

Chief Constable of Cleveland

STATEMENT OF ACCOUNTS – 2022/23

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CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE

INTRODUCTION

1. CHANGES TO ACCOUNTING POLICIES

In line with IAS 8 the Authority has reviewed those standards issued but not yet adopted by the code and has concluded that they are not applicable. Therefore, there are no changes to the accounting policies for the 2022/23 financial year.

2. FURTHER INFORMATION

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The dates for which the accounts are available for inspection have been published on the Force website.

Further information may be obtained from the Director of Finance and Assets at Cleveland Police, St Marks House, St Marks Court, Stockton on Tees, TS17 6QW

Ian Wright
Director of Finance and Assets

STATEMENT OF RESPONSIBILITIES

The Chief Constable's Responsibilities

The Chief Constable as a Corporation Sole is required to:

- Make arrangements for the proper administration of the Force's financial affairs and to ensure that one of the Force's officers has the responsibility for the administration of those affairs. That officer is the Director of Finance and Assets of the Chief Constable.
- Manage the Force's affairs to secure economic, efficient and effective use of resources and safeguard the assets under his operational control.

The Chief Finance Officer's Responsibilities

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

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

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

DECLARATION

The Statement of Accounts gives a true and fair view of the financial position of the Chief Constable as a Corporation Sole at the accounting date and the Force's income and expenditure for the year ended 31st March 2023.

Signature:

Date:

Director of Finance and Assets to the Chief Constable

Signature:

Date:

Chief Constable for Cleveland Police

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

Report on the audit of the financial statements.

Opinion on the financial statements.

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NARRATIVE STATEMENT (PERFORMANCE/FINANCIAL REVIEW)

1. INTRODUCTION

This Foreword provides an overview of the accounting arrangements of the Police and Crime Commissioner for Cleveland and the Chief Constable (CC) of Cleveland Police.

In November 2012 the office of elected Police and Crime Commissioner (PCC) was established. At the same time the CC was established in law as a separate Corporation Sole.

The primary function of the PCC is to ensure an efficient and effective police service and to hold the CC to account on behalf of the public. The PCC is the recipient of all funding relating to policing and crime reduction, including government grant, precept and all other sources of income.

In turn the CC is responsible for maintaining the King's Peace and has direction and control over the Force's officers and staff. The CC holds office under the Crown but is appointed by the PCC. The CC operates within an annual budget set by the PCC in consultation with him. A scheme of consent is in operation between the two determining their respective responsibilities.

On the 1st April 2014 the PCC transferred designated staff to the employment of the CC under Stage 2 of the Police Reform and Social Responsibility Act.

The accounting arrangements between the PCC and CC during the financial year 2022/23 are that the accounts of the CC are integrated into the group accounts of the PCC. The PCC is responsible for the finances of the whole group and controls all assets, liabilities and reserves. The PCC receives all income and funding and makes all payments for the group.

2. THE STATEMENT OF ACCOUNTS

This Statement of Accounts covers the financial year ended 31st March 2023 and has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

The CC spends funds on providing Policing Services on behalf of the PCC. To prepare the annual statements of the CC as a Corporation Sole within the overall group accounts of the PCC, two critical judgements in the application of accounting policies have been made and applied in respect of assets.

Firstly, within group accounts one entity must have 'control' over another. The PCC is, therefore, deemed to have 'control' over the CC and, hence, the substance of the asset control sits with the PCC. This is distinct from the operational control exercised by the CC. Consequently, all assets are shown in the accounts of the PCC rather than those of the CC.

Secondly, an asset is an item from which economic benefit is expected to flow to the entity. Economic benefit within the public sector must be measured by a change in General Fund balance due to the absence of profit-making activities. As the General Fund must be held by the PCC, and therefore, all movements shown in the Movement on Reserves Statement of the PCC, then any economic benefit must be deemed to be flowing to him.

In addition, regarding assets, the following apply:

- The CC is not allowed to borrow or have bank accounts and, therefore, these must sit with the PCC. Neither, can the CC hold any reserves and, therefore, under the matching concept, assets funded by borrowing and reserves should be in same set of books.
- Under legislation land must be owned and accounted for by the PCC. By controlling the land and, therefore, its sale, the PCC can be deemed to control the building which is located upon it.
- All contracts including PFI contracts are held by the PCC and, therefore, the assets and liabilities associated must be owned and accounted for by the PCC.

This results in 'nil' values for the above within the financial statements of the CC.

Regarding employees, the following judgement has also been made:

- In accordance with International Accounting Standard (IAS) 19 – Employee Benefits (IAS19), pension costs in respect of Police Officers and Police Staff employed by the CC are recorded in the accounts of the CC. These are then reversed out via the Movement on Reserves Statement. The CC also records the value of pension liability in the Balance sheet.

In order to show a cost associated with the overall operational activities of the Force, a Comprehensive Income & Expenditure Account is shown with an allocation of costs from the PCC being offset by funding provided by the PCC to an equal and opposite amount. The Net cost of service represents the IAS19 charges which are funded by the PCC on consolidation.

The Statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) are detailed below along with the objective of each statement:

Comprehensive Income and Expenditure Statement – This statement shows both the allocation of funding from the PCC and costs incurred by the Force in discharging its functions. In practice all funding is received, and the respective payments made, by the PCC. The balance on the comprehensive income and expenditure statement represents the impact of the pension obligations in line with accounting standard IAS19.

Movement in Reserves Statement – This statement shows the movement in the year on the different reserves. The CC holds the reserves in respect of pension liability and the movements are included within this statement in line with the accounting standard IAS19.

Balance Sheet – The Balance Sheet shows the value of the assets and liabilities as at 31st March 2023. These are the assets or liabilities in respect of the Police Pension Fund / Scheme and Local Government Pension Scheme in line with the accounting standard IAS19. Assets used by the CC in the delivery of policing services are held in the PCC's accounts and are charged for in the Comprehensive Income and Expenditure Statement.

Cash Flow Statement – The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. However, as the PCC receives all income and funding and makes all payments for the Group from the PCC Police Fund, there are no cash flows for the CC. The costs of the operational activities undertaken by the CC are detailed in the Comprehensive Income and Expenditure Statement.

3. THE CHIEF CONSTABLE FOR CLEVELAND REVENUE POSITION

The Annual Statement of Accounts includes statutory technical adjustments that are not required to be reported against during the financial year such as IAS 19 Pension adjustments. It is therefore necessary to provide an audit trail of how the annual statements relate to the financial position reported throughout the year in the Corporate Financial Monitoring Reports. These reports are published throughout the year on the OPCC website following reviews by the Force's Executive Management Board and scrutinised at the PCC's scrutiny, delivery and performance meeting.

The following tables illustrate the difference between the two reporting mechanisms for transparency.

1) Management Accounts summary of the final outturn position of the CC: Table 1 below: -

	Original 2022/23 Budget	Revised 2022/23 Budget	Year End 2022/23 Position	Outturn
<u>Police Force Planned Expenditure</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Police Pay	82,926	83,147	82,090	(1,057)
Police Overtime	2,364	3,712	4,177	465
Police Community Support Officer Pay	3,830	3,754	3,522	(232)
Staff Pay	33,203	32,516	33,089	573
Non-Pay	28,992	30,624	32,421	1,797
Total Planned Expenditure	151,315	153,753	155,299	1,546

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

	£000's
Total Comprehensive Income and Expenditure	(572,246)
Actuarial Gains / /loss on Pension Schemes:-	
Local Government Pension Scheme	90,376
Police Pension 1987	380,881
Injury Awards	25,313
Police Pension 2006	30,542
Police Pension 2015	120,957
(Surplus) or Deficit on Provision of Service	75,823
Net change in Pension Liability	(92,749)
Employers Pension Contributions	16,926
Charge to Insurance Provision (funded by OPCC)	899
Resources Received from the PCC	647
Outturn	1,546

Key Issues 2022 / 2023

Pay Budgets

Police Pay

The Police pay and allowances budget represents 54% of the total Force budget and includes the costs associated with employees pay, allowances for example: Dog handler's allowances and expenses. It also covers the costs associated with employing Officers, employer's pension contributions and national insurance contributions.

The Force has budgeted for an establishment of 1,472 FTE in the budget year. In addition, the Home Office have agreed that the Force can recruit an additional 20 officers above our uplift target of 240 FTE. (This is above budgeted establishment as per our plans). In addition, a further request for 10 additional officers was agreed with the Home Office in a second round of "overshoot".

Excellent progress was made throughout the year and as at the 31st March we achieved an FTE of 1,487 and Headcount of 1,493 (for uplift purposes). This equates to an overshoot of 28 headcount against our uplift target.

Police Community Support Officer Pay

The Police Community Support Officers and allowances budget represents 2.6% of the total Force budget and includes the costs associated with employees pay, allowances for example: weekend working. It also covers the costs associated with employing PCSO's, employer's pension contributions and national insurance contributions.

The Force has budgeted for an average of 106 FTE in the financial year. As at the 31st March 2023 the Force employed 87 FTE.

Police Staff Pay

As at the 31st March 2022 the Force had 775 FTE on the payroll, the budgeted establishment is 940 FTE. The Staff budget was set with a 10% vacancy factor (circa 94 FTE), taking account of this reduction we still have in the region of 71 vacant posts.

As at the 31st March 2023 the FTE had increased by 47 (6.1%) to 821 FTE despite the successful recruitment into 145 positions over the year there have been by 98 leavers / other changes.

The recruitment market remains a volatile place with significant competition across both the public and private sector. This is further complicated with a skills shortage in many areas, and this is driving wage inflation.

As at the end financial year end we have an overspend of £361k. (inclusive of staff overtime). The primary reason for this position is the unfunded costs of the revised staff pay award.

The current forecast excludes the £769K underspend which was allocated from Staff / PCSO pay to provide funds for Force priorities as reported in "Update on Force underspend allocation" below.

Force Underspend Allocation of £769k

As reported in CFM 3 report and subsequent Executive management board. The Force allocated £769k of identified underspends to agreed Force priorities. These included:-

- 1) £150k to set budgets for agency staff for difficult to fill roles within ICT and enabling services.
- 2) £120K to support proactive Force operations: Operation Resolve.
- 3) £120k budget allocation to support peak demand within the Force Control Room.
- 4) £130k budget allocation for Domestic Abuse Teams and Domestic Abuse support car.

Additional budgets of £250k were allocated to Fleet, Legal and Disclosure and barring services to address in year priorities.

As at the end of the financial period we have spent £676k of the available £769k.

Force Control Room (FCR) Overtime

The Force Control Room continued to face significant challenges with recruitment and retaining staff. However, significant progress has been made throughout the year to achieve the overall staffing numbers.

To assist with the overtime pressures in the year relating to the staffing issues, we allocated a portion of the FCR pay budget to cover these costs. It was anticipated that the cost of the overtime requirement would be funded from within the units overall pay budget.

The FCR also experienced significant increase in demand during the year with some periodic spikes. Therefore, it was agreed to provide additional funds from Op Resolve (Op Assist) to help resource these pressures.

As a result, the revised budget for the year was £496k, comprising £347k from FCR establishment budget, a base overtime budget of £89k and an additional £60K from Op Resolve (Op Assist). As at the end of the year the FCR have spent £523k. Resulting in an overspend of £27k.

Training Needs Analysis (TNA)

The Force has set aside a training budget of £660k to fund the requirements of the 2022/2023 TNA. The Force had spent £560k as the end of the period and had unreceipted commitments of £70k, a total of £630k.

It should be noted that the unreceipted commitments will count against the 2023/24 budget. To mitigate this risk, we have allocated £74k to reserves.

Ill Health Retirement Budget

The Force over recent years has increased the budget to fund the pension costs associated with the Police Officer retirements which have on average costs £80k per retirement. The Force has anticipated 11 such retirements in this financial year. However, although these remain in the pipeline, the actual retirements dates have slipped due to external factors. (As a result, and to mitigate the financial year risk to next year's budget,) a transfer of £405k into the ill health retirement reserve has been completed. The reserve now amounts to £1,267k.

Major Incidents

The Force has in previous years faced significant pressures in relation to major incident budgets and associated forensic costs. At the end of the reporting period, we currently have 36 on-going investigations. As at the end of period 12 we have set budgets of £459k. Actual spend for the year is £352k. The balance of the unspent budget represents a commitment against the 2023/24 budgets.

Table 1 also highlights that the majority of both the budgeted as well as actual spend is made against pay (80.5% of budgeted expenditure in 2022/23). The Force has an annual budgeted establishment of both police officers and police staff (which includes Police Community Support Officers). The following table illustrates the budgeted establishments for both the 2022/23 and 2022/21 financial years against its available workforce as at the 31st March 2023 and the 31st March 2022.

	Budgeted Establishment 2022/23	Available Workforce @ 31/3/23	Variance to Budget 2022/2023	Budgeted Establishment 2021/22	Available Workforce @ 31/3/22	Variance to Budget 2020/2022
	FTE	FTE	FTE	FTE	FTE	FTE
Police Officers	1,472	1,487	15	1,453	1,445	-8
Police Staff*	1,046	909	-137	986	876	-110
Total	2,518	2,396	-122	2,439	2,321	-118

* Police Staff includes PCSO (106 FTE).

4. CAPITAL

The Group funded an annual capital budget for the 2022/23 financial year of £8,620k, this was revised in year to £5,510k (excluding Lifecycle costs of £1,105k associated with the PFI's). The amount of underspend against the capital budget was £89k (£385k underspend 2021/22). The group did not spend all its capital allocation resulting slippage into 2022/23 on schemes relating to vehicles, ICT and equipment. The slippage amounted to £2,532k.

The Group spent £6,526k on capital projects during the year including the PFI Lifecycle costs. The programme was fully financed from a combination of internal borrowing and capital resources in the year.

5. PENSIONS

As part of the terms and conditions of employment of its officers and designated staff, the CC offers retirement benefits. Although these will not actually be payable until employees retire, the CC has a commitment to make the payments. This is a requirement of IAS19. The commitment, therefore, needs to be recognised at the time that employees earn their future entitlement. The cost of this entitlement is recognised in the Comprehensive Income and Expenditure Account of the CC. A Pension liability of £1,320m is recorded in the Balance sheet of the CC.

6. CHANGE FROM 2021/22 POSITION

The 2022/23 statements highlight the following areas of change from the 2021/22 position:

Comprehensive Income & Expenditure Statement

Net Cost of Services (NCOS) has decreased by £4.959m. This is comprised of an decrease in the technical accounting adjustments to record the potential pension liability as at the end of the accounting period of £14.602m, an increase in Police Pay of £3.327m, increase in staff pay and PCSO pay of £2.986m and an increase of non-pay & Non distributed costs expenditure of £3.330m

Balance Sheet

The decrease in the Balance sheet of £572.246m reflects the decreased Pension liability as reported by the actuary.

7. NON-FINANCIAL PERFORMANCE DATA

Performance management strategy and measurement framework

Our performance management strategy and associated measurement framework continues to reflect NPCC guidelines. The framework is outcome driven and has been built around the Chief Constable's mission and four strategic priorities:

- Protect people
- Protect communities
- Tackle criminals
- Be the best you can be

Within the framework we have identified a number of key performance outcomes which we are able to track and monitor using a wide range of quantifiable performance indicators alongside additional qualitative evidence and insight. Through our analysis of this data, we will be able to evidence the progress we have made and identify where further improvements are still required.

Overall public confidence and perceptions of police performance

In order to deliver effective policing services to our communities, we need to ensure a high level of public confidence. Both public confidence and perceptions of police performance are measured via the Crime Survey for England and Wales (CSEW).

The CSEW is a national survey, commissioned by the Home Office and conducted via face-to-face interviews. Although this information stream was temporarily paused during the COVID-19 pandemic due to methodological changes, Force level information is now available once again and is our primary source of data which allows us to track and monitor levels of public confidence amongst local communities. The most recent update (based on interviews undertaken in the 12 months to December 2022) would suggest that Cleveland Police has an overall public confidence rating of around 64%, a decrease from the pre-covid level (12 months ending March 2020) of 69%. Although the figure has decreased, the difference is not considered to be statistically significant. The national average for England and Wales was 70%

At the same time, perceptions of police performance were somewhat lower with 48% of local residents perceiving that the Cleveland Force does a good or excellent job compared to 51% in March 2020. The national average for England and Wales was 54%

Victim satisfaction

The Force aims to place victims at the centre of everything that we do, achieving a high level of victim satisfaction is therefore a key performance outcome. Victim satisfaction is measured via a telephone based 'Victim Experience Survey' which has been in operation since May 2021. Over the past year over 1,400 victims were interviewed and we have achieved a response rate of 17%.

The results obtained via this survey are generally positive indicating an overall satisfaction level of around 71%. There are however still some areas for improvements, particularly in relation to follow up and feedback, which despite a marginal improvement on the previous year, continued to be the service aspect with the lowest level of satisfaction.

Victim satisfaction rates by service aspect

Service aspect	Satisfaction rate
Ease of contact	89%
Initial actions taken	72%
Follow up	64%
Treatment by officers/staff	90%
Overall service provided	71%

Further analysis has shown that the main reasons for dissatisfaction include a lack of follow up or poor communication following the initial police response and a feeling that some officers did not always take the crime seriously. Furthermore, satisfaction levels continue to remain slightly higher amongst those victims receiving a physical response rather than those who were dealt with entirely over the telephone (resolved without deployment).

Recorded crime

Recorded crime has now returned to a level which is more in keeping with that observed pre-covid and can sometimes exceed it. Over the last 12 months there has been an 15% increase in total recorded crime when compared to the previous year, this equates just over 10,000 additional crimes, and therefore potential victims.

Whilst increases have been observed in relation to all headline categories of crime, the largest increase in terms of volume can be attributed to offences of violence (up by around 3,300 offences) and theft (up by around 4,600) and more specifically a rise in shoplifting and residential burglary.

In terms of violence, there has been an increase in offences both with and without injury and also stalking and harassment. Whilst some of this is believed to be the result of the steps the Force has taken to further improve the quality of its' crime data integrity (recently assessed by HMICFRS as 'good') and improved officer awareness, a number of other factors continue to have a negative impact on crimes of this nature, most noticeably, the continual growth in cyber enabled harassment through the inappropriate use of social media.

Antisocial behaviour (ASB) incidents

Incidents of antisocial behaviour have fallen significantly over the past year, down 24% (more than 5,200 fewer incidents) when compared to the 2021/22. Further analysis show that the most significant reduction has occurred in relation to the number of incidents classed as 'nuisance' behaviour (around 3,900 fewer incidents) and those of a 'personal' nature (around 1,100 fewer incidents) rather than those relating to an 'environmental' issue (around 200 fewer incidents).

Sickness Absence

Sickness absence rates continue to fluctuate on a monthly basis and place an additional pressure on limited resources. In the 12 months to March 2023, the proportion of contractual hours lost due to sickness was around 7% for police officers and 5% for police staff. Whilst these figures represent a reduction on the previous year, current levels of sickness absence are generally higher than those observed in other forces. For example, the national average is currently reported as 4.6% for officers

and 5.0% for staff although these figures are now somewhat out of date (12 months to March 2022) and must therefore be treated with caution.

HMICFRS PEEL inspection

The Force's 2021/22 PEEL inspection report was published in March 2023. This assessed the Force's performance against 11 areas of policing with graded judgements provided for 10 of these areas as follows:

- Recording data about crime - good
- Engaging with and treating the public with fairness and respect - adequate
- Preventing crime and antisocial behaviour – inadequate
- Responding to the public – adequate
- Investigating crime - requires improvement
- Protecting vulnerable people - requires improvement
- Managing offenders and suspects – adequate
- Disrupting serious organised crime – adequate
- Building, supporting and protecting the workforce – requires improvement
- Strategic planning, organisational management and value for money – inadequate

The service that Cleveland Police gives to victims of crime was also inspected but not graded.

Although significant improvements were observed following the 2019 inspection, HMICFRS identified two ongoing areas of concern and the Force remains in the 'engaged' phase of HMICFRS monitoring with regular performance scrutiny via the Police Performance and Oversight Group (PPOG). These relate to:

- Preventing crime and antisocial behaviour – the Force needs to provide strategic direction and coordination for all prevention activity, provide the capacity and capability to carry out structured problem-solving and prevention activity, raise the profile of evidence-based policing and ensure that problem-oriented activity is thoroughly evaluated with good practice shared.
- Strategic planning, organisational management and value for money – the Force still needs to develop a thorough understanding of demand to underpin its strategic planning and needs to develop coherent workforce planning and financial plans to meet this demand and provide the necessary results.

Governance and scrutiny arrangements associated with HMICFRS activity are the responsibility of the Deputy Chief Constable led GAIN (Governance of Audit and Inspection) Board. This board meets monthly and has responsibility for ensuring that the Force meets the standards of 'good' outlined in the HMICFRS Performance Assessment Framework (PAF) and responds effectively to areas for improvement arising from previous inspection activity. All areas of the PAF have a designated owner at Chief Officer Team level and a nominated delivery lead.

8. EVENTS AFTER THE REPORTING PERIOD

No adjusting post balance sheet events have been identified for the period accounting period 2022/23.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31st MARCH 2023

This statement shows both the allocation of funding from the PCC and costs incurred by the Force in discharging its functions. In practice all funding is received, and the respective payments made, by the PCC. The statements have been prepared assuming the going concern concept, i.e. its functions and services will continue in operational existence for the foreseeable future. The balance on the Comprehensive Income and Expenditure Statement represents the impact of the pension obligations in line with the accounting standard IAS19.

DETAIL	2022/2023			2021/2022 Restated		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay Costs	103,060	0	103,060	113,896	0	113,896
Police Community Support Officer Pay Costs	4,253	0	4,253	4,527	0	4,527
Police Staff Support Pay Costs	40,033	0	40,033	37,212	0	37,212
Police Non Pay Costs	32,250	0	32,250	28,907	0	28,907
Undistributed Costs	34	0	34	46		46
Net Cost of Services	179,629	0	179,629	184,588	0	184,588
Intra Group Funding		(154,419)	(154,419)		(144,776)	(144,776)
Net Cost of Services	179,629	(154,419)	25,210	184,588	(144,776)	39,812
Other Operating Expenditure			0			0
Financing & Investment Income & Expenditure (Note 8)			50,613			41,700
(Surplus) or Deficit on Provision of Service			75,823			81,512
Re-measurement of the defined benefit liability (Note 14)			(648,069)			(189,890)
Other Comprehensive Income and Expenditure			(648,069)			(189,890)
Total Comprehensive Income and Expenditure			(572,246)			(108,378)

MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2023

This statement shows the movement in the year on the different reserves. The CC holds the reserves in respect of pension liability and the movements are included within this statement in line with the accounting standard IAS19.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Balance at 31st March 2022	0	0	0	0	0	0	1,891,949	1,891,949
(Surplus) or deficit on provision of services (accounting basis)	75,823	0	0	0	0	75,823	0	75,823
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(648,069)	(648,069)
Total Comprehensive Expenditure and Income	75,823	0	0	0	0	75,823	(648,069)	(572,246)
Total Adjustments between accounting basis & funding basis under regulations (Note 7)	(75,823)	0	0	0	0	(75,823)	75,823	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(0)	0	0	0	0	(0)	(572,246)	(572,246)
Transfers to / from Reserves								
Earmarked								
Transfers to/from insurance reserve	0					0	0	0
Transfer to/from Revenue Capital Receipts Reserve	0			0		0	0	0
Transfers from other earmarked reserves	0	0				0	0	0
Total Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	(0)	0	0	0	0	(0)	(572,246)	(572,246)
Balance at 31 March 2023	(0)	0	0	0	0	(0)	1,319,703	1,319,703

MOVEMENT ON RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2022

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Balance at 31st March 2021	0	0	0	0	0	0	2,000,327	2,000,327
(Surplus) or deficit on provision of services (accounting basis)	81,512	0	0	0	0	81,512	0	81,512
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(189,890)	(189,890)
Total Comprehensive Expenditure and Income	81,512	0	0	0	0	81,512	(189,890)	(108,378)
Adjustments between accounting basis & funding basis under regulations								
Total Adjustments between accounting basis & funding basis under regulations (Note 7)	(81,512)	0	0	0	0	(81,512)	81,512	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	(108,378)	(108,378)
Transfers to / from Reserves								
Earmarked								
Transfers to/from insurance reserve	0					0	0	0
Transfer to/from Revenue Capital Receipts Reserve	0			0		0	0	0
Transfers from other earmarked reserves	0	0	0	0	0	0	0	0
Total Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	0	0	0	0	0	0	(108,378)	(108,378)
Balance at 31 March 2022	0	0	0	0	0	0	1,891,949	1,891,949

BALANCE SHEET AT 31st MARCH 2023

The Balance Sheet shows the value of the assets and liabilities as at 31st March 2023. These are the assets or liabilities in respect of the Police Pension Fund and the Local Government Pension scheme in line with the accounting standard IAS19. Assets used by the CC in the delivery of policing services are charged for in the Comprehensive Income and Expenditure Statement.

	Notes	31 March 2023 £000	Restated 31 March 2022 £000
Long Term Assets			
Property, Plant and Equipment		-	-
Investment Property		-	-
Intangible Assets		-	-
Long Term Investments		-	-
Long Term Debtors		-	-
Total Long Term Assets		-	-
Current Assets			
Short Term Investments		-	-
Assets Held for Sale		-	-
Inventories		-	-
Short Term Debtors		-	-
Cash and Cash Equivalents		-	-
Total Current Assets		-	-
Total Assets		-	-
Current Liabilities			
Cash and Cash Equivalents		-	-
Short Term Borrowing		-	-
Short Term Creditors		-	-
Provisions		-	-
Total Current Liabilities		-	-
Long Term Creditors		-	-
Provisions		-	-
Long Term Borrowing		-	-
Other Long Term Liabilities : PFI		-	-
Pensions Liability	14	(1,319,703)	(1,891,949)
Total Long Term Liabilities		(1,319,703)	(1,891,949)
Total Liabilities		(1,319,703)	(1,891,949)
Net Liabilities		(1,319,703)	(1,891,949)
Usable Reserves		-	-
Unusable Reserves	15	1,319,703	1,891,949
Total Reserves		1,319,703	1,891,949

CASHFLOW STATEMENT 2022/2023

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. However, as the PCC receives all income and funding and makes all payments for the Group from the PCC Police Fund. There are no cash flows for the CC. The costs of the operational activities undertaken by the CC are detailed in the Comprehensive Income and Expenditure Statement.

	2022/2023 £000	2021/2022 £000
OPERATING ACTIVITIES		
<u>Cash Outflows</u>	-	-
<u>Cash Inflows</u>	-	-
Operating Activities Net Cash Flow	-	-
INVESTING ACTIVITIES		
<u>Returns on Investments and Servicing of Finance</u>		
<u>Capital Activities</u>	-	-
Investing Activities Net Cash Flow	-	-
Net Cash Outflow/(Inflow) before financing	-	-
FINANCING ACTIVITIES		
<u>Management of Liquid Resources</u>		
<u>Financing</u>		
Financing Activities Net Cash Flow	-	-
Net (Increase)/Decrease in cash	-	-
Cash brought forward		
Cash carried forward		
Net (Increase)/Decrease in cash	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A) OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2022/23 (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, apart from:

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

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

B) VALUE ADDED TAX

VAT is included in the accounts only if it is irrecoverable from His Majesty Revenue Customs (HMRC). There have been no significant VAT issues in 2022/23.

C) PRIOR PERIOD ADJUSTMENTS

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

D) REVENUE RECOGNITION

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

E) PENSIONS

The PCC Group participates in two different pension schemes, which meet the needs of police officers and 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 CC 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 CC 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 CC 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 2022/23 (the Code) requires the following accounting policies to be applied to the various elements of the net asset/liability:

- Where a CC 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.

F) RESERVES

The CC records the impact of future pension liabilities in the unusable section of reserves. This is offset by a long-term liability.

G) POST BALANCE SHEET EVENTS

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

H) CONTINGENT LIABILITIES

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

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

I) CONTINGENT ASSETS

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

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

J) JOINT CONTROLLED OPERATIONS

CC Cleveland engages in collaborative working arrangements with the Northumbria, North Yorkshire and Durham Forces. The collaborative arrangements cover the delivery of several specific services on a regional basis. (Details of which can be found at Note 16 of the accounts).

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

The CC also engages in collaborative working in partnership with North Yorkshire and Durham Forces (Evolve). This Collaboration is monitored by a Joint Governance Board.

K) FAIR VALUE

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

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

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

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

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

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

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

2. EXPENDITURE & FUNDING ANALYSIS

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

	Expenditure Chargeable to the General Fund £000's	2022/2023 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's	Expenditure Chargeable to the General Fund £000's	2021/2022 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's
Funding						
Police Officer Pay Costs	85,766	(17,294)	103,060	82,439	(31,457)	113,896
Police Community Support Officer Pay Costs	3,493	(760)	4,253	3,621	(906)	4,527
Police Staff Support Pay Costs	32,877	(7,156)	40,033	29,763	(7,449)	37,212
Police Non Pay Costs	32,250	0	32,250	28,907	0	28,907
Undistributed Costs	34	0	34	46	0	46
Net Cost of Services	154,419	(25,210)	179,629	144,776	(39,812)	184,588
Intra Group Funding	(154,419)	0	(154,419)	(144,776)	0	(144,776)
Net Cost of Services	0	(25,210)	25,210	0	(39,812)	39,812
Other Operating Expenditure (Note 9)	0	0	0	0	0	0
Financing & Investment Income & Expenditure (Note 8)	0	(50,613)	50,613	0	(41,700)	41,700
Taxation & Non-Specific Grant Income (Note 11)	0	0	0	0	0	0
(Surplus) or Deficit on Provision of Service	0	(75,823)	75,823	0	(81,512)	81,512

	Adjustments Between funding & Accounting Basis £000's	Adjustments for Capital Note 2a £000's	Pension Adjustments Note 2b £000's	Other Adjustments Note 2c £000's
Notes to Funding Analysis 2022/2023				
Police Officer Pay Costs	(17,294)	0	(17,294)	0
Police Community Support Officer Pay Costs	(760)	0	(760)	0
Police Staff Support Pay Costs	(7,156)	0	(7,156)	0
Police Non Pay Costs	0	0	0	0
Undistributed Costs	0	0	0	0
Net Cost of Services	(25,210)	0	(25,210)	0
Financing & Investment Income & Expenditure (Note 8)	(50,613)	0	(50,613)	0
(Surplus) or Deficit on Provision of Service	(75,823)	0	(75,823)	0

	Adjustments Between funding & Accounting Basis £000's	Adjustments for Capital Note 2a £000's	Pension Adjustments Note 2b £000's	Other Adjustments Note 2c £000's
Notes to Funding Analysis 2021/2022				
Police Officer Pay Costs	(31,457)	0	(31,457)	0
Police Community Support Officer Pay Costs	(906)	0	(906)	0
Police Staff Support Pay Costs	(7,449)	0	(7,449)	0
Police Non Pay Costs	0	0	0	0
Undistributed Costs	0	0	0	0
Net Cost of Services	(39,812)	0	(39,812)	0
Financing & Investment Income & Expenditure (Note 8)	(41,700)	0	(41,700)	0
(Surplus) or Deficit on Provision of Service	(81,512)	0	(81,512)	0

2a Adjustments for Capital Purpose

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

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

2b Pension Adjustments

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

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

2c Other Adjustments

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

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

3. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

No new accounting standards were issued that were not adopted.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

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

Future government funding

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

Accounting principles

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the CC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances and transactions cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Pension Liability: Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the CC with expert advice about the assumptions to be applied. Details of which are contained within Note: 14 Pension liability. The overall pension liability at the 31st March 2023 is £1,320m.

6. MATERIAL ITEMS OF INCOME AND EXPENSE

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

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

FOR THE YEAR ENDED 31ST MARCH 2023

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(92,749)	0	0	0	0	(92,749)	92,749	0
	(92,749)	0	0	0	0	(92,749)	92,749	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,926	0	0	0	0	16,926	(16,926)	0
	16,926	0	0	0	0	16,926	(16,926)	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	(75,823)	0	0	0	0	(75,823)	75,823	0

FOR THE YEAR ENDED 31ST MARCH 2022

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(97,605)	0	0	0	0	(97,605)	97,605	0
	(97,605)	0	0	0	0	(97,605)	97,605	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,093	0	0	0	0	16,093	(16,093)	0
	16,093	0	0	0	0	16,093	(16,093)	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	(81,512)	0	0	0	0	(81,512)	81,512	0

8. FINANCING AND INVESTMENT INCOME & EXPENDITURE

	2022/2023 £000	2021/2022 £000
Pension interest cost & expected return on pension assets	50,613	Restated 41,700
Total Finance and Investment Income and Expenditure	50,613	41,700

9. OFFICERS' EMOLUMENTS

During the financial year the numbers of police officers and staff whose remuneration, excluding employers' pension contributions, was £50,000 or more in bands of £5,000 were: **(Note: - the analysis in the table below includes only those bands which contain employees.)**

Remuneration Band	Number of Employee 2022/23			2021/2022
	Police Officers	Support Staff	Total	
£50,000 - £54,999	162	11	173	140
£55,000 - £59,999	114	3	117	78
£60,000 - £64,999	50	1	51	21
£65,000 - £69,999	14	1	15	8
£70,000 - £74,999	9	3	12	10
£75,000 - £79,999	4	3	7	5
£80,000 - £84,999	3	5	8	10
£85,000 - £89,999	7	1	8	3
£90,000 - £94,999	1	0	1	3
£95,000 - £99,999	0	1	1	1
£100,000 - £104,999	1	0	1	1
£105,000 - £109,999	1	1	2	1
£110,000 - £114,999	1	0	1	1
£120,000 - £124,999	1	0	1	1
£125,000 - £129,999	0	0	0	1
£165,000 - £169,999	1	0	1	0
Total	369	30	399	284

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

Remuneration Disclosure 2022/ 23:

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

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Benefits in Kind	Total Remuneration excluding Pension Contribution 22/23	Pension Contributions
	£	£	£	£	£	£
Chief Constable - M Webster : Note 1	166,806	164,622	2,481	0	167,103	50,654
DCC 1 : Note 2	125,550	82,907	0	0	82,907	0
DCC 2 : Note 3	125,550	14,946	0	0	14,946	4,633
DCC 3 : Note 4	123,648	15,805	0	0	15,805	0
ACC 1	121,122	120,329	0	0	120,329	37,302
Acting ACC 2	93,651	114,635	50	0	114,685	28,786
Temp. ACC 3 : Note 5	107,502	76,900	1,687	0	78,587	23,839
CFO : CC	109,887	73,258	0	0	73,258	10,622

Notes: -

- 1) The Chief Constable – M Webster started on the 04/04/2022.
- 2) The DCC 1 left the organisation on 30/11/2022.
- 3) The DCC 2 started on the 17/02/2023.
- 4) The DCC 3 left the organisation on the 15/05/2023.
- 5) The Temp ACC 3 covered the role from 13/07/2022 to 31/03/2023.
- 6) The CFO joined the organisation on the 1/08/2022.

Remuneration Disclosure 2021/ 22:

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Benefits in Kind	Total Remuneration excluding Pension Contribution 21/22	Pension Contributions
	£	£	£	£	£	£
Chief Constable - R Lewis : Note 1	164,904	109,978	0	0	109,978	34,093
Acting / Temporary Chief Constable - H McMillian : Note 2	149,913	6,001	0	472	6,473	0
DCC 1	123,648	120,023	0	7,255	127,278	0
DCC 2	123,648	122,357	0	6,707	129,064	37,207
ACC	119,220	114,144	0	8,969	123,113	38,402
Acting ACC	105,600	100,987	0	4,805	105,792	27,407
CFO : CC Note 3	107,625	81,028	0	0	81,028	11,704
Interim CFO : CC	170,638	40,762	0	0	40,762	0

Notes: -

- 1) The Chief Constable – R Lewis left on the 11/12/2021
- 2) The Acting / Temp CC – H McMillian covered the period from 11/12/2021 to the 31st March 2022.
- 3) The CFO left the organisation on the 31/12/2021.
- 4) The interim CFO was appointed on the 13/12/2021 via a recruitment agency on a temporary basis. The costs within the table above are based on the applicable day rate within the contract with the agency. The day rate is inclusive of salary, holiday pay, pension and recruitment agency fee.

Key: -

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

CFO (CC) = Chief Finance Officer of the Chief Constable

10. TERMINATION BENEFITS

In the financial year no termination benefits were paid. (£0.000m 2021/22).

11. RELATED PARTIES

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

Central Government has effective control over the general operations of the CC – it is responsible for providing the statutory framework within which the CC operates and provides the majority of its funding in the form of Grants (via the PCC Group) and prescribes the terms of many of the transactions the CC has with other parties. Grants received by the Group from Government Departments are included within the Intra Group funding on the face of the CIES.

All transactions with other public bodies were made with the PCC and are disclosed in the Group and PCC financial statements.

There were no related party transactions involving the CC, or chief officers of the Force.

The Police and Crime Commissioner for Cleveland (PCC) primary function is to ensure an efficient and effective police service and to hold the CC to account on behalf of the public. The PCC is the recipient of all funding relating to policing and crime reduction, including government grant, precept and all other sources of income. The PCC provides all the funding to the CC for the delivery of Policing function.

12. AUDIT COSTS

The CC incurred the following fees totalling £25k relating to external audit:

	2022/2023 £000	2021/2022 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	25	14
Total Audit Costs	25	14

13. PENSIONS

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

The CC participates in two Pension schemes namely:

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

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

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

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	11,911	12,026	30,225	43,879	42,136	55,905
Curtailment/settlements	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Financing and Investment Income and Expenditure						
Interest cost	6,892	5,303	48,710	39,786	55,602	45,089
Expected return on assets	(4,989)	(3,389)	-	-	(4,989)	(3,389)
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	13,814	13,940	78,935	83,665	92,749	97,605
Other post employment Benefit Charged to the CIES						
Return on Plan assets	2,327	(15,448)	-	-	2,327	(15,448)
Actuarial (gains) /losses : Financial Assumptions	(104,500)	(6,961)	(690,148)	(116,206)	(794,648)	(123,167)
Actuarial (gains) /losses: Demographic assumptions	(1,424)	(11,845)	-	(18,450)	(1,424)	(30,295)
Actuarial (gains) /losses : liability experience	13,221	6,104	164,925	5,778	178,146	11,882
Total Post Employment Benefit Charged to the CIES	(76,562)	(14,210)	(446,288)	(45,213)	(522,850)	(59,423)
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	(13,814)	(13,940)	(78,935)	(83,665)	(92,749)	(97,605)
Actual amount charged against General fund balances for pensions in the year:						
Contribution in year	3,970	3,646	12,931	12,442	16,901	16,088

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		2015 Police Pension Scheme		Total	
	31/03/23	31/03/22 Restated £000	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22 Restated £000
Estimated funded liabilities in scheme	169,760	245,488	-	-	-	-	-	-	-	-	169,760	245,488
Estimated unfunded liabilities in scheme	272	305	1,105,419	1,464,154	63,765	87,640	33,399	62,359	132,366	212,485	1,335,221	1,826,943
Less :Estimated assets in scheme	185,278	180,482	-	-	-	-	-	-	-	-	185,278	180,482
Net Liability	(15,246)	65,311	1,105,419	1,464,154	63,765	87,640	33,399	62,359	132,366	212,485	1,319,703	1,891,949

Note 14 contains details of the assumptions made in estimating the figures included in this note.

14. PENSIONS LIABILITY

Note 1E of the accounting policies contains details of the CC's participation in the Police Pension Scheme and Local Government Pension Scheme in providing police officers and designated staff with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the CC at 31st March 2023 are as follows.

- The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £1,320m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1,320m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.
- Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Police Pension Scheme Fund and Local Government Pension Scheme liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, with estimates for the CC being based on the latest full valuation of the scheme as at 31st March 2023.

The main assumptions used in their calculations are detailed below:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/23	31/03/22	31/03/23	31/03/22
Rate of inflation (CPI) (Note 1)	3.0%	3.2%	2.7%	3.0%
Rate of increase in salaries	4.0%	4.2%	3.7%	4.0%
Rate of increase in pensions	3.0%	3.2%	2.7%	3.0%
Pension accounts revaluation rate	3.2%	3.2%	4.0%	3.4%
Rate for discounting scheme liabilities	4.8%	2.8%	4.7%	2.7%

Note 1: The accounting standard requires employers to use their best estimate of long-term inflation (consumer prices inflation for the LGPS). Therefore, the assumption in the table above represents our best estimate of average annual inflation for the next 20 years.

Mortality Assumptions				
	Local Government Pension Scheme		All Police Pension Schemes	
	Males	Females	Males	Females
Retiring today	20.60	23.70	22.20	24.30
Retiring in 20 years	21.50	25.20	23.90	26.10

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 2022		Assets at 31 March 2023		Asset Split as at 31 March 2023	
	Restated					
	£000	%	£000	%	Quoted	Unquoted
Equities	137,166	76.0%	155,634	84.0%	82.5%	2.0%
Property	14,258	7.9%	16,675	9.0%	1.3%	7.5%
Cash	29,058	16.1%	12,969	7.0%	6.7%	0.0%
Other	0	0.0%	0	0.0%	0.0%	0.0%
Total	180,482	100.0%	185,278	100.0%	90.5%	9.5%

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

Analysis of Amount Recognised in Other Comprehensive Income										
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/23	Year to 31/03/22 Restated	Year to 31/03/23	Year to 31/03/22	Year to 31/03/23	Year to 31/03/22	Year to 31/03/23	Year to 31/03/22	Year to 31/03/23	Year to 31/03/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	(2,327)	15,448	32,470	32,862	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	92,703	12,702	348,411	91,445	25,313	5,932	30,542	7,467	120,957	24,034
Actuarial Gain/(Loss) in Pension Plan	90,376	28,150	380,881	124,307	25,313	5,932	30,542	7,467	120,957	24,034
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	90,376	28,150	380,881	124,307	25,313	5,932	30,542	7,467	120,957	24,034

Summary of Costs recognised in Other Comprehensive Income: -

	31/03/23	31/03/22
	£000	£000
Local Government Pension Scheme	90,376	28,150
1987 Police Pension Scheme	380,881	124,307
Injury Awards	25,313	5,932
2006 Police Pension Scheme	30,542	7,467
2015 Police Pension Scheme	120,957	24,034
Total	648,069	189,890

Asset and Benefit Obligation Reconciliation										
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/23	Year to 31/03/22 Restated	Year to 31/03/23	Year to 31/03/22	Year to 31/03/23	Year to 31/03/22	Year to 31/03/23	Year to 31/03/22	Year to 31/03/23	Year to 31/03/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Defined Benefit Obligation	245,793	244,513	1,464,154	1,570,034	87,640	92,018	62,359	68,015	212,485	187,068
Current Service Cost	11,911	12,026	0	1,952	1,695	2,245	0	240	28,530	39,442
Interest Cost	6,892	5,303	38,872	32,460	2,332	1,905	1,682	1,430	5,824	3,991
Actuarial losses (gains)	(92,703)	(12,702)	(348,411)	(91,445)	(25,313)	(5,932)	(30,542)	(7,467)	(120,957)	(24,034)
Losses (gains) on curtailments	0	0	0	0	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(3,649)	(4,990)	(49,204)	(49,257)	(2,589)	(2,596)	(104)	64	(450)	(277)
Past Service Cost	0	0	0	0	0	0	0	0	0	0
Contribution by Scheme participants	1,813	1,668	8	410	0	0	4	77	6,934	6,295
Additional Employer Contributions	0	0	0	0	0	0	0	0	0	0
Unfunded pension payments	(25)	(25)	0	0	0	0	0	0	0	0
Closing Defined Benefit Obligation	170,032	245,793	1,105,419	1,464,154	63,765	87,640	33,399	62,359	132,366	212,485

Opening fair value of Scheme assets	180,482	161,321	0	0	0	0	0	0	0	0
Expected return on Scheme assets	4,989	3,389	0	0	0	0	0	0	0	0
Actuarial gains (losses)	(2,327)	15,448	32,470	32,862	0	0	0	0	0	0
Contributions by employer including unfunded benefits	3,995	3,671	16,726	15,985	2,589	2,596	100	(141)	(6,484)	(6,018)
Contributions by Scheme participants	1,813	1,668	8	410	0	0	4	64	6,934	6,295
Change to Accounting Policies	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(3,674)	(5,015)	(49,204)	(49,257)	(2,589)	(2,596)	(104)	77	(450)	(277)
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
Fair Value of Scheme Assets at end of Period	185,278	180,482	0	0	0	0	0	0	0	0

Reconciliation of Opening and Closing Net Obligation										
Opening Surplus / (Deficit)	(65,311)	(83,192)	(1,464,154)	(1,570,034)	(87,640)	(92,018)	(62,359)	(68,015)	(212,485)	(187,068)
Current Service Cost	(11,911)	(12,026)	0	(1,952)	(1,695)	(2,245)	0	(240)	(28,530)	(39,442)
Contributions by employer including unfunded benefits	3,995	3,671	16,726	15,985	2,589	2,596	100	(141)	(6,484)	(6,018)
Contributions by Scheme participants	0	0	0	0	0	0	0	(13)	0	0
Past Service Costs	0	0	0	0	0	0	0	0	0	0
Interest Costs	(6,892)	(5,303)	(38,872)	(32,460)	(2,332)	(1,905)	(1,682)	(1,430)	(5,824)	(3,991)
Expected return on Scheme assets	4,989	3,389	0	0	0	0	0	0	0	0
Gain on Settlement	0	0	0	0	0	0	0	0	0	0
Estimated benefits paid including unfunded benefits	0	0	0	0	0	0	0	13	0	0
Actuarial (losses) gains	90,376	28,150	380,881	124,307	25,313	5,932	30,542	7,467	120,957	24,034
Fair Value of Scheme Assets/ (Liabilities) at end of Period	15,246	(65,311)	(1,105,419)	(1,464,154)	(63,765)	(87,640)	(33,399)	(62,359)	(132,366)	(212,485)

Summary Reconciliation of Closing Net Obligation	31/03/23 £000	31/03/22 £000
Local Government Pension Scheme	15,246	(65,311)
1987 Police Pension Scheme	(1,105,419)	(1,464,154)
Injury Awards	(63,765)	(87,640)
2006 Police Pension Scheme	(33,399)	(62,359)
2015 Police Pension Scheme	(132,366)	(212,485)
Total	(1,319,703)	(1,891,949)

The table below provides details of estimated Pension expenses in future periods: -

	Police Pension Schemes	Local Government Pensions
	Year to 31/03/24 £000s	Year to 31/03/24 £000s
Funded: -		
Service cost	11,594	(5,299)
Net Interest cost	61,647	697
Total	73,241	(4,602)

	Police Pension Schemes	Local Government Pensions
	Year to 31/03/24 £000s	Year to 31/03/24 £000s
UnFunded :-		
Service cost	-	-
Net Interest cost	-	-
Total	-	-

Funded LGPS benefits : Cleveland Police	Sensitivity Analysis		
	+0.1% p.a.	Base 22/23	-0.1% p.a.
Discount Rate Assumptions			
Present Value of total obligation (£000's)	166,631	170,032	173,433
% change in present value of total obligation	-2.0%		2.0%
Projected Service cost (£000's)	5,140	5,299	5,458
Approx % change in projected service cost	-3.0%		3.0%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	170,032	170,032	170,032
% change in present value of total obligation	0.0%		0.0%
Projected Service cost (£000's)	5,299	5,299	5,299
Approx % change in projected service cost	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	173,433	170,032	166,631
% change in present value of total obligation	2.0%		-2.0%
Projected Service cost (£000's)	5,405	5,299	5,140
Approx % change in projected service cost	2.0%		-3.0%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	163,231	170,032	176,833
% change in present value of total obligation	-4.0%		4.0%
Projected Service cost (£000's)	5,087	5,299	5,511
Approx % change in projected service cost	-4.0%		4.0%

Police Pension Schemes	Sensitivity Analysis		
	Cleveland Police		
	+0.1% p.a.	Base 22/23	-0.1% p.a.
1987 Police Pension Scheme:-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	1,087,732	1,105,419	1,123,106
% change in present value of total obligation	-1.6%		1.6%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	1,105,419	1,105,419	1,105,419
% change in present value of total obligation	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	1,123,106	1,105,419	1,087,732
% change in present value of total obligation	1.6%		-1.6%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	1,134,160	1,105,419	1,076,678
% change in present value of total obligation	2.6%		-2.6%
2006 Police Pension Scheme:-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	32,397	33,399	34,434
% change in present value of total obligation	-3.0%		3.1%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	33,399	33,399	33,399
% change in present value of total obligation	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	34,434	33,399	32,397
% change in present value of total obligation	3.1%		-3.0%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	34,267	33,399	32,531
% change in present value of total obligation	2.6%		-2.6%

Injury Awards :-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	62,809	63,765	64,721
% change in present value of total obligation	-1.5%		1.5%
Projected Service Costs (£000's)	1,129	1,153	1,177
Approx % Change in Projected Service Cost	-2.1%		2.1%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	63,956	63,765	63,574
% change in present value of total obligation	0.3%		-0.3%
Projected Service Costs (£000's)	1,162	1,153	1,144
Approx % Change in Projected Service Cost	0.8%		-0.8%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	64,530	63,765	63,000
% change in present value of total obligation	1.2%		-1.2%
Projected Service Costs (£000's)	1,168	1,153	1,138
Approx % Change in Projected Service Cost	1.3%		-1.3%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	65,423	63,765	62,107
% change in present value of total obligation	2.6%		-2.6%
Projected Service Costs (£000's)	1,183	1,153	1,123
Approx % Change in Projected Service Cost	2.6%		-2.6%
2015 Police Pension Scheme :-			
Discount Rate Assumptions			
Present Value of total obligation (£000's)	128,527	132,366	136,337
% change in present value of total obligation	-2.9%		3.0%
Projected Service Costs (£000's)	9,867	10,441	11,036
Approx % Change in Projected Service Cost	-5.5%		5.7%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	132,366	132,366	132,366
% change in present value of total obligation	0.0%		0.0%
Projected Service Costs (£000's)	10,441	10,441	10,441
Approx % Change in Projected Service Cost	0.0%		0.0%
Rate of increase in pensions in payment and deferred pensions assumptions, and rate of pension accounts assumptions			
Present Value of total obligation (£000's)	136,337	132,366	128,527
% change in present value of total obligation	3.0%		-2.9%
Projected Service Costs (£000's)	11,036	10,441	9,867
Approx % Change in Projected Service Cost	5.7%		-5.5%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	135,808	132,366	128,924
% change in present value of total obligation	2.6%		-2.6%
Projected Service Costs (£000's)	10,900	10,441	9,982
Approx % Change in Projected Service Cost	4.4%		-4.4%

15. UNUSABLE RESERVES

Description of Reserve	31 March 2021 £000	Additions in Year £000	Reductions in Year £000	31 March 2022 Restated £000	Additions in Year £000	Reductions in Year £000	31 March 2023 £000
Pension Reserve	2,000,327	(215,531)	107,153	1,891,949	(676,368)	104,122	1,319,703
Total Unusable Reserves	2,000,327	(215,531)	107,153	1,891,949	(676,368)	104,122	1,319,703

Pension Reserve – absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Further information can be found in Note 13: Pensions.

16. ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS

The Cleveland Police Force has five strategic collaborative arrangements that are classified as Joint Operations under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

They are:

1. Northeast Regional Organised Crime Unit (NEROCU) (rebranded from North East Regional Special Operations Unit (NERSOU).
2. NERSU: Special Branch: Fixed Intelligence Mgt Unit (FIMU).
3. Cleveland North Yorkshire Major Cold Case Review Team
5. National Police Air Service (NPAS).

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

1 North East Regional Organised Crime Unit (NEROCU)

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit, but the funding is through a combination of Home Office Grants and Force contributions. The Force allocation is based on Home Office Core Grant allocations and for the financial period April 2022 to March 2023 the funding contributions made were Cleveland 24.24%, Durham 22.86% and Northumbria 52.90%.

Jointly funded assets are classified and those purchased through specific Home Office grants and by contributions from each force. These are currently valued at £1,478K (NBV) of which Cleveland's

share is valued at £383K. The unit has reserves of £750K of which Cleveland's share is £180K (Prior year £230K).

NEROCU operates throughout the North East region.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2022/23 as required under the Section 22A agreement.

North East Regional Organised Crime Unit				
	Apportionment Total Costs	Durham 2022/23 22.86% £000's	Cleveland 2022/23 24.24% £000's	Northumbria 2022/23 52.90% £000's
Employees Costs	11,603	2,652	2,813	6,138
Non Pay Costs	2,854	652	692	1,510
Income	(4,850)	(1,109)	(1,176)	(2,565)
	9,607	2,195	2,329	5,083
Contributions / Reserve				
Durham	2,165	2,165		
Cleveland	2,296		2,296	
Northumbria	5,011			5,011
Reserve movements	135	31	33	71
	9,607	2,196	2,329	5,082
Reserve as 31st March	750	169	180	401

North East Regional Special Operations Unit				
	Apportionment Total Costs	Durham 2021/22 23.00% £000's	Cleveland 2021/22 24.38% £000's	Northumbria 2021/22 52.62% £000's
Employees Costs	10,985	2,527	2,678	5,780
Non Pay Costs	1,693	389	413	891
Income	(3,755)	(864)	(915)	(1,976)
	8,923	2,052	2,175	4,695
Contributions / Reserve				
Durham	2,036	2,036		
Cleveland	2,159		2,159	
Northumbria	4,659			4,659
Reserve movements	69	16	17	36
	8,923	2,052	2,176	4,695
Reserve as 31st March	885	199	213	473

2 North East Regional Special Operations Unit: Special Branch: Fixed Intelligence Mgt Unit (FIMU).

NERSOU Special Branch FIMU is a joint unit staffed by the Cleveland, Durham and Northumbria Police Forces to assess and manage counter terrorism intelligence across the North East Region.

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit. The funding is via on Force contributions. The Force allocations are based NRE and for the financial period 1st August 2021 to March 2022 the funding contributions made were Cleveland 24.38%, Durham 23.00% and Northumbria 52.62%. With effect from 1st April 2022 the capability transferred to West Yorkshire Police and Cleveland Police grant was top sliced to fund this operation and no longer operates under a section 22A agreement.

The statement below highlights the income and expenditure, assets and liabilities for the financial year 2022/23 as required under the Section 22A agreement.

North East Regional Special Operations Unit SB FIMU				
	Apportionment Total Costs	Durham 2022/23 23.00% £000's	Cleveland 2022/23 24.38% £000's	Northumbria 2022/23 52.66% £000's
Employees Costs	-	-	-	-
Non Pay Costs	-	-	-	-
Income	-	-	-	-
	-	-	-	-
Contributions / Reserve				
Durham	-	-	-	-
Cleveland	-	-	-	-
Northumbria	-	-	-	-
Reserve movements	-	-	-	-
	-	-	-	-
Reserve as 31st March	-	-	-	-

North East Regional Special Operations Unit SB FIMU				
	Apportionment Total Costs	Durham 2021/22 23.00% £000's	Cleveland 2021/22 24.38% £000's	Northumbria 2021/22 52.66% £000's
Employees Costs	650	150	158	342
Non Pay Costs	8	2	2	4
Income	-	-	-	-
	658	151	160	346
Contributions / Reserve				
Durham	151	151		
Cleveland	160		160	
Northumbria	346			346
Reserve movements		-	-	-
	658	151	160	346
Reserve as 31st March	-	-	-	-

4 Cleveland North Yorkshire Major Cold Case Review Team.

The Cleveland North Yorkshire Major Cold Case Review Team is staffed by North Yorkshire Police Forces to provide a historic case reviews for both Cleveland and North Yorkshire Forces.

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the two Forces have equal voting rights in terms of decision made about the unit. The Force funding contributions made were Cleveland 50.0% and North Yorkshire 50.0%.

The statement below highlights the income and expenditure for the financial year 2022/23 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

Cleveland and North Yorkshire Cold Case Review Team			
	Apportionment Total Costs	Cleveland 2022/23 50.00% £000's	North Yorkshire 2022/23 50.00% £000's
Employees Costs	242	121	121
Non Pay Costs	14	7	7
Income	0	0	0
	256	128	128
Contributions			
Cleveland	128	128	
North Yorkshire	128		128
	256	128	128

Cleveland and North Yorkshire Cold Case Review Team			
	Apportionment Total Costs	Cleveland 2021/22 50.00% £000's	North Yorkshire 2021/22 50.00% £000's
Employees Costs	264	132	132
Non Pay Costs	12	6	6
Income	0	0	0
	276	138	138
Contributions			
Cleveland	138	138	
North Yorkshire	138		138
	276	138	138

5 National Police Air Service (NPAS).

The National Police Air Service provides air support services under a section 22 agreement. The annual contribution for each Force is calculated on the percentage of flying hours per region. The overall budget for 2022/23 was £43.554m for all Police Forces. The annual contribution in 2022/23 by Cleveland Police was £0.748m. (£0.647m 2021/22).

17. CONTINGENT LIABILITIES / ASSETS

Contingent Liabilities: -

Municipal Mutual Insurance (MMI)

Due to the potential liabilities that the force may face in regard to the on-going requirements to pay long standing claims against MMI, it is prudent to identify a contingent liability in the statement of accounts. It is an unknown amount and has an unknown longevity due to the nature of the claims

McCloud/Sergeant judgement: Re unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015

Decisions were taken by the Government in 2012 to reduce the burden of public sector pensions to the taxpayer. The Police Pension Schemes 1987 and 2006 were to be closed on 1 April 2015 and all members transferred to the Police Pension Scheme 2015. Members of the 1987 and 2006 schemes were given transitional arrangements to leave their existing schemes dependent upon their age. This was challenged by the judiciary and firefighters and found to be discriminatory (known as the McCloud/Sergeant judgement). The challenge has been confirmed as also applying to the Police Pension Schemes.

In order to make amendments to the Police Pension Schemes, primary legislation has been passed. The Public Service Pensions and Judicial Offices Act 2022 has closed the 1997 and 2006 Police Pension Schemes and all members transferred to the 2015 scheme on 1 April 2022. For members in the 1987 and 2006 schemes, they will be given a choice as to which scheme is most beneficial to them from 1 April 2015 to 31 March 2022. This choice is not made until the point at which the member retires as the circumstances of retirement could mean that one scheme is more beneficial than another for this period.

There are a number of issues that still need to be addressed and secondary legislation is to be drafted to address these issues. Further challenges are still ongoing, primarily in relation to part time workers who will be impacted by the changes.

Due to the complexities of the pension schemes, all data held on Members is being rechecked and the legislation allows up to 1 October 2023 for the secondary legislation to be in place and acted upon. Until all legislation is in place, the financial impact of the judgment cannot be financially quantified.

There have also been a number of claims for compensation due to 'injury to feelings' from pension scheme members due to the impact of these changes. The Chief Constable (along with all other Chief Constables) has delegated this to the Home Office to settle (and pay the associated costs with no recharge to the Force).

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. For the Chief Constable of Cleveland, this affects around 760 members. Scheme actuaries originally estimated the increase in scheme liabilities for the Chief Constable of Cleveland to be 1.1% or £19m of pension scheme liabilities. This was recognised in the 2018-19 accounts. The estimated annual increase in liabilities is in the region of £5M p.a. reflecting an additional year's benefits from the remedy and will apply until 31 March 2023.

The impact of an increase in scheme liabilities arising from McCloud/Sergeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sergeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

Contingent Asset

There are no assets as at the balance sheet date.

18. POST BALANCE SHEET EVENT

There are no post balance sheet events to report.

19. AUTHORISATION OF ACCOUNTS

The Director of Finance and Assets of the Chief Constable for Cleveland Police has set and authorised the date of issue for the Statement of Accounts as the 11th XXXX 2022. This is the date up to which events after the Balance Sheet date have been considered.

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POLICE PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

PENSION FUND ACCOUNT	2022/2023	2021/2022
	£000	£000
Contributions Receivable		
From Employer		
Normal	(16,112)	(15,709)
Capital contribution due to Ill Health Early Retirement	(614)	(276)
From Members	(6,945)	(6,769)
Transfers In		
Individual Transfers in from Other Schemes	(255)	(582)
Benefits Payable		
Pensions	43,144	41,352
Commutations and Lump Sum Retirement Benefits	6,058	7,972
Lump Sum death benefits	116	122
Ill Health Lump Sum Benefits	906	499
Payments to and on Account of Leavers		
Refunds of Contributions	120	79
Inter Authority Adjustments	287	290
Individual Transfers out to Other Schemes	0	0
Sub-Total for the year before transfer from the PCC to fund the deficit for the year	26,705	26,980
Additional funding payable to the PCC to fund the deficit for the year (Home Office)	(26,705)	(26,980)
Additional funding payable by the PCC to fund the deficit for the year	0	0
Net Amount Payable/Receivable for the Year	0	0

NET ASSETS STATEMENT	31 March 2023	31 March 2022
	£000	£000
Current Assets		
Debtors:-		
Other Local Authorities	0	0
Bodies External to General Government	0	0
Total Current Assets	0	0
Long Term Assets		
Bodies External to General Government	0	0
Total Long Term Assets	0	0
Current Liabilities		
Creditors :-		
Other Local Authorities	0	0
Bodies External to General Government	0	0
Total Current Liabilities	0	0
Long Term Liabilities		
Bodies External to General Government	0	0
Total Long Term Liabilities	0	0
Net Assets	0	0
PENSION FUND ACCOUNT	0	0

Notes to the Pension Fund

The Pension Fund Accounts have been prepared in accordance with the Code of Practice and on an accrual's basis. This means that sums due to or from the Pension Fund are included as they fall due, whether the cash has been received or paid. The accounting convention adopted is historical cost.

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

The Pension fund has no investment assets and the fund is balanced to nil each year by a transfer to/from the Police Fund. Benefits payable are funded by contributions from employers (31%) and employees (in a range of 12.44% to 13.78%) and any difference is met by a top-up grant from the Home Office.

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

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

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

The Fund is administered by the entity.

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

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

Details of the long-term pension fund obligation are provided in Notes 13 and 14 of the main statements.

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GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUTTURN: The actual amount spent in the financial year.

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

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

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

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

- the benefits for pensioners and deferred pensioners, and their dependents, allowing where appropriate for future increases and
- the accrued benefits for members in service at the valuation date.

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

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

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

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

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

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

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

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