

Chief Constable for Northumbria

Statements of Account
2018/19



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Narrative Statement

Northumbria Police – Key Facts

Northumbria Police is one of the largest and top performing police forces in the country, serving a population of 1.5 million people from a wide range of various communities, covering an area of more than 2,000 square miles.

Northumbria Police is dedicated to building trust and confidence and reducing crime and disorder in the communities within the North East of England.



Northumbria Police operates over a three area command structure which encompasses Tyne and Wear and Northumberland. The force covers an area from the Scottish border down to County Durham and from the Pennines to the North East coast.

Workforce Numbers

The number of officers, staff and special constables working for the Force as at 31 March each year are shown in the table below; in addition the Force is also supported by cadets and other volunteers.

| As at 31 March 2018 | Workforce | As at 31 March 2019 |
|---------------------|---|---------------------|
| 3,171 | Police Officers | 3,081 |
| 1,482 | Police Staff | 1,523 |
| 173 | Police Community Support Officers (PCSOs) | 194 |
| 182 | Special Constables | 161 |

A Typical Day for Northumbria Police:



Our Vision, Mission and Values

Vision for Change

Over the past five years we have made our force more efficient with a significant programme of change and Northumbria Police continues to be recognised as a service which upholds high standards and delivers outstanding service.

It is important for Northumbria Police to be clear about what we want to achieve and how we intend to do it and this is captured in our vision statement:

“Northumbria Police will be outstanding in the service we provide”

Our vision is supported by a mission, which is to serve the communities of Northumbria with pride - 'proud of what we do and proud of who we are'.

Simply put we are Proud to Protect.



Our Values

Our vision and mission are underpinned by a set of core values which define the standards we have set, they confirm our determination to be:

Proud to serve – what the public can expect from us

Proud of our people – what we can expect from our people

Proud to improve – what we can do differently

Proud to lead – what we expect from leaders

These core values create an environment where all officers, staff and volunteers are 'Proud to come to work, proud to represent Northumbria Police, and proud to deliver an outstanding service'.



The Chief Constable launched the Northumbria Police Strategy 2025 in March 2018, clearly outlining the Force's strategic priorities and key enablers. The Northumbria Police vision, mission and values remain unchanged. Underpinning the Force Strategy is a revised governance structure, this will ensure Northumbria Police has an appropriate business framework to help understand how the Force is performing and shape the activities it delivers to meet the requirements of the Police and Crime Plan. The Northumbria Police Strategy 2025 can be found on the Force website at the following link:

https://www.northumbria.police.uk/about_us/policies_plans_and_strategy/plans/

The Chief Constable

Winton Keenen was appointed by the Police and Crime Commissioner during 2017/18. His career with Northumbria Police spans over 30 years, starting in 1985 as a Police Constable.

As Chief Constable, he has put people, especially those who are vulnerable, at the heart of everything the Police do. He wants to work with the public, to listen to them and to engage with them to better understand communities, so wherever possible, in the face of difficult funding challenges, we can ensure the Force meets the demands of modern day policing.

He is determined to make what is already a great and safe place even better and to bring police and the public closer. In doing so, he



remains people focussed: ensuring the wellbeing of his officers and staff; providing the best possible service to victims and witnesses; and bringing offenders to justice.

The Financial Statements

The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011.
- The Home Office Revised Financial Management Code of Practice for the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004.
- The Police and Crime Commissioner for Northumbria's Governance Arrangements including Financial and Contract Regulations.

The liabilities associated with the staff costs of the Chief Constable are recorded in the Chief Constable's accounts and consolidated under the Police and Crime Commissioner's Group accounts.



The Commissioner is responsible for the finances of the whole Group; she receives all income and funding, including all government grants and Council Tax Precept, into the Police Fund and makes all the payments for the Group from the Police Fund. In turn, the Chief Constable fulfils his function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation¹ is in operation between the two bodies determining their respective responsibilities. The detailed accounting arrangements between the Commissioner and Chief Constable are detailed in Note 3 to the accounts.

¹ Available at: <https://www.northumbria-pcc.gov.uk/transparency/key-decisions/2014-2/>

Relationship between the Police and Crime Commissioner and the Chief Constable

Each has specific roles and responsibilities.

These roles and responsibilities can be summarised as follows:

The Police and Crime Commissioner:

- Provides a link between the police and the community.
- Sets out the strategic policing and crime priorities and objectives through the publication of a Police and Crime Plan.
- Prepares and publishes an annual report on progress in the delivery of the Police and Crime Plan.
- Sets out the Force's budget and community safety grants.
- Sets the policing and crime Precept.
- Oversees community safety, the reduction of crime and value for money in policing.
- Commissions victims' and witness services, including restorative justice.
- Appoints the Chief Constable (and dismissal when necessary).
- Holds the Chief Constable to account for the performance of the Force, including that of police officers and civilian staff under their direction and control.
- Receives all income from grants, Precept and charges.
- Has the responsibility for all borrowing.

The Chief Constable:

- Responsible for maintaining the Queen's peace and for the direction and control of the Force.
- Accountable to the law for the exercise of police powers.
- Accountable to the Commissioner for the delivery of efficient and effective policing, and the management of resources and expenditure by the Police Force.
- Operationally independent of the Commissioner but must have regard to the Commissioner's Police and Crime Plan.
- May not borrow money.

Police and Crime Plan 2017 – 2021

Building Safer Communities and Effective Justice

The Police and Crime Commissioner determines the priorities for policing within the Police and Crime Plan, through comprehensive engagement and consultation across our communities to ensure that the priorities reflect the expectations of the public.

These are:

- Domestic and Sexual Abuse
- Putting Victims First
- Effective Criminal Justice System
- Reducing Anti-Social Behaviour
- Cutting Crime
- Community
- Confidence.

The Chief Constable and Police and Crime Commissioner will work closely together to ensure effective delivery of the Plan.

Financial Performance

Key Highlights

The Police and Crime Commissioner delegated a budget of £256.801 million to the Chief Constable for 2018/19.

The outturn position is £254.022 million, an underspend of £2.779 million. The position reported at Quarter 3 was a planned underspend of £1.695 million. The movement in the final outturn is mainly attributable to the late notification of a Home Office Special Grant which was awarded to cover expenditure incurred earlier in the year.

Budget reduction plans totalling £6.700 million were achieved in the year bringing the total savings delivered since 2010 to £142.300 million.



Government Funding Cuts

The last nine years have seen unprecedented cuts to the funding provided by the government for policing. Northumbria has taken the biggest financial cut of all Forces in England and Wales through both the 2010 and 2015 Comprehensive Spending Review (CSR) periods. The National Audit Office (NAO) report, 'Financial sustainability of police forces in England and Wales 2018', identified that Central Government funding for policing in Northumbria has been reduced by 31% in real terms since 2010/11. The structure of funding means those which have a lower council tax Precept will suffer more as any cut from government is to the larger proportion of their funding. Northumbria experienced the largest impact of cuts because it receives more in grant in proportion to its council tax; around 84% in 2018/19 was by Home Office grant. In addition, Northumbria has the lowest Precept of any PCC in England and Wales and a low yield too.

Northumbria has had to make £142.300 million of cuts and efficiencies to manage the unprecedented scale of funding reductions imposed by the government since 2010. For Northumbria, employee pay accounts for the majority of the annual revenue budget and therefore savings delivered to date have been mainly realised through reductions to the workforce (March 2010 to March 2019):

| Workforce Reductions | 31 March 2010 | 31 March 2019 | Reduction | |
|------------------------|---------------|---------------|----------------|--------------|
| | FTE | FTE | FTE | % |
| Police Officers | 4,187 | 3,081 | (1,106) | (26%) |
| Police Staff and PCSOs | 2,534 | 1,717 | (817) | (32%) |
| Workforce | 6,721 | 4,798 | (1,923) | (29%) |

The one year Home Office settlement announcement for 2018/19 confirmed that government grants would be maintained in flat cash terms against the level received in 2017/18, a further real terms cut to police funding from Central Government.

The severe restrictions on funding from Central Government were delivered with the continued expectation that the shortfall would be met locally by tax payers through the Council Tax Precept. The funding settlement calculated by the government for 2018/19 required each Police and Crime Commissioner to increase the Band D Precept by £12 per year, in order to maintain total funding in real terms.

As discussed previously there has been a period of sustained financial pressure throughout both the 2010 and 2015 Comprehensive Spending Review (CSR) periods, the impact of which has continued to impact on the 2018/19 financial position.

As the Chief Constable receives all resources required to deliver services and meet the costs of policing from the Police and Crime Commissioner the requirement to deliver savings has therefore continued into 2018/19. The Chief Constable's budget for 2018/19 included savings of £6.700 million in specific budget areas which were delivered successfully.

Revenue Expenditure and Income Summary

Revenue expenditure represents the day to day running costs of providing policing services and includes expenses such as employee pay, vehicle and premises running costs, supplies and services, IT and communications. Revenue expenditure for the Chief Constable is fully funded by income from the Police and Crime Commissioner.

The Chief Constable's Executive Board monitors the revenue monitoring position each month and each quarter they are also considered as part of a consolidated Group position at the Joint Business Meeting between the Chief Constable and the Police and Crime Commissioner.

The Comprehensive Income and Expenditure Statement (CIES) presents the outturn on an accounting basis and that differs from how the Chief Constable actually manages the budget during the year. Capital charges for the use of assets, the cost of annual leave / lieu time balances and accrued pension benefits are not included within the revenue budget. In addition, certain elements of income that are managed by the Chief Constable on behalf of the Commissioner are included in monitoring but not in the CIES, as all income is received by the Commissioner

Revenue Outturn 2018/19

The Police and Crime Commissioner (the Commissioner) delegated a budget of £256.801 million to the Chief Constable for 2018/19, to enable the discharge of the activities under the Chief Constable's direction and control. The budget outturn position reflects an underspend of £2.779 million. The position reported at Quarter 3 was a planned underspend of £1.695 million. The movement in the final outturn is mainly attributable to the late notification of a Home Office Special Grant which was awarded to cover expenditure incurred earlier in the financial year.

Details of the 2018/19 revenue outturn for the Chief Constable are set out in the following table:

| Revenue Outturn 2018/19 | | | | | |
|--------------------------------|-------------------------------------|--------------------------------|---------------------------|---|-----------------------------|
| Budget Heading | Revised Estimate 2018/19 £000 | Expenditure 2018/19 £000 | Income 2018/19 £000 | Provisional Outturn 2018/19 £000 | Variance 2018/19 £000 |
| Workforce | 220,841 | 219,549 | - | 219,549 | (1,292) |
| Overtime | 2,136 | 3,367 | (1,025) | 2,342 | 206 |
| Business Support | 2,042 | 2,468 | (115) | 2,353 | 311 |
| Communications and Engagement | 134 | 186 | (44) | 142 | 8 |
| Crime | 2,973 | 3,037 | (152) | 2,885 | (88) |
| Custody and Criminal Justice | 1,630 | 2,467 | (626) | 1,841 | 211 |
| Estates | 8,349 | 8,889 | (851) | 8,038 | (311) |
| Finance | 87 | 82 | - | 82 | (5) |
| Fleet | 2,703 | 3,224 | (211) | 3,013 | 310 |
| Human Resources | 270 | 271 | - | 271 | 1 |
| Information Technology | 8,088 | 7,630 | (9) | 7,621 | (467) |
| Legal Services | 225 | 238 | (66) | 172 | (53) |
| Occupational Health | 696 | 539 | - | 539 | (157) |
| Operations | (343) | 452 | (702) | (250) | 93 |
| People Development | 1,752 | 1,622 | (81) | 1,541 | (211) |
| Procurement | 135 | 1,677 | (1,480) | 197 | 62 |
| Safeguarding | 223 | 313 | (84) | 229 | 6 |
| Volunteers | 47 | 58 | (11) | 47 | - |
| Secondments | (4) | 945 | (1,039) | (94) | (90) |
| Contributions & Subscriptions | 5,293 | 5,385 | - | 5,385 | 92 |
| Insurance | 1,548 | 1,538 | - | 1,538 | (10) |
| Other Income | (2,024) | - | (3,419) | (3,419) | (1,395) |
| Budget Outturn | 256,801 | 263,937 | (9,915) | 254,022 | (2,779) |
| External Funding | - | 5,926 | (6,045) | (119) | (119) |
| Net Expenditure | 256,801 | 269,863 | (15,960) | 253,903 | (2,898) |

Workforce (employee pay and pensions)

The underspend on the workforce budget relates mainly to the re-profiling of planned recruitment to the end of the 2018/19 financial year and underspends against related pay areas.

Non Pay Budgets

Key variances within non-pay include:

- Business Support – an overspend of £0.311 million attributed to supplies and services.
- Estates – an underspend of £0.311 million relating to one-off income in relation to rates rebates offset by additional expenditure on estates modernisation.
- Fleet – the outturn position is mainly attributable to under-recovery of planned income as a result of the re-profiling of vehicle sales into future years.
- Information Technology – an underspend of £0.467 million relating to the re-phasing of IT projects, mainly the HR Management System (HRMS).

- Other Income – additional income of £1.395 million mainly attributable to the award of a Home Office Special Grant in relation to specific operations including Safeguarding.

In addition to the core revenue budget, the Chief Constable manages expenditure against external funding schemes which include specific grants such as Counter Terrorism and other grants and contributions from the Home Office, Local Authorities and external bodies. The majority of income received has been fully utilised in 2018/19. The underspend position of £0.119 million reflects a net transfer to the external funding reserve held by the Commissioner. The net movement reflects the use of £0.106 million received in previous years, and held in the Commissioners reserve, plus income of £0.225 million received in 2018/19 which has been transferred to the reserve as at 31 March 2019 to be used in 2019/20.

Details of performance are set out later in this Narrative Statement.

Capital Programme

Under the terms of the funding arrangement between the Police and Crime Commissioner (the Commissioner) and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £7.351 million in 2018/19, are shown in the financial statements of the Commissioner.

The Chief Constable's Comprehensive Income and Expenditure Statement (CIES) receives an annual charge for the use of operational assets based on capital charges. For the 2018/19 financial year this charge was £9.934 million (£10.799 million 2017/18).

Governance

Governance arrangements are set out in the Annual Governance Statement (AGS) published with the Statements of Account.

Value for Money

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and Police and Crime Commissioner's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources over which the Chief Constable has delegated control.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Police and Crime Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the Joint Independent Audit Committee (JIAC) on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the Police and Crime Commissioner and Chief Constable, based on the work undertaken by the Internal Audit Service throughout 2018/19.

The financial management and performance reporting framework follows national and/or professional best practice, and its key-elements are set out below:

- Financial Regulations establish the principles of financial control; they are designed to ensure that the Police and Crime Commissioner and Chief Constable conduct their financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing

Orders set out the rules to be followed in respect of contracts for the supply of goods and services.

- A robust system through which the Force manages Finance, Human Resources, Payroll and Procurement processes is used throughout the Force. This enables systematic control to be applied, particularly in relation to budget management. This ensures that responsibility and accountability for resources rest with those managers who are responsible for service provision. This is underpinned by systematic controls which ensure financial commitments are approved by the relevant manager.
- In accordance with the Prudential Code and best accounting practice, the Chief Constable and Police and Crime Commissioner produce a four year Medium Term Financial Strategy (MTFS) and capital programme. These are reviewed on an on-going basis and form the core of resource planning, setting the Precept level, the annual revenue budget and capital programme.
- The MTFS includes known commitments, anticipated resource availability and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the Chief Constable and sets out the financial implications of the Police and Crime Commissioner's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor and report on financial performance.
- In line with the Prudential Code and Financial Management Code of Practice the Chief Constable and Police and Crime Commissioner produce annually a Treasury Management Strategy, Capital Strategy and an Annual Reserves Strategy Statement. These are reviewed throughout the year and inform monitoring and future planning.
- Monthly financial performance reports are presented to the Executive Board that focus on year-to-date information and forecast outturn enabling officers to establish a clear understanding of financial performance. These are then presented quarterly to the Police and Crime Commissioner through the Joint Business Meeting and these are available on the Police and Crime Commissioner website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year.
- HMICFRS Value for Money reviews are considered by management and recommendations implemented as appropriate.

The Chief Constable's external auditors Mazars LLP are required under section 20(1)(c) of the Local Audit and Accountability Act to determine whether the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money opinion). A review is undertaken on an annual basis having regard to the guidance on specified criterion as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for tax payers and local people.

On 27 July 2018 Mazars LLP issued an unqualified value for money opinion on the basis of their audit work for the 2017/18 Statements of Account.

Performance Information – Delivery of the Police and Crime Plan



Domestic and Sexual Abuse

The number of sexual offences reported has increased from 12 per day to 14 per day for the year to April 2019. The increase in reporting can be attributed to improved crime recording practices, an increase in proactive complex investigations involving numerous victims and perpetrators, as well as an increase in confidence of victims to report both recent and non-recent abuse.

The percentage of victims of sexual abuse who have suffered a subsequent crime has increased by 1.0%, this equates to 34 victims. All victims reporting two or more sexual offences are reviewed by a specialist officer to ensure they are risk assessed and all safeguarding interventions and referrals to support agencies have taken place.

The percentage of domestic abuse victims satisfied with the policing response provided was 92.0% for 12 months to April 2019. In addition the percentage of victims who were confident to report further abuse to the police was 96.0% during the same period.

Northumbria Police’s approach to domestic abuse and sexual offences is managed within two action plans which are scrutinised at Chief Officer and PCC level. The Domestic Abuse Improvement Plan and the Rape and Serious Sexual Offence Improvement Plan have been continually improved in 2018/19 to improve both the victim experience and improve outcomes.

In April 2018, the new MASH model went live across all six local authority areas providing a holistic response to vulnerable children and adults based on their individual needs and needs of the family. MASHs now also manage Operation Encompass notifications and Clare and Sarah’s Law applications. They have a performance framework in place to highlight areas of best practice, including areas for development. The ‘one-call’ approach in Northumberland, incorporating Northumberland MASH, has been nationally recognised by HMICFRS as best practice. In 2019, The MASHs will pilot a daily multi-agency risk assessment of domestic abuse cases.



Putting Victims First

Victims of crime report high levels of satisfaction with the Force:

- 96.0% Ease of contact.

- 88.0% Time of arrival.
- 81.0% Action taken.
- 69.0% Follow-up.
- 94.0% Treatment.
- 84.0% Whole experience.

In April 2019, the Force-wide Co-ordination Centre (FCC) was launched to oversee daily demand and resourcing seven days a week. The FCC will ensure a dynamic, planned and forward looking assessment of demand is made to flex resources to meet demand.

The aim of the FCC is to:

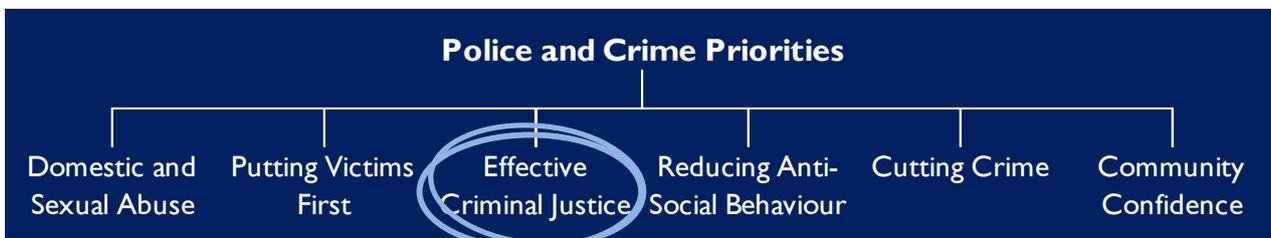
- Ensure the appropriate and prioritised deployment of people during the period of peak demand in the spring and summer.
- To ensure resources are flexed dynamically to meet peak demand and mitigate critical resource levels.

To ensure Northumbria Police can meet its mobilisation commitments and continue to operate effectively.

In order to improve call performance, Northumbria Police have completed a range of actions. This has included managing the increased demand differently by introducing a Customer Service Centre in September 2018. The Customer Service Centre (CSC) are an initial call triage team, who aim to manage other secondary calls (not calls for service), so specialist emergency contact handlers can focus on 999 and 101 calls for service. An evaluation of the CSC has shown they have reduced secondary demand and provide high levels of customer service to the community.

Answer rates for 999 calls are now at 99.4% for 2018/19, with average waiting times of 11 seconds. While 101 Non-Emergency calls answer rate is 93.0% (an improvement from 81.0% in 2017/18) with average waiting times of 50 Seconds.

The Force has developed a comprehensive training programme, 'Raising Investigative Standards'. A significant portion of the programme is dedicated to improving the identification of vulnerable victims and to improve the standards of victim care, including full compliance with the Victims' Code of Practice.



Effective Criminal Justice System

In order to improve victim satisfaction and to rehabilitate offenders to change their behaviour and reduce re-offending Northumbria Police piloted a new programme of work aimed at first time or low level offenders. Intervening early is key to reducing the risk of future offending, by changing attitudes and increasing understanding of the impact their actions have on victims. Currently, of the cases that are charged and go to court, many first time or low level offender cases do not access interventions which

address the causes of offending. These conditional caution pathways are unique; nowhere else in the country are there this range of options which can be used without a prosecution and subsequent court order. By adopting these outcomes for appropriate offences, it places the victim at the heart of the conversation, addressing offending behaviour and improving victim satisfaction.

The conviction rates for rape and other sexual offences have improved since last year; however, the conviction rate for rape is below the national average of 63.0%. For the year to February 2019 conviction rates for rape, sexual offences and domestic abuse are:

- 58.0% Rape.
- 85.0% Other sexual offences.
- 70.0% Domestic abuse.

As stated in the Domestic and Sexual Abuse section, Northumbria Police’s approach to domestic abuse and sexual offences is managed within two action plans which are scrutinised at Chief Officer and PCC level. The Domestic Abuse Improvement Plan and the Rape and Serious Sexual Offence Improvement Plan have been continually improved in 2018/19 to improve both the victim experience and improve outcomes.

The use of Body Worn Video (BWV) increases the opportunities for improving available evidence which can be particularly useful in cases of rape, sexual offences and domestic abuse. Evaluations around the country have shown that using BWV can:

- Increase early guilty pleas, reduce court time and speed up the criminal justice process.
- Reduce challenges to evidence in court.
- Reduce the reliance on victim evidence particularly those who may be vulnerable or reluctant to attend court.
- Increase the number of evidence led prosecutions.
- Reduce incidents of violent crime.
- Promote public reassurance.



Reducing Anti-social Behaviour

A new anti-social behaviour survey was introduced in September 2017. The survey questions have been designed to provide greater insight into the victim experience and the information is used to identify areas for improvement. The results are below:

- 94.0% Ease of contact.
- 88.0% Time of arrival.

- 81.0% Action taken.
- 62.0% Follow-up.
- 95.0% Treatment.
- 81.0% Whole experience.

Northumbria Police have reviewed the Neighbourhood Policing Model, the core principles have been discussed with the College of Policing and future plans are in line with their current work around 'Modernising Neighbourhood Policing'. Neighbourhood Policing is focused on protecting vulnerable people within communities and embedding a problem solving culture supported through effective safeguarding, crime prevention and community engagement.

Northumbria Police continue to work in partnership to address issues important to local communities. Northumbria Police is also re-developing its ASB Improvement Plan which will seek to address the performance challenges



Cutting Crime

The number of recorded crimes increased from 152,376 in 2017/18 to 161,314 in 2018/19. This is in part, as a result of improvements with national crime recording standards, which is currently 96.0%.

There are a number of offence types which have been influenced to a lesser extent, albeit not entirely, by improvements in crime recording standards. Within Northumbria, there have been actual increases in certain crime types; for example, theft and handling, including aspects of vehicle crime, burglaries that occur within dwellings and crimes as a result of the impact of social media and emergence of cyber-crime. In addition, there remains an element of unknown demand arising from the significant under-reporting of some crime types, such as sexual offences, hate crime, modern slavery, domestic abuse and stalking and harassment.

As we continue to raise investigative standards and put the victim at the heart of the service, we wanted to create a new practical tool to allow better assessment of crimes and improve the recording of rationale. The Investigative Assessment Framework (IAF) was developed with officer feedback – with colleagues shaping it based on their experience and needs. The tool will also provide guidance where supervision is needed or specialist support should be considered.

The Quality Standards Delivery Team (QSDT) was introduced in February 2019. The QSDT use the Investigative Assessment Framework (IAF) to allocate crimes. The aims of IAF include:

- Improve identification of vulnerability to ensure safeguarding and support is based on victim need.
- Improvements to investigative plans and therefore overall investigations.
- Improvements to supervisory oversight.

- Proportionate investigation of crimes which are not solvable.
- Ensuring the right resource with the right skills are allocated to the appropriate investigation.

The Crime Survey for England and Wales reports the Force is the lowest in the country (4.9%) for risk of personal crime, and the risk of household crime in Northumbria is the second lowest nationally at 5.7%.

Within the night time economy (NTE) environment Northumbria Police are working with a range of agencies and volunteers to ensure a safe environment. Partners include the North East Ambulance Service, street pastors and street and taxi marshalls. Vulnerability training is delivered to takeaways, promoters, security staff, licensee and taxi drivers in key areas and the force works closely with universities and student event organisers to deliver crime prevention and safety messages to students. The Force provided vulnerability, crime prevention, and sexual consent sessions for all first year students as part of Fresher’s 2018.

The complex abuse investigation unit is the force’s dedicated response to investigating, disrupting and prosecuting offences of sexual exploitation (child and adult) and modern slavery. It comprises of a team of detectives and a dedicated multi-agency team embedded within the unit which provides bespoke support from skilled and experienced statutory and voluntary sector workers.

This unit seeks to build the trust of victims and provide support; the team are also involved in educational work across the community by raising awareness of CSE among young people, parents, carers and potential perpetrators.

Northumbria Police’s dedicated response to tackling CSE and modern slavery is considered as national best practice and has resulted in many years of convictions being handed down at court.

In September 2018, Northumbria received UKAS ISO 17025 accreditation for the Imaging of Hard Disk Drives and other media. The Digital Forensic Unit are preparing to extend the scope of their capabilities to cover Mobile Devices and Computers along with CCTV enhancement. Digital Evidence Suites usage has been significant throughout the year with 8,200 mobile devices interrogated over the last 12 months and hundreds of hours of court ready video evidence produced.

It has now been two years since the commencement of the Banking Protocol. Since its inception Northumbria Police have responded to 236 incidents; 130 victims who might not have come to our attention earlier were subject to adult concern reports and the value of transactions halted is £1,596,077.



Community Confidence

Residents within the Force area are surveyed jointly by the police and local council about community safety issues:

- 81.0% Think the Police do a good or excellent job in their neighbourhood.

- 96.0% Feel safe in their local area.
- 47.0% People who believe the level of visibility in their local area is about right.

Northumbria Police is placed first of the 43 forces in England and Wales for “police do a good job” and “can be relied upon to be there when needed” (measured September 2018) and has the highest results compared to most similar forces for six of the eight national measures of public confidence.

During the last 12 months there has been a real focus on how Northumbria Police adapts to better engage with the public it serves. A campaign calendar has been delivered in conjunction with the OPCC which develops, executes and evaluates campaigns which can demonstrate the impact on the community.

The way communities engage and interact with Police is changing and there is a need to develop creative communication channels to provide relevant information, accessible contact points, timely feedback, and success stories for reassurance and maximise the way technology is used, including:

- Following feedback received from our communities, the Force has re-structured its social media presence (including reducing and renaming the corporate Twitter accounts from 72 to 6 main accounts). The feedback we received was that there were too many accounts and communities found it difficult to know which to follow.
- Northumbria Police have launched a new-look website which supports a variety of digital services including detailed advice and information and providing online forms, such as reporting a crime, supplying us with information or sending us dashcam footage. As part of this, Web Chat is available through the website and allows members of the public to speak directly with an operator at a time and place that is convenient for them. We have had positive feedback from users, particularly sexual abuse or domestic violence victims, who had previously not felt able to contact us through the traditional methods.

Collaboration

During 2018/19 Northumbria Police and the Police and Crime Commissioner were parties to a number of collaboration agreements, details of which can be found on the Police and Crime Commissioners’ website at the following link: http://www.northumbria-pcc.gov.uk/Collaboration_Agreements. The North East Regional Special Operations Unit (NERSOU) is the principal collaboration arrangement between Northumbria, Durham and Cleveland and is accounted for as a Joint Operation in the financial statements. A summary of the financial performance is included below and further detail is provided in Note 12 to the financial statements.

North East Regional Special Operations Unit (NERSOU)

The North East Regional Special Operations Unit (NERSOU) was established in October 2013 and is collaboration between the three Forces of Northumbria, Cleveland and Durham.

NERSOU is one of 10 ROCUs (Regional Organised Crime Units) across England and Wales.

The unit works with embedded partners from Her Majesty's Revenue and Customs (HMRC), UK Border Force and the National Crime Agency (NCA) to make the region a place hostile to serious and organised crime.

NERSOU is categorised as a Joint Operation in line with the *Accounting for Collaboration guidance* issued by the Chartered Institute of Public Finance Accountancy (CIPFA).

The NERSOU revenue outturn position for 2018/19 and the share attributable to Northumbria are set out in the following table:

| NERSOU Outturn 2018/19 | | |
|-------------------------------|----------------|---------------------|
| | NERSOU £000 | Northumbria £000 |
| NERSOU Revenue Budget | | |
| Expenditure | 10,226 | 5,357 |
| Income | (3,459) | (1,812) |
| Net Expenditure | 6,767 | 3,545 |
| Funded by: | | |
| Force Contributions | 7,246 | 3,796 |
| Transfer to NERSOU Reserve | (479) | (251) |
| Total | 6,767 | 3,545 |

The Chief Constable made a revenue contribution of £3.796 million to NERSOU for 2018/19. This contribution is included within the Crime heading in the Chief Constable's revenue budget outturn. The transfer to the NERSOU reserve reflects income and force contributions during 2018/19 which are held in reserves to be used in 2019/20.

In addition to the revenue position set out above the NERSOU Joint Committee agreed the use of £0.069 million of the NERSOU reserve balance brought forward from 2017/18 to fund capital expenditure. The Northumbria share of reserves used for capital purposes was £0.036 million.

The net transfer to the NERSOU reserve held by the Northumbria Police and Crime Commissioner was therefore £0.215 million (£0.251 million less £0.036 million used for capital purposes).

Provisions and Contingent Liabilities

Provisions

Provisions are made where a liability exists based on a past event which will probably be settled through a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount required to settle the obligation. Provisions are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

A number of Forces including Northumbria are currently dealing with legal claims from serving and retired officers which relate to a specialist area of policing. These claims are for remuneration in relation to past service under police regulations. The Chief Constable has a number of such claims which are currently subject to legal process and expected to conclude in 2019/20. The employee remuneration provision included in the accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a small number of claims and costs outstanding which are expected to be finalised in 2019/20. The balance on the provision at 31 March 2019 reflects a prudent estimate to cover the expected costs.

Contingent Assets and Liabilities

A contingent asset or liability is defined as a possible receipt (asset) or obligation to pay out (liability) based on a past event, but for which confirmation of the receipt / payment is uncertain as it depends on a future event. For example: pending legal claims. Unlike provisions, contingent liabilities do not result in an accounting entry as they are uncertain and cannot be reliably estimated, however a disclosure is made in the statements.

Disclosure has been made in the statements regarding a number of contingent liabilities.

During any financial year we will receive a number of legal and other claims in relation to employment, insurance and other issues. Many of these are subject to legal process and therefore the possibility of a future obligation is uncertain. The accounting rules classify such possible obligations as 'contingent liabilities'. They 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. No specific charges are made to the accounts.

A contingent liability has been disclosed to reflect the potential liability for additional claims from current and former officers in relation to past service under police regulations and employment issues relating to past years, over and above the amounts included within the provision described above.

Provisions and contingent liabilities are further detailed in Note 15 to the core financial statements.

Accounting for Pensions

Retirement benefits (pensions) are offered to officers and staff as part of the terms and conditions of employment. Employees can choose to opt out of the scheme at any time. Although benefits will not be payable until employees retire, the Chief Constable has a commitment to account for these at the time that employees earn their future entitlement.

Pensions are accounted for in accordance with International Accounting Standard 19 (IAS19). This standard is based on a principle that an organisation should account for its retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. The net overall impact of IAS19 accounting entries is neutral in the accounts. The pension liability, which is disclosed on the Balance Sheet, (balanced by the Pension Reserve) shows the underlying commitment that the Chief Constable has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet.

Police officers can be members of either the Police Pension Scheme (1987), the Police Pension Scheme (2006) or the Police Pension Scheme (2015), known collectively known as the Police Pension Scheme. This is a wholly unfunded scheme for which the Chief Constable is Scheme Manager². The Chief Constable has a Police Pensions Board, established in 2015 under Section 5 of the Public Services Pension Act, which provides local administration and governance for the Scheme.

The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries and additional contributions for officers retiring due to ill health. The regulations³ governing funding arrangements require that if the Pension Fund does not have sufficient funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Police Fund to the Pension Fund. 100% of this deficit is met through the payment of a top-up grant paid by the Home Office. The top-up grant paid by the Home Office in 2018/19 is £65.737 million.

Police staff can be members of the Tyne and Wear Pension Fund, a Local Government Pension Scheme administered by South Tyneside Council. The Chief Constable makes employer contributions on the basis of an agreed percentage of employees' pensionable salaries to the Tyne and Wear Pension Fund. Employer contributions are based on an independent actuarial valuation of the fund which is carried out every three years. The Chief Constable also has to meet the pension costs of employees who have left employment due to ill health or where early retirements have been agreed, and makes additional contributions to make good the shortfall in the pension fund, known as deficiency payments.

² Public Service Pension Act 2013 (section 4)

³ Police Pension Fund Regulations 2007 (SI 2007/1932)

The Chief Constable is required to maintain a pensions reserve on the Balance Sheet for officers and staff. The reserve is termed 'unusable' as it is not cash backed but contains book entries to recognise the estimated liability that the Chief Constable has committed to provide in the future, for service completed up to the Balance Sheet date. The pension liability is valued using an actuarial valuation and can fluctuate dependent on external factors and changes in actuarial assumptions.

The pension liability on the Balance Sheet shows the underlying commitment that the Chief Constable has in the long run to pay post-retirement benefits. The total liability of £4.460 billion (£4.098 billion in 2017/18) has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains healthy.

Explanation of the Key Statements

The Statements of Account consists of four main statements and various disclosure notes as follows:

The Movement in Reserves Statement (MiRS Page 26) - Shows the changes in the Chief Constable's financial resources over the year to help readers to understand how the balances have changed over the year. Information on the pension and accumulated absence reserves can also be found in the Balance Sheet and related notes.

The Comprehensive Income and Expenditure Statement (CIES Page 28) - Shows the gains and losses that contributed to these changes in resources. The CIES shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation as shown in the MiRS above.

The Balance Sheet (Page 29) - Shows the Chief Constable's financial position and net assets at the financial year end. The Balance Sheet reflects current liabilities and current assets that are in substance the Chief Constable's at the Balance Sheet date, offset by a corresponding debtor from the Commissioner to reflect the fact that all payments are made in the name of the Commissioner.

The Cash Flow Statement (Page 30) - Shows how the movement in resources has been reflected in cash flows generated and used during the year.

Supplementary Financial Statements:

Police Officer Pension Fund Statements (Page 63) - This shows the Police Pension Fund Account for the year, for which the Chief Constable is the Scheme Manager ⁴.

Documents Supporting the Statements of Account:

Annual Governance Statement (Page 65) - This statement, required by regulations⁵ to accompany the Statements of Account, is an assessment of the Chief Constable's corporate governance and internal control.⁶

Significant Changes since 2017/18

There are no significant changes to the financial statements since 2017/18.

⁴ Public Service Pension Act 2013 (section 4)

⁵ Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from www.legislation.gov.uk)

⁶ In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015

Outlook for 2019/20 and Beyond

The Chief Constable's budget is fully funded by the Police and Crime Commissioner for Northumbria.

The Medium Term Financial Strategy (MTFS) sets out the key financial issues facing the Police and Crime Commissioner (PCC) and Chief Constable over the period 2019/20 to 2022/23, and provides options for delivering a sustainable budget and capital programme over the medium term.

The overall financial context for Northumbria Police remains extremely challenging. The government continue to provide no certainty or assurance on funding over the medium term.

The Police Grant Report for 2019/20 was published on 24 January 2019 and confirmed that general police grant allocations to PCCs were to be increased by £161.000 million equivalent to 2.1%, an increase for Northumbria of £4.504 million.



The settlement includes a one-off Special Pension Grant from the government of £3.423 million for Northumbria to manage part of the increased costs of employer contributions for police officer pensions from 2019/20.

As part of the 2016 Pension Valuation, Treasury (HMT) announced Public Sector Pension Valuation 'Directions' which serve to increase the Employer's Contribution rate from 2019/20 for unfunded public sector pension schemes, impacting on the Police Pension Scheme. The impact for Northumbria is an increase in the annual cost of employer pension contributions of £7.700 million.

The net increase in grant funding for 2019/20 is therefore barely sufficient to cover the additional cost of police pensions and does not provide any real terms protection for police budgets to manage pay increases and other inflationary pressures. The Special Pension Grant of £3.403 million is for one year only therefore the government has failed to commit to protecting police budgets against the revaluation of the pension scheme beyond 2019/20.

In calculating the settlement for 2019/20 the government assumed that each PCC would increase the police Precept by £24 for a Band D property (£16 for a Band A property). If the increase did not go ahead the total funding settlement would have been reduced by £9.400 million. The increase in Precept income for 2019/20 will be used to invest in policing including new officers and staff and the retention of roles that had originally planned to be lost.

The MTFS includes changes in the Police and Crime Commissioner's (the Commissioner's) reserves strategy which are necessary to protect police budgets from the impact of funding uncertainty over the medium term. New earmarked reserves are being established to manage specific risks associated with the national implementation of the Emergency Services Network (ESN) and the significant cost pressure identified from 2020/21 as a result of the government's failure to commit to protecting police budgets against the revaluation of the police pension fund.

The approach set out within the MTFS intends to deliver a balanced budget. It sets out how all four years will be financed and general reserves can be maintained at or above 3.0% of the revenue budget, estimated at £9.400 million at March 2023, and this is greater than the minimum set out in the reserve strategy. The management of this position has been achieved as far as possible but there remains a £3.400 million cost in the event that that the government do not fund the full cost of the police pensions increase from 2020/21 onwards. Whilst the new Police Pension Scheme Funding Reserve described in the previous paragraph will be available to provide one-off funding for 2020/21, savings of £3.400 million would be required from 2021/22 and are not yet identified.

The MTFS also sets out how the Commissioner can provide the Chief Constable with the resources to deliver the priorities in the Police and Crime Plan.

The successful delivery of the Strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources. Both the Commissioner and Chief Constable are fully committed to taking the necessary decisions to achieve this outcome.

Underpinning the MTFS is a workforce plan which includes recruitment, training and development of officers and police staff, aligning resources with changing demand.

The MTFS can be found on the Commissioners website at the following link: [http://www.northumbria-pcc.gov.uk/MTFS 2019/20 to 2022/23](http://www.northumbria-pcc.gov.uk/MTFS%202019/20%20to%202022/23)

Funding Formula

The Home Office failed to implement its proposed new funding formula for 2016/17 after a fundamental error was found in the data it was using for its calculations. The 2018/19 settlement announcement in December 2017 stated that the formula review would be deferred to the next Comprehensive Spending Review (CSR), this is still to be formally confirmed. Therefore the MTFS 2019/20 to 2022/23 does not anticipate any change to the formula used to distribute core grant funding over the medium term.

Events after the reporting period

The Chief Constable for Northumbria, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In December 2018 the Court of Appeal (McCloud/Sargeant) ruled that the transitional protection offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. At the time the Chief Constable was producing draft Statements of Account the government intended to appeal to the Supreme Court and the outcome was uncertain.

This matter was therefore reported in the draft Statements of Account as a contingent liability which reflected the conditions at the balance sheet date and at the date of publication. However, on 27 June the Supreme Court denied the government permission to appeal on the McCloud case. On 15 July the Treasury published a written statement (HCWS1725) on Public Service Pensions which states that the government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. The Statement also estimates that remedying the discrimination for all public service pension schemes nationally will add around £4.000 billion per annum to scheme liabilities from 2015.

Given the events described above, the Chief Constable's financial statements have been adjusted to reflect a revised pension liability for both the Police Pension Scheme and the Tyne and Wear Pension Fund. Whilst this issue does not impact on the bottom-line in 2018/19 for the Chief Constable and Police and Crime Commissioner Group in terms of the General Fund balance, it will place an upward pressure on employers' pension contributions reflecting an increased pension liability to recover over the life of the schemes. This matter is covered in further detail at Note 21 to the accounts.

On 13 May 2019, it was announced that the Police and Crime Commissioner for Northumbria, Dame Vera Baird, would be leaving her post following appointment as the new national commissioner for victims and witnesses (Victims' Commissioner). An election was held on 18 July 2019 to appoint a new Police and Crime Commissioner and the successful candidate Kim McGuinness commenced in post on 22 July 2019.

Signed:  Date: 25/7/19

Mike Tait BSc (Econ) CPFA
Director of Finance and IT

Statement of Responsibilities

The Chief Constable's Responsibilities

The Chief Constable is required to:

- Appoint a person (Chief Finance Officer) to be responsible for the proper administration of his financial affairs;
- Manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statements of Account.

I approve this statement

Signed:



Date: 25-7-19

Winton Keenen
Chief Constable of Northumbria Police

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Chief Constable's Statements of Account. This has been done in accordance with proper practices as set out in the CIPFA/ Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Account, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Finance Officer's Certificate

I hereby certify that the Statements of Account for the year ended 31 March 2019, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statements of Account gives a true and fair view of the financial position of the Chief Constable at 31 March 2019 and of his income and expenditure for the year ended 31 March 2019.

Signed:



Date:

25/7/19

Mike Tait BSc (Econ) CPFA
Director of Finance and IT

Core Financial Statements

Comprising:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements

Movement in Reserves Statement 2018/19

| | General Fund £000 | Total Usable Reserves £000 | Pension Fund £000 | Accumulated Absences Account £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|--|----------------------|----------------------------------|----------------------|--|------------------------------------|------------------------|
| Note | | | | | | |
| Balance as at 31 March 2018 | - | - | (4,100,560) | (9,354) | (4,109,914) | (4,109,914) |
| <u>Movement in reserves during 2018/19</u> | | | | | | |
| Total Comprehensive Income and Expenditure | (329,607) | (329,607) | (31,165) | - | (31,165) | (360,772) |
| Adjustments between Accounting Basis & Funding Basis under regulations | 329,607 | 329,607 | (330,135) | 528 | (329,607) | - |
| Net Increase/(Decrease) before Transfers To/From Earmarked Reserves | - | - | (361,300) | 528 | (360,772) | (360,772) |
| Transfers To/From Earmarked Reserves | - | - | - | - | - | - |
| Increase/(Decrease) in Year | - | - | (361,300) | 528 | (360,772) | (360,772) |
| Balance as at 31 March 2019 | - | - | (4,461,860) | (8,826) | (4,470,686) | (4,470,686) |

Movement in Reserves Statement 2017/18

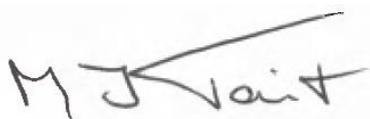
| | Note | General Fund £000 | Total Usable Reserves £000 | Pension Fund £000 | Accumulated Absences Account £000 | Total Unusable Reserves £000 | Total Reserves £000 |
|--|------|----------------------|----------------------------------|----------------------|--|------------------------------------|------------------------|
| Balance as at 31 March 2017 | | - | - | (3,928,027) | (9,471) | (3,937,498) | (3,937,498) |
| <u>Movement in reserves during 2017/18</u> | | | | | | | |
| Total Comprehensive Income and Expenditure | | (140,388) | (140,388) | (32,028) | - | (32,028) | (172,416) |
| Adjustments between Accounting Basis & Funding Basis under regulations | 9(b) | 140,388 | 140,388 | (140,505) | 117 | (140,388) | - |
| Net Increase/(Decrease) before Transfers To/From Earmarked Reserves | | - | - | (172,533) | 117 | (172,416) | (172,416) |
| Transfers To/From Earmarked Reserves | | - | - | - | - | - | - |
| Increase/(Decrease) in Year | | - | - | (172,533) | 117 | (172,416) | (172,416) |
| Balance as at 31 March 2018 | | - | - | (4,100,560) | (9,354) | (4,109,914) | (4,109,914) |

| Comprehensive Income and Expenditure Statement | | | | | | | Notes |
|---|------------------|----------------------------|---|------------------------------|------------------|----------------------------|-------|
| 2017/18 | | | 2018/19 | | | | |
| Gross Expenditure £000 | Income £000 | Net Expenditure £000 | Service Expenditure Analysis | Gross Expenditure £000 | Income £000 | Net Expenditure £000 | |
| 319,369 | - | 319,369 | Police Services | 507,187 | - | 507,187 | |
| 2,648 | - | 2,648 | Policing Funds (managed by the PCC) | 4,770 | - | 4,770 | |
| - | (285,099) | (285,099) | PCC Financing of Police Services | - | (286,360) | (286,360) | |
| 322,017 | (285,099) | 36,918 | Net Cost of Services | 511,957 | (286,360) | 225,597 | |
| | | 103,470 | Financing and Investment Income and Expenditure (Interest on the net defined benefit pension liability/(asset)) | | | 104,010 | |
| | | 140,388 | (Surplus)/Deficit on Provision of Services | | | 329,607 | |
| | | 32,028 | Re-measurements of the net defined pension benefit liability | | | 31,165 | |
| | | 32,028 | Other Comprehensive Income and Expenditure | | | 31,165 | 9(a) |
| | | 172,416 | Total Comprehensive Income and | | | 360,772 | |

| Balance Sheet | | |
|--------------------------|--|--------------------|
| 31 March 2018 | | 31 March 2019 |
| £000 | | £000 |
| | | Notes |
| 17,071 | Short-term debtors | 10,504 |
| 17,071 | Current Assets | 10,504 |
| (2,150) | Short-term provisions | (962) |
| (27,135) | Short-term creditors | (19,798) |
| (29,285) | Current Liabilities | (20,760) |
| (4,097,700) | Other long-term liabilities (pensions) | (4,460,430) |
| (4,097,700) | Long-Term Liabilities | (4,460,430) |
| (4,109,914) | Net Assets | (4,470,686) |
| Usable Reserves | | |
| - | General Reserve | - |
| Unusable Reserves | | |
| (9,354) | Accumulated Absence Account | (8,826) |
| (4,100,560) | Pensions Reserve | (4,461,860) |
| (4,109,914) | Total Reserves | (4,470,686) |

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Chief Constable at 31 March 2019.

Signed:



Date:

25/7/19

Mike Tait BSc (Econ) CPFA
Director of Finance and IT

Cash Flow Statement

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 140,388 | (Surplus)/Deficit on the provision of services | 329,607 |
| | Adjustments to (Surplus)/Deficit on the provision of service for non-cash movements: | |
| (140,505) | Pension adjustments | (330,135) |
| - | Contributions To/(From) provisions | 1,188 |
| 117 | Other non-cash movements | 528 |
| | Accruals Adjustments: | |
| 3,317 | Increase/(Decrease) in debtors | (6,566) |
| (3,317) | (Increase)/Decrease in creditors | 5,378 |
| - | Net cash flows from Operating Activities | - |
| - | Net (Increase)/Decrease in Cash and Cash Equivalents | - |
| | - Cash and Cash Equivalents at the beginning of the period | - |
| | - Cash and Cash Equivalents at the end of the period | - |

Notes to the Core Financial Statements

I. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available to the Chief Constable (i.e. the financing provided by the Police and Crime Commissioner) for the year has been used in providing services in comparison with those resources consumed by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between reportable segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| Expenditure and Funding Analysis | | | | | | |
|--|--|---|---|--|--|---|
| 2017/18 | | | | 2018/19 | | |
| Net Expenditure Chargeable to the General Fund £000 | Adjustments between Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 | | Net Expenditure Chargeable to the General Fund £000 | Adjustments between Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
| 255,407 | 63,962 | 319,369 | Service Expenditure Analysis | 253,688 | 253,499 | 507,187 |
| 2,648 | - | 2,648 | Police Services | 4,770 | - | 4,770 |
| (258,055) | (27,044) | (285,099) | Policing Funds (managed by the PCC) | (258,458) | (27,902) | (286,360) |
| - | 36,918 | 36,918 | PCC Financing of Police Services | - | 225,597 | 225,597 |
| - | 103,470 | 103,470 | Net Cost of Services | - | 104,010 | 104,010 |
| - | 140,388 | 140,388 | Other Income and Expenditure | - | 329,607 | 329,607 |
| - | | | (Surplus)/Deficit on Provision of Services | - | | |
| - | | | Opening General Fund Balance at 31 March | - | | |
| - | | | Surplus/(Deficit) on General Fund in Year | - | | |
| - | | | Closing General Fund as 31 March | - | | |

a) Note to the EFA – Adjustment between funding and accounting basis

The following table sets out the total adjustments between the financial performance of the Chief Constable under the funding position and the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

| 2018/19 | | | | |
|---|--------------------------|--------------|-----------------------|-------------------|
| Adjustments between Funding and Accounting Basis | | | | |
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Net Change for | Accumulated | Adjustments | Total Adjustments |
| | the Pensions Adjustments | Absence | between Service Lines | |
| | £000 | £000 | £000 | £000 |
| Police Services | 226,125 | (528) | 27,902 | 253,499 |
| Policing Funds (managed by the PCC) | - | - | - | - |
| PCC Financing of Police Services | - | - | (27,902) | (27,902) |
| Net Cost of Services | 226,125 | (528) | - | 225,597 |
| Other Income and Expenditure | 104,010 | - | - | 104,010 |
| (Surplus)/Deficit on Provision of Services | 330,135 | (528) | - | 329,607 |

| 2017/18 | | | | |
|---|--------------------------|--------------|-----------------------|-------------------|
| Adjustments between Funding and Accounting Basis | | | | |
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Net Change for | Accumulated | Adjustments | Total Adjustments |
| | the Pensions Adjustments | Absence | between Service Lines | |
| | £000 | £000 | £000 | £000 |
| Police Services | 37,035 | (117) | 27,044 | 63,962 |
| Policing Funds (managed by the PCC) | - | - | - | - |
| PCC Financing of Police Services | - | - | (27,044) | (27,044) |
| Net Cost of Services | 37,035 | (117) | - | 36,918 |
| Other Income and Expenditure | 103,470 | - | - | 103,470 |
| (Surplus)/Deficit on Provision of Services | 140,505 | (117) | - | 140,388 |

b) Note to the EFA – Segmental Income

The EFA presents net expenditure chargeable to the general fund based on reportable segments. Income included within the net position is shown below on a segmental basis. Income presented here represents investment income and revenues from external customers which fall within the budget delegated to the Chief Constable. All income is removed from the CIES position however, as the Commissioner receives all income.

| Segmental Income | | |
|---|----------------------|----------------------|
| Income received on a segmental basis is analysed below: | Income from services | Income from services |
| | 2017/18 | 2018/19 |
| | £000 | £000 |
| Police Services | (8,012) | (7,513) |
| Total income analysed on a segmental basis | (8,012) | (7,513) |

2. Expenditure and Income Analysis by Nature

The Code of Practice requires the Chief Constable to disclose information on the nature of expenses. The Chief Constable's expenditure and income for 2018/19 (and 2017/18 comparative) is analysed as follows:

| Expenditure and Income Analysed by Nature | | |
|---|------------------|------------------|
| Expenditure/Income | 2017/18 | 2018/19 |
| | £000 | £000 |
| Expenditure | | |
| Employee benefits expenses | 274,019 | 460,249 |
| Other employee expenses | 1,874 | 2,547 |
| Premises | 9,120 | 9,244 |
| Transport | 3,966 | 4,169 |
| Supplies and services | 19,443 | 19,099 |
| Third party payments | 2,796 | 6,715 |
| Charge for use of assets | 10,799 | 9,934 |
| Interest on the net defined benefit pension liability | 103,470 | 104,010 |
| Total Expenditure | 425,487 | 615,967 |
| Income | | |
| PCC financing of police services | (285,099) | (286,360) |
| Total Income | (285,099) | (286,360) |
| (Surplus)/Deficit on the Provision of Services | 140,388 | 329,607 |

3. Statement of Accounting Policies

Introduction

The purpose of this Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Accounting policies are the principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses and changes in reserves.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).

The accounts have been prepared on a going-concern basis using a historical cost convention. Any departure from the relevant standards is stated in the notes.

Except where specified in the Code, estimation techniques that most closely reflect the economic reality of the transactions based on all known facts available have been used.

The Accounting concepts and policies which have a material impact on the accounts are as follows:

a) Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 (the Act) established both the Police and Crime Commissioner for Northumbria (the Commissioner) and the Chief Constable for Northumbria as two

separate corporations sole, and the statutory accounting arrangements for both entities fully comply with this Act.

By virtue of the powers and responsibilities of the Commissioner as designated by the Act and the Home Office Financial Management Code of Practice, the Commissioner controls the Chief Constable for financial reporting purposes and as such is required to prepare consolidated financial statements for the Group (the Commissioner and the Chief Constable) as well as her own (Police and Crime Commissioner) single-entity accounts. The Chief Constable, who is treated as a subsidiary of the Commissioner, has prepared single-entity accounts.

All expenditure for the Group is paid for by the Commissioner from the Police Fund. All income and funding is paid into the Police Fund and recognised in the Commissioner's accounts. The Group financial statements consolidate all income, expenditure, assets, liabilities, reserves and cash flows of the Group.

The Chief Constable manages expenditure in relation to policing within the budget set by the Commissioner. This Statement of Accounts presents expenditure on policing following appropriate accounting practice.

b) Accruals of expenditure and income

The financial statements, other than the cash flow, are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular where expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

c) Charges to revenue for non-current assets

The Commissioner owns and controls all non-current assets but makes them available to the Chief Constable to deliver the policing function. The Commissioner's accounts must be debited with the cost of holding non-current assets during the year. The Chief Constable's accounts include a proxy charge for the use of those assets equivalent to depreciation, impairment and amortisation of non-current assets.

d) Employee Benefits

Benefits payable during employment

Short-term employee benefits, such as salaries, paid annual leave and non-monetary benefits for current employees are recognised as an expense in the year in which employees render services. An accrual is made for the cost of holiday entitlements and lieu time earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

e) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate a member of staff's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement. When an offer to encourage voluntary redundancy is made to a group of employees, a provision or contingent liability will be included in the accounts.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Reserve balance to be charged with the amount payable by the Chief Constable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to

remove the notional debits and credits for termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amount payable but unpaid at the year end.

f) **Post-employment benefits (pensions)**

As part of the terms and conditions of employment, the Chief Constable offers retirement benefits by participating in pension schemes. These are the Police Pension Scheme 1987, the New Police Pension Scheme 2006, the Police Pension Scheme 2015 and the Tyne and Wear Pension Fund, all of which offer defined benefits related to pay and service:

The Police Pension Scheme is an unfunded defined benefit scheme, for which contributions are paid into a Pension Fund and pensions paid from the Fund. The deficit on the Fund each year is balanced to nil by receipt of a pension top-up grant via the Commissioner from the Home Office. There are no investment assets built up to meet the pension liabilities and cash has to be generated by the Home Office to meet actual pension payments as they eventually fall.

The Tyne & Wear Pension Fund is a Local Government Pension Scheme administered by South Tyneside Council. It is classified as a funded defined benefit scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

Although retirement benefits will not actually be payable until employees retire, the Chief Constable has a commitment to recognise liabilities at the point at which employees earn their future entitlement. The aim is to ensure that the true net asset/liability of a defined benefit pension scheme is recognised in the Balance Sheet, and the true costs of retirement benefits are reflected in the Comprehensive Income and Expenditure Statement.

Movements during the year in the net asset/liability of the pension scheme are reflected in the Comprehensive Income and Expenditure Account. Actuarial gains and losses on fund assets and liabilities are recognised in the Comprehensive Income and Expenditure Account.

As with capital charges, pension entries are reconciled back to cash amounts payable to ensure that there is no effect upon Council Tax Precept.

Further information relating to pension costs is included in the notes to the accounts.

g) **Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statements of Account are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statements of Account are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statements of Account are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statements of Account.

h) Prior period adjustments

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There are no prior period adjustments required for the 2018/19 financial statements.

i) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes both the most straightforward financial instruments (e.g. trade payables and receivables) and the most complex such as equity instruments.

Typical financial instruments are trade payables and trade receivables, borrowings, bank deposits and investments. As the Police and Crime Commissioner is responsible for all income, borrowing and investments, the only financial instruments held by the Chief Constable are trade payables and trade receivables.

Financial Assets

Financial assets are classified as loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

j) Provisions and contingent liabilities

Provisions

Provisions are made where an event has taken place that gives the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Chief Constable 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 Chief Constable. 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 for 2018/19 are set out at Note 15 to the Accounts.

k) Reserves

The Chief Constable maintains reserves which are classified as either usable (backed by cash) relating to the General Fund, or unusable (not backed by cash) adjustment accounts kept to manage the accounting processes for the Accumulated Absences Account and the Pension Fund.

As the Police and Crime Commissioner is responsible for all usable reserves and the level held, the Chief Constable's general reserve is maintained at a nil balance. Further information on the Chief Constable's reserves including the movement in-year is set out at Note 9(c) to the Accounts.

l) Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable from HM Revenue and Customs.

m) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

Expenditure relating to the cost of Joint Arrangements is charged to the Comprehensive Income and Expenditure Statement (CIES) of the Chief Constable with any associated income being shown against the CIES for the Police and Crime Commissioner Single Entity.

Any assets held for the benefit of joint arrangements are accounted for on the Balance Sheet of the Police and Crime Commissioner Single Entity and Group as the percentage share of assets attributable to the Police and Crime Commissioner for Northumbria.

The Force currently has a Joint Arrangement with Durham and Cleveland, the North East Regional Special Operations Unit (NERSOU). Further detail of the arrangements in place and the outturn for 2018/19 is shown in the disclosure notes.

4. Critical Judgement in applying accounting policies

In applying its accounting policies, certain judgements have been made about the complex transactions or those involving uncertainty about future events. The most significant areas where judgements have been necessary are:

- Accounting for pension liabilities.
- Provisions for future expenditure.
- Accounting recognition of assets, liabilities, reserves, revenue and expenditure following introduction of the new governance arrangement under provisions of the Police Reform and Social Responsibility Act 2011.

Where judgement has been applied, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in the financial statements.

5. Impact of changes in accounting policies and prior period adjustments

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions

on the Chief Constable's financial position or financial performance. When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There have been no significant changes in accounting policies in 2018/19.

6. Accounting standards that have been issued but not yet adopted

Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For 2018/19 the following standards have been issued but not yet 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.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with negative Compensation.

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements for the Chief Constable.

7. Assumptions made about the future and other major sources of estimation uncertainty

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items within the Chief Constable's Balance Sheet as at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year is as follows:

Pension Liabilities

Pensions liabilities included in the Balance Sheet are assessed on an actuarial basis which results in an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, rates of inflation and discount rates.

The Pension Fund liabilities for the Police Pension Scheme have been assessed by the Government Actuary Department (GAD), based on the membership data provided at 31 March 2016 for the latest funding valuation, and using the Projected Unit Credit Method ('PUCM'). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension

increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the financial year ended as at the Balance Sheet date.

The Pension Fund liabilities for the Tyne and Wear Pension Fund have been assessed by AON Hewitt Limited, an independent firm of actuaries. The assessment of the scheme liability is based on the latest full valuation carried out as at 31 March 2016. The Actuary estimates the Tyne and Wear Pension Fund position as at the Balance Sheet date using a roll-forward methodology. The roll-forward approach uses the latest full valuation results, adjusts these for interest and makes further allowances for changes in liabilities due to:

- The accrual of new benefits and discharge of liabilities through payment of benefits.
- Changes in financial and demographic assumptions under IAS 19.
- The impact of any known experience affecting the liabilities.
- Past service cost, settlements and curtailments.

Further details are included within the notes to the accounts.

Accumulated Absence

These are the costs of holiday entitlements and lieu time earned by police officers and police staff but not taken by the year-end. As balances at 31 March each year do not differ with materiality, the estimated liability is calculated on a three year rolling basis using data from resource management systems, and adjusted to reflect changes in workforce numbers, pay inflation and employers contribution rates for pension and national insurance. The latest detailed calculation of actual balances was carried out as at 31 March 2019. Further details are included within Note 17 to the core financial statements.

8. Effects of the Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility Act 2011 (the Act) established the Police and Crime Commissioner for Northumbria and the Chief Constable for Northumbria as two separate corporations sole. These are the seventh statutory accounts to be prepared under the arrangements introduced under the Police Reform and Social Responsibility Act 2011.

Under the provisions of the Act, the Commissioner and Chief Constable are created as two separate corporations sole. For financial reporting purposes, the Chief Constable is a subsidiary of the Commissioner by virtue of the powers the Commissioner has to govern the financial and operating policies of the Chief Constable.

The requirement to prepare consolidated financial statements for the Group as well as single-entity accounts for the Commissioner and Chief Constable required a judgement as to what to recognise in each set of financial statements.

Accounting Recognition

At 31 March 2019, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are in the Commissioners name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all usable reserves. The Commissioner is the recipient of all income including government grants, Precepts and other sources of income which is paid into the Police Fund and all expenditure of the Chief Constable is funded by the Commissioner from the Police Fund. There are no cash transactions between the two bodies.

However, the recognition of expenditure in the single-entity accounts of the Chief Constable and the Police and Crime Commissioner is based on economic benefit and service potential derived by each. Under the provisions of the Act, the Chief Constable is responsible to the Commissioner for the day to day provision of the policing function. In so doing, the Chief Constable consumes the Commissioner's resources in fulfilling the statutory functions. Local governance arrangements give day to day responsibility for financial management of the Force to the Chief Constable within the framework of the agreed budget allocation and levels of authorisation issued by the Commissioner. Consequently, expenditure in relation to policing is recognised in the financial statements of the Chief Constable funded by a credit from the Commissioner for resources consumed. Similarly, following the CIPFA guidance on best practice, the liabilities associated with the employee costs disclosed in the Chief Constable's Accounts are also shown in the Chief Constable's Balance Sheet rather than that of the Commissioner.

All income, as well as expenditure directly controlled by the Commissioner, in relation to her Office, the commissioning of victim services including restorative justice, and other third party payments from the Commissioners Fund are recognised in the financial statements of the Commissioner.

In order to show the total economic cost of policing in the Chief Constable's accounts the following charges, under the control of the Commissioner, are included as a proxy in the Chief Constable's Comprehensive Income and Expenditure Statement:

- The use of non-current assets equivalent to the depreciation, impairment, amortisation and revaluation of the assets charged to the Commissioner - £9.934 million.
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in the provision of policing - £0.205 million.

There is a need to properly reflect the cost of the joint Chief Finance Officer between the two corporate bodies and therefore the following charge under the control of the Chief Constable is included in the Commissioner's Comprehensive Income and Expenditure Statement:

- The proportion of the Joint Chief Finance Officer (CFO) role attributed to the statutory functions provided under the Office of the Police and Crime Commissioner - £0.023 million in 2018/19.

The following intra-group transactions are included in the single-entity accounts but eliminated from the Group accounts:

- a) A debit for the resources consumed by the Chief Constable is included in the Comprehensive Income and Expenditure Account of the Commissioner with a corresponding credit in the Comprehensive Income and Expenditure Statement of the Chief Constable.
- b) The Chief Constable's Balance Sheet includes any creditors and debtors in relation to the cost of policing, offset by a balancing net debtor for resources consumed by the Chief Constable but no cash payment made by the Commissioner, or payments made by the Commissioner in advance of services received by the Chief Constable at the Balance Sheet date with a corresponding net creditor in the Commissioner's Balance Sheet.

9. Movement in Reserves Statement

a) Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure (OCIE) comprises items of expense and income that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. The following table details the transactions during 2017/18 and 2018/19:

| Other Comprehensive Income & Expenditure | | |
|--|--|-------------------|
| 2017/18 | | 2018/19 |
| Unusable Reserves | | Unusable Reserves |
| £000 | | £000 |
| 32,028 | Re-measurements of the net defined benefit pension liability | 31,165 |
| 32,028 | Total Other Comprehensive Income and Expenditure | 31,165 |

b) Adjustments between accounting basis and funding under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Chief Constable in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure

| Adjustments between Accounting Basis & Funding Basis under regulations | | | | | |
|--|-------------------|---|------------------|-------------------|--|
| 2017/18 | | | 2018/19 | | |
| Usable Reserves | Unusable Reserves | | Usable Reserves | Unusable Reserves | |
| General Fund | Pension Fund | | General Fund | Pension Fund | |
| £000 | £000 | | £000 | £000 | |
| 117 | (117) | Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 528 | (528) | |
| (183,010) | 183,010 | Reversal of IAS 19 Pension Charges | (372,610) | 372,610 | |
| 42,505 | (42,505) | Contributions due under the pension scheme regulations | 42,475 | (42,475) | |
| (140,388) | 140,388 | Total adjustments between Accounting Basis and Funding Basis under regulations | (329,607) | 329,607 | |

The Chief Constable maintains three reserves, which are classified as either usable (backed by cash) relating to the General Fund, or unusable (notional adjustment accounts not supported by cash) relating to the Accumulated Absences Account and the Pension fund.

The Commissioner is responsible for usable reserves and the level held. The Comprehensive Income and Expenditure Statements of the Chief Constable and the Commissioner show that the Commissioner has fully funded the expenditure of the Chief Constable so that the Chief Constable's general reserve is maintained at a nil balance.

c) Unusable Reserves

The **Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers To/From the Account.

The **Pensions 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. The Chief Constable accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing actuarial assumptions and investment returns on any

resources set aside to meet the costs. However, statutory arrangements require that benefits earned, are financed as the Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which the Chief Constable is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The Pensions Reserve holds balances in relation to both the Police Pension Scheme and the Tyne and Wear Pension Fund.

| Analysis of the transfers To/From reserves | | | | | |
|--|--------------------------------|---------------------------------|-----------------------------------|---|---|
| Balance as at 31 March 2018 £000 | | Transfers to reserve £000 | Transfers from reserve £000 | Total movement on reserve £000 | Balance as at 31 March 2019 £000 |
| Usable Reserves | | | | | |
| - | General Reserve | - | - | - | - |
| - | Total Usable Reserves | - | - | - | - |
| Unusable Reserves | | | | | |
| (9,354) | Accumulated Absences Account | 528 | - | 528 | (8,826) |
| (4,100,560) | Pensions Reserve | 16,470 | (377,770) | (361,300) | (4,461,860) |
| (4,109,914) | Total Unusable Reserves | 16,998 | (377,770) | (360,772) | (4,470,686) |
| (4,109,914) | Total Reserves | 16,998 | (377,770) | (360,772) | (4,470,686) |

10. External Audit Costs

The Chief Constable has incurred the following costs in relation to work carried out by the Group's external auditors, Mazars LLP, in 2018/19.

| External Audit Costs | |
|----------------------|-----------------|
| 2017/18 £000 | 2018/19 £000 |
| 19 | 14 |
| 19 | 14 |
| Net Cost | Net Cost |

11. Officer Remuneration

The following tables set out the remuneration for police staff and police officers whose total remuneration is more than £50,000 per year in 2018/19 and the equivalent disclosure for 2017/18.

Total remuneration for the purposes of the banding note requires the disclosure of all payments paid to or receivable by an individual during the year. This includes salary, overtime, fees and allowances, holiday pay, exit payments and any other payments. Payments made in relation to remuneration claims in respect of past service, as described in the Narrative Statement and Note 15 to the accounts have therefore impacted on values within the banding note for 2018/19, in particular the addition of the £120,000 to £124,999 banding category.

| Remuneration Band | Numbers of Employees receiving over £50,000 | |
|-------------------|---|---------|
| | Number of Employees | |
| | 2017/18 | 2018/19 |
| £50,000 - £54,999 | 103 | 119 |
| £55,000 - £59,999 | 96 | 66 |
| £60,000 - £64,999 | 8 | 11 |
| £65,000 - £69,999 | 4 | 13 |
| £70,000 - £74,999 | 7 | 7 |
| £75,000 - £79,999 | 8 | 9 |
| £80,000 - £84,999 | 4 | 5 |
| £85,000 - £89,999 | 3 | 3 |
| £120,000-£124,999 | - | 1 |

The banding note above excludes remuneration for members of the Chief Officer Team, executive level directors and statutory roles which are disclosed separately in the table for Remuneration of Senior Employees.

The following table shows the total number and cost of exit packages which became demonstrably committed to during the year ending 31 March 2019. The disclosure for exit packages is set out in-line with the CIPFA Code of Practice which requires an analysis between compulsory and other departures. The number of other departures includes voluntary redundancies and early retirements.

| Exit packages 2018/19 | | | | |
|-----------------------|----------------------------|-----------------------------------|----------------------------|---|
| | Number of other departures | Number of compulsory redundancies | Total number of departures | Total cost of exit packages in each band £ |
| £0 - £20,000 | 7 | 3 | 10 | 99,945 |
| £20,001 - £40,000 | 2 | 1 | 3 | 99,780 |
| £40,001 - £60,000 | 1 | - | 1 | 58,469 |
| £60,001 - £80,000 | 1 | - | 1 | 78,628 |
| Total | 11 | 4 | 15 | 336,822 |

The total cost of exit packages as set out above has been charged to the Chief Constable's Comprehensive Income and Expenditure Statement in the current year. The comparative disclosure for the Group in 2017/18 is set out in the following table:

| Exit packages 2017/18 | | | | |
|-----------------------|----------------------------|-----------------------------------|----------------------------|---|
| | Number of other departures | Number of compulsory redundancies | Total number of departures | Total cost of exit packages in each band £ |
| £0 - £20,000 | 11 | 3 | 14 | 134,484 |
| £20,001 - £40,000 | 3 | - | 3 | 98,932 |
| £40,001 - £60,000 | 6 | - | 6 | 279,431 |
| £60,001 - £80,000 | 3 | - | 3 | 226,341 |
| £80,001 - £100,000 | 2 | - | 2 | 161,093 |
| Total | 25 | 3 | 28 | 900,281 |

Remuneration of senior employees is disclosed in the following table for 2018/19:

| Remuneration of Senior Employees 2018/19 | | | | | | | | |
|--|-------|---|-----------------------|-----------------------------|--|---|-------------------------------|---------------------------------------|
| Post holder information | Notes | Salary (Including fees & allowances) £ | Benefits in kind £ | Relocation Expenses £ | Compensation for loss of office £ | Total remuneration excluding pension contributions £ | Pension contributions £ | Total remuneration 2018/19 £ |
| Chief Constable - Winton Keenen | | 172,280 | 6,788 | - | - | 179,068 | - | 179,068 |
| Deputy Chief Constable | | 141,427 | 7,464 | - | - | 148,891 | 32,898 | 181,789 |
| Assistant Chief Constable - A | 1 | 38,504 | 1,185 | - | - | 39,689 | 8,949 | 48,638 |
| Assistant Chief Constable - B | | 107,404 | 7,423 | 38,880 | - | 153,707 | 25,393 | 179,100 |
| Assistant Chief Constable - C | 2 | 63,301 | 6,949 | - | - | 70,250 | 14,613 | 84,863 |
| Temporary Assistant Chief Constable - D | 3 | 38,513 | 715 | - | - | 39,228 | 7,920 | 47,148 |
| Temporary Assistant Chief Constable - E | 4 | 77,719 | 1,143 | - | - | 78,862 | 18,480 | 97,342 |
| Director of Finance and IT (Chief Finance Officer) | | 99,081 | - | - | - | 99,081 | 16,348 | 115,429 |
| Director of People and Development | | 99,081 | - | - | - | 99,081 | 16,348 | 115,429 |
| Total | | 837,310 | 31,667 | 38,880 | - | 907,857 | 140,949 | 1,048,806 |

Note 1: Assistant Chief Constable A - started inpost on 03 December 2018

Note 2: Assistant Chief Constable C - in post to 28 October 2018

Note 3: Temporary Assistant Chief Constable - D started inpost on 12 November 2018

Note 4: Temporary Assistant Chief Constable - E in post to 03 January 2019

Remuneration of senior employees is disclosed in the following table for 2017/18:

| Remuneration of Senior Employees 2017/18 | | | | | | | | |
|--|-------|---|-----------------------|-----------------------------|--|---|-------------------------------|---------------------------------------|
| Post holder information | Notes | Salary (Including fees & allowances) £ | Benefits in kind £ | Relocation Expenses £ | Compensation for loss of office £ | Total remuneration excluding pension contributions £ | Pension contributions £ | Total remuneration 2017/18 £ |
| Chief Constable - Steve Ashman | 1 | 102,004 | 2,288 | - | - | 104,292 | 23,931 | 128,223 |
| Chief Constable - Winton Keenan | 2 | 74,537 | 3,616 | - | - | 78,153 | - | 78,153 |
| Deputy Chief Constable - A | 3 | 70,596 | 3,676 | - | - | 74,272 | 6,353 | 80,625 |
| Temporary Deputy Chief Constable - B | 4 | 62,118 | 3,701 | - | - | 65,819 | 14,392 | 80,211 |
| Assistant Chief Constable - C | 5 | 57,754 | 3,846 | - | - | 61,600 | 13,325 | 74,925 |
| Assistant Chief Constable - E | 6 | 82,550 | 57,212 | - | - | 139,762 | 19,534 | 159,296 |
| Assistant Chief Constable - F | 7 | 92,840 | 5,425 | - | - | 98,265 | 21,667 | 119,932 |
| Temporary Assistant Chief Constable - G | 8 | 19,312 | - | - | - | 19,312 | 3,419 | 22,731 |
| Temporary Assistant Chief Constable - H | 9 | 34,655 | 1,427 | - | - | 36,082 | 8,136 | 44,218 |
| Director of Finance and IT (Chief Finance Officer) | 10 | 95,493 | - | - | - | 95,493 | 15,756 | 111,249 |
| Director of People and Development | 11 | 95,493 | - | - | - | 95,493 | 15,756 | 111,249 |
| Director of Asset Management | 12 | 67,644 | - | - | 25,533 | 93,177 | 60,216 | 153,393 |
| Total | | 854,996 | 81,191 | - | 25,533 | 961,720 | 202,485 | 1,164,205 |

Note 1: Chief Constable - Steve Ashman in post to 06 November 2017

Note 2: Chief Constable - Winton Keenan started in post on 02 October 2017

Note 3: Deputy Chief Constable - A in post to 01 October 2017

Note 4: Temporary Deputy Chief Constable - B started in post on 04 October 2017

Note 5: Assistant Chief Constable - C in post to 03 October 2017

Note 6: Assistant Chief Constable - E started in post on 05 June 2017

Note 7: Assistant Chief Constable - F started in post on 03 May 2017

Note 8: Temporary Assistant Chief Constable - G in post to 31 May 2017

Note 9: Temporary Assistant Chief Constable - H started in post on 27 November 2017

Note 10: Director of Finance and IT is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner.

Note 11: Director of People and Development - post title changed on 05 June 2017 from the original Director of Human Resources

Note 12: Director of Asset Management - in post to 31 December 2017. The pension contributions include a £49,708 cost for the early release of pension benefits.

12. Related Party Transactions

The Chief Constable and his senior management team are required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have been constrained to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

Victims First Northumbria

Victims First Northumbria (VFN) is a Charitable Company (Charity Number 1164578). VFN is governed by a Board of Trustees which includes both the Police and Crime Commissioner and Chief Constable. The Chief Constable had no material transactions with VFN in 2018/19.

Police and Crime Commissioner for Northumbria

The Commissioner has an integrated scheme of corporate governance that sets out the operational policy framework within which the Police and Crime Commissioner and Chief Constable will operate. The Scheme of Corporate Governance sets out the role of the Police and Crime Commissioner in setting the Force budget and the allocation of community safety grants.

UK Government

Central Government has significant control over the general operations of the Chief Constable, it is responsible for providing the statutory framework, within which the Chief Constable delivers operational policing.

Joint Arrangements

The Chief Constable is involved with other forces and entities to aid joint working between organisations. Any expenditure is accounted for within the Comprehensive Income and Expenditure Statement. There is a requirement to disclose certain information within the accounts for the Chief Constable's material joint arrangements and on this basis the following disclosure is made for North East Regional Special Operations Unit - (NERSOU) which is classified as a Joint Operation:

North East Regional Special Operations Unit (NERSOU)

NERSOU Governance and Area of Business

The North East Regional Special Operations Unit (NERSOU) is collaboration between the three Forces of Northumbria, Durham and Cleveland categorised as a Joint Operation in line with the *Accounting for Collaboration* guidance issued by CIPFA. The governance of the Joint Operation is managed through a Section 22A collaboration agreement between all three Chief Constables and Police and Crime Commissioners.

NERSOU comprises of a number of highly specialised teams of officers and staff from the three Forces which 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.

The unit creates additional specialist capacity through effective partnership working and collaboration to deliver an increased response to tackling serious and organised crime that transcends Force borders in the region.

In line with the Home Office Serious and Organised Crime Strategy, NERSOU places emphasis on preventing, prosecuting and disrupting serious and organised crime ensuring a co-ordinated national approach across Government, law enforcement, security and intelligence agencies.

Financing and Reserves

NERSOU is financed through a combination of Home Office Grants and Force contributions under a fully immersed budget model. The net revenue requirement after the application of all available grant funding, is met by the three Forces with contributions being determined on the basis of Net Revenue Expenditure (NRE) after the use of reserves. NRE is equivalent to total funding from Home Office grants plus Council Tax income. The contribution proportions made for 2018/19 are set out in the table below

| Force | Contribution |
|-------------|--------------|
| Northumbria | 52.39% |
| Durham | 22.86% |
| Cleveland | 24.75% |

The final outturn position for NERSOU was £6.767 million with Northumbria's share of the net cost being £3.545 million as set out below

| | NERSOU Outturn | | Northumbria | |
|------------------------------|----------------|---------------|--------------|--------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 |
| Employee Pay and Pensions | 7,522 | 8,788 | 3,942 | 4,604 |
| Premises Costs | 557 | 403 | 292 | 211 |
| Vehicles and Fuel | 257 | 222 | 134 | 116 |
| Travel and Accommodation | 80 | 110 | 42 | 58 |
| Communications and Computing | 86 | 119 | 45 | 62 |
| Training and Conference Fees | 152 | 148 | 80 | 78 |
| Supplies and Services | 380 | 300 | 199 | 157 |
| Other Expenses | 108 | 136 | 57 | 71 |
| Total Expenditure | 9,142 | 10,226 | 4,791 | 5,357 |
| Home Office Grant | 2,172 | 2,894 | 1,138 | 1,516 |
| Other Income | 408 | 565 | 214 | 296 |
| Total Income | 2,580 | 3,459 | 1,352 | 1,812 |
| Net Expenditure | 6,562 | 6,767 | 3,439 | 3,545 |

The accounting treatment for NERSOU is that expenditure is shown as £5.357million (£4.791 million 2017/18) in the Chief Constable's accounts with income of £1.812 million (1.352 million 2017/18) being accounted for in the Police and Crime Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £3.545 million (£3.439 million 2017/18).

All three Forces have equal representation and rights to control under the Section 22A collaboration agreement. Under this Agreement assets purchased by a Force and provided for the use of NERSOU are held on the Balance Sheet of that Force. In addition assets funded through Home Office grants and other contributions are purchased by Northumbria and held for the exclusive benefit of NERSOU. The share of NERSOU assets attributable to Northumbria are held as Property, Plant and equipment (PPE) on the Balance Sheet of the Police and Crime Commissioner Single Entity and Group accounts in line with the relevant Northumbria contribution rate.

In 2016/17 the three Forces jointly purchased new premises for NERSOU, the North East Regional Crime Prevention Centre (NERCPC). The property asset is held under a Trust Agreement signed by the three Police and Crime Commissioners. The agreed capital contributions for each Force were used to determine

the respective share of ownership under the Trust Agreement and form the basis of asset value held on the Commissioners' Balance Sheets.

The relative share of ownership for the NERCPC is as follows:

| | |
|-------------|-------|
| Northumbria | 37.5% |
| Durham | 37.5% |
| Cleveland | 25.0% |

Reserves attributable to NERSOU are also held on the Balance Sheet of the Police and Crime Commissioner with the share of overall reserves for Northumbria being determined on the basis of revenue contributions equating to £0.215 million as at 31 March 2019. The reserve balance relates to income received through the Asset Recovery Incentivisation Scheme (ARIS) which will be carried forward to be utilised in 2019/20, and an amount set aside from the revenue underspend in 2018/19 which the NERSOU Joint Committee have agreed will be carried forward to be used in 2019/20.

13. Debtors

These amounts represent payments in advance, such as invoices spanning financial periods and the amount due from the Commissioner for resources consumed by the Chief Constable for which cash payments were not made by the 31 March 2019.

| Short-Term Debtors | |
|---------------------------|-----------------------|
| 31 March 2018 £000 | 31 March 2019 £000 |
| 34 | 25 |
| - | - |
| 8,758 | 1,734 |
| 8,279 | 8,745 |
| 17,071 | 10,504 |

14. Creditors

These amounts represent sums owed to a number of sources, such as other local authorities and government departments, in relation to policing expenditure.

| Short-Term Creditors | |
|-----------------------------|-----------------------|
| 31 March 2018 £000 | 31 March 2019 £000 |
| (4,107) | (1,949) |
| (8) | - |
| (3,452) | (3,886) |
| - | (3) |
| (19,568) | (13,960) |
| (27,135) | (19,798) |

15. Provisions and Contingent Liabilities

Provisions

| 31 March 2018 £000 | Provisions | | | 31 March 2019 £000 |
|-------------------------------|------------------------------------|-------------------------|-------------------|-----------------------|
| | Additional Provisions Made £000 | Provisions Used £000 | Reversals £000 | |
| Short-term provisions | | | | |
| (2,150) Employee remuneration | - | 1,188 | - | (962) |
| (2,150) Total | - | 1,188 | - | (962) |

A number of Forces including Northumbria are currently dealing with legal claims from serving and retired officers which relate to a specialist area of policing. These claims are for remuneration in relation to past service under police regulations. The Chief Constable has a number of such claims which are currently subject to legal process and expected to conclude in 2019/20.

The employee remuneration provision included in the accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a number of claims and costs outstanding which are expected to be finalised in 2019/20. The balance on the provision at 31 March 2019 reflects a prudent estimate to cover the expected costs.

Contingent Liabilities

At 31 March 2019, the Chief Constable has identified the following contingent liability:

- **Employee remuneration** - A provision has been made in relation to a number of claims that have been received from serving and retired officers in relation to past service under police regulations. The claims are in relation to a number of officers that worked in a specialist area and at this time each case is subject to legal review. A contingent liability is also disclosed here in relation to other remuneration issues and in particular the potential for further claims to be submitted over and above those included within the provision calculated at 31 March 2019.

16. Financial instruments

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both financial assets such as loans and receivables and financial liabilities such as creditors and borrowings.

The Chief Constable holds the following types of financial instruments:

- Financial liabilities held at amortised cost – trade and other payables.
- Financial assets classed as loans and receivables – trade and other receivables.

Financial liabilities and assets are carried in the Balance Sheet at amortised cost. Their fair value is estimated to be the same as the carrying value.

The financial instruments carried in the Chief Constable's Balance Sheet are set out in the table below

| Financial Instruments | | |
|--|---------------|---------------|
| | 31 March 2018 | 31 March 2019 |
| | £000 | £000 |
| Financial Liabilities at Amortised Cost | | |
| Short-term Creditors | (10,832) | (8,899) |
| Financial Assets at Amortised Cost * | | |
| Short-term Debtors | 59 | 1,734 |

*On the 1st April 2018, changes were made to IFRS 9 (Financial Instruments). This has resulted in new classification categories for financial assets and liabilities. All investments and loans have been assessed at year end and as all investments are made solely for payments of principal and accrued interest, a judgement has been made that they should all be held at amortised cost. The Loans & Receivables classification shown in the 2017-18 accounts has changed under IFRS 9 and those Financial Assets are now shown as being held at Amortised cost.

17. Employee Benefit

Benefits payable during employment

The following table shows the cost of holiday entitlements and lieu time earned by police officers and police staff under the direction and control of the Chief Constable but not taken by the year-end. The cost of employee benefits is charged to the Chief Constable's accounts under Net Cost of Services in the CIES and the reserve associated with the short-term liability is shown under the Chief Constable's Unusable Reserves.

| Benefits payable during employment | | |
|--|-----------------|--------------|
| 2017/18 | | 2018/19 |
| £000 | | £000 |
| 9,354 | Police Services | 8,825 |
| 9,354 Total employee benefits accrued at the Balance Sheet date | | 8,825 |

Post-employment benefits (pensions)

Post-employment benefits are pensions offered as part of the terms and conditions of police officers and police staff. They are accounted for in accordance with IAS19 in which pension liabilities are recognised at the point at which employees earn their future entitlement. The pension liability which is recognised in the Chief Constable's Balance Sheet and the in-year movement in the liability recognised in the Comprehensive Income and Expenditure Statement.

18. Defined Benefit Plan: Tyne and Wear Pension Fund

The Tyne and Wear Pension Fund (the "Fund") is a Local Government Pension Scheme (LGPS) administered by South Tyneside Council. This is a funded scheme, meaning that the Chief Constable and employees pay contributions into the fund calculated at a level estimated to balance the pension liabilities with investment assets.

In 2018/19, the Chief Constable paid £7.410 million (£11.600 million in 2017/18) to the Pension Fund in respect of pension contributions, with standard contributions representing 16.5% of pensionable pay (16.5% in 2017/18).

The scheme is classified as a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings

(CARE) scheme. Scheme benefits are accrued in accordance with the requirements of International Accounting Standard 19 (IAS 19) Employee Benefits. IAS 19 accounts for retirement benefits when they are committed to be given, even if the actual payment is many years into the future. IAS 19 also includes the Chief Constable's share of the fund's assets and liabilities.

The last actuarial valuation was at 31 March 2016 which determined the contributions to be paid from 1 April 2017 until 31 March 2020. The results from that valuation are set out in the Fund's Rates and Adjustment Certificate. The employer's standard contribution rate for 1 April 2017 to 31 March 2020 increased from 13.6% to 16.5% as a result of the 2016 valuation.

The next actuarial valuation of the Fund will be carried out at 31 March 2019 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2020. The Fund Administering Authority, South Tyneside Council, is responsible for the governance of the Fund.

Assets

The assets allocated to the Chief Constable in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole can be seen in the Analysis of Scheme Assets table in the disclosures below. Further information on the Tyne and Wear Pension Fund can be found in their Annual Report. This is available from South Tyneside Council's website.

Transactions relating to retirement benefits

The Chief Constable recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefit is paid as pensions. However, the charge which is made against the Police fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement as an appropriation. The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

Charges to Comprehensive Income and Expenditure Statement

| | Funded Liabilities as at | | Unfunded Liabilities as at | |
|--|--------------------------|------------------|----------------------------|------------------|
| | 31 March 2018 | 31 March 2019 | 31 March 2018 | 31 March 2019 |
| | £m | £m | £m | £m |
| Within Cost of Service | | | | |
| Current Service Cost | 12.79 | 14.01 | - | - |
| Past service cost (incl. curtailments) | 0.54 | 8.15 | - | - |
| Financing, Investment Income & Expenditure | | | | |
| Interest on net defined benefit Liability / (Asset) | 2.88 | 3.02 | 0.10 | 0.09 |
| Pension expense recognised in CIES | 16.21 | 25.18 | 0.10 | 0.09 |
| Remeasurements in OCI | | | | |
| Return on plan assets (in excess of)/below that recognised in net interest | (3.74) | (17.42) | - | - |
| Actuarial (Gains)/Losses due to change in financial assumptions | - | 18.90 | - | 0.09 |
| Actuarial (Gains)/Losses due to change in demographic assumptions | - | (18.66) | - | (0.15) |
| Actuarial (Gains) / Losses due to liability experience | 2.35 | 0.76 | 0.03 | 0.01 |
| Total Amount recognised in OCI | (1.39) | (16.42) | 0.03 | (0.05) |
| Total Amount charged to CIES | 14.82 | 8.76 | 0.13 | 0.04 |

Assets and Liabilities in Relation to Retirement Benefits**Changes to the present value of the defined benefit obligation**

| | Funded Liabilities as at | | Unfunded Liabilities as at | |
|---|--------------------------|---------------|----------------------------|---------------|
| | 31 March 2018 | 31 March 2019 | 31 March 2018 | 31 March 2019 |
| | £m | £m | £m | £m |
| Opening defined benefit obligation | 411.32 | 431.02 | 3.83 | 3.73 |
| Current service cost | 12.79 | 14.01 | - | - |
| Interest expense on defined benefit obligation | 10.61 | 11.11 | 0.10 | 0.09 |
| Contributions by participants | 2.55 | 2.71 | - | - |
| Actuarial (Gains)/Losses on liabilities - financial assumptions | - | 18.90 | - | 0.09 |
| Actuarial (Gains)/Losses on liabilities - demographic assumptions | - | (18.66) | - | (0.15) |
| Actuarial (Gains)/Losses on liabilities - experience | 2.35 | 0.76 | 0.03 | 0.01 |
| Net benefits paid out | (9.14) | (10.13) | (0.23) | (0.23) |
| Past service cost (incl. curtailments) | 0.54 | 8.15 | - | - |
| Closing defined benefit obligation | 431.02 | 457.87 | 3.73 | 3.54 |

Changes to the fair value of assets during the period

| | Funded Liabilities as at | | Unfunded Liabilities as at | |
|--|--------------------------|---------------------|----------------------------|---------------------|
| | 31 March 2018 £m | 31 March 2019 £m | 31 March 2018 £m | 31 March 2019 £m |
| Opening fair value of assets | 294.93 | 311.18 | - | - |
| Interest income on assets | 7.73 | 8.09 | - | - |
| Remeasurement Gains/(Losses) on assets | 3.74 | 17.42 | - | - |
| Contributions by the employer | 11.37 | 7.18 | 0.23 | 0.23 |
| Contributions by participants | 2.55 | 2.71 | - | - |
| Net benefits paid out | (9.14) | (10.13) | (0.23) | (0.23) |
| Closing fair value of assets | 311.18 | 336.45 | - | - |

Reconciliation of the present value of the defined benefit obligation and the fair value of fund assets to the assets and liabilities recognised in the balance sheet

| | 31 March 2018 £m | 31 March 2019 £m |
|--|---------------------|---------------------|
| Present value of defined benefit obligation (funded) | 431.02 | 457.87 |
| Present value of defined benefit obligation (unfunded) | 3.73 | 3.54 |
| Asset/(liability) recognised on the balance sheet (funded) | (119.84) | (121.42) |
| Asset/(liability) recognised on the balance sheet (unfunded) | (3.73) | (3.54) |
| Fair value of assets | 311.18 | 336.45 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a gain of £25.510 million (£11.470 million gain in 2017/18).

Analysis of Scheme Assets

| Asset | Asset split at 31 | Quoted | Unquoted | Asset split at 31 |
|------------------|-------------------|------------------|------------------|-------------------|
| | March 2018 | At 31 March 2019 | At 31 March 2019 | March 2019 |
| | (%) | (%) | (%) | (%) |
| Equities | 67.0 | 58.0 | 7.0 | 65.0 |
| Property | 8.5 | 0.0 | 8.8 | 8.8 |
| Government bonds | 4.0 | 4.1 | 0.0 | 4.1 |
| Corporate bonds | 11.7 | 11.7 | 0.0 | 11.7 |
| Cash | 3.7 | 2.7 | 0.0 | 2.7 |
| Other* | 5.1 | 3.5 | 4.2 | 7.7 |
| | 100.0 | 80.0 | 20.0 | 100.0 |

* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Chief Constable is liable to pay retirement benefits. The total liability has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet, reducing the overall balance by £124.960 million. However, statutory regulations for funding the deficit mean that the financial position of the Chief Constable remains healthy, as the deficit on the local government scheme will be made good by future contributions over the remaining working life of employees, as assessed by the scheme actuary.

| History of asset values, defined benefit obligation and surplus/(deficit) | | | | | |
|--|----------------|----------------|-----------------|-----------------|-----------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| | £m | £m | £m | £m | £m |
| Present value of the defined benefit obligation | | | | | |
| - Funded liabilities | (326.12) | (316.70) | (411.32) | (431.02) | (457.87) |
| - Unfunded liabilities | (3.75) | (3.42) | (3.83) | (3.73) | (3.54) |
| Fair value of fund assets | 233.62 | 239.32 | 294.93 | 311.18 | 336.45 |
| Surplus/(Deficit) in the scheme | (96.25) | (80.80) | (120.22) | (123.57) | (124.96) |

In April 2017 the Chief Constable made a one-off payment to the Pension Fund of £4.290 million to cover future deficit liabilities for the period from 01 April 2017 to 31 March 2020. In line with the Chief Constable's accounting policies £1.430 million has been accounted for in 2017/18 and a further £1.430 million in 2018/19, with the remainder (£1.430 million) being offset against the pension liability on the Balance Sheet. The pension reserve of £126.390 million and the net pension liability of £124.960 million will be brought into line by 31 March 2020 as the prepayment arrangements are accounted for over the 2019/20 financial year.

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

| Members | % |
|---------------------|----------|
| Actives | 45 |
| Deferred Pensioners | 17 |
| Pensioners | 38 |

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis to provide an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and discount rates. AON Hewitt Limited, an independent firm of actuaries, has valued the Tyne and Wear Pension Fund's assets and liabilities in accordance with IAS 19 by using the latest actuarial valuation of the Fund as at 31 March 2016. The liabilities for unfunded benefits are based on an actuarial valuation which took place on 31 March 2017.

A building block approach is employed in determining the rate of return on fund assets. Historic markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out in the (analysis of scheme assets) table on the previous page. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2019.

| Principal financial and actuarial assumptions | | | | |
|--|---------------------------|----------------|-----------------------------|----------------|
| | Funded Liabilities | | Unfunded Liabilities | |
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| Financial assumptions (% per annum) | | | | |
| Discount Rate | 2.6 | 2.5 | 2.6 | 2.5 |
| Rate of Inflation (CPI) | 2.0 | 2.1 | 2.0 | 2.1 |
| Rate of Inflation (RPI) | 3.1 | 3.2 | 3.1 | 3.2 |
| Rate of increase in salaries | 3.5 | 3.6 | n/a | n/a |
| Rate of increase to pensions in payment | 2.0 | 2.1 | 2.0 | 2.1 |
| Pension accounts revaluation rate | 2.0 | 2.1 | n/a | n/a |
| Mortality assumptions | | | | |
| Future lifetime from age 65 (Member aged 65 at accounting date) | | | | |
| Men | 22.9 | 22.2 | 22.9 | 22.2 |
| Women | 26.4 | 25.3 | 26.4 | 25.3 |
| Future lifetime from age 65 (Member aged 45 at accounting date) | | | | |
| Men | 25.1 | 23.9 | n/a | n/a |
| Women | 28.7 | 27.2 | n/a | n/a |

Commutations

Year end 31 March 2018 Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

Year end 31 March 2019 Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

The mortality assumptions are based on the actual mortality experience of members in the fund as identified in the actuary's disclosure report.

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2019 and the projected service cost for the year ending 31 March 2019. In each case, only the assumption mentioned is altered; all other assumptions remain the same:

| Sensitivity to main assumptions (Funded Liabilities) | | | |
|--|--------------------|-------------|-----------|
| Discount rate assumption | Adjustment to Rate | | |
| Adjustment to discount rate | +0.1% p.a | Base Figure | -0.1% p.a |
| Present value of total obligation (£M) | 447.82 | 457.87 | 468.14 |
| Change in present value of total obligation | -2.2% | | 2.2% |
| Projected service cost (£M) | 15.04 | 15.55 | 16.07 |
| Approximate change in projected service cost | -3.3% | | 3.4% |
| Rate of general increase in salaries | Adjustment to Rate | | |
| Adjustment to salary increase rate | +0.1% p.a | Base Figure | -0.1% p.a |
| Present value of total obligation (£M) | 460.86 | 457.87 | 454.92 |
| Change in present value of total obligation | 0.7% | | -0.6% |
| Projected service cost (£M) | 15.55 | 15.55 | 15.55 |
| Approximate change in projected service cost | 0.0% | | 0.0% |
| Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption | Adjustment to Rate | | |
| Adjustment to pension increase rate | +0.1% p.a | Base Figure | -0.1% p.a |
| Present value of total obligation (£M) | 465.12 | 457.87 | 450.75 |
| Change in present value of total obligation | 1.6% | | -1.6% |
| Projected service cost (£M) | 16.07 | 15.55 | 15.04 |
| Approximate change in projected service cost | 3.4% | | -3.3% |
| Post retirement mortality assumption | Adjustment to Rate | | |
| Adjustment to mortality age rating assumption* | - 1 year | Base Figure | + 1 year |
| Present value of total obligation (£M) | 472.01 | 457.87 | 443.82 |
| Change in present value of total obligation | 3.1% | | -3.1% |
| Projected service cost (£M) | 16.13 | 15.55 | 14.98 |
| Approximate change in projected service cost | 3.7% | | -3.7% |

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Expected future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Chief Constable for the accounting period to 31 March 2020 are estimated to be £8.930 million (£8.690 million funded and £0.240 million unfunded). In addition, strain on the fund contributions may be required as a result of voluntary redundancies and early retirements.

Duration of Liabilities

The duration of the Employer's liabilities is the average period between the calculation date and the date at which benefit payments fall due. This is estimated as 22.2 years.

19. Defined Benefit Plan: Police Pension Scheme

The Police Pension Schemes are wholly unfunded final salary defined benefits schemes. Contributions and pensions are made to and paid from the Police Pension Fund, which is balanced to nil at the end of each financial year by receipt of a top-up pension grant from the Home Office. There are no investment assets built up to meet the pensions' liabilities and cash has to be generated by the Home Office to meet the actual pension payments as they eventually fall due.

The results have been calculated by carrying out a detailed valuation of the data provided as at 31 March 2016, for the latest funding valuation. This has then been rolled forward to reflect the position as at March

2019, allowing for additional service accrued between 1 April 2016 and 31 March 2019, and known pension and salary increases that would have applied. The transactions shown have been made during the year:

| Charges to Comprehensive Income and Expenditure Statement | | |
|--|---------------|---------------|
| | 31 March 2018 | 31 March 2019 |
| | £m | £m |
| Net Cost of Service | | |
| Current service cost | 63.74 | 63.72 |
| Past service cost | 2.47 | 182.72 |
| Financing and investment income and expenditure | | |
| Pension interest cost | 100.49 | 100.90 |
| Total charge to Provision of Services | 166.70 | 347.34 |
| Remeasurement of the net Defined Liability/(Asset) | 33.39 | 47.64 |
| Total IAS 19 charge to Comprehensive Income and Expenditure | 200.09 | 394.98 |

A past service cost estimated at £182.720m has been included to reflect the potential increase in pension scheme liabilities as a result of the McCloud/Sargeant judgement. Further information on this matter is included at Note 21 to the accounts.

Present value of the defined benefit obligation

The present values of the scheme's liabilities are shown in the following table:

| History of scheme liability | | | | | |
|---|------------|------------|------------|------------|------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| | £m | £m | £m | £m | £m |
| Present value of the defined benefit obligation | (3,602.47) | (3,100.36) | (3,807.81) | (3,974.13) | (4,335.47) |
| Surplus/(Deficit) in the Scheme | (3,602.47) | (3,100.36) | (3,807.81) | (3,974.13) | (4,335.47) |

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 38 years, the New Police Pension Scheme 2006 is around 40 years, and for the Police Pension Scheme 1987 it is around 21 years.

The weighted average duration of the defined benefit obligation for all police officer Pension Schemes, on a consolidated basis are around 22 years.

The Police Pension Scheme has no investment assets to cover its liabilities; these are met as they fall due. The means of funding the benefits paid out are detailed in the following table:

| Reconciliation of the fair value of scheme assets | | |
|--|---------------|---------------|
| | 31 March 2018 | 31 March 2019 |
| | £m | £m |
| Opening fair value of assets | - | - |
| Actuarial Gains and (Losses) on assets | 64.67 | 65.20 |
| Contributions by employer | 33.77 | 33.64 |
| Contributions by participants | 15.92 | 15.66 |
| Transfers in | 0.49 | 0.90 |
| Net benefits paid | (114.85) | (115.40) |
| Closing fair value of assets | - | - |

Analysis of movements in scheme liability

| Analysis of the movement in scheme liability | | |
|---|-------------------|-------------------|
| | 31 March 2018 | 31 March 2019 |
| | £m | £m |
| Net Surplus/(Deficit) at the beginning of year | (3,807.81) | (3,974.13) |
| Current service cost | (63.74) | (63.72) |
| Cost covered by employee contributions | (15.92) | (15.66) |
| Past service cost | (2.47) | (182.72) |
| Pension transfers in | (0.49) | (0.90) |
| Net interest on the net defined benefit Liability/(Asset) | (100.49) | (100.90) |
| Net benefits paid | 114.85 | 115.40 |
| Remeasurements of the net defined Liability/(Asset) | (98.06) | (112.84) |
| Net Surplus/(Deficit) at the end of year | (3,974.13) | (4,335.47) |

Expected Future Contributions

The expected contributions to be made to the Police Pension Schemes by the Chief Constable for the accounting period to 31 March 2020 are estimated to be £41.005 million compared to £33.640 million paid in 2018/19.

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the Projected Unit Credit Method (PUCM), an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

| Principal Financial and Actuarial Assumptions | | |
|--|---------------|---------------|
| | 31 March 2018 | 31 March 2019 |
| | £m | £m |
| Discount rate (Rate of Return) | 2.55% | 2.45% |
| Rate of inflation - pension increases (CPI) | 2.30% | 2.35% |
| Rate of inflation (RPI) | 3.45% | 3.50% |
| Rate of increase in salaries (long-term) | 4.30% | 4.35% |
| Rate of increase in salaries (short-term) | 1.00% | 1.00% |
| Rate of revaluation for CARE pensions | 3.55% | 3.60% |
| Rate of return in excess of: | | |
| Earning increases (long-term) | -1.75% | -1.90% |
| Earning increases (short-term) | 1.55% | 1.45% |
| Pension increases | 0.25% | 0.10% |

| Member with service in the following scheme: | Commutation Assumptions |
|---|---|
| Police Pension Scheme 1987 | 25% of 1987 Scheme pensions are assumed to be commuted. |
| Police Pension Scheme 2006 | Commutation is not available, no assumption required. |
| Mixed 1987 and 2015 Scheme | 25% of 1987 Scheme pensions and 8.75% of 2015 Scheme pensions are assumed to be commuted. |
| Mixed 2006 and 2015 Scheme | 17.5% of 2015 Scheme pensions are assumed to be commuted and nil in respect of the 2006 Scheme for which commutation is not available. |
| Police Pension Scheme 2015 | 17.5% of 2015 Scheme pensions are assumed to be commuted, except for members who also have 1987 Scheme pension for whom 8.75% are assumed to be commuted. |

| | Mortality Assumptions | | | |
|--|-----------------------|--------------------|--------------------|--------------------|
| | Normal Health | | Ill Health | |
| | 2017/18 (years) | 2018/19 (years) | 2017/18 (years) | 2018/19 (years) |
| Future Lifetime at 65 for current pensioners | | | | |
| Men | 22.60 | 22.70 | 20.20 | 20.30 |
| Women | 24.20 | 24.30 | 21.90 | 22.00 |
| Future Lifetime at 65 for future pensioners (currently aged 45) | | | | |
| Men | 24.50 | 24.60 | 21.80 | 21.90 |
| Women | 26.10 | 26.20 | 24.40 | 24.50 |

The results of any actuarial calculations are inherently uncertain because of the assumptions which must be made under IAS19 to reflect market conditions at the valuation date. The increase in the scheme liability attributed to the re-measurement of the net defined benefit pension liability is primarily caused by the change in the discount rate assumption from 2.55% last year to 2.45% this year. The following table sets out the sensitivity to the main assumptions:

| Sensitivity to main assumptions | | | |
|--|---|---------|----------|
| Change in assumption* | Approximate effect on scheme liability (excluding past service cost due to McCloud/Sargeant ruling) | | |
| | | % | £m |
| Rate of discounting scheme liabilities | + 0.5% a year | (10.00) | (419.00) |
| Rate of increase in salaries | + 0.5% a year | 1.00 | 51.00 |
| Rate of increase in pensions / deferred revaluation | + 0.5% a year | 8.00 | 334.00 |
| Life expectancy - each pensioner subject to longevity of an individual 1 year younger than assumed | | 2.50 | 107.00 |

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the scheme liability.

In addition, the past service cost in respect of the McCloud/Sargeant judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long term salary growth assumptions were 1.0% pa lower, then the impact on the past service cost is expected to be a change of around -10% on the provision. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

20. Segmental Analysis

There is a requirement within the Code to present income and expenditure in segments as reported for internal management purposes and provide reconciliation with the Comprehensive Income and Expenditure Statement (CIES). The Expenditure and Funding Analysis (EFA) and the notes to the EFA present the financial information on a funding basis for reportable segments and reconcile this position with the CIES.

21. Events after the Reporting Period

National Legal Challenge to Transitional Arrangements for Public Service Pensions

The Chief Constable for Northumbria, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the transitional provisions in the Police Pension

Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In December 2018 the Court of Appeal (McCloud/Sargeant) ruled that the transitional protection offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. At the time the Chief Constable was producing draft Statements of Account the government intended to appeal to the Supreme Court and the outcome was uncertain.

This matter was therefore reported in the draft Statements of Account as a contingent liability which reflected the conditions at the balance sheet date and at the date of publication. However, on 27 June the Supreme Court denied the government permission to appeal on the McCloud case. On 15 July the Treasury published a written statement (HCWS1725) on Public Service Pensions which states that the government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. The Statement also estimates that remedying the discrimination for all public service pension schemes nationally will add around £4.000 billion per annum to scheme liabilities from 2015. This statement can be found at the following link:

<https://www.parliament.uk/WrittenStatementPublicServicePensions>

Given the events described above, the Chief Constable's financial statements have been adjusted to reflect a revised pension liability for both the Police Pension Scheme and the Tyne and Wear Pension Fund.

The increase in pension scheme liabilities have been calculated by the Chief Constable's actuaries (GAD - Government Actuary Department and AON Hewitt). The actuaries have highlighted that these estimates: are based on one potential remedy; are highly sensitive to assumptions around short term earnings growth; and for the Police Pension Scheme there may be additional impact as a result of differences in the profile of the force's membership compared with the scheme as a whole.

The pension scheme liability on the Chief Constable's balance sheet has been increased by a total of £190.690 million comprising £182.720 million in respect of the Police Pension Scheme and £7.970 million for the Tyne and Wear Pension Fund (TWPF). The adjustment has been provided through an estimated past service cost of £190.690 million charged to net cost of services in the Comprehensive Income and Expenditure Statement (CIES). The charge to the CIES is reversed out in the Movement in Reserves Statement through unusable reserves ensuring no impact on the funding required from the Police and Crime Commissioner (and General Fund) for policing.

The actual increase in scheme liabilities will depend on the remedy determined by the Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant will be measured through the pension valuation process, which determines both employer and employee contribution rates. The next police pension valuation is due to take place in 2020 with implementation of results from 2023/24. Forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process. The next TWPF valuation is being carried out for 2019 with implementation from 2020/21.

The impact of an increase in annual pension payments arising from McCloud/Sargeant for the Police Pension Scheme is determined under The Police Pension Regulations 2007 which require each force to maintain a police pension fund. All officer employer and employee contributions are paid into the fund and all pension payments to retired officers and lump sums on retirement are paid out of the fund. If the pension fund does not have enough funds to meet the net cost of pensions in-year, the amount required to meet the deficit is paid by the Secretary of State to the pension fund through a central government top-up grant.

New Police and Crime Commissioner

On 13 May 2019, it was announced that the Police and Crime Commissioner for Northumbria, Dame Vera Baird, would be leaving her post following appointment as the new national commissioner for victims and witnesses (Victims' Commissioner). An election was held on 18 July 2019 to appoint a new Police and Crime Commissioner and the successful candidate Kim McGuinness commenced in post on 22 July 2019.

Supplementary Financial Statements

- Police Pension Fund
- Notes to the Supplementary Financial Statements

Police Pension Fund

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2018/19 and shows comparative figures for 2017/18.

| Police Pension Fund | | |
|----------------------------|---|-----------------|
| 2017/18 | FUND ACCOUNT | 2018/19 |
| £000 | | £000 |
| (24,937) | Normal | (24,586) |
| (3,380) | Additional funding payable by the local policing body to meet the deficit for the year | (3,347) |
| (702) | Other (Ill Health Retirements) | (786) |
| (29,019) | Contribution Receivable from Employer | (28,719) |
| (15,914) | Contribution Receivable from Members | (15,663) |
| (15,914) | Contribution Receivable from Members | (15,663) |
| (44,933) | Contributions Receivable | (44,382) |
| (493) | Individual Transfers in from other schemes | (1,033) |
| (493) | Transfers in | (1,033) |
| 83,055 | Pensions | 87,534 |
| 26,327 | Commutations and Lump Sum Retirement Benefits | 22,839 |
| 101 | Lump Sum Death Benefits | 203 |
| 553 | Other (Inter Authority Adjustments / LTA Payments) | 333 |
| 110,036 | Benefits Payable | 110,909 |
| 25 | Refunds of Contributions | 17 |
| 34 | Individual Transfers Out To Other Schemes | 226 |
| 59 | Payments To and On Account of Leavers | 243 |
| 110,095 | Total Benefits Payable | 111,152 |
| 64,669 | Net amount payable for the year before contribution from the Police Fund | 65,737 |
| (64,669) | Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account | (65,737) |
| - | Net Amount (Receivable)/Payable In Year | - |

There is an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes, being reflected in a reduction in Her Majesty's Treasury pensions top up funding. The cost is being met by an additional employer contribution from the Chief Constable to the Fund as required by the Home Office.

Notes to the Supplementary Financial Statements

1. Scheme description

The Police Pension Fund is a final salary defined benefit scheme, the rules of which are set out in The Police Pension Regulations 1987, The Police Pension Regulations 2006; The Police Pension Regulations 2015 and The Police (Injury Benefit) Regulations 2006; and subsequent amendments. The scheme is wholly unfunded and balanced to nil at the end of each financial year by receipt of a top-up pension grant by the Commissioner from the Home Office or by paying the surplus over to the Home Office. There are no investment assets built up to meet the pensions' liabilities and cash has to be generated by the Home Office to meet the actual pension payments as they eventually fall.

The scheme is for police officers and comprises the Police Pension Scheme 1987, the Police Injury Benefit Scheme, the New Police Pension Scheme 2006 and the Police Pension Scheme 2015.

Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department (GAD).

2. Administration of the Fund

The Chief Constable is Scheme Manager⁷ for the Police Pension Fund. The Chief Constable has a Police Pensions Board, established in 2015, under section 5 of the Public Service Pension Act, which provides local administration and governance for the Scheme.

3. Accounting Policies

The accounting policies detailed in this Statements of Account 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.

4. Future liabilities

The Funds' financial statements do not take account of liabilities to pay pensions and other benefits after the period end, which are the responsibility of the Chief Constable. Details of the long-term pension obligations can be found in the Notes to the Core Financial Statements, Employee benefits (Note 17).

⁷ Public Service Pension Act 2013 (section 4)

Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual Statements of Account and a narrative statement that sets out financial performance and economy, efficiency and effectiveness in its use of resources.

This statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) 'Good Governance: Framework' and explains how the Chief Constable of Northumbria Police Force has complied with this framework and meets the statutory requirements of regulations.

Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011, sets out the accountability and governance arrangements for policing and crime matters. The Act establishes both the Police and Crime Commissioner (the 'Commissioner') and the Chief Constable as the 'Corporation Sole' for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the Commissioner. Both the Commissioner and Chief Constable are subject to the Accounts and Audit Regulations 2015; as such, both must prepare their Statements of Account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual AGS, both of which are subject to external audit.

The Chief Constable shares most core-systems of control with the Commissioner, including: the main finance systems; internal policies and processes; the Chief Finance Officer (CFO); internal audit and a Joint Independent Audit Committee (JIAC). The Commissioner's Statements of account includes a similar statement which covers both the Office of the Police and Crime Commissioner (OPCC) as well as the group position of the Commissioner and Chief Constable.

The Chief Constable is responsible for the direction and control of the Force. In discharging this function, the Chief Constable supports the Commissioner to ensure their business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and ensuring that the arrangements comply with the Police and Crime Commissioner's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is maintained throughout the year, and that appropriate arrangements are in place for the management of risk.

The Commissioner and Chief Constable have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE 'Good Governance: Framework'.

The PRSR Act 2011 requires the Commissioner and Chief Constable to each appoint a Chief Finance Officer (CFO) with defined responsibilities and powers. The CIPFA Statement on the Role of the CFO appointed by the Commissioner, and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 2014 Statement states:

"That both the Police and Crime Commissioner and Chief Constable appoint separate CFOs, where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority's AGS, together with an explanation of how this arrangement delivers the same impact."

The Commissioner and the Chief Constable agreed to appoint a joint CFO for both corporate bodies. The reasoning was that a joint CFO role would provide both the Commissioner and Chief Constable with a single efficient, effective and economic financial management lead. The appointment to the joint role was approved by the independent Northumbria Police and Crime Panel at their confirmation meeting held on 23 July 2013. However, the panel raised concerns at the potential for a conflict of interest to arise with the joint role and stressed the need, especially with the Section 151 responsibilities, to advise the Commissioner and Chief Constable of any such conflicts at an early stage. The panel also stated that they expect the CFO to act in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review, an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the JIAC. It confirms that the role is complying with the requirements of the Statement. The Commissioner and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively, and that potential conflicts are subject to continuous review. To date no conflicts have been identified.

The Governance Framework

The governance framework in place throughout the 2018/19 financial year covers the period from 1 April 2018 to 31 March 2019 and any issues which arise up to the date of approval of the annual Statements of Account.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the Commissioner's Governance Framework. Through the application of the Commissioner's framework and Force governance arrangements, the Chief Constable is able to both monitor and deliver the objectives of the Police and Crime Plan. Consequently, the Chief Constable is able to provide assurance to the Commissioner that these objectives are leading to the delivery of appropriate and cost-effective policing services which provide value for money, a duty under the Local Government Act 1999.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is an on-going process designed to identify and prioritise the risks to achieving the Commissioner's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the Commissioner website at [Governance Framework](#) (This is a shortened URL that will take you to the document on the Police and Crime Commissioner website).

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel and making proper arrangements for the governance of the Force. The role is accountable to the Commissioner for the exercise of those functions. The Chief Constable must therefore satisfy the Commissioner that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the Commissioner's Governance Framework. It is informed by internal assurances on

the achievement of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

The principles of good governance where the Chief Constable has responsibility are:

1. Focusing upon the mission and purpose of the Force, on outcomes for the community, and creating and implementing a vision for the local area.
2. Ensuring that the Force and partners work together to achieve a common purpose within clearly defined functions and roles.
3. Promoting values for the Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions, which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of all to be effective in their roles.

Focusing on the Purpose of the Force and on Outcomes for the Community and Creating and Implementing a Vision for the Local Area

The Commissioner has published a Police and Crime Plan for the period 2017 to 2021. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Northumbria Police has a governance and decision-making structure which supports leadership, at all levels, in the effective and efficient conduct of business. It enables the Force to deliver the Police and Crime Plan, maintaining high levels of performance and service delivery at a time of continuing financial challenge. The Force's Strategic Management Board (SMB), chaired by the Deputy Chief Constable, is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. This Board is underpinned by a number of Operational Delivery Groups (ODGs) and other boards. Performance is considered in a number of ways: compared to previous years; against agreed service standards or thresholds and peers (most similar family of Forces or nationally); and direction of travel.

Other areas of business are also regularly reported to ODGs, SMB and other boards. This includes the Strategic Policing Requirement, community consultation and engagement, progress against action plans in response to recommendations and areas for improvement resulting from inspections by Her Majesty's Inspectorate of Constabulary Fire and Rescue Services for England and Wales (HMICFRS) and risk management.

HMICFRS carry out an annual PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) Assessment of Police Forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year. The findings for Northumbria Police for 2018 are expected to be published in autumn 2019.

Ensuring the Force and Partners Work Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

The Commissioner's Governance Framework sets out the roles of both the Commissioner and Chief Constable, clearly defining how they work together to ensure effective governance and internal control.

A Service Level Agreement between the Commissioner and the Chief Constable; this agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way. This arrangement assists the Force to deliver the priorities as set out in the Police and Crime Plan, whilst supporting the Commissioner in her responsibilities to maintain a strategic overview and to undertake her scrutiny and public consultation role.

The Commissioner and Chief Constable operate a Joint Business Meeting, which meets regularly, the minutes of which are published on the Commissioners website to ensure transparency of decision making.

The governance arrangements for partnership-working are clearly set-out and monitored during the year. The partnership arrangement with the North East Regional Special Operations Unit (NERSOU), a collaboration between the three Forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored. Other agreements are published on the Commissioners website under Collaboration Agreements.

Promoting Values of Good Governance Through Upholding High Standards of Conduct and Behaviour

The OPCC is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as scrutinising the force's approach to the investigation of all other complaints and conduct matters.

The Professional Standards Department (PSD) within Northumbria Police reports directly to the Deputy Chief Constable. It is the purpose of PSD to promote public confidence through upholding high standards, deterring misconduct and influencing individual and organisational behaviour. Governance around the performance of PSD, trends in complaints or conduct matters and lessons learned is provided by the Confidence and Standards Board. The board is chaired by the Deputy Chief Constable and ensures that the provision of services is based on insight and engagement and considers aspects of legitimacy concerned with the use of police powers and decision making.

The Independent Office for Police Conduct (IOPC) scrutinise the performance of PSD with regards the quality and timeliness of decisions and investigations. Performance meetings are held between PSD, the Regional Director of the IOPC and Oversight Liaison (IOPC North East) on a quarterly basis.

Northumbria Police also has an Ethics Advisory Group comprising internal and external members, with links to the Regional Ethics Group. The Advisory Group ensures that the way Northumbria Police applies its working practices is ethical and legitimate. It also considers any highlighted ethical dilemmas, contributing as appropriate to the revision of force policies and procedures.

Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Risk Management

All strategic decision-making is carried out in accordance with the Commissioner's Governance Framework.

The Governance arrangements ensure that key decisions are taken at the appropriate level, and are referred to Commissioner as required. Through regular meeting the Chief Constable is subject to the oversight and scrutiny of the Commissioner.

The Commissioner and Chief Constable have established a JIAC. JIAC receives reports from both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Through this body the Chief Constable is subject to challenge not only by the Commissioner, but also of the independent members of the JIAC.

The Commissioner and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned to a Chief Officer/Director and/or OPCC owner, who have responsibility for the management of controls and the implementation of new controls where necessary. The register is reported at the Force's Executive Board and managed by the Joint Business Meeting on a quarterly basis. The JIAC and the Joint Police and Crime Commissioner/Chief Constable Governance Meeting provide additional scrutiny and governance on a quarterly basis.

Developing the Capacity and Capability of Officers of the Force to be Effective

The Force operates a Performance Development Review (PDR) process. Through the PDR process the Force is able to ensure that the corporate values are reinforced and promoted, and that each member of staff has individual objectives which underpin and support the performance of the local policing area or department in which they work as well as their own personal development. In July 2017, the percentage of officers and staff with a live PDR was 47% and increased to 87% in both 2018 and 2019. Further work to increase professional development conversations will support the Force in moving towards a learning organisation with a culture of sustained improvement.

A learning and development structure is in place in recognition of the importance of developing the capacity and capability of the workforce. A range of internal training resources, and where appropriate external training events, are provided to continue to build a skilled and resilient workforce. The Force has embedded leadership and development programmes and has restructured the people services function to enable a more coherent approach to talent identification and management, all focused on sustained improvement in a supportive environment. This is a key part of the Strategy 2025.

The Northumbria Competency and Values framework was launched in 2017/18. This framework has been designed to incorporate the National Competency and Values framework for policing, which sets the standards across all roles in policing as devised by the College of Policing.

Value for Money and Reliable Financial and Performance Statements are Reported and Internal Financial Controls Followed

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Commissioner's and Chief Constable's objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources over which the Chief Constable has delegated control.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the Commissioner and Chief Constable, based on the work undertaken by the Internal Audit Service throughout 2018/19.

The financial management and performance reporting framework follows national and/or professional best practice, and its key-elements are set out below:

- Financial Regulations establish the principles of financial control; they are designed to ensure that the Commissioner and Chief Constable conduct their financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.
- A robust system through which the Force manages Finance, Human Resources, Payroll and Procurement processes is used throughout the Force. This enables systematic control to be applied, particularly in relation to budget management. This ensures that responsibility and accountability for resources rest with those managers who are responsible for service provision. This is underpinned by systematic controls which ensure financial commitments are approved by the relevant manager.
- In accordance with the Prudential Code and best accounting practice, the Commissioner and Chief Constable produce a four year Medium Term Financial Strategy (MTFS) and capital programme. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget and capital programme.
- The MTFS includes known commitments, anticipated resource availability and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the Chief Constable and sets out the financial implications of the Commissioner's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor and report on financial performance.
- In line with the Prudential Code and Financial Management Code of Practice the Commissioner and Chief Constable produce annually a Treasury Management Strategy, Capital Strategy and an Annual Reserves Strategy Statement. These are reviewed throughout the year and inform monitoring and future planning.

- Monthly financial performance reports are presented to the Executive Board that focus on year-to-date information and forecast outturn enabling officers to establish a clear understanding of financial performance. These are then presented quarterly to the Commissioner through the Joint Business Meeting and these are available on the Commissioner website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year.
- HMICFRS Value for Money reviews are considered by management and recommendations implemented as appropriate.

Review of Effectiveness

The Chief Constable has a responsibility to ensure, at least annually, that an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control is undertaken. This is informed by the internal audit assurance, opinions and reports of our external auditors and other inspection bodies, as well as the work of the CFO and of managers within the Force who have responsibility for the development and maintenance of the governance environment.

For 2018/19, the review process has been led by the Joint Police and Crime Commissioner/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

- Governance arrangements.
- An assessment of the role of the CFO in accordance with best practice.
- Senior manager's assurance statements.
- The system of internal audit.
- Risk management arrangements.
- Performance management and data quality.
- Views of the external auditor, HMIC and other external inspectorates.
- The legal and regulatory framework.
- Financial controls, revenue outturn.
- Partnership arrangements and governance.
- Other sources of assurance as appropriate.

From the review of effectiveness no issues were identified as governance issues, which required disclosure within this AGS. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire. All areas returned compliant to each of the questions, with one exception relating to data quality and performance management processes, this related to the adequacy of the current ICT system. It was noted that plans existed to enhance the ICT system and existing controls were assessed as effective.

Internal Audit Overall Assessment & Independent Opinion

The assessment by Internal Audit of the Commissioner and Chief Constable's internal control environment and governance arrangements makes up a fundamental element of assurance for the AGS.

During 2018/19, 27 internal audit reports were issued. Of those issued, 23 audits concluded that systems and procedures were operating well and 4 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2018/19, including advice on governance arrangements, the Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

As part of the 2018/19 audit plan, approved by the JJAC, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised.

Actions from the 2017/18 Statement

There were no actions identified in the 2017/18 Annual Governance Statement.

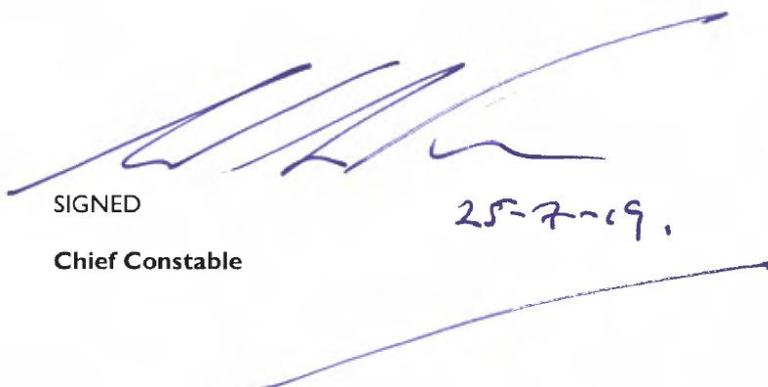
2018/19 Governance Issues

The review has identified no issues that need to be included within the 2018/19 Annual Governance Statement as actions.

Conclusion

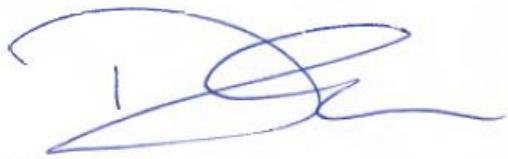
No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance.

However, on the basis of the review of the sources of assurance set out in this statement, the undersigned are satisfied that the Chief Constable of Northumbria Police has in place satisfactory systems of internal control which facilitate the effective exercise of their functions and which include arrangements for the governance, control and the management of risk.



SIGNED
Chief Constable

25-7-19,



SIGNED

Deputy Chief Constable



SIGNED

Director of Finance and IT

DATE 25/7/19

Independent Auditors Report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHUMBRIA

Opinion

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

In our opinion, the financial statements:

- Give a true and fair view of the financial position of the Chief Constable for Northumbria as at 31 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 Northumbria 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 Northumbria'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 the Chief Finance Officer's Responsibilities, 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 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 Northumbria 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 Northumbria 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 Council'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 Northumbria'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 2018, we are satisfied that, in all significant respects, the Chief Constable for Northumbria 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 2018, as to whether the Chief Constable for Northumbria 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 Northumbria 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 Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Chief Constable for Northumbria

The Chief Constable for Northumbria 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 Northumbria 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 the Chief Constable for Northumbria'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 Chief Constable for Northumbria, 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 Northumbria 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 Chief Constable for Northumbria, 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 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Cameron Waddell
For and on behalf of Mazars LLP
Salvus House
Durham
DHI 5TS

Date: 25 July 2019

Glossary of Terms

Accounting policies are those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Selecting measurement bases for; and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements.

Accruals: the accruals basis of accounting requires that the non-cash effects of transactions be recognised in the period that they affect, rather than when cash is paid or received. An accrual is a sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works done, but for which payment has not been made/received by the end of the period.

Actuarial gains and losses: for a defined benefit pension 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 and losses); or
- The actuarial assumptions have changed.

Amortisation: is the process of writing-off an intangible asset over its projected life. It is analogous to depreciation of tangible non-current assets.

Assets: an asset is “a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity” (IASB definition). Current assets change in value on a day-to-day basis (e.g. cash, stocks, and work in progress). Non-current assets yield benefit to an entity and the services it provides for a period of more than one year (e.g. land and buildings).

Budgets: a statement of the Chief Constable’s forecast of net revenue and capital expenditure over a period of time, i.e. a financial year.

Capital charges: are charges to the Comprehensive Income & Expenditure to reflect the cost of using assets. They are based upon depreciation, which represents the cost of using the asset.

Capital expenditure: is expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital receipts: are proceeds from the sale of the Commissioner’s buildings or from the repayment of loans and advances.

Cash: comprises cash in hand and demand deposits.

Cash equivalents: are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CIPFA: (the Chartered Institute of Public Finance and Accountancy) provides guidance in the interest of public services. It is the professional body for accountants working in the UK public sector. It provides financial and statistical information for local authorities and other public sector bodies, and advises Central Government and other bodies on public finance.

Constructive obligation: is an obligation that derives from an entity's actions where:

By an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingencies: are funds set aside as a reserve to meet the cost of unforeseen items of expenditure, or shortfalls in income and to provide for inflation. This is not included in individual budgets because their precise value cannot be determined in advance.

Contingent assets: are possible assets arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Commissioner's control.

Contingent liabilities are either:

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Commissioner's control, or
- Present obligations arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate & Democratic Core: comprises democratic representation, governance and management by the office of the Commissioner. Corporate Management costs concerns those activities and costs that provide the infrastructure that allows services to be provided and the information that is required for public accountability, for example, treasury management and external audit.

Corporate governance: is the system by which an organisation directs and controls its functions and relates them to its communities.

Creditors: are amounts owed for goods and services received but where payment has not been made at the end of the financial year (i.e. 31 March).

Current assets: are items that can readily be converted into cash. These include items such as cash, debtors (net of bad debt provisions), investments, stock and work in progress.

Current liabilities: are amounts owed to individuals or organisations that will be paid within twelve months of the Balance Sheet date.

Current service cost (pensions): is the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Debtors: are amounts owed to the Commissioner for goods and services supplied but where payment has not been received at the end of the financial year.

Deferred liabilities: are liabilities that should have been paid to an individual or an organisation during the year but have been deferred to a later date.

Defined benefit scheme: is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme: is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Discretionary benefits: are retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Chief Constable's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

Estimates: are amounts that the Commissioner expects to spend or receive as income during an accounting period:

- **Original Estimates** are the estimates for a financial year approved by the Commissioner before the start of the financial year.
- **Revised Estimates** are an updated revision of the estimates for a financial year prepared within the financial year.

Estimation techniques: are methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. A policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. They include, for example:

- Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in a period; and
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events after the Reporting Period: are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statements of Account are authorised for issue.

Exceptional items: are material items which derive from events or transactions that fall within the ordinary activities of the Chief Constable and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Formula grant: is the general grant given by the Home Office to spending on services.

General Fund: holds the police fund and is the main reserve into which Council Tax Precept, government grant and other income is paid into and from which meets the day-to-day cost of providing services.

Government grant: is assistance by government, inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Commissioner in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross expenditure: is the total cost of providing the Commissioner's services before taking into account income.

IAS (International Accounting Standards): are accounting pronouncements issued by the International Accounting Standards Board. They have been adopted by the UK public sector in a move to make it more comparable with both the private sector and the international community as a whole.

IFRSs (International Financial Reporting Standards): are accounting pronouncements issued by the IASB. They have been adopted (or, in some cases, interpreted or adapted) by the UK public sector in an attempt to make it more comparable with both the private sector and the international community as a whole.

Liabilities: Money owed or the obligation to transfer economic benefit at some point in the future.

Local Government Pension Scheme (LGPS): is a nationwide public sector pension scheme for employees working in local government. It is administered locally for participating employers through many regional pension funds. South Tyneside Council is the Fund Administering Authority for the LGPS offered to employees by the Chief Constable and is responsible for the governance of the Fund.

Materiality: an item of information is material if its omission or misstatement from the accounts might reasonably affect the assessment of the authority's stewardship, economic decisions or comparison with other entities. Materiality is dependent on the size and nature of the item in question.

Non-current assets: are those that yield benefits to an entity and the services it provides for a period of more than one year.

Past service cost: for a defined benefit pension scheme, is 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.

Pension fund: an employees' pension fund which is maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Police and Crime Commissioner (Commissioner/PCC): a person elected who is accountable to the public for ensuring an effective and efficient police Force.

Police Fund: is the fund into which all receipts of a Police and Crime Commissioner must be paid and from which all expenditure must be paid out of.

Police Grant: is grant paid by the Home Office to police and crime commissioners as part of the Local Government Finance Settlement.

Police Pension Scheme: is the collective term used for the pension schemes for police officers and comprises the Police Pension Scheme 1987, the New Police Pension Scheme 2006, the Police Pension Scheme 2015, and the Police Injury Benefit Scheme. The rules of which are set out in The Police Pension Regulations 1987, The Police Pension Regulations 2006, The Police Pension Regulations 2015, and The Police (Injury Benefit) Regulations 2006, and subsequent amendments.

Police staff: includes staff under the direction and control of the Chief Constable.

Precepts: the demands made by the Police and Crime Commissioner on councils to finance police expenditure.

Prior period adjustments: are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: are amounts set aside in the accounts for liabilities that are likely to be incurred or assets that are likely to be received but where the amounts or the dates on which they will arise are uncertain.

Prudential borrowing: all borrowing must remain within the Commissioner's prudential borrowing limits (see Prudential Code), which are agreed annually by Commissioner.

Prudential Code for Capital Finance in Local Authorities: this replaced the previous regulatory frameworks in England, Wales and Scotland. The 2003 Code introduced a need for local authorities to consider capital spending plans with reference to affordability (implications for Council Tax), prudence and sustainability, value for money, stewardship of assets, strategic objectives and the practicality of the plans.

Related parties: a related party is a person or entity that is related to the entity that is preparing its financial statements.

- A person or a close member of that person's family is related to a reporting entity if that person:
 - Has control or joint control over the reporting entity;
 - Has significant influence over the reporting entity; or
 - Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions apply:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Examples of related parties of an authority include:
 - Central Government.
 - Local authorities and other bodies Precepting or levying demands on the Council Tax.
 - Its subsidiary and associated companies.
 - Its joint ventures and joint venture partners.
 - Its members.
 - Its chief officers.
 - Its pension fund.

Related party transaction: is a transfer of resources or obligations between a reporting entity and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Remuneration: is defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves: are monies set aside by the Commissioner for future police purposes or to cover contingencies.

Retirement benefits: are all forms of consideration given by the Commissioner in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue expenditure: is incurred on the day-to-day running of the Chief Constable's activities; the costs principally include employee expenses, premises costs, supplies and transport.

Scheme liabilities: (of a defined benefit scheme) are outgoings due after the valuation date. They are measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP): provides guidance on financial reporting to ensure data consistency and comparability between authorities. It was introduced by CIPFA in response to the demand placed upon authorities to secure and demonstrate best value in the provision of services to the community.

Short Term Accumulating Absences Account: represents the estimated financial value of untaken short-term employee benefits, e.g. annual leave, at the end of the financial period.

Strain on the Fund: when a member of the Local Government Pension Fund is allowed to retire early (e.g. efficiency, redundancy or with the Chief Constable's consent) employee and employer pension contributions stop but benefits become payable earlier than assumed and will be paid for a longer period. To meet the additional cost to the fund, the employer must make additional payments called strain costs.

Support services: or overheads, are those services that support the delivery of front line services.

Unusable reserves: are those reserves that the Chief Constable is not able to use to provide services. This category of reserves includes reserves that hold unrealisable gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences. Note 9 provides further information on the individual reserves in this category.

Usable reserves: are those reserves that the Chief Constable may use to provide services, they can also be described as 'cash-backed'. Note 9 provides further information on the individual reserves in this category.

Useful life: or useful economic life, is the period over which an entity will derive benefits from the use of a fixed asset.

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Contacts

For copies, please contact the Chief Constable on 0191 43 73998 or email accountancy.services@northumbria.pnn.police.uk

Alternative formats of this Statement (including large print, easy read and translations into other languages) are available upon request.

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