This Foreword provides an overview of the accounting arrangements and outlines the financial performance of the PCC during 2013/14.

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

This Statement of Accounts covers the financial year ended 31st March 2014 and has been prepared in accordance with the provisions of the Accounts and Audit Regulations 2011, the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

The Statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) are detailed below along with the objective of each statement:

Comprehensive Income and Expenditure Statement – This statement shows the income received in year offset by the cost of services as transferred from the Chief Constable 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. The statement also records the cost of running the Office of the PCC

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 policing 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 2014 of the assets and liabilities recognised by the PCC.

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

The first category of reserves is usable reserves, i.e. those reserves that the PCC 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 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 during the reporting period. The statement shows how the PCC 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 are funded by way of precept and grant income or from the recipients of services provided by the PCC.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC'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.

The 2013/14 statements highlight the following areas of change from the 2012/13 position:

Comprehensive Income & Expenditure Statement:

- Net Cost of Services (NCOS) has decreased by £5.6m, primarily due to an impairment of £5.2m on PCC land and buildings as part of 5 year revaluation
- The deficit on the Provision of Service has moved from a £8.1m deficit to a £0.9m surplus. This is predominately as a result of the above along with the mainstreaming of the Neighbourhood policing grant.
- Other Comprehensive Income and Expenditure has moved by £11.6m due to changes in actuarial assumptions relating to the Pension Fund and the revaluation of Ladgate Lane based on market value.

Balance Sheet:

- Non Current Assets have reduced by £8.9m primarily as a result of the revaluation of the estates portfolio.
- The value of Debtors (long and short term) has decreased by £5.2m, primarily as a result of the timing of prepayments in advance made in 2013/13 of £4.9m, in comparison to £0.8m in 2013/14.

- The value of Creditors has decreased by £4.7m, primarily as a result of the timing of the rising and payment of Steria invoices.
- During the year the PCC has repaid £3.760m of Loans and no new ones were taken out, current borrowing is well within the limits approved by the PCC.
- The Pension Liability and Reserves have both increased mainly as a result of changes in actuarial assumptions as detailed above.
- The Usable Reserves of the PCC Group have increased by £3.4m; primarily as a result of an increase in funds transferred into earmarked reserves particularly focussed on building a capital reserve to sustain the investment programme going forward.

3. THE POLICE & CRIME COMMISSIONER REVENUE BUDGET FOR 2013/2014

The following table shows the 2013/2014 budget and the final outturn:

	Original 2013/14 Budget	Revised 2013/14 Budget	2013/14 Year End Position	Outturn
Police Grant	(50,249)	(50,249)	(50,249)	0
Community Safety Funding	(1,698)	(1,698)	(1,698)	0
RSG/National Non Domestic Rate	(42,300)	(42,300)	(42,300)	(0)
Government Grant	(94,247)	(94,247)	(94,247)	0
Council Tax Precept	(27,608)	(27,608)	(27,746)	(138)
Collection Surplus Increase Appropriated to Reserves	0	0	138	138
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,847)	(6,847)	(6,846)	1
Precept related Funding	(35,255)	(35,255)	(35,254)	1
Specific Grants	(5,594)	(5,748)	(5,824)	(76)
Partnership Income/Fees and Charges	(2,362)	(3,565)	(4,145)	(580)
Total Funding	(137,458)	(138,815)	(139,470)	(655)
Office of the PCC Planned Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	590	590	556	(34)
Non Pay Expenditure	340	340	244	(96)
Total Planned Expenditure	930	930	800	(130)
Proposed Community Safety Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Total Community Safety Initiatives	1,698	1,698	1,698	0
Victims and Witnesses Initiatives	0	28	28	0
Police Force Planned Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
	133,790	134,872	133,684	(1,188)
(Surplus)/Deficit	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
	(1,040)	(1,287)	(3,260)	(1,973)
Transfers to/(from) General Fund	0	0	(421)	(421)
Transfers to Capital Reserves	12	94	1,100	1,006
Transfers from Earmarked Reserves	(32)	(212)	(252)	(40)
Transfers to Earmarked Reserves	1,060	1,405	2,827	1,422
Net (Surplus)/Deficit After Reserves	(0)	(0)	(6)	(6)

4. CAPITAL

The PCC spent £3.112m on capital projects during the year. The programme was fully financed from capital resources in the year.

5. PENSIONS

As part of the terms and conditions of employment of its officers and other employees, the PCC offers retirement benefits. Although these will not actually be payable until employees retire, the PCC 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. However during the year clarification has been received from CIPFA regarding the accounting treatment to be applied for pension contributions (revised IAS19) and this has resulted in the prior year adjustment.

6. CHANGES TO ACCOUNTING POLICIES

There were no changes to Accounting Policies applicable to these accounts.

7. EVENTS AFTER THE REPORTING PERIOD

Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility Act (the Act) which created Commissioners also sets out a second 'Stage 2' transfer which refers to the subsequent movement of certain staff, property, rights and liabilities from the Commissioner to the Chief Constable. The Stage 2 transfer is designed to allow elected Commissioners the freedom to make their own local arrangements about how their functions and those of the police force will be discharged in future. The Stage 2 transfer was completed on 1 April 2014.

8. BORROWING FACILITIES

The PCC currently has £20.6m worth of borrowing taken out with the Public Works Loan Board (PWLB), the repayment of these loans are phased over the next 9 years and have been taken out to fund the PCC's capital programme. The PCC undertook no new borrowing and repaid £3.760m in the 2013/14 financial year.

9. FURTHER INFORMATION

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

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

M. PORTER,
CHIEF FINANCE OFFICER FOR THE PCC

STATEMENT OF RESPONSIBILITIES

The PCC's Responsibilities

The PCC is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

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

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

The Statement of Accounts give a true and fair presentation of the financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31st March 2014.

Date: 29th September 2014

Signature:



M Porter, Chief Finance Officer to the PCC

The PCC's Responsibilities

In accordance with the requirements of the Accounts and Audit Regulations 2011 I confirm that the Statement of Accounts was approved by the PCC:

Date: 29th September 2014

Signature:



Police & Crime Commissioner for Cleveland

AUDITOR'S REPORT

To Follow

COMPREHENSIVE INCOME AND EXPENDITURE **STATEMENT FOR THE YEAR ENDED 31st MARCH 2014**

2012/2013 Restated Gross Expenditure £000	2012/2013 Restated Gross Income £000	2012/2013 Restated Net Expenditure £000	DETAIL	2013/2014 Gross Expenditure £000	2013/2014 Gross Income £000	2013/2014 Net Expenditure £000
698	(6,261)	(5,564)	Local Policing	359	3,399	(3,039)
0	(68)	(68)	Dealing with the Public	0	63	(63)
119	(1,800)	(1,681)	Criminal Justice Arrangements	65	702	(637)
9	(401)	(392)	Road Policing	5	723	(717)
16	(1,612)	(1,596)	Specialist Operations	5	1,781	(1,776)
127	(329)	(202)	Intelligence	65	287	(222)
86	(1,544)	(1,458)	Specialist Investigation	48	1,592	(1,545)
188	(155)	33	Investigative Support	104	178	(75)
26	(1,783)	(1,758)	National Policing	13	1,002	(989)
0	0	0	Exceptional Items	0	0	0
1,268	(69)	1,199	Corporate and Democratic Core	3,458	2,815	643
0	0	0	Undistributed Costs	0	0	0
2,536	(14,022)	(11,487)	Net Cost of Services before Funding	4,121	12,542	(8,421)
138,921	0	138,921	Intra Group Funding	130,227	0	130,227
141,457	(14,022)	127,434	Net Cost of Services	134,348	12,542	121,806
		913	Other Operating Expenditure (Note 9)			1,575
		4,913	Financing & Investment income and Expenditure (Note 10)			4,767
		(125,132)	Taxation & Non-Specific Grant Income (Note 11)			(129,129)
		8,128	(Surplus) or Deficit on Provision of Service			(981)
		(385)	(Surplus)/Deficit on Revaluation of PPE			(11,906)
		0	(Surplus)/Deficit on Revaluation of available for sale assets			0
		(3,990)	Re-measurements of the defined benefit liability (Note 23)			(4,049)
		(4,375)	Other Comprehensive Income and Expenditure			(15,955)
		3,753	Total Comprehensive Income and Expenditure			(16,936)

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total PCC Reserves £000
Balance at 31st March 2013	(7,446)	(2,903)	(16)	(463)	(259)	(11,087)	11,739	652
(Surplus) or deficit on provision of services (accounting basis)	(981)	0	0	0	0	(981)	0	(981)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(15,956)	(15,956)
Total Comprehensive Expenditure and Income	(981)	0	0	0	0	(981)	(15,956)	(16,937)
Total Adjustments between accounting basis & funding basis under regulations (Note 7)	(3,464)	0	(122)	0	119	(3,467)	3,467	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(4,445)	0	(122)	0	119	(4,448)	(12,489)	(16,937)
Total Transfers to/from Reserves	4,861	(3,893)	0	76	0	1,044	(1,044)	0
(Increase) / Decrease in Year	416	(3,893)	(122)	76	119	(3,404)	(13,533)	(16,937)
Balance at 31 March 2014	(7,031)	(6,796)	(138)	(387)	(140)	(14,491)	(1,794)	(16,284)

MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

	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 2012	(8,246)	(4,972)	(41)	(998)	(251)	(14,508)	11,408	(3,100)
(Surplus) or deficit on provision of services (accounting basis)	8,128	0	0	0	0	8,128	0	8,128
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(4,375)	(4,375)
Total Comprehensive Expenditure and Income	8,128	0	0	0	0	8,128	(4,375)	3,753
Total Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,445)	0	26	0	(8)	(5,427)	5,427	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	2,684	0	26	0	(8)	2,701	1,052	3,753
Total Transfers to/from Reserves	(1,883)	2,069	0	535	0	720	(720)	(0)
(Increase) / Decrease in Year	800	2,069	26	535	(8)	3,421	332	3,753
Balance at 31 March 2013	(7,446)	(2,903)	(16)	(463)	(259)	(11,087)	11,739	652

BALANCE SHEET AT 31st MARCH 2014

31 March 2013 Restated £000		Notes	31 March 2014	
			£000	£000
59,276	Property, Plant and Equipment	12	51,580	
-	Investment Property		-	
6,539	Intangible Assets	14	5,743	
-	Asset Held for Sale	19	17,489	
-	Long Term Investments		-	
1,924	Long Term Debtors		1,309	
67,740				76,121
	Total Long Term Assets			76,121
-	Short Term Investments		-	
-	Assets Held for Sale		-	
89	Inventories	16	80	
14,080	Short Term Debtors	17	9,480	
3,300	Cash and Cash Equivalents	18	4,461	
17,469	Total Current Assets			14,021
85,210	Total Assets			90,142
-	Cash and Cash Equivalents		-	
(3,760)	Short Term Borrowing	33	(1,340)	
(14,039)	Short Term Creditors	20	(9,392)	
(349)	Provisions	21	(243)	
(18,149)	Total Current Liabilities			(10,975)
-	Long Term Creditors		-	
-	Provisions		-	
(20,600)	Long Term Borrowing	33	(19,260)	
(29,534)	Other Long Term Liabilities : PFI	29	(28,666)	
(17,579)	Pensions Liability	23	(14,956)	
(67,713)	Total Long Term Liabilities			(62,882)
(85,861)	Total Liabilities			(73,857)
(651)	Net Assets			16,284
(11,087)	Usable Reserves	36	(14,491)	
11,738	Unusable Reserves	37	(1,793)	
651	Total Reserves			(16,284)

CASHFLOW STATEMENT 2013/14

2012/2013 £000		Notes	2013/2014	
			£000	£000
	OPERATING ACTIVITIES			
	<u>Cash Outflows</u>			
95,731	Cash paid to and on behalf of employees		87,933	
700	Cash payment to reduce the PFI liability		868	
56,358	Cash paid to suppliers of goods and services		60,999	
152,789				149,800
	<u>Cash Inflows</u>			
(33,493)	Precept received		(27,608)	
(42,761)	National non-domestic rates		(42,300)	
(844)	Revenue Support Grant		-	
(71,724)	Other grants		(84,020)	
(41)	Rents		(32)	
(1,632)	Cash received for goods and services		(2,005)	
(8,090)	Other operating cash receipts		(4,595)	
(158,587)				(160,560)
(5,798)	Operating Activities Net Cash Flow			(10,760)
	INVESTING ACTIVITIES			
	<u>Returns on Investments and Servicing of Finance</u>			
4,009	Cash outflows - Interest paid		4,545	
(62)	Cash inflows - Interest received		(38)	
3,947				4,507
	<u>Capital Activities</u>			
4,872	Cash outflows - Purchase of non current assets		2,707	
(171)	Cash inflows - Sale of non current assets		(188)	
(1,319)	- Capital grant received		(1,188)	
3,382				1,331
7,328	Investing Activities Net Cash Flow			5,837.87
1,531	Net Cash Outflow/(Inflow) before financing			(4,922)
	FINANCING ACTIVITIES			
	<u>Management of Liquid Resources</u>			
-	Net increase/(decrease) in investments		-	
-	Net increase/(decrease) in imprests		-	
-				-
	<u>Financing</u>	33		
1,681	Cash outflows - Repayment of amounts borrowed		3,760	
(5,400)	Cash inflows - New loans raised		0	
(3,719)				3,760
(3,719)	Financing Activities Net Cash Flow			3,760
(2,190)	Net (Increase)/Decrease in cash			(1,161)
1,110	Cash brought forward		3,300	
3,300	Cash carried forward		4,461	
(2,190)	Net (Increase)/Decrease in cash			(1,161)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. 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 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.

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 31st March 2014), and reviewed annually for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

For assets acquired in the year, depreciation is applied from the 1st April of the following financial year. Incomplete assets are not depreciated until they are brought into use. A full year's depreciation is charged in the year of disposal to be consistent with not charging any depreciation until the 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 has undertaken this review and has no significant components in the 2013/14 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 in excess of £10,000 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 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.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC 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 greater than £10,000, 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 – There is also a de minimis level of £10,000 from the sale of non-current assets, for that receipt 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 when there is reasonable assurance that:

- the PCC 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'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 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 24).

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 are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to or payable by the PCC 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 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 maintains external insurance policies with Gallagher Bassett 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 Reserves.

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. 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 participates in a pension scheme, which meet the needs of support staff. The scheme provides 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 scheme details are as follows:

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'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 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 2013/14 (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.

These accounts only record the transactions relating support staff and PCSO's the uniformed Police transactions are recorded in the books of the Chief Constable and combined in the Group accounts.

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 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

R) PRIVATE FINANCE INITIATIVE

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

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

S) VALUE ADDED TAX

VAT is included in the accounts only if it is irrecoverable from Her Majesty revenue Customs (HMRC). There have been no significant VAT issues in 2013/14.

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 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, of which the PCC Group has none in 2013/14, would be disclosed on the face of the 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. A Prior year adjustment for £382K has been made to take account of the application of component accounting for Fixed Assets.

In addition, a revised version of the IAS19 accounting standard came into to effect on the 1st January 2013. The disclosure provided by the actuary under the revised IAS19 has required a prior a prior year adjustment of £711K to the Net Cost of Service.

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.

2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31st March 2014 (IAS 27,28,32 and IFRS 10,11,12 as per the code). It is not anticipated that any of these amendments will have a material effect on the Financial Statements and require retrospective application.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

In applying the accounting policies set out in Note 1, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no critical judgements made in the Statement of Accounts.

4. 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 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 cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCC's Balance Sheet at 31 March 2014 or which there is a significant risk 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.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the Balance Sheet date.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

FOR THE YEAR ENDED 31ST MARCH 2014

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(871)	0	0	0	0	(871)	871	0
Depreciation and Impairment of fixed assets	(3,896)	0	0	0	0	(3,896)	3,896	0
Depreciation on Revaluation	0	0	0	0	0	0	0	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	(1,134)	0	0	0	0	(1,134)	1,134	0
Sale of Assets	0	0	(122)	0	0	(122)	122	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme revaluations	(2,819)	0	0	0	0	(2,819)	2,819	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	1,309	1,309	(1,309)	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,189	0	0	0	(1,189)	0	0	0
Accumulated Absences Adjustment	577	0	0	0	0	577	(577)	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	138	0	0	0	0	138	(138)	0
	(6,816)	0	(122)	0	119	(6,819)	6,819	0
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	0	0	0	0	0	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,393	0	0	0	0	1,393	(1,393)	0
	3,351	0	0	0	0	3,351	(3,351)	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	(3,465)	0	(122)	0	119	(3,468)	3,468	0

FOR THE YEAR ENDED 31ST MARCH 2013

	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	(590)	0	0	0	0	(590)	590	0
Depreciation and Impairment of fixed assets	(4,144)	0	0	0	0	(4,144)	4,144	0
Depreciation on Revaluation	0	0	0	0	0	0	0	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	(639)	0	0	0	0	(639)	639	0
Sale of Assets	0	0	(3,988)	0	0	(3,988)	3,988	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(3,591)	0	0	0	0	(3,591)	3,591	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	(1,834)	0	0	0	1,451	(383)	383	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,459	0	0	0	(1,459)	0	0	0
Accumulated Absences Adjustment	287	0	0	0	0	287	(287)	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	139	0	0	0	0	139	(139)	0
	(8,913)	0	(3,988)	0	(8)	(12,909)	12,909	0
Statutory provision for the repayment of debt	2,029	0	0	0	0	2,029	(2,029)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	4,013	0	0	4,013	(4,013)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,439	0	0	0	0	1,439	(1,439)	0
	3,468	0	4,013	0	0	7,481	(7,481)	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	(5,445)	0	25	0	(8)	(5,428)	5,428	0

8. TRANSFERS TO / FROM EARMARKED RESERVES

	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance at 31 March 2014 £000
Insurance Fund	(1,560)	(115)	0	(1,675)	0	0	(1,675)
Direct Revenue Funding of Capital	(105)	(720)	720	(105)	(2,659)	378	(2,386)
Injury Pension Reserve	(916)	0	900	(16)	(1,184)	0	(1,200)
Airwaves Project	(473)	0	473	0	0	0	0
Workforce Modernisation	(455)	0	455	(0)	0	0	(0)
PFI Sinking Fund	(206)	(41)	0	(247)	0	32	(215)
Incentivisation Grant	(220)	0	23	(197)	(109)	0	(307)
Neighbourhood Policing	(16)	0	0	(16)	0	0	(16)
Specials	(30)	(32)	0	(62)	0	0	(62)
Air Support Unit	(349)	0	349	(0)	0	0	(0)
Uraly Nook TTC	(81)	(18)	52	(48)	0	0	(48)
Development Fund	(12)	0	0	(12)	0	0	(12)
Invest to Save	(83)	0	0	(83)	0	0	(83)
Devolved Budget Carry Forwards	(8)	0	0	(8)	0	0	(8)
Estates Reserve	(128)	0	80	(48)	(240)	0	(288)
PCC Transition Reserve	(302)	0	10	(292)	0	292	0
Police Property Act Fund	(30)	0	0	(30)	(55)	58	(27)
Risk Reserve	0	(922)	856	(66)	0	66	(0)
Job Evaluation Reserve	0	0	0	0	(292)	0	(292)
Innovation Fund	0	0	0	0	(105)	0	(105)
Victims and Witness Scheme	0	0	0	0	(75)	0	(75)
Revenue Grants Unapplied	(998)	(34)	569	(463)	(296)	372	(387)
Total	(5,970)	(1,882)	4,486	(3,366)	(5,015)	1,198	(7,184)

Insurance Reserve

The PCC maintains an internal Insurance Fund that carries virtually all insurable risks with a limited amount of external cover for special risk incidents and to cover accumulated losses exceeding an agreed amount depending on risk. The fund receives income from the income and expenditure account to cover the cost of external insurance premiums and internal insurable risks.

The fund is reviewed to ensure it is sufficient to meet the possible liabilities from known claims

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 2013/14.

Injury Pension Reserve

To allow for the variable nature of future injury/medical retirements of Police Officers and the capital equivalent charges of these occurring, £1.184m was added in 2013/14 to fund budgeted medical retirements over the next three financial years.

Airwaves Project

This reserve was released in 2012/13.

Workforce Modernisation

This reserve was used during 2013/13 as planned.

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.

Neighbourhood Policing

This specific funding will be utilised for Neighbourhood Policing in future years as the need arises.

Specials

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

Air Support Unit

This reserve was released in 2012/13.

Tactical Training Centre

The Tactical Training Centre has reserves that total £96k which are held by the PCC for Durham, Cleveland Police Authority's share of these reserves total £48k.

Development Fund

Funding carried forward to support operational development projects as directed by the Chief Constable in collaboration with the PCC.

Invest to Save

Funding set aside to allow the PCC Group to invest in resources or people to generate process improvements that will in turn generate savings in future years.

Devolved Budget Carry Forwards

Two small carry forwards were approved by the Police Authority in 2011/12 and have therefore been moved into this reserve to be utilised at a later date.

Estates Reserve

This reserve is for costs associated with the on-going Estates review.

PCC Transition Reserve

These funds were set aside to contribute towards the cost of any transition required as a result of the proposals set out within the Policing in the 21st Century paper. Now that the transition has been completed the reserve has been released in 2013/14.

Police Property Act Fund

The Police Property Act Fund comprises monies received by the police 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.

Risk Reserve

A reserve set up in 2012/13 to mitigate against future risks of the group but this has been released in 2013/14.

Job Evaluation Reserve

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

Innovation Reserve

A reserve set up in 2013/14 to provide funds for costs in relation to the implementation of projects supported by successful Innovation Fund bids.

Victims and Witness Scheme

A fund received to be released by the PCC as spend is incurred on this initiative.

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.

9. OTHER OPERATING EXPENDITURE

2012/2013 £000		2013/2014 £000
429	Levies	504
484	Gains/losses on disposal of Non-current Assets	1,071
913	Total Other Operating Expenditure	1,575

10. FINANCING AND INVESTMENT INCOME & EXPENDITURE

2012/2013 £000		2013/2014 £000
4,129	Interest payable and similar charges	4,062
846	Net interest on defined benefit liability	743
(62)	Interest receivable and similar income	(38)
4,913	Total Finance and Investment Income and Expenditure	4,767

11. TAXATION & NON SPECIFIC GRANT INCOME

2012/2013 £000		2013/2014 £000
(844)	Revenue Support Grant	0
(42,761)	National Non Domestic rates	(42,299)
(48,270)	Police Grants	(51,049)
(33,632)	Precepts	(27,746)
0	Local Council Tax Support	(6,846)
375	Capital Grants and Contributions	(1,189)
(125,132)	Total Taxation and Non Specific Grant Income	(129,129)

12. NON CURRENT ASSETS

	Land and Buildings £000	PFI £000	Vehicles £000	Plant and Equipment £000	Non - Operational £000	Total £000
Gross book value at 1 April 2013	22,840	31,759	4,545	20,930	1,349	81,423
Gross Book Prior Year Adjustments		-				-
Accumulated depreciation	(2,043)	(3,078)	(2,597)	(14,812)		(22,530)
Prior Year Adjustments	314	67	2		-	382
Net Book Value at 1 April 2013	21,111	28,748	1,950	6,118	1,349	59,276
Adjustments to opening balances						-
Net Book Value at 1 April 2013	21,111	28,748	1,950	6,118	1,349	59,276
Additions	74	666	533	861	904	3,038
Reclassification	(252)	252	62	604	(666)	-
Disposals	(1,389)		(633)	(435)		(2,457)
Revaluations : Revaluation Reserves	(90)					(90)
Revaluations : Surplus / Deficit	(3,409)	(2,927)				(6,337)
Assets Reclassified (to)/From Assets Held for sale	(5,640)					(5,640)
Book value at 31 March 2014	10,404	26,739	1,912	7,148	1,587	47,790
Depreciation for 2013/14	(301)	(774)	(603)	(1,847)	-	(3,525)
Depreciation on Disposals 2013/14	332	(0)	440	428		1,201
Revaluations : Revaluation Reserves	149			-	-	149
Revaluations : Surplus / Deficit	2,180	3,785				5,965
Net Book Value at 31 March 2014	12,764	29,750	1,750	5,729	1,587	51,580

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 2014, the PCC was contractually committed to capital works which amounted to approximately £2.753m.

Revaluations

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

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

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

13. INVESTMENT PROPERTIES

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

14. INTANGIBLE ASSETS

The PCC 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. The useful lives assigned to the major software suites used by the PCC are assessed individually.

	Intangibles
	£000
Balance at 1 April 2013	8,670
Prior Year Adjustments	-
Accumulated Amortisation	(2,130)
Prior Year Adjustments	-
Net Carrying Amount 31st March 2013	6,540
Additions	74
Reclassification	-
Disposals	(886)
Revaluations	-
Amortisation on Disposals	886
Amortisation for 2013/14	(871)
Net Carrying amount at 31 March 2014	5,743
Gross Carrying Amounts	7,858
Accumulated Amortisation	(2,115)

15. FINANCIAL INSTRUMENTS

All the PCC'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 relating to creditors, long term borrowing and PFI 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.

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

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

The PCC 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-monthly throughout the year.

31 March 2013 £000		31 March 2014 £000
	Long Term Assets:	
-	Long Term Investments	-
1,924	Long Term Debtors	1,309
1,924		1,309
	Short-Term Assets:	
-	Short Term Investments	-
3,300	Cash and Cash Equivalents	4,461
3,300		4,461
	Debtors:	
5,017	Government Departments	6,466
2,026	Other Local Authorities	792
1,748	Other Debtors	863
(15)	Less provision for doubtful debts	(7)
8,777		8,114
	Short-Term Liabilities:	
(3,760)	Short Term Loans	(1,340)
-	Bank current Accounts	-
(3,760)		(1,340)
	Creditors:	
(790)	Government Departments	(273)
(1,579)	Inland Revenue/ Customs and Excise	(1,830)
(722)	Other Local Authorities	(521)
(8,031)	Sundry Creditors	(4,400)
(11,122)		(7,024)
	Long Term Liabilities:	
(20,600)	Long Term Borrowing	(19,260)
(29,534)	PFI Liabilities	(28,666)
(50,134)		(47,926)

31 March 2013		31 March 2014
4,129	Interest Expense	4,062
(62)	Interest Income	(38)
4,067	Net (gain)/loss for the year	4,024

Cost 31 March 2014 £000	Long Term Borrowing Maturity Period	Fair Value 31 March 2014 £000
(1,100)	1/2 years	(1,172)
(2,616)	2/5 years	(2,916)
(15,544)	5/10 years	(17,490)
-	Over 10 years	-
(19,260)	Total Long Term Loans	(21,578)

16. INVENTORIES

31 March 2013 £000		31 March 2014 £000
	Uniforms	Uniforms
77	Opening Balance	89
78	Purchases	69
(66)	Recognised in Year	(78)
89	Closing Balance	80

17. SHORT TERM DEBTORS

31 March 2013 £000		31 March 2014 £000
5,017	Government Departments	6,466
2,448	Other Local Authorities	1,388
1,748	Other Debtors	863
9,213		8,717
(15)	Less: Provision for doubtful debts	(7)
9,198		8,710
4,882	Add: Payments in Advance	770
14,080	Total Debtors	9,480

18. CASH AND CASH EQUIVALENTS

31 March 2013 £000		31 March 2014 £000
131	Cash held by the PCC	109
3,169	Bank current Accounts	4,352
0	Short-term deposits	0
3,300	Total Cash and Cash Equivalents	4,461

19. ASSETS HELD FOR SALE

	Land and Buildings £000	Total £000
Balance Outstanding 1st April 2013	-	-
Asset newly classified as held for sale	5,640	5,640
Revaluation Losses	-	-
Revaluation Gains	11,849	11,849
Impairment Losses	-	-
Balance outstanding at 31st March 2014	17,489	17,489

20. SHORT TERM CREDITORS

31 March 2013 £000		31 March 2014 £000
(790)	Government Departments	(273)
(1,579)	Her Majesty's Revenue & Customs (HMRC)	(1,830)
(722)	Other Local Authorities	(558)
(2,639)	Accumulated Compensated Absences Creditor	(2,062)
(8,031)	Sundry Creditors	(4,400)
(13,761)	Sub total	(9,124)
(278)	Add: Income in Advance	(268)
(14,039)	Total Creditors	(9,392)

21. PROVISIONS

Provision Description	Balance at 31 March 2013 £000	Additions In 2013/14 £000	Applications Out 2013/14 £000	Balance at 31 March 2014 £000
Staff & PCSO ER/VR	-	(137)	-	(137)
Special Policing Services	(159)	0	159	0
Insurance	(190)	(106)	190	(106)
Total	(349)	(243)	349	(243)

Staff Pay & PCSO ER/VR

This provision has been set up for ER/VR payments which are committed to and calculated but payment falls after the 31st March 2014.

Special Policing Service

As a result of a legal decision, there was a probability that funds previously received for Special Policing Services would need to be reassessed. As no action has been taken in 2013/14, this provision has been released in 2013/14.

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.

22. PENSIONS

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

The PCC participates in Local Government Pension Scheme details of which are given below:

The Local Government Pension Scheme for civilian employees, administered by Teesside Pension Fund – this is a funded scheme, meaning that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Only the transactions relating to support staff and PCSO's are recorded in the accounts of the PCC .

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

	Local Government Pension Scheme	
	2012/2013 Restated £000	2013/2014 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	2,745	2,047
Curtailement/settlements	-	-
Past service cost	-	29
Change to accounting policies	-	-
Financing and Investment Income and Expenditure		
Interest cost	3,241	3,392
Expected return on assets	(2,395)	(2,649)
Other investment Income	-	-
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	3,591	2,819
Other post employment Benefit Charged to the CIES		
Return on Plans asset	(5,479)	4,889
Actuarial (gains) /losses : Financial Assumptions	1,552	(2,227)
Actuarial (gains) /losses: Demographic assumptions	-	1,649
Actuarial (gains) /losses : liability experience	(63)	(8,360)
Total Post employment Benefit Charged to the CIES	(399)	(1,230)
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	(3,591)	(2,819)
Actual amount charged against General fund balances for pensions in the year:		
Contribution in year	1,415	1,393
Unfunded Pensions Payments	24	-

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

	Local Government Pension Scheme	
	31/03/13 £000	31/03/14 £000
Estimated funded liabilities in scheme	77,441	72,507
Estimated unfunded liabilities in scheme	338	401
Estimated assets in scheme	60,200	57,952
Net Liability	17,579	14,956

Note 23 contains details of the assumptions made in estimating the figures included in this note.

23. PENSIONS LIABILITY

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

The underlying assets and liabilities for retirement benefits attributable to the PCC at 31 March 2014 are as follows:

The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £14.955m has a substantial impact on the net worth of the PCC as recorded in the Balance Sheet, resulting in a negative overall balance of £16.284m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC 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. The Teesside Pension Fund liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, with estimates for the PCC being based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	31/03/13	31/03/14
Rate of inflation (RPI)	3.4%	3.4%
Rate of inflation (CPI)	2.5%	2.4%
Rate of increase in salaries	4.4%	3.9%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	4.4%	4.3%

	Mortality	
	Local Government Pension Scheme	
	Males	Females
Retiring today	22.90	25.40
Retiring in 20 years	25.10	27.70

Assets in the Teesside Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Assets at 31 March 2013		Assets at 31 March 2014		Asset Split as at 31 March 2014	
	£000	%	£000	%	Quoted	Unquoted
Equities	46,595	77.4%	46,941	81.0%	79.1%	1.9%
Gilts	4,334	7.2%	1,101	1.9%	1.9%	0.0%
Bonds	1,204	2.0%	2,666	4.6%	4.6%	0.0%
Property	3,191	5.3%	3,014	5.2%	0.7%	4.5%
Cash	3,130	5.2%	3,014	5.2%	5.2%	0.0%
Other	1,746	2.9%	1,217	2.1%	1.8%	0.3%
Total	60,200	100.0%	57,952	100.0%	93.3%	6.7%

	Local Government Pension Scheme	
	Year to 31/03/13	Year to 31/03/14
	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	5,479	(4,889)
Experience Gains and Losses Arising on the Scheme Liabilities	0	0
Other Experience Gains/(Losses) on Liabilities	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(1,489)	8,938
Actuarial Gain/(Loss) in Pension Plan	3,990	4,049
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0
Fall and Other Factors	0	0
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	3,990	4,049
Effect of Change in Accounting Methodology	0	0

	Local Government Pension Scheme	
	Year to 31/03/13	Year to 31/03/14
	£000	£000
Opening Defined Benefit Obligation	71,222	77,779
Current Service Cost	2,745	2,047
Interest Cost	3,241	3,392
Actuarial losses (gains)	1,489	(8,938)
Losses (gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Estimated benefits paid net of transfers in	(1,544)	(2,019)
Past Service Cost	0	29
Contribution by Scheme participants	650	618
Additional Employer Contributions	0	0
Unfunded pension payments	(24)	0
Closing Defined Benefit Obligation	77,779	72,908

Opening fair value of Scheme assets	51,806	60,201
Expected return on Scheme assets	2,395	2,649
Actuarial gains (losses)	5,479	(4,889)
Contributions by employer including unfunded benefits	1,439	1,393
Contributions by Scheme participants	650	618
Change to Accounting Policies	0	0
Estimated benefits paid including unfunded benefits	(1,568)	(2,019)
Gain on Settlement	0	0
Fair Value of Scheme Assets at end of Period	60,201	57,953

Reconciliation of Opening and Closing Net Obligation		
Opening Surplus / (Deficit)	(19,416)	(17,578)
Current Service Cost	(2,745)	(2,047)
Contributions by employer including unfunded benefits	1,439	1,393
Contributions by Scheme participants	0	0
Past Service Costs	0	(29)
Interest Costs	(3,241)	(3,392)
Expected return on Scheme assets	2,395	2,649
Gain on Settlement	0	0
Actuarial (losses) gains	3,990	4,049
Fair Value of Scheme Assets/ (Liabilities) at end of Period	(17,578)	(14,955)

Projected Pension Expense for the year to 31 March 2015	Local Government Pension Scheme
	Year to 31/03/15
	£000s
Service cost	1,624
Net Interest cost	621
Total	2,245

The table below details the approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and projected service cost for the year ending 31 March 2015.

Funded LGPS benefits	Sensitivity Analysis	
	+0.1% per Annum	-0.1% per Annum
Discount Rate Assumptions		
Present Value of total obligation (£m's)	71,020	74,026
% change in present value of total obligation	-2.1%	2.1%
Projected Service cost (£M's)	1,569	1,681
Approx % change in projected service cost	-3.4%	3.5%
Rate of General increase in Salaries		
Present Value of total obligation (£m's)	72,864	72,155
% change in present value of total obligation	0.5%	-0.5%
Projected Service cost (£M's)	1,362	1,324
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 (£m's)	73,660	71,381
% change in present value of total obligation	1.6%	-1.6%
Projected Service cost (£M's)	1,683	1,567
Approx % change in projected service cost	3.6%	-3.5%
Post retirement mortality assumption		
Present Value of total obligation (£m's)	73,972	71,032
% change in present value of total obligation	2.0%	2.0%
Projected Service cost (£M's)	1,674	1,574
Approx % change in projected service cost	3.1%	-3.1%

24. LEASED ASSETS – RENTALS

The PCC Group has leased photocopying/printing equipment which is an operating lease. The current operating lease expires June 2013. A new leased arrangement was entered into for photocopying/printing equipment covering the period 24 month period from June 2013 to May 2015.

	Finance Leases £000	Operating Leases £000
Total Rentals paid in 2013/2014	0	40
Outstanding undischarged Leasing Obligations.		
2014/2015	0	15
2015/2016	0	11

The PCC Group 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 Group 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.

25. OFFICERS' EMOLUMENTS

During the financial year 2013/2014, the numbers of staff whose remuneration, excluding employers' pension contributions and compensation for loss of office, was £50,000 or more in bands of £5,000 were:

2012/2013	Remuneration Band	Number of staff		
		Police Officers	Support Staff	Total
0	£50,000 - £54,999	0	0	0
1	£55,000 - £59,999	0	0	0
0	£60,000 - £64,999	0	0	0
0	£65,000 - £69,999	0	1	1
0	£70,000 - £74,999	0	0	0
1	£75,000 - £79,999	0	0	0
1	£80,000 - £84,999	0	0	0
0	£85,000 - £89,999	0	1	1
3	Total	0	2	2

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

Remuneration Disclosure 2013/14:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 13/14	Pension Contributions
	£	£	£	£	£	£	£	£	£
The PCC	70,000	70,000	0	0	0	0	0	70,000	10,010
CFO: PCC	85,212	85,212	0	0	0	0	0	85,212	12,182

The statutory position of PCC Chief Executive and Monitoring Officer was fulfilled by an officer on secondment from Middlesbrough Council into the role of Chief of Staff. The costs of this arrangement during 2013/14 were £114,103

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

Remuneration Disclosure 2012/13:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 12/13	Pension Contributions
	£	£	£	£	£	£	£	£	£
The PCC	70,000	25,083						25,083	3,587
Chief Executive	90,000	75,000	0	0	81,520	0	0	156,520	170,147
Deputy Chief Executive / Treasurer	83,514	83,514	0	0	0	0	0	83,514	11,804

From the 22nd November 2012 the statutory position of PCC Chief Executive and Monitoring Officer was fulfilled by an officer on secondment from Middlesbrough Council into the role of Chief of Staff. The costs of this arrangement to the 31st March 2013 were £40,888

26. TERMINATION BENEFITS

In the financial year the PCC paid termination benefits (including pension costs) totalling £519k affecting 27 individuals within the organisation; provision was created for a further 11 individuals totalling £137k. Details of benefits listed below:-

Banding	Number of staff			Total cost of Exit package each band
	Number Compulsory Redundancies	Number of Other departures	Total Number of departures	
£0 - £20,000	1	17	18	£197,700
£20,001 - £40,000	0	6	6	£176,708
£40,001 - £60,000	0	2	2	£93,123
£60,001 - £80,001	0	1	1	£51,205
Total	1	26	27	£518,736

27. MEMBERS ALLOWANCES

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

2012/2013 £000		2013/2014 £000
126	Allowances for approved duties	10
1	Travel and Subsistence	0
127	Total Members Allowances	10

The 2012/13 members allowance payments of £127k comprises payments to the Members of the Former Police Authority of £124k and payments to the newly formed Audit Committee Members to support the PCC of £3K. The full year cost of the Audit Committee Members for 2013/2014 was £10K.

28. RELATED PARTIES

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

Central Government has effective control over the general operations of the PCC – it is responsible for providing the statutory framework within which the PCC 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
Police Grant	51,049
NNDR	42,299
Pension Top up Grant	18,190
PFI Grant	4,106
Capital Grant	1,189
PCC Community Safety	1,698
Dedicated Security Posts Funding	1,176
Home Office Special Grant	870
Innovation Grant	455
Capital Financing Grant	243
PCC Victim & Witness	205

29. PRIVATE FINANCE INITIATIVE

As at the end of 2013/14 the PCC has 2 long term contracts under the Private Finance Initiative.

The contract for the Tactical Training Centre for Urray Nook (referred as Urray Nook) was entered into in April 2000 with payments commencing in April 2001.

The contract expires in 2025/6.

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 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:

	Urlay Nook		Action Stations	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	4,687	(4,715)	23,994	(24,819)
Movements:				
Depreciation	(129)	0	(665)	0
Lifecycle maintenance	148	0	518	0
Revaluation / Reclassification	45	0	1,153	
Principal repayment	0	173	0	695
Balance c/f	4,750	(4,542)	25,000	(24,124)

	Urlay Nook		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	634	820	256
2 to 5 years	3,350	2,994	787
6 to 10 years	3,882	3,508	2,211
11 to 15 years	1,644	1,137	1,288

	Action Stations		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	1,928	2,378	803
2 to 5 years	8,551	8,997	3,580
6 to 10 years	13,719	9,160	5,213
11 to 15 years	15,278	7,012	7,898

30. AUDIT COSTS

In 2013/14 the PCC incurred the following fees relating to external audit:

2012/2013 £000		2013/2014 £000
48	Fees payable to external audit with regard to external audit services carried out by the appointed auditor	45
1	Fees payable to external audit in respect of additional services requested	1
0	Refund on Prior year audit fees	(7)
49	Total Audit Costs	39

31. INFORMATION ON ASSETS HELD

Analysis of Assets	2012/2013	2013/2014
Buildings		
Police Headquarters	1	1
Operational Police Stations	10	10
Non-Operational Police Stations	0	0
Radio Mast site	1	1
Total	12	12
Vehicles		
Cars	190	192
Vans	73	74
Other Vehicles	20	13
Total	283	279

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

32. CAPITAL EXPENDITURE IN THE YEAR AND SOURCES OF FINANCE

31 March 2013 £000	Capital Expenditure and Financing	31 March 2014 £000
	Capital Investment:	
4,600	Property, Plant and Equipment	3,038
122	Intangible Assets	74
-	Revenue Expenditure Funded from Capital under Statute	-
4,722	Total Capital Investment	3,112
	Sources of Finance:	
(41)	Capital Receipts	-
(1,325)	Government Grants and Contributions	(1,168)
(126)	Other Grants and Contributions	(141)
(720)	Direct Revenue Contributions	(1,043)
(872)	Supported Borrowing	(760)
(1,638)	Unsupported Borrowing	-
(4,722)	Total Finance	(3,112)

33. BORROWING

Interest rates vary between 3.24% and 5.08%. The average rate is 4.29%

31 March 2013 £000		31 March 2014 £000
	Public Works Loans Board	
(3,760)	Due in the next Financial Year	(1,340)
(20,600)	Long Term Loans	(19,260)
(24,360)	Total Borrowing	(20,600)

31 March 2013 £000	Maturity Period	31 March 2014 £000
(1,340)	1/2 years	(1,100)
(2,844)	2/5 years	(2,616)
(13,916)	5/10 years	(15,544)
(2,500)	Over 10 years	-
(20,600)	Total Long Term Loans	(19,260)

34. PROCEEDS OF CRIME ACT 2002

The PCC is holding cash at bank totalling £0.598m in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

35. AGENCY SERVICES

Consortium Charges

The PCC Group has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2013/14 amounted to £0.370m (£0.369m in 2012/13).

Urley Nook Tactical Training Centre

The Urley Nook Tactical Training Centre which is jointly run by Cleveland PCC and Durham PCC has reserves as at the 31st of March 2014 of £0.096m which sits with Durham but of which £0.048m is Cleveland PCC Group's share.

Roads Policing Unit

The Roads Policing Unit, which is jointly run by Cleveland PCC and Durham PCC, has no reserves as at the 31st of March 2014.

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 2013/14 was £1.437m.

North East Regional Special Operations Unit (NERSOU)

The PCC group has an agency agreement with the North East Regional Special Operations Unit (NERSOU, effective from 1st October 2013) to provide regional assets to address serious and organised crime. The contribution in 2013/14 was £0.291m.

Other National Police Services

The PCC Group made a subscription payment for the Police National Computer and Database of £0.504m in 2013/14 (£0.429m in 2012/13).

36. USABLE RESERVES

Description of Reserve	31 March 2013 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2014 £000
Insurance Fund	(1,675)	0	0	(1,675)
Earmarked Reserves	(1,228)	(4,719)	826	(5,121)
Revenue Grants Unapplied Reserve	(463)	(296)	372	(387)
Capital Grants Unapplied Reserve	(259)	(1,189)	1,309	(140)
Capital Receipts Unapplied Reserve	(16)	(122)	0	(137)
General Fund	(7,446)	(6)	421	(7,031)
Total Usable Reserves	(11,087)	(6,332)	2,928	(14,491)

Earmarked Reserves – Please see Note 8 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.

37. UNUSABLE RESERVES

Description of Reserve	31 March 2013 £000	Additions in Year £000	Reductions in Year £000	31 March 2014 £000
Revaluation Reserve	(815)	(11,910)	0	(12,725)
Available for Sale Financial Instruments Reserve	0	0	0	0
Capital Adjustment Account	(7,244)	(2,353)	4,069	(5,527)
Financial Instruments Adjustment Account	0	0	0	0
Deferred Capital Receipts Reserve	0	0	0	0
Pension Reserve	17,579	(15,588)	12,965	14,956
Collection Fund Adjustment Account	(422)	(559)	422	(559)
Accumulated Absence Reserve	2,639	2,062	(2,639)	2,062
Total Unusable Reserves	11,738	(28,348)	14,817	(1,793)

Revaluation Reserve – contains gains made by the PCC 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.

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.

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.

38. CAPITAL ADJUSTMENT ACCOUNT

31 March 2013 £000		31 March 2014 £000
(9,840)	Balance at 1 April	(7,244)
-	Transfer to Non Operational Assets	-
-	Capital expenditure not adding to asset values	-
(385)	Prior year adjustment	4
-	In Year adjustment	-
-	Revaluation adjustments	372
-	Partnership financing of Capital Expenditure	-
(720)	Revenue contribution to capital	(1,044)
2,705	MRP less Depreciation	2,437
383	Transfer from Government Grants Deferred	(1,309)
(4,013)	Capital Receipts Applied	-
4,627	Disposals	1,257
-	Write out of Government Grants Deferred	-
(7,244)	Balance at 31 March	(5,527)

39. GRANT INCOME

31 March 2013 £000	ANALYSIS OF GRANTS	31 March 2014 £000
	Credited to Taxation and Non specific Grant Income:	
(844)	Revenue Support Grant	-
(42,761)	National Non Domestic Rates	(42,299)
(48,270)	Police Grant	(51,049)
(33,632)	Precepts	(27,746)
-	Local Council Tax Support	(6,846)
375	Capital Grants and Contributions	(1,189)
(125,132)		(129,129)
	Credited to services:	
(2,948)	Police Community Support Officers Grant	-
(941)	PFI - Urray Nook	(941)
(1,118)	Dedicated Security Posts Funding	(1,176)
(3,165)	PFI - Action Stations	(3,165)
(249)	Drug Testing Grant	-
(257)	Capital Financing Grant	(243)
(108)	Incentivisation Grant	(298)
-	Specials Grant	-
-	PCC Community Safety	(1,698)
-	PCC Victim & Witness	(205)
(2,200)	Home Office Special Grant	(870)
(695)	Partnership Grants	(944)
(11,681)		(9,540)
(136,813)	Total Grant Income	(138,669)

These grants have all been recognised within the Income and Expenditure Statement; however £0.897m sits within creditors as income in advance as there is the potential this may have to be returned to the originating organisation.

40. CONTINGENT ASSETS AND LIABILITIES

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

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

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

41. AUTHORISATION OF ACCOUNTS

The Chief Finance Officer of the PCC for Cleveland has set and authorised the date of issue for the Statement of Accounts as the 27th June 2014. This is the date that the Statement was approved by the PCC and is the date, up to which, any known events are reported.

GROUP STATEMENT OF ACCOUNTS – 2013/2014

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EXPLANATORY FOREWORD AND 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 2013/14 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 2014. The Group position 'PCC Group' reflects the consolidated accounts of the PCC and the Chief Constable. This Foreword provides an overview of the accounting arrangements and outlines the financial performance of the PCC Group during 2013/14.

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

This Statement of Accounts covers the financial year ended 31st March 2014 and has been prepared in accordance with the provisions of the Accounts and Audit Regulations 2011, the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

The Statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) are detailed below along with the objective of each statement:

Group 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.

Group 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.

Group Balance Sheet – The Balance Sheet shows the value as at 31st March 2014 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'.

Group 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 2013/14 statements highlight the following areas of change from the 2012/13 position:

Group Comprehensive Income & Expenditure Statement:

- Net Cost of Services (NCOS) has decreased by £5.7m, primarily due to an impairment of £5.2m on PCC land and buildings as part of 5 year revaluation
- The deficit on the Provision of Service has moved from a £62m deficit to a £54m deficit. This is predominately as a result of the above along with the mainstreaming of the Neighbourhood policing grant.
- Other Comprehensive Income and Expenditure has moved by £19.5m due to changes in actuarial assumptions relating to the Pension Fund and the revaluation of Ladgate Lane based on market value.

Group Balance Sheet:

- Non Current Assets have increased by £8.3m primarily as a result of the revaluation of the estates portfolio.
- The value of Debtors (long and short term) has decreased by £5.2m, primarily as a result of the timing of prepayments in advance made in 2012/13 of £4.9m, in comparison to £0.8m in 2013/14.
- The value of Creditors has decreased by £4.7m, primarily as a result of the timing of the rising and payment of Steria invoices.
- During the year the PCC has repaid £3.760m of loans no new ones were taken out, current borrowing is well within the limits approved by the PCC.
- The Pension Liability and Reserves have both increased mainly as a result of changes in actuarial assumptions as detailed above.
- The Usable Reserves of the PCC Group have increased by £3.4m; primarily as a result of an increase in funds transferred into earmarked reserves particularly focussed on building a capital reserve to sustain the investment programme going forward.

3. THE POLICE & CRIME COMMISSIONER REVENUE BUDGET FOR 2013/2014

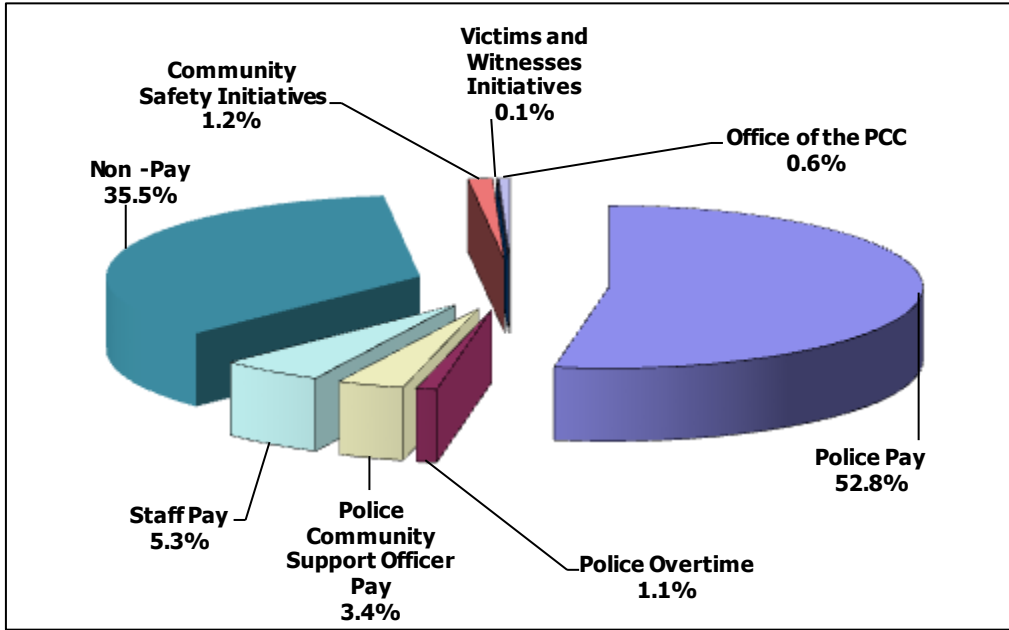
The following table shows the 2013/2014 budget and the final outturn:

	Original 2013/14 Budget	Revised 2013/14 Budget	2013/14 Year End Position	Outturn
Police Grant	(50,249)	(50,249)	(50,249)	0
Community Safety Funding	(1,698)	(1,698)	(1,698)	0
RSG/National Non Domestic Rate	(42,300)	(42,300)	(42,300)	(0)
Government Grant	(94,247)	(94,247)	(94,247)	0
Council Tax Precept	(27,608)	(27,608)	(27,746)	(138)
Collection Surplus Increase Appropriated to Reserves	0	0	138	138
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,847)	(6,847)	(6,846)	1
Precept related Funding	(35,255)	(35,255)	(35,254)	1
Specific Grants	(5,594)	(5,748)	(5,824)	(76)
Partnership Income/Fees and Charges	(2,362)	(3,565)	(4,145)	(580)
Total Funding	(137,458)	(138,815)	(139,470)	(655)
Office of the PCC Planned Expenditure				
	£000s	£000s	£000s	£000s
Staff Pay	590	590	556	(34)
Non Pay Expenditure	340	340	244	(96)
Total Planned Expenditure	930	930	800	(130)
Proposed Community Safety Expenditure				
	£000s	£000s	£000s	£000s
Total Community Safety Initiatives	1,698	1,698	1,698	0
Victims and Witnesses Initiatives	0	28	28	0
Police Force Planned Expenditure				
	£000s	£000s	£000s	£000s
Police Pay	72,819	72,884	71,921	(963)
Police Overtime	1,234	1,532	1,435	(96)
Police Community Support Officer Pay	4,885	4,809	4,684	(125)
Staff Pay	7,597	7,225	7,269	44
Non-Pay	47,255	48,422	48,375	(48)
Total Planned Expenditure	133,790	134,872	133,684	(1,188)
(Surplus)/Deficit				
	£000s	£000s	£000s	£000s
Transfers to/(from) General Fund	0	0	(421)	(421)
Transfers to Capital Reserves	12	94	1,100	1,006
Transfers from Earmarked Reserves	(32)	(212)	(252)	(40)
Transfers to Earmarked Reserves	1,060	1,405	2,827	1,422
Net (Surplus)/Deficit After Reserves	(0)	(0)	(6)	(6)

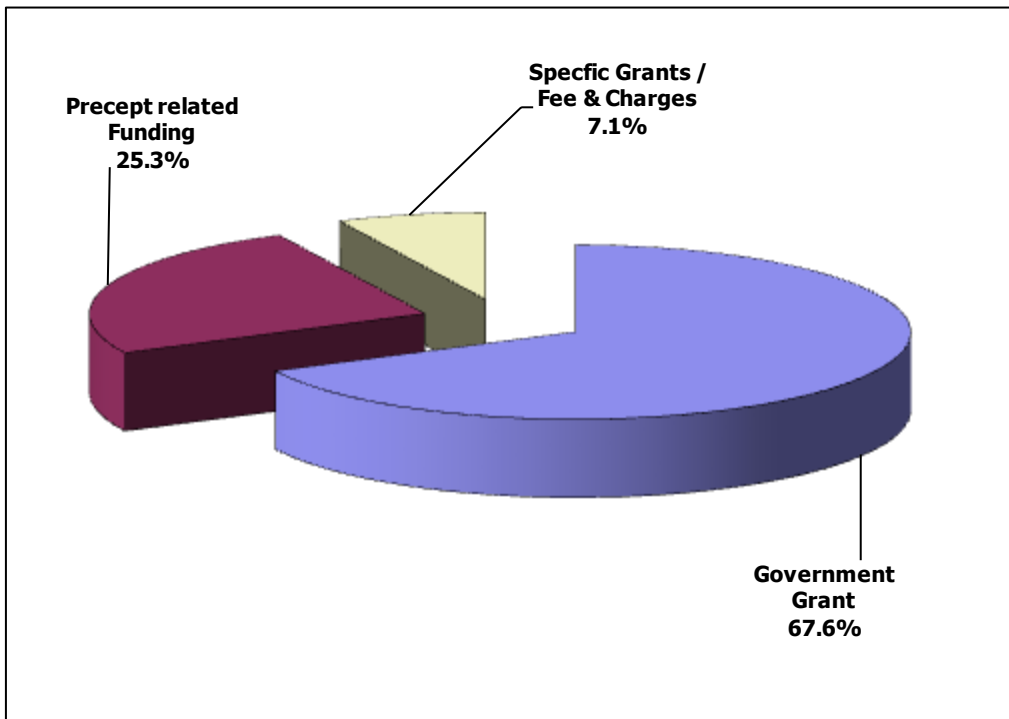
4. POLICE & CRIME COMMISSIONER GENERAL REVENUE BALANCES

2012/2013 £000		2013/2014 £000
(8,245)	Opening Balance	(7,446)
1,220	Budgeted transfer (into)/from balances	421
(7,025)	Planned Position	(7,025)
(421)	(Surplus) or Deficit on Years activities	(6)
(7,446)	Available balance at 31 March	(7,031)

WHERE THE MONEY GOES TO:



WHERE THE MONEY COMES FROM:



5. CAPITAL

The PCC spent £3.112m 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. However during the year clarification has been received from CIPFA regarding the accounting treatment to be applied for pension contributions (revised IAS19) and this has resulted in the prior year adjustment.

7. CHANGES TO ACCOUNTING POLICIES

There were no changes to Accounting Policies applicable to these accounts.

8. EVENTS AFTER THE REPORTING PERIOD

Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility Act (the Act) which created Commissioners also sets out a second 'Stage 2' transfer which refers to the subsequent movement of certain staff, property, rights and liabilities from the Commissioner to the Chief Constable. The Stage 2 transfer is designed to allow elected Commissioners the freedom to make their own local arrangements about how their functions and those of the police force will be discharged in future. The Stage 2 transfer was completed on 1 April 2014

9. BORROWING FACILITIES

The PCC currently has £20.6m worth of borrowing taken out with the Public Works Loan Board (PWLB), the repayment of these loans are phased over the next 9 years and have been taken out to fund the PCC's capital programme. The PCC undertook no new borrowing and repaid £3.760m in the 2013/14 financial year.

10. FURTHER INFORMATION

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

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

M. PORTER,
CHIEF FINANCE OFFICER FOR THE PCC

STATEMENT OF RESPONSIBILITIES

The PCC's Responsibilities

The PCC is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

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

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

The Statement of Accounts give a true and fair presentation of the financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31st March 2014.

Date: 29th September 2014

Signature:



M Porter, Chief Finance Officer to the PCC

The PCC's Responsibilities

In accordance with the requirements of the Accounts and Audit Regulations 2011 I confirm that the Statement of Accounts was approved by the PCC:

Date: 29th September 2014

Signature:



Police & Crime Commissioner for Cleveland

AUDITOR'S REPORT

To Follow

**GROUP COMPREHENSIVE INCOME AND
EXPENDITURE STATEMENT FOR THE YEAR ENDED
31st MARCH 2014**

2012/2013 Restated Gross Expenditure £000	2012/2013 Restated Gross Income £000	2012/2013 Restated Net Expenditure £000	DETAIL	2013/2014 Gross Expenditure £000	2013/2014 Gross Income £000	2013/2014 Net Expenditure £000
71,411	(6,261)	65,150	Local Policing	67,944	3,399	64,545
6,028	(68)	5,961	Dealing with the Public	5,928	63	5,865
14,539	(1,800)	12,739	Criminal Justice Arrangements	13,632	702	12,930
9,518	(401)	9,118	Road Policing	8,887	723	8,165
5,231	(1,612)	3,619	Specialist Operations	5,056	1,781	3,275
5,046	(329)	4,717	Intelligence	4,562	287	4,275
31,676	(1,544)	30,132	Specialist Investigation	29,092	1,592	27,499
4,494	(155)	4,339	Investigative Support	4,071	178	3,893
3,629	(1,783)	1,845	National Policing	2,971	1,002	1,969
0	0	0	Exceptional Items	0	0	0
1,272	(74)	1,198	Corporate and Democratic Core	3,458	2,815	643
38	0	38	Undistributed Costs	41	0	41
152,882	(14,027)	138,855	Net Cost of Services	145,642	12,542	133,100
		913	Other Operating Expenditure (Note 9)			1,575
		47,586	Financing & Investment income and Expenditure (Note 10)			48,498
		(125,132)	Taxation & Non-Specific Grant Income (Note 11)			(129,129)
		62,222	(Surplus) or Deficit on Provision of Service			54,043
		(385)	(Surplus)/Deficit on Revaluation of PPE			(11,906)
		0	(Surplus)/Deficit on Revaluation of available for sale assets			0
		9,046	Re-measurements of the defined benefit liability (Note 23)			1,022
		8,661	Other Comprehensive Income and Expenditure			(10,884)
		70,883	Total Comprehensive Income and Expenditure			43,159

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Group Reserves £000
Balance at 31st March 2013	(7,446)	(2,903)	(16)	(463)	(259)	(11,087)	1,021,727	1,010,640
(Surplus) or deficit on provision of services (accounting basis)	54,043	0	0	0	0	54,043	0	54,043
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(10,884)	(10,884)
Total Comprehensive Expenditure and Income	54,043	0	0	0	0	54,043	(10,884)	43,159
Total Adjustments between accounting basis & funding basis under regulations (Note 7)	(58,490)	0	(122)	0	119	(58,493)	58,493	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(4,447)	0	(122)	0	119	(4,450)	47,609	43,159
Total Transfers to/from Reserves	4,861	(3,893)	0	76	0	1,044	(1,044)	0
(Increase) / Decrease in Year	415	(3,893)	(122)	76	119	(3,405)	46,565	43,159
Balance at 31 March 2014	(7,031)	(6,796)	(137)	(387)	(140)	(14,491)	1,068,291	1,053,799

GROUP MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

	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 2012	(8,245)	(4,972)	(41)	(998)	(251)	(14,508)	954,266	939,758
(Surplus) or deficit on provision of services (accounting basis)	62,222	0	0	0	0	62,222	0	62,222
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	8,661	8,661
Total Comprehensive Expenditure and Income	62,222	0	0	0	0	62,222	8,661	70,883
Total Adjustments between accounting basis & funding basis under regulations (Note 7)	(59,538)	0	26	0	(8)	(59,521)	59,521	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	2,684	0	26	0	(8)	2,701	68,182	70,883
Total Transfers to/from Reserves	(1,883)	2,069	0	535	0	720	(720)	(720)
(Increase) / Decrease in Year	800	2,069	26	535	(8)	3,421	67,462	70,163
Balance at 31 March 2013	(7,446)	(2,903)	(16)	(463)	(259)	(11,087)	1,021,727	1,010,640

GROUP BALANCE SHEET AT 31st MARCH 2014

31 March 2013 Restated £000		Notes	31 March 2014	
			£000	£000
59,276	Property, Plant and Equipment	12	51,580	
-	Investment Property		-	
6,540	Intangible Assets	14	5,743	
	Assets Held for Sale	19	17,489	
-	Long Term Investments		-	
1,924	Long Term Debtors		1,309	
67,740				76,121
	Total Long Term Assets			76,121
-	Short Term Investments		-	
-	Assets Held for Sale		-	
89	Inventories	16	80	
14,080	Short Term Debtors	17	9,480	
3,300	Cash and Cash Equivalents	18	4,461	
17,469	Total Current Assets			14,021
85,210	Total Assets			90,142
-	Cash and Cash Equivalents		-	
(3,760)	Short Term Borrowing	33	(1,340)	
(14,039)	Short Term Creditors	20	(9,392)	
(349)	Provisions	21	(243)	
(18,148)	Total Current Liabilities			(10,975)
-	Long Term Creditors		-	
-	Provisions		-	
(20,600)	Long Term Borrowing	33	(19,260)	
(29,534)	Other Long Term Liabilities : PFI	29	(28,666)	
(1,027,568)	Pensions Liability	23	(1,085,041)	
(1,077,702)	Total Long Term Liabilities			(1,132,967)
(1,095,849)	Total Liabilities			(1,143,941)
(1,010,639)	Net Assets			(1,053,800)
(11,087)	Usable Reserves	38	(14,491)	
1,021,727	Unusable Reserves	39	1,068,291	
1,010,640	Total Reserves			1,053,800

GROUP CASHFLOW STATEMENT 2013/14

2012/2013 £000		Notes	2013/2014	
			£000	£000
	OPERATING ACTIVITIES			
	<u>Cash Outflows</u>			
95,731	Cash paid to and on behalf of employees		87,933	
700	Cash payment to reduce the PFI liability		868	
56,358	Cash paid to suppliers of goods and services		60,999	
152,789				149,800
	<u>Cash Inflows</u>			
(33,493)	Precept received		(27,608)	
(42,761)	National non-domestic rates		(42,300)	
(844)	Revenue Support Grant		-	
(71,724)	Other grants		(84,020)	
(41)	Rents		(32)	
(1,632)	Cash received for goods and services		(2,005)	
(8,090)	Other operating cash receipts		(4,595)	
(158,587)				(160,560)
(5,798)	Operating Activities Net Cash Flow			(10,760)
	INVESTING ACTIVITIES			
	<u>Returns on Investments and Servicing of Finance</u>			
4,009	Cash outflows - Interest paid		4,545	
(62)	Cash inflows - Interest received		(38)	
3,947				4,507
	<u>Capital Activities</u>			
4,872	Cash outflows - Purchase of non current assets		2,707	
(171)	Cash inflows - Sale of non current assets		(188)	
(1,319)	- Capital grant received		(1,188)	
3,382				1,331
7,328	Investing Activities Net Cash Flow			5,838
1,531	Net Cash Outflow/(Inflow) before financing			(4,922)
	FINANCING ACTIVITIES			
	<u>Management of Liquid Resources</u>			
-	Net increase/(decrease) in investments		-	
-	Net increase/(decrease) in imprests		-	
-				-
	<u>Financing</u>	33		
1,681	Cash outflows - Repayment of amounts borrowed		3,760	
(5,400)	Cash inflows - New loans raised		0	
(3,719)				3,760
(3,719)	Financing Activities Net Cash Flow			3,760
(2,190)	Net (Increase)/Decrease in cash			(1,162)
1,110	Cash brought forward		3,300	
3,300	Cash carried forward		4,461	
(2,190)	Net (Increase)/Decrease in cash			(1,161)

GROUP 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 (EUUV).

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.

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 31st March 2014), and reviewed annually for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

For assets acquired in the year, depreciation is applied from the 1st April of the following financial year. Incomplete assets are not depreciated until they are brought into use. A full year's depreciation is charged in the year of disposal to be consistent with not charging any depreciation until the 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 2013/14 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 in excess of £10,000 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 greater than £10,000, 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 – There is also a de minimis level of £10,000 from the sale of non-current assets, for that receipt 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 24).

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 Reserves.

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 2013/14 (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 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

R) PRIVATE FINANCE INITIATIVE

The PCC is party to two separate PFI schemes. One for the provision of Firearms Training facilities at Uray 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). There have been no significant VAT issues in 2013/14.

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, of which the PCC Group has none in 2013/14, would be disclosed on the face of the 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. A Prior year adjustment for £382K has been made to take account of the application of component accounting for Fixed Assets.

In addition, a revised version of the IAS19 accounting standard came into to effect on the 1st January 2013. The disclosure provided by the actuary under the revised IAS19 has required a prior a prior year adjustment of £711K to the Net Cost of Service.

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.

2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31st March 2014. (IAS 27,28,32 and IFRS 10,11,12 as per the code). It is not anticipated that any of these amendments will have a material effect on the Financial Statements and require retrospective application.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

In applying the accounting policies set out in Note 1, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no critical judgements made in the Statement of Accounts.

4. 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 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 2014 or which there is a significant risk 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 Authority with expert advice about the assumptions to be applied.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the Balance Sheet date.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

FOR THE YEAR ENDED 31ST MARCH 2014

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(871)	0	0	0	0	(871)	871	0
Depreciation and Impairment of fixed assets	(3,896)	0	0	0	0	(3,896)	3,896	0
Depreciation on Revaluation	0	0	0	0	0	0	0	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	(1,134)	0	0	0	0	(1,134)	1,134	0
Sale of Assets	0	0	(122)	0	0	(122)	122	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(72,638)	0	0	0	0	(72,638)	72,638	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	1,308	1,308	(1,308)	(0)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,189	0	0	0	(1,189)	0	0	0
Accumulated Absences Adjustment	577	0	0	0	0	577	(577)	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	138	0	0	0	0	138	(138)	0
	(76,635)	0	(122)	0	119	(76,638)	76,638	(0)
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	0	0	0	0	0	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,187	0	0	0	0	16,187	(16,187)	0
	18,145	0	0	0	0	18,145	(18,145)	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	(58,490)	0	(122)	0	119	(58,493)	58,493	(0)

FOR THE YEAR ENDED 31ST MARCH 2013

	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	(590)	0	0	0	0	(590)	590	0
Depreciation and Impairment of fixed assets	(4,144)	0	0	0	0	(4,144)	4,144	0
Depreciation on Revaluation	0	0	0	0	0	0	0	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	(639)	0	0	0	0	(639)	639	0
Sale of Assets	0	0	(3,988)	0	0	(3,988)	3,988	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(73,588)	0	0	0	0	(73,588)	73,588	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	(1,834)	0	0	0	1,451	(383)	383	0
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	1,459	0	0	0	(1,459)	0	0	0
Accumulated Absences Adjustment	287	0	0	0	0	287	(287)	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	139	0	0	0	0	139	(139)	0
	(78,910)	0	(3,988)	0	(8)	(82,906)	82,906	0
Statutory provision for the repayment of debt	2,029	0	0	0	0	2,029	(2,029)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	4,013	0	0	4,013	(4,013)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	17,342	0	0	0	0	17,342	(17,342)	0
	19,371	0	4,013	0	0	23,384	(23,384)	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	(59,539)	0	25	0	(8)	(59,522)	59,522	0

8. TRANSFERS TO / FROM EARMARKED RESERVES

	Balance at 31 March 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance at 31 March 2014 £000
Insurance Fund	(1,560)	(115)	0	(1,675)	0	0	(1,675)
Direct Revenue Funding of Capital	(105)	(720)	720	(105)	(2,659)	378	(2,386)
Injury Pension Reserve	(916)	0	900	(16)	(1,184)	0	(1,200)
Airwaves Project	(473)	0	473	0	0	0	0
Workforce Modernisation	(455)	0	455	(0)	0	0	(0)
PFI Sinking Fund	(206)	(41)	0	(247)	0	32	(215)
Incentivisation Grant	(220)	0	23	(197)	(109)	0	(307)
Neighbourhood Policing	(16)	0	0	(16)	0	0	(16)
Specials	(30)	(32)	0	(62)	0	0	(62)
Air Support Unit	(349)	0	349	(0)	0	0	(0)
Urlay Nook TTC	(81)	(18)	52	(48)	0	0	(48)
Development Fund	(12)	0	0	(12)	0	0	(12)
Invest to Save	(83)	0	0	(83)	0	0	(83)
Devolved Budget Carry Forwards	(8)	0	0	(8)	0	0	(8)
Estates Reserve	(128)	0	80	(48)	(240)	0	(288)
PCC Transition Reserve	(302)	0	10	(292)	0	292	0
Police Property Act Fund	(30)	0	0	(30)	(55)	58	(27)
Risk Reserve	0	(922)	856	(66)	0	66	(0)
Job Evaluation Reserve	0	0	0	0	(292)	0	(292)
Innovation Fund	0	0	0	0	(105)	0	(105)
Victims and Witness Scheme	0	0	0	0	(75)	0	(75)
Revenue Grants Unapplied	(998)	(34)	569	(463)	(296)	372	(387)
Total	(5,970)	(1,882)	4,486	(3,366)	(5,015)	1,198	(7,184)

Insurance Reserve

The PCC maintains an internal Insurance Fund that carries virtually all insurable risks with a limited amount of external cover for special risk incidents and to cover accumulated losses exceeding an agreed amount depending on risk. The fund receives income from the income and expenditure account to cover the cost of external insurance premiums and internal insurable risks.

The fund is reviewed to ensure it is sufficient to meet the possible liabilities from known claims

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 2013/14.

Injury Pension Reserve

To allow for the variable nature of future injury/medical retirements of Police Officers and the capital equivalent charges of these occurring, £1.184m was added in 2013/14 to fund medical retirements over the next three financial years.

Airwaves Project

This reserve was released in 2012/13.

Workforce Modernisation

This reserve was used during 2012/13 as planned.

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.

Neighbourhood Policing

This specific funding will be utilised for Neighbourhood Policing in future years as the need arises.

Specials

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

Air Support Unit

This reserve was released in 2012/ 2013.

Tactical Training Centre

The Tactical Training Centre has reserves that total £96k which are held by the PCC for Durham, PCC's share of these reserves total £48k.

Development Fund

Funding carried forward to support operational development projects as directed by the Chief Constable in collaboration with the PCC.

Invest to Save

Funding set aside to allow the PCC Group to invest in resources or people to generate process improvements that will in turn generate savings in future years.

Devolved Budget Carry Forwards

Two small carry forwards were approved by the Police Authority in 2011/12 and have therefore been moved into this reserve to be utilised at a later date.

Estates Reserve

This reserve is for costs associated with the on-going Estates review.

PCC Transition Reserve

These funds were set aside to contribute towards the cost of any transition required as a result of the proposals set out within the Policing in the 21st Century paper. Now that the transition has been complete the reserve has been released in 2013/14.

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.

Risk Reserve

A reserve set up in 2012/13 to mitigate against future risks of the group but this has been released in 2013/14.

Job Evaluation Reserve

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

Innovation Reserve

A reserve set up in 2013/14 to provide funds for costs in relation to the internal costs of the implementation of projects supported by successful Innovation Fund bids.

Victims and Witness Scheme

A fund to be released by the PCC as spend is incurred on this initiative.

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.

9. OTHER OPERATING EXPENDITURE

2012/2013 £000		2013/2014 £000
429	Levies	504
484	Gains/losses on disposal of Non-current Assets	1,071
913	Total Other Operating Expenditure	1,575

10. FINANCING AND INVESTMENT INCOME & EXPENDITURE

2012/2013 £000		2013/2014 £000
4,129	Interest payable and similar charges	4,062
43,519	Net interest on defined benefit liability	44,474
(62)	Interest receivable and similar income	(38)
47,586	Total Finance and Investment Income and Expenditure	48,498

11. TAXATION & NON SPECIFIC GRANT INCOME

2012/2013 £000		2013/2014 £000
(844)	Revenue Support Grant	0
(42,761)	National Non Domestic rates	(42,299)
(48,270)	Police Grants	(51,049)
(33,632)	Precepts	(27,746)
0	Local Council Tax Support	(6,846)
375	Capital Grants and Contributions	(1,189)
(125,132)	Total Taxation and Non Specific Grant Income	(129,129)

12. NON CURRENT ASSETS

	Land and Buildings £000	PFI £000	Vehicles £000	Plant and Equipment £000	Non - Operational £000	Total £000
Gross book value at 1 April 2013	22,840	31,759	4,545	20,930	1,349	81,423
Gross Book Prior Year Adjustments		-				-
Accumulated depreciation	(2,043)	(3,078)	(2,597)	(14,812)		(22,530)
Prior Year Adjustments	314	67	2		-	382
Net Book Value at 1 April 2013	21,111	28,748	1,950	6,118	1,349	59,276
Adjustments to opening balances						-
Net Book Value at 1 April 2013	21,111	28,748	1,950	6,118	1,349	59,276
Additions	74	666	533	861	904	3,038
Reclassification	(252)	252	62	604	(666)	-
Disposals	(1,389)		(633)	(435)		(2,457)
Revaluations : Revaluation Reserves	(90)					(90)
Revaluations : Surplus / Deficit	(3,409)	(2,927)				(6,337)
Assets Reclassified (to)/From Assets Held for sale	(5,640)					(5,640)
Book value at 31 March 2014	10,404	26,739	1,912	7,148	1,587	47,790
Depreciation for 2013/14	(301)	(774)	(603)	(1,847)	-	(3,525)
Depreciation on Disposals 2013/14	332	(0)	440	428		1,201
Revaluations : Revaluation Reserves	149			-	-	149
Revaluations : Surplus / Deficit	2,180	3,785				5,965
Net Book Value at 31 March 2014	12,764	29,750	1,750	5,729	1,587	51,580

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 2014, the PCC Group was contractually committed to capital works which amounted to approximately £2.753m.

Revaluations

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

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

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

13. INVESTMENT PROPERTIES

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

14. 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.

	Intangibles
	£000
Balance at 1 April 2013	8,670
Prior Year Adjustments	-
Accumulated Amortisation	(2,130)
Prior Year Adjustments	
Net Carrying Amount 31st March 2013	6,540
Additions	74
Reclassification	
Disposals	(886)
Revaluations	-
Amortisation on Disposals	886
Amortisation for 2013/14	(871)
Net Carrying amount at 31 March 2014	5,743
Gross Carrying Amounts	7,858
Accumulated Amortisation	(2,115)

15. 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-monthly throughout the year.

31 March 2013 £000		31 March 2014 £000
	Long Term Assets:	
-	Long Term Investments	-
1,924	Long Term Debtors	1,309
1,924		1,309
	Short-Term Assets:	
-	Short Term Investments	-
3,300	Cash and Cash Equivalents	4,461
3,300		4,461
	Debtors:	
5,017	Government Departments	6,466
2,026	Other Local Authorities	792
1,748	Other Debtors	863
(15)	Less provision for doubtful debts	(7)
8,777		8,114
	Short-Term Liabilities:	
(3,760)	Short Term Loans	(1,340)
-	Bank current Accounts	-
(3,760)		(1,340)
	Creditors:	
(790)	Government Departments	(273)
(1,579)	Inland Revenue/ Customs and Excise	(1,830)
(722)	Other Local Authorities	(521)
(8,031)	Sundry Creditors	(4,400)
(11,122)		(7,024)
	Long Term Liabilities:	
(20,600)	Long Term Borrowing	(19,260)
(29,534)	PFI Liabilities	(28,666)
(50,134)		(47,926)

31 March 2013		31 March 2014
4,129	Interest Expense	4,062
(62)	Interest Income	(38)
4,067	Net (gain)/loss for the year	4,024

Cost 31 March 2014 £000	Long Term Borrowing Maturity Period	Fair Value 31 March 2014 £000
(1,100)	1/2 years	(1,172)
(2,616)	2/5 years	(2,916)
(15,544)	5/10 years	(17,490)
-	Over 10 years	-
(19,260)	Total Long Term Loans	(21,578)

16. INVENTORIES

31 March 2013 £000		31 March 2014 £000
	Uniforms	Uniforms
77	Opening Balance	89
78	Purchases	69
(66)	Recognised in Year	(78)
89	Closing Balance	80

17. SHORT TERM DEBTORS

31 March 2013 £000		31 March 2014 £000
5,017	Government Departments	6,466
2,448	Other Local Authorities	1,388
1,748	Other Debtors	863
9,213		8,717
(15)	Less: Provision for doubtful debts	(7)
9,198		8,710
4,882	Add: Payments in Advance	770
14,080	Total Debtors	9,480

18. CASH AND CASH EQUIVALENTS

31 March 2013 £000		31 March 2014 £000
131	Cash held by the PCC	109
3,169	Bank current Accounts	4,352
0	Short-term deposits	0
3,300	Total Cash and Cash Equivalents	4,461

19. ASSETS HELD FOR SALE

	Land and Buildings £000	Total £000
Balance Outstanding 1st April 2013	-	-
Asset newly classified as held for sale	5,640	5,640
Revaluation Losses	-	-
Revaluation Gains	11,849	11,849
Impairment Losses	-	-
Balance outstanding at 31st March 2014	17,489	17,489

20. SHORT TERM CREDITORS

31 March 2013 £000		31 March 2014 £000
(790)	Government Departments	(273)
(1,579)	Her Majesty's Revenue & Customs (HMRC)	(1,830)
(722)	Other Local Authorities	(558)
(2,639)	Accumulated Compensated Absences Creditor	(2,062)
(8,031)	Sundry Creditors	(4,400)
(13,761)	Sub total	(9,124)
(278)	Add: Income in Advance	(268)
(14,039)	Total Creditors	(9,392)

21. PROVISIONS

Provision Description	Balance at 31 March 2013 £000	Additions In 2013/14 £000	Applications Out 2013/14 £000	Balance at 31 March 2014 £000
Staff & PCSO ER/VR	-	(137)	-	(137)
Special Policing Services	(159)	0	159	0
Insurance	(190)	(106)	190	(106)
Total	(349)	(243)	349	(243)

Staff Pay & PCSO ER/VR

This provision has been set up for ER/VR payments which are committed to and calculated but payment falls after the 31st March 2014.

Special Policing Service

As a result of a legal decision, there was a probability that funds previously received for Special Policing Services would need to be reassessed. As no action has been taken in 2013/14, this provision has been released in 2013/14.

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.

22. 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.

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.

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:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2012/2013 Restated £000	2013/2014 £000	2012/2013 Restated £000	2013/2014 £000	2012/2013 Restated £000	2013/2014 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	2,745	2,047	27,324	26,088	30,069	28,135
Curtailment/settlements	-	-	-	-	-	-
Past service cost	-	29	-	-	-	29
Change to accounting policies	-	-	-	-	-	-
Financing and Investment Income and Expenditure						
Interest cost	3,241	3,392	42,673	43,731	45,914	47,123
Expected return on assets	(2,395)	(2,649)	-	-	(2,395)	(2,649)
Other investment Income	-	-	-	-	-	-
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	3,591	2,819	69,997	69,819	73,588	72,638
Other post employment Benefit Charged to the CIES						
Return on Plans asset	(5,479)	4,889	-	-	(5,479)	4,889
Actuarial (gains) /losses : Financial Assumptions	1,552	(2,227)	29,733	(4,196)	31,285	(6,423)
Actuarial (gains) /losses: Demographic assumptions	-	1,649	-	25,776	-	27,425
Actuarial (gains) /losses : liability experience	(63)	(8,360)	(1,799)	1,279	(1,862)	(7,081)
Total Post employment Benefit Charged to the CIES	(399)	(1,230)	97,931	92,678	97,532	91,448
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	(3,591)	(2,819)	(69,997)	(69,819)	(73,588)	(72,638)
Actual amount charged against General fund balances for pensions in the year:						
Contribution in year	1,415	1,393	15,903	14,794	17,318	16,187
Unfunded Pensions Payments	24	-	-	-	24	-

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

	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		Total	
	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000	31/03/13 £000	31/03/14 £000
Estimated funded liabilities in scheme	77,441	72,507	-	-	-	-	-	-	77,441	72,507
Estimated unfunded liabilities in scheme	338	401	919,017	971,213	58,935	63,140	32,037	35,732	1,010,327	1,070,486
Estimated assets in scheme	60,200	57,952	-	-	-	-	-	-	60,200	57,952
Net Liability	17,579	14,956	919,017	971,213	58,935	63,140	32,037	35,732	1,027,568	1,085,041

Note 23 contains details of the assumptions made in estimating the figures included in this note.

23. PENSIONS LIABILITY

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

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March 2014 are as follows:

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,085.0m 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 £1,053.8m. 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 2013.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/13	31/03/14	31/03/13	31/03/14
Rate of inflation (RPI)	3.4%	3.4%	3.4%	3.4%
Rate of inflation (CPI)	2.5%	2.4%	2.5%	2.4%
Rate of increase in salaries	4.4%	3.9%	4.4%	3.9%
Rate of increase in pensions	2.5%	2.4%	2.5%	2.4%
Rate for discounting scheme liabilities	4.4%	4.3%	4.4%	4.3%

	Mortality Assumptions					
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Males	Females	Males	Females	Males	Females
Retiring today	22.90	25.40	22.90	25.20	22.90	25.20
Retiring in 20 years	25.10	27.70	25.10	27.50	25.10	27.50

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

	Assets at 31 March 2013		Assets at 31 March 2014		Asset Split as at 31 March 2014	
	£000	%	£000	%	Quoted	Unquoted
Equities	46,595	77.4%	46,941	81.0%	79.1%	1.9%
Gilts	4,334	7.2%	1,101	1.9%	1.9%	0.0%
Bonds	1,204	2.0%	2,666	4.6%	4.6%	0.0%
Property	3,191	5.3%	3,014	5.2%	0.7%	4.5%
Cash	3,130	5.2%	3,014	5.2%	5.2%	0.0%
Other	1,746	2.9%	1,217	2.1%	1.8%	0.3%
Total	60,200	100.0%	57,952	100.0%	93.3%	6.7%

	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme	
	Year to 31/03/13	Year to 31/03/14	Year to 31/03/13	Year to 31/03/14	Year to 31/03/13	Year to 31/03/14	Year to 31/03/13	Year to 31/03/14
	£000	£000	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	5,479	(4,889)	15,772	18,764	0	0	(874)	(976)
Experience Gains and Losses Arising on the Scheme Liabilities	0	0	0	0	0	0	0	0
Other Experience Gains/(Losses) on Liabilities	0	0	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(1,489)	8,938	(25,950)	(22,382)	(1,723)	(1,276)	(261)	799
Actuarial Gain/(Loss) in Pension Plan	3,990	4,049	(10,178)	(3,618)	(1,723)	(1,276)	(1,135)	(177)
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0	0	0
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	3,990	4,049	(10,178)	(3,618)	(1,723)	(1,276)	(1,135)	(177)
Effect of Change in Accounting Methodology	0	0	0	0			0	0

Asset and Benefit Obligation Reconciliation								
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme	
	Year to 31/03/13 £000	Year to 31/03/14 £000	Year to 31/03/13 £000	Year to 31/03/14 £000	Year to 31/03/13 £000	Year to 31/03/14 £000	Year to 31/03/13 £000	Year to 31/03/14 £000
Opening Defined Benefit Obligation	71,222	77,779	861,228	919,017	54,233	58,935	27,398	32,037
Current Service Cost	2,745	2,047	22,756	21,713	2,346	2,288	2,222	2,087
Interest Cost	3,241	3,392	38,938	39,748	2,453	2,552	1,282	1,431
Actuarial losses (gains)	1,489	(8,938)	25,950	22,382	1,723	1,276	261	(799)
Losses (gains) on curtailments	0	0	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(1,544)	(2,019)	(35,562)	(37,583)	(1,820)	(1,911)	31	82
Past Service Cost	0	29	0	0	0	0	0	0
Contribution by Scheme participants	650	618	5,707	5,936	0	0	843	894
Additional Employer Contributions	0	0	0	0	0	0	0	0
Unfunded pension payments	(24)	0	0	0	0	0	0	0
Closing Defined Benefit Obligation	77,779	72,908	919,017	971,213	58,935	63,140	32,037	35,732

Opening fair value of Scheme assets	51,806	60,201	0	0	0	0	0	0
Expected return on Scheme assets	2,395	2,649	0	0	0	0	0	0
Actuarial gains (losses)	5,479	(4,889)	15,772	18,764	0	0	(874)	(976)
Contributions by employer including unfunded benefits	1,439	1,393	14,083	12,883	1,820	1,911	0	0
Contributions by Scheme participants	650	618	5,707	5,936	0	0	843	894
Change to Accounting Policies	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(1,568)	(2,019)	(35,562)	(37,583)	(1,820)	(1,911)	31	82
Gain on Settlement	0	0	0	0	0	0	0	0
Fair Value of Scheme Assets at end of Period	60,201	57,953	0	0	0	0	0	0

Reconciliation of Opening and Closing Net Obligation								
Opening Surplus / (Deficit)	(19,416)	(17,578)	(861,228)	(919,017)	(54,233)	(58,935)	(27,398)	(32,037)
Current Service Cost	(2,745)	(2,047)	(22,756)	(21,713)	(2,346)	(2,288)	(2,222)	(2,087)
Contributions by employer including unfunded benefits	1,439	1,393	14,083	12,883	1,820	1,911	0	0
Contributions by Scheme participants	0	0	0	0	0	0	0	0
Past Service Costs	0	(29)	0	0	0	0	0	0
Interest Costs	(3,241)	(3,392)	(38,938)	(39,748)	(2,453)	(2,552)	(1,282)	(1,431)
Expected return on Scheme assets	2,395	2,649	0	0	0	0	0	0
Gain on Settlement	0	0	0	0	0	0	0	0
Actuarial (losses) gains	3,990	4,049	(10,178)	(3,618)	(1,723)	(1,276)	(1,135)	(177)
Fair Value of Scheme Assets/ (Liabilities) at end of Period	(17,578)	(14,955)	(919,017)	(971,213)	(58,935)	(63,140)	(32,037)	(35,732)

Projected Pension Expense for the year to 31 March 2015:

	Local Government Pension Scheme	1987 Police Pension Scheme	Injury Awards	2006 Police Pension Scheme
	Year to 31/03/15	Year to 31/03/15	Year to 31/03/15	Year to 31/03/15
	£000s	£000s	£000s	£000s
Service cost	1,624	21,237	2,265	1,928
Net Interest cost	621	41,071	2,673	1,558
Total	2,245	62,308	4,938	3,486

The table below details the approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and projected service cost for the year ending 31 March 2015.

Funded LGPS benefits	Sensitivity Analysis	
	+0.1% per Annum	-0.1% per Annum
Discount Rate Assumptions		
Present Value of total obligation (£m's)	71,020	74,026
% change in present value of total obligation	-2.1%	2.1%
Projected Service cost (£M's)	1,569	1,681
Approx % change in projected service cost	-3.4%	3.5%
Rate of General increase in Salaries		
Present Value of total obligation (£m's)	72,864	72,155
% change in present value of total obligation	0.5%	-0.5%
Projected Service cost (£M's)	1,362	1,324
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 (£m's)	73,660	71,381
% change in present value of total obligation	1.6%	-1.6%
Projected Service cost (£M's)	1,683	1,567
Approx % change in projected service cost	3.6%	-3.5%
Post retirement mortality assumption		
Present Value of total obligation (£m's)	73,972	71,032
% change in present value of total obligation	2.0%	2.0%
Projected Service cost (£M's)	1,674	1,574
Approx % change in projected service cost	3.1%	-3.1%

24. LEASED ASSETS – RENTALS

The PCC Group has leased photocopying/printing equipment which is an operating lease. The current operating lease expires June 2013. A new leased arrangement was entered into for photocopying/printing equipment covering the period 24 month period from June 2013 to May 2015.

	Finance Leases £000	Operating Leases £000
Total Rentals paid in 2013/2014	0	40
Outstanding undischarged Leasing Obligations.		
2014/2015	0	15
2015/2016	0	11

The PCC Group 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 Group 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.

25. OFFICERS' EMOLUMENTS

During the financial year 2013/2014, the numbers of senior police officers (above the rank of Superintendent) and staff whose remuneration, excluding employers' pension contributions and compensation for loss of office, was £50,000 or more in bands of £5,000 were:

2012/2013	Remuneration Band	Number of staff		
		Police Officers	Support Staff	Total
2	£50,000 - £54,999	0	1	1
1	£55,000 - £59,999	0	1	1
2	£60,000 - £64,999	0	1	1
2	£65,000 - £69,999	0	4	4
1	£70,000 - £74,999	0	0	0
2	£75,000 - £79,999	2	0	2
3	£80,000 - £84,999	0	1	1
2	£85,000 - £89,999	2	1	3
1	£90,000 - £94,999	1	0	1
0	£95,000 - £99,999	1	0	1
2	£100,000 - £104,999	0	0	0
2	£105,000 - £109,999	0	0	0
0	£110,000 - £114,999	0	0	0
2	£115,000 - £119,999	2	0	2
0	£120,000 - £124,999	0	0	0
0	£125,000 - £129,999	0	0	0
0	£130,000 - £134,999	0	0	0
0	£135,000 - £139,999	0	0	0
0	£140,000 - £144,999	0	0	0
0	£145,000 - £149,999	1	0	1
22	Total	9	9	18

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:

Remuneration Disclosure 2013/14:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 13/14	Pension Contributions
	£	£	£	£	£	£	£	£	£
Chief Constable - J Cheer	145,149	144,343	0	0	0	2,973	0	147,316	35,471
The PCC	70,000	70,000	0	0	0	0	0	70,000	10,010
DCC	110,880	93,863	0	0	0	1,603	0	95,466	22,067
ACC	113,602	113,602	0	0	0	2,610	0	116,212	25,969
ACC	106,063	106,063	0	7,779	0	0	3,432	117,274	25,289
CFO: CC	95,808	44,473	0	1,333	0	0	0	45,806	6,359
CFO: CC	84,348	35,145	0	0	0	0	0	35,145	7,036
CFO : PCC	85,212	85,212	0	0	0	0	0	85,212	12,182

The statutory position of PCC Chief Executive and Monitoring Officer was fulfilled by an officer on secondment from Middlesbrough Council into the role of Chief of Staff. The costs of this arrangement during 2013/14 were £114,103.

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

Remuneration Disclosure 2012/13:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 12/13	Pension Contributions
	£	£	£	£	£	£	£	£	£
Chief Constable - S Price	135,138	77,852	0	0	0	6,120	0	83,972	0
The PCC	70,000	25,083						25,083	3,587
Chief Executive	90,000	75,000	0	0	81,520	0	0	156,520	170,148
DCC	117,117	117,117	0	0	0	0	0	117,117	26,482
ACC	113,088	113,088	0	0	0	5,293	0	118,381	25,604
ACC	106,502	106,502	0	296	0	2,734	0	109,532	25,471
ACC (Temporary)	99,556	99,556	0	8,496	0	0	0	108,052	23,410
ACO	95,808	95,808	0	8,000	0	0	0	103,808	13,701
Deputy Chief Executive / Treasurer	83,514	83,514	0	0	0	0	0	83,514	11,804

From the 22nd November 2012 the statutory position of PCC Chief Executive and Monitoring Officer was fulfilled by an officer on secondment from Middlesbrough Council into the role of Chief of Staff. The costs of this arrangement to the 31st March 2013 were £40,888

The Treasurer and Deputy Chief Executive roles were combined on 1st February 2012.

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

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

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

26. TERMINATION BENEFITS

In the financial year the PCC paid termination benefits (including pension costs) totalling £519k affecting 27 individuals within the organisation; provision was created for a further 11 individuals totalling £137k.

Banding	Number of staff			Total cost of Exit package each band
	Number Compulsory Redundancies	Number of Other departures	Total Number of departures	
£0 - £20,000	1	17	18	£197,700
£20,001 - £40,000	0	6	6	£176,708
£40,001 - £60,000	0	2	2	£93,123
£60,001 - £80,001	0	1	1	£51,205
Total	1	26	27	£518,736

27. MEMBERS ALLOWANCES

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

2012/2013 £000		2013/2014 £000
126	Allowances for approved duties	10
1	Travel and Subsistence	0
127	Total Members Allowances	10

The 2012/13 members allowance payments of £127k comprises payments to the Members of the Former Police Authority of £124k and payments to the newly formed Audit Committee Members to support the PCC of £3K. The full year cost of the Audit Committee Members for 2013/2014 was £10K.

28. RELATED PARTIES

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.

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
Police Grant	51,049
NNDR	42,300
Pension Top up Grant	18,190
PFI Grant	4,106
Capital Grant	1,189
PCC Community Safety	1,698
Dedicated Security Posts Funding	1,176
Home Office Special Grant	870
Innovation Grant	455
Capital Financing Grant	243
PCC Victim & Witness	205

During 2013/14 no-one has declared related parties interests.

29. PRIVATE FINANCE INITIATIVE

As at the end of 2013/14 the PCC Group has 2 long term contracts under the Private Finance Initiative.

The contract for the Tactical Training Centre for Urlay Nook (referred as Urlay Nook) was entered into in April 2000 with payments commencing in April 2001.

The contract expires in 2025/6.

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 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:

	Urlay Nook		Action Stations	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	4,687	(4,715)	23,994	(24,819)
Movements:				
Depreciation	(129)	0	(665)	0
Lifecycle maintenance	148	0	518	0
Revaluation / Reclassification	45	0	1,153	
Principal repayment	0	173	0	695
Balance c/f	4,750	(4,542)	25,000	(24,124)

	Urray Nook		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	634	820	256
2 to 5 years	3,350	2,994	787
6 to 10 years	3,882	3,508	2,211
11 to 15 years	1,644	1,137	1,288

	Action Stations		
	Services £000s	Finance Cost £000s	Principal Repayment £000s
Within 1 year	1,928	2,378	803
2 to 5 years	8,551	8,997	3,580
6 to 10 years	13,719	9,160	5,213
11 to 15 years	15,278	7,012	7,898
16 to 20 years	8,670	2,848	6,630

30. AUDIT COSTS

In 2013/14 the PCC Group incurred the following fees for external audit services:

2012/2013 £000		2013/2014 £000
68	Fees payable to external audit with regard to external audit services carried out by the appointed auditor	65
1	Fees payable to external audit in respect of additional services requested	1
0	Refund of Fees for prior year	(10)
69	Total Audit Costs	56

31. INFORMATION ON ASSETS HELD

Analysis of Assets	2012/2013	2013/2014
<u>Buildings</u>		
Police Headquarters	1	1
Operational Police Stations	10	10
Non-Operational Police Stations	0	0
Radio Mast site	1	1
Total	12	12
<u>Vehicles</u>		
Cars	190	192
Vans	73	74
Other Vehicles	20	13
Total	283	279

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

32. CAPITAL EXPENDITURE IN THE YEAR AND SOURCES OF FINANCE

31 March 2013 £000	Capital Expenditure and Financing	31 March 2014 £000
	Capital Investment:	
4,600	Property, Plant and Equipment	3,038
122	Intangible Assets	74
-	Revenue Expenditure Funded from Capital under Statute	-
4,722	Total Capital Investment	3,112
	Sources of Finance:	
(41)	Capital Receipts	-
(1,325)	Government Grants and Contributions	(1,168)
(126)	Other Grants and Contributions	(141)
(720)	Direct Revenue Contributions	(1,043)
(872)	Supported Borrowing	(760)
(1,638)	Unsupported Borrowing	-
(4,722)	Total Finance	(3,112)

33. BORROWING

Interest rates vary between 3.24% and 5.08%. The weighted average rate is 4.29%

31 March 2013 £000		31 March 2014 £000
	Public Works Loans Board	
(3,760)	Due in the next Financial Year	(1,340)
(20,600)	Long Term Loans	(19,260)
(24,360)	Total Borrowing	(20,600)

31 March 2013 £000	Maturity Period	31 March 2014 £000
(1,340)	1/2 years	(1,100)
(2,844)	2/5 years	(2,616)
(13,916)	5/10 years	(15,544)
(2,500)	Over 10 years	-
(20,600)	Total Long Term Loans	(19,260)

34. PROCEEDS OF CRIME ACT 2002

The PCC Group is holding cash at bank totalling £0.598m in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

35. AGENCY SERVICES

Consortium Charges

The PCC Group has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2013/14 amounted to £0.370m (£0.369m in 2012/13).

Urlay Nook Tactical Training Centre

The Urlay Nook Tactical Training Centre which is jointly run by Cleveland PCC and Durham PCC has reserves as at the 31st of March 2014 of £0.096m which sits with Durham but of which £0.048m is Cleveland PCC Group's share.

Roads Policing Unit

The Roads Policing Unit, which is jointly run by Cleveland PCC and Durham PCC, has no reserves as at the 31st of March 2014.

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 2013/14 was £1.437m.

North East Regional Special Operations Unit (NERSOU)

The PCC group has an agency agreement with the North East Regional Special Operations Unit (NERSOU, effective from 1st October 2013) to provide regional assets to address serious and organised crime. The contribution in 2013/14 was £0.291m.

Other National Police Services

The PCC Group made a subscription payment for the Police National Computer and Database of £0.504m in 2013/14 (£0.429m in 2012/13).

36. RECONCILIATION OF YEAR-END POSITION TO SURPLUS/DEFICIT ON PROVISION OF SERVICES

Reconciliation to (Surplus) or Deficit on Provision of Service:	
Net (Under)/Over spending	(6)
<i>Adjustments between accounting basis and funding basis:</i>	
Minimum Revenue Provision	(1,958)
Depreciation & Amortisation	4,767
Loss/(Gain) on the sale of non current assets	1,134
Net change in Pension Liability	72,638
Employers Pension Contributions	(16,187)
Recognition of capital grants	(1,189)
Movement in Accumulated Absences creditor	(577)
Movement in Precept debtor	(138)
Rounding	1
<i>Transfers (to)/from Reserves:</i>	
Transfer (to)/from General Fund	421
Other transfers (to)/from reserves	(4,862)
(Surplus) or Deficit on Provision of Service	<u>54,044</u>

37. RECONCILIATION OF SURPLUS/DEFICIT ON PROVISION OF SERVICE TO NET COST OF SERVICES

Reconciliation to Net Cost of Services:	
(Surplus) or Deficit on Provision of Service	54,044
<i>Taxation and non-specific grant income:</i>	
Capital Grants	1,189
Local Council Tax Support	6,846
Precept	27,746
Police Grant	51,049
National Non Domestic Rates	42,300
Revenue Support Grant	0
Pension Fund top-up grant	0
<i>Financing & Investment income and Expenditure:</i>	
Interest receivable and similar income	38
Pension interest cost & expected return on pension assets	(44,474)
Interest payable and similar charges	(4,062)
<i>Other Operating Expenditure:</i>	
(Loss)/Gain on the sale of non current assets	(1,071)
Levies	(504)
Roundings	(1)
Net Cost of Services	<u>133,100</u>

38. USABLE RESERVES

Description of Reserve	31 March 2013 £000	Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2014 £000
Insurance Fund	(1,675)	0	0	(1,675)
Earmarked Reserves	(1,228)	(4,719)	826	(5,121)
Revenue Grants Unapplied Reserve	(463)	(296)	372	(387)
Capital Grants Unapplied Reserve	(259)	(1,189)	1,309	(140)
Capital Receipts Unapplied Reserve	(16)	(122)	0	(137)
General Fund	(7,446)	(6)	421	(7,031)
Total Usable Reserves	(11,087)	(6,332)	2,928	(14,491)

Earmarked Reserves – Please see Note 8 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.

39. UNUSABLE RESERVES

Description of Reserve	31 March 2013 £000	Additions in Year £000	Reductions in Year £000	31 March 2014 £000
Revaluation Reserve	(815)	(11,910)	0	(12,725)
Available for Sale Financial Instruments Reserve	0	0	0	0
Capital Adjustment Account	(7,244)	(2,353)	4,069	(5,527)
Financial Instruments Adjustment Account	0	0	0	0
Deferred Capital Receipts Reserve	0	0	0	0
Pension Reserve	1,027,568	(53,765)	111,238	1,085,041
Collection Fund Adjustment Account	(422)	(559)	422	(559)
Accumulated Absence Reserve	2,639	2,062	(2,639)	2,062
Total Unusable Reserves	1,021,727	(66,525)	113,090	1,068,291

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.

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.

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.

40. CAPITAL ADJUSTMENT ACCOUNT

31 March 2013 £000		31 March 2014 £000
(9,840)	Balance at 1 April	(7,244)
-	- Transfer to Non Operational Assets	-
-	- Capital expenditure not adding to asset values	-
(385)	Prior year adjustment	4
-	- In Year adjustment	-
-	- Revaluation adjustments	372
-	- Partnership financing of Capital Expenditure	-
(720)	Revenue contribution to capital	(1,044)
2,705	MRP less Depreciation	2,437
383	Transfer from Government Grants Deferred	(1,309)
(4,013)	Capital Receipts Applied	-
4,627	Disposals	1,257
-	- Write out of Government Grants Deferred	-
(7,244)	Balance at 31 March	(5,527)

41. GRANT INCOME

31 March 2013 £000	ANALYSIS OF GRANTS	31 March 2014 £000
	Credited to Taxation and Non specific Grant Income:	
(844)	Revenue Support Grant	-
(42,761)	National Non Domestic Rates	(42,299)
(48,270)	Police Grant	(51,049)
(33,632)	Precepts	(27,746)
-	Local Council Tax Support	(6,846)
375	Capital Grants and Contributions	(1,189)
(125,132)		(129,129)
	Credited to services:	
(2,948)	Police Community Support Officers Grant	-
(941)	PFI - Urlay Nook	(941)
(1,118)	Dedicated Security Posts Funding	(1,176)
(3,165)	PFI - Action Stations	(3,165)
(249)	Drug Testing Grant	-
(257)	Capital Financing Grant	(243)
(108)	Incentivisation Grant	(298)
-	Specials Grant	-
-	PCC Community Safety	(1,698)
-	PCC Victim & Witness	(205)
(2,200)	Home Office Special Grant	(870)
(695)	Partnership Grants	(944)
(11,681)		(9,540)
(136,813)	Total Grant Income	(138,669)

These grants have all been recognised within the Income and Expenditure Statement; however £633k sits within creditors as income in advance as there is the potential this may have to be returned to the originating organisation.

42. CONTINGENT ASSETS AND LIABILITIES

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

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

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

43. AUTHORISATION OF ACCOUNTS

The Chief Finance Officer of the PCC for Cleveland has set and authorised the date of issue for the Statement of Accounts as the 23rd June 2014. This is the date that the Statement was approved by the PCC and is the date, up to which, any known events are reported.

PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

2012/13 £000	FUND ACCOUNT	2013/14 £000
	Contributions Receivable	
	From Employer	
(13,174)	Normal	(12,481)
(909)	Capital contribution due to Ill Health Early Retirement	(402)
	From Members	
(6,550)		(6,830)
	Transfers In	
(200)	Individual Transfers in from Other Schemes	(182)
	Benefits Payable	
28,539	Pensions	29,907
5,939	Commutations and Lump Sum Retirement Benefits	7,185
153	Lump Sum death benefits	191
1,366	Ill Health Lump Sum Benefits	648
	Payments to and on Account of Leavers	
1	Refunds of Contributions	0
103	Inter Authority Adjustments	76
538	Individual Transfers out to Other Schemes	78
15,806	Sub-Total for the year before transfer from the PCC to fund the deficit for the year	18,190
(15,806)	Additional funding payable by the PCC to fund the deficit for the year	(18,190)
0	Net Amount Payable/Receivable for the Year	0

£000	NET ASSETS STATEMENT	£000
	Current Assets	
246	Contributions due from Employer	262
2,213	Unpaid/Paid in Advance Pension Benefits	0
0	Amount due to Sponsoring Department	0
165	Other Current Assets & Liabilities	166

£000	NET ASSETS STATEMENT	£000
	Current Liabilities	
0	Central Government Bodies	0
280	Other Local Authorities	279
2,345	All other bodies	149

Notes to the Pension Fund

The funding arrangements for the Police Pension scheme in England and Wales changed on 1 April 2006. Before 1 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 PCCs are concerned. PCCs will no longer meet the pension outgo directly; instead they will pay an employer's pension contribution based on a percentage of pay into the Pension Fund. Each PCC 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 and employees and any difference is met by a top-up grant from the Home Office.

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 PCC Group.

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.