

# Chief Constable for Northumbria

## Statements of Account 2020/21

The status of the Statements of Account is unaudited and the Statements of Account may be subject to change



# Contents

<b>Preface</b> .....	<b>2</b>
<b>Narrative Statement</b> .....	<b>3</b>
<b>Statement of Responsibilities</b> .....	<b>30</b>
<b>Core Financial Statements</b> .....	<b>31</b>
Movement in Reserves Statement .....	32
Comprehensive Income and Expenditure Statement.....	34
Balance Sheet .....	35
Cash Flow Statement .....	36
Notes to the Core Financial Statements.....	37
<b>Supplementary Financial Statements</b> .....	<b>70</b>
Police Pension Fund.....	71
Notes to the Supplementary Financial Statements .....	72
<b>Annual Governance Statement</b> .....	<b>73</b>
<b>Independent Auditors Report</b> .....	<b>84</b>
<b>Glossary of Terms</b> .....	<b>85</b>
<b>Index</b> .....	<b>91</b>
<b>Contacts</b> .....	<b>92</b>

# Preface

## Winton Keenen - Chief Constable, Northumbria

“It is a real privilege to be the Chief Constable of Northumbria Police. The North East has always been my home and it is a real pleasure to work alongside colleagues who are so committed to providing the best levels of public-service possible. I am often humbled by the selfless actions of our officers, staff and volunteers as they seek to keep people safe and maintain the community-cohesion we have become renowned for.”



“Our region really is such a special place to live, work and visit and we should never take it for granted. We should all remain committed to making it the best it can be and to ensuring we do all we can to protect those who are vulnerable and to provide help to those who need it.”

“By continuing to work together we can all play our part, individually and collectively, towards ensuring the North East remains one of the safest and most cohesive places in the country; taking real pride in who we are and what we stand for”.

Winton Keenen was appointed by the previous 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.

# Narrative Statement

## Introduction

The Statements of Account present the Chief Constable's financial performance for the year ended 31 March 2021. This includes the overall financial position at the end of that period, and the cost of services provided.

The narrative and financial summary that follow provide an overview of the accounting arrangements and a guide to the most significant matters in the financial statements.

The Narrative Statement is not formally part of the Statements of Account and the 'True and Fair View', and is not subject to the statutory requirements for an audit opinion, or for certification by the Chief Financial Officer.

## 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 2020	Workforce	As at 31 March 2021
3,151	Police Officers	3,313
1,651	Police Staff	1,760
204	Police Community Support Officers (PCSOs)	178
125	Special Constables	118

**Our Mission/Purpose, Vision and Values**

**OUR PURPOSE**  
Keep people safe and fight crime.

**OUR VISION**  
Deliver an outstanding police service; working with communities to prevent crime and disorder and protect the most vulnerable people from harm.

**OUR VALUES**  
Our values underpin our purpose and vision and define who and what we are:

- 01 Determined.** Nobody is more determined than us to keep our communities safe.
- 02 Supportive.** A supportive, inclusive culture is everything to us. Full stop.
- 03 Passionate.** Our region is amazing. It's in our DNA to be passionate about what we do.
- 04 Dynamic.** We are brave and bold. We are dynamic in our thinking so bring on innovation!
- 05 Proud.** We are a team like no other. Proud of who we are and what we do.

PURPOSE | VISION | VALUES | NORTHUMBRIA POLICE

**NORTHUMBRIA POLICE**

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.

**Our vision for 2025**

Vision 2025 sets out our plan for policing in the coming years. It will shape decisions around transformation and how we use our resources to help to keep people safe and provide an effective, accessible and value for money service that can be trusted.

# Northumbria Police Strategy 2025

## Our Mission

To serve the communities of Northumbria with pride  
*'Proud of what we do and proud of who we are'*

## Our Values



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!

## The Statements of Account

The accounts are prepared in-line with the statutory 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 corporation soles. 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 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.

<sup>1</sup> Available at: <https://beta.northumbria.police.uk/about-us/publications-and-documents/our-vision-for-2025/>

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. The Chief Constable is consulted on this budget as part of the



budget setting process.

A scheme of delegation<sup>2</sup> 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.

---

<sup>2</sup> Available at: <https://northumbria-pcc.gov.uk/transparency/finance/governance-arrangements/>

## 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 2021-2025

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

The Police and Crime Commissioner published the new four year Police and Crime Plan 2021-2025 early in 2021, setting out the following priorities:

<p><b>Fighting crime</b></p> <p><b>Priority 1</b> <b>Anti-social behaviour</b> Anti-social behavior is an issue in many parts of our region, and in many cases it's about something other than laws being broken and criminality.</p> <p>I'm committed to hiring more police officers and supporting youth services to help your neighbourhood.</p> <p><b>Priority 2</b></p> <p><b>Reducing crime</b> At the core of my work for the public is a simple aim: I am elected to ensure the police fight crime and keep you safe.</p> <p>Crime and anti-social behaviour can damage and destroy lives, and the public want to see crime reduced - myself and the Chief Constable will continue to work together to reduce these crimes.</p>	<p><b>Preventing crime</b></p> <p><b>Priority 3</b> <b>Preventing violent crime</b> We need a plan to prevent people, particularly young people, getting into a life of violent crime.</p> <p>That's why I set up a Violence Reduction Unit to ensure the police are not alone in standing up to violent crime and I am committed to it's long-term success.</p> <p><b>Priority 4</b></p> <p><b>Neighbourhood policing</b> Early intervention keeps crime down, and the best way to achieve this is with trusted neighbourhood police officers and staff.</p> <p>Neighbourhood policing is a top priority, alongside working with other organisations such as local councils to help keep our streets safe.</p>	<p><b>Improving Lives</b></p> <p><b>Priority 5</b> <b>Support for victims</b> Being a victim of crime can undermine a person's confidence and make them unhappy or frightened. It can affect a person's outlook on life, that's why it is so important that we put victims at the heart of policing.</p> <p>Protecting vulnerable victims is absolutely a priority for Northumbria Police and I will continue to make sure this focus remains.</p> <p><b>Priority 6</b> <b>Tackling domestic abuse and sexual violence</b> Violence and abuse can blight communities and lead to devastating consequences. It has devastating, traumatic and long-lasting impact on victims, families and wider communities.</p> <p>I will make it my business to encourage people to come forward and report it, and support them through their experience when they do.</p>
---	---	---

The plan will form the basis of how the Commissioner holds the Force to account on behalf of the public, and as part of that process the Commissioner will report regularly on the Force's performance towards those priorities. It covers the key areas of focus the Force will be expected to deliver on, alongside other national policing requirements.

The Police and Crime Plan 2021-2025 was put together after a region-wide consultation process in which thousands of residents and organisations had their say on what those priorities should be.

The plan will form the basis of how the Commissioner holds the Force to account on behalf of the public, and as part of that process the Commissioner will report regularly on the Force's performance towards those priorities.

The Police and Crime Plan 2021-25 can be found at the following link:

[Police and Crime Plan 2021-2025](#)

## Financial Performance 2020/21

### Key Highlights

- The Police and Crime Commissioner delegated a budget of £283.382 million to the Chief Constable for 2020/21.
- The Uplift target for Northumbria was 185 additional police officers by March 2021 and Northumbria has fully delivered against this target.
- There were additional grant funding streams allocated in-year to compensate the Force for lost income, the cost of PPE and other financial pressures as a result of the Covid-19 pandemic, and to carry out enforcement activity.
- These accounts explain the detailed financial transactions that have taken place during the year which concludes that the year-end revenue outturn position for the Chief Constable is an underspend of £2.262 million.

### Financial Context 2020/21

Since 2010, central governments ‘Austerity’ drive saw unprecedented cuts to the funding provided to Policing, with Northumbria being the hardest hit of any Force in England and Wales. Central government formula funding for policing in Northumbria was reduced by more than 31% in real terms between 2010/11 and 2018/19, as confirmed independently by the National Audit Office (NAO). We have reduced the workforce, rationalised our estate, delivered significant non-pay savings and extensively used reserves, to manage the scale of those reductions.

[NAO Report 2018 Link](#)



The structure of Police funding means those which have a lower Council Tax Precept will suffer the most, as any cut from government is to the larger proportion of their funding. Over the period of austerity covered by the CSR 2010 and 2015, Northumbria has experienced the largest impact of cuts because it receives more in grant in proportion to its Council Tax; around 82% in 2020/21 was by Home Office grant. In addition, Northumbria has the lowest Precept of any PCC in England and Wales, and a low yield.

Northumbria has had to make £148.000 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 those savings delivered were mainly realised through reductions to the workforce.

At the start of the 2019/20 financial year, police officer numbers had fallen by more than 1,100 since 2010 and staff by over 800, a reduction of 29% in the total workforce as shown in the following table:

<b>Workforce Reductions</b>	<b>31 March 2010</b>	<b>31 March 2019</b>	<b>Reduction since 2010</b>		<b>31 March 2021</b>
	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>	<b>%</b>	<b>FTE</b>
Police Officers	4,187	3,081	(1,106)	(26%)	3,313
Police Staff	2,534	1,717	(817)	(32%)	1,938
<b>Workforce</b>	<b>6,721</b>	<b>4,798</b>	<b>(1,923)</b>	<b>(29%)</b>	<b>5,251</b>

The increase by the Commissioner to the Council Tax Precept for both the 2019/20 and 2020/21 financial years has delivered vital new funding for Northumbria. This coupled with the Uplift target set for Northumbria has enabled the Force to start re-investing in officers and staff, although still some way from the numbers lost since 2010.

### 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 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 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 reported in the CIES 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 2020/21

The Commissioner delegated a budget of £283.382 million to the Chief Constable for 2020/21, to enable the discharge of the activities under the Chief Constable's direction and control. The outturn position against the Chief Constable's revenue budget reflects an underspend of £2.262 million.

Details of the 2020/21 revenue outturn for the Chief Constable are set out in the following table:

Revenue Outturn 2020/21					
Budget Heading	Revised Estimate 2020/21 £000	Expenditure 2020/21 £000	Income 2020/21 £000	Outturn 2020/21 £000	Variance 2020/21 £000
Workforce	247,263	248,376	(1,412)	246,964	(299)
Overtime	3,125	4,147	(177)	3,970	845
Contributions and Subscriptions	6,717	6,704	-	6,704	(13)
Communications and Engagement	154	207	(60)	147	(7)
Finance	48	83	(29)	54	6
Crime	747	869	(46)	823	76
Forensic Services	1,758	1,972	-	1,972	214
Custody	2,251	2,265	(24)	2,241	(10)
Criminal Justice	(509)	63	(583)	(520)	(11)
Safeguarding	258	338	(84)	254	(4)
Estates	7,392	7,780	(204)	7,576	184
Fleet	2,704	3,787	(92)	3,695	991
People Services	3,451	3,419	(575)	2,844	(607)
Information Technology	11,504	11,088	-	11,088	(416)
Legal Services	373	268	(5)	263	(110)
Operations	(353)	679	(871)	(192)	161
Procurement	468	2,372	(1,670)	702	234
Supplies and Services	2,046	2,240	-	2,240	194
Insurance	1,428	1,311	-	1,311	(117)
Other Income	(7,443)	-	(10,900)	(10,900)	(3,457)
<b>Budget Outturn</b>	<b>283,382</b>	<b>297,968</b>	<b>(16,732)</b>	<b>281,236</b>	<b>(2,146)</b>
External Funding	-	8,183	(8,299)	(116)	(116)
<b>Net Expenditure</b>	<b>283,382</b>	<b>306,151</b>	<b>(25,031)</b>	<b>281,120</b>	<b>(2,262)</b>

The Chief Constable has delivered policing services in Northumbria for 2020/21 within the budget allocated by the Commissioner for the financial year. The underspend of £2.262 million includes the late receipt of funding from government to manage financial pressures as a result of the Covid-19 pandemic, and to carry out enforcement activity for use in both 2020/21 and 2021/22.

Throughout the year Northumbria have submitted monthly returns to the Home Office and have reported in detail the financial pressures for the Force as a result of the Covid-19 pandemic. This is particularly relevant to those areas reflecting levels of expenditure above the budget set for the year, as the receipt of additional funding from government to support those financial pressures is reflected in the income line of the budget.

Financial pressures as a result of the Covid-19 pandemic included: Significant additional purchases of Personal Protective Equipment (PPE) and a dedicated PPE team; purchases of furniture, IT and equipment to support home-working; specialist cleaning materials and enhanced cleaning regimes across the Force estate; additional fleet repair costs; reduction in income streams relating to fees and charges; and an increase in workforce costs for police officers and staff including overtime.

For example, the Northumbria response to the Covid-19 pandemic included the introduction of a 12 hour shift pattern for Response Policing Teams from March 2020; this was to ensure capacity and provide

resilience and flexibility to manage anticipated demand during the initial Lockdown period, incurring additional pay costs. In addition, Covid-19 enforcement activities, the policing of events, protest activity and the night-time economy as lockdown restrictions were eased, all contributed to significant additional overtime costs.

Additional funding provided to meet the costs of Covid-19 for Northumbria and underspends against other areas of the revenue budget have contributed to the outturn position for 2020/21 being delivered within budget.

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 2020/21. The outturn position reflects a net transfer of £0.116 million to the external funding reserve. The net movement reflects the use of £0.154 million received in previous years, and income of £0.270 million received in 2020/21 which has been transferred to the reserve as at 31 March 2021 to be used in 2021/22.

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

### **Capital Programme**

Under the terms of the funding arrangement between 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 £10.706 million in 2020/21, 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 2020/21 financial year this charge was £13.769 million (£13.970 million 2019/20).

### **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 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.

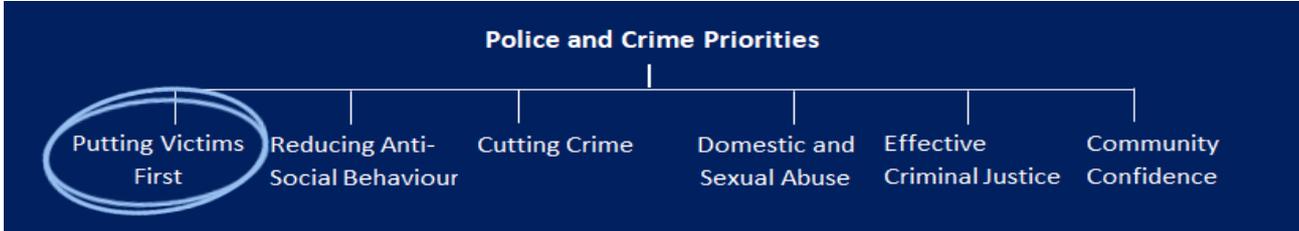
The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC (Joint Independent Audit Committee) 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 2020/21. Despite the Covid-19 pandemic, the full audit programme is expected to be completed, albeit utilising revised remote auditing techniques and processes.

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 conducts 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, People Services, 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 produces a four-year Medium Term Financial Strategy (MTFS) and capital programme. The Chief Constable produces a Medium Term Financial Plan (MTFP) that informs the MTFS of the Commissioner. 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 the Executive Team with the authority to incur expenditure and a basis on which to monitor and report on financial performance.
- 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.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2019/20, concluding that the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and this opinion is expected to be repeated for 2020/21.

## Performance Information – Delivery of the Police and Crime Plan

The Police and Crime Commissioner published her new Police and Crime Plan 2021 to 2025 early in 2021. The performance information presented in these accounts is measured against the previous Police and Crime Plan 2017 to 2021.



### Putting Victims First

#### Contact Management

There has been an improvement in all emergency and 101 non-emergency call handling measures in 2020/21, seen more evidently during periods of lower demand, due to Covid-19 restrictions. Total call demand has reduced by 14% (999 and 101 non-emergency), with digital contact increasing by 178% (45,564). Nationally, the number of 999 and 101 calls reduced by 15%.

99.7% of 999 calls were answered in 2020/21, with average wait times of eight seconds. 89% of calls were answered within the call handling standards of 10 seconds (compared to 84% in 2019/20). 90% of calls were answered within 14 seconds.

94% of 101 non-emergency calls were answered, with average wait times of 49 seconds (1 minute 21 seconds in 2019/20). 77% of 101 non-emergency calls were answered within the call handling standards of 1 minute. 90% of calls were answered within 2 minutes and 40 seconds.

Digital contact has increased significantly in 2020/21 from an average of 70 digital contacts per day in 2019/20 (3% of contact), to an average of 195 contacts per day (9% of contact).

Throughout 2020/21, the Modernising Public Contact Project has been considering the future set-up, structure and resourcing for the communications department in order to better service demand, as well as improve customer experience. Anticipated outcomes from the project include:

- Improved alignment of capacity to demand to increase efficiency and reduce overtime.
- Improved first time call resolution.
- introduction of protected learning within Communications.
- Increase digital engagement.
- Delivery of social media reporting capability.
- Improved systems capability, including management of SMS, on-line forms and social media reporting.

detailed planning and road maps for delivery are being developed with the introduction of a new shift pattern being one of the first areas implemented in May 2021. This includes realignment of key time patterns to deliver improved capacity to meet demand, including in seasonal high demand areas, as well as introducing protected learning days for staff.

In June 2021, Northumbria Police will be replacing its current Command and Control system with SmartContact. The new system provides a range of functionality, including supporting the management of calls across multiple communications channels and joining up the logging of incidents with officer dispatch, resourcing and information on the frontline. It will help to better understand current unlogged demand (demand that does not translate into incidents) and how to manage it better, as well as providing a

technology platform that gives scope for further innovation in the future that will improve quality of service.

Whilst there has been a significant reduction in emergency and 101 non-emergency call demand in 2020/21, the number of incidents has not reduced at the same rate. Incident types has changed in composition due to Covid-19, with a reduction in crime and transport-related incidents being replaced by Covid-19 related ASB reports and incidents which are a consequence of restrictions, such as an increase in neighbourhood disputes and noise complaints.

### **Responding to Incidents**

There has been an improvement in response times to grade 1 and 2 incidents in 2020/21 compared to the previous year. 68% of urban grade 1 and 77% of rural grade 1 incidents were responded within threshold (65% and 75% in 2019/20). The 90th percentile response rate for both urban and rural grade 1 incidents improved by approximately one minute to 14 minutes 44 seconds and 26 minutes 21 seconds, respectively.

74% of grade 2 incidents were attended on time, compared to 68% for 2019/20. The 90th percentile response rate improved by 46 minutes to 2 hours 7 minutes.

The Response Policing Team moved to an interim shift pattern at the end of March 2020 when Covid-19 lockdown commenced in order to increase flexibility and better service demand during this period. Small amendments have since been made to the pattern to stagger start times.

### **Assessing Vulnerability**

THRIVE (Threat, Harm, Risk, Investigation, Vulnerability, Engagement) is a process used to assess the threat of any situation to develop a working strategy or develop a desirable solution to the problem. Samples of incidents were reviewed in three separate occasions in 2020/21 to assess how risk is managed from initial call through to allocation for investigation. Areas for improvement were identified as a result around the recording of rationale on incident logs and evidence of ongoing risk management. Some improvements to this was evident in the third sample taken from February 2021; however, further improvements regarding the accurate recording of information by the call handler and the identification of vulnerability and quality of THRIVE assessments are required.

A number of activities have been implemented in response, including:

- Introduction of an Interim Risk Management Desk to ensure vulnerable grade 2 callers are subject to frequent risk review.
- Daily sampling of incidents to drive improvements in areas of concern.
- Development of bite-sized THRIVE videos and inclusion of a THRIVE input into the current SmartContact training package.
- Dedicated THRIVE champions within Communications Department providing one-to-one support and coaching to staff.

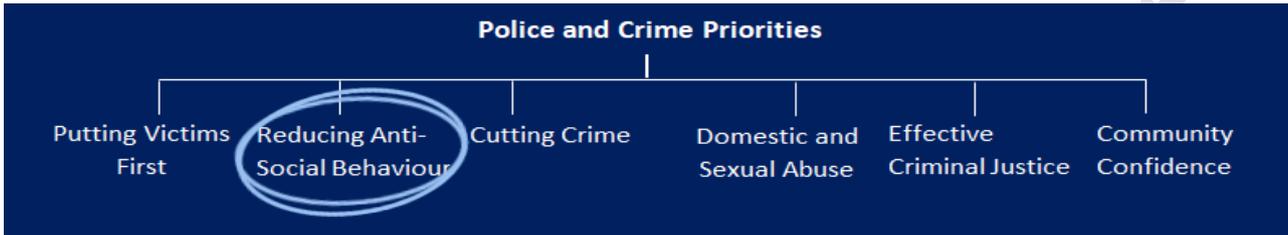
### **Victim Satisfaction**

Victims of crime report high levels of satisfaction. There have been statistically significant improvements in response time, action taken and whole experience performance in 2020/21. Initial contact and treatment satisfaction remain high. Follow-up performance remains an area of focus.

The Force is developing a means of automating updates and reminders for officers to raise the standard of follow-up communication with victims, in-line with the Victims' Code of Practice (VCOP). These initiatives will modernise the way we engage with service users to ensure victims are consistently updated and kept informed about their report.

Table 1 – Percentage of crime victims satisfied with the policing response provided

Satisfaction	2019/20	2020/21
Initial Contact	96%	95%
Response Time	87%	91%
Action Taken	79%	82%
Follow-up	66%	67%
Treatment	93%	93%
Whole experience	81%	84%



## Reducing Anti-Social Behaviour

### Anti-Social Behaviour Incidents

The number of anti-social behaviour incidents increased by 66% in 2020/21 compared to the previous year (+30,721 incidents), primarily due to the National Police Chiefs’ Council’s direction in April 2020 to all Forces to record all Covid-19 related incidents as ASB, of which there were 27,240 incidents. Nationally, ASB incidents increased by 56%.

The Health Protection (Covid-19 Restrictions) Regulations 2020 came into Force on 26 March 2020. Anyone contravening the requirements committed an offence punishable on summary conviction by a fine. An Engagement Strategy was developed and implemented at the beginning of March 2020 focusing on Covid-19. Joint Engagement Groups (JEG) met different communities on-line throughout the Force – these events were managed by Community Engagement Teams (CET). The majority of enforcement has been related to breaches of Regulation 6 (not to leave place of residence without reasonable excuse) and Regulation 7 (gatherings). 8,480 fixed penalty notices have been issued, with peaks at weekends; 58% of notices were issued to those aged 18-24. Taskforces have been put in place throughout the Force area to work with partner agencies from Local Authorities.

There was an 8% increase (+3,598 incidents) in ASB (excluding Covid-19 incidents) compared to 2019/20 (from 46,813 to 50,294). National restrictions throughout the year are likely to have impacted this with an increase in neighbourhood disputes and noise complaints.

### Perceptions of ASB

In the 12 months to March 2021, 21% of people felt that ASB was a very or fairly big problem in their neighbourhood. This is consistent with the previous year. Youth ASB and people using or dealing drugs are the neighbourhood issues residents would most like to see tackled.

Perceptions varied as to whether ASB issues had reduced or increased since the Covid-19 pandemic. Residents living in close proximity to a student area, a park or the beach reported experiencing ASB in the form of people congregating and/or engaging in nuisance behaviour such as drinking, being noisy, parking inconsiderately or leaving rubbish. Other survey respondents felt that due to the lockdown restrictions there was little going on in their local area, e.g. due to the cessation of the night-time economy. Going

forward, the Recovery Coordination Group will monitor the impact of Covid-19 on ASB perceptions and other public safety concerns.

**Victim Satisfaction**

78% of ASB victims felt satisfied with their overall service in the 12 months to March 2021, below the threshold of 85%. Satisfaction with initial contact has increased significantly and exceeded the threshold. Response time, action taken and treatment satisfaction have remained stable. Follow-up satisfaction has shown a moderate improvement, but is still below the threshold. Satisfaction with treatment remains high and above the threshold. Notably, over 90% of survey participants felt their ASB report had been taken seriously.

Table 2 – Percentage of ASB victims satisfied with the policing response provided

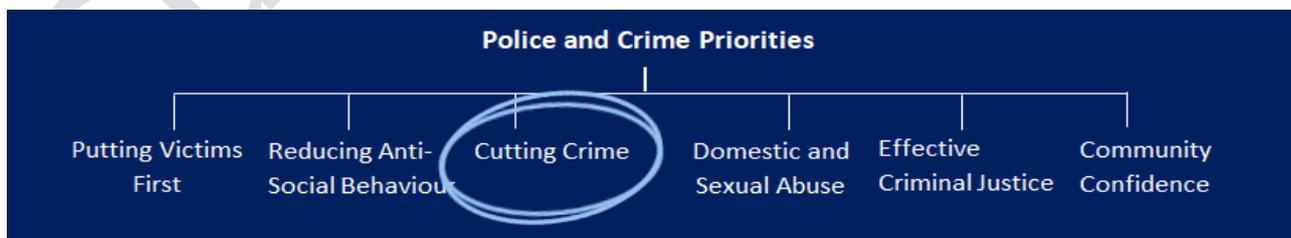
Satisfaction	2019/20	2020/21
Initial Contact	91%	93%
Response Time	88%	89%
Action Taken	81%	82%
Follow-up	65%	69%
Treatment	95%	96%
Whole experience	80%	78%

**Problem Solving**

Throughout 2020/21 there has been a continued focus on problem solving in communities and ensuring that problem solving is part of officer training. Early analysis shows that the quality of Problem Oriented Policing (POP) plans has improved. A problem solving intranet site was launched in September 2020 which provides guidance and enables the sharing of best practice and the promotion of POP events such as news on training and workshops. A problem solving training package was implemented in the last quarter of the year and will continue into 2021/22.

In March 2021, the Force undertook a peer review with Cleveland on neighbourhood policing including problem solving. Generally, feedback was very positive highlighting well-established Neighbourhood Policing Teams (NPTs), delivering a good service to their community. The review reflected that problem solving was well embedded across NPTs and this was evidenced in feedback from staff and our existing processes.

A Problem Solving Partnership Workshop is being organised to showcase Northumbria Police and partner agency problem solving activity. It is anticipated that this will take place in May 2021 and will take the form of pre-recorded presentations followed by 'live' Q&As after each one.



**Cutting Crime**

**Recorded Crime**

Total recorded crime reduced by 14% in 2020/21 compared to the previous year; equivalent to 20,959 fewer crimes. Over the same period, volume crime reduced by 15% (-20,692 crimes); major crime increased by 47% (+152 crimes) and serious crime reduced by 6% (-390 crimes). Total recorded crime

reduced in all six local authority areas. The Force is placed 33rd nationally for total recorded crime per 1,000 population

The increase in major crime has been primarily driven by an increase in on-line blackmail throughout the lockdown periods. A social media campaign took place in October 2020 in order to raise public awareness of on-line blackmail (also known as on-line sexploitation) and to discourage members of the public from engaging and sharing personal content with strangers on-line.

The majority of crime categories reduced, with the exception of violence against person (VAP) without injury (+1%, 323 crimes), theft of a pedal cycle (+9%, 146 crimes) and miscellaneous crimes (+21%, 388 crimes). There were reductions in crime for many other crime categories at a local authority level. Examples of miscellaneous crimes include; taking indecent pictures, blackmail, dangerous driving, intimidating witnesses).

Due to the various Covid-19 restrictions and enforced closures in 2020/21, crime in the night time economy (NTE) reduced by 66% (-3,367 crimes) compared to the previous year. There was an increase during quarter 2, when restrictions were eased over the summer months; however, the level of crime in those months did not increase to levels seen prior to Covid-19.

**Resolved Rate**

The resolved rate for total recorded crime is 16% for 2020/21; an improvement compared to 2019/20 (15%). For the 12 months to March 2021, the resolved rate for serious crime improved by 2 percentage points to 20% and for sexual offences it improved by 3 percentage points to 16%. Data to January 2021, the most recently available data for national comparison, the Force’s overall resolved rate is in-line with the national resolved rate for all Forces (16%).

**Hate Crime**

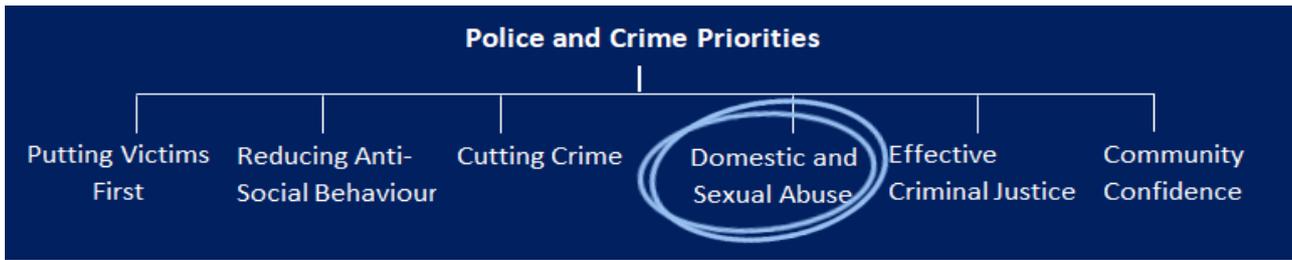
Hate crime reduced by 9% in 2020/21 (261 fewer crimes) compared to the previous year. In September 2020 a hate crime training package was created and rolled out across all front line officers, aiming to increase awareness of hate crime and the impact that this type of crime has on victims.

**Victim Satisfaction – Hate Crime**

Whole experience satisfaction for victims of hate crime remains relatively stable at 84%. None of the changes in hate crime satisfaction are statistically significant. Follow-up and action taken performance continue to be areas for improvement; these aspects of performance fall below the threshold. 91% of hate crime victims have the confidence to report further incidents to police.

*Table 3 – Percentage of hate crime victims satisfied with the policing response provided*

Satisfaction	2019/20	2020/21
Initial Contact	95%	96%
Response Time	87%	88%
Action Taken	80%	80%
Follow-up	70%	74%
Treatment	93%	92%
Whole Experience	82%	84%



## Sexual Offences and Domestic Abuse

Sexual offences reduced by 11% (-480 crimes) in 2020/21 compared to the previous year; rape reduced by 8% (-121 crimes), other serious sexual offences reduced by 14% (-294 crimes) and other sexual offences reduced by 8% (-65 crimes).

The number of domestic abuse incidents increased by 4% (+1,526 incidents) compared to 2019/20, with a sharp increase above typical levels in July and August 2020. During this period, the number of domestic abuse incidents increased to an average of 122 per day compared to 106 per day in the same period over the previous two years.

### Victim Satisfaction

Satisfaction levels for domestic abuse victims remain high. There has been a statistically significant increase in satisfaction with response time. There are no other statically significant changes to satisfaction. Follow-up and action taken continue to be areas for improvement as performance in these areas are below the threshold of 90%. Satisfaction with treatment remains at the threshold and 94% of domestic abuse victims feel confident to report again.

Table 4 – Percentage of domestic abuse victims satisfied with the policing response provided

Satisfaction	2019/20	2020/21
Initial Contact	99%	97%
Response Time	91%	94%
Action Taken	85%	84%
Follow-up	84%	87%
Treatment	94%	95%
Whole experience	87%	89%

There are a number of activities have been delivered to improve performance and also to support victims during Covid-19, including:

### Domestic Abuse

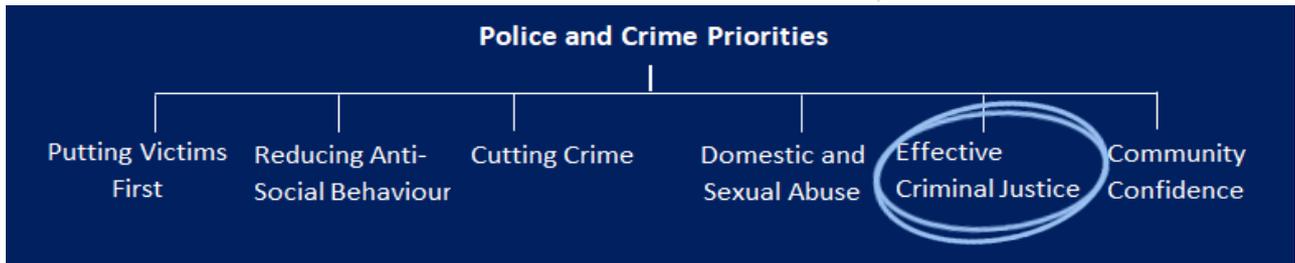
- The Force encouraged DA (Domestic Abuse) reporting from victims or concerned family/friends during the lockdown periods and launched a successful media campaign. Posters and leaflets were distributed to Covid-19 testing centres, hospitals, supermarkets etc.
- Safety planners contacted high risk victims to have a safe place to flee and reinforced to victims that they could leave the address and seek solace with a family member etc.
- Operation Fortify reached out to medium risk victims who had not been in contact with the Force which was successful in building victim confidence and reassurance, safeguarding DA victims and resulted in DA disclosures being made.
- Partnership work to encourage reporting, ensure victim support and to also manage offenders. Where the serving of a notice left a perpetrator without accommodation, they were provided with

this by the LA allowing the Force to reassure and support the victim and tackle perpetrator behaviour.

- Internal scrutiny panels focused on reviewing the use of body worn video as evidence to support investigations, evidence led prosecutions and the overall quality of investigations. From this the Force was able to develop a short training video, supported by a statement of intent to improve the quality of DA response and investigations.
- The Domestic Violence Specialist advisor (IDVA) pilot was introduced to enhance the victim’s experience of their initial contact with Northumbria Police, thereby strengthening engagement and retention through the victim’s journey. As a result of this a new model has been developed with IDVAs working within the control room to connect the victim directly to specialist services.

**Sexual Offences**

- Monthly meetings and sharing of performance data between the Police and the Crown Prosecution Service (CPS) in order to improve scrutiny of charges, No Further Action (NFA) and timeliness with the purpose of identifying issues and addressing them at the earliest opportunity.
- Improving the cohesion between the CPS and RaSSO (Rape and Serious Sexual Offences) gatekeeper which has helped to enhance the overall file submission process, leading to fewer action plans being returned for further work.
- Promoting the recording of pre-trial cross-examination (section 28) to support victims through the court process and clear the trial backlog as a consequence of Covid-19 court closures.



**Effective Criminal Justice**

**Rape Offences**

Whilst the rape charge rate reduced in the last two quarters, the rate of 9% for the 12 months to March 2021 remains above last year.

The Force’s charge rate continues to be above the national average of 6% for the 12 months to February 2021 and the Force was ranked 4th for the same period.

The rape conviction rate has improved during the 12 months to March 2021 to 55% compared the previous 12 months but is below the national average of 71%. The Force was placed 40th nationally for the period 12 months to March 2021.

Overall, the Force is meeting the threshold for charge rate and report to conviction, and is slightly below for conviction. The report to conviction rate is 5%, above the national average of 4%.

**Domestic Abuse**

The domestic abuse charge rate has remained stable at 11%, and is above the national average of 9% (2019/20). The conviction rate has reduced slightly from 75% to 72%, this compares to a national average of 78%. For the latest available data (Q4) the Force was placed 40th nationally.

### Criminal Justice System

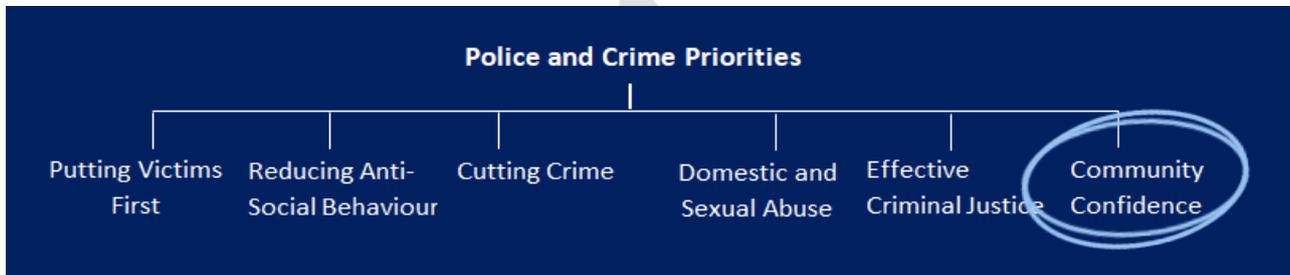
The backlog in the Northumbria area had been reducing at a higher rate than nationally; however, due to changes in the requirements for safe working practices the footfall had to be reduced in the courts resulting in the volume of cases being heard by 15%. As a consequence the gains the Northumbria area had made into the backlogged cases have reduced to be more in line with the national average. Additional measures have been put in place to allow the courts to increase to pre-January levels from April, so it is anticipated that we will see the percentage of cases reduce again. The position in terms of trials has remained constant over the 3 month period.

### Victims and Witnesses Project

A review of the service models for Victims and Witnesses conducted by the PCC and Northumbria Police in 2020 determined that the current operating models provided a confused landscape for Victims and Witnesses. This led to an agreement to transfer the services of Victims First Northumbria over to Northumbria Police. As part of this activity a new service design is being implemented, increasing opportunities for contacting, listening to and engaging with Victims and Witnesses. It will introduce further support for victims across investigation and professionalise contact and recording, whilst extending support to all victims and witnesses warned to give evidence at trial.

### Victims' Code of Practice

There is an ongoing focus on improving compliance with the Victims' Code of Practice and as a result, improvements have been made in some of the key measures during 2020/21. There has been improvement in the percentage of victims informed when the suspect is arrested, charged or bailed. The percentage of victims informed when the suspect was assessed for no investigation has remained consistent at 87%.



### Community Confidence

#### Confidence and Public Perceptions

The most recent data from the Crime Survey for England and Wales (CSEW) places the Force first nationally for many of the confidence and public perception measures. As a result of Covid-19, the CSEW has since moved to a telephone survey and Force level data is not currently available.

Confidence in Northumbria Police remains high according to insight data from the Safer Communities Survey. There has been a significant increase in the in percentage of residents who feel Northumbria Police do a good or excellent job in their local area. Other confidence measures have stayed consistent.

Table 5 – Safer Communities Survey measures

	2019/20	2020/21
Northumbria Police can be relied on to sort problems in local neighbourhood	81%	82%
Northumbria Police treat everyone fairly regardless of who they are	94%	94%
Northumbria Police do a good or excellent job	77%	82%

**Complaints**

Phase 3 of Police Integrity Reforms has now been in place since February 2020 and changed how complaints are categorised making meaningful comparison difficult. The Independent Office for Police Conduct (IOPC) is in the process of collecting and analysing data for 2020/21 from all Forces and will publish results in due course.

Covid-19 has impacted on complaints demand with approximately 400 complaints in relation to the policing of Covid-19 legislation; this also includes allegations of officers not adhering to social distancing and use of PPE. Policing demand has changed significantly during the lockdown periods and this continues to impact on the nature of complaints received.

Table 6 – Number of complaints and allegations

	2019/20	2020/21
Complaints	1,988	3,086
Allegations	3,167	4,686

The complaint triage process continues to resolve over half of all new complaints (57% YTD), this compared to 49% for 2019/20. The establishment of the Triage team has been increased to ensure the significant increase in demand can be managed effectively.

Indications are that the increase in complaints recorded is being reflected across the region and nationally and is a direct result of the new legislation.

Overall, the significant majority of the increase in complaints and allegations are as a result of the new Police Integrity Reforms. Previously, many of these complaints would have been dealt with through the service satisfaction procedures in place. The percentage of complaints upheld in 2020/21 was 9%, compared to 7% in 2019/20.

Ongoing improvement work includes the development of organisational learning which includes the appointment of an Inspector who has specific responsibilities around organisational learning.

The first edition of a new Force publication “The Standard” has been distributed to the workforce. The Standard aims to influence organisational behaviour, drive standards and help avoid complaints / conduct matters; the first edition has received excellent feedback from officers and staff.

**Collaboration**

During 2020/21 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 by following [this link](#). 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 2020/21 and the share attributable to Northumbria are set out in the following table:

NERSOU Outturn 2020/21		
	NERSOU £000	Northumbria £000
<b>NERSOU Revenue Budget</b>		
Expenditure	11,268	5,921
Income	(3,607)	(1,895)
<b>Net Expenditure</b>	<b>7,661</b>	<b>4,026</b>
<b>Funded by:</b>		
Force Contributions	7,931	4,167
Transfer to NERSOU Reserve	(270)	(141)
<b>Total</b>	<b>7,661</b>	<b>4,026</b>

Northumbria Police made a revenue contribution of £4.167 million to NERSOU for 2020/21. This contribution is included within the Chief Constable's revenue budget outturn. The transfer to the NERSOU reserve reflects net income and Force contributions during 2020/21 which are held in reserves and will be used in 2021/22

## 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 and whilst the majority of cases have been settled as at the balance sheet date, there remain a small number which remain subject to legal process and expected to be finalised in 2021/22. The balance on the provision at 31 March 2021 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.

A further contingent liability has been disclosed in relation to compensation claims for 'injury to feelings' in relation to the McCloud/Sargeant judgement (2015 Police Pension Scheme transitional arrangements).

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 Manager<sup>3</sup>. 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 regulations<sup>4</sup> 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 2020/21 is £58.840 million.

---

<sup>3</sup> Public Service Pension Act 2013 (section 4)

<sup>4</sup> Police Pension Fund Regulations 2007 (SI 2007/1932)

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.

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 £4.587 billion (£4.162 billion in 2019/20) 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.

Subject to Audit

## 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 32)** - 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 34)** - 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 35)** - 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 36)** - 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 70)** - This shows the Police Pension Fund Account for the year, for which the Chief Constable is the Scheme Manager<sup>5</sup>.

### Documents Supporting the Statements of Account:

**Annual Governance Statement (Page 73)** - This statement, required by regulations<sup>6</sup> to accompany the Statements of Account, is an assessment of the Chief Constable's corporate governance and internal control.<sup>7</sup>

## Significant Changes since 2019/20

There have been no significant changes to the financial statements since 2019/20.

---

<sup>5</sup> Public Service Pension Act 2013 (section 4)

<sup>6</sup> Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from [www.legislation.gov.uk](http://www.legislation.gov.uk))

<sup>7</sup> In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015

## Outlook for 2021/22 and Beyond

The Commissioner has agreed a Medium Term Financial Strategy (MTFS) which sets out the key financial issues over 2021/22 to 2024/25 for Northumbria Police. Whilst the MTFS covers a period of four years, it is reviewed annually to reflect the dynamic nature of both policing and changes in



anticipated funding. It describes the financial direction of the organisation and outlines the level of funding and subsequent investment over the four year period.

The MTFS 2021/22 to 2024/25 will, after years of under investment in policing, go some way in providing better opportunities to invest in the infrastructure necessary to take Northumbria Police forward to 2025. The Strategy will assist the Force to become better prepared to meet future demand; deliver a much-needed increase in officer numbers; and allow Northumbria Police to invest in the right resources to protect the vulnerable, tackle crime and keep our communities safe.

The challenging financial climate and continued one-year funding settlements for policing, combine to deliver a future which contains many unknowns, it is difficult to know what is coming.

The Commissioners MTFS was established to make the best use of the financial settlement 2021/22, whilst making prudent assumptions on future funding levels and expected budget requirements, to ensure that resources remain available to meet operational demand, continue to deliver value for money and are sustainable across the period of the MTFS.

The MTFS will ensure that in addition to the successful delivery of the Northumbria share of the national Police Uplift Programme by March 2023, an additional 60 police officer investigator posts will be recruited, funded by the increase in Council Tax for 2021/22. This will address the increase in demand and complexity of investigations, providing Northumbria Police with additional operational officers during 2021/22, over and above existing recruitment plans and the Uplift target set by government.



The Police Grant Report for 2021/22 was approved on 10 February 2021 and confirmed an increase of £415 million to government grants for the recruitment of an additional 6,000 officers by March 2022. The increase is across Core police grant funding, including the Police Uplift Programme (PUP) grant and is equivalent to 5.3%.

The increase for Northumbria was £12.761 million which represents the funding formula share (3.08%) of the total £415 million nationally. The Uplift

target for Northumbria in 2021/22 is an additional 181 police officers which will be delivered by March 2022.

The Commissioner approved an increase of 4.99% on the Council Tax Precept for 2021/22. The additional income generated by the precept increase is £2.700 million and this will be used to deliver the additional 60 police officer investigator posts in 2021/22.

It is important to acknowledge that the targeted central government funding to deliver the Police Uplift Programme will not return police officer numbers to the levels of 2010 or undo the overall funding reductions Northumbria Police have had to adjust to. Uplift targets allocated to date do not fully replace the 1,100 officers that Northumbria lost during that period.

Looking beyond 2021/22, we believe that there will be a Spending Review (SR) 2021 and remain hopeful that it will deliver a longer-term settlement for policing for 2022/23 onwards, to better aid financial planning and budget setting. However, the Commissioner's MTFs assumes a flat cash settlement for police core grant each year, with additional funding provided for Uplift only. It seems likely that any additional funding from government will continue to be delivered piecemeal through specific grants rather than unrestricted grant funding.

The Commissioner's MTFs for 2021/22 through to 2024/25 demonstrates a balanced sustainable financial position over the medium term. However, this is predicated on many key assumptions around resource requirements, future costs and levels of total funding. Given that yet again, Northumbria are faced with a one-year settlement for 2021/22, which does not provide any certainty beyond March 2022, there remains a level of risk throughout the period of the MTFs and therefore the financial context for Northumbria Police remains extremely challenging.

The MTFs can be found on the Commissioners website at the following link: [MTFS 2021/22 to 2024/25](#)

### **Northumbria Police Transformation 2025 Programme**

The Northumbria Police Transformation 2025 programme is the vehicle by which Technology and Change programmes are being implemented within Northumbria Police. The programme seeks to implement more modern, robust and flexible technology to support frontline policing, replacing outdated legacy systems. Additionally, the programme seeks to re-organise services and resources, with a focus on efficient and effective use of resources to maximise productivity, whilst delivering outstanding services to the public.

The first phase of the programme, to introduce a new Force Operating Model, was successfully implemented in November 2019. Designed to deliver a responsive policing service that is prioritised on threat to the public and vulnerability of the victim, and is fully aligned to a demand led re-organisation of resources. The next phase, currently underway, is designed to transform how services are delivered through the use of technology and digitally enabled processes. Future phases concentrate on innovation, utilising new and emerging technologies, and partnership and collaborative outcomes, with key projects being:

**IT Programme** – Implementing: Command and Control system (Smart Contact and associated Customer Relationship Management system); Operational Policing system (Northgate Connect); Human Resource, Learning Management and Health and Safety systems; enhanced Data Analytics (creation of a data warehouse with QlikSense business analytics tools).

**Operational Programme** – Undertaking a number of business reviews and productivity changes: Creating a Force Coordination Centre; modernising our public contact and communications structure and processes; enhanced victims and witnesses services; implementing fleet analytics; a review of intelligence

services; undertaking a full role, reward and pay review for all staff roles; and implementing new ways of working using organisational learning post Covid-19.

### **Coronavirus (Covid-19) Pandemic**

The Coronavirus outbreak was declared a global pandemic by the World Health Organisation on 11 March 2020.

Over the course of the pandemic during 2020/21 police services have continued to be delivered effectively in Northumbria, with continued focus being on high levels of public and community engagement; working closely with partners at the Strategic Co-ordinating (SCG) and Local Resilience Forum (LRF). Our police officers, police staff and volunteers have shown resilience, flexibility and professionalism during this unprecedented year.

Changes to shift patterns for Response Policing Teams (RPT) ensured that capacity was maintained and provided resilience and flexibility to manage demand. Where possible our police staff, mainly those in support roles, were provided with the technology to work from home in-line with Government advice.

Changes were implemented across the Force estate to ensure that all buildings remained Covid-secure, and the workforce was provided with the necessary personal protective equipment (PPE) to stay safe and protect the public.

Monthly returns were provided to the Home Office, reporting in detail the financial pressures for Northumbria as a result of the Covid-19 pandemic. Additional funding was provided by government during the year to manage those financial pressures and to carry out enforcement activity.

The Commissioner launched her Coronavirus Response Fund in March 2020, awarding grant funding during 2020/21 to help local charity organisations continue their vital work following the outbreak of the Covid-19 pandemic.

Groups including those helping vulnerable young people, domestic abuse victims and community projects throughout Northumbria were awarded a much-needed funding boost thanks to the emergency grant scheme set up by the Commissioner.

Over £300,000 was provided across local charities, community and voluntary groups to help ease some of the financial pressures as a result of the Covid-19 pandemic, helping vital services to keep on delivering existing services or roll-out new innovative ideas.

### **Events after the reporting period**

There are no events after the reporting period to note.



**Mike Tait BSc (Econ) CPFA**  
**Director of Finance**

**Date: 30 July 2021**

# 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

*The approval will take place following the audit.*

## 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 2021, 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 2021 and of his income and expenditure for the year ended 31 March 2021.



**Mike Tait BSc (Econ) CPFA**  
**Director of Finance**

**Date: 30 July 2021**

# Core Financial Statements

## Comprising:

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

Subject to Audit

## Movement in Reserves Statement 2020/21

	Note	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance as at 31 March 2020</b>		-	-	(4,160,790)	(9,334)	(4,170,124)	(4,170,124)
<b><u>Movement in reserves during 2020/21</u></b>							
<b>Total Comprehensive Income and Expenditure</b>		(143,401)	(143,401)	(283,820)	-	(283,820)	(427,221)
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	143,401	143,401	(142,670)	(731)	(143,401)	-
<b>Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves</b>		-	-	(426,490)	(731)	(427,221)	(427,221)
Transfers (To) / From Earmarked Reserves		-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>		-	-	(426,490)	(731)	(427,221)	(427,221)
<b>Balance as at 31 March 2021</b>		-	-	(4,587,280)	(10,065)	(4,597,345)	(4,597,345)

## Movement in Reserves Statement 2019/20

	Note	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance as at 31 March 2019</b>		-	-	(4,461,860)	(8,826)	(4,470,686)	(4,470,686)
<b><u>Movement in reserves during 2019/20</u></b>							
<b>Total Comprehensive Income and Expenditure</b>		(151,378)	(151,378)	451,940	-	451,940	300,562
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	151,378	151,378	(150,870)	(508)	(151,378)	-
<b>Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves</b>		-	-	301,070	(508)	300,562	300,562
Transfers (To) / From Earmarked Reserves		-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>		-	-	301,070	(508)	300,562	300,562
<b>Balance as at 31 March 2020</b>		-	-	(4,160,790)	(9,334)	(4,170,124)	(4,170,124)

<b>Comprehensive Income and Expenditure Statement</b>							Notes
<b>2019/20</b>			<b>2020/21</b>				
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	
			<b>Service Expenditure Analysis</b>				
345,237	-	345,237	Police Services	373,822	-	373,822	
4,040	-	4,040	Policing Funds (managed by the PCC)	2,568	-	2,568	
-	(307,119)	(307,119)	PCC Financing of Police Services	-	(326,359)	(326,359)	
<b>349,277</b>	<b>(307,119)</b>	<b>42,158</b>	<b>Net Cost of Services</b>	<b>376,390</b>	<b>(326,359)</b>	<b>50,031</b>	
			Financing and Investment Income and Expenditure (Interest on the net defined benefit pension Liability / (Asset))			93,370	
		<b>109,220</b>					
		<b>151,378</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>143,401</b>	
		(451,940)	Re-measurements of the net defined pension benefit Liability			283,820	
		<b>(451,940)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>283,820</b>	9(a)
		<b>(300,562)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>427,221</b>	

<b>Balance Sheet</b>		
<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
		Notes
13,907	Short-Term Debtors	13,661
<b>13,907</b>	<b>Current Assets</b>	<b>13,661</b>
		13
(671)	Short-Term Provisions	(375)
(22,570)	Short-Term Creditors	(23,351)
<b>(23,241)</b>	<b>Current Liabilities</b>	<b>(23,726)</b>
		15
		14
(4,160,790)	Other Long-Term Liabilities (Pensions)	(4,587,280)
<b>(4,160,790)</b>	<b>Long-Term Liabilities</b>	<b>(4,587,280)</b>
<b>(4,170,124)</b>	<b>Net Assets</b>	<b>(4,597,345)</b>
	<b>Usable Reserves</b>	
-	- General Reserve	-
	<b>Unusable Reserves</b>	
(9,334)	Accumulated Absence Account	(10,065)
(4,160,790)	Pensions Reserve	(4,587,280)
<b>(4,170,124)</b>	<b>Total Reserves</b>	<b>(4,597,345)</b>
		9

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Chief Constable at 31 March 2021.



**Mike Tait BSc (Econ) CPFA**

**Director of Finance**

Date: 30 July 2021

## Cash Flow Statement

2019/20 £000		2020/21 £000
151,378	<b>(Surplus) / Deficit on the Provision of Services</b>	143,401
	<b>Adjustments to (Surplus) / Deficit on the Provision of Service for Non-Cash Movements:</b>	
(150,870)	Pension Adjustments	(142,670)
291	Contributions To / (From) Provisions	296
(508)	Other Non-Cash Movements	(731)
	<b>Accruals Adjustments:</b>	
1,973	Increase / (Decrease) in Debtors	(247)
(2,264)	(Increase) / Decrease in Creditors	(49)
-	<b>Net cash flows from Operating Activities</b>	-
-	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	-
-	Cash and Cash Equivalents at the Beginning of the Period	-
-	Cash and Cash Equivalents at the End of the Period	-

## 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						
2019/20				2020/21		
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
<b>Service Expenditure Analysis</b>						
263,712	81,525	345,237	Police Services	277,555	96,267	373,822
4,040	-	4,040	Policing Funds (managed by the PCC)	2,568	-	2,568
(267,752)	(39,367)	(307,119)	PCC Financing of Police Services	(280,123)	(46,236)	(326,359)
-	<b>42,158</b>	<b>42,158</b>	<b>Net Cost of Services</b>	-	<b>50,031</b>	<b>50,031</b>
-	109,220	109,220	Other Income and Expenditure	-	93,370	93,370
-	<b>151,378</b>	<b>151,378</b>	<b>(Surplus) / Deficit on Provision of Services</b>	-	<b>143,401</b>	<b>143,401</b>
-			<b>Opening General Fund Balance at 31 March</b>	-		
-			Surplus / (Deficit) on General Fund in Year	-		
-			<b>Closing General Fund as 31 March</b>	-		

## 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.

2020/21				
Adjustments between Funding and Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	49,300	731	46,236	96,267
Policing Funds (managed by the PCC)	-	-	-	-
PCC Financing of Police Services	-	-	(46,236)	(46,236)
<b>Net Cost of Services</b>	<b>49,300</b>	<b>731</b>	<b>-</b>	<b>50,031</b>
Other Income and Expenditure	93,370	-	-	93,370
<b>(Surplus) / Deficit on Provision of Services</b>	<b>142,670</b>	<b>731</b>	<b>-</b>	<b>143,401</b>

2019/20				
Adjustments between Funding and Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	41,650	508	39,367	81,525
Policing Funds (managed by the PCC)	-	-	-	-
PCC Financing of Police Services	-	-	(39,367)	(39,367)
<b>Net Cost of Services</b>	<b>41,650</b>	<b>508</b>	<b>-</b>	<b>42,158</b>
Other Income and Expenditure	109,220	-	-	109,220
<b>(Surplus) / Deficit on Provision of Services</b>	<b>150,870</b>	<b>508</b>	<b>-</b>	<b>151,378</b>

## 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 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.

<b>Segmental Income</b>		
	Income from services 2019/20 £000	Income from services 2020/21 £000
<b>Income received on a segmental basis is analysed below:</b>		
Police Services	(9,120)	(6,658)
<b>Total income analysed on a segmental basis</b>	<b>(9,120)</b>	<b>(6,658)</b>

## 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 2020/21 (and 2019/20 comparative) is analysed as follows:

<b>Expenditure and Income Analysed by Nature</b>		
<b>Expenditure / Income</b>	2019/20 £000	2020/21 £000
<b>Expenditure</b>		
Employee benefits expenses	292,117	316,789
Other employee expenses	3,048	4,601
Premises	8,437	8,203
Transport	4,111	4,494
Supplies and services	22,144	22,902
Third party payments	5,450	5,632
Charge for use of assets	13,970	13,769
Interest on the net defined benefit pension liability	109,220	93,370
<b>Total Expenditure</b>	<b>458,497</b>	<b>469,760</b>
<b>Income</b>		
PCC financing of police services	(307,119)	(326,359)
<b>Total Income</b>	<b>(307,119)</b>	<b>(326,359)</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>151,378</b>	<b>143,401</b>

## 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 2020/21 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. These Statements of Account 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:

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventory in the Balance Sheet of the Police and Crime Commissioner;
- Where revenue and expenditure have 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.

### 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.

### 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.

### e) 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.

### f) 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 2020/21 financial statements.

### g) 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.

### h) 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 2020/21 are set out at Note 15 to the Accounts.

### i) 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.

### j) 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.

### k) 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 2020/21 is shown at Note 12 to the Accounts.

#### 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. There have been no significant changes in accounting policies in 2020/21. 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.

#### 6. Accounting standards that have been issued but not yet 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 an amendment to an existing standard or a new standard that has been issued but not yet adopted. For 2020/21 the following have been issued but will not be adopted by the Code until 2021/22:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS39 and IFRS 7
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16

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.

##### IFRS 16 Leases

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 and was due to be adopted in the Code for the 2019/20 financial year. Implementation was previously delayed to April 2020 and then to April 2021. The CIPFA LASAAC Local Authority Accounting Board agreed in late 2020, in response to pressures on finance teams as a result of the Covid-19 pandemic to defer the implementation of IFRS 16 Leases in the Code until the 2022/23 financial year. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2022 for the implementation of IFRS 16.

## 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 2021 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 2020 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 2019. 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 statutory accounts are prepared under the arrangements introduced by the Police Reform and Social Responsibility Act 2011 (the Act).

Under the provisions of the Act, the Police and Crime Commissioner for Northumbria and Chief Constable for Northumbria are established 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 2021, 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 Commissioner's 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 Commissioner's 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 - £13.769 million.
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in the provision of policing - £0.192 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 - £0.026 million in 2020/21.

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

- 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.
- 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.

<b>Intra-Group Adjustments</b>			
<b>Comprehensive Income and Expenditure Statement</b>			
Commissioner's resources consumed by the Chief Constable			
2019/20			2020/21
£000			£000
(307,119)	Chief Constable		(326,359)
307,119	Commissioner		326,359
<b>- Group</b>			<b>-</b>

<b>Intra-Group Adjustments</b>			
<b>Balance Sheet</b>			
Net debtor / (creditor) reflecting resources consumed by the Chief Constable but cash payments not made by the Commissioner or payments made by the Commissioner in advance of services received at the Balance sheet date.			
2019/20			2020/21
£000			£000
(13,728)	Chief Constable		(13,464)
13,728	Commissioner		13,464
<b>- Group</b>			<b>-</b>

## 9. Movement in Reserves Statement

The Movement in Reserves Statement details all movements in the financial year on the different reserves held by the Chief Constable, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable' reserves (notional adjustment accounts not supported by cash). At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences reserve (reflecting movements relating to police officers and police staff under the direction and control of the Chief Constable). All other reserves are managed by the Commissioner. The following tables provide further details of the amounts disclosed in the 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 2020/21 and 2019/20:

Other Comprehensive Income & Expenditure		
2019/20		2020/21
Unusable Reserves		Unusable Reserves
£000		£000
(451,940)	Re-measurements of the net defined benefit pension Liability	283,820
<b>(451,940)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>283,820</b>

#### 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				
2019/20			2020/21	
Usable Reserves General Fund	Unusable Reserves Pension Fund		Usable Reserves General Fund	Unusable Reserves Pension Fund
£000	£000		£000	£000
(508)	508	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	(731)	731
(201,710)	201,710	Reversal of IAS 19 Pension Charges	(195,440)	195,440
50,840	(50,840)	Contributions due under the pension scheme regulations	52,770	(52,770)
<b>(151,378)</b>	<b>151,378</b>	<b>Total adjustments between Accounting Basis and Funding Basis under regulations</b>	<b>(143,401)</b>	<b>143,401</b>

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.

<b>Analysis of the transfers To / From reserves</b>					
Balance as at 31 March 2020 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2021 £000
	<b>Usable Reserves</b>				
-	General Reserve	-	-	-	-
-	<b>Total Usable Reserves</b>	-	-	-	-
	<b>Unusable Reserves</b>				
(9,334)	Accumulated Absences Account	-	(731)	(731)	(10,065)
(4,160,790)	Pensions Reserve	-	(426,490)	(426,490)	(4,587,280)
<b>(4,170,124)</b>	<b>Total Unusable Reserves</b>	-	<b>(427,221)</b>	<b>(427,221)</b>	<b>(4,597,345)</b>
<b>(4,170,124)</b>	<b>Total Reserves</b>	-	<b>(427,221)</b>	<b>(427,221)</b>	<b>(4,597,345)</b>

## 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 2020/21.

<b>External Audit Costs</b>	
2019/20 £000	2020/21 £000
19 External Audit Services	14
<b>19 Net Cost</b>	<b>14</b>

For the 2019/20 financial year the audit fee has been adjusted from £0.014 million to £0.019 million to reflect the additional fee variation agreed after the audited accounts were published for the year.

## 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 2020/21 and the equivalent disclosure for 2019/20.

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.

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, 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 Group accounts have therefore impacted on values within the banding note for 2019/20, in particular 2 of those officers earning £90,000 - £94,999 in 2019/20. In addition, one senior police officer was on secondment with a neighbouring force for the full 2020/21 financial year as Temporary Assistant Chief Constable, and is reflected in the highest banding £110,000 - £114,999.

<b>Numbers of Employees receiving over £50,000</b>		
<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2019/20</b>	<b>2020/21</b>
£50,000 - £54,999	148	225
£55,000 - £59,999	120	127
£60,000 - £64,999	21	52
£65,000 - £69,999	6	5
£70,000 - £74,999	8	4
£75,000 - £79,999	8	11
£80,000 - £84,999	7	5
£85,000 - £89,999	1	6
£90,000 - £94,999	4	3
£95,000 - £99,999	-	3
£100,000 - £109,000	2	-
£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 2021. 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.

<b>Exit packages 2020/21</b>				
	<b>Number of other departures</b>	<b>Number of compulsory redundancies</b>	<b>Total number of departures</b>	<b>Total cost of exit packages in each band £</b>
£0 - £20,000	1	-	1	10,214
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>10,214</b>

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 2019/20 is set out in the following table:

<b>Exit packages 2019/20</b>				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£0 - £20,000	3	1	4	63,266
£20,001 - £40,000	3	-	3	77,829
<b>Total</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>141,095</b>

Subject to Audit

Remuneration of senior employees is disclosed in the following table for 2020/21:

Remuneration of Senior Employees 2020/21							
Post holder information	Notes	Salary	Benefits in kind	Relocation Expenses	Total remuneration	Pension contributions	Total remuneration 2020/21
		(Including fees & allowances)			excluding pension contributions		
		£	£	£	£	£	£
Chief Constable - Winton Keenen		177,434		-	<b>177,434</b>	-	<b>177,434</b>
Deputy Chief Constable - A		146,707	8,778	-	<b>155,485</b>	44,840	<b>200,325</b>
Assistant Chief Constable - B		118,009	18,677	-	<b>136,686</b>	36,583	<b>173,268</b>
Assistant Chief Constable - C	1	43,561	2,548	-	<b>46,109</b>	13,401	<b>59,510</b>
Assistant Chief Constable - D	2	36,675	1,888	-	<b>38,563</b>	11,061	<b>49,624</b>
Temporary Assistant Chief Constable - E	3	916	-	-	<b>916</b>	229	<b>1,146</b>
Temporary Assistant Chief Constable - F		109,153	330	-	<b>109,483</b>	32,902	<b>142,385</b>
Temporary Assistant Chief Constable - G	4	70,451	220	-	<b>70,671</b>	18,754	<b>89,425</b>
Director of Finance (Chief Finance Officer)		102,311	-	-	<b>102,311</b>	17,188	<b>119,499</b>
Director of People and Development		102,311	-	-	<b>102,311</b>	17,188	<b>119,499</b>
Chief Information Officer	5	12,920	-	-	<b>12,920</b>	2,171	<b>15,091</b>
<b>Total</b>		<b>920,446</b>	<b>32,441</b>	<b>-</b>	<b>939,967</b>	<b>194,318</b>	<b>1,147,205</b>

Note 1: Assistant Chief Constable C in post to 14 August 2020

Note 2: Assistant Chief Constable D started post on 14 December 2020

Note 3: Temporary Assistant Chief Constable - E started post on 29 March 2021

Note 4: Temporary Assistant Chief Constable - G started post 03 August 2020

Note 5: Chief Information Officer started on 15 February 2021

Sum

Remuneration of senior employees is disclosed in the following table for 2019/20:

<b>Remuneration of Senior Employees 2019/20</b>							
<b>Post holder information</b>	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2019/20 £
Chief Constable - Winton Keenen		175,907	5,547	-	<b>181,454</b>	-	<b>181,454</b>
Deputy Chief Constable - H	1	40,264	2,282	-	<b>42,546</b>	12,054	<b>54,600</b>
Deputy Chief Constable - A	2	112,691	5,719	-	<b>118,410</b>	33,805	<b>152,215</b>
Assistant Chief Constable - B		122,620	7,414	-	<b>130,034</b>	35,333	<b>165,367</b>
Assistant Chief Constable - C		98,709	7,528	-	<b>106,237</b>	29,828	<b>136,065</b>
Assistant Chief Constable - A	3	27,122	1,704	-	<b>28,826</b>	8,110	<b>36,936</b>
Temporary Assistant Chief Constable - E	4	80,309	212	-	<b>80,521</b>	20,554	<b>101,075</b>
Temporary Assistant Chief Constable - F	5	25,102	64	-	<b>25,166</b>	7,561	<b>32,727</b>
Director of Finance and IT (Chief Finance Officer)		99,814	-	-	<b>99,814</b>	16,469	<b>116,283</b>
Director of People and Development		99,814	-	-	<b>99,814</b>	16,469	<b>116,283</b>
<b>Total</b>		<b>882,352</b>	<b>30,470</b>	<b>-</b>	<b>912,822</b>	<b>180,183</b>	<b>1,093,005</b>

Note 1: Deputy Chief Constable H in post 01 April 2019 to 11 July 2019

Note 2: Deputy Chief Constable A started in post 24 June 2019

Note 3: Assistant Chief Constable A in post to 23 June 2019

Note 4: Temporary Assistant Chief Constable - E in post to 05 January 2020

Note 5: Temporary Assistant Chief Constable - F started in post 06 January 2020

#### Chief Finance Officer

The Director of Finance for Northumbria Police is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner, 20% of the CFO remuneration is charged to the Commissioner in the single entity CIES. The senior officer remuneration in respect of the CFO role is disclosed in the Statements of Account for the Chief Constable and Police and Crime Commissioner Group financial statements – Remuneration of Senior Employees.

## 12. Related Party Transactions

The Chief Constable is 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 by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have been constrained in his ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

### Central Government

Central Government has effective control over the general operations of the Chief Constable: it is responsible for providing the statutory framework within which the Chief Constable operates.

### The Police and Crime Commissioner

Whilst the Chief Constable retains responsibility for the direction and control of the Force, the Commissioner is responsible for holding the Chief Constable to account for the full range of his responsibilities.

The Commissioner has an integrated scheme of corporate governance that sets out the operational policy framework within which the Commissioner and Chief Constable will operate. The Commissioner funds the expenditure on operational policing incurred by the Chief Constable, the total of which is disclosed in the Commissioner's Comprehensive Income and Expenditure Statement.

### Senior Employees

For financial reporting purposes the Chief Constable is a subsidiary of the Police and Crime Commissioner. The Commissioner receives all income and makes all payments on behalf of the Group (Chief Constable and Commissioner).

The Force Executive are required to declare whether they or any member of their immediate family, have had any related party transactions with the Police and Crime Commissioner. There are no such transactions for 2020/21.

### 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 a 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 2020/21 are set out in the table below:

Force	Contribution
Northumbria	52.54%
Durham	22.84%
Cleveland	24.62%

The final outturn position for NERSOU was £7.662 million with Northumbria's share of the net cost being £4.026 million as set out below:

	NERSOU Outturn		Northumbria	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Employee Pay and Pensions	9,256	9,846	4,866	5,173
Premises Costs	379	358	199	188
Vehicles and Fuel	297	165	156	87
Travel and Accommodation	186	38	98	20
Communications and Computing	114	121	60	64
Training and Conference Fees	135	160	71	84
Supplies and Services	466	452	245	238
Other Expenses	121	129	64	68
<b>Total Expenditure</b>	<b>10,954</b>	<b>11,268</b>	<b>5,759</b>	<b>5,921</b>
Home Office Grant	(3,015)	(3,136)	(1,585)	(1,648)
Other Income	(306)	(470)	(161)	(247)
<b>Total Income</b>	<b>(3,321)</b>	<b>(3,607)</b>	<b>(1,746)</b>	<b>(1,895)</b>
<b>Net Expenditure</b>	<b>7,633</b>	<b>7,662</b>	<b>4,013</b>	<b>4,026</b>

The accounting treatment for NERSOU is that expenditure is shown as £5.921 million (£5.759 million 2019/20) in the Chief Constable's accounts with income of £1.895 million (£1.746 million 2019/20) being accounted for in the Police and Crime Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £4.026 million (£4.013 million 2019/20).

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.

The three Forces jointly own the NERSOU premises, the North East Regional Crime Prevention Centre (NERCPC). The property asset is held under a Trust Agreement with the following ownership split:

- 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 £0.509 million as at 31 March 2021.

### 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 2021.

<b>Short-Term Debtors</b>	
31 March 2020 £000	31 March 2021 £000
39	47
-	-
140	150
13,728	13,464
<b>13,907</b>	<b>13,661</b>

### 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.

<b>Short-Term Creditors</b>	
31 March 2020 £000	31 March 2021 £000
(5,905)	(5,986)
(7)	(55)
(1,760)	(1,728)
-	-
(14,898)	(15,582)
<b>(22,570)</b>	<b>(23,351)</b>

## 15. Provisions and Contingent Liabilities

### Provisions

		Provisions			31 March 2020 £000
		Additional Provisions Made £000	Provisions Used £000	Reversals £000	
<b>Short-term provisions</b>					
(671)	Employee remuneration	-	4	292	(375)
<b>(671)</b>	<b>Total</b>	<b>-</b>	<b>4</b>	<b>292</b>	<b>(375)</b>

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 2021/22.

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 2021/22. The balance on the provision at 31 March 2021 reflects a prudent estimate to cover the expected costs.

### Contingent Liabilities

At 31 March 2021, 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 2021.
- **McCloud/Sargeant judgement** – The Chief Constable along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police Pension Scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement but a case management hearing was held in October 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020 HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the

remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

**Impact on Pension Liability** – Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the Northumbria Chief Constable through a past service cost of £182.720 million recognised in the 2018-19 accounts, followed by a reduction of £12.080 million in 2019/20 accounts resulting from the eligibility criteria for members set out in HM Treasury’s consultation. The additional liability expected for affected members during April 2020 to March 2021 is included within the current service cost for the 2020/21 financial year.

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

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

**Compensation Claims** – In addition there are a number of claimants that have lodged compensation claims for ‘injury to feelings’. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

## 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:

<b>Financial Instruments</b>		
	31 March 2020	31 March 2021
	£000	£000
<b>Financial Liabilities at Amortised Cost</b>		
Short-term Creditors	(7,665)	(7,335)
<b>Financial Assets at Amortised Cost</b>		
Short-term Debtors	140	150

Due to the very limited types of financial instruments held by the Chief Constable there is limited exposure to risk. Key risks such as credit risk, liquidity risk, re-financing risk and market risk are all associated with contracts; cashflow; investment and borrowing activity; and overall financing of services. The Chief Constable has no material exposure to any of these sources of risk, which fall mainly to the Commissioner and are considered within the Financial Instruments note to the Commissioner's single-entity accounts.

## 17. Employee Benefits

### 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.

<b>Benefits payable during employment</b>		
2019/20		2020/21
£000		£000
9,334	Police Services	10,064
<b>9,334</b>	<b>Total employee benefits accrued at the Balance Sheet date</b>	<b>10,064</b>

### 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.

#### a) 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 2020/21, the Chief Constable paid £9.130 million (£7.820 million in 2019/20) to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay (16.5% in 2019/20).

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 2019 which determined the contributions to be paid from 01 April 2020 to 31 March 2023. The results from that valuation are set out in the Fund's Rates and Adjustment Certificate. The employer's standard contribution rate for 01 April 2020 to 31 March 2023 increased from 16.5% to 16.8% as a result of the 2019 valuation.

The next actuarial valuation of the Fund will be carried out at 31 March 2022 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 01 April 2023. 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. All annual reports are available from South Tyneside Council's website by following this [link](#).

### **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 contributions payable for 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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
<b>Within Cost of Service</b>				
Current Service Cost	16.32	18.33	-	-
Past service cost (incl. curtailments)	0.08	-	-	-
<b>Financing, Investment Income &amp; Expenditure</b>				
Interest on net defined benefit Liability / (Asset)	2.95	3.17	0.09	0.07
<b>Pension expense recognised in CIES</b>	<b>19.35</b>	<b>21.50</b>	<b>0.09</b>	<b>0.07</b>
<b>Remeasurements in OCI</b>				
Return on plan assets (in excess of) / below that recognised in net interest	19.89	(58.99)	-	-
Actuarial (Gains) / Losses due to change in financial assumptions	0.17	128.43	-	0.33
Actuarial (Gains) / Losses due to change in demographic assumptions	(6.86)	-	(0.09)	-
Actuarial (Gains) / Losses due to liability experience	(4.11)	(3.94)	(0.15)	(0.04)
<b>Total Amount recognised in OCI</b>	<b>9.09</b>	<b>65.50</b>	<b>(0.24)</b>	<b>0.29</b>
<b>Total Amount charged to CIES</b>	<b>8.76</b>	<b>87.00</b>	<b>0.04</b>	<b>0.36</b>

**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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
<b>Opening defined benefit obligation</b>	<b>457.87</b>	<b>468.07</b>	<b>3.54</b>	<b>3.16</b>
Current service cost	16.32	18.33	-	-
Interest expense on defined benefit obligation	11.37	10.70	0.09	0.07
Contributions by participants	2.92	3.44	-	-
Actuarial (Gains) / Losses on liabilities	0.17	128.43	-	0.33
- financial assumptions				
Actuarial (Gains) / Losses on liabilities	(6.86)	-	(0.09)	-
- demographic assumptions				
Actuarial (Gains) / Losses on liabilities	(4.11)	(3.94)	(0.15)	(0.04)
- experience				
Net benefits paid out	(9.69)	(9.52)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.08	-	-	-
<b>Closing defined benefit obligation</b>	<b>468.07</b>	<b>615.51</b>	<b>3.16</b>	<b>3.29</b>

**Changes to the fair value of assets during the period**

	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March	31 March	31 March	31 March
	2020	2021	2020	2021
	£m	£m	£m	£m
<b>Opening fair value of assets</b>	<b>336.45</b>	<b>325.80</b>	-	-
Interest income on assets	8.42	7.53	-	-
Remeasurement Gains / (Losses) on assets	(19.89)	58.99	-	-
Contributions by the employer	7.59	8.90	0.23	0.23
Contributions by participants	2.92	3.44	-	-
Net benefits paid out	(9.69)	(9.52)	(0.23)	(0.23)
<b>Closing fair value of assets</b>	<b>325.80</b>	<b>395.14</b>	-	-

**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	31 March
	2020	2021
	£m	£m
Present value of defined benefit obligation (funded)	468.07	615.51
Present value of defined benefit obligation (unfunded)	3.16	3.29
Asset / (Liability) recognised on the balance sheet (funded)	(142.27)	(220.37)
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.16)	(3.29)
<b>Fair value of assets</b>	<b>325.80</b>	<b>395.14</b>

**Scheme Assets**

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 £66.520 million (£11.470 million loss in 2019/20).

**Analysis of Scheme Assets**

	Asset split at 31 March	Quoted At 31 March	Unquoted At 31 March	Asset split at 31 March
	2020	2021	2021	2021
	(%)	(%)	(%)	(%)
<b>Asset</b>				
Equities	54.8	48.4	7.1	55.5
Property	9.0	0.0	7.9	7.9
Government bonds	4.1	2.2	0.0	2.2
Corporate bonds	15.3	19.8	0.0	19.8
Cash	2.3	4.0	0.0	4.0
Other*	14.5	4.7	5.9	10.6
	<b>100.0</b>	<b>79.1</b>	<b>20.9</b>	<b>100.0</b>

\* 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

### Material Valuation Uncertainty (Property Assets)

A small proportion of the Pension Fund's investments (7.9% 2020/21 and 9.0% 2019/20) are held in direct property valuations and pooled residential property funds. The impact of Covid-19 resulted in a significant reduction in the number of transactions in the market during 2020 and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager included a material valuation uncertainty clause in some of their valuation reports for the 2019/20 financial year due to the possible impact of Covid-19. Therefore, for 2019/20 less certainty was highlighted and a higher degree of caution attached to the valuations of those unquoted assets than would normally be the case. There remains a potential risk that current valuations may be under or overstated in the accounts, however we await the conclusion of the Pension Fund's accounts for 2020/21 and further disclosure will be added following the audit.

### Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Chief Constable is liable to pay in 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 £223.660 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.

<b>History of asset values, defined benefit obligation and Surplus / (Deficit)</b>					
	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
<b>Present value of the defined benefit obligation</b>					
- Funded liabilities	(411.32)	(431.02)	(457.87)	(468.07)	(615.51)
- Unfunded liabilities	(3.83)	(3.73)	(3.54)	(3.16)	(3.29)
Fair value of fund assets	294.93	311.18	336.45	325.80	395.14
<b>Surplus / (Deficit) in the scheme</b>	<b>(120.22)</b>	<b>(123.57)</b>	<b>(124.96)</b>	<b>(145.43)</b>	<b>(223.66)</b>

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

<b>Members</b>	<b>%</b>
Actives	49
Deferred Pensioners	20
Pensioners	31

### 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 2019. The liabilities for unfunded benefits are based on an actuarial valuation which took place on 31 March 2020.

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 2021.

The principal financial and actuarial assumptions are set out in the following table:

<b>Principal financial and actuarial assumptions</b>				
	<b>Funded Liabilities</b>		<b>Unfunded Liabilities</b>	
	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Financial assumptions (% per annum)</b>				
Discount Rate	2.3	2.1	2.3	2.1
Rate of Inflation (CPI)	1.9	2.7	1.9	2.7
Rate of Inflation (RPI)	n/a	n/a	n/a	n/a
Rate of increase in salaries	3.4	4.2	n/a	n/a
Rate of increase to pensions in payment	1.9	2.7	1.9	2.7
Pension accounts revaluation rate	1.9	2.7	n/a	n/a
<b>Mortality assumptions</b>				
Future lifetime from age 65 (Member aged 65 at accounting date)				
Men	21.8	21.9	21.8	21.9
Women	25.0	25.1	25.0	25.1
Future lifetime from age 65 (Member aged 45 at accounting date)				
Men	23.5	23.6	n/a	n/a
Women	26.8	26.9	n/a	n/a

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

#### **Commutations**

Year ended 31 March 2020	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 ended 31 March 2021	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.

#### **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 2021 and the projected service cost for the year ending 31 March 2021. In each case, only the assumption mentioned is altered; all other assumptions remain the same:

<b>Sensitivity to main assumptions (Funded Liabilities)</b>			
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)	601.35	615.51	630.28
Change in present value of total obligation	-2.3%		2.4%
Projected service cost (£M)	26.7	27.7	28.72
Approximate change in projected service cost	-3.6%		3.7%
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)	617.97	615.51	613.05
Change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M)	27.7	27.7	27.7
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)	627.82	615.51	603.82
Change in present value of total obligation	2.0%		-1.9%
Projected service cost (£M)	28.72	27.7	26.7
Approximate change in projected service cost	3.7%		-3.6%
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)	637.67	615.51	593.97
Change in present value of total obligation	3.6%		-3.5%
Projected service cost (£M)	28.84	27.7	26.59
Approximate change in projected service cost	4.1%		-4.0%

\* 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 2022 are estimated to be £9.260 million (£9.030 million funded and £0.230 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 23.7 years.

### b) Defined Benefit Plan: Police Pension Scheme

The Police Pension Schemes are wholly unfunded defined benefit 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 2020, for the latest funding valuation. This has then been rolled forward to reflect the position as at March 2021, allowing for additional service accrued between 01 April 2020 and 31 March 2021, and known pension and salary increases that would have applied. The transactions shown below have been made during the year:

<b>Charges to Comprehensive Income and Expenditure Statement</b>		
	31 March 2020 £m	31 March 2021 £m
<b>Net Cost of Service</b>		
Current service cost	88.17	83.74
Past service cost	(12.08)	-
<b>Financing and investment income and expenditure</b>		
Pension interest cost	106.18	90.13
<b>Total charge to Provision of Services</b>	<b>182.27</b>	<b>173.87</b>
Re-measurement of the net defined benefit liability / (asset)	(460.79)	218.03
<b>Total IAS 19 charge to Comprehensive Income and Expenditure</b>	<b>(278.52)</b>	<b>391.90</b>

#### Present value of the defined benefit obligation

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

<b>History of scheme liability</b>					
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Present value of the defined benefit obligation	(3,807.81)	(3,974.13)	(4,335.47)	(4,015.36)	(4,363.62)
Surplus / (Deficit) in the Scheme	(3,807.81)	(3,974.13)	(4,335.47)	(4,015.36)	(4,363.62)

#### Reconciliation of the present value

<b>Reconciliation of the fair value of scheme assets</b>		
	31 March 2020 £m	31 March 2021 £m
<b>Opening fair value of assets</b>	-	-
Actuarial Gains and (Losses) on assets	64.60	58.47
Contributions by employer	41.59	43.64
Contributions by participants	15.59	16.37
Transfers in	0.44	0.87
Net benefits paid	(122.22)	(119.35)
<b>Closing fair value of assets</b>	<b>-</b>	<b>-</b>

**Analysis of movements in scheme liability**

<b>Analysis of the movement in scheme liability</b>		
	31 March 2020	31 March 2021
	£m	£m
<b>Net Surplus / (Deficit) at the beginning of year</b>	<b>(4,335.47)</b>	<b>(4,015.36)</b>
Current service cost	(88.17)	(83.74)
Cost covered by employee contributions	(15.59)	(16.37)
Past service cost	12.08	-
Pension transfers in	(0.44)	(0.87)
Net interest on the net defined benefit Liability / (Asset)	(106.18)	(90.13)
Net benefits paid	122.22	119.35
Re-measurements of the net defined Liability / (Asset)	396.19	(276.50)
<b>Net Surplus / (Deficit) at the end of year</b>	<b>(4,015.36)</b>	<b>(4,363.62)</b>

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 33 years, the New Police Pension Scheme 2006 is around 34 years, and for the Police Pension Scheme 1987 it is around 18 years.

The weighted average duration of the defined benefit obligation for all police officer Pension Schemes, on a consolidated basis are around 20 years.

The Police Pension Scheme has no investment assets to cover its liabilities; these are met as they fall due.

**Expected Future Contributions**

The expected contributions to be made to the Police Pension Scheme by the Police and Crime Commissioner Group for the accounting period to 31 March 2022 are estimated to be £45.908 million compared to £43.640 million paid in 2020/21.

**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.

<b>Principal Financial and Actuarial Assumptions</b>		
	31 March 2020	31 March 2021
	£m	£m
Discount rate (Rate of Return)	2.25%	2.00%
Rate of inflation - pension increases (CPI)	2.00%	2.40%
Rate of inflation (RPI)	3.15%	-
Salary Inflation	4.00%	4.15%
CARE revaluation rate	3.25%	3.65%
<b>Rate of return in excess of:</b>		
Earning increases (long-term)	-1.75%	-2.15%
Pension increases	0.25%	-0.40%

Rate of Inflation (RPI) – No value is stated by the actuary for RPI for the 2020/21 financial year. Historically CPI has been set by calculating the market implied RPI and deducting a margin to reflect the expected long-

term future gap between RPI and CPI. For 2020/21 the CPI assumption has been set from a combination of market implied RPI, changes to market implied RPI and the Bank of England's CPI target.

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	
	2019/20 (years)	2020/21 (years)
<b>Future Lifetime at 65 for current pensioners</b>		
Men	21.90	22.00
Women	23.60	23.70
<b>Future Lifetime at 65 for future pensioners (currently aged 45)</b>		
Men	23.60	23.70
Women	25.20	25.30

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. For 2020/21 the increase in the scheme liability attributed to the re-measurement of the net defined benefit pension liability is primarily caused by the change to financial and demographic assumptions, primarily a reduction in the discount rate and increases in rates of CPI inflation and long term salary increases. The following table sets out the sensitivity to the main assumptions for 2020/21:

Sensitivity to main assumptions		
Change in assumption*	Approximate effect on scheme liability	
	%	£m
Discount Rate	+ 0.5% a year	(9.50) (313.00)
Salary Inflation	+ 0.5% a year	1.00 30.00
Pension Increases	+ 0.5% a year	7.50 247.00
Life Expectancy	All members and adult dependants assumed to be one year younger	3.00 106.00

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO.

## 18. 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.

**19. Events after the reporting period**

There are no events after the reporting period to note.

**20. Authorisation of accounts for issue**

This note will be completed as part of the final audited account.

Subject to Audit

# Supplementary Financial Statements

## Comprising;

- Police Pension Fund
- Notes to the Supplementary Financial Statements

Subject to Audit

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2020/21 and shows comparative figures for 2019/20.

<b>Police Pension Fund</b>		
2019/20 £000	FUND ACCOUNT	2020/21 £000
(35,928)	Normal	(38,266)
-	Additional funding payable by the local policing body to meet the deficit for the year	-
(785)	Other (Ill Health Retirements)	(520)
<b>(36,713)</b>	<b>Contribution Receivable from Employer</b>	<b>(38,786)</b>
(15,588)	Contribution Receivable from Members	(16,476)
<b>(15,588)</b>	<b>Contribution Receivable from Members</b>	<b>(16,476)</b>
<b>(52,301)</b>	<b>Contributions Receivable</b>	<b>(55,262)</b>
(554)	Individual Transfers in from other schemes	(1,010)
<b>(554)</b>	<b>Transfers in</b>	<b>(1,010)</b>
91,842	Pensions	94,907
24,793	Commutations and Lump Sum Retirement Benefits	19,257
117	Lump Sum Death Benefits	293
927	Other (Inter Authority Adjustments / LTA Payments)	419
<b>117,679</b>	<b>Benefits Payable</b>	<b>114,876</b>
25	Refunds of Contributions	174
-	Individual Transfers Out To Other Schemes	62
<b>25</b>	<b>Payments To and On Account of Leavers</b>	<b>236</b>
<b>117,704</b>	<b>Total Benefits Payable</b>	<b>115,112</b>
<b>64,849</b>	<b>Net amount payable for the year before contribution from the Police Fund</b>	<b>58,840</b>
<b>(64,849)</b>	<b>Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account</b>	<b>(58,840)</b>
<b>-</b>	<b>Net Amount (Receivable) / Payable In Year</b>	<b>-</b>

## 1. Scheme description

The Police Pension Fund is a defined benefit scheme 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.

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.

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 Manager<sup>8</sup> 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).

---

<sup>8</sup> 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' (2016) and explains how the Chief Constable of Northumbria Police has complied with this framework and meets the statutory requirements of regulations. It also takes into account the impact of the Covid-19 pandemic on governance arrangements, as well as being the 'shadow' year for the introduction of the CIPFA Financial Management Code 2019 (FM Code) ahead of its requirement from 2021/22 onwards.

## 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 include 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 previous Commissioner and former Chief Constable agreed in 2013 to appoint a Joint CFO for both corporate bodies. The Commissioner and Chief Constable continue to have a Joint CFO for 2020/21 and

the reasoning for this approach remains unchanged, that a joint CFO role provides both the Commissioner and Chief Constable with a single efficient, effective and economic financial management lead. The controls remain that there is an expectation that the CFO should advise the Commissioner and Chief Constable of any conflict of interest that should arise in the joint role, especially with section 151 responsibilities; and, the CFO acts 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 for 2020/21. 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 2020/21 financial year covers the period from 1 April 2020 to 31 March 2021 and any issues which arise up to the date of approval of the annual Statements of Account. This includes any in-year changes to the governance arrangements as a consequence of the Covid-19 pandemic.

The 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.

During 2020/21 there was a short suspension to meetings within the governance and decision making structure at the onset of Covid-19 to enable a focus on the policing response. A Covid-19 response plan using the Strategic (Gold), Tactical (Silver) and Operational (Bronze) command structure was implemented, which incorporated an internal command and control structure. Northumbria Police is also a member of the Northumbria multi-agency Strategic Coordinating Group (SCG) and Tactical Coordination group (TCG) meetings, National Police Chiefs' Council (NPCC) and regional Chief Officer conference call updates. The Executive Team continued to meet weekly providing a forum for key business decision-making to continue. The Force quickly migrated to online platforms to recommence governance meetings safely.

The overall 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/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 2021 to 2025. 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. The Commissioner was re-elected on 06 May 2021.

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 its elements of the Police and Crime Plan, maintaining high levels of performance and service delivery at a time of continuing financial challenge. The Force's Strategic Performance Board (SPB), 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 Delivery, Standards and Assurance 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 the direction of travel.

Other areas of business are also regularly reported to the boards, including: 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 (HMICFRS); organisational learning; and risk management.

HMICFRS carries out a programme of inspections, including on thematic areas and an annual PEEL Assessment (Effectiveness, Efficiency and, Legitimacy). 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 latest HMICFRS PEEL inspection report for Northumbria Police 2018/19 was published in September 2019. The main findings were: In the extent to which it is effective in reducing crime and keeping people safe; and the extent to which the Force operates efficiently and sustainably, Northumbria was assessed as 'requires improvement'. The extent to which the Force treats the public and its workforce legitimately was assessed as 'good'. The Force acknowledged that there were areas for improvement and established a programme of improvement with actions, timescales and plans for delivery which are monitored for progress and risk to delivery. The Commissioner and Chief Constable remain committed to delivering the necessary improvement and the Force continues to work very hard to address those issues identified.

The full report can be accessed using the following link ([Northumbria](#)).

Northumbria Police expects a further PEEL assessment to be completed during 2021/22.

All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. A lead is appointed to consider inspection findings and identify actions in response to any recommendations and areas for improvement. The Force position is reported to the Police and Crime Commissioner at the joint Business Meeting, to inform a statutory response to reports within 56 days. Delivery is overseen by the relevant Executive Lead, with further oversight and scrutiny at the Executive Board. Progress is reported and monitored at the Scrutiny Meeting of the OPCC and reported to the Joint Independent Audit Committee. There were no risks to delivery identified during the year, for any of the recommendations or areas for improvement reported by HMICFRS, although timeliness of closure for some was highlighted.

### **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; they are clearly defined and demonstrate how they work together to ensure effective governance and internal control.

The Force works closely with all six local authorities in the Northumbria area and understands the policing needs in each area from our city centres to the rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including Community Safety Partnerships. They are also members of local children's and adult safeguarding boards that work to ensure the safety and wellbeing of vulnerable children and adults in the Force area. The Commissioner has developed a Violence Reduction Unit which takes a public health approach to tackling serious violence working with a range of partners.

A Service Level Agreement between the Commissioner and the Chief Constable exists. 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.

The Commissioner and Chief Constable operate a joint Business Meeting, which meets regularly, the minutes of which are published on the Commissioner's website ([Northumbria PCC](#)) 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), collaboration between the three Forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored. Other agreements are published on the Commissioner's 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 Chief Constable handles complaints and conduct matters through the Professional Standards Department (PSD) within Northumbria Police. The Head of PSD 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 Assistant Chief Constable (Communities) 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 Board comprising internal and external members, with links to the Regional Ethics Group. The Advisory Board 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.

The Chief Constable is the Data Controller for the Force, responsible for determining the purposes and manner in which personal data are processed. The Force's Information Management Unit (IMU) helps to fulfil the legal requirements associated with the Data Protection Act 2018, ensuring information and systems comply with all Data Protection principles and legislation as set out in the Act. Information management is a critical area of business required to ensure good governance. Northumbria Police has a robust process for dealing with data breaches, the 2019/20 audit of Information Governance and Data Security found that control systems are operating well and no findings were raised. During the 12 months to 31 March 2021 there was one data breach reported to the Information Commissioners Office (ICO). This breach, along with one outstanding from 2019/20, has been resolved with no further action. During 2020 the ICO undertook an audit of the Force to determine the extent to which the Force is complying with data protection legislation. Following the audit an action plan was developed in response to the findings. The Force has implemented a working group to manage the implementation of the action plan; attended by key stakeholders and action owners. Ongoing weekly monitoring and management is in place within the Information Management Unit. Scrutiny and oversight of the action plan is carried out at the Operational Information Management Board. There were no significant areas of concern that need to be disclosed within the AGS.

## **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 meetings the Chief Constable is subject to the oversight and scrutiny of the Commissioner.

The Joint Independent Audit Committee (JIAC) of the Commissioner and Chief Constable has five independent members who are appointees from within the Force area. 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 an owner from the Force's Executive Team or OPCC as appropriate, who has responsibility for the management of controls and the implementation of new controls where necessary. The Force's strategic risks are reported at the Force's Executive Board and reported alongside those of the OPCC at joint Business Meeting on a quarterly basis and is also presented to all meetings of the JIAC.

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

The Commissioner and Chief Constable ensure that they have appropriate personal performance development processes for all staff that underpin and support the performance of the local policing area or department in which they work and their own personal development. Objectives are aligned to the Commissioner's Police and Crime Plan, supported by the Northumbria Police purpose 'Keep people safe and fight crime', and vision 'Deliver an outstanding police service, working with communities to prevent crime and disorder and protect the most vulnerable people from harm' and values which define who and what we are: Determined; Supportive; Passionate, Dynamic; and Proud.

A new Force operating model was implemented in Quarter 3 of 2019/20 which enabled the Force to reorganise resources and increase capacity and capability to better meet different types of policing demands. Key elements included:

- Calls for service requiring an immediate response are dealt with by a dedicated Response Policing Team (RPT).
- Incidents requiring a more planned response are dealt with in the Primary Investigation Centre, which allocates crime investigations to the most appropriately skilled resource.
- To further increase investigative capability the investigation of volume and serious crime is now undertaken in Secondary Investigation Units (SIU) by skilled and professionally accredited investigating officers and police staff.

On 5 September 2019 the Prime Minister announced the Government commitment to recruit an additional 20,000 police officers in England and Wales by 31 March 2023. The Force has fully complied with all requirements to support the increase of officer numbers through the national Uplift programme. The Force delivered the agreed investment in police staff roles in 2019/20 and 2020/21 to support delivery of the Northumbria share of Uplift. The new MTFs approved by the Commissioner on 09 March 2021 will deliver further investment in police infrastructure, technology, and professional and specialist police staff that will ensure that Uplift targets for 2021/22 and later years, when set, will be delivered, in-full. In addition, over and above Uplift targets additional specialist investigator recruits were delivered to address the shortfall in qualified investigator capacity.

In 2020/21 the majority of new Police Officer recruits entered through the new Police Constable Degree Apprenticeship (PCDA) route. Northumbria Police was one of the first Forces to introduce the PCDA entry route in May 2019. This is a three year degree practical based apprenticeship based on the Policing Education Qualifications Framework (PEQF) national policing curriculum and is delivered in collaboration with Northumbria University.

A Leadership Development Approach has also been introduced to develop leaders at all levels in leading and developing others, leading change and leading and developing the organisation. This has been introduced to develop leaders who are future focussed and have the right skills, behaviours and personal qualities to successfully lead an empowered and diverse workforce in a new environment.

### **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 2020/21. Despite the Covid-19 pandemic, the full audit programme is expected to be completed, albeit utilising revised remote auditing techniques and processes.

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 conducts 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, People Services, 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 produces a four-year Medium Term Financial Strategy (MTFS) and capital programme. The Chief Constable produces a Medium Term Financial Plan (MTFP) that informs the MTFS of the Commissioner. 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 the Executive Team with the authority to incur expenditure and a basis on which to monitor and report on financial performance.

- 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.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2019/20, concluding that the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and this opinion is expected to be repeated for 2020/21.

### 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 2020/21, 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:

- The system of Internal Audit
- Senior manager's assurance statements
- Governance arrangements
- Financial Controls - An assessment of the role of the CFO in accordance with best practice
- Views of the external auditor
- HMICFRS and other external inspectorates
- The legal and regulatory framework
- Risk management arrangements
- Performance management and data quality
- Other 'Thematic Assurance'
- Business Planning
- Partnership arrangements and governance
- Information and Communications Technology (ICT) Arrangements
- Fraud, Corruption and Money Laundering
- Wellbeing
- CIPFA Financial Management Code self-assessment

Included within the above assurance review is an additional requirement new for this year in relation to the new CIPFA Financial Management Code. This is mandatory from 2021/22; however, in preparation for the first full-year of compliance the OPCC and Force has undertaken a combined self-assessment in-line with guidance issued by CIPFA. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-

term finances of a public body, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.

The assessment has been divided into 7 specific sections; each has been assigned a Red, Amber, or Green (RAG) rating in-line with the scale of the improvements required for full compliance. A Red rating indicates that significant improvements are required; an Amber rating indicates that moderate improvements are required; and a Green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each section are noted below:

- The Responsibilities of the Chief Finance Officer and Leadership Team (Green)
- Governance and Financial Management Style (Green)
- Long to Medium Term Financial Management (Green)
- The Annual Budget (Green)
- Stakeholder Engagement and Business Plans (Green)
- Monitoring Financial Performance (Green)
- External Financial Reporting (Green)

The overall conclusion from the self-assessment is Green; however, the Code requires any areas for improvement to be disclosed within an action plan. The results of the self-assessment identified 2 areas for improvement, which once implemented will ensure the OPCC and Force fully comply with the Financial Management Code. This action plan is attached as Appendix A.

From the overall 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, which was updated to ensure any implications from changes to processes or business continuity plans as a result of Covid-19.

All areas returned compliant to each of the questions, with no non-compliance, and only one partial compliance. This related to a major national change in the production of evidential files as a result of national delays due to Covid-19, with a view to this being updated and available from Summer 2021.

### **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 2020/21, 15 internal audit reports were issued, out of 23 within the plan. Of those issued, 14 audits concluded that systems and procedures were operating well and 1 audit 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 2020/21, 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 20/21 audit plan, approved by the JIAC, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised.

### **Actions from the 2019/20 Statement**

There were no actions identified in the 2019/20 Annual Governance Statement.

**2020/21 Governance Issues**

The review has identified no issues that need to be included within the 2020/21 Annual Governance Statement as actions.

The only actions disclosed are those required under the CIPFA Financial Management Codes and included at Appendix A.

**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 governance, control and the management of risk.



Signed:

**Chief Constable**



Signed:

**Deputy Chief Constable**



Signed:

**Director of Finance**

Date 26-7-21

**CIPFA Financial Management Code – Action Plan**

The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code by 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of the OPCC, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.

In preparation for the first full-year of compliance with the Code (2021/22), jointly between the OPCC and Northumbria Police a self-assessment has been undertaken in-line with guidance issued by CIPFA.

The results of the self-assessment identified 2 areas for improvement, which once implemented will ensure that both organisations fully comply with the Financial Management Code.

**Accountable Officer: Joint Chief Finance Officer**

Action(s) required to enhance effectiveness	Implementation date
<p><b><i>The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</i></b></p> <p>Whilst a peer review is not a requirement for compliance with the FM Code, the Finance Department intends to implement the CIPFA FM model/review during 2021/22. This will enable:</p> <ul style="list-style-type: none"> <li>• The creation of an action plan for areas of improvement.</li> <li>• Review adequacy of financial management support to both organisations.</li> </ul>	<p>January 2022</p>
<p><b><i>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</i></b></p> <p>An appropriate documented options appraisal methodology to be developed.</p>	<p>November 2021</p>

# Independent Auditors Report

This section is not included in the draft report and will be completed following the audit.

Subject to Audit

# 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 subsidiaries 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.

# Index

<b>Narrative Statement</b> .....	<b>3</b>
<b>Statement of Responsibilities</b> .....	<b>30</b>
<b>Core Financial Statements</b> .....	<b>31</b>
<b>Movement in Reserve Statement 2018/19</b> .....	<b>32</b>
<b>Comprehensive Income and Expenditure Statement – Chief Constable</b> .....	<b>34</b>
<b>Balance Sheet</b> .....	<b>35</b>
<b>Cash Flow Statement</b> .....	<b>36</b>
<b>Notes to the Core Financial Statements</b> .....	<b>37</b>
1. Expenditure and Funding Analysis (EFA) .....	37
2. Expenditure and Income Analysed by Nature .....	39
3. Statement of Accounting Policies .....	39
4. Critical Judgment in applying accounting policies .....	44
5. Impact of changes in accounting policies .....	44
6. Accounting standards that have been issued but have not yet been adopted .....	44
7. Assumptions made about the future and other major sources of estimation uncertainty .....	44
8. Effects of the Police Reform and Social Responsibility Act .....	46
9. Movement in Reserve Statement .....	47
10 External Audit Costs .....	49
11. Officer Remuneration .....	49
12. Related Party Transactions .....	54
13. Debtors .....	56
14. Creditors .....	56
15. Provisions and Contingent Liabilities .....	57
16. Financial Instruments .....	58
17. Employee Benefits .....	59
17. a) Defined Benefit Plan: Tyne and Wear Pension Fund .....	59
17. b) Defined Benefit Plan: Police Pension Scheme .....	65
18. Segmental analysis .....	68
19. Events after the Reporting Period .....	69
20. Events after the Reporting Period .....	69
<b>Supplementary Financial Statements</b> .....	<b>60</b>
<b>Annual Governance Statement</b> .....	<b>73</b>
<b>Independent Auditor’s Report</b> .....	<b>84</b>
<b>Glossary of Terms</b> .....	<b>85</b>
<b>Contacts</b> .....	<b>92</b>

# Contacts

For copies, please contact the Chief Constable at:

Email: [accountancy.services@northumbria.pnn.police.uk](mailto: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.

## **For queries / feedback,**

Please contact Gail Thompson at:

[gail.thompson.4397@northumbria.pnn.police.uk](mailto:gail.thompson.4397@northumbria.pnn.police.uk)

## **Primary contacts:**

Head of Finance:

Kevin Laing

Principal Accountant:

Gail Thompson

## **Web links:**

[www.northumbria.police.uk](http://www.northumbria.police.uk)

[www.northumbria-pcc.gov.uk](http://www.northumbria-pcc.gov.uk)

Image sources

Northumbria Police and Crime Commissioner