

Chief Constable of Cleveland
STATEMENT OF ACCOUNTS – 2018/19
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CHIEF FINANCE OFFICER OF THE CHIEF CONSTABLE **INTRODUCTION**

1. CHANGES TO ACCOUNTING POLICIES

There are no changes to accounting policies for the accounting period 2018/2019.

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 Chief Finance Officer to the Chief Constable at Cleveland Police, Shared Service Centre, Ash House, III Acres, Princeton Drive, Thornaby, Stockton on Tees TS17 6AJ

Joanne Gleeson BA Hons ACMA
CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE

STATEMENT OF RESPONSIBILITIES

The Chief Constable's Responsibilities

The Chief Constable as a Corporation Sole is required to:

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

The Chief Finance Officer's Responsibilities

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

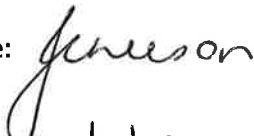
In preparing the Statement of Accounts the Chief Finance Officer has:

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

DECLARATION

The Statement of Accounts gives a true and fair 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 2019.

Signature:

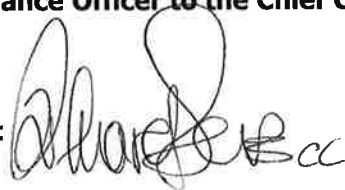


Date:

25/7/19

Chief Finance Officer to the Chief Constable

Signature:



Date:

25/7/19

Chief Constable for Cleveland Police

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CLEVELAND

Report on the financial statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

We have nothing to report in these respects.

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

Conclusion

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

Basis for conclusion

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

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

Responsibilities of the Chief Constable for Cleveland

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

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

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

Use of the audit report

This report is made solely to the members of the Chief Constable for Cleveland, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable for Cleveland those matters we

are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Chief Constable for Cleveland, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of the Chief Constable for Cleveland in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Gavin Barker
Director
For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham DH1 5TS

31 July 2019

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 Queen'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 2018/19 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 2019 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 2018/19.

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. As a consequence 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 has to be measured by a change in General Fund balance due to the absence of profit making activities. As the General Fund must be held by the PCC, and therefore, all movements shown in the Movement on Reserves Statement of the PCC, then any economic benefit must be deemed to be flowing to him.

In addition, with regard to assets, the following apply:

- The 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.

With regard to 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 2018/19 (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 2019. 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 2018/19 Budget	Revised 2018/19 Budget	Year End 2018/19 Position	Outturn
Police Force Planned Expenditure				
Police Pay	£000s 64,043	£000s 65,833	£000s 65,275	£000s (559)
Police Overtime	1,402	1,836	2,340	504
Police Community Support Officer Pay	4,360	4,719	4,383	(336)
Staff Pay	10,525	11,622	11,644	22
Non-Pay	39,440	39,293	39,661	368
Total Planned Expenditure	119,770	123,303	123,303	(0)

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

Total Comprehensive Income and Expenditure	£000's
Actuarial Gains / /loss on Pension Schemes:-	98,071
Local Government Pension Scheme	
Police Pension 1987	3,535
Injury Awards	5,710
Police Pension 2006	(1,992)
Police Pension 2015	(2,843)
(Surplus) or Deficit on Provision of Service	(3,431)
Net change in Pension Liability	99,050
Employers Pension Contributions	(109,569)
Additional Resources Provided by the PCC	10,519
Outturn	0

From Table 1 it can be seen that the overall position for the Force as at the 31st March 2019 was breakeven. The overall breakeven position reflects a significant pressure on Police overtime of £504K and Non pay expenditure £368K. The non-pay expenditure includes two transfers to reserves to support future change initiatives and investment in the digital forensic service and the release from the Insurance provision to cover the costs associated with force related claims. The above were offset primarily by underspends on Police & PCSO pay of (£559K and £336K respectively). In addition the Force contributes to several collaborations with neighbouring forces. In year pressures or underspends against budgeted contributions are transferred to/ or released from reserves to smooth / mitigate current and future fluctuations in cost.

Table 1 also highlights that the majority of both the budgeted as well as actual spend is made against pay (68.13% of budgeted expenditure in 2018/19). 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 2018/19 and 2017/18 financial years against its available workforce as at the 31st March 2019 and the 31st March 2018.

	Budgeted Establishment 2018/19	Available Workforce @ 31/3/19	Variance to Budget 2018/19	Budgeted Establishment 2017/18	Available Workforce @31/3/18	Variance to Budget 2017/18
	FTE	FTE	FTE	FTE	FTE	FTE
Police Officers	1,236	1,209	-27	1,280	1,263	-17
Police Staff	465	448	-17	454	421	-33
Total	1,701	1,657	-44	1,734	1,684	-50

4. CAPITAL

The Group funded an annual capital budget for the 2018/19 financial year of £7,395k (excluding Lifecycle costs of £270k associated with the PFI's). The Group did not spend all of its capital allocation largely due to slippage in relation to the Community Safety Hub (£0.3M) several ICT projects (£1.2M) and Fleet replacement programme of (£0.2M) which are planned to be completed during 2019/20. The amount of underspend against the capital budget was £1.795M (£1.423M underspend 2017/18).

The Group spent £5.6m on capital projects during the year. The programme was fully financed from capital resources in the year.

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 £1,763m is recorded in the Balance sheet of the CC.

6. CHANGE FROM 2017/18 POSITION

The 2018/19 statements highlight the following areas of change from the 2017/18 position:

Comprehensive Income & Expenditure Statement

Net Cost of Services (NCOS) has increased by £45.325m. Primarily relates to the technical accounting adjustments to record the potential pension liability as at the end of the accounting period.

Balance Sheet

The increase in the Balance sheet of £98.071m reflects the increased Pension liability as reported by the actuary.

7. NON FINANCIAL PERFORMANCE DATA

The Force continues to utilise a Balanced Scorecard to demonstrate progress against key performance outcomes and to provide the evidence that it is achieving its core objective. The Force's core objective

for the financial year 2018/19 was: to keep people safe and protect our communities. The scorecard illustrates numerous performance outcomes including:

- Overall Public Confidence and Perceptions of Police Performance
- Victim Satisfaction
- Recorded Crime
- Anti-Social Behaviour Incidents
- Sickness Absence

Overall Public Confidence and Perceptions of Police Performance

In order to keep people safe and protect 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.

In the Cleveland area overall public confidence is at 72% set against 76% in the previous year. Although technically the figure has decreased, the difference is not considered to be statistically significant and therefore performance is seen as stable for the past year. The Force's performance can be reviewed against the national average for England and Wales which is 76%.

Perceptions of police performance are slightly lower with 57% of the local residents perceiving that the Cleveland Force does a good or excellent job. However this is a statistically significant decrease on the previous year (67%). This again can be compared to the national average in England and Wales which is 60%.

It should be noted that figures from the Crime Survey for England and Wales are based on interviews undertaken in the 12 months to the end of September 2018, with comparisons for the previous year based on interviews undertaken in the 12 months ending September 2017.

Victim Satisfaction

The Force aims to place victims at the centre of everything that we do, achieving a high level of victim satisfaction is a key performance outcome. It is measured via the Victim Satisfaction Survey that is conducted amongst victims of violent crime, house burglary and vehicle crime. The Force's overall satisfaction level for the financial year 2018/19 is 73%. Although in keeping with the historical average, this is lower than the level achieved last year (80%).

The Force continues to invest a significant amount of effort in order to improve the quality of service received throughout a 'victims journey'. For example, a review of local policing provision has enabled the force to realign its resources to better match demand, providing officers with the time needed to support victims and provide advice and guidance in accordance with their individual needs, including timely feedback. Furthermore, the force has actively sought to increase staff awareness in relation to procedural justice and where necessary challenge unacceptable behaviour, highlighting the importance of their actions and the impact this can have on a victim.

Recorded Crime

In 2018/19 overall crime (as reported by the public) increased by 15%. The observed increase is largely attributable to a rise in violence (up 55%) and specifically crimes 'without injury' (up 32%) and stalking and harassment (up 210%), mirroring the trend observed elsewhere across the country. There has also been an increase in robbery (up 21%) and sexual offences (up 7%) although the volume is comparatively small. Conversely, acquisitive crime has fallen, for example residential burglary is down 9% and vehicle crime is down 7%.

The increase in violence can be attributed to a number of factors. For example, the introduction of new offences such as malicious communications and the growing trend in cyber enabled harassment through the inappropriate use of social media. In addition, the force has taken steps to improve the quality of its crime data integrity, identifying and recording a higher number of offences involving non-physical violence such as harassment, is captured and recorded appropriately. The force recognises it has more work to do in this area.

Anti-Social Behaviour Incidents (ASB)

In 2018/19 overall ASB decreased by 20%, with the Force receiving 33,510 such reports (compared to 41,881 in 2017/18). This was as a result of a 15% reduction in nuisance incidents and a 33% reduction in the number of incidents carrying a higher level of risk i.e. those of a personal nature. Nuisance behaviour incidents accounted for almost three quarters of ASB (64% from 72%).

Sickness Absence

Sickness levels are monitored via the Force Performance Group and the People and Culture Board and assessed periodically by the PCC at Finance, Resource & Policy Scrutiny Meetings. Whilst sickness absence continues to place an additional pressure on limited and reducing resources, performance in the area continues to improve. Although still comparatively high when compared to other forces, volume of sickness days continue to fall. Sickness absence is currently running at an average rate of 12.2 days lost per officer and 9.7 days lost per police staff member. This is the equivalent to almost £5,000,000, the equivalent of 75 officers and 25 members of police staff. Both Police Officer and Police Staff sickness has reduced over the last 12 month period. The sickness data as at end of March 2019 and March 2018 was as follows:

	Days lost 18/19	Days lost 17/18	% change
Officer	14991	17288	-13%
Staff	4308	4472	-4%

8. EVENTS AFTER THE REPORTING PERIOD

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

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

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	2018/2019			2017/2018		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay Costs	121,448	0	121,448	81,490	0	81,490
Police Community Support Officer Pay Costs	5,173	0	5,173	4,763	0	4,763
Police Staff Support Pay Costs	13,818	0	13,818	11,511	0	11,511
Police Non Pay Costs	38,992	0	38,992	36,355	0	36,355
Undistributed Costs	83	0	83	70	0	70
Net Cost of Services	179,514	0	179,514	134,189	0	134,189
Intra Group Funding		(123,160)	(123,160)	0	(120,353)	(120,353)
Net Cost of Services	179,514	(123,160)	56,354	134,189	(120,353)	13,836
Financing & Investment Income & Expenditure (Note 8)			42,696			41,133
(Surplus) or Deficit on Provision of Service			99,050			54,969
Re-measurements of the defined benefit liability (Note 14)			(979)			7,052
Other Comprehensive Income and Expenditure			(979)			7,052
Total Comprehensive Income and Expenditure			98,071			62,021

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

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 2018	0	0	0	0	0	0	1,664,545	1,664,545
(Surplus) or deficit on provision of services (accounting basis)	99,050	0	0	0	0	99,050	0	99,050
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(979)	(979)
Total Comprehensive Expenditure and Income	99,050	0	0	0	0	99,050	(979)	98,071
Total Adjustments between accounting basis & funding basis under regulations	(99,050)	0	0	0	0	(99,050)	99,050	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	98,071	98,071
Total Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease In Year	0	0	0	0	0	0	98,071	98,071
Balance at 31 March 2019	0	0	0	0	0	0	1,762,616	1,762,616

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total CC Reserves £000
Balance at 31st March 2017	0	0	0	0	0	0	1,602,524	1,602,524
(Surplus) or deficit on provision of services (accounting basis)	54,969	0	0	0	0	54,969	0	54,969
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	7,052	7,052
Total Comprehensive Expenditure and Income	54,969	0	0	0	0	54,969	7,052	62,021
Total Adjustments between accounting basis & funding basis under regulations	(54,969)	0	0	0	0	(54,969)	54,969	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	62,021	62,021
Total Transfers (to)/from Reserves	0	0	0	0	0	0	0	0
(Increase) / Decrease In Year	0	0	0	0	0	0	62,021	62,021
Balance at 31 March 2018	0	0	0	0	0	0	1,664,545	1,664,545

BALANCE SHEET AT 31st MARCH 2019

The Balance Sheet shows the value of the assets and liabilities as at 31st March 2019. 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 2019 £000	31 March 2018 £000
Property, Plant and Equipment		-	-
Investment Property		-	-
Intangible Assets		-	-
Long Term Investments		-	-
Long Term Debtors		-	-
Total Long Term Assets		-	-
Current Assets			
Short Term Investments		-	-
Assets Held for Sale		-	-
Inventories		-	-
Short Term Debtors		-	-
Cash and Cash Equivalents		-	-
Total Current Assets		-	-
Total Assets		-	-
Current Liabilities			
Cash and Cash Equivalents		-	-
Short Term Borrowing		-	-
Short Term Creditors		-	-
Provisions		-	-
Total Current Liabilities		-	-
Long Term Creditors		-	-
Provisions		-	-
Long Term Borrowing		-	-
Other Long Term Liabilities : PFI		-	-
Pensions Liability	13	(1,762,616)	(1,664,545)
Total Long Term Liabilities		(1,762,616)	(1,664,545)
Total Liabilities		(1,762,616)	(1,664,545)
Net Assets		(1,762,616)	(1,664,545)
Usable Reserves		-	-
Unusable Reserves	15	1,762,616	1,664,545
Total Reserves		1,762,616	1,664,545

CASHFLOW STATEMENT 2018/19

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.

	2018/2019 £000	2017/2018 £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 2018/19 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- 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 Her Majesty Revenue Customs (HMRC). There have been no significant VAT issues in 2018/19.

C) EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional and Extraordinary items, of which the CC has none in 2018/19, would be disclosed on the face of the Comprehensive Income & Expenditure Account and fully explained in the notes to the accounts.

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

D) REVENUE RECOGNITION

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

E) PENSIONS

The PCC group participates in two different pension schemes, which meet the needs of police officers and police staff. The schemes provide members with defined benefits related to pay and service. Employees' and employers' contribution levels are based on percentages of pensionable pay and are subject to triennial review. The accounts of the CC record the transactions relating to police officers and police staff employed by the CC. Details of the scheme are detailed below:

- The CC meets the pension payments by the payment of an employer's pension contribution for Officers and Staff based on a percentage of pay into the pension fund.

- The Police Pension Fund is balanced to nil each year by a transfer to/from the Home Office Police Fund. This scheme has no assets and does not take into account the liabilities to pay pensions and other benefits after the period end.
- Local Government Pension Scheme is subject to triennial review of the assets and liabilities and these assets and liabilities are reflected in the accounts of the CC.

F) RESERVES

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

G) POST BALANCE SHEET EVENTS

Events after the Balance Sheet date are reflected by the 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 a number of 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 (assuming that market participants act in their economic best interest).

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

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

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

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

2. EXPENDITURE & FUNDING ANALYSIS

The Expenditure & Funding Analysis shows how the annual expenditure 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	2018/2019 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's	Expenditure Chargeable to the General Fund £000's	2017/2018 Adjustments Between funding & Accounting Basis £000's	Net Expenditure in the CIES £000's
Funding						
Police Officer Pay Costs	67,997	(53,451)	121,448	69,284	(12,206)	81,490
Police Community Support Officer Pay Costs	4,382	(791)	5,173	4,286	(477)	4,763
Police Staff Support Pay Costs	11,706	(2,112)	13,818	10,358	(1,153)	11,511
Police Non Pay Costs	38,992	0	38,992	36,355	0	36,355
Undistributed Costs	83	0	83	70	0	70
Net Cost of Services	123,160	(56,354)	179,514	120,353	(13,836)	134,189
Intra Group Funding	(123,160)	0	(123,160)	(120,353)	0	(120,353)
Net Cost of Services	0	(56,354)	56,354	0	(13,836)	13,836
Other Operating Expenditure (Note 9)	0	0	0	0	0	0
Financing & Investment Income & Expenditure (Note 8)	0	(42,696)	42,696	0	(41,133)	41,133
Taxation & Non-Specific Grant Income (Note 11)	0	0	0	0	0	0
(Surplus) or Deficit on Provision of Service	0	(99,050)	99,050	0	(54,969)	54,969

	Adjustments Between funding & Accounting Basis	Adjustments for Capital	Pension Adjustments	Other Adjustments
	£000's	Note 2a £000's	Note 2b £000's	Note 2c £000's
Notes to Funding Analysis 2018/2019				
Police Officer Pay Costs	(53,451)	0	(53,451)	0
Police Community Support Officer Pay Costs	(791)	0	(791)	0
Police Staff Support Pay Costs	(2,112)	0	(2,112)	0
Police Non Pay Costs	0	0	0	0
Undistributed Costs	0	0	0	0
Net Cost of Services	(56,354)	0	(56,354)	0
Financing & Investment Income & Expenditure (Note 8)	(42,696)	0	(42,696)	0
(Surplus) or Deficit on Provision of Service	(99,050)	0	(99,050)	0

	Adjustments Between funding & Accounting Basis	Adjustments for Capital	Pension Adjustments	Other Adjustments
	£000's	Note 2a £000's	Note 2b £000's	Note 2c £000's
Notes to Funding Analysis 2017/2018				
Police Officer Pay Costs	(12,206)	0	(12,206)	0
Police Community Support Officer Pay Costs	(477)	0	(477)	0
Police Staff Support Pay Costs	(1,153)	0	(1,153)	0
Police Non Pay Costs	0	0	0	0
Undistributed Costs	0	0	0	0
Net Cost of Services	(13,836)	0	(13,836)	0
Financing & Investment Income & Expenditure (Note 8)	(41,133)	0	(41,133)	0
(Surplus) or Deficit on Provision of Service	(54,969)	0	(54,969)	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 ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2b Pension Adjustments

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

- For Services this represents the removal of the employer pension contributions made by the 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

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31st March 2019 but not adopted:-

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING 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 a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the CC with expert advice about the assumptions to be applied. Details of which are contained within Note: 13 Pension. The overall pension liability at the 31st March 2019 is £1,763m.

McCloud Judgement: Local Government Pension Scheme (LGPS)

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

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

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

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

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

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

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

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

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

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

Limitations-

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

McCloud Judgement: Police Pension Schemes

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

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

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

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

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

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. The rate at which GMP was accrued, and the date it is payable, is different for men and women, meaning there is an inequality for male and female members who have GMP.

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

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

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

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

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

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

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

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

We have undertaken calculations for a typical LGPS Fund to quantify the value of the second interim solution, extended indefinitely beyond April 2021. It is believed that this would approximately represent the cost of meeting the government's commitment to protect all public sector scheme members from the removal of AP. Using 2016 valuation data for a typical Fund, for individuals whose SPA is after 5 December 2018, we have calculated the difference between:

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

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

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

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

Limitations-

Generally, employers with a higher proportion of older members with membership between 1978 and 1997 (dates when GMP was accrued) could see a higher cost. Calculations of the percentage increase in liability due to GMP Indexation was undertaken using funding assumptions of a typical Fund. We do not believe the percentage would be materially different if valued using the accounting assumptions adopted by the Employer at the year-end.

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 2019

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	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	(109,569)	0	0	0	0	(109,569)	109,569	0
	(109,569)	0	0	0	0	(109,569)	109,569	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	10,519	0	0	0	0	10,519	(10,519)	0
	10,519	0	0	0	0	10,519	(10,519)	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	(99,050)	0	0	0	0	(99,050)	99,050	0

FOR THE YEAR ENDED 31ST MARCH 2018

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total 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	(66,231)	0	0	0	0	(66,231)	66,231	0
	(66,231)	0	0	0	0	(66,231)	66,231	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	11,262	0	0	0	0	11,262	(11,262)	0
	11,262	0	0	0	0	11,262	(11,262)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	(54,969)	0	0	0	0	(54,969)	54,969	0

8. FINANCING AND INVESTMENT INCOME & EXPENDITURE

	2018/2019 £000	2017/2018 £000
Interest payable and similar charges	0	0
Pension interest cost & expected return on pension assets	42,696	41,133
Interest receivable and similar income	0	0
Total Finance and Investment Income and Expenditure	42,696	41,133

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 2018/19			2017/18
	Police Officers	Support Staff	Total	
£50,000 - £54,999	83	5	88	80
£55,000 - £59,999	39	1	40	25
£60,000 - £64,999	7	0	7	10
£65,000 - £69,999	4	1	5	6
£70,000 - £74,999	4	2	6	7
£75,000 - £79,999	3	2	5	3
£80,000 - £84,999	1	0	1	6
£85,000 - £89,999	3	2	5	2
£90,000 - £94,999	0	2	2	4
£95,000 - £99,999	1	0	1	0
£100,000 - £104,999	1	0	1	1
£110,000 - £114,999	2	0	2	2
£120,000 - £124,999	0	0	0	1
£155,000 - £159,999	1	0	1	0
Total	149	15	164	147

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 2018/19:

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

Post Holder	Annualised Salary	Salary (Including Fees & Allowances)	Expense Allowances	Benefits in Kind	Total Remuneration excluding Pension Contribution 18/19	Pension Contributions
	£	£	£	£	£	£
Chief Constable - M Veale : Note 1	155,397	157,493	0	0	157,493	28,817
DCC : Note 1	117,690	103,039	0	1,151	104,190	22,719
ACC 1	113,475	113,814	1,520	0	115,334	26,600
ACC 2	113,475	116,226	1,576	0	117,802	20,853
ACO	93,645	94,406	86	0	94,492	13,770
CFO: CC	93,645	94,406	370	0	94,776	13,770

Notes:-

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

Remuneration Disclosure 2017/18:

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

Notes:-

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

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

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

10. TERMINATION BENEFITS

In the financial year the following termination benefits of £0.079m were paid. (£0.031m 2017/18).

Banding	Number of staff			Total cost of Exit package each band
	Number Compulsory Redundancies	Number of Other departures	Total Number of departures	
£0 - £20,000	0	1	1	9,857
£20,001 - £40,000	0	2	2	68,680
Total	0	3	3	£78,537

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 £12k relating to external audit:

	2018/2019 £000	2017/2018 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	12	15
Total Audit Costs	12	15

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 has to be generated to meet actual pensions payments as they eventually fall due. Participants of the scheme can leave the scheme within two years of their joining date and receive a full refund of their contributions.

The **Local Government Pension Scheme** for police staff, 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	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	3,497	3,110	22,077	21,865	25,574	24,975
Past service cost	1,186	123	40,113	-	41,299	123
Financing and Investment Income and Expenditure						
Interest cost	2,478	2,351	42,081	40,567	44,559	42,918
Expected return on assets	(1,863)	(1,785)	-	-	(1,863)	(1,785)
Total Post employment Benefit Charged to the Surplus and Deficit on Provision of Service	5,298	3,799	104,271	62,432	109,569	66,231
Other post employment Benefit Charged to the CIES						
Return on Plan assets	(4,033)	(677)	-	-	(4,033)	(677)
Actuarial (gains) /losses : Financial Assumptions	4,293	1	95,885	29,016	100,178	29,017
Actuarial (gains) /losses: Demographic assumptions	(3,982)	-	(61,275)	-	(65,257)	-
Actuarial (gains) /losses : liability experience	187	446	2,515	8,199	2,702	8,645
Total Post Employment Benefit Charged to the CIES	1,763	3,569	141,396	99,647	143,159	103,216
Movement in Reserves Statement:						
Reversal of net changes made to the surplus or deficit for the Provisions of Services for post employment benefits in accordance with the code	(5,298)	(3,799)	(104,271)	(62,432)	(109,569)	(66,231)
Actual amount charged against General fund balances for pensions in the year:						
Contribution in year	1,780	1,603	8,739	9,659	10,519	11,262

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	
	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000
Estimated funded liabilities in scheme	102,177	95,370	-	-	-	-	-	-	-	-	102,177	95,370
Estimated unfunded liabilities in scheme	340	364	1,513,779	1,465,076	91,389	87,529	49,999	45,114	82,920	42,280	1,738,427	1,640,363
Less : Estimated assets in scheme	77,988	71,188	-	-	-	-	-	-	-	-	77,988	71,188
Net Liability	24,529	24,546	1,513,779	1,465,076	91,389	87,529	49,999	45,114	82,920	42,280	1,762,616	1,664,545

Note 14 contain 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 2019 are as follows.

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

- The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £1,763m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a negative overall balance of £1,763m. 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 2019.

The main assumptions used in their calculations are detailed below:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/19	31/03/18	31/03/19	31/03/18
Rate of inflation (RPI)	3.2%	3.1%	3.3%	3.2%
Rate of inflation (CPI)	2.1%	2.0%	2.2%	2.1%
Rate of increase in salaries	3.1%	3.0%	3.2%	3.1%
Rate of increase in pensions	2.1%	2.0%	2.2%	2.1%
Pension accounts revaluation rate	2.1%	2.0%	3.5%	3.4%
Rate for discounting scheme liabilities	2.5%	2.6%	2.4%	2.6%

Mortality Assumptions				
	Local Government Pension Scheme		All Police Pension Schemes	
	Males	Females	Males	Females
Retiring today	22.20	24.10	22.10	24.50
Retiring in 20 years	23.90	25.90	23.90	26.30

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 2018		Assets at 31 March 2019		Asset Split as at 31 March 2019	
	£000	%	£000	%	Quoted	Unquoted
Equities	56,879	79.9%	56,073	71.9%	71.9%	0.0%
Property	5,197	7.3%	7,175	9.2%	7.9%	1.3%
Cash	7,902	11.1%	13,102	16.8%	16.8%	0.0%
Other	1,210	1.7%	1,638	2.1%	2.1%	0.0%
Total	71,188	100.0%	77,988	100.0%	98.7%	1.3%

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

	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000
Actual Return Less Expected return on Pension Scheme Assets	4,033	677	34,569	29,932	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(498)	(446)	(28,859)	(32,163)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)
Actuarial Gain/(Loss) in Pension Plan	3,535	231	5,710	(2,231)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)
Actuarial Gain/ (Loss) Recognised in Other Comprehensive Income	3,535	231	5,710	(2,231)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)

Summary of Costs recognised in Other Comprehensive Income:-

	31/03/19 £000	31/03/18 £000
Local Government Pension Scheme	3,535	231
1987 Police Pension Scheme	5,710	(2,231)
Injury Awards	(1,992)	(2,096)
2006 Police Pension Scheme	(2,843)	(1,570)
2015 Police Pension Scheme	(3,431)	(1,386)
Total	979	(7,052)

Asset and Benefit Obligation Reconciliation										
	Local Government Pension Scheme		1987 Police Pension Scheme		Injury Awards		2006 Police Pension Scheme		2015 Police Pension Scheme	
	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000	Year to 31/03/19 £000	Year to 31/03/18 £000
Opening Defined Benefit Obligation	95,734	91,122	1,465,076	1,428,390	87,529	83,698	45,114	41,939	42,280	25,916
Current Service Cost	3,497	3,110	7,024	9,121	1,788	1,743	245	253	13,020	10,748
Interest Cost	2,478	2,351	37,499	36,606	2,248	2,148	1,181	1,094	1,153	719
Actuarial losses (gains)	498	446	28,859	32,163	1,992	2,096	2,843	1,570	3,431	1,386
Estimated benefits paid net of transfers in	(1,682)	(2,141)	(47,638)	(43,531)	(2,168)	(2,156)	543	179	70	(16)
Past Service Cost	1,186	123	21,213	0	0	0	0	0	18,900	0
Contribution by Scheme participants	806	723	1,746	2,327	0	0	73	79	4,066	3,527
Closing Defined Benefit Obligation	102,517	95,734	1,513,779	1,465,076	91,389	87,529	49,999	45,114	82,920	42,280

Opening fair value of Scheme assets	71,188	68,541	0	0	0	0	0	0	0	0
Expected return on Scheme assets	1,863	1,785	0	0	0	0	0	0	0	0
Actuarial gains (losses)	4,033	677	34,569	29,932	0	0	0	0	0	0
Contributions by employer including unfunded benefits	1,780	1,603	11,323	11,272	2,168	2,156	(616)	(258)	(4,136)	(3,511)
Contributions by Scheme participants	806	723	1,746	2,327	0	0	73	79	4,066	3,527
Estimated benefits paid including unfunded benefits	(1,682)	(2,141)	(47,638)	(43,531)	(2,168)	(2,156)	543	179	70	(16)
Fair Value of Scheme Assets at end of Period	77,988	71,188	0	0	0	0	0	0	0	0

Reconciliation of Opening and Closing Net Obligation										
Opening Surplus / (Deficit)	(24,546)	(22,581)	(1,465,076)	(1,428,390)	(87,529)	(83,698)	(45,114)	(41,939)	(42,280)	(25,916)
Current Service Cost	(3,497)	(3,110)	(7,024)	(9,121)	(1,788)	(1,743)	(245)	(253)	(13,020)	(10,748)
Contributions by employer including unfunded benefits	1,780	1,603	11,323	11,272	2,168	2,156	(616)	(258)	(4,136)	(3,511)
Past Service Costs	(1,186)	(123)	(21,213)	0	0	0	0	0	(18,900)	0
Interest Costs	(2,478)	(2,351)	(37,499)	(36,606)	(2,248)	(2,148)	(1,181)	(1,094)	(1,153)	(719)
Expected return on Scheme assets	1,863	1,785	0	0	0	0	0	0	0	0
Actuarial (losses) gains	3,535	231	5,710	(2,231)	(1,992)	(2,096)	(2,843)	(1,570)	(3,431)	(1,386)
Fair Value of Scheme Assets / (Liabilities) at end of Period	(24,529)	(24,546)	(1,513,779)	(1,465,076)	(91,389)	(87,529)	(49,999)	(45,114)	(82,920)	(42,280)

Summary Reconciliation of Closing Net Obligation	31/03/19 £000	31/03/18 £000
Local Government Pension Scheme	(24,529)	(24,546)
1987 Police Pension Scheme	(1,513,779)	(1,465,076)
Injury Awards	(91,389)	(87,529)
2006 Police Pension Scheme	(49,999)	(45,114)
2015 Police Pension Scheme	(82,920)	(42,280)
Total	(1,762,616)	(1,664,545)

Funded LGPS benefits : Cleveland Police	Sensitivity Analysis		
	+0.1% p.a.	Base 18/19	-0.1% p.a.
Discount Rate Assumptions			
Present Value of total obligation (£000's)	99,945	102,177	104,459
% change in present value of total obligation	-2.2%		2.2%
Projected Service cost (£000's)	3,518	3,645	3,775
Approx % change in projected service cost	-3.5%		3.6%
Rate of General increase in Salaries			
Present Value of total obligation (£000's)	102,709	102,177	101,651
% change in present value of total obligation	0.5%		-0.5%
Projected Service cost (£000's)	3,645	3,645	3,645
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)	103,921	102,177	100,465
% change in present value of total obligation	1.7%		-1.7%
Projected Service cost (£000's)	3,775	3,645	3,518
Approx % change in projected service cost	3.6%		-3.5%
Post retirement mortality assumption			
Present Value of total obligation (£000's)	105,389	102,177	98,990
% change in present value of total obligation	3.1%		-3.1%
Projected Service cost (£000's)	3,786	3,645	3,505
Approx % change in projected service cost	3.9%		-3.8%

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

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

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

	Police Pension Schemes	Police Pension Schemes	Local Government Pensions	Local Government Pensions
	Year to 31/03/20 £000s	Year to 31/03/21 £000s	Year to 31/03/20 £000s	Year to 31/03/21 £000s
Funded: -				
Service cost	24,389	25,149	3,645	3,758
Net Interest cost	40,586	41,924	551	607
Total	64,975	67,073	4,196	4,365

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

15. UNUSABLE RESERVES

Description of Reserve	31 March 2017 £000	Additions in Year £000	Reductions in Year £000	31 March 2018 £000	Additions in Year £000	Reductions in Year £000	31 March 2019 £000
Pension Reserve	1,602,524	(17,047)	79,068	1,664,545	(20,669)	118,740	1,762,616
Total Unusable Reserves	1,602,524	(17,047)	79,068	1,664,545	(20,669)	118,740	1,762,616

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 four strategic collaborative arrangements that are classified as Joint Operations under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

They are:

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

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

1 Cleveland Durham Special Operations Unit (CDSOU)

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

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

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

CDSOU operates across the Durham and the Cleveland Force boundaries.

The statement below highlights the income and expenditure for the financial year 2018/19 as required under the Section 22A agreement. There are no joint assets or liabilities held within the unit only annual revenue costs. Both forces hold their assets and liabilities separately within their individual group accounts.

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

Cleveland and Durham Specialist Operations Unit				
	Total Costs £000's	Apportionment	Durham 2017/18 £000's	Cleveland 2017/18 £000's
Road Policing				
Employees Costs	8,721	50%	4,361	4,361
Non Pay Costs	748	50%	374	374
Income	(206)	50%	(103)	(103)
	9,264		4,632	4,632
Tactical Training Unit				
Employees Costs	821	50%	410	410
Non Pay Costs	1,202	50%	601	601
Income	(29)	50%	(15)	(15)
	1,993		997	997
Total Unit Costs	11,257	-	5,628	5,628
Reserve as 31st March	Total Reserves			
Road Policing	-	50%	-	-
Tactical Training Unit	162	50%	81	81
	162		81	81

2 Cleveland Durham North Yorkshire Integrated Dog Support Unit

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

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit. The Force allocation is borne in proportion to Net Revenue Expenditure (NRE) irrespective of how much each force makes use of the service. For the financial period April 2018 to March 2019 the funding contributions made were Cleveland 33.02%, Durham 30.12% and North Yorkshire 36.86%.

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

The statement below highlights the income and expenditure for the financial year 2018/19 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

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

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

3 North East Regional Special Operations Unit (NERSOU)

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the three Forces have equal voting rights in terms of decision made about the unit but the funding is through a combination of Home Office Grants and Force contributions. The Force allocation is based on Home Office Core Grant allocations and for the financial period April 2018 to March 2019 the funding contributions made were Cleveland 24.75%, Durham 22.86% and Northumbria 52.39%.

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

NERSOU operates throughout the North East region.

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

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

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

4 Cleveland North Yorkshire Major Incident Team (CNYMIT)

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

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

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

The governance of the Joint Operation is managed through a Section 22A Agreement whereby the two Forces have equal voting rights in terms of decision made about the unit. The Force allocation is borne in proportion to Net Revenue Expenditure (NRE) and demand and for the financial period April 2018 to March 2019 the funding contributions made were Cleveland 51.5% and North Yorkshire 48.5%.

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

The statement below highlights the income and expenditure for the financial year 2018/19 as required under the Section 22A agreement. All Forces hold their assets and liabilities separately within their individual group accounts.

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

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

17. CONTINGENT LIABILITIES / ASSETS

There are no contingent Liabilities or 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 Chief Finance Officer of the Chief Constable for Cleveland Police has set and authorised the date of issue for the Statement of Accounts as the 25th July 2019. This is the date up to which events after the Balance Sheet date have been considered.

POLICE PENSION FUND

Police Pension Fund Regulations 2009 (SI 2009 No 2060)

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

NET ASSETS STATEMENT	31st March 2019	31st March 2018
	£000	£000
Current Assets		
Debtors:-		
Other Local Authorities	348	383
Bodies External to General Government	221	247
Total Current Assets	569	630
Long Term Assets		
Bodies External to General Government	0	0
Total Long Term Assets	0	0
Current Liabilities		
Creditors :-		
Other Local Authorities	348	383
Bodies External to General Government	221	247
Total Current Liabilities	569	630
Long Term Liabilities		
Bodies External to General Government	0	0
Total Long Term Liabilities	0	0
Net Assets	0	0
PENSION FUND ACCOUNT	0	0

Notes to the Pension Fund

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

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

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

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

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

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

The Fund is administered by the entity.

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

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

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

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

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

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

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

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 effect the settlement.

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

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

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

