



# Police and Crime Commissioner for Northumbria

Statements of Account  
2020/21



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# Preface

## **Kim McGuinness – Police & Crime Commissioner, Northumbria.**

Northumbria Police is a force dedicated to keeping our region safe, and I am proud to do my part in supporting that vision.

Everyone in the North East should have the opportunity to succeed in life, and a feeling of safety and security is a key part of that.

For me, that process starts with a well-resourced police force. In the 11 years of austerity since 2010, Northumbria lost more than £140m from its budget, with hundreds of officers and staff gone as a result. We're starting to reverse that and I'm determined to grow police numbers above and beyond Government targets for our force.



But as crime changes, so too must the police. As well as recruiting more frontline officers we also need more detectives to address the rise in online crime, as well as contributing to ongoing efforts to disrupt organised crime.

The other key aspect in keeping our region safe is in crime prevention. My Violence Reduction Unit is committed to working with the police and others to stop the spread of violent crime, but this can only really produce results on a long-term basis. It is disappointing then that for VRUs, and policing in general, the Home Office continues to provide only annually-agreed budgets, instead of the multi-year settlements needed to allow real strategic change.

Despite this, Northumbria continues to be a force working hard to fight crime and prevent crime. Following my recent re-election, I intend to work with others to see how we can come together to reduce anti-social behaviour, and to look at what resources are available to support these efforts.

Of course, this work takes place as the region prepares for the next big challenge. After a year of local and national lockdowns and the roll-out of the Covid-19 vaccine, we are now looking to the recovery stage of the pandemic. The force had to adjust to the impact of Covid-19 in lockdown, and will have to take further considerations in to account as we move to the new normal.

Throughout these challenges, both social and financial, Northumbria has maintained the support of our region and kept us safe.

I look forward to continuing to support the Chief Constable in this task.

**Kim McGuinness**

**Police and Crime Commissioner for Northumbria**

# Narrative Statement

## Introduction

The Statements of Account present the Police and Crime Commissioner's (the Commissioner's) and Group (including 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. When read in conjunction with the Police and Crime Plan and the Annual Report<sup>1</sup>, the statement provides an insight into the activities of the Commissioner and the Force during the year.

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.

It is noted that where links to external documents are provided through the Narrative Statement and Notes to the Accounts to aid context and understanding, the information provided at those links does not fall within the scope of the external audit and is therefore not subject to independent verification by auditors Grant Thornton.

## The Statements of Account

The primary statutory duty and electoral mandate of the Commissioner is to ensure an efficient and effective police Force in Northumbria, and to hold the Chief Constable to account on behalf of the public for the exercise of operational policing duties under the Police Act 1996.

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.



All the financial transactions incurred during 2020/21 for policing in Northumbria have been recognised and recorded within the Statements of Account, which set out the overall financial position of the Commissioner and the Commissioner's Group (the Group) for the year ended 31 March 2021. The Group position reflects the consolidated accounts of the Commissioner and her subsidiary, the Chief Constable. Separate statutory single entity accounts are prepared for the Chief Constable.

<sup>1</sup> Available at <https://northumbria-pcc.gov.uk/your-priorities/police-crime-plan/>

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 payments for the Group from the Police Fund. In turn, the Chief Constable fulfils his function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation<sup>2</sup> is in operation between the two bodies determining their respective responsibilities. The accounting arrangements between the Commissioner and Chief Constable are detailed in **Note 8** to the accounts.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) - Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC)<sup>3</sup> Board and approved by FRAB<sup>4</sup>. The Code constitutes proper accounting practice.



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

<sup>3</sup> Chartered Institute of Public Finance & Accountancy's Local Authority (Scotland) Accounts Advisory Committee

<sup>4</sup> Financial Reporting Advisory Board, an independent board within HM Treasury

## 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></p> <p><b>Anti-social behaviour</b></p> <p>Anti-social behaviour 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></p> <p>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></p> <p><b>Preventing violent crime</b></p> <p>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 its long-term success.</p> <p><b>Priority 4</b></p> <p><b>Neighbourhood policing</b></p> <p>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></p> <p><b>Support for victims</b></p> <p>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></p> <p><b>Tackling domestic abuse and sexual violence</b></p> <p>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>
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The Police and Crime Plan 2021-2025 was put together after a force-wide consultation process in which Northumbria 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

- For 2020/21 the Northumbria Police revenue budget was set at £296.393 million which includes grant income of £246.938 million from central government and Council Tax Precept income of £55.589 million, with a planned net transfer to reserves of £6.134 million.
- 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 is an underspend of £3.234 million.
- During 2020/21 the capital programme delivered investment of £10.706 million in capital schemes delivering estates refurbishment, continued investment in vehicles and operational equipment, and in new ICT systems and technologies.



## 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 FTE</b>	<b>31 March 2019 FTE</b>	<b>Reduction since 2010 FTE</b>	<b>2010 %</b>	<b>31 March 2021 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>

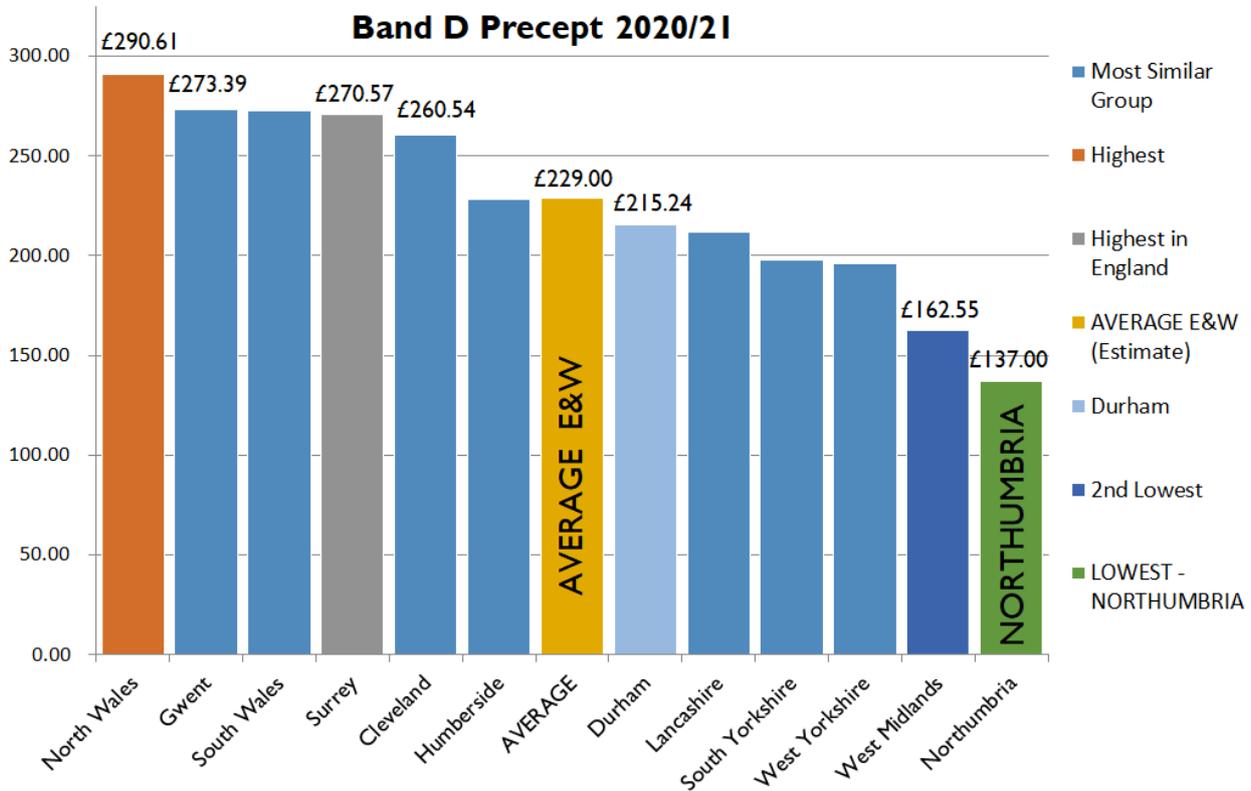
The increase in the precept for both the 2019/20 and 2020/21 financial years has delivered vital new funding for Northumbria. This coupled with the Uplift target set for Northumbria has enabled the Force to start re-investing in officers and staff, although still some way from the numbers lost since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

### General Reserves

Whilst the Commissioner has a reserves strategy which will maintain the general reserve at a minimum of 2% of the net revenue budget, for the purposes of good financial management we plan the budget and MTFS around a more prudent General Reserve level, set just under 3% of net revenue budget and equating to around £10 million over the medium term.

**Council Tax**

The Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales at £137.00 per year (2020/21) for Band D properties. The following chart shows the highest and lowest PCC Precepts; Northumbria’s ‘Most Similar Group’; and the average PCC Precept for England and Wales during 2020/21:



When calculating the overall settlement for policing in 2020/21 the Government set a precept increase maximum of £10.00 for a Band D property precept rise. An increase at that level would have meant households in Northumbria experiencing a 7.44% increase in the precept for 2020/21.

Consideration of the Council Tax Precept has to be taken alongside both the overall funding made available to the Force and the impact on households of any increase. The PCC’s view was that an increase of 7.44% was simply too much, and that moving the full cost of an adequate police budget increase to the local tax payer would be difficult to justify at a time when the Government settlement has increased. Therefore, the PCC approved an increase of 1.99% on the Council Tax Precept for 2020/21 resulting in a charge of £137.00 per year for a Band D property (£134.33 2019/20).

Total Council Tax income for 2020/21 was £55.589 million of which £54.651 million is attributed to the Council Tax Precept and £0.938 million a surplus on the previous year’s collection fund.

**Revenue Expenditure and Income Summary**

Revenue expenditure represents the day-to-day running costs of providing the Commissioner’s services and the costs of policing. It includes expenses such as employee pay, vehicle and premises running costs, communications, insurances and the cost of borrowing.

The net revenue requirement for 2020/21, to be met from government grants and local taxation, was approved by the Commissioner on 20 February 2020 at £302.527 million. This included a Group revenue budget of £294.327 million and a planned transfer to earmarked reserves of £8.200 million to maintain investment over the medium term and support Uplift.

The Chief Constable’s budget was subsequently increased by £1.900 million to reflect the decision in the Commissioner’s MTFs 2020/21 to 2023/24, to carry forward the forecast underspend against the Chief Constable’s 2019/20 revenue budget and use this to support investment in 2020/21. In addition, the

## Narrative Statement

Commissioner's budget was increased by £0.166 million to reflect the planned use of the OPCC Innovation Reserve in 2020/21.

The revised budget approved for 2020/21 was therefore £296.393 million.

<b>Group Revenue Budget 2020/21</b>	<b>Original Budget £000</b>	<b>Revised Budget £000</b>	<b>Budget Increase £000</b>	<b>Funded by:</b>
Chief Constable	281,482	283,382	1,900	General Reserve
Police and Crime Commissioner	2,098	2,264	166	OPCC Innovation Reserve
Capital Financing	10,747	10,747	-	
<b>Group Budget</b>	<b>294,327</b>	<b>296,393</b>	<b>2,066</b>	

Throughout 2020/21 both the Commissioner's and Chief Constable's revenue budgets have been subject to monthly monitoring, with the consolidated position being considered on a quarterly basis. Each quarter, the Group budget monitoring reports are presented to the Commissioner and Chief Constable's Joint Business Meeting and the position is published for wider scrutiny of financial performance by the public. These quarterly updates include a review of budgets and spending forecasts for both revenue and capital expenditure.

### Revenue Outturn 2020/21

The Group Revenue budget for 2020/21 was £296.393 million. Net revenue expenditure of £293.159 million for the year reflects an underspend of £3.234 million as set out below:

<b>Revenue Outturn 2020/21 (Group Position)</b>					
	<b>Budget 2020/21 £000</b>	<b>Expenditure 2020/21 £000</b>	<b>Income 2020/21 £000</b>	<b>Outturn 2020/21 £000</b>	<b>Variance 2020/21 £000</b>
<b>Chief Constable</b>					
Chief Constable Revenue Budget	283,382	297,968	(16,732)	281,236	(2,146)
External Funding Schemes	-	8,183	(8,299)	(116)	(116)
<b>Chief Constable Net Expenditure</b>	<b>283,382</b>	<b>306,151</b>	<b>(25,031)</b>	<b>281,120</b>	<b>(2,262)</b>
<b>Police and Crime Commissioner</b>					
Office of the Police and Crime Commissioner	2,264	1,815	(9)	1,806	(458)
OPCC Reserve Funded Scheme - Coronavirus Response Fund	-	318	-	318	318
Capital Financing	10,747	10,271	(330)	9,941	(806)
Specific Grant - S31 Council Tax	-	-	(26)	(26)	(26)
<b>Total Expenditure</b>	<b>13,011</b>	<b>12,404</b>	<b>(365)</b>	<b>12,039</b>	<b>(972)</b>
<b>Specific Funds managed by the PCC:</b>					
Commissioning of Victims Services	-	2,630	(2,630)	-	-
Violence Reduction Unit	-	1,848	(1,848)	-	-
Other Funding	-	721	(721)	-	-
<b>Total Expenditure</b>	<b>-</b>	<b>5,199</b>	<b>(5,199)</b>	<b>-</b>	<b>-</b>
<b>Total Net Expenditure</b>	<b>296,393</b>	<b>323,754</b>	<b>(30,595)</b>	<b>293,159</b>	<b>(3,234)</b>

### Chief Constable

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.

### **Police and Crime Commissioner**

An approved budget of £2.264 million was provided to meet the cost of the OPCC, which includes £0.750 million for the Commissioner's Community Fund. The Community Fund is used to make valuable contributions to local charity, voluntary, social enterprises, local authorities and community groups in Northumberland and Tyne and Wear, supporting Police and Crime Plan objectives. The outturn position reflects an underspend of £0.458 million which has been set aside in the OPCC Innovation Reserve to support innovative work with partner agencies in 2020/21.

The Capital Financing budget for 2020/21 was £10.747 million, comprising interest on borrowing and investments, and the minimum revenue provision for repayment of borrowing. The outturn position is £9.941 million reflecting an underspend of £0.806 million which is primarily attributable to:

- The Minimum Revenue Provision (MRP) charge in 2020/21 was £0.502 million lower than the budget estimate as a result of the re-profiling of capital programme expenditure in the 2019/20 financial year.
- Borrowing costs were £0.348 million less than budget, reflecting the lower borrowing requirement for capital financing. In addition, the two emergency cuts to Bank Rate in March 2020 in response to the Covid-19 pandemic, resulted in short-term temporary borrowing costs being significantly lower than budgeted throughout the year.
- Investment income was under-achieved against budget due to the two emergency cuts to Bank Rate in March 2020 however this was more than offset by the impact on borrowing costs.

### **Use of Reserves**

The reserve movements as a result of the revenue outturn for 2020/21 are set out in the following table:

<b>Police and Crime Commissioner Group - Use of Reserves</b>					
<b>Use of reserves to support the revenue budget</b>	Budget 2020/21 £000	Transfer to reserves £000	Transfer (from) reserves £000	Net Movement 2020/21 £000	Variance 2020/21 £000
<b>General Reserve</b>	<b>(1,900)</b>	<b>832</b>	<b>(2,900)</b>	<b>(2,068)</b>	<b>(168)</b>
<b>Transfers To / (From) earmarked reserves</b>					
Reserve to Maintain Investment over the Medium Term and Support Uplift	8,200	8,200	-	<b>8,200</b>	-
Covid Enforcement / Operational Reserve	-	3,146	-	<b>3,146</b>	3,146
OPCC Innovation Reserve	(166)	458	(484)	<b>(26)</b>	140
External Funding Reserve	-	270	(154)	<b>116</b>	116
<b>Transfers To / (From) earmarked reserves</b>	<b>8,034</b>	<b>12,074</b>	<b>(638)</b>	<b>11,436</b>	<b>3,402</b>
<b>Total transfers To / (From) reserves</b>	<b>6,134</b>	<b>12,906</b>	<b>(3,538)</b>	<b>9,368</b>	<b>3,234</b>

### Reserve Movements

- The planned transfer to earmarked reserves of £8.200 million to an earmarked reserve to maintain investment over the medium term and support Uplift was delivered.
- The budget for 2020/21 included planned use of £1.900 million from the General Reserve and £0.166 million from the OPCC Innovation Reserve.
- In addition the Commissioner approved £0.318 million from the OPCC Innovation Reserve to fund Covid Grants from the Coronavirus Response Fund.
- The underspend on the Commissioner's budget of £0.458 million was transferred to the OPCC Innovation Reserve at the year-end.
- The underspend of £0.806 million on the Capital Financing budget was transferred to the General Reserve, in addition to a one-off S31 grant of £0.026 million for Council Tax losses.
- A contingency of £1.000 million in the General Reserve to mitigate the impact of the Covid-19 pandemic was not required in 2020/21 and has been transferred to an earmarked reserve (Covid Enforcement/Operational Reserve) at the year-end.
- The underspend of £2.146 million against the Chief Constables budget has also been transferred to the Covid Enforcement/Operational Reserve to be used in 2021/22.

### Earmarked Reserves

The total movement in earmarked reserves is an increase of £11.577 million as set out in the following table:

<b>Police and Crime Commissioner Group - Transfers To / (From) Earmarked Reserves</b>			
	Budget 2020/21 £000	Outturn 2020/21 £000	Variance 2020/21 £000
<b>Transfers To / (From) earmarked reserves</b>			
Transfers To / (From) earmarked reserves	8,034	11,436	3,402
Transfer To / (From) NERSOU Reserve	-	141	141
<b>Total revenue transfers To / (From) earmarked reserves</b>	<b>8,034</b>	<b>11,577</b>	<b>3,543</b>

The transfer to the NERSOU reserve of £0.141 million is explained later in the Narrative Statement and shown in further detail at **Note 14** to the Single-Entity Accounts.

## Financial Accounting

For the purposes of financial accounting there is a requirement to produce a Comprehensive Income and Expenditure Statement (CIES) which sets out the income and expenditure for the single-entity and Group in a different way. For technical reporting of performance for the 2020/21 year the net cost of services in the Group CIES is £343.467 million and the deficit on provision of services is £140.500 million.

However, these figures on their own are not the best measure of financial performance because the financial statements follow accounting standards rather than local government legislation. The financial statements include adjustments to account for pension liabilities, Council Tax, depreciation of assets and other capital charges which do not impact on the usable reserves of the Group. A better measure is the movement on the general reserve which can be established by removing those accounting adjustments and is shown within the Movement in Reserves Statement.

This is demonstrated in the following table which reconciles the CIES accounting position to the financial position at the year-end, showing the transfer of £11.577 million to earmarked reserves and the reduction in the general reserve of £2.068 million for 2020/21.

<b>Summary of 2020/21 Financial Position (Group)</b>	
	Financial Position 2020/21 £000
<b>Net Cost of Services</b>	<b>343,295</b>
Other operating expenditure	(7)
Financing and investment income and expenditure	96,014
Taxation and non-specific grant income	(298,974)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>140,328</b>
Adjustment between accounting basis and funding basis under regulations*	(149,837)
<b>Net (Increase) / Decrease before transfer to / from earmarked reserves</b>	<b>(9,509)</b>
Transfers To / (From) earmarked reserves	11,577
<b>(Increase) / Decrease on General Reserve</b>	<b>2,068</b>

\* The accounting adjustment figure of £149.837m is explained further at **Note 4(b)** to the Group Accounts.

## Capital Expenditure

In addition to spending on day-to-day activities, the Commissioner incurs expenditure on the acquisition of non-current assets that will be used in providing services beyond the current accounting period, or expenditure that adds value to an existing non-current asset, such as buildings, technology and communications and other major items of plant and equipment.

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 a charge for the use of operational assets based on capital charges. For the 2020/21 financial year this charge was £13.597 million (£13.808 million 2019/20)

The Commissioner approved a capital programme of £16.741 million in February 2020. This was revised by the Commissioner at Quarter 1 to £19.320 million to take into account the re-phasing of the capital programme for specific projects.

The final capital outturn for the year is £10,706 million. The underspend against the revised estimate is mainly attributed to the building refurbishment plans based on estates conditions surveys, which were put on-hold during 2020/21 as a result of the Covid-19 pandemic. Refurbishment plans are being revised to take into

account Covid-secure requirements and the New Ways of Working (NWOW) project outcomes that will impact on how buildings are used in the future.

The capital outturn position is set out in the following table:

<b>Capital Outturn 2020/21</b>				
	2020/21 Estimate £000	2020/21 Revised Estimate £000	2020/21 Outturn £000	2020/21 Variance £000
<b>Capital Investment</b>				
Building Works	8,002	8,150	1,730	(6,420)
Information Technology & Digital Transformation	4,254	6,186	5,151	(1,035)
Vehicles & Equipment	4,319	4,818	3,699	(1,119)
Northumbria Contributions to NERSOU	166	166	126	(40)
<b>Total Capital Programme</b>	<b>16,741</b>	<b>19,320</b>	<b>10,706</b>	<b>(8,614)</b>

### Capital Financing

The following table sets out how the total capital investment for 2020/21 is financed:

<b>Capital Financing</b>	
	2020/21 £000
Capital Grants and Other Contributions	577
Borrowing Requirement	10,129
<b>Total Capital Financing</b>	<b>10,706</b>

During 2020/21 capital receipts of £7.097 million were received. These were mainly deferred receipts which related to contracts for the disposal of assets in previous years (partial disposal of the previous HQ site £7.032 million and the transfer of a helicopter to the National Police Air Support (NPAS) service £0.022 million). In addition, £0.043 million relates to the disposal of vehicles over the capital receipts threshold. These receipts are being held in reserve to fund the capital programme over the Medium Term Financial Strategy (MTFS) period 2021/22 to 2024/25.

### Governance

Governance arrangements are set out in the Annual Governance Statement published within the Statements of Account.

### Value for Money

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

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 at each meeting. 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 has been 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.
- Responsibility and accountability for resources rest with managers who are responsible for service provision.
- The Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring the Commissioner to consider, approve and publish an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and proper accounting practice, each year the Commissioner produces a four year Medium Term Financial Strategy (MTFS), Capital Strategy and a Reserves Strategy Statement. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget, use of reserves and capital programme.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the OPCC and the Chief Constable. It provides the authority to incur expenditure and the basis to manage financial performance throughout the year.
- Capital expenditure is an important element in the development of the Commissioner's service since it represents major investment in new and improved assets. The Commissioner approves a four-year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The Commissioner approved a balanced budget for 2020/21. However, the Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales, therefore in order to protect total funding for Northumbria in real terms, managing officer and staff pay awards, pay progression and other inflationary pressures, the Commissioner was required to raise the Council Tax Precept in 2020/21 by 1.99% equating to £2.67 for a Band D property. Further savings have also been required in order to balance the budget for the following four years. For 2020/21 there was an underspend on the overall Group revenue budget. This was primarily as a result of the impact of Covid-19 on revenue budgets, plus Government funding for future Covid-19 related expected spend.
- Financial performance reports are presented to each of the Commissioner and Chief Constable on a monthly basis. A combined Group financial monitoring report is presented to the Commissioner and Chief Constable's joint Business Meeting on a quarterly basis, and published for wider scrutiny of financial performance by the public. The quarterly reports are 'key decisions'.
- Performance reports are presented and discussed with the Commissioner regularly.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2019/20, concluding that the Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Grant Thornton UK LLP expect to complete their work on value for money arrangements in respect of the 2020/21 financial year by July 2022, and the outcome will be reported in their Auditor's Annual Report 2020/21

### Reviews and Complaints

Policing and crime reduction relies upon all sections of the community having trust and confidence in the police service and those who they elect to oversee it. The Commissioner for Northumbria is committed to delivering high standards of professionalism and behaviour at all times and ensuring that the OPCC for Northumbria is an organisation that:

- Complies with the statutory requirements to oversee complaints against the police and deal appropriately with complaints against the Chief Constable.
- Works with the Independent Office for Police Conduct (IOPC) and Police and Crime Panel (PCP) in Northumbria, where required, to ensure an efficient and effective response to complaints, to ensure the public receive the highest standard of public service.

The Policing Protocol Order 2011 sets out respective roles of the PCC and of the Chief Constable, highlighting the PCC’s responsibility for the totality of policing in the local area and a mandate to hold the Chief Constable to account.

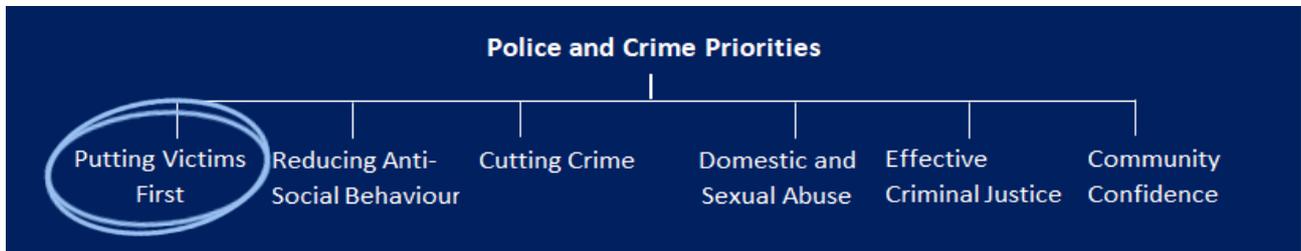
The PCC is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well as complying with the requirements of the Independent Office for Police Conduct (IOPC).

The Policing and Crime Act 2017 and supporting regulations made significant changes to the police complaints and disciplinary systems. Where a person is dissatisfied with the outcome of a complaint these reviews are dealt with by the Office of the Police and Crime Commissioner to determine if the outcome by Professional Standards Department has been reasonable and proportionate. As part of her scrutiny role, the PCC challenges Northumbria Police to assure her that learning is being achieved from all complaints and reviews. The Commissioner publishes all review outcomes on her website.

More information can be found at: [PCC Northumbria - Reviews and Complaints](#)

**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%. 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 to be 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 replaced its 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 grade 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.

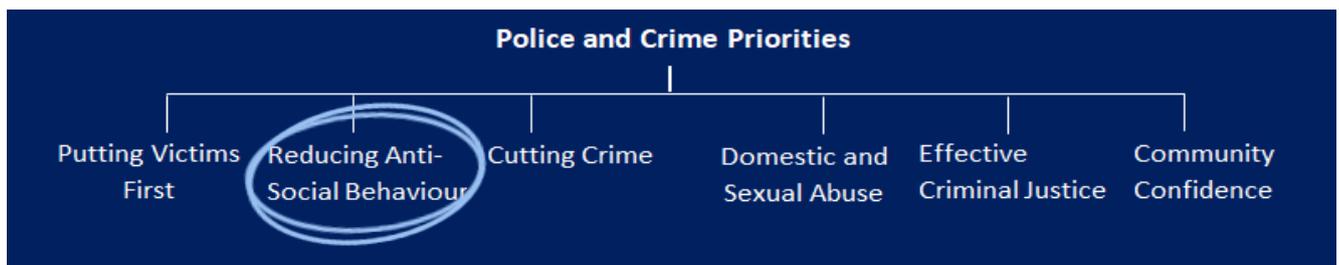
**Victim Satisfaction**

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 (Coronavirus 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 (+3,481 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 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*

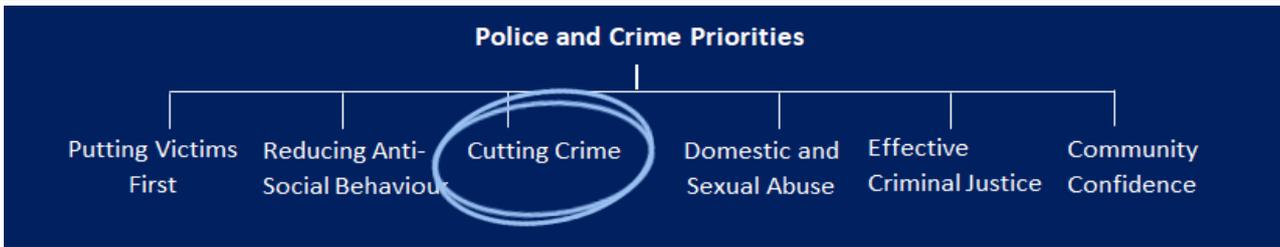
Satisfaction	2019/20	2020/21
Initial Contact	91%	93%
Response Time	88%	89%
Action Taken	81%	82%
Follow-up	65%	69%
Treatment	95%	96%
Whole experience	80%	78%

### 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

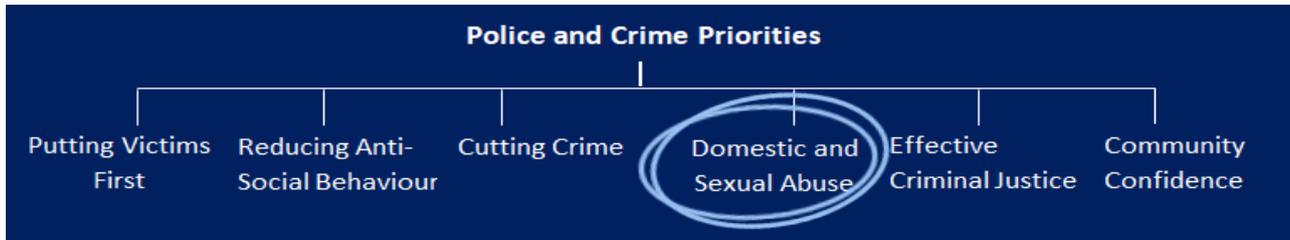
Hate crime reduced by 9% in 2020/21 (261 fewer crimes) compared to the previous year. In September 2020 a hate crime training package was created and rolled out across all front line officers, aiming to increase awareness of hate crime and the impact that this type of crime has on victims.

### 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:

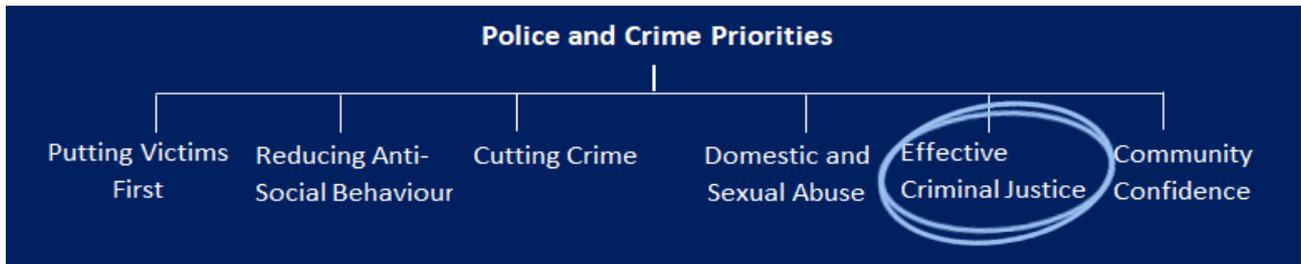
#### Domestic Abuse

- 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 (Local Authority) 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

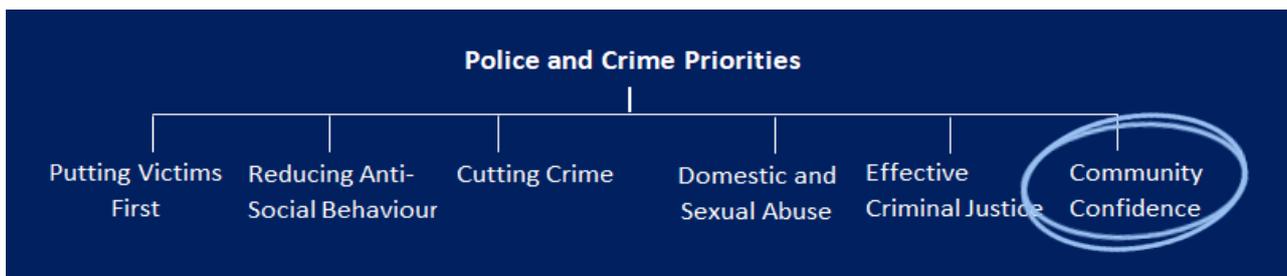
The backlog in the Northumbria area had been reducing at a higher rate than nationally; however, due to changes in the requirements for safe working practices the footfall had to be reduced in the courts resulting in the volume of cases being heard by 15%. As a consequence the gains the Northumbria area 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 Coronavirus 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 The Commissioner and Northumbria Police were parties to a number of collaboration agreements, details of which can be found on the Commissioners’ website at the following link: [Collaboration Agreements - Northumbria PCC \(northumbria-pcc.gov.uk\)](https://www.northumbria-pcc.gov.uk/collaboration-agreements). The North East Regional Special Operations Unit (NERSOU) is the principal collaboration arrangement between Northumbria, Durham and Cleveland and is accounted for as a Joint Operation in the financial statements. A summary of the financial performance is included below and further detail is provided in **Note 14** to the financial statements.

**North East Regional Special Operations Unit (NERSOU)**

The North East Regional Special Operations Unit (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 CIPFA. The NERSOU revenue outturn position for 2020/21 and the share attributable to Northumbria are set out in the following table:

<b>NERSOU Outturn 2020/21</b>		
	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.

The Commissioner holds an insurance provision for known outstanding liability claims, the costs of which have been estimated by the Commissioner's insurers. The timing of payments from the insurance provision account will be determined by the settlement of individual claims and is largely unknown. Therefore the Insurance Provision is classified as a non-current liability.

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 & 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), and for the Municipal Mutual Insurance (MMI) Levy for the Commissioner. Contingent liabilities are detailed in full at **Note 10** to the Group 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 Group 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 Commissioner and Chief Constable have 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 of the Group.

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 as the Police Pension Scheme. This is a wholly unfunded scheme for which the Chief Constable is Scheme Manager<sup>5</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>6</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 recouped by the Group in the form 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.

Police staff and OPCC staff can be members of the Tyne and Wear Pension Fund, a Local Government Pension Scheme administered by South Tyneside Council. The Commissioner and the Chief Constable make 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 Commissioner and the Chief Constable also have to meet the pension costs of employees who have left employment due to ill health or where early retirements have been agreed, and also make additional contributions to make good the shortfall in the pension fund, known as deficiency payments.

The Group 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

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

<sup>6</sup> Police Pension Fund Regulations 2007 (SI 2007/1932)

the Group have 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 Group Balance Sheet shows the underlying commitment that the Commissioner and Chief Constable have in the long run to pay post-retirement benefits. The total liability of £4.581 billion (£4.162 billion in 2019/20) has a substantial impact on the net worth of the Force as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

### **Treasury Management**

Treasury Management deals with the day-to-day and longer term cash flow position of the Commissioner, investing surplus balances and managing the loans portfolio. Specialist treasury management advisers (Link Asset Services, Treasury Solutions) are retained to provide advice on borrowing and investment strategies and other treasury related matters.

Treasury Management services are delivered by Northumbria Police Finance Department. The Commissioner's Treasury Management Policy and Strategy Statement 2020/21 to 2023/24 can be found at the following link: [TM Strategy 2021/22 to 2023/24](#)

The borrowing strategy during 2020/21 was to:

- Consider the use of short term borrowing as a bridge until receipts are received.
- Consider the use of market loans which are at least 20 basis points below the Public Works Loan Board (PWLB) target rate, where they become available.
- Consider the use of PWLB loans where rates fall below Link Group trigger rates, where required, with preference given to terms which ensure a balanced profile of debt maturity.
- Consider the use of reserve and General Fund balances to limit the requirement for new borrowing, reducing investment balances rather than increasing external borrowing in order to minimise interest costs.
- Maintain a flexible strategy in order to allow decisions on borrowing to be taken which balance the refinancing risk associated with an increase in interest rates against any potential short-term savings.

The total borrowing at 31 March 2021 was £93.469 million, which was within the operational borrowing limit of £155.000 million. This is a net increase of £2.500 million from the opening figure of £90.969 million, represented by £17.500 million new borrowing and repayments of £15.000 million.

Treasury Management activities are monitored daily to the approved indicator limits that are set in accordance with The Prudential Code for Capital Finance in Local Authorities. For 2020/21 neither the indicators of the Authorised Limit for External Debt of £175.000 million, nor the Operational Boundary for External Debt of £155.000 million were breached and the profile of debt maturity was maintained within the agreed limits.

## Explanation of the Key Statements

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

### Core Financial Statements – Commissioner’s single-entity accounts:

**Movement in Reserves Statement (MiRS)** for the Police and Crime Commissioner (Page 35) - This statement shows the movement in year on the different reserves held by the Commissioner, analysed into 'usable reserves' (i.e. Those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the Commissioner’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The 'Net (Increase) / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Reserve before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner.

**Comprehensive Income and Expenditure Statement** for the Police and Crime Commissioner (Page 37) - The purpose of this statement is to show the accounting cost in the year of the Commissioner providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It includes all income paid into the Police Fund, as well as the accounting costs directly controlled by the Commissioner in relation to her Office, commissioning of victim services (including restorative justice), third party payments from the Commissioners Fund and an intragroup charge from the Chief Constable for the cost of policing.

**Balance Sheet** for the Police and Crime Commissioner (Page 38) - This sets out the Commissioner’s financial position and net liabilities at the financial year-end.

**Cash Flow Statement** for the Police and Crime Commissioner (Page 39) - This summarises the cash and cash-equivalent receipts and payments of the Commissioner arising from transactions with third parties for both capital and revenue purposes.

**Notes to the Single-entity Financial Statements (Page 40)** - The notes provide additional information to support the core statements above including a Statement of Accounting Policies.

### Core Financial Statements - Group:

**Movement in Reserves Statement** for the Police and Crime Commissioner Group (Page 94) - The Commissioner and the Chief Constable each hold reserves. The Chief Constable’s reserve balances being unusable reserves associated with the Pension Liability and the Accumulated Absence Account. The Group accounts show the combined position of the movement on the Commissioner’s and Chief Constable’s reserves after removing any transactions between the two.

**Comprehensive Income and Expenditure Statement** for the Police and Crime Commissioner Group (Page 96) - The purpose of this statement is to show the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council Tax is raised by the Commissioner and Central Government grants are received each year to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position and the required use of cash reserves are shown in the Movement in Reserves Statement.

**Balance Sheet** for the Police and Crime Commissioner Group (Page 97) - This sets out the Group’s financial position and net liabilities at the financial year-end; it summarises the non-current and current assets and liabilities, which are used in carrying out the Group’s activities.

**Cash Flow Statement** for the Police and Crime Commissioner Group (Page 98) - This summarises the cash and cash-equivalent receipts and payments of the Group arising from transactions with third parties for

both capital and revenue purposes. Cash is defined for the purpose of this statement as cash in hand; cash equivalents are deposits repayable on demand.

**Notes to the Group Financial Statements (Page 99)** - The notes for the Group accounts provide additional information where they differ from those disclosed for the Commissioner's single-entity accounts.

### **Documents supporting the Statements of Account:**

**Police Officer Pension Fund Statements (Page 127)** - This shows the Police Pension Fund Account for the year for which the Chief Constable is Scheme Manager<sup>7</sup>.

**Annual Governance Statement (Page 129)** - This statement, required by regulations<sup>8</sup> to accompany the Statements of Account, outlines the Commissioner's approach to corporate governance and internal control<sup>9</sup>.

**Independent Auditor's Report to the Police and Crime Commissioner (Page 142)** - This report details the basis of the external auditor's opinion on the Statements of Account.

**Glossary of Terms (Page 148)** - This section includes a description of the key terms used in the Statements of Account, along with explanations of any technical terminology.

### **Significant Changes since 2019/20**

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

#### **Prior Period Adjustment**

The Police and Crime Commissioner for Northumbria has identified an error in the calculations for the valuation of 3 property assets. The building components for 3 specialised operational assets valued at depreciated replacement cost (DRC) included VAT within the total cost assessed by the Valuer. As VAT would be recoverable by the Commissioner the valuations are therefore overstated by the amount of VAT included. The error has been repeated each year since prior to 2012/13 when the Police and Crime Commissioner role was created and the first set of PCC and Group accounts were produced under the statutory arrangements introduced by the Police Reform and Social Responsibility Act 2011.

The impact on the balance sheet for the PCC Single Entity and Group accounts is a reduction in the carrying value for Property, Plant and Equipment of £8.512 million as at 1 April 2019, and an adjustment of the same value to non-cash unusable reserves. Full details are set out at **Note 25** to the Single Entity accounts and **Note 12** to the Group accounts, including all relevant restatements for the 2019/20 financial year.

The error identified impacts only on the accounting estimates for non-current assets and unusable reserves, there is no impact on the cash balances held by the Commissioner or the General Fund.

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<sup>7</sup> Public Service Pension Act 2013 (section 4)

<sup>8</sup> Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from [www.legislation.gov.uk](http://www.legislation.gov.uk))

<sup>9</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. 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 £415.000 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 £415.000 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 2020/21 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.

### Further Information

This publication provides a review of the financial performance of the Group for 2020/21, a summary of which will be included in the Annual Report for 2020/21 available on the Commissioner's website [Homepage - Northumbria PCC \(northumbria-pcc.gov.uk\)](https://www.northumbria-pcc.gov.uk).



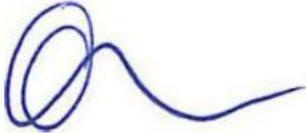
**Kevin Laing MSc (fin) CPFA**  
Treasurer  
Date: 11/07/2022

# Statement of Responsibilities

## The Commissioner's Responsibilities

The Commissioner is required to:

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



**Commissioner Kim McGuinness**  
**Police and Crime Commissioner for Northumbria**  
Date: 11/07/2022

## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Commissioner's Statements of Account in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statements of Account, the Treasurer 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 Treasurer 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 Commissioner at 31 March 2021 and of her income and expenditure for the year ended 31 March 2021.



**Kevin Laing MSc (fin) CPFA**  
**Treasurer**  
Date: 11/07/2022

# Police and Crime Commissioner Single Entity Financial Statements

## Comprising:

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

## Movement in Reserves Statement 2020/21

	Note	General Reserve £000	Earmarked Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance as at 31 March 2020</b>		12,126	11,601	23,727	15,056	280	39,063	(12,159)	26,904
<b><u>Movement in reserves during 2020/21</u></b>									
<b>Total Comprehensive Income and Expenditure</b>		3,073	-	3,073	-	-	3,073	3,145	6,218
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	6,436	-	6,436	7,097	-	13,533	(13,533)	-
<b>Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves</b>		9,509	-	9,509	7,097	-	16,606	(10,388)	6,218
<b>Transfers (To) / From Earmarked Reserves</b>	9(c)	(11,577)	11,577	-	-	-	-	-	-
Increase or (Decrease) in Year		(2,068)	11,577	9,509	7,097	-	16,606	(10,388)	6,218
<b>Balance as at 31 March 2021</b>		10,058	23,178	33,236	22,153	280	55,669	(22,547)	33,122

## Movement in Reserves Statement 2019/20 Restated

	Note	General Reserve £000	Earmarked Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance as at 31 March 2019</b>		<b>9,728</b>	<b>7,381</b>	<b>17,109</b>	<b>7,944</b>	<b>280</b>	<b>25,333</b>	<b>3,062</b>	<b>28,395</b>
<b><u>Movement in reserves during 2019/20</u></b>									
<b>Total Comprehensive Income and Expenditure</b>		<b>437</b>	<b>-</b>	<b>437</b>	<b>-</b>	<b>-</b>	<b>437</b>	<b>(1,928)</b>	<b>(1,491)</b>
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	6,181	-	6,181	7,112	-	13,293	(13,293)	-
<b>Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves</b>		<b>6,618</b>	<b>-</b>	<b>6,618</b>	<b>7,112</b>	<b>-</b>	<b>13,730</b>	<b>(15,221)</b>	<b>(1,491)</b>
Transfers (To) / From Earmarked Reserves	9(c)	(4,220)	4,220	-	-	-	-	-	-
<b>Increase or (Decrease) in Year</b>		<b>2,398</b>	<b>4,220</b>	<b>6,618</b>	<b>7,112</b>	<b>-</b>	<b>13,730</b>	<b>(15,221)</b>	<b>(1,491)</b>
<b>Balance as at 31 March 2020</b>		<b>12,126</b>	<b>11,601</b>	<b>23,727</b>	<b>15,056</b>	<b>280</b>	<b>39,063</b>	<b>(12,159)</b>	<b>26,904</b>

<b>Comprehensive Income and Expenditure Statement</b>							Notes
2019/20 Restated				2020/21			
Gross Expenditure £000	Income £000	Net Expenditure £000	<b>Service Expenditure Analysis</b>	Gross Expenditure £000	Income £000	Net Expenditure £000	
-	(25,245)	(25,245)	Police Services	-	(32,302)	(32,302)	
-	(4,040)	(4,040)	Policing Funds (managed by the PCC)	-	(2,568)	(2,568)	
1,979	(63)	1,916	Office of the Police and Crime Commissioner	2,110	(35)	2,075	
-	(130)	(130)	Capital Financing	-	(129)	(129)	
1,752	(1,752)	-	PCC Commissioning of Victim Services	2,630	(2,630)	-	
306,957	-	306,957	PCC Financing of Police Services	326,188	-	326,188	
<b>310,688</b>	<b>(31,230)</b>	<b>279,458</b>	<b>Net Cost of Services</b>	<b>330,928</b>	<b>(37,664)</b>	<b>293,264</b>	
		280	Other Operating Expenditure			(7)	
		2,599	Financing and Investment Income and Expenditure			2,644	10
		(282,774)	Taxation and Non-Specific Grant Income and Expenditure			(298,974)	
		<b>(437)</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>(3,073)</b>	
		1,508	(Surplus) / Deficit on revaluation of non-current assets			(3,620)	} 9(a)
		420	Re-measurements of the net defined pension benefit Liability			475	
		<b>1,928</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,145)</b>	
		<b>1,491</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(6,218)</b>	

<b>Balance Sheet</b>				
<b>1 April 2019 Restated £000</b>	<b>31 March 2020 Restated £000</b>		<b>31 March 2021 £000</b>	<b>Notes</b>
86,755	85,705	Property, Plant and Equipment	87,135	} 16
1,100	2,300	Investment Property	2,300	
1,842	2,981	Intangible Assets	2,644	
7,074	-	Long-Term Debtors	-	
<b>96,771</b>	<b>90,986</b>	<b>Long-Term Assets</b>	<b>92,079</b>	
-	7,627	Short-Term Investments	20,002	} 16
1,695	-	Assets Held for Sale	-	
551	745	Inventories	775	} 17
38,032	35,869	Short-Term Debtors	27,958	
14,581	7,972	Cash and Cash Equivalents	16,594	} 18
<b>54,859</b>	<b>52,213</b>	<b>Current Assets</b>	<b>65,329</b>	
(1,515)	(580)	Bank Overdraft	(1,043)	} 18
(21,703)	(4,677)	Short-Term Borrowing	(7,162)	} 21
(16,144)	(21,574)	Short-Term Creditors	(26,034)	} 19
<b>(39,362)</b>	<b>(26,831)</b>	<b>Current Liabilities</b>	<b>(34,239)</b>	
(1,339)	(1,388)	Long-Term Provisions	(1,330)	} 20
(81,969)	(86,969)	Long-Term Borrowing	(86,969)	} 21
(565)	(1,107)	Other Long-Term Liabilities (Pensions)	(1,748)	} 18
<b>(83,873)</b>	<b>(89,464)</b>	<b>Long-Term Liabilities</b>	<b>(90,047)</b>	
<b>28,395</b>	<b>26,904</b>	<b>Net Assets</b>	<b>33,122</b>	
<b>25,333</b>	<b>39,063</b>	<b>Total Usable Reserves</b>	<b>55,669</b>	} 9 (c)
<b>3,062</b>	<b>(12,159)</b>	<b>Total Unusable Reserves</b>	<b>(22,547)</b>	
<b>28,395</b>	<b>26,904</b>	<b>Total Reserves</b>	<b>33,122</b>	

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



**Kevin Laing MSc (fin) CPFA**  
 Treasurer  
 Date: 11/07/2022

## Cash Flow Statement

2019/20 £000		2020/21 £000
(437)	<b>(Surplus) / Deficit on the provision of services</b>	(3,073)
	<b>Adjustments to (Surplus) / Deficit on the Provision of Service for Non-Cash Movements:</b>	
(7,586)	Depreciation of Non-Current Assets	(8,707)
(4,636)	Revaluation / Impairment of Non-Current Assets	(3,342)
(1,208)	Amortisation of Intangible Fixed Assets	(1,168)
(122)	Pension Fund Adjustments	(166)
(621)	(Increase) / Decrease in Provision for Bad Debts	(1)
(49)	Contributions To / (From) Provisions	58
(297)	Carrying amount of PP&E, Investment Property and Intangible Assets Sold	(35)
663	Other Non-Cash Movement	(1,743)
<b>(13,856)</b>		<b>(15,104)</b>
	<b>Accruals Adjustments:</b>	
194	Increase / (Decrease) in Inventories	30
(10,033)	Increase / (Decrease) in Debtors	(7,673)
(124)	Increase / (Decrease) in Interest Debtors	131
(4,887)	(Increase) / Decrease in Creditors	(3,590)
27	(Increase) / Decrease in Interest Creditors	14
<b>(14,823)</b>		<b>(11,088)</b>
	<b>Adjustments for items included in the net (Surplus) / Deficit on the provision of service that are investing or financing activities:</b>	
17	Proceeds from the Disposal of PP&E, Investment Property and Intangible Assets	42
1,847	Capital Grants Credited to Surplus or Deficit on the Provision of Services	977
-	Other Adjustments for items included in the net (Surplus) / Deficit on the Provision of Service that are Investing or Financing Activities	
<b>1,864</b>		<b>1,019</b>
	<b>Reversal of Operating Activity items included in the net (Surplus) / Deficit on the Provision of Service that are shown separately below:</b>	
(2,587)	Reversal of amounts disclosed separately below	(2,620)
	<b>Cash Flows from Operating Activities includes the following items:</b>	
2,871	Interest Paid	2,822
(284)	Interest Received	(202)
<b>2,587</b>		<b>2,620</b>
<b>(27,252)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(28,246)</b>
	<b>Net Cash Flows from Investing Activities:</b>	
14,740	Purchase of PP&E, Investment Property and Intangible Assets	10,726
27,600	Purchase of Short-Term and Long-Term Investments	78,300
378	Other Payments for Investing Activities	380
(17)	Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(42)
(20,100)	Proceeds from the Sale of Short-Term and Long-Term Investments	(65,800)
(1,443)	Capital Grants Received (Government)	(491)
(232)	Capital Grants Received (Non-Government)	(486)
<b>20,926</b>	<b>Net Cash Flows from Investing Activities</b>	<b>22,587</b>
	<b>Net Cash Flows from Financing Activities:</b>	
(56,000)	Cash Receipts of Short-Term and Long-Term Borrowing	(17,500)
68,000	Repayments of Short-Term and Long-Term Borrowing	15,000
<b>12,000</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(2,500)</b>
<b>5,674</b>	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	<b>(8,159)</b>
13,066	Cash and Cash Equivalents at the Beginning of the Period	7,392
7,392	Cash and Cash Equivalents at the End of the Period	15,551

## Notes to the Single Entity Financial Statements

### I. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available to the Chief Constable (i.e. the financing provided by the 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.

Net expenditure chargeable to the general fund shown for the Office of the Police and Crime Commissioner of **£2.098 million** comprises the OPCC budget outturn of £1.806 million, spend against the Commissioners reserve for the Coronavirus response fund of £0.318 million plus the Specific Grant for Council Tax of £0.026 million.

Net expenditure chargeable to the general fund shown for the financing of police services line of **£280.979 million** comprises the Chief Constables outturn position of £281.120 million plus the net surplus on the NERSOU outturn position attributable to Northumbria of £0.141 million.

Expenditure and Funding Analysis						
Net Expenditure Chargeable to the General Fund £000	2019/20 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	2020/21 Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
			<b>Service Expenditure Analysis</b>			
-	(25,245)	(25,245)	Police Services	-	(32,302)	(32,302)
(4,040)	-	(4,040)	Policing Funds (managed by the PCC)	-	(2,568)	(2,568)
1,958	(42)	1,916	Office of the Police and Crime Commissioner	2,098	(195)	1,903
8,371	(8,501)	(130)	Capital Financing	9,941	(10,070)	(129)
-	-	-	PCC Commissioning of Victim Services	-	-	-
267,752	39,205	306,957	PCC Financing of Police Services	280,979	45,381	326,360
<b>274,041</b>	<b>5,417</b>	<b>279,458</b>	<b>Net Cost of Services</b>	<b>293,018</b>	<b>246</b>	<b>293,264</b>
(280,659)	764	(279,895)	Other Income and Expenditure	(302,527)	6,190	(296,337)
<b>(6,618)</b>	<b>6,181</b>	<b>(437)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(9,509)</b>	<b>6,436</b>	<b>(3,073)</b>
<b>17,109</b>			<b>Opening General Fund Balance at 31 March</b>	<b>23,727</b>		
6,618			Surplus / (Deficit) on General Fund in Year	9,509		
<b>23,727</b>			<b>Closing General Fund as 31 March</b>	<b>33,236</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 Commissioner 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	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Council Tax £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	-	-	-	(32,302)	(32,302)
Policing Funds (managed by the PCC)	-	-	-	(2,568)	(2,568)
Office of the Police and Crime Commissioner	13,597	142	-	(13,934)	(195)
Capital Financing	(7,450)	-	-	(2,620)	(10,070)
PCC Commissioning of Victim Services	-	-	-	-	-
PCC Financing of Police Services	-	-	-	45,381	45,381
<b>Net Cost of Services</b>	<b>6,147</b>	<b>142</b>	<b>-</b>	<b>(6,043)</b>	<b>246</b>
Other Income and Expenditure	(984)	24	1,107	6,043	6,190
<b>(Surplus) / Deficit on Provision of Services</b>	<b>5,163</b>	<b>166</b>	<b>1,107</b>	<b>-</b>	<b>6,436</b>

2019/20					
Adjustments between Funding and Accounting Basis					
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Council Tax £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	-	-	-	(25,245)	(25,245)
Policing Funds (managed by the PCC)	-	-	-	-	-
Office of the Police and Crime Commissioner	13,808	110	-	(13,960)	(42)
Capital Financing	(5,914)	-	-	(2,587)	(8,501)
PCC Commissioning of Victim Services	-	-	-	-	-
PCC Financing of Police Services	-	-	-	39,205	39,205
<b>Net Cost of Services</b>	<b>7,894</b>	<b>110</b>	<b>-</b>	<b>(2,587)</b>	<b>5,417</b>
Other Income and Expenditure	(1,567)	12	(268)	2,587	764
<b>(Surplus) / Deficit on Provision of Services</b>	<b>6,327</b>	<b>122</b>	<b>(268)</b>	<b>-</b>	<b>6,181</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 investment income which sits within the Commissioner's capital financing budget.

<b>Segmental Income</b>		
	Income from Services 2019/20	Income from Services 2020/21
<b>Income received on a segmental basis is analysed below:</b>	£000	£000
Capital Financing	(284)	(202)
<b>Total income analysed on a segmental basis</b>	<b>(284)</b>	<b>(202)</b>

**2. Expenditure and Income Analysis by Nature**

The Code of Practice requires the Commissioner to disclose information on the nature of expenses. The Commissioner'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	767	777
Other employee expenses	-	265
Premises	116	109
Transport	1	-
Supplies and services	225	203
Third party payments	2,622	3,386
Depreciation, amortisation and impairment	13,430	13,217
Other capital charges	378	380
Less: amounts charged to Chief Constable for use of assets	(13,808)	(13,597)
Financing of Police Services	306,957	326,188
Loss on disposal of property, plant and equipment	280	-
Interest payments	2,871	2,821
Police pension fund deficit - payment to pension fund	64,849	58,840
Interest on the net defined benefit pension liability	12	24
<b>Total Expenditure</b>	<b>378,700</b>	<b>392,613</b>
<b>Income</b>		
Fees, charges and other service income	(5,379)	(3,640)
Recharge receipts	(3,741)	(3,018)
Other operating Income	(2,303)	(2,024)
Revenue grants and contributions	(19,807)	(28,981)
Gain on disposal of property, plant and equipment	-	(7)
Interest and investment income	(284)	(202)
Dividends receivable	-	-
Income from Council Tax	(53,799)	(54,482)
Police Grant income	(227,128)	(243,515)
Police pension fund deficit - grant income	(64,849)	(58,840)
Capital Grants and Contributions	(1,847)	(977)
<b>Total Income</b>	<b>(379,137)</b>	<b>(395,686)</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(437)</b>	<b>(3,073)</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 modified by the revaluation of certain categories of non-current assets and financial instruments. 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 present 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:

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner;
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner;

- 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;
- Interest payable on borrowings and receivables on investment income is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract; and
- 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. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### c) Assets held for sale

When it becomes probable that the carrying amount of a non-current asset will be recovered through a sale transaction rather than continuing use, it is reclassified as an asset held for sale. In order to be classified as an asset held for sale the following conditions must be met:

- The asset is available for immediate sale in its current condition;
- The sale is highly probable, the Commissioner has committed to sell the asset and has initiated a programme to locate a buyer;
- The asset is actively marketed for a sale price that is reasonable in relation to its current fair value; and
- The sale is expected to be completed within one year of the date of classification.

The asset is revalued immediately before reclassification and carried at the lower of either the revalued amount or fair value less costs to sell. Where there is a subsequent decrease to fair value less cost to sell, the loss is posted to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on assets held for sale.

Assets held for sale are disclosed separately in the Balance Sheet as current assets and further information is disclosed in Note 16 to the single-entity accounts.

### d) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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.

Due to the risk of lost income from reduced interest earned or the cost of penalties charged for early redemption of fixed term investments, the Commissioner does not consider fixed term investments to be highly liquid. Fixed term investments are shown on the Balance Sheet as either long-term or short-term investments depending on the remaining term to maturity of the investment.

### e) Charges to revenue for non-current assets

The Comprehensive Income and Expenditure Statement is debited with the following to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

Depreciation, impairment losses or amortisation do not impact on the level of Council Tax Precept. However, there is a requirement to make an annual provision from revenue to contribute towards the reduction in the Commissioner's overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance, or loans fund principal charge). Depreciation, impairment losses and amortisation are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**f) Council Tax income**

As a major Preceptor, the Commissioner receives a share of Council Tax income from each billing authority by way of a Precept. The amount credited to the General Fund under statute is the Commissioner's demand for the year plus her share of the surplus on the Collection Fund of collection authorities for the previous year (or less her share of the deficit). Council Tax Precept income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The Commissioner receives her proportionate share of each collection authority's accrued Council Tax income, which may be more or less than the Commissioner's demand for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. There will be a debtor / creditor position between the Commissioner and the collection authorities, since the net cash paid by each billing authority in the year will not be its share of cash collected from Council Taxpayers.

**g) Employee benefits**

**Benefits payable during employment**

Short-term employee benefits, such as salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render services to the Commissioner. An accrual is made for the cost of holiday entitlements and other short term absences 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 Commissioner or Chief Constable to terminate a member of staff's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy. The costs are charged on an accruals basis in the Comprehensive Income and Expenditure Statement when the relevant employer is demonstrably committed to terminating the employment of an employee or group of employees. 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 Commissioner / 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 Group 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 Schemes** are unfunded defined benefit schemes, for which contributions are paid into a Pension Fund and pensions paid from the Fund. The deficit each year on the Fund is balanced to nil at the end of each year by receipt of a pension top up grant 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 Group 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 Group 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.

#### **h) 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.

#### **i) 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 Group'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.

The 2020/21 accounts include a prior period adjustment relating to an error identified in the Calculation for Property Valuations Relating to Specialised Assets. The detailed explanation with regards the error and the

actions taken to correct it are set out at **Note 25** to the PCC Single Entity accounts and **Note 12** to the Group accounts. The restatement of financial statements required by the CIPFA Code are contained within those notes.

### j) **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. 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.

#### **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. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans that the Commissioner has made, the amount presented in the Balance Sheet is the outstanding principal receivable. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

#### **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the *Financing Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowing that the Commissioner has, the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Amortised cost is adjusted for any premiums, discounts, material transaction costs and accrued interest. Where financial liability interest rates are fixed until maturity they are deemed not to require an effective interest rate calculation to be carried out.

The transaction costs of the financial liabilities held on the Balance Sheet are considered to be immaterial.

#### **Fair Value**

For each class of financial asset and financial liability, the Commissioner is required to disclose the fair value (as defined in the Fair Value Measurement section at o), below) of that class of asset and liability in a way that permits it to be compared to its carrying amount. The Commissioner assesses the fair value by calculating the present value of the cash flows that take place over the remaining life of the instruments, using a number of assumptions which are further detailed in **Note 21** Financial Instruments.

Fair values have not been calculated for assets or liabilities where the carrying amount is a reasonable approximation of fair value, such as trade creditors and debtors.

#### **Redemption of Debt**

There is a requirement by statute to set aside a Minimum Revenue Provision (MRP), for the repayment of debt. Provision is made for principal repayments by charging an MRP calculated in accordance with CIPFA's Prudential Code (which follows the provisions of the Local Government Act 2003).

#### **External Interest**

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

### **Borrowing costs**

Borrowing costs are recognised as a revenue expense in the period in which they are incurred. Borrowing costs are interest and other costs that the Commissioner incurs in connection with the borrowing of funds.

### **k) Government grants and other contributions**

All Group funding is paid to the Commissioner. Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as due to the Commissioner when there is reasonable assurance that the Commissioner will comply with the conditions attached to the payments. The grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Unspent, non-conditional revenue grant income at year-end is appropriated into an earmarked reserve.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserve in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied.

### **l) Intangible assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Commissioner is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Commissioner.

Intangible assets are initially measured at cost and are amortised to revenue over their useful economic lives on a straight-line basis, usually five years. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising from the disposal or abandonment of an intangible asset is posted to the Other Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

### **m) Investment property**

Investment properties are those that are held by the Commissioner solely to generate rental income and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at 'fair value' (as defined in the Fair Value section below). Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

Rental income received in relation to investment properties is credited to the *Financing and Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement and results in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### n) Fair value measurement

The Group measures some of its non-financial assets such as investment properties and surplus assets at fair value at each reporting date. The Group also discloses some of its financial instruments such as Public Works Loan Board (PWLB) loans and Market loans at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Group measures the value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the value of a non-financial asset the Group takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; or

Level 3 - Unobservable inputs for the asset or liability.

### o) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is possible that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. A de minimis level of £10,000 is set for the initial recognition of an asset on the Balance Sheet, although individual assets with a value less than this may be capitalised if they form part of a larger investment programme which exceeds the de minimis level (such as the acquisition of vehicles or ICT equipment).

All Property, Plant and Equipment will be recognised on the Balance Sheets of the Commissioner Single Entity and Group. None will be recognised on the Chief Constable's Balance Sheet.

Any expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. Repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost comprising:

- The purchase price;
- All costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Commissioner does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the *Taxation and Non-Specific Grant Income and Expenditure* line in the Comprehensive Income and Expenditure Statement. Where a donation is made conditionally the gain is first held in the Donated Assets Account until conditions are satisfied. Any gains credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- a) Assets under construction - historic cost, net of depreciation, where appropriate;
- b) Investment properties - fair value, as a non-financial asset investment property is measured at highest and best use from a market participant's perspective;
- c) Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- d) Non-specialised operational properties - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV);
- e) Specialised operational properties - current value, but where no market exists due to the specialised nature of the asset, depreciated replacement cost (DRC) is used as an estimate of current value;
- f) Vehicles, plant and equipment - where assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value;
- g) Assets held for sale – valued at the lower of carrying value and fair value, estimated at highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every three years. Valuations of the Commissioners properties are carried out on a rolling programme basis, with approximately one third of assets valued each year with an effective date of 01 April in the reporting period. This provides a full revaluation every three years, in line with statutory requirements. In addition, significant assets, investment properties and assets held for sale are valued annually.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the *Surplus or Deficit on Provision of Services* in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 01 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Valuations were carried out internally for the Commissioner by Northumbria Police Asset Manager, Tim Rodgers BSc (Hons), MRICS Registered Valuer, supported by Northumbria Police Estates Surveyor, James Clare MRICS Registered Valuer.

### **Impairment**

Assets are assessed at each year-end as to whether there is an indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

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

### **Disposal of Assets**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as a gain or loss on disposal. Any receipts from the disposal are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income from the disposal of non-current assets is accounted for on an accruals basis and amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written-off value of disposals is not a charge against the General Reserve, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Reserve balance in the Movement in Reserve Statement.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The useful life of an asset is determined either on acquisition or revaluation of that asset.

A full year's depreciation is charged on newly acquired assets in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use. Depreciation is calculated using the straight-line method.

Generally, assets are depreciated in accordance with the following estimate of useful lives:

- Police stations: Between 10 and 50 years depending on use, construction type and condition;
- Computers and other equipment: 5 years; and
- Vehicles: 3 years.

An exception to the above policy is made for assets without a determinable finite life such as land, which is not depreciated.

Separate charges are made for the depreciation of major components of a single asset, where significant components of the asset have materially different useful economic lives. The Commissioner has split her assets into separate components where the following criteria are met:

- The total asset has a value greater than £1.000 million;
- The component has a value of greater than 20% of the total asset; and
- The component has a useful life which differs by 10 years or more from any other component of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### p) Provisions and contingent liabilities

#### Provisions

Provisions are made where an event has taken place that gives the Commissioner a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential. A reliable estimate can be made of the amount of the obligation. Provisions that are charged to the Comprehensive Income and Expenditure Statement in the year that the Commissioner becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation. This takes into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received.

#### Contingent liabilities

A contingent liability arises where an event has taken place that gives the Commissioner 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 Commissioner. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in **Note 20** to the single entity accounts and **Note 10** to the group accounts.

### q) Reserves

Amounts are set aside as reserves for future policy purposes and to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the cost of service in the Comprehensive Income and Expenditure Statement and the reserve is appropriated back into the General Reserve balance in the Movement in Reserves Statement; this means there is no impact on the level of Council Tax Precept as a result of that expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Commissioner.

**r) Revenue expenditure funded from capital under statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non-current asset, has been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year. Where the cost of this expenditure is to be met from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amount charged in the Movement in Reserves Statement so there is no impact on the level of Council Tax Precept as a result of this expenditure.

**s) 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.

**t) 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 Commissioner Single Entity. Any assets held jointly are accounted for on the Balance Sheet of the Commissioner Single Entity and Group as the percentage share of assets attributable to the 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 14**.

**4. Critical judgements 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;
- Property valuations;
- Provisions for future expenditure; and
- Accounting recognition of assets, liabilities, reserves, revenue and expenditure within the Group following introduction of the new governance arrangement under provisions of the Police Reform and Social Responsibility Act.

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 Commissioner'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 have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by 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 Commissioner.

### 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 has now been delayed a number of times, with the latest position being that adoption is now required from 01 April 2024, although early adoption is allowed from 01 April 2022. The Commissioner intends to adopt IFRS 16 for the 2024/25 financial year. Whilst the impact on the financial statements is not yet known in detail, there is expected to be no impact on the General Fund balance resulting from implementation.

## 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 in the Commissioner's Group Balance Sheets as at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

### Pension Liabilities

Pension liabilities included in the balance sheet are assessed on an actuarial basis. The estimation of the future liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates, the age profile of members and retirement age, and expected return on pension fund assets for funded schemes.

The pension fund liabilities for the Police Pension Scheme (PPS) have been assessed by the Government Actuary's Department (GAD).

The pension fund liabilities for the Tyne and Wear Pension Fund (TWPF) have been assessed by AON Solutions UK Limited (AON).

Both GAD and AON provide the Commissioner with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured and further information on the impact of such changes for both PPS and TWPF is presented in **Note 11** to the Group accounts. Some examples of the potential impact are set out below:

### Police Pension Scheme (PPS)

- A reduction in the discount rate assumption of 0.5% would result in an increase in the pension liability of £313.00m (9.0%).
- An increase in the salary inflation assumption of 0.5% would result in an increase in the pension liability of £30.00m (1.0%).

**Tyne and Wear Pension Fund (TWPF)**

- A reduction in the discount rate assumption of 0.1% would result in an increase in the pension liability of £14.90m (2.4%).
- An increase in the rate of general salary increases assumption of 0.1% would result in an increase in the pension liability of £2.49m (0.4%).

Further details are included within the notes to the accounts.

**Fixed Asset Valuations**

Asset valuations are carried out on a rolling programme basis with one third of assets valued each year. In addition significant assets, investment properties and assets held for sale are valued each year. This provides a full revaluation every three years which is within statutory requirements. The 2020/21 valuations were carried out internally by Northumbria Police Asset Manager, Tim Rodgers BSc (Hons), MRICS Registered Valuer, supported by Northumbria Police Estates Surveyor, James Clare MRICS Registered Valuer.

Valuation bases are as set out in section q) Property Plant and Equipment. All valuations were carried out in accordance with the RICS Valuation - Global Standards 2020 and the UK National Supplement 2018.

**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 and a number of Specific Grants and other funding streams, is 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 - £13.597 million; and
- 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 OPCC - £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; and
- The Chief Constable's Balance Sheet includes any creditors and debtors in relation to the cost of policing offset by a balancing net debtor of '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.

The following tables set out the intra-group transactions within the single-entity financial statements:

<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
(306,957)	Chief Constable		(326,188)
306,957	Commissioner		326,188
<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 adjustments

The Movement in Reserves Statement details all movements in the Commissioner's usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and provides a summary of the movement in unusable reserves. The 'Surplus or deficit on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve balance for Council Tax setting purposes. The 'Net (Increase) / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Reserve balance before any discretionary transfers to or from earmarked reserves undertaken 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 tables detail the transactions during 2019/20 and 2020/21:

<b>Other Comprehensive Income &amp; Expenditure</b>		
2019/20		2020/21
Unusable Reserves		Unusable Reserves
£000		£000
1,346	(Surplus) / Deficit on revaluation of non-current Assets	(3,620)
420	Re-measurements of the net defined benefit pension Liability	475
<b>1,766</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>(3,145)</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 Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure. The adjustments for 2020/21 and 2019/20 are set out in the following tables:

<b>Adjustments between Accounting Basis &amp; Funding Basis under regulations 2020/21</b>					
	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(12,049)	-	-	-	12,049
Amortisation of intangible assets	(1,168)	-	-	-	1,168
Revenue Expenditure Funded from Capital under Statute	(380)	-	-	-	380
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	977	-	-	-	(977)
Capital Expenditure charged in the year to the General Fund	-	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	7	-	(7,097)	-	7,090
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	-	-	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(1,107)	-	-	-	1,107
Reversal of IAS 19 Pension Charges	(316)	-	-	-	316
Contributions due under the pension scheme regulations	150	-	-	-	(150)
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	-	-	-	-	-
Revenue provision for the repayment of debt	7,450	-	-	-	(7,450)
<b>Total adjustments between Accounting Basis &amp; Funding Basis under regulations</b>	<b>(6,436)</b>	<b>-</b>	<b>(7,097)</b>	<b>-</b>	<b>13,533</b>

**Adjustments between Accounting Basis & Funding Basis under regulations 2019/20**

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(12,222)	-	-	-	12,222
Amortisation of intangible assets	(1,208)	-	-	-	1,208
Revenue Expenditure Funded from Capital under Statute	(378)	-	-	-	378
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,847	-	-	-	(1,847)
Capital Expenditure charged in the year to the General Fund	-	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	(280)	-	(7,112)	-	7,392
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	-	-	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	268	-	-	-	(268)
Reversal of IAS 19 Pension Charges	(227)	-	-	-	227
Contributions due under the pension scheme regulations	105	-	-	-	(105)
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	-	-	-	-	-
Revenue provision for the repayment of debt	5,914	-	-	-	(5,914)
<b>Total adjustments between Accounting Basis &amp; Funding Basis under regulations</b>	<b>(6,181)</b>	<b>-</b>	<b>(7,112)</b>	<b>-</b>	<b>13,293</b>

### c) Analysis of transfers To / (From) reserves

The Commissioner maintains a number of reserves, which are classified as either usable (backed by cash) or unusable (notional adjustment accounts not supported by cash). The Commissioner produces an Annual Reserves Strategy Statement in accordance with the requirements of the Home Office Financial Management Code of Practice (FMCP) which is published on the Commissioners website. The statement provides an explanation for each reserve held by the Commissioner, along with its value. Plus, a narrative explaining whether the current and projected level of reserves is appropriate, and are governance arrangements for reserves adequate and appropriate.

#### Usable reserves:

The **General Reserve** (Police Fund) is the main fund into which Council Tax Precept income, government grants and other income is paid and from which the day-to-day cost of providing services is met. The balance of the fund provides a reserve to manage unexpected expenditure and other budget pressures for the Commissioner. The Police Reform and Social Responsibility Act specifies that the Commissioner is the holder of the Police Fund and the recipient of all income. The Commissioner has an agreed strategy that the level of the General Reserve will be influenced by the balance of risks inherent in the budget, the robustness of budget monitoring, past experience of outturn spending, the extent of earmarked reserves and funding cuts over the medium term. The Commissioner has a reserves strategy which will maintain a general reserve of a minimum of 2% of the net revenue budget. For budgetary purposes the Medium Term Financial Strategy (MTFS) is based upon a prudent General Reserve level set at 3% of net revenue budget.

#### Earmarked reserves:

- The **Insurance Reserve** is maintained for potential liabilities and costs which fall onto the Commissioner where it is more economical to keep a reserve than seek specific insurance. Potential liabilities include storm damage, business interruption and claims that would fall within the Commissioner's policy excess limits.
- The **Police Pension Scheme Funding Reserve** was established as a result of the sudden shift in employer's pension costs for police officers from April 2019. Specific grant funding of £3.400 million was provided by the Government for 2019/20 with no assurance given for future years, and therefore the Commissioner established an earmarked reserve to provide funding for one year should the government fail to address the significant cost implication in full. Special grant funding was subsequently confirmed at the same level for 2020/21 and has been repeated again for 2021/22. There remains a significant risk to funding should the Government fail to fully protect police budgets in the Spending Review (SR) 2021. The MTFS 2021/22 to 2024/25 revenue projections assume that funding will continue to be provided in some form by Government over the medium-term. However, it is intended to retain the reserve until such time as the national position is confirmed and further clarity is provided around the likely outcome of the next (4-year) valuation of the Police Pension Fund which will impact on contributions from 1 April 2023.
- The **Workforce Management Reserve** has a balance of £1.320 million as a precautionary measure in case there are workforce implications, should the government fail to fund Police Pensions adequately as part of the next Spending Review. Whilst the MTFS assumes that the increased cost of police pensions will be met by Government in some form, this remains a significant risk until the national position is clarified. This reserve will be retained to meet unexpected people related costs associated with any workforce change required over the medium term, to ensure that such pressure does not impact on the sustainability of planned investment in the revenue budget.
- The **Emergency Services Network (ESN) Reserve** – When the national Emergency Services Network (ESN) is implemented in Northumbria we believe that there will be a significant cost pressure locally which will be primarily funded through prudential borrowing. The ESN reserve holds a balance of £2.600 million to mitigate against further costs falling to the force and impact of delivery

on operational policing. The reserve is forecast to be used in full in 2022/23 to manage the cost of ESN implementation in Northumbria.

- **Reserve to Maintain Investment over the Medium Term and Support Uplift** - Out of the increase in core grant to support the delivery of Uplift in 2020/21, £8.200 million was approved by the Commissioner to be held in reserves to be used in future years. This approach will ensure that funds are available to provide the necessary support functions, training resources and infrastructure improvements to the police estate to support and maximise the benefit for local people of the national officer Uplift in Northumbria. It will also ensure that any risks to the successful delivery of Uplift in Northumbria are mitigated and that investment in police services can be maintained over the medium term.
- The **Covid Enforcement/Operational Reserve** includes a planned transfer of £1.000 million contingency from the general reserve in 2020/21, plus the underspend of £2.146 million against the Chief Constable's revenue budget in 2020/21. The reserve will be available to meet the costs of Covid enforcement and operational policing in 2021/22.
- The **OPCC Innovation Reserve** represents funds identified for innovative work with partner agencies through the Office of the Police and Crime Commissioner (OPCC). The reserve ensures that income identified for this purpose remains available by carrying forward balances held for projects between financial years.
- The **External Funding Reserve** represents receipts of income which are not time limited, and which are carried forward at the year-end to be used in future years, in-line with any terms and conditions. The reserve represents income received from external partners, which is to be used to fund specific activities and policing services.
- The **NERSOU Reserve** represents Northumbria's share of the North East Regional Special Operations Unit (NERSOU) reserve.

**Capital Receipts Reserve** represents capital receipts from the sale of assets held in order to finance future capital expenditure.

**Capital Grants Unapplied** represents capital grants or contributions recognised in the Comprehensive Income and Expenditure Statement but for which the expenditure to be financed from the grant or contribution has not been incurred. The reserve is available to finance future capital expenditure.

#### **Unusable Reserves:**

The **Capital Adjustment Account** absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties. The account also contains revaluation gains accumulated on property, plant and equipment before 01 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The **Deferred Capital Receipts Reserve** holds capital receipts due to the Commissioner in relation to the sale of assets, which will be received after the balance sheet date. For 2020/21 the expected final receipts in relation to the disposal of the former HQ site at Ponteland (£7.032 million) and the transfer of an aircraft to West Yorkshire Police (Airframe Credit £0.022 million) were received in full. As those receipts are now cash backed they have been transferred to the usable Capital Receipts Reserve. The balance on the Deferred Capital Receipts Reserve is therefore nil.

The **Revaluation Reserve** contains gains made by the Commissioner arising from increases in non-current asset values. The balance is reduced when assets with accumulated gains are:

- a) Revalued downwards or impaired and the gains are lost;
- b) Used in the provision of services and the gains are consumed through depreciation; or
- c) Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 01 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The **Collection Fund Adjustment Account** manages the differences arising from the recognition of Council Tax Precept income in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory arrangements for paying across amounts to the Commissioner from billing authorities.

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 Commissioner 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 assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits to be financed as the Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which she is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall in the resources the Commissioner has set aside to meet the benefits earned by past and current employees.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<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>					
<b>12,126</b>	<b>General Reserve</b>	832	(2,900)	<b>(2,068)</b>	<b>10,058</b>
Earmarked Reserves:					
3,000	Insurance Reserve	-	-	-	<b>3,000</b>
3,400	Police Pension Scheme Funding Reserve	-	-	-	<b>3,400</b>
1,320	Workforce Management Reserve	-	-	-	<b>1,320</b>
2,600	ESN Reserve	-	-	-	<b>2,600</b>
-	- Investment Reserve	8,200	-	8,200	<b>8,200</b>
-	- Covid Enforcement / Operational Reserve	3,146	-	3,146	<b>3,146</b>
629	OPCC Innovation Reserve	458	(484)	(26)	<b>603</b>
284	External Funding Reserve	270	(154)	116	<b>400</b>
368	NERSOU Reserve	371	(230)	141	<b>509</b>
<b>11,601</b>	<b>Total Earmarked reserves</b>	<b>12,445</b>	<b>(868)</b>	<b>11,577</b>	<b>23,178</b>
<b>15,056</b>	<b>Capital Receipts Reserve</b>	7,097	-	<b>7,097</b>	<b>22,153</b>
<b>280</b>	<b>Capital Grants Unapplied</b>	-	-	-	<b>280</b>
<b>39,063</b>	<b>Total Usable Reserves</b>	<b>20,374</b>	<b>(3,768)</b>	<b>16,606</b>	<b>55,669</b>
<b>Unusable Reserves</b>					
17,933	Revaluation Reserve	3,619	(325)	<b>3,294</b>	<b>21,227</b>
(36,983)	Capital Adjustment Account	8,925	(13,805)	<b>(4,880)</b>	<b>(41,863)</b>
944	Collection Fund Adjustment Account	-	(1,107)	<b>(1,107)</b>	<b>(163)</b>
7,054	Deferred Capital Receipts	-	(7,054)	<b>(7,054)</b>	<b>-</b>
(1,107)	Pension Reserve	-	(641)	<b>(641)</b>	<b>(1,748)</b>
<b>(12,159)</b>	<b>Total Unusable Reserves</b>	<b>12,544</b>	<b>(22,932)</b>	<b>(10,388)</b>	<b>(22,547)</b>
<b>26,904</b>	<b>Total Reserves</b>	<b>32,918</b>	<b>(26,700)</b>	<b>6,218</b>	<b>33,122</b>

## 10. Information to be presented either in the Comprehensive Income and Expenditure Statement or in the Notes

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

An analysis of items included in the Comprehensive Income and Expenditure Statement below Cost of Services is detailed in the following table:

Other Operating Expenditure				
2019/20		2020/21		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
280	(Gains) / Losses on Disposal of Property Plant & Equipment	-	(7)	(7)
<b>280</b>	<b>Total Other Operating Expenditure</b>	<b>-</b>	<b>(7)</b>	<b>(7)</b>

Financing and Investment Income and Expenditure				
2019/20		2020/21		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,871	Interest Payable and similar charges	2,822	-	2,822
(284)	Interest and Investment Income	-	(202)	(202)
12	Pensions interest costs and expected return on assets	24	-	24
<b>2,599</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>2,846</b>	<b>(202)</b>	<b>2,644</b>

Taxation and Non Specific Grant Income and Expenditure				
2019/20		2020/21		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(110,950)	Home Office Grant	-	(119,660)	(119,660)
(108,010)	Ex - DCLG Formula Grant	-	(115,688)	(115,688)
(6,867)	Council Tax Support Grant	-	(6,867)	(6,867)
(912)	Council Tax Freeze Grant 2011/12	-	(912)	(912)
(389)	Council Tax Freeze Grant 2014/15	-	(389)	(389)
(53,799)	Proceeds of PCC Precepts	-	(54,481)	(54,481)
-	Receipts/payments to Police Pension Fund	58,840	(58,840)	-
(1,847)	Capital grants and contributions	-	(977)	(977)
<b>(282,774)</b>	<b>Total Taxation and Non Specific Grant Income</b>	<b>58,840</b>	<b>(357,814)</b>	<b>(298,974)</b>

**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.

**II. External Audit Costs**

The Commissioner has incurred the following costs in relation to work carried out by the Commissioner's external auditors, Mazars LLP for financial year 2019/20 and Grant Thornton UK LLP for year 2020/21.

<b>External Audit Costs</b>		2019/20	2020/21
		£000	£000
29	External Audit Services		29
-	Additional fees relating to the previous year's audit		2
<b>29</b>	<b>Net Cost</b>		<b>31</b>

The 2019/20 external audit was carried out by Mazars LLP. Additional fees were paid to Mazars LLP in 2020/21 relating to the previous year's audit. The 2020/21 external audit was carried out by Grant Thornton UK LLP.

**12. Government and non-government grants and contributions**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2020/21:

<b>Government and Non-Government Grants</b>				
2019/20			2020/21	
Revenue £000	Capital £000		Revenue £000	Capital £000
<b>General Government Grant not attributable to Services</b>				
110,950	-	Home Office Grant	119,660	-
108,010	-	Ex - DCLG Formula Grant	115,688	-
6,867	-	Council Tax Support Grant	6,867	-
912	-	Council Tax Freeze Grant 2011/12	912	-
389	-	Council Tax Freeze Grant 2014/15	389	-
64,849	-	Pension top-up grant	58,840	-
-	1,290	Capital Grant	-	977
<b>291,977</b>	<b>1,290</b>	<b>Total</b>	<b>302,356</b>	<b>977</b>
<b>Specific Government Grant attributable to Services</b>				
3,284	-	Counter Terrorism Grants (including Dedicated Security Posts & Prevent)	3,220	-
3,423	-	Police Special Pension Grant	3,423	-
887	-	Police Officer Uplift	5,178	-
2,245	75	Serious Violence Funding	1,524	-
1,600	-	Violence Reduction Unit Funding	1,830	-
27	-	CED Grant	-	-
130	-	Loan Charges Grant	128	-
1,673	-	Victim Services Grant	2,488	-
38	-	SOC Prevent Local Pilot	-	-
2,379	-	Transformation Funding (Legacy)	803	-
636	-	Apprenticeship Grant	1,952	-
1,551	78	Home Office ROCU Funding	1,480	-
-	-	Covid-19 Related Grants	4,434	-
-	-	S31 Grant 2020/21	26	-
<b>17,873</b>	<b>153</b>	<b>Total</b>	<b>26,486</b>	<b>-</b>
<b>Non-Government grant and contributions attributable to Services</b>				
1,934	404	Other contributions	2,494	-
<b>1,934</b>	<b>404</b>	<b>Total</b>	<b>2,494</b>	<b>-</b>
<b>311,784</b>	<b>1,847</b>	<b>Total Government and Non-Government contributions recognised in the Comprehensive Income &amp; Expenditure Statement</b>	<b>331,336</b>	<b>977</b>

**13. Officer Remuneration**

The following tables set out the remuneration for senior employees whose salary, including voluntary redundancy payments, is more than £50,000 per year in 2020/21 and the equivalent disclosure for 2019/20.

<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>
£55,000 - £59,999	2	3
£65,000 - £69,999	-	1

The banding note above excludes remuneration for those individuals disclosed separately on the following page in the table for 'Remuneration of Senior Employees'.

**Exit Packages**

There were no exit packages for the Commissioners Single Entity employees during 2020/21 or 2019/20.

Remuneration of the senior employees of the Commissioner is disclosed in the following tables

Remuneration of Senior Employees 2020/21								
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Relocation Expenses £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2020/21 £
Police and Crime Commissioner		86,700	-	-	-	86,700	14,566	101,266
Chief of Staff and Monitoring Officer		73,875	-	-	-	73,875	12,411	86,286
<b>Total</b>		<b>160,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,575</b>	<b>26,977</b>	<b>187,552</b>

### 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.

Remuneration of Senior Employees 2019/20								
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Relocation Expenses £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2019/20 £
Police and Crime Commissioner	1	61,063	-	-	-	61,063	10,075	71,138
Police and Crime Commissioner	2	16,136	-	-	-	16,136	2,662	18,798
Interim Police & Crime Commissioner	3	9,734	-	-	-	9,734	1,606	11,340
Chief of Staff and Monitoring Officer	4	63,213	-	-	-	63,213	10,427	73,640
<b>Total</b>		<b>150,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,146</b>	<b>24,770</b>	<b>174,916</b>

Note 1: Kim McGuinness started in post 19 July 2019

Note 2: Dame Vera Baird in post until 07 June 2019

Note 3: The Chief of Staff and Monitoring Officer was approved by the Police and Crime Panel as Interim Police & Crime Commissioner in post from 08 June 2019 to 18 July 2019

Note 4: Chief of Staff and Monitoring Officer in post to 07 June 2019 and recommenced post on 19 July 2019. In the interim period the monitoring officer role was undertaken by the Director of People and Development for the Force. The remuneration for that post is included in the Group financial statements.

## 14. Related Party Transactions

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

### Central Government

Central Government has effective control over the general operations of the Commissioner: it is responsible for providing the statutory framework within which the Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Commissioner has with other parties. Details of grant income received from government departments are set out in **Note 10**.

### The Chief Constable

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

The Commissioner, Chief of Staff and Monitoring Officer and 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.

### Other Public Bodies

#### Gateshead Council

During 2020/21 Gateshead Council provided Internal Audit services to the Commissioner and the Chief Constable. The necessary power for this exists within section 113 of the Local Government Act 1972. The cost of Internal Audit services to the Commissioner and Group amounted to £0.088 million in 2020/21 and (£0.097 million in 2019/20).

### Precepts

The Commissioner obtains part of her income from Precepts levied on the local billing authorities in the Northumbria police Force area. During the year, transactions with these related parties were as shown in the following table:

<b>Council Tax Precept</b>				
	Total	Precept (in accordance	Share of	Total
	2019/20	with regulation)	Surplus / (Deficit)	2020/21
	£000	2020/21	at 31 March 2021	£000
		£000	£000	
Gateshead Council	6,924	7,310	(8)	7,302
Newcastle City Council	9,753	9,635	(214)	9,421
North Tyneside Council	8,130	8,531	(145)	8,386
South Tyneside Council	5,266	5,354	(10)	5,344
Sunderland City Council	9,437	9,852	(411)	9,441
Northumberland County Council	14,289	14,907	(319)	14,588
	<b>53,799</b>	<b>55,589</b>	<b>(1,107)</b>	<b>54,482</b>

## Joint Arrangements

The Commissioner is involved with other Forces and entities to aid joint working between organisations. Any material assets or liabilities attributable to the Commissioner will be included in the Balance Sheet. Any income or expenditure attributable to the Commissioner is accounted for within the Comprehensive Income and Expenditure Statement. There is a requirement to disclose certain information within the accounts for the commissioner's material joint arrangements and on this basis the following disclosure is made for 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 from the Police Act 1996, 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.

#### 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 in the following table:

	NERSOU Outturn		Northumbria	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £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)
Total Income	<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>7,661</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 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.

## 15. Capital Expenditure and Contributions

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

<b>Capital Expenditure and Capital Financing</b>		
2019/20 £000		2020/21 £000
<b>102,593</b>	<b>Opening Capital Financing Requirement</b>	<b>110,040</b>
	<b>Capital investment</b>	
12,482	Property, Plant and Equipment	9,870
2,348	Intangible Assets	856
378	Revenue Funded from Capital Under Statute	380
	<b>Sources of finance</b>	
-	Capital receipts	-
(1,847)	Government grants and other contributions	(977)
(5,914)	Minimum Revenue Provision	(7,450)
<b>110,040</b>	<b>Closing Capital Financing Requirement</b>	<b>112,719</b>

### Capital Commitments

At 31 March 2021, the Commissioner has no material capital commitment outstanding.

## 16. Non-current Assets

Non-current assets movements								
Cost or Valuation	Land & Buildings £000	Vehicles, Plant & Equipment £000	Non Operational & Surplus £000	Assets Under Construction at Cost £000	Total Property, Plant & Equipment £000	Investment Property £000	Intangible Assets £000	Total Non-Current Asset £000
<b>Balance as at 01 April 2019 Restated</b>	<b>78,918</b>	<b>47,155</b>	-	-	<b>126,073</b>	<b>1,100</b>	<b>5,075</b>	<b>132,248</b>
Reclassifications	-	-	-	-	-	1,695	-	1,695
Additions	4,172	8,310	-	-	12,482	-	2,347	14,829
Disposals	-	(5,361)	-	-	(5,361)	-	(1,143)	(6,504)
<b>Revaluation Increase / (Decrease) to:</b>								-
Revaluation Reserve	(2,696)	-	-	-	(2,696)	(70)	-	(2,766)
Comprehensive I&E	(5,018)	-	-	-	(5,018)	(425)	-	(5,443)
<b>Balance at 31 March 2020 Restated</b>	<b>75,376</b>	<b>50,104</b>	-	-	<b>125,480</b>	<b>2,300</b>	<b>6,279</b>	<b>134,059</b>
Reclassifications	-	-	-	-	-	-	-	-
Additions	1,602	8,268	-	-	9,870	-	856	10,726
Disposals	-	(3,143)	-	-	(3,143)	-	(160)	(3,303)
<b>Revaluation Increase / (Decrease) to:</b>								
Revaluation Reserve	2,424	-	-	-	2,424	-	-	2,424
Comprehensive I&E	(3,682)	-	-	-	(3,682)	-	-	(3,682)
<b>Balance at 31 March 2021</b>	<b>75,720</b>	<b>55,229</b>	-	-	<b>130,949</b>	<b>2,300</b>	<b>6,975</b>	<b>140,224</b>

<b>Non-current assets movements (continued)</b>								
	Land & Buildings £000	Vehicles, Plant & Equipment £000	Non Operational & Surplus £000	Assets Under Construction at Cost £000	Total Property, Plant & Equipment £000	Investment Property £000	Intangible Assets £000	Total Non-Current Asset £000
<b>Accumulated depreciation and impairment</b>								
<b>Balance as at 01 April 2019 Restated</b>	<b>(2,401)</b>	<b>(36,917)</b>	-	-	<b>(39,318)</b>	-	<b>(3,233)</b>	<b>(42,551)</b>
Reclassifications	-	-	-	-	-	-	-	-
Eliminated on disposals of assets	-	5,064	-	-	5,064	-	1,143	6,207
<b>Eliminated on revaluation:</b>								
Depreciation and Amortisation written out to Revaluation Reserve	1,188	-	-	-	1,188	-	-	1,188
Depreciation and Amortisation written out to Comprehensive I&E	877	-	-	-	877	-	-	877
Depreciation and Amortisation	(1,354)	(6,232)	-	-	(7,586)	-	(1,208)	(8,794)
<b>Balance at 31 March 2020 Restated</b>	<b>(1,690)</b>	<b>(38,085)</b>	-	-	<b>(39,775)</b>	-	<b>(3,298)</b>	<b>(43,073)</b>
Reclassifications	-	-	-	-	-	-	-	-
Eliminated on disposals of assets	-	3,133	-	-	3,133	-	135	3,268
<b>Eliminated on revaluation:</b>								
Depreciation and Amortisation written out to Revaluation Reserve	1,195	-	-	-	1,195	-	-	1,195
Depreciation and Amortisation written out to Comprehensive I&E	340	-	-	-	340	-	-	340
Depreciation and Amortisation	(1,363)	(7,344)	-	-	(8,707)	-	(1,168)	(9,875)
<b>Balance at 31 March 2021</b>	<b>(1,518)</b>	<b>(42,296)</b>	-	-	<b>(43,814)</b>	-	<b>(4,331)</b>	<b>(48,145)</b>

<b>Non-current assets movements - Net Book Value</b>								
	Land & Buildings £000	Vehicles, Plant & Equipment £000	Non Operational & Surplus £000	Assets Under Construction at Cost £000	Total Property, Plant & Equipment £000	Investment Property £000	Intangible Assets £000	Total Non-Current Asset £000
Net Book Value at 31/03/2020 Restated	73,686	12,019	-	-	85,705	2,300	2,981	90,986
Net Book Value at 31/03/2021	74,202	12,933	-	-	87,135	2,300	2,644	92,079

## Valuations

Valuations are carried out on a three year rolling programme basis, with approximately one third of assets valued each year. This provides a full revaluation every three years, which is within statutory requirements. In addition those categorised as significant assets, investment assets and assets held for sale are valued annually.

Investment properties are valued using the IFRS13 Fair Value market approach which uses prices and other relevant information (inputs) generated by market transactions involving identical or comparable (similar) properties and applies the valuer's professional judgement in accordance with the RICS Valuation - Global Standards 2020 and the UK National Supplement 2018 published by the Royal Institute of Chartered Surveyors (RICS).

IFRS13 on Fair Value includes a fair value hierarchy that categorises the inputs used in valuation techniques into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; or

Level 3 - Unobservable inputs for the asset or liability.

The valuations of the Commissioners investment properties are categorised under Level 2 inputs in the fair value hierarchy.

The valuations completed for the 2020/21 financial year (01 April 2020) and those completed each year as part of the last three year rolling programme are set out in the following table:

	Valuations				Total Non-Current Assets £000
	Land and Buildings £000	Vehicles, Plant and Equipment £000	Investment Property £000	Intangible Assets £000	
Carried at Historical Cost		55,229		6,975	62,204
Valued at 01 April 2020	74,679		2,300		76,979
Valued at 01 April 2019					-
Valued at 01 April 2018	1,041				1,041
<b>Total Gross Book Value at 31 March 2021</b>	<b>75,720</b>	<b>55,229</b>	<b>2,300</b>	<b>6,975</b>	<b>140,224</b>

## Assets Held for Sale

Assets held for sale are shown as current assets on the Balance Sheet.

Assets held for sale are valued using the IFRS13 Fair Value market approach, which uses prices and other relevant information (inputs) generated by market transactions involving identical or comparable (similar) properties and applies the valuer's professional judgement in accordance with the RICS Valuation – Global Standards 2020 published by the Royal Institute of Chartered Surveyors. The value used for the accounts would be the lower of fair value and carrying value.

As at 31 March 2021 there were no assets held for sale.

**17. Debtors**

These amounts represent sums due from a number of sources, such as other local authorities and government departments. These may also include payments in advance, such as invoices spanning financial periods. A material debtor included in the balance is the Police Pension Fund top-up payment due from Central Government which is £10.710 million in 2020/21 (£9.943 million in 2019/20).

The bad debt provision includes £3.663 million (2019/20 £2.795 million) in relation to the Commissioner's share of the local collection authorities' Council Tax provisions for bad debts.

At the end of the financial year the Commissioner had no long-term debtors meaning all amounts are due within the next 12 months.

<b>Short-Term Debtors</b>		
31 March 2020		31 March 2021
£000		£000
16,533	Central government bodies	16,933
39	NHS bodies	98
13,707	Other local authorities	12,066
-	Public corporations and trading funds	23
8,423	Bodies external to general government	2,540
(2,833)	- Less bad debt provision	(3,702)
<b>35,869</b>		<b>27,958</b>

**18. Cash and Cash Equivalents**

The balance of cash and cash equivalents is made up of the following elements:

<b>Cash and Cash Equivalents</b>		
31 March 2020		31 March 2021
£000		£000
170	Cash held by the Commissioner	90
(580)	Bank current accounts	(1,043)
7,802	Short-term deposits with building societies	16,504
<b>7,392</b>	<b>Total cash and cash equivalents</b>	<b>15,551</b>

**19. Creditors**

These amounts represent sums owed to a number of sources, such as other local authorities and government departments, which are due to be paid within 12 months. These amounts are in addition to the short-term borrowing which is disclosed separately in the balance sheet.

<b>Short-Term Creditors</b>		
31 March 2020		31 March 2021
£000		£000
(43)	Central government bodies	(2,055)
-	- NHS bodies	(42)
(3,754)	Other local authorities	(4,623)
-	- Public corporations and trading funds	-
(4,049)	Bodies external to general government	(5,850)
<b>(7,846)</b>		<b>(12,570)</b>
(13,728)	Chief Constable	(13,464)
<b>(21,574)</b>		<b>(26,034)</b>

Under IAS19 Employee Benefits, the Commissioner has a long-term liability in relation to future pension commitments. More details are provided in **Note 22**.

**20. Provisions and Contingent Liabilities****Provisions**

<b>Provisions</b>					
31 March 2020 £000		Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2021 £000
	<b>Long-term provisions</b>				
(1,388)	Insurance	(428)	486	-	(1,330)
<b>(1,388)</b>	<b>Total</b>	<b>(428)</b>	<b>486</b>	<b>-</b>	<b>(1,330)</b>

The **Insurance Provision** is made for known outstanding liability claims, the costs of which have been estimated by the Commissioner's insurers. The timing of payments from the insurance provision will be determined by the settlement of claims and is therefore unknown at present. The decrease in the provision reflects the estimate of outstanding claims at 31 March 2021.

**Contingent Liabilities**

At 31 March 2021, the Police and Crime Commissioner has identified the following contingent liability:

**Municipal Mutual Insurance** – (MMI) was a mutual insurance provider that supplied some 90 to 95 per cent of local government insurance policies. MMI had long catered for the insurance needs of local authorities. However, it became technically insolvent in 1992 when it did not have the resources to cover its anticipated liabilities.

To protect the insurance liabilities of the local authorities that MMI had originally contracted with, a scheme of arrangement was agreed with its creditors. This would allow for a managed and solvent run-off and enable MMI to continue to settle insurance claims.

The Scheme of Administration was approved and was legally binding on the creditors, most of whom were local authorities. The former Police Authority was also a creditor. The liabilities of the former Authority, including the contractual provisions in respect of the MMI Scheme of Arrangement, passed to the Commissioner.

MMI had underwritten and paid £2.528 million of the former Police Authority's insurance claims.

To date the Commissioner has paid a total levy of £0.620 million equivalent to 25% of the claims settled by MMI; £0.372 million in May 2015 and a further £0.248 million in June 2016.

The levy calculated in respect of the last payment (June 2016) represented the scheme administrator's best estimate of the sums required to cover MMI's liabilities. We therefore do not expect any further levy or need to make provision within our accounts at this time. Whilst a future levy is possible it is not probable and is therefore noted as a Contingent Liability in the 2020/21 Statements of Account.

## 21. Financial Instruments

### Nature and Extent of Risk Arising from Financial Instruments

#### Key Risks

The Commissioner's borrowing and investment activities expose her to a variety of financial risks, the key risks being:

- a) Credit risk: the possibility that other parties might fail to pay amounts due to the Commissioner;
- b) Liquidity risk: the possibility that the Commissioner might not have the funds available to meet her commitments to make payments;
- c) Re-financing risk: the possibility that the Commissioner might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- d) Market risk: the possibility that the Commissioner may suffer financial loss as a result of changes in such measures as interest rates.

#### Procedures for Managing Risk arising from Financial Instruments

The Commissioner's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Commissioner to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Commissioner to manage risk in the following ways:

- a) Formally adopting the requirements of the CIPFA Treasury Management Code of practice;
- b) The adoption of a Treasury Policy Statement;
- c) Approving an investment strategy for the forthcoming year setting out her criteria for both investing and selecting investments counterparties in compliance with government guidance; and
- d) Approving annually in advance prudential indicators for the following year, setting limits and boundaries for the Commissioner's:
  - o Overall borrowing;
  - o Maximum and minimum exposures within the maturity structure of debt; and
  - o Maximum annual exposures to investments maturing beyond a year.

The prudential indicators are reported and approved as part of the Budget and Precept setting process each financial year. These items are then included within the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Commissioner's financial instruments exposure. Actual performance is monitored throughout the year and reported twice-yearly to the Commissioner in the treasury management mid-year and annual reports.

Treasury Management services are provided by Northumbria Police Finance Department. They discharge these duties in accordance with the Commissioners Treasury Policy Statement & Treasury Strategy that includes principles for overall risk management, interest rate risk, credit risk, credit rating standards and the control of investment of surplus cash through Treasury Management Practices (TMPs). The Commissioner also receives advice, information and credit ratings from external Treasury Management advisors Link Asset Services (LAS). The Joint Independent Audit Committee reviews the Annual Treasury Management Performance mid-year report, annual report and the four-year Treasury Policy Statement & Treasury Strategy and recommends them for approval by the Commissioner.

## Credit Risk

Credit risk arises from deposits with banks, building societies, other local authorities and the Debt Management Office, as well as credit exposures to the Commissioner's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not placed with financial institutions that fail to meet the agreed minimum credit criteria. The Commissioner uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS (Credit Default Swap) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Annual Investment Strategy also stipulates the maximum amount and time limits in respect of each financial institution.

As at 31 March 2021, none of the Commissioner's bank deposits were held with a financial institution domiciled outside of the UK. However the Commissioner held a number of Money Market Funds which were domiciled outside of the UK. These funds are AAA rated and used throughout the year to manage liquidity whilst achieving investment returns in-line with the Commissioner's Treasury Management Strategy.

The table below shows the gross amounts due to the Commissioner from her financial assets, and the amounts which have been impaired due to likely non receipt. The net carrying value represents the maximum credit rating to which the Commissioner is exposed.

Analysis of Financial Assets			
	Gross Value £000	Impairment Value £000	Net Value £000
Deposits with Financial Institutions	36,504	-	36,504
Cash	90	-	90
Trade Debtors	9,563	(38)	9,525

The debtors' balance represents the amount due to the Commissioner from customers. A bad debt provision of £0.038 million on trade debtors, (£0.038 million in 2019/20) is held on the Balance Sheet to provide against the risk of default on debt outstanding.

The trade debtor net value of £9.525 million disclosed in the table above represents the group position. The Commissioner single entity element of trade debtors due is £9.326 million.

The following table summarises the Commissioner's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by treasury advisors, Link Asset Services, and focuses on the long term investment grade rating issued to each financial institution by Fitch. The highest possible rating is AAA and the lowest rating is BBB.

Analysis of Credit Risk		
Rating	2019/20 £000	2020/21 £000
AAA	7,796	15,504
AA	-	-
AA-	-	20,000
A+	7,501	1,000
A	-	-
<b>Total (Excluding Impaired Investments)</b>	<b>15,297</b>	<b>36,504</b>

## Liquidity Risk

The Commissioner's liquidity position is managed through the risk management procedures above (the setting and approval of prudential and treasury indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the CIPFA Code of practice. This seeks to ensure that cash is available when needed.

The Commissioner has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the Public Works Loans Board (PWLB) and money markets for access to longer term funds. The Commissioner is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Commissioner will be unable to raise finance to meet her commitments under financial instruments.

At 31 March 2021, all of the Commissioner's £36.504 million deposits were due to mature within 364 days.

## Refinancing and Maturity Risk

The Commissioner maintained a debt portfolio of £91.646 million and investment portfolio of £36.505 million at 31 March 2021. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Commissioner relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Commissioner's approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Commissioner's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity profile of the Commissioner's financial liabilities is shown below:

<b>Maturity Profile of Financial Liabilities</b>				
	Approved Limits	As at 31 March 2020	Approved Limits	As at 31 March 2021
<b>Maturity Period</b>	%	%	%	%
< 1 Year	60.00	4.40	0.60	6.95
1 - 2 Years	40.00	0.00	0.40	5.35
2 - 5 Years	40.00	16.49	0.40	10.70
5 - 10 Years	40.00	22.54	0.40	21.93
>10 Years	80.00	56.58	0.80	55.07

## Market Risk

**Interest rate risk** – The Commissioner is exposed to interest rate movements on her borrowings and investments. Movements in interest rates have a complex impact on the Commissioner, depending on how variable and fixed interest rates move across differing financial instrument periods.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowing will not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowing and investments will affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Commissioner is required to carry out a risk assessment on the impact of a change in interest rates on the surplus or deficit for the year. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal, maturity period etc. being held constant). The increase in interest rates will only affect the rate applied to variable rate borrowing and investments. However, as the Commissioner had no variable rate borrowing as at 31 March 2021, there was only exposure to interest rate sensitivity on variable rate investments. The results of this assessment are shown in the following table:

<b>Analysis of 1% increase in Interest Rates</b>	
	£000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(281)
<b>Impact on the (Surplus) / Deficit</b>	<b>(281)</b>
Decrease in the fair value of fixed rate investments	-
Decrease in the fair value of fixed rate borrowing	15,488

The Commissioner has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Commissioner's prudential indicators and her expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

**Price Risk** – The Commissioner does not invest in equity shares, so has no exposure to loss arising from movements in equity shares.

**Foreign Exchange Risk** – The Commissioner has no financial assets or liabilities denominated in foreign currencies so has no exposure to loss arising from movements in exchange rates.

### Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

<b>Financial Instruments Balances</b>				
	Long Term		Current	
	As at 31 March 2020 £000	As at 31 March 2021 £000	As at 31 March 2020 £000	As at 31 March 2021 £000
Financial Liabilities at Amortised Cost	(86,969)	(86,969)	(4,677)	(7,162)
<b>Total Borrowing</b>	<b>(86,969)</b>	<b>(86,969)</b>	<b>(4,677)</b>	<b>(7,162)</b>
Financial Assets at Amortised Cost	-	-	15,430	36,505
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>15,430</b>	<b>36,505</b>

**Analysis of Financial Liabilities at Amortised Cost**

<b>Analysis of Financial Liabilities</b>			
	Range of Interest rates payable %	Total Outstanding at 31 March 2020 £000	Total Outstanding at 31 March 2021 £000
<b>Source of Loan</b>			
Public Works Loan Board	1.17 - 7.125	(82,621)	(82,616)
Other Loan Instruments	0.10 - 3.52	(9,025)	(11,515)
<b>An Analysis of loans by maturity:</b>			
Maturing within 1 year		(4,677)	(7,162)
Maturing within 1 - 2 years		-	(5,000)
Maturing within 2 - 5 years		(15,000)	(10,000)
Maturing within 5 - 10 years		(20,500)	(20,500)
Maturing in more than 10 years		(51,469)	(51,469)
<b>Total Borrowing</b>		<b>(91,646)</b>	<b>(94,131)</b>
Trade Creditors		(11,835)	(15,595)
<b>Total Financial Liabilities</b>		<b>(103,481)</b>	<b>(109,726)</b>

The trade creditor value of £15.595 million disclosed in the table above represents the group position. The Commissioner single entity element of trade creditors due is £8.023 million.

**Loans and Receivables**

No loans and receivables over 364 days were outstanding as at 31 March 2021 (there were none in 2019/20).

**Financial Instruments Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to loans and receivables and financial liabilities at amortised cost are as follows:

<b>Financial Instruments Gains and Losses</b>		
	2019/20 £000	2020/21 £000
Interest and Investment Income	(284)	(202)
Interest Payable and Similar Charges	2,871	2,822
<b>Total</b>	<b>2,587</b>	<b>2,620</b>

**Fair Value of Assets and Liabilities carried at Amortised Cost**

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (level 2), using the following assumptions:

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which can be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;

- No early repayment or impairment is recognised; and
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

<b>Fair Value of Assets and Liabilities</b>				
	As at March 2020		As at March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	82,621	97,294	82,616	103,748
Non PWLB Debt	9,025	10,049	11,515	12,672
<b>Total Financial Liability</b>	<b>91,646</b>	<b>107,343</b>	<b>94,131</b>	<b>116,420</b>
Market loans < 1 year	-	-	20,000	20,000
Market Loans > 1 year	-	-	-	-
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>

The fair value of the total financial liabilities is greater than the carrying amount because the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

There were 2 investments with local authorities outstanding at 31 March 2021.

#### Reconciliation of Loans and Receivables to Balance Sheet

<b>Loans and Receivables</b>				
	Principal £000	Impairment £000	Accrued Interest £000	Total £000
<b>Short Term Investments</b>				
Fixed Term Deposits	-	-	-	-
Impaired Investments	-	-	-	-
<b>Total Short Term Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Short Term Deposits	20,000	-	2	20,002
Short Term Deposits - (Cash Equivalents)	16,504	-	0	16,504
<b>Total</b>	<b>36,504</b>	<b>-</b>	<b>2</b>	<b>36,506</b>

## 22. Employee Benefits

### 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 is recognised in the Commissioner's Balance Sheet and the in-year movement in the liability recognised in her Comprehensive Income and Expenditure Statement.

### 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 Commissioner and employees pay contributions into the Fund calculated at a level estimated to balance the pension liabilities with investment assets.

In 2020/21, the Commissioner paid £0.150 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay compared to £0.105 million in 2019/20 (16.5% of pensionable pay).

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 01 April 2014 are based on a Career Average Revalued Earnings scheme (CARE). Scheme benefits are accrued in accordance with the requirements of International Accounting Standard 19 Employee Benefits (IAS 19). 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 Commissioners 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 Commissioner 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. All annual reports are available from South Tyneside Council's website by following this [link](#).

### Transactions relating to retirement benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

<b>Charges to Comprehensive Income and Expenditure Statement</b>		
	Funded Liabilities as at	
	31 March 2020	31 March 2021
	£m	£m
<b>Within Cost of Service</b>		
Current Service Cost	0.215	0.292
Past service cost (incl. curtailments)	-	-
<b>Financing, Investment Income &amp; Expenditure</b>		
Interest on net defined benefit Liability / (Asset)	0.012	0.024
<b>Pension expense recognised in CIES</b>	<b>0.227</b>	<b>0.316</b>
<b>Remeasurements in OCI</b>		
Return on plan assets (in excess of) / below that recognised in net interest	(0.512)	(0.608)
Actuarial (Gains) / Losses due to change in financial assumptions	-	0.926
Actuarial (Gains) / Losses due to change in demographic assumptions	(0.022)	-
Actuarial (Gains) / Losses due to liability experience	0.954	0.157
<b>Total Amount recognised in OCI</b>	<b>0.420</b>	<b>0.475</b>
<b>Total Amount charged to CIES</b>	<b>0.647</b>	<b>0.791</b>

**Assets and Liabilities in Relation to Post-Employment Benefits**

<b>Changes to the present value of the defined benefit obligation</b>		
	Funded Liabilities as at	
	31 March 2020	31 March 2021
	£m	£m
<b>Opening defined benefit obligation</b>	<b>2.235</b>	<b>3.314</b>
Current service cost	0.215	0.292
Interest expense on defined benefit obligation	0.054	0.078
Contributions by participants	0.049	0.069
Actuarial (Gains) / Losses on liabilities	-	0.926
- financial assumptions		
Actuarial (Gains) / Losses on liabilities	(0.022)	-
- demographic assumptions		
Actuarial (Gains) / Losses on liabilities	0.954	0.157
- experience		
Net benefits paid out	(0.171)	0.052
Past service cost (incl. curtailments)	-	-
<b>Closing defined benefit obligation</b>	<b>3.314</b>	<b>4.888</b>

	Changes to the fair value of assets during the period	
	Funded Liabilities as at	
	31 March 2020 £m	31 March 2021 £m
<b>Opening fair value of assets</b>	<b>1.670</b>	<b>2.207</b>
Interest income on assets	0.042	0.054
Remeasurement Gains / (Losses) on assets	0.512	0.608
Contributions by the employer	0.105	0.150
Contributions by participants	0.049	0.069
Net benefits paid out	(0.171)	0.052
<b>Closing fair value of assets</b>	<b>2.207</b>	<b>3.140</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 2020 £m	31 March 2021 £m
	Present value of defined benefit obligation (funded)	3.314
Asset / (Liability) recognised on the balance sheet (funded)	(1.107)	(1.748)
<b>Fair value of assets</b>	<b>2.207</b>	<b>3.140</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 £0.662 million (£0.554 million gain in 2019/20).

Asset	Analysis of Scheme Assets			
	Asset split at 31 March 2020	Quoted At 31 March 2021	Unquoted At 31 March 2021	Asset split at 31 March 2021
	(%)	(%)	(%)	(%)
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

### Scheme History Gains and Losses

The liabilities shown below represent the underlying commitment that the Commissioner has to pay retirement benefits. The total liability has an impact on the net worth of the Commissioner as recorded in the Balance Sheet, reducing the overall balance by £1.748 million. However, statutory regulations for funding the deficit mean that the financial position of the Commissioner remains healthy, as the deficit on the local

government scheme will be made good by 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	(1.382)	(1.621)	(2.235)	(3.314)	(4.888)
- Unfunded liabilities	-	-	-	-	-
Fair value of fund assets	0.954	1.149	1.670	2.207	3.140
<b>Surplus / (Deficit) in the scheme</b>	<b>(0.428)</b>	<b>(0.472)</b>	<b>(0.565)</b>	<b>(1.107)</b>	<b>(1.748)</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	92
Deferred Pensioners	0
Pensioners	8

### **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 Solutions UK 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.

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 2020.

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>2019/20</b>	<b>2020/21</b>
<b>Financial assumptions (% per annum)</b>		
Discount Rate	2.3	2.1
Rate of Inflation (CPI)	1.9	2.6
Rate of Inflation (RPI)	n/a	
Rate of increase in salaries	3.4	4.1
Rate of increase to pensions in payment	1.9	2.6
Pension accounts revaluation rate	1.9	2.6
<b>Mortality assumptions</b>		
Future lifetime from age 65 (Member aged 65 at accounting date)		
Men	21.8	21.9
Women	25.0	25.1
Future lifetime from age 65 (Member aged 45 at accounting date)		
Men	23.5	23.6
Women	26.8	26.9

### **Commutations**

Year end 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 end 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.

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

### **Sensitivity to main assumptions**

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 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)	4.766	4.888	5.015
Change in present value of total obligation	-2.5%		2.6%
Projected service cost (£M)	0.394	0.407	0.420
Approximate change in projected service cost	-3.1%		3.2%
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)	4.922	4.888	4.854
Change in present value of total obligation	0.7%		-0.7%
Projected service cost (£M)	0.407	0.407	0.407
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)	4.981	4.888	4.800
Change in present value of total obligation	1.9%		-1.8%
Projected service cost (£M)	0.420	0.407	0.394
Approximate change in projected service cost	3.2%		-3.1%
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)	5.064	4.888	4.717
Change in present value of total obligation	3.6%		-3.5%
Projected service cost (£M)	0.424	0.407	0.390
Approximate change in projected service cost	4.2%		-4.1%

\* 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 Commissioner for the accounting period to 31 March 2022 are estimated to be £0.149 million.

The duration of the employer's liabilities is the average period between the calculation date and the date at which benefit payments fall due. The duration of the scheme liabilities is estimated at 25.3 years for the funded benefits.

### 23. Trust Funds

These funds represent cash held by the Commissioner which do not represent the assets of the Commissioner. These balances are therefore excluded from cash and cash equivalents as recorded in the Balance Sheet.

<b>Trust Funds</b>	
2019/20 £000	2020/21 £000
(17) Northumbria Police Charities Fund	(28)
(1,118) Proceeds of Crime Act 2002	(1,140)
<b>(1,135)</b>	<b>(1,168)</b>

## 24. Ministry of Justice Grant

In 2020/21 the Commissioner received an initial grant of £1.736 million from the Ministry of Justice (MOJ) to be used for local commissioning of Victims' Support Services. Additional funding of £0.752 million was allocated in-year to help those organisations meet the costs of adapting services due to the Covid-19 pandemic, and to cope with demand increases.

The total grant allocated to the Commissioner for 2020/21 was therefore £2.488 million.

The grant was fully utilised during the year to provide funding to organisations providing vital services to victims of crime in the Northumbria area. The following table sets out all payments made from the MOJ grant during the 2020/21 financial year:

<b>Organisation / Project</b>	<b>Grant 2020/21 £000</b>	<b>Organisation / Project</b>	<b>Grant 2020/21 £000</b>
Acorns North Tyneside	13	Newcastle Law Centre	76
Action for Children	26	Newcastle Women's Aid	47
Apna Ghar	27	Northumberland Domestic Abuse Services (NDAS)	86
Barnardos	33	Northumberland Pride	15
Being Woman	12	Oasis Aquila Community Housing	45
Bright futures	39	Rape Crisis Tyneside and Northumberland	91
Changing Lives (The Cyrenians Ltd)	69	Riverside Community Health Project	40
Children North East	96	Safer Communities	16
Children's Society	62	Someone Cares	51
Community Counselling Cooperative	38	Streetwise Young Peoples Project	101
Connected Voice	48	Sunderland Counselling Service	54
Cygnus Support	33	The Angelou Centre	106
Family Gateway	24	Tyneside & Northumberland Mind	82
Halo Project	7	Tyneside Women's Health	22
Harbour	71	Victims First Northumbria	839
Impact Family Services	17	Wearside Women In Need	107
Limeculture Community Interests Company	4	West End Women & Girls Centre	36
Newcastle Intergrated Domestic Abuse Services (NIDAS)	4	Womens Health in South Tyneside	51
<b>Total Grant Allocated</b>			<b>2,488</b>

## 25. Prior Period Adjustment

### Error in the Calculation for Property Valuations Relating to Specialised Assets

The Police and Crime Commissioner for Northumbria has identified an error in the calculations for the valuation of 3 property assets. The building components for 3 specialised operational assets valued at depreciated replacement cost (DRC) included VAT within the total cost assessed by the Valuer. As VAT would be recoverable by the Commissioner the valuations are therefore overstated by the amount of VAT included. The error has been repeated each year since prior to 2012/13 when the Police and Crime Commissioner role was created and the first set of PCC and Group accounts were produced under the statutory arrangements introduced by the Police Reform and Social Responsibility Act 2011.

The error identified impacts only on the accounting estimates for non-current assets and unusable reserves, there is no impact on the cash balances held by the Commissioner or the General Fund.

The Valuer has provided revised valuations for all three properties for 2018/19, 2019/20 and 2020/21 which now exclude all VAT.

The correction of the error has been achieved through an adjustment to the capital accounting for valuations in 2018/19 to correct the opening balances for the 2019/20 financial year relating specifically to the carrying value of Property, Plant and Equipment and the Unusable Reserves (Revaluation Reserve) on the Balance Sheet.

The opening value of Property, Plant and Equipment as at 1 April 2019 has been reduced by £8.512 million and the Unusable Reserves (Revaluation Reserve) have been adjusted by the same amount.

The capital accounting entries for 2019/20 and 2020/21 have then been recalculated based on the revised valuation reports for those years.

During 2019/20 the lower carrying cost of assets has led to a reduction of £0.162 million in the depreciation charge for the year which impacts on the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES).

The revised valuations for 2019/20 have also resulted in a reduction of £0.300 million in the deficit on revaluation of non-current assets charged to Other Comprehensive Income and Expenditure in the CIES.

The fully restated 2019/20 comparative figures for the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement are set out at pages 38 to 39 (PCC Single-Entity).

The adjustments that have been made to the statements over the versions published in the statements of account 2019/20 are as follows:

<b>Effect on Movement in Reserves Statement 2019/20</b>			
	As previously stated 2019/20 £000	As restated 2019/20 £000	Correction 2019/20 £000
<b>Usable Reserves</b>			
Total Comprehensive Income and Expenditure	275	437	162
Adjustments between Accounting Basis & Funding Basis under regulations	13,455	13,293	(162)
<b>Unusable Reserves</b>			
Balance as at 31 March 2019 - Total Unusable Reserves	11,574	3,062	(8,512)
Total Comprehensive Income and Expenditure	(2,228)	(1,928)	300
Adjustments between Accounting Basis & Funding Basis under regulations	(13,455)	(13,293)	162
Balance at 31 March 2020	(4,109)	(12,159)	(8,050)
<b>Total Group Reserves</b>			
Balance as at 31 March 2019 - Total Group Reserves	36,907	28,395	(8,512)
Total Comprehensive Income and Expenditure	(1,953)	(1,491)	462
Balance at 31 March 2020	34,954	26,904	(8,050)

**Effect on Comprehensive Income and Expenditure Statement 2019/20**

	As previously stated 2019/20 £000	As restated 2019/20 £000	Correction 2019/20 £000
PCC Financing of Police Services Gross Expenditure	307,119	306,957	(162)
PCC Financing of Police Services Net Expenditure	307,119	306,957	(162)
Net Cost of Services Gross Expenditure	310,850	310,688	(162)
Net Cost of Services Net Expenditure	279,620	279,458	(162)
(Surplus) / Deficit on Provision of Services	(275)	(437)	(162)
(Surplus) / Deficit on revaluation of non-current assets	1,808	1,508	(300)
Other Comprehensive Income and Expenditure	2,228	1,928	(300)
Total Comprehensive Income and Expenditure	1,953	1,491	(462)

**Effect on opening balance sheet as at 1 April 2019**

	Opening balances as at 1 April 2019 £000	Restatement £000	Correction required to opening balances as at 1 April 2019 £000
Property, Plant and Equipment	95,267	86,755	(8,512)
Net Assets	36,907	28,395	(8,512)
Total Unusable Reserves	11,574	3,062	(8,512)
Total Reserves	36,907	28,395	(8,512)

**Effect on balance sheet as at 31 March 2020**

	As previously stated 31 March 2020 £000	Restatement 31 March 2020 £000	Correction 31 March 2020 £000
Property, Plant and Equipment	93,755	85,705	(8,050)
Net Assets	34,954	26,904	(8,050)
Total Unusable Reserves	(4,109)	(12,159)	(8,050)
Total Reserves	34,954	26,904	(8,050)

**Effect on Cash Flow Statement 2019/20**

	As previously stated 2019/20 £000	As restated 2019/20 £000	Correction 2019/20 £000
Surplus / Deficit on the Provision of Services	(275)	(437)	(162)
Depreciation of Non-Current Assets	(7,748)	(7,586)	162

**26. Events after the reporting period**

There are no events after the reporting period to note.

**27. Authorisation of accounts for issue**

This note will be completed as part of the final audited accounts

# Police and Crime Commissioner Group Financial Statements

## Comprising:

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

## Movement in Reserves Statement - Group

The Movement in Reserves Statement (MiRS) for the Group has been revised to comply with the requirements of the CIPFA Code of Practice for Local Authority Accounting for consolidated Group financial statements.

The Group MiRS set out below presents the reconciliation between the PCC Single Entity and the Group position, with the movements attributable to the Chief Constable (subsidiary) separately identifiable. This is a change in presentation only and does not have any impact on the financial position, the total Group Reserves position is unaffected.

The 2019/20 Group MiRS has been restated to reflect the impact of the prior period adjustment described at **Note 11** to the Group Accounts.

<b>Movement in Reserves Statement 2020/21</b>											
Note	General Reserve £000	Earmarked Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000	PCC share of the usable reserves of the Chief Constable £000	PCC share of the unusable reserves of the Chief Constable £000	Total Group Reserves £000
<b>Balance as at 31 March 2020</b>	<b>12,126</b>	<b>11,601</b>	<b>23,727</b>	<b>15,056</b>	<b>280</b>	<b>39,063</b>	<b>(12,159)</b>	<b>26,904</b>	<b>-</b>	<b>(4,170,124)</b>	<b>(4,143,220)</b>
<b><u>Movement in reserves during 2020/21</u></b>											
<b>Total Comprehensive Income and Expenditure</b>	<b>329,261</b>	<b>-</b>	<b>329,261</b>	<b>-</b>	<b>-</b>	<b>329,261</b>	<b>3,145</b>	<b>332,406</b>	<b>(469,589)</b>	<b>(276,210)</b>	<b>(413,393)</b>
Adjustments between Group Accounts and PCC Single Entity Accounts	(326,188)	-	<b>(326,188)</b>	-	-	(326,188)	-	(326,188)	326,188	-	-
<b>Net Increase / (Decrease) before Transfers</b>	<b>3,073</b>	<b>-</b>	<b>3,073</b>	<b>-</b>	<b>-</b>	<b>3,073</b>	<b>3,145</b>	<b>6,218</b>	<b>(143,401)</b>	<b>(276,210)</b>	<b>(413,393)</b>
Adjustments between Accounting Basis & Funding Basis under regulations	4(b) 6,436	-	<b>6,436</b>	7,097	-	13,533	(13,533)	-	143,401	(143,401)	-
<b>Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves</b>	<b>9,509</b>	<b>-</b>	<b>9,509</b>	<b>7,097</b>	<b>-</b>	<b>16,606</b>	<b>(10,388)</b>	<b>6,218</b>	<b>-</b>	<b>(419,611)</b>	<b>(413,393)</b>
Transfers (To) / From Earmarked Reserves	4(c) (11,577)	11,577	-	-	-	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(2,068)</b>	<b>11,577</b>	<b>9,509</b>	<b>7,097</b>	<b>-</b>	<b>16,606</b>	<b>(10,388)</b>	<b>6,218</b>	<b>-</b>	<b>(419,611)</b>	<b>(413,393)</b>
<b>Balance at 31 March 2021</b>	<b>10,058</b>	<b>23,178</b>	<b>33,236</b>	<b>22,153</b>	<b>280</b>	<b>55,669</b>	<b>(22,547)</b>	<b>33,122</b>	<b>-</b>	<b>(4,589,735)</b>	<b>(4,556,613)</b>

**Movement in Reserves Statement 2019/20 Restated**

Note	General Reserve £000	Earmarked Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000	PCC share of the usable reserves of the Chief Constable £000	PCC share of the unusable reserves of the Chief Constable £000	Total Group Reserves £000
<b>Balance as at 31 March 2019</b>	<b>9,728</b>	<b>7,381</b>	<b>17,109</b>	<b>7,944</b>	<b>280</b>	<b>25,333</b>	<b>3,062</b>	<b>28,395</b>	<b>-</b>	<b>(4,470,686)</b>	<b>(4,442,291)</b>
<b>Movement in reserves during 2019/20</b>											
<b>Total Comprehensive Income and Expenditure</b>	<b>307,394</b>	<b>-</b>	<b>307,394</b>	<b>-</b>	<b>-</b>	<b>307,394</b>	<b>(1,928)</b>	<b>305,466</b>	<b>(458,335)</b>	<b>451,940</b>	<b>299,071</b>
Adjustments between Group Accounts and PCC Single Entity Accounts	<b>(306,957)</b>	<b>-</b>	<b>(306,957)</b>	<b>-</b>	<b>-</b>	<b>(306,957)</b>	<b>-</b>	<b>(306,957)</b>	<b>306,957</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease) before Transfers</b>	<b>437</b>	<b>-</b>	<b>437</b>	<b>-</b>	<b>-</b>	<b>437</b>	<b>(1,928)</b>	<b>(1,491)</b>	<b>(151,378)</b>	<b>451,940</b>	<b>299,071</b>
Adjustments between Accounting Basis & Funding Basis under regulations	4(b) 6,181	<b>-</b>	<b>6,181</b>	7,112	<b>-</b>	13,293	(13,293)	<b>-</b>	151,378	(151,378)	<b>-</b>
<b>Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves</b>	<b>6,618</b>	<b>-</b>	<b>6,618</b>	<b>7,112</b>	<b>-</b>	<b>13,730</b>	<b>(15,221)</b>	<b>(1,491)</b>	<b>-</b>	<b>300,562</b>	<b>299,071</b>
Transfers (To) / From Earmarked Reserves	4(c) (4,220)	4,220	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase / (Decrease) in Year</b>	<b>2,398</b>	<b>4,220</b>	<b>6,618</b>	<b>7,112</b>	<b>-</b>	<b>13,730</b>	<b>(15,221)</b>	<b>(1,491)</b>	<b>-</b>	<b>300,562</b>	<b>299,071</b>
<b>Balance at 31 March 2020</b>	<b>12,126</b>	<b>11,601</b>	<b>23,727</b>	<b>15,056</b>	<b>280</b>	<b>39,063</b>	<b>(12,159)</b>	<b>26,904</b>	<b>-</b>	<b>(4,170,124)</b>	<b>(4,143,220)</b>

## Comprehensive Income and Expenditure Statement

2019/20 Restated				2020/21			Notes
Gross Expenditure £000	Income £000	Net Expenditure £000	<b>Service Expenditure Analysis</b>	Gross Expenditure £000	Income £000	Net Expenditure £000	
345,075	(25,245)	319,830	Police Services	373,651	(32,302)	341,349	
4,040	(4,040)	-	Policing Funds (managed by the PCC)	2,568	(2,568)	-	
1,979	(63)	1,916	Office of the Police and Crime Commissioner	2,110	(35)	2,075	
-	(130)	(130)	Capital Financing	-	(129)	(129)	
1,752	(1,752)	-	PCC Commissioning of Victim Services	2,630	(2,630)	-	
<b>352,846</b>	<b>(31,230)</b>	<b>321,616</b>	<b>Net Cost of Services</b>	<b>380,959</b>	<b>(37,664)</b>	<b>343,295</b>	
		280	Other Operating Expenditure			(7)	} 5
		111,819	Financing and Investment Income and Expenditure			96,014	
		(282,774)	Taxation and Non-Specific Grant Income and Expenditure			(298,974)	
		<b>150,941</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>140,328</b>	
		1,508	(Surplus) / Deficit on revaluation of non-current assets			(3,620)	} 4(a)
		(451,520)	Re-measurements of the net defined pension benefit Liability			276,685	
		<b>(450,012)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>273,065</b>	
		<b>(299,071)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>413,393</b>	

<b>Balance Sheet</b>				
<b>1 April 2019</b>	<b>31 March 2020</b>		<b>31 March 2021</b>	<b>Notes</b>
<b>Restated</b>	<b>Restated</b>		<b>£000</b>	
<b>£000</b>	<b>£000</b>			
86,755	85,705	Property, Plant and Equipment	87,135	
1,100	2,300	Investment Property	2,300	
1,842	2,981	Intangible Assets	2,644	
7,074	-	Long-Term Debtors	-	
<b>96,771</b>	<b>90,986</b>	<b>Long-Term Assets</b>	<b>92,079</b>	
-	7,627	Short-Term Investments	20,002	
1,695	-	Assets Held for Sale	-	
551	745	Inventories	775	
39,791	36,048	Short-Term Debtors	28,155	8
14,581	7,972	Cash and Cash Equivalents	16,594	
<b>56,618</b>	<b>52,392</b>	<b>Current Assets</b>	<b>65,526</b>	
(1,515)	(580)	Bank Overdraft	(1,043)	
(21,703)	(4,677)	Short-Term Borrowing	(7,162)	
(962)	(671)	Short-Term Provisions	(375)	10
(27,197)	(30,415)	Short-Term Creditors	(35,921)	9
<b>(51,377)</b>	<b>(36,343)</b>	<b>Current Liabilities</b>	<b>(44,501)</b>	
(1,339)	(1,388)	Long-Term Provisions	(1,330)	10
(81,969)	(86,969)	Long-Term Borrowing	(86,969)	
(4,460,995)	(4,161,897)	Other Long-Term Liabilities (Pensions)	(4,581,418)	
<b>(4,544,303)</b>	<b>(4,250,254)</b>	<b>Long-Term Liabilities</b>	<b>(4,669,717)</b>	
<b>(4,442,291)</b>	<b>(4,143,219)</b>	<b>Net Assets</b>	<b>(4,556,613)</b>	
<b>25,333</b>	<b>39,063</b>	<b>Total Usable Reserves</b>	<b>55,669</b>	} 4(c)
<b>(4,467,624)</b>	<b>(4,182,283)</b>	<b>Total Unusable Reserves</b>	<b>(4,612,282)</b>	
<b>(4,442,291)</b>	<b>(4,143,220)</b>	<b>Total Reserves</b>	<b>(4,556,613)</b>	

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



**Kevin Laing MSc (fin) CPFA**  
**Treasurer**

Date: 11/07/2022

<b>Cash Flow Statement</b>		
<b>2019/20</b> <b>Restated</b> <b>£000</b>		<b>2020/21</b> <b>£000</b>
<b>150,941</b>	<b>(Surplus) / Deficit on the provision of services</b>	<b>140,328</b>
	<b>Adjustments to (Surplus) / Deficit on the provision of service for non-cash movements:</b>	
(7,586)	Depreciation of Non-Current Assets	(8,707)
(4,636)	Revaluation / Impairment of Non-Current Assets	(3,342)
(1,208)	Amortisation of Intangible Fixed Assets	(1,168)
(150,992)	Pension Fund Adjustments	(142,836)
(621)	(Increase) / Decrease in Provision for Bad Debts	(1)
242	Contributions To / (From) Provisions	354
(297)	Carrying amount of PP&E, Investment Property and Intangible Assets Sold	(35)
155	Other Non-Cash Movement	(2,474)
<b>(164,943)</b>		<b>(158,209)</b>
	<b>Accruals Adjustments:</b>	
194	Increase / (Decrease) in Inventories	30
(13,043)	Increase / (Decrease) in Debtors	(7,655)
(124)	Increase / (Decrease) in Interest Debtors	131
(2,167)	(Increase) / Decrease in Creditors	(3,904)
27	(Increase) / Decrease in Interest Creditors	14
<b>(15,113)</b>		<b>(11,384)</b>
	<b>Adjustments for items included in the net (Surplus) / Deficit on the provision of service that are investing or financing activities:</b>	
17	Proceeds from the Disposal of PP&E, Investment Property and Intangible Assets	42
1,847	Capital Grants Credited to Surplus or Deficit on the Provision of Services	977
-	Other Adjustments for items included in the net (Surplus) / Deficit on the Provision of Service that are Investing or Financing Activities	-
<b>1,864</b>		<b>1,019</b>
	<b>Reversal of Operating Activity items included in the net (Surplus) / Deficit on the Provision of Service that are shown separately below:</b>	
(2,587)	Reversal of amounts disclosed separately below	(2,620)
	<b>Cash Flows from Operating Activities includes the following items:</b>	
2,871	Interest Paid	2,822
(284)	Interest Received	(202)
<b>2,587</b>		<b>2,620</b>
<b>(27,251)</b>	<b>Net cash flows from Operating Activities</b>	<b>(28,246)</b>
	<b>Net Cash Flows from Investing Activities:</b>	
14,740	Purchase of PP&E, Investment Property and Intangible Assets	10,726
27,600	Purchase of Short-Term and Long-Term Investments	78,300
378	Other Payments for Investing Activities	380
(17)	Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(42)
(20,100)	Proceeds from the Sale of Short-Term and Long-Term Investments	(65,800)
(1,443)	Capital Grants Received (Government)	(491)
(232)	Capital Grants Received (Non-Government)	(486)
<b>20,926</b>	<b>Net cash flows from Investing Activities</b>	<b>22,587</b>
	<b>Net Cash Flows from Financing Activities:</b>	
(56,000)	Cash Receipts of Short-Term and Long-Term Borrowing	(17,500)
68,000	Repayments of Short-Term and Long-Term Borrowing	15,000
<b>12,000</b>	<b>Net cash flows from Financing Activities</b>	<b>(2,500)</b>
<b>5,675</b>	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	<b>(8,159)</b>
13,066	Cash and Cash Equivalents at the Beginning of the Period	7,392
7,392	Cash and Cash Equivalents at the End of the Period	15,551

## Notes to the Group Financial Statements

Notes for the Commissioner's Accounts are set out on pages 40 to 86. The following are provided for areas where different notes apply to the Group financial statements.

### I. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available to the Group (i.e. government grants, Council Tax) 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.

Net expenditure chargeable to the general fund shown in the net cost of services line of **£293.018 million** comprises the outturn position for the Group of £293.159 million plus the net surplus on the NERSOU outturn position attributable to Northumbria of £0.141 million included in the Police Services line.

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
263,712	56,118	319,830	<b>Service Expenditure Analysis</b>			
-	-	-	Police Services	280,979	60,370	341,349
1,958	(42)	1,916	Policing Funds (managed by the PCC)	-	-	-
8,371	(8,501)	(130)	Office of the Police and Crime Commissioner	2,098	(23)	2,075
-	-	-	Capital Financing	9,941	(10,070)	(129)
-	-	-	Commissioning of Victim Services	-	-	-
<b>274,041</b>	<b>47,575</b>	<b>321,616</b>	<b>Net Cost of Services</b>	<b>293,018</b>	<b>50,277</b>	<b>343,295</b>
(280,659)	109,984	(170,675)	Other Income and Expenditure	(302,527)	99,560	(202,967)
<b>(6,618)</b>	<b>157,559</b>	<b>150,941</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(9,509)</b>	<b>149,837</b>	<b>140,328</b>
<b>17,109</b>			<b>Opening General Fund Balance at 31 March</b>	<b>23,727</b>		
6,618			Surplus / (Deficit) on General Fund in Year	9,509		
<b>23,727</b>			<b>Closing General Fund as 31 March</b>	<b>33,236</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	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Council Tax £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	-	49,300	731	-	10,339	60,370
Policing Funds (managed by the PCC)	-	-	-	-	-	-
Office of the Police and Crime Commissioner	13,597	142	-	-	(13,762)	(23)
Capital Financing	(7,450)	-	-	-	(2,620)	(10,070)
Commissioning of Victim Services	-	-	-	-	-	-
<b>Net Cost of Services</b>	<b>6,147</b>	<b>49,442</b>	<b>731</b>	<b>-</b>	<b>(6,043)</b>	<b>50,277</b>
Other Income and Expenditure	(984)	93,394	-	1,107	6,043	99,560
<b>(Surplus) / Deficit on Provision of Services</b>	<b>5,163</b>	<b>142,836</b>	<b>731</b>	<b>1,107</b>	<b>-</b>	<b>149,837</b>

2019/20						
Adjustments between Funding and Accounting Basis						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Council Tax £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	-	41,650	508	-	13,960	56,118
Policing Funds (managed by the PCC)	-	-	-	-	-	-
Office of the Police and Crime Commissioner	13,808	110	-	-	(13,960)	(42)
Capital Financing	(5,914)	-	-	-	(2,587)	(8,501)
Commissioning of Victim Services	-	-	-	-	-	-
<b>Net Cost of Services</b>	<b>7,894</b>	<b>41,760</b>	<b>508</b>	<b>-</b>	<b>(2,587)</b>	<b>47,575</b>
Other Income and Expenditure	(1,567)	109,232	-	(268)	2,587	109,984
<b>(Surplus) / Deficit on Provision of Services</b>	<b>6,327</b>	<b>150,992</b>	<b>508</b>	<b>(268)</b>	<b>-</b>	<b>157,559</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 investment income and revenues from external customers:

<b>Segmental Income</b>		
	Income from Services 2019/20	Income from Services 2020/21
<b>Income received on a segmental basis is analysed below:</b>	£000	£000
Police Services	(9,120)	(6,658)
Capital Financing	(284)	(202)
<b>Total income analysed on a segmental basis</b>	<b>(9,404)</b>	<b>(6,860)</b>

**2. Expenditure and Income Analysis by Nature**

The Code of Practice requires the Group to disclose information on the nature of expenses. The Group expenditure and income for 2019/20 and 2020/21 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	292,884	317,567
Other employee expenses	3,048	4,866
Premises	8,553	8,312
Transport	4,112	4,494
Supplies and services	22,369	23,105
Third party payments	8,072	9,018
Depreciation, amortisation and impairment	13,430	13,217
Other capital charges	378	380
Loss on disposal of property, plant and equipment	280	-
Interest payments	2,871	2,821
Police pension fund deficit - payment to pension fund	64,849	58,840
Interest on the net defined benefit pension liability	109,232	93,394
<b>Total Expenditure</b>	<b>530,078</b>	<b>536,014</b>
<b>Income</b>		
Fees, charges and other service income	(5,379)	(3,640)
Recharge receipts	(3,741)	(3,018)
Other operating Income	(2,303)	(2,024)
Revenue grants and contributions	(19,807)	(28,981)
Gain on disposal of property, plant and equipment	-	(7)
Interest and investment income	(284)	(202)
Dividends receivable	-	-
Income from Council Tax	(53,799)	(54,482)
Police Grant income	(227,128)	(243,515)
Police pension fund deficit - grant income	(64,849)	(58,840)
Capital Grants and Contributions	(1,847)	(977)
<b>Total Income</b>	<b>(379,137)</b>	<b>(395,686)</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>150,941</b>	<b>140,328</b>

### 3. Accounting Policies

The accounting policies relevant to the Group Accounts are those shown for the Commissioner's Single Entity Accounts.

### 4. Movement in Reserves Statement Adjustments

The Movement in Reserves Statement details all movements in the Group usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and provides a summary of the movement in unusable reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve balance for Council Tax setting purposes. The 'Net (Increase) / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Reserve balance before any discretionary transfers to or from earmarked reserves undertaken by the Group. 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 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 2019/20 and 2020/21:

<b>Other Comprehensive Income &amp; Expenditure</b>		
2019/20		2020/21
£000		Unusable Reserves £000
1,508	(Surplus) / Deficit on revaluation of non-current Assets	(3,620)
(451,520)	Re-measurements of the net defined benefit pension Liability	276,685
<b>(450,012)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>273,065</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 Group in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure. The adjustments for 2020/21 and 2019/20 are set out in the following tables:

<b>Adjustments between Accounting Basis &amp; Funding Basis under regulations 2020/21</b>					
	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(12,049)	-	-	-	12,049
Amortisation of intangible assets	(1,168)	-	-	-	1,168
Revenue Expenditure Funded from Capital under Statute	(380)	-	-	-	380
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	977	-	-	-	(977)
Capital Expenditure charged in the year to the General Fund	-	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	7	-	(7,097)	-	7,090
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	-	-	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(1,107)	-	-	-	1,107
Reversal of IAS 19 Pension Charges	(195,756)	-	-	-	195,756
Contributions due under the pension scheme regulations	52,920	-	-	-	(52,920)
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
Revenue provision for the repayment of debt	7,450	-	-	-	(7,450)
<b>Total adjustments between Accounting Basis &amp; Funding Basis under regulations</b>	<b>(149,837)</b>	<b>-</b>	<b>(7,097)</b>	<b>-</b>	<b>156,934</b>

**Adjustments between Accounting Basis & Funding Basis under regulations 2019/20**

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(12,222)	-	-	-	12,222
Amortisation of intangible assets	(1,208)	-	-	-	1,208
Revenue Expenditure Funded from Capital under Statute	(378)	-	-	-	378
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,847	-	-	-	(1,847)
Capital Expenditure charged in the year to the General Fund	-	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	(280)	-	(7,112)	-	7,392
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	-	-	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	268	-	-	-	(268)
Reversal of IAS 19 Pension Charges	(201,937)	-	-	-	201,937
Contributions due under the pension scheme regulations	50,945	-	-	-	(50,945)
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	(508)	-	-	-	508
Revenue provision for the repayment of debt	5,914	-	-	-	(5,914)
<b>Total adjustments between Accounting Basis &amp; Funding Basis under regulations</b>	<b>(157,559)</b>	<b>-</b>	<b>(7,112)</b>	<b>-</b>	<b>164,671</b>

**c) Analysis of transfers (To) / From reserves**

The Group maintains a number of reserves, which are classified as either usable (backed by cash) or unusable (notional adjustment accounts not supported by cash).

The information on reserves relevant to the Group Accounts are those shown for the Commissioner's Single Entity Accounts at **Note 9** with the addition of the Accumulated Absences Account described below:

**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.

<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>					
<b>12,126</b>	<b>General Reserve</b>	832	(2,900)	<b>(2,068)</b>	<b>10,058</b>
Earmarked Reserves:					
3,000	Insurance Reserve	-	-	-	<b>3,000</b>
3,400	Police Pension Scheme Funding Reserve	-	-	-	<b>3,400</b>
1,320	Workforce Management Reserve	-	-	-	<b>1,320</b>
2,600	ESN Reserve	-	-	-	<b>2,600</b>
-	Investment Reserve	8,200	-	8,200	<b>8,200</b>
-	Covid Enforcement / Operational Reserve	3,146	-	3,146	<b>3,146</b>
629	OPCC Innovation Reserve	458	(484)	(26)	<b>603</b>
284	External Funding Reserve	270	(154)	116	<b>400</b>
368	NERSOU Reserve	371	(230)	141	<b>509</b>
<b>11,601</b>	<b>Total Earmarked reserves</b>	<b>12,445</b>	<b>(868)</b>	<b>11,577</b>	<b>23,178</b>
<b>15,056</b>	<b>Capital Receipts Reserve</b>	7,097	-	<b>7,097</b>	<b>22,153</b>
<b>280</b>	<b>Capital Grants Unapplied</b>	-	-	-	<b>280</b>
<b>39,063</b>	<b>Total Usable Reserves</b>	<b>20,374</b>	<b>(3,768)</b>	<b>16,606</b>	<b>55,669</b>
<b>Unusable Reserves</b>					
17,933	Revaluation Reserve	3,619	(325)	<b>3,294</b>	<b>21,227</b>
(36,983)	Capital Adjustment Account	8,925	(13,805)	<b>(4,880)</b>	<b>(41,863)</b>
944	Collection Fund Adjustment Account	-	(1,107)	<b>(1,107)</b>	<b>(163)</b>
7,054	Deferred Capital Receipts	-	(7,054)	<b>(7,054)</b>	<b>-</b>
(9,334)	Accumulated Absences Account	-	(731)	<b>(731)</b>	<b>(10,065)</b>
(4,161,897)	Pensions Reserve	-	(419,521)	<b>(419,521)</b>	<b>(4,581,418)</b>
<b>(4,182,283)</b>	<b>Total Unusable Reserves</b>	<b>12,544</b>	<b>(442,543)</b>	<b>(429,999)</b>	<b>(4,612,282)</b>
<b>(4,143,220)</b>	<b>Total Reserves</b>	<b>32,918</b>	<b>(446,311)</b>	<b>(413,393)</b>	<b>(4,556,613)</b>

## 5. Information to be presented either in the Comprehensive Income and Expenditure Statement or in the Notes

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

An analysis of items included in the Comprehensive Income and Expenditure Statement below Cost of Services is detailed in the following table:

Other Operating Expenditure				
2019/20		2020/21		
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000		£000	£000	£000
280	(Gains) / Losses on Disposal of Property Plant & Equipment	-	(7)	(7)
<b>280</b>	<b>Total Other Operating Expenditure</b>	<b>-</b>	<b>(7)</b>	<b>(7)</b>

Financing and Investment Income and Expenditure				
2019/20		2020/21		
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000		£000	£000	£000
2,871	Interest Payable and similar charges	2,822	-	2,822
(284)	Interest and Investment Income	-	(202)	(202)
109,232	Pensions interest costs and expected return on assets	93,394	-	93,394
<b>111,819</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>96,216</b>	<b>(202)</b>	<b>96,014</b>

## 6. External Audit Costs

The Group has incurred the following costs in relation to work carried out by the Group's external auditors Mazars LLP for financial year 2019/20 and Grant Thornton UK LLP for year 2020/21

External Audit Costs			
2019/20		2020/21	
£000		£000	
43	External Audit Services		43
-	Additional fees relating to the previous year's audit		7
-	Non-audit services provided by the external auditor		1
<b>43</b>	<b>Net Cost</b>		<b>51</b>

The 2019/20 external audit was carried out by Mazars LLP. Additional fees were paid to Mazars LLP in 2020/21 relating to the previous year's audit. The 2020/21 external audit was carried out by Grant Thornton UK LLP.

Grant Thornton UK LLP provided a Tax and VAT Helpline service to the Group during the 2020/21 financial year. This Helpline was provided to answer non-complex queries on tax and VAT treatments. The service ceased on appointment as statutory auditor. The Helpline was provided by a separate team of tax specialists within Grant Thornton UK LLP, who had no involvement in the external audit process.

## 7. Officers' 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, 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 11** to the Group accounts have therefore impacted on values within the banding note, 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.

### Numbers of Employees receiving over £50,000

Remuneration Band	Number of Employees	
	2019/20	2020/2021
£50,000 - £54,999	148	225
£55,000 - £59,999	122	130
£60,000 - £64,999	21	52
£65,000 - £69,999	6	6
£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 - £104,999	1	-
£105,000 - £109,999	1	-
£110,000 - £114,999	-	1

The banding note above excludes remuneration for those individuals disclosed separately in the table for 'Remuneration of Senior Employees'.

The following table shows the total number and cost of exit packages for which the Group 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.

### Exit packages 2020/21

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

There are no exit packages included for the OPCC in 2020/21. The exit packages disclosed for the Group in 2020/21 are attributed to the Chief Constable single-entity accounts.

The total cost of exit packages as set out above has been charged to the Group's Comprehensive Income and Expenditure Statement in the current year. The comparative disclosure for the Group in 2019/20 is set out in the following table:

### Exit packages 2019/20

	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>

Remuneration of the senior employees of the Group and senior police officers is disclosed within the following tables:

<b>Remuneration of Senior Employees 2020/21</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 2020/21 £
Police and Crime Commissioner - Kim McGuinness		86,700	-	-	<b>86,700</b>	14,566	<b>101,266</b>
Chief of Staff and Monitoring Officer		73,875	-	-	<b>73,875</b>	12,411	<b>86,286</b>
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>1,081,023</b>	<b>32,441</b>	<b>-</b>	<b>1,113,464</b>	<b>221,295</b>	<b>1,334,757</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

## Remuneration of Senior Employees 2019/20

Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2019/20 £
Police and Crime Commissioner	1	61,063			61,063	10,075	71,138
Police and Crime Commissioner	2	16,136			16,136	2,662	18,798
Interim Police & Crime Commissioner	3	9,734			9,734	1,606	11,340
Chief of Staff and Monitoring Officer	4	63,213			63,213	10,427	73,640
Chief Constable - Winton Keenen		175,907	5,547		181,454	-	181,454
Deputy Chief Constable - H	5	40,264	2,282		42,546	12,054	54,600
Deputy Chief Constable - A	6	112,691	5,719		118,410	33,805	152,215
Assistant Chief Constable - A	7	122,620	7,414		130,034	35,333	165,367
Assistant Chief Constable - B		98,709	7,528		106,237	29,828	136,065
Assistant Chief Constable - C		27,122	1,704		28,826	8,110	36,936
Temporary Assistant Chief Constable - E	8	80,309	212		80,521	20,554	101,075
Temporary Assistant Chief Constable - F	9	25,102	64		25,166	7,561	32,727
Director of Finance and IT (Chief Finance Officer)		99,814			99,814	16,469	116,283
Director of People and Development		99,814			99,814	16,469	116,283
<b>Total</b>		<b>1,032,498</b>	<b>30,470</b>	<b>-</b>	<b>1,062,968</b>	<b>204,953</b>	<b>1,267,921</b>

Note 1: Kim McGuinness started in post 19 July 2019

Note 2: Dame Vera Baird in post until 07 June 2019

Note 3: Interim Police & Crime Commissioner in post from 08 June 2019 to 18 July 2019

Note 4: Chief of Staff and Monitoring Officer in post to 07 June 2019 and recommenced post on 19 July 2019

Note 5: Deputy Chief Constable H in post 01 April 2019 to 11 July 2019

Note 6: Deputy Chief Constable A started in post 24 June 2019

Note 7: Assistant Chief Constable A in post to 23 June 2019

Note 8: Temporary Assistant Chief Constable - E in post to 05 January 2020

Note 9: Temporary Assistant Chief Constable - F started in post 06 January 2020

**8. Debtors**

These amounts represent sums due from a number of sources, such as other local authorities and government departments. Short-term debtors may also include payments in advance, such as invoices spanning financial periods. A material debtor included in the balance is the Police Pension Fund top-up payment due from Central Government which is £10.710 million in 2020/21 (£9.943 million in 2019/20).

The bad debt provision includes £3.663 million (2019/20 £2.795 million) in relation to the Group's share of the local collection authorities' Council Tax provisions for bad debts.

At the end of the financial year the Group had no long-term debtors meaning all amounts are due within the next 12 months.

<b>Short-Term Debtors</b>		
31 March 2020		31 March 2021
£000		£000
16,572	Central government bodies	16,980
39	NHS bodies	98
13,707	Other local authorities	12,066
-	Public corporations and trading funds	23
8,563	Bodies external to general government	2,690
(2,833)	- Less bad debt provision	(3,702)
<b>36,048</b>		<b>28,155</b>

**9. Creditors**

These amounts represent sums owed to a number of different entities, such as other local authorities and government departments, as well as short-term borrowing disclosed separately.

<b>Short-Term Creditors</b>		
31 March 2020		31 March 2021
£000		£000
(5,948)	Central government bodies	(8,041)
(7)	NHS bodies	(97)
(5,514)	Other local authorities	(6,351)
-	Public corporations and trading funds	-
(18,947)	Bodies external to general government	(21,432)
<b>(30,416)</b>		<b>(35,921)</b>

Under International Accounting Standard 19, the Group has a long-term liability in relation to future pension commitments. More detail is provided in **Note 11**.

**10. Provisions and Contingent Liabilities**

<b>Provisions</b>					
31 March 2020 £000		Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2021 £000
	<b>Long-term provisions</b>				
(1,388)	Insurance	(428)	486	-	(1,330)
	<b>Short-term provisions</b>				
(671)	Employee remuneration	-	4	292	(375)
<b>(2,059)</b>	<b>Total</b>	<b>(428)</b>	<b>490</b>	<b>292</b>	<b>(1,705)</b>

The insurance provision is made for known outstanding liability claims, the costs of which have been estimated by the Commissioner's insurers. The timing of payments from the insurance provision will be determined by the settlement of claims and is therefore unknown at present. The increase in the provision reflects the estimate of outstanding claims at 31 March 2021.

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 in the Group accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a small number of claims and costs outstanding which are expected to be finalised in 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 Group has identified the following contingent liabilities:

- **Municipal Mutual Insurance** - (MMI) was a mutual insurance provider that supplied some 90 to 95 per cent of local government insurance policies. MMI had long catered for the insurance needs of local authorities. However, it became technically insolvent in 1992 when it did not have the resources to cover its anticipated liabilities.

To protect the insurance liabilities of the local authorities that MMI had originally contracted with, a scheme of arrangement was agreed with its creditors. This would allow for a managed and solvent run-off and enable MMI to continue to settle insurance claims.

The Scheme of Administration was approved and was legally binding on the creditors, most of whom were local authorities. The former Police Authority was also a creditor. The liabilities of the former Authority, including the contractual provisions in respect of the MMI Scheme of Arrangement, passed to the PCC.

MMI had underwritten and paid £2.528 million of the former Police Authority's insurance claims.

To date the Commissioner has paid a total levy of £0.620 million equivalent to 25% of the claims settled by MMI; £0.372 million in May 2015 and a further £0.248 million in June 2016.

The levy calculated in respect of the last payment (June 2016) represented the scheme administrator's best estimate of the sums required to cover MMI's liabilities. We therefore do not expect any further levy or need to make provision within our accounts at this time. Whilst a future levy is possible it is not probable, and is therefore noted as a Contingent Liability in the 2020/21 Statements of Account.

- **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 recognised in the 2018-19 accounts, followed by a reduction resulting from the eligibility criteria for members set out in HM Treasury's consultation. In 2020/21, the estimated increase is a further £300.000 million reflecting an additional years benefits from the remedy.

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.

## 11. Employee Benefits

### Benefits payable during employment

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

<b>Benefits payable during employment</b>		2020/21
2019/20		£000
£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 is recognised in the Group Balance Sheet and the in-year movement in the liability recognised in the Group 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 Group and employees pay contributions into the fund calculated at a level estimated to balance the pension liabilities with investment assets.

In 2020/21, the Group paid £9.280 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay compared to £7.925 million in 2019/20 (16.5% of pensionable pay).

The pension 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 Re-valued Earnings (CARE) scheme. Scheme benefits are accrued in accordance with the requirements of International Accounting Standard 19 Employee Benefits (IAS 19). 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 Groups 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 Group 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. All annual reports are available from South Tyneside Council's website by following [link](#)

**Transactions relating to retirement benefits**

The Group recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when benefits are paid out as pensions. However, the charge which is made against the Police Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement as an appropriation.

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

<b>Charges to Comprehensive Income and Expenditure Statement</b>				
	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£m	£m	£m	£m
<b>Within Cost of Service</b>				
Current Service Cost	16.54	18.62	-	-
Past service cost (incl. curtailments)	0.08	-	-	-
<b>Financing, Investment Income &amp; Expenditure</b>				
Interest on net defined benefit Liability / (Asset)	2.96	3.19	0.09	0.07
<b>Pension expense recognised in CIES</b>	<b>19.58</b>	<b>21.81</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	19.38	(67.21)	-	-
Actuarial (Gains) / Losses due to change in financial assumptions	0.17	129.36	-	0.33
Actuarial (Gains) / Losses due to change in demographic assumptions	(6.88)	-	(0.09)	-
Actuarial (Gains) / Losses due to liability experience	(3.16)	(3.78)	(0.15)	(0.04)
<b>Total Amount recognised in OCI</b>	<b>9.51</b>	<b>58.37</b>	<b>(0.24)</b>	<b>0.29</b>
<b>Total Amount charged to CIES</b>	<b>29.09</b>	<b>80.18</b>	<b>(0.15)</b>	<b>0.36</b>

## Assets and Liabilities in Relation to Post-Employment 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>460.11</b>	<b>471.38</b>	<b>3.54</b>	<b>3.16</b>
Current service cost	16.54	18.62	-	-
Interest expense on defined benefit obligation	11.42	10.78	0.09	0.07
Contributions by participants	2.97	3.51	-	-
Actuarial (Gains) / Losses on liabilities	0.17	129.36	-	0.33
- financial assumptions				
Actuarial (Gains) / Losses on liabilities	(6.88)	-	(0.09)	-
- demographic assumptions				
Actuarial (Gains) / Losses on liabilities	(3.16)	(3.78)	(0.15)	(0.04)
- experience				
Net benefits paid out	(9.86)	(9.47)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.08	-	-	-
<b>Closing defined benefit obligation</b>	<b>471.39</b>	<b>620.40</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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
Opening fair value of assets	338.12	328.01	-	-
Interest income on assets	8.46	7.58	-	-
Re-measurement Gains / (Losses) on assets	(19.38)	67.21	-	-
Contributions by the employer	7.70	9.05	0.23	0.23
Contributions by participants	2.97	3.51	-	-
Net benefits paid out	(9.86)	(9.47)	(0.23)	(0.23)
<b>Closing fair value of assets</b>	<b>328.01</b>	<b>405.89</b>	<b>-</b>	<b>-</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 2020 £m	31 March 2021 £m	
Present value of defined benefit obligation (funded)	471.39	620.41	
Present value of defined benefit obligation (unfunded)	3.16	3.29	
Asset / (Liability) recognised on the balance sheet (funded)	(143.38)	(214.51)	
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.16)	(3.29)	
<b>Fair value of assets</b>	<b>328.01</b>	<b>405.90</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 £74.792 million (£10.916 million loss in 2019/20).

Analysis of Scheme Assets				
Asset	Asset split at 31	Quoted	Unquoted	Asset split at 31
	March 2020	At 31 March 2021	At 31 March 2021	March 2021
	(%)	(%)	(%)	(%)
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

## Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Group have to pay in retirement benefits. The total liability has a material impact on the net worth of the Group as recorded in the Balance Sheet, reducing the overall balance by £217.80 million. However, statutory regulations for funding the deficit mean that the financial position of the Group remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary:

History of asset values, defined benefit obligation and Surplus / (Deficit)					
	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	(412.70)	(432.64)	(457.87)	(471.39)	(620.40)
- Unfunded liabilities	(3.83)	(3.73)	(3.54)	(3.16)	(3.29)
Fair value of fund assets	295.88	312.33	338.12	328.01	405.89
<b>Surplus / (Deficit) in the scheme</b>	<b>(120.65)</b>	<b>(124.04)</b>	<b>(123.29)</b>	<b>(146.54)</b>	<b>(217.80)</b>

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

Members	%
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 Solutions UK 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>				
	Funded Liabilities		Unfunded Liabilities	
	2019/20	2020/21	2019/20	2020/21
<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 experienced 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.

**Sensitivity to main assumptions (Funded Liabilities)**

Discount rate assumption	Adjustment to Rate		
Adjustment to discount rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present value of total obligation (£M)	606.12	620.40	635.30
Change in present value of total obligation	-2.3%		2.4%
Projected service cost (£M)	27.09	28.11	29.14
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)	622.89	620.40	617.90
Change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M)	28.11	28.11	28.11
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)	632.80	620.40	608.62
Change in present value of total obligation	2.0%		-1.9%
Projected service cost (£M)	29.14	28.11	27.09
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)	642.73	620.40	598.69
Change in present value of total obligation	3.6%		-3.5%
Projected service cost (£M)	29.26	28.11	26.98
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 Group for the accounting period to 31 March 2022 are estimated to be £9.409 million. 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. The duration of the scheme liabilities is estimated at 23.7 years for funded benefits.

**b) Defined Benefit Plan : Police Pension Schemes**

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 fair value of scheme assets**

<b>Reconciliation of the fair value of scheme assets</b>		
	31 March 2020	31 March 2021
	£m	£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>	-	-

**Analysis of the movement in scheme liability**

	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
Remeasurements 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 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.

**Principal Financial and Actuarial Assumptions**

	31 March 2020	31 March 2021
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	(9.00)	(313.00)
Salary Inflation	+ 0.5% a year	1.00	30.00
Pension Increases	+ 0.5% a year	7.00	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.

**12. Prior Period Adjustment****Error in the calculation for Property Valuations Relating to Specialised Assets**

The Police and Crime Commissioner for Northumbria has identified an error in the calculations for the valuation of 3 property assets. The building components for 3 specialised operational assets valued at depreciated replacement cost (DRC) included VAT within the total cost assessed by the Valuer. As VAT would be recoverable by the Commissioner the valuations are therefore overstated by the amount of VAT included. The error has been repeated each year since prior to 2012/13 when the Police and Crime Commissioner role was created and the first set of PCC and Group accounts were produced under the statutory arrangements introduced by the Police Reform and Social Responsibility Act 2011.

The error identified impacts only on the accounting estimates for non-current assets and unusable reserves, there is no impact on the cash balances held by the Commissioner or the General Fund.

The Valuer has provided revised valuations for all three properties for 2018/19, 2019/20 and 2020/21 which now exclude all VAT.

The correction of the error has been achieved through an adjustment to the capital accounting for valuations in 2018/19 to correct the opening balances for the 2019/20 financial year relating specifically to the carrying value of Property, Plant and Equipment and the Unusable Reserves (Revaluation Reserve) on the Balance Sheet.

The opening value of Property, Plant and Equipment as at 1 April 2019 has been reduced by £8.512m and the Unusable Reserves (Revaluation Reserve) have been adjusted by the same amount.

The capital accounting entries for 2019/20 and 2020/21 have then been recalculated based on the revised valuation reports for those years.

During 2019/20 the lower carrying cost of assets has led to a reduction of £0.162m in the depreciation charge for the year which impacts on the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES).

The revised valuations for 2019/20 have also resulted in a reduction of £0.300m in the deficit on revaluation of non-current assets charged to Other Comprehensive Income and Expenditure in the CIES.

The fully restated 2019/20 comparative figures for the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement (Group) are set out at pages 97 to 98.

The adjustments that have been made to the statements over the versions published in the statements of account 2019/20 are as follows:

**Effect on Movement in Reserves Statement 2019/20**

	As previously stated 2019/20 £000	As restated 2019/20 £000	Correction 2019/20 £000
<b>Usable Reserves</b>			
Total Comprehensive Income and Expenditure	(151,103)	(150,941)	162
Adjustments between Accounting Basis & Funding Basis under regulations	164,833	164,671	(162)
<b>Unusable Reserves</b>			
Balance as at 31 March 2019 - Total Unusable Reserves	(4,459,112)	(4,467,624)	(8,512)
Total Comprehensive Income and Expenditure	449,712	450,012	300
Adjustments between Accounting Basis & Funding Basis under regulations	(164,833)	(164,671)	162
Balance at 31 March 2020	(4,174,233)	(4,182,283)	(8,050)
<b>Total Group Reserves</b>			
Balance as at 31 March 2019 - Total Group Reserves	(4,433,779)	(4,442,291)	(8,512)
Total Comprehensive Income and Expenditure	298,609	299,071	462
Balance at 31 March 2020	(4,135,170)	(4,143,220)	(8,050)

**Effect on Comprehensive Income and Expenditure Statement 2019/20**

	As previously stated 2019/20 £000	As restated 2019/20 £000	Correction 2019/20 £000
Police Services Gross Expenditure	345,237	345,075	(162)
Police Services Net Expenditure	319,992	319,830	(162)
Net Cost of Services Gross Expenditure	353,008	352,846	(162)
Net Cost of Services Net Expenditure	321,778	321,616	(162)
(Surplus) / Deficit on Provision of Services	151,103	150,941	(162)
(Surplus) / Deficit on revaluation of non-current assets	1,808	1,508	(300)
Other Comprehensive Income and Expenditure	(449,712)	(450,012)	(300)
Total Comprehensive Income and Expenditure	(298,609)	(299,071)	(462)

**Effect on opening balance sheet as at 1 April 2019**

	Opening balances as at 1 April 2019 £000	Restatement £000	Correction required to opening balances as at 1 April 2019 £000
Property, Plant and Equipment	95,267	86,755	(8,512)
Net Assets	(4,433,779)	(4,442,291)	(8,512)
Total Unusable Reserves	(4,459,112)	(4,467,624)	(8,512)
Total Reserves	(4,433,779)	(4,442,291)	(8,512)

**Effect on balance sheet as at 31 March 2020**

	As previously stated 31 March 2020 £000	Restatement 31 March 2020 £000	Correction 31 March 2020 £000
Property, Plant and Equipment	93,755	2,300	(91,455)
Net Assets	(4,135,169)	-	4,135,169
Total Unusable Reserves	(4,174,233)	-	4,174,233
Total Reserves	(4,135,170)	-	4,135,170

**Effect on Cash Flow Statement 2019/20**

	As previously stated 2019/20 £000	As restated 2019/20 £000	Correction 2019/20 £000
Surplus / Deficit on the Provision of Services	151,103	150,941	(162)
Depreciation of Non-Current Assets	(7,748)	(7,586)	162

# Supplementary Financial Statements

## Comprising;

- Police Pension Fund
  
- Notes to the Supplementary Financial Statements

## Police Pension Fund

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

<b>Police Pension Fund</b>		
2019/20 £000	<b>FUND ACCOUNT</b>	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>

## Notes to the Supplementary Financial Statements

### 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>10</sup> for the Police Pension Fund. 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.

### 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 Group Financial Statements, Employee benefits (**Note 11b**).

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<sup>10</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 Commissioner for Northumbria 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 both must publish their individual AGS.

This statement covers the Commissioner's own office and the group position of the Commissioner and the Chief Constable. The Commissioner and Chief Constable share most core systems of control including: the finance systems, internal policies and processes, the Chief Finance Officer (CFO), internal audit and a Joint Independent Audit Committee (JIAC). Under the Commissioner's Governance Framework, most of the staff, officers and systems deployed in the systems of internal control are under the direction and control of the Chief Constable. The Commissioner has oversight and scrutiny of the Chief Constable's delivery including governance, risk management and systems of internal control.

The Chief Constable is responsible for the direction and control of the Force. In discharging this function, the Chief Constable is accountable to the Commissioner in ensuring 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 Commissioner therefore places reliance and requirement on the Chief Constable to deliver and support the governance and risk management processes and the framework described in this statement.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and ensuring that these arrangements comply with the 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 Chief Constable and Commissioner 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 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 revised 2014 Statement states:

*“That both the PCC 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. There are no issues of conflict to report.

### **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 is known as the Commissioner’s Scheme of Governance and it comprises the systems, processes, culture and values by which the Commissioner operates. It enables the Commissioner to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services which provide value for money, which is 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. The Force implemented a Covid-19 response plan under Gold strategic leadership was implemented which included meeting arrangements with key regional partners and Local Resilience Forums. The Office of the Police and Crime Commissioner (OPCC) continued to meet ‘virtually’ providing a decision making structure for key business decision to continue, and continue adequate scrutiny oversight of Force activities. This provided the opportunity to migrate to online platforms to undertake governance meetings safely.

The overall system of internal control is a significant part of that 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 OPCC website at [Governance Framework](#). (This is a shortened URL that will take you to the document on the website.)

Although the Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Force, the Commissioner is required to hold the post holder to account for the exercise of those functions. The Commissioner must therefore satisfy herself 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 achievements 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 Commissioner's six principles of good governance are:

1. Focusing on the purpose of the Commissioner, on the outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring the Commissioner, officers of the Commissioner and partners work together to achieve a common purpose with clearly defined functions and roles.
3. Good 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 the Commissioner and officers to the Commissioner to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

### **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 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:

- **Fighting Crime:**
  - Anti-social behaviour
  - Reducing crime
- **Preventing Crime:**
  - Preventing violent crime
  - Neighbourhood policing
- **Improving Lives:**
  - Support for victims
  - Tackling domestic abuse and sexual violence

The Plan also aims to support national policing priorities as set out in the Strategic Policing Requirement. The Commissioner was successfully re-elected on 06 May 2021.

Delivery of the Police and Crime Plan is through partnership working between the OPCC and the Chief Constable. Northumbria Police monitor performance at the Strategic Performance Board (SPB), chaired by the Deputy Chief Constable, underpinned by a number of Delivery, Standards and Assurance boards. The Commissioner scrutinises progress, along with performance, and holds the Chief Constable and his Executive Team to account at a monthly Scrutiny meeting. Performance is also monitored within the OPCC by the Violence Reduction Unit (VRU) management board and the OPCC management team.

Regular joint Business Meetings manage progress on specific business issues. At both these meetings the Commissioner and Chief Constable challenge performance where there are concerns, seek further information and analysis to understand where changes should be made, and/or direction given, to improve service delivery. A quarterly update on the financial position is presented by the joint Chief Finance Officer.

The performance management framework supports delivery of the plan and is refreshed annually to ensure it focuses on emerging priority area needs and, in particular, the needs of victims of crime and the vulnerable within our communities. Performance thresholds support this monitoring and scrutiny process.

The Commissioner and the Chief Constable will ensure that the resources available to Northumbria Police are used in the most effective manner that meet the needs of local communities. Funding remains a pressure, the Commissioner and Chief Constable continue to lobby the Government to ensure a fair and appropriate funding formula. Every effort is made to access additional funding to support service delivery; this includes specific grants made available by the Home Office and Ministry of Justice.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carry out a programme of inspections, including thematic reports and an annual PEEL Assessment (Effectiveness, Efficiency and Legitimacy and Leadership). 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 HMICFRS 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 Force 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 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 Police 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 Chief Constable and Commissioner; they are clearly defined and demonstrate how they work together to ensure effective governance and internal control.

The Commissioner works closely with all six local authorities in the Force area and North of Tyne Elected Mayor, 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.

The Commissioner is the Chair of the Local Criminal Justice Board, working with partners to deliver an effective and efficient local criminal justice system. Providing the best support possible for victims and witnesses, and bringing offenders to justice and addressing the causes of their offending.

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.

Collaboration between Forces and other partners is a growing area of business. Governance arrangements are set out in formal collaboration agreements and these are published on the OPCC website ([Collaboration Agreements](#)). Section 22a of the Police Act 1996 (which itself comes from section 5 the Policing and Crime Act 2009) places on the Commissioner and the Chief Constable a duty to publish copies of collaboration agreements to which they are party.

### **Promoting Values of Good Governance through Upholding High Standards of Conduct and Behaviour**

The Office of the Commissioner has a comprehensive website ([Northumbria PCC](#)) that includes:

- Information about the Commissioner and office, required by the Specified information Order 2011.

- Code of Conduct based on the Seven Principles of Public Life published by the Nolan Committee, signed by the Commissioner.

- The Commissioner's disclosure of interest document which is updated annually.

- An 'Ethical Checklist' signed by the Commissioner committing to standards required by the Committee for Standards in Public in Life.

- A register of the Commissioner's and the OPCC gifts, hospitality and business expenses.

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (the 'Panel') make provision regarding the Panel's powers and duties in regard to complaints made about the conduct of the Commissioner. A procedure for dealing with complaints against the Commissioner was approved by panel members in February 2013, appointing the Chief Executive (now Chief of Staff) of the Office of the Commissioner as the Monitoring Officer. A quarterly report is provided to the Panel by the Monitoring Officer; since November 2012 there have been no complaints against the Commissioner that have been upheld.

The Commissioner is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well as complying with the requirements of the Independent Office of Police Complaints. Professional Standards Department (PSD) provides a report to the Scrutiny Meeting on a quarterly basis outlining information including the volume and nature of complaints, appeal rates and other current issues.

The Commissioner is responsible for ensuring proper and effective investigation into complaints against the Chief Constable, while the Chief Constable is responsible for ensuring proper and effective investigation of complaints against all other officers and staff employed by Northumbria Police.

Following changes to legislation on the 1st February 2020, the PCC is now responsible for appeals in relation to complaints, complainants who are not satisfied with how their complaint has been handled by Northumbria Police can request a review, through the OPCC, the appeal determines if the complaint has been handled in a reasonable and proportionate manner.

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

The core purpose of good governance in public services is to ensure public bodies take informed, transparent decisions and manage risk; the Commissioner has a Decision Making and Recording Policy that supports these principles. All key decisions that have significant public interest regarding policing, crime and community safety in Northumbria along with those about the estate of Northumbria Police are published on the OPCC website ([Northumbria PCC](#)). This ensures trust and confidence in Northumbria Police.

The Police Reform & Social Responsibility Act 2011 led to the formation of the Police and Crime Panel (the 'Panel') to oversee the work of, and support, the Commissioner in the effective exercise of functions. The Panel is comprised of twelve local authority councillors, two from each of the six authorities in the Northumbria policing area, and two independent members. A relationship protocol between the Commissioner, Chief Constable and the Panel is in place and this sets out the mutual expectations and responsibilities needed to promote and enhance local policing through effective working relationships of all parties.

The Joint Independent Audit Committee (JIAC) of the Commissioner and Chief Constable has 5 independent members who are appointees from within the Force area. The JIAC monitors internal control, risk and governance issues relating to both the OPCC and Force. This JIAC receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Minutes of the JIAC meetings are published on the Commissioners website ([Northumbria PCC](#)). The Chair of the JIAC also provides annual assurance that the Committee have fulfilled their duties under the Terms of Reference.

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 register is reported at the Force's Executive Board and managed by the 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, their work and their own personal development. Objectives are aligned to the Commissioner's Police and Crime Plan, supported by the Northumbria Police 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 2019/20 which enabled the Force to reorganise resources and increase both capacity and capability to better meet different types of policing demands. Key elements

included: A dedicated Response Policing Team (RPT) to deal with incidents requiring an immediate response; a Primary Investigation Centre (PIC) for incidents requiring a more planned response; Secondary Investigation Units (SIU) resourced by skilled and professionally accredited investigating officers and police staff, to investigate volume and serious crime.

The Force has embedded a 'Leadership Development Approach' to develop leaders at all levels in leading and developing others, leading change and leading and developing the organisation. This was 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.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

The Commissioner has operated a comprehensive engagement programme during 2020/21 with local, regional and national representation and engagement via the press and through active social media channels and advisory groups that represent local communities and groups. The Commissioner, where able to due to restrictions, has also visited a range of community and voluntary sector organisations that work within our communities to support vulnerable people and those with protected characteristics. Through these engagement channels with local communities, the Commissioner can ensure that the service provided reflects the changing needs of local communities, especially during such challenging times with Covid-19. Throughout the year contact channels such as telephone and email have remained accessible to local people.

An annual report provides an overview of the Commissioner's activity over the year and is published on the Commissioners website ([Northumbria PCC](#)).

Since April 2015, the Commissioner has been responsible for commissioning key services for victims of crime in Northumbria. A core referral and assessment service has been commissioned from Victims First Northumbria, providing emotional and practical support to all victims of crime. In addition, an assessment of the needs of victims of crime identified the predominant profile of vulnerable victims in Northumbria and those most likely to have specialist additional needs to cope and recover; these are categorised into six key victims groups:

- Young victims of crime.
- Victims of hate crime.
- Victims with mental health needs.
- Victims with other vulnerabilities.
- Victims of domestic abuse.
- Victims of sexual assault and abuse.

The Commissioner also engaged with victim service that were facing challenges supporting victims of crime during the pandemic and put in place a series of measures and programmes to mitigate any further difficulty and to help support vulnerable victims of crime. This programme included a specific focus on support for victims of Domestic Abuse and Sexual Violence.

### **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 Chief Constable's and Commissioner's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources.

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 at each meeting. 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 has been 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.
- Responsibility and accountability for resources rest with managers who are responsible for service provision.
- The Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring the Commissioner to consider, approve and publish an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and proper accounting practice, each year the Commissioner produces a four year Medium Term Financial Strategy (MTFS), Capital Strategy and a Reserves Strategy Statement. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget, use of reserves and capital programme.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the OPCC and the Chief Constable. It provides the authority to incur expenditure and the basis to manage financial performance throughout the year.
- Capital expenditure is an important element in the development of the Commissioner's service since it represents major investment in new and improved assets. The Commissioner approves a four-year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The Commissioner approved a balanced budget for 2020/21. However, the Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales, therefore in order to protect total funding for Northumbria in real terms, managing officer and staff pay awards, pay progression and other inflationary pressures, the Commissioner was required to raise the Council Tax Precept in 2020/21 by 1.99% equating to £2.67 for a Band D property. Further savings have also been required in order to balance the budget for the following four years. For 2020/21 there was an underspend on the overall Group revenue budget. This was primarily as a result of the impact of Covid-19 on revenue budgets, plus Government funding for future Covid-19 related expected spend.
- Financial performance reports are presented to each of the Commissioner and Chief Constable on a monthly basis. A combined Group financial monitoring report is presented to the Commissioner and Chief Constable's joint Business Meeting on a quarterly basis, and published for wider scrutiny of financial performance by the public. The quarterly reports are 'key decisions'.
- Performance reports are presented and discussed with the Commissioner regularly.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2019/20, concluding that the Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Grant Thornton UK LLP expect to complete their work on

value for money arrangements in respect of the 2020/21 financial year by July 2022, and the outcome will be reported in their Auditor's Annual Report 2020/21

### Review of Effectiveness

The Commissioner 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, information gathered from the Commissioner and Chief Constable's senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2020/21 the review process has been led by the Commissioner and Chief Constable's Joint 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 relating to the Force and none for the OPCC. The Force partial compliance 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.

All audits within the 2020/21 audit plan have been completed. Of the 23 reports issued, 21 audits concluded that systems and procedures were operating well and 2 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 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 2020/21 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**

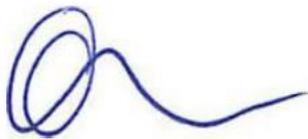
The review has identified no issues that need to be included within the 2020/21 Annual Governance Statement as actions.

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 Commissioner for Northumbria 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

**Police and Crime Commissioner**



SIGNED

**Police and Crime Commissioner Chief of Staff**



SIGNED

**Chief Finance Officer**

DATE: 11/07/2022

**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 2022/23. 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 2023</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>September 2022</p>

# Independent Auditors Report

Independent auditor's report to the Police and Crime Commissioner for Northumbria

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2021 which comprise the Movement in Reserves Statement – Commissioner, the Comprehensive Income and Expenditure Statement – Commissioner, the Balance Sheet – Commissioner, the Cash Flow Statement – Commissioner, the Movement in Reserves Statement – Group, the Comprehensive Income and Expenditure Statement – Group, the Balance Sheet – Group, the Cash Flow Statement – Group and notes to the financial statements, including a summary of significant accounting policies, and including the police pension fund financial statements comprising the Police Fund Account, and notes to the supplementary financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2021 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern. In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime

Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements' section of this report.

### **Other information**

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 33, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that

material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011).
- We enquired of senior officers and the Police and Crime Commissioner, concerning the Police and Crime Commissioner and group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Manual journal entries posted by finance staff with reporting responsibilities, especially in the accounts closedown period
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and manual entries;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of buildings valuations and net pension liabilities;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, and the net pensions liabilities.

- Assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the police sector; and
  - understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
    - the provisions of the applicable legislation;
    - guidance issued by CIPFA, LASAAC and SOLACE; and
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

### **Report on other legal and regulatory requirements - the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

#### **Responsibilities of the Police and Crime Commissioner**

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### **Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all

aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Northumbria for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2021.

### **Use of our report**

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Laurelin Griffiths***

Laurelin Griffiths, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Birmingham  
15/07/2022

# 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. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the comprehensive income and expenditure statement or Balance Sheet it is to be presented.

**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.

**Acquired operations:** are those operations of the Commissioner that are acquired in 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 the Commissioner and the services it provides for a period of more than one year (e.g. land and buildings).

**Assets held for sale:** are non-operational assets that meet the following criteria:

- They are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale is highly probable, with the Commissioner committed to a plan to sell the asset
- An active programme to locate a buyer and complete the plan has been initiated
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

**Capital Adjustment Account:** this account shows various transactions in relation to capital expenditure. It accommodates write outs on disposal and downward revaluations in excess of the balance on the revaluation reserve. It also includes accounting entries such as depreciation over MRP, capital financing entries and Government Grants Deferred amortisation.

**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.

**Depreciation:** is the systematic allocation of the depreciable amount of a non-current asset over its useful life, and reflects the economic benefits consumed by the asset during the period.

**Discontinued operations** are those that meet all of the following conditions:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- The activities related to the operation have ceased permanently.
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Commissioner's continuing operations.
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying all these conditions are classified as continuing.

*Operations* comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure.

**Discretionary benefits:** are retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Commissioner'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 Balance Sheet date:** 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 Commissioner and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Expected rate of return on pension assets:** for a funded defined benefit scheme, is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Exit packages:** are the cost to the Commissioner of the termination of employment and include compulsory and voluntary redundancy costs, pension contributions in respect of strain on the fund payments, ex-gratia payments and other departure costs.

**Fair value:** is the price at which it could be exchanged in an arm's length transaction less (where applicable) any grants receivable towards the purchase or use of the asset.

**Finance leases:** are leases that transfer substantially all the risks and rewards incidental to ownership of a non-current asset. Title may or may not eventually be transferred.

**Financial instruments:** are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Formula grant:** is the general grant given to spending on services. It comprises revenue support grant and national non-domestic rates.

**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-today 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.

**Heritage assets:** are assets held to increase the knowledge, understanding and appreciation of the Commissioner's history.

**Historical cost:** is the original monetary value of an asset.

**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.

**Impairment:** Impairment is permanent reduction in the valuation of an asset, caused by either a consumption of economic benefits (e.g. obsolescence, damage or adverse change in statutory environment), or general fall in prices.

**Intangible assets:** are identifiable, non-monetary, non-current assets without physical substance. Examples include software licences, patents and copyrights.

**Investments:** are separated into the following categories:

- Long-term investments are investments intended to be held for use on a continuing basis in the activities of the Commissioner for 365 days or more; and
- Short-term investments occur when surplus funds are invested for 364 days or fewer.

**Investment properties:** are interests in land and/or buildings, in respect of which construction work and development have been completed, and which is held solely for its investment potential, with any rental income being negotiated at arm's length.

**Leases:** leasing is the method of financing the provision of various capital assets to discharge the Commissioner's functions outside normal borrowing procedures but within the criteria laid down in the Local Authorities (Capital Finance) Regulations. Leases are classified as either *finance leases* or *operating leases*.

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

**Local Government Pension Scheme:** 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 Commissioner and 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.

**Minimum lease payments:** are payments over lease terms that lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

- For a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- For a lessor, any residual value guaranteed to the lessor by:
  - The lessee;
  - A party related to the lessee; or
  - A third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

**Net book value:** or carrying amount, is the amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation/amortisation.

**Net current replacement cost:** is the cost of replacing or recreating a particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

**Net debt:** is the Commissioner's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

**Net realisable value:** is the open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

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

**Operating lease:** is a lease other than a finance lease.

**Operational assets:** are non-current assets held and occupied, used or consumed by the Commissioner in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Commissioner.

**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 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 within the Commissioner's office and staff under the direction and control of the Chief Constable.

**Precepts:** the demands made by the Commissioner on councils to finance her 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) (1) 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.

**Residual value:** is the net realisable value of a non-current asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**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.

**Revaluation Reserve:** where assets have been revalued upwards, the increase is recorded in the reserve for as long as the Commissioner holds the asset on the Balance Sheet.

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

**Revenue expenditure funded from capital under statute:** is expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset.

**Revenue Support Grant (RSG):** is grant paid by the government to aid Commissioner services in general, as opposed to specific grants, which may only be used for a specific purpose.

**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 Commissioner'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:** are those enabling services that support the delivery of front line services. Support services include finance, administration, ICT, legal, human resources and other central services.

**Unusable reserves:** are those reserves that the Commissioner 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. Further information on the individual reserves in this category is provided within the notes to the accounts.

**Usable reserves:** are those reserves that the Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. They can also be described as 'cash-backed'. Further information on the individual reserves in this category is provided within the notes to the accounts.

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

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# Contacts

For copies, please contact the Office of the Police and Crime Commissioner for Northumbria on 0191 221 9800 or email [enquires@northumbria-pcc.gov.uk](mailto:enquires@northumbria-pcc.gov.uk)

Alternative formats of this Statement (including large print 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:**

Treasurer:	Kevin Laing
Principal Accountant:	Gail Thompson

## **Web links:**

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

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

Image sources

Northumbria Police and Crime Commissioner