Police and Crime Commissioner for Northumbria

Statements of Account 2021/22

Subject to Audit

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Preface

Kim McGuinness – Police & Crime Commissioner, Northumbria

The North East of England remains a relatively safe region, and one of the key ways of maintaining that record is a well-resourced police Force.

As the Police and Crime Commissioner for Northumberland, Tyne and Wear it is my responsibility to ensure your police Force has what it needs to do its job.

Work towards maintaining that record sees many successes, especially from the operational arm of your police Force, but it also faces many challenges.

Since the last accounts were published I have carried out a public consultation to refresh my Police and Crime Plan. The result of this was a relaunched plan called Fighting Poverty, Fighting Crime in which myself and others acknowledge the need to work to prevent crime as well as arrest those committing crime, especially in areas of substantial deprivation.

This dual focus is vital if we are to prevent the next generation from being enticed into criminality. We cannot continue to avoid the realities of the wider factors impacting on crime rates.

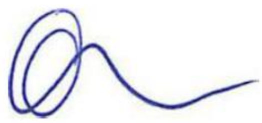
However, addressing these challenges comes at a cost, and at a time of growing financial pressure.

Since austerity was implemented by the Government in 2010, Northumbria Police has lost around £148m from its expected budgets, and saw officers numbers shrink by around 1,100. We have seen only around two thirds of those officers replaced in the Government's Uplift programme, but I have concerns that we have not seen this wage growth fully funded.

Adding to the pressure has been increased demand on Northumbria Police and the need to put extra resources in to frontline areas, including call handling.

Over the course of the next year, we will have to look at the financial challenges facing the Force and take some difficult decisions as a result.

However, the guiding principle will be ensuring the voice of the public, and especially the voice of victims, is heard and prioritised.



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 2022. 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[1], 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 2021/22 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 2022. 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.

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[2] 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)[3] Board and approved by FRAB[4]. The Code constitutes proper accounting practice

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[1] Available at https://northumbria-pcc.gov.uk/your-priorities/police-crime-plan/
[2] Available at: https://northumbria-pcc.gov.uk/transparency/finance/governance-arrangements/
[3] Chartered Institute of Public Finance & Accountancy's Local Authority (Scotland) Accounts Advisory Committee
[4] Financial Reporting Advisory Board, an independent board within HM Treasury

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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.

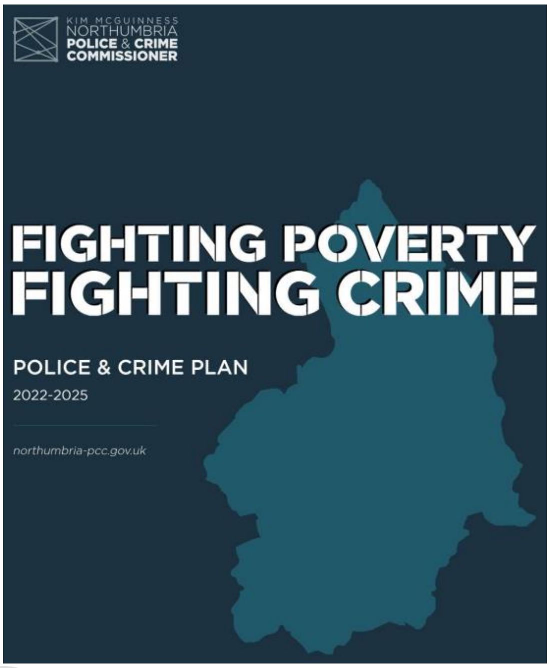
The Chief Constable:

- 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.

Subject to

Police and Crime Plan 2022-2025

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.



In 2021 the Commissioner published her first Police and Crime Plan which sets out how the priorities of Northumbria residents will be acted on by Northumbria Police.

In 2022 the Commissioner consulted the public on the existing plan as part of a commitment to an annual refresh. The public overwhelmingly endorsed the plan and the wider need to tackle entrenched poverty.

The refreshed Police and Crime Plan 2022 – 2025 covers the key areas of focus the Force will be expected to deliver on, alongside other national policing requirements. It was put together after a region-wide consultation process in which thousands of residents and organisations had their say on what those priorities should be.

The plan forms the basis of how the Commissioner will hold 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 plan also commits our region to working together, and I will continue to work with community safety organisations, victim support, criminal justice services and others to ensure our streets are safer. Alongside this, the Strategic Policing Requirement identifies threats to national security and risks that need to be countered by countrywide policing capabilities. Forces need to work collaboratively on these issues and the Chief Constable and I will ensure that Northumbria Police can play its part.'

Kim McGuinness, Police and Crime Commissioner for Northumbria

Your Priorities		
Fighting Crime	**Preventing Crime**	**Improving Lives**
'The North East is one of the safest places in the country and my job is to ensure Northumbria Police maintain their great record here. That's why my number one priority is fighting crime in our region.'	'I will continue to fight for a well resourced police force to ensure public safety, but we cannot simply arrest our way out of crime. As your Police and Crime Commissioner I have worked with the Chief Constable to ensure we are intervening to stop crime in its tracks.'	'Crime, and the fear of crime, can cause far reaching damage both to individuals and local communities. I want to make sure no one suffers alone, and that there is always support available for victims of crime or parts of our region that have been hit by crime.'
Your Plan in Action		
Addressing Anti-social Behavior Reducing Crime	Preventing Violent Crime Neighbourhood Policing	Support for Victims Tackling Domestic Abuse and Sexual Violence

The Police and Crime Plan can be found at the following link: [Police and Crime Plan 2022 to 2025]

Key Highlights

- For 2021/22 the Northumbria Police revenue budget was set at £320.243 million which includes grant income of £263.460 million from central government and Council Tax Precept income of £56.783 million.

- The Uplift target for Northumbria was 185 additional police officers by March 2022 and Northumbria has fully delivered against this target.

- 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 £4.292 million.

- During 2021/22 the capital programme delivered investment of £8.823 million in capital schemes delivering estates refurbishment, continued investment in vehicles and operational equipment, and in new ICT systems and technologies.

Financial Context 2021/22

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 2021/22 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 around £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:

Workforce Reductions	31 March 2010 FTE	31 March 2019 FTE	Reduction since2010 FTE	%	31 March 2022 FTE
Police Officers	4,187	3,081	(1,106)	(26%)	3,486
Police Staff	2,534	1,717	(817)	(32%)	2,052
Workforce	6,721	4,798	(1,923)	(29%)	5,538

The increase in the precept for the financial years 2019/20 to 2021/22 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.

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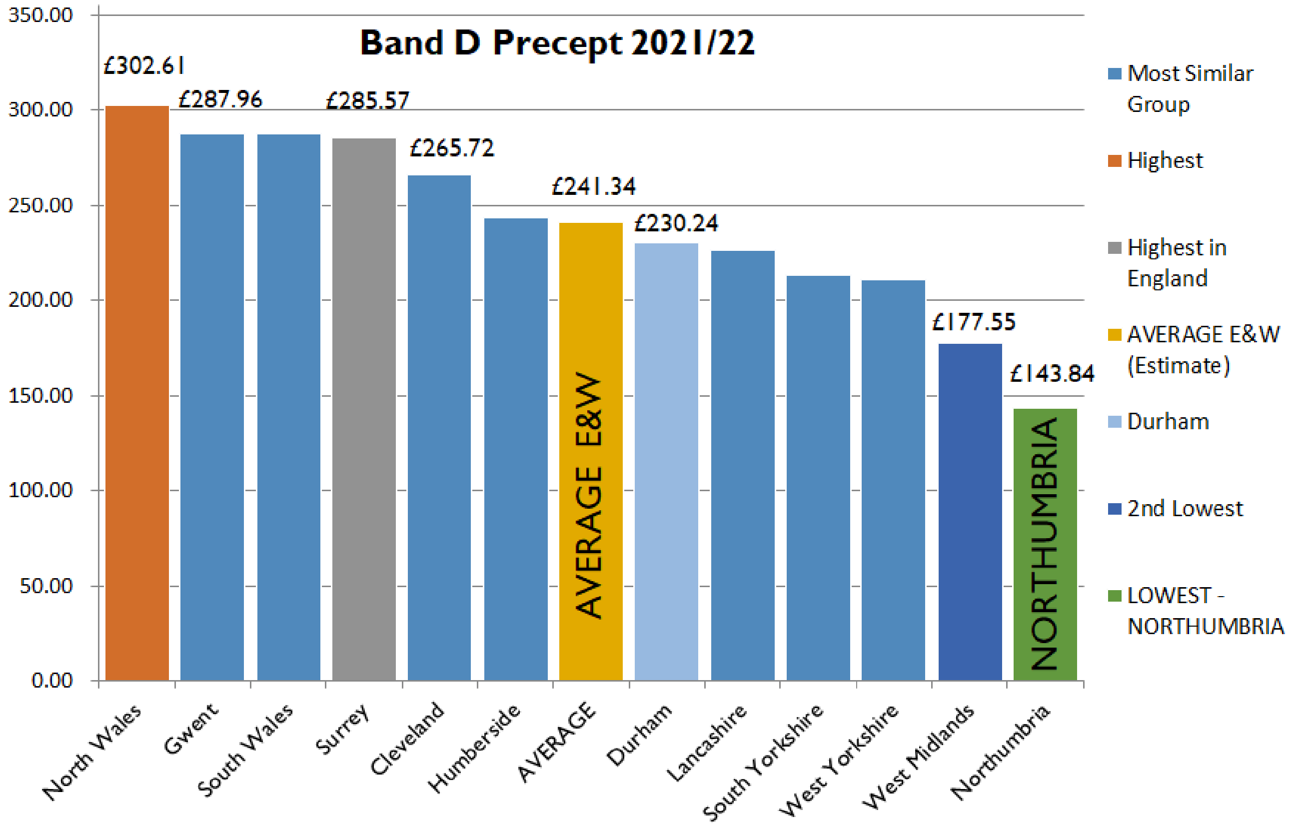
Council Tax

The Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales at £143.84 per year (2021/22) 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 2021/22:



When calculating the overall settlement for policing in 2021/22 the Government set a precept increase maximum of £15.00 for a Band D property precept rise. An increase at that level would have meant households in Northumbria experiencing a 10.95% increase in the precept for 2021/22.

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. In setting the precept for 2021/22 the Commissioner was mindful that the previous year had been one of financial challenge for many households due to the Covid pandemic. Whilst recognising that it is important that our police Force has the funds available to keep us safe and respond to emerging crime trends, the Commissioner decided that a smaller increase would be fairer to households while still ensuring Northumbria Police is well placed for the future.

Therefore, the Commissioner approved an increase of 4.99% on the Council Tax Precept for 2021/22 resulting in a charge of £143.84 per year for a Band D property (£137.00 2020/21). The additional income generated by the precept increase was £2.700 million and was used to deliver an additional 60 police officer investigator posts in 2021/22 over and above existing recruitment plans and the Uplift target set by government.

Total Council Tax income for 2021/22 was £56.783 million of which £56.953 million is attributed to the Council Tax Precept, marginally reduced by £0.170 million which related to a deficit 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 2021/22, to be met from government grants and local taxation, was approved by the Commissioner on 25 February 2021 at £320.243 million.

Throughout 2021/22 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 2021/22

The Group Revenue budget for 2021/22 was £320.243 million. Net revenue expenditure of £315.951 million for the year reflects an underspend of £4.292 million as set out below:

Revenue Outturn 2021/22 (Group Position)					
	Budget 2021/22 £000	Expenditure 2021/22 £000	Income 2021/22 £000	Outturn 2021/22 £000	Variance 2021/22 £000
Chief Constable					
Chief Constable Revenue Budget	305,927	317,209	(15,607)	301,602	(4,325)
Covid Enforcement and Operational Reserve Expenditure	-	1,176	-	1,176	1,176
External Funding Schemes	-	8,114	(8,296)	(182)	(182)
Chief Constable Net Expenditure	**305,927**	**326,499**	**(23,903)**	**302,596**	**(3,331)**
Police and Crime Commissioner					
Office of the Police and Crime Commissioner	2,309	2,128	-	2,128	(181)
Capital Financing	12,007	11,867	(200)	11,667	(340)
Total Expenditure	**14,316**	**13,995**	**(200)**	**13,795**	**(521)**
Specific Funds managed by the PCC:					
Commissioning of Victims Services	-	2,525	(2,525)	-	-
Violence Reduction Unit	-	1,618	(1,618)	-	-
Other Funding	-	2,320	(2,760)	(440)	(440)
Total Expenditure	**-**	**6,463**	**(6,903)**	**(440)**	**(440)**
Total Net Expenditure	**320,243**	**346,957**	**(31,006)**	**315,951**	**(4,292)**

Chief Constable

The Chief Constable has delivered policing services in Northumbria for 2021/22 within the budget allocated by the Commissioner for the financial year.

The underspend of £3.331 million includes expenditure of £1.176m against the Covid Enforcement/Operational Reserve which was established in 2020/21 to meet the costs of Covid enforcement and operational policing in 2021/22.

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 2021/22 and the outturn position reflects a net transfer of £0.182 million to the external funding reserve to be used in 2022/23.

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

Police and Crime Commissioner

An approved budget of £2.309 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 £0.181 million which has been set aside in the OPCC Innovation Reserve to support innovative work with partner agencies in 2022/23.

The Capital Financing budget for 2021/22 was £12.007 million, comprising interest on borrowing and investments, and the minimum revenue provision for repayment of borrowing. The outturn position is £11.667 million reflecting an underspend of £0.340 million which is primarily attributable to:

- The Minimum Revenue Provision (MRP) charge in 2021/22 was £0.225 million lower than the budget estimate as a result of the re-profiling of capital programme expenditure in the 2020/21 financial year.
- Borrowing costs were £0.085 million less than budget, reflecting the lower borrowing requirement for capital financing.
- Investment income was £0.030 million higher than budgeted mainly reflecting additional cash and reserve balances available for investment and the accelerated increase in Bank Rate over the year above the original budget forecast.

Specific Funds managed by the PCC

In addition to the OPCC revenue budget the Commissioner manages a number of externally funded schemes such as the commissioning of victim services, Violence Reduction Unit (VRU) funding and other schemes such as Payback (using the proceeds of crime to support vital work in communities aimed at reducing crime) and schemes aimed at keeping communities and those most vulnerable safe. Whilst the majority of funding received has been utilised in-year there is a small underspend of £0.440 million which will be carried forward in reserves and used to continue that work in 2022/23.

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Use of Reserves

The reserve movements as a result of the revenue outturn for 2021/22 are set out in the following table:

Police and Crime Commissioner Group - Use of Reserves	Budget 2021/22 £000	Transfer to reserves £000	Transfer (from) reserves £000	Net Movement 2021/22 £000	Variance 2021/22 £000
Use of reserves to support the revenue budget					
General Reserve	**-**	**340**	**-**	**340**	**340**
Transfers To / (From) earmarked reserves					
Inflationary Risks Reserve	-	4,325	-	**4,325**	4,325
Covid Enforcement / Operational Reserve	-	-	(1,176)	**(1,176)**	(1,176)
OPCC Innovation Reserve	-	181	-	**181**	181
External Funding Reserve	-	850	(228)	**622**	622
Transfers To / (From) earmarked reserves	**-**	**5,356**	**(1,404)**	**3,952**	**3,952**
Total transfers To / (From) reserves	**-**	**5,696**	**(1,404)**	**4,292**	**4,292**

Reserve Movements

- The underspend of £0.340 million on the Capital Financing budget was transferred to the General Reserve.
- The underspend on the Chief Constable’s core revenue budget of £4.325 million was transferred to an earmarked reserve to manage inflationary risk in 2022/23.
- The underspend on the Commissioner’s budget of £0.181 million was transferred to the OPCC Innovation Reserve at the year-end.
- The Chief Constable incurred expenditure of £1.176 million against the Covid Enforcement/Operational Reserve in 2021/22.
- Net transfer of £0.622 million to the External Funding reserve reflecting £0.182 million for the Chief Constables funded schemes and £0.440 million for specific funds managed by the Commissioner.

Earmarked Reserves

The total movement in earmarked reserves is an increase of £3.916 million as set out in the following table

Police and Crime Commissioner Group - Transfers To / (From) Earmaked Reserves	Budget 2021/22 £000	Outturn 2021/22 £000	Variance 2021/22 £000
Transfers To / (From) Earmarked Reserves	-	3,952	3,952
Transfer To / (From) NE ROCU Reserve	-	(36)	(36)
	-	**3,916**	**3,916**

The transfer from the NE ROCU reserve of £0.036 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 2021/22 year the net cost of services in the Group CIES is £381.828 million and the deficit on provision of services is £159.325 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 £3.916 million to earmarked reserves and the increase in the general reserve of £0.340 million for 2021/22.

Summary of 2021/22 Financial Position (Group)	Financial Position 2021/22 £000
Net Cost of Services	**381,828**
Other operating expenditure	-
Financing and investment income and expenditure	94,311
Taxation and non-specific grant income	(316,814)
(Surplus) / Deficit on Provision of Services	**159,325**
Adjustment between accounting basis and funding basis under regulations*	(163,581)
Net (Increase) / Decrease before transfer to / from earmarked reserves	**(4,256)**
Transfers To / (From) earmarked reserves	3,916
(Increase) / Decrease on General Reserve	**(340)**

* The accounting adjustment figure of £163.581m 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 £8.823 million in 2021/22, 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 2021/22 financial year this charge was £10.091 million (£13.597 million 2020/21)

The Commissioner approved a capital programme of £17.647 million in March 2021. This was revised by the Commissioner at Quarter 1 to £21.381 million to take into account the re-phasing of the capital programme for specific projects from 2020/21.

The final capital outturn for the year is £8.823 million. The underspend against the revised estimate is mainly attributed to projects which have progressed at a slower pace or have been re-profiled to the next financial year due to both operational requirements and the impact of shortages caused by high demand, lockdowns, social distancing, and other measures in place during the pandemic.

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

Capital Outturn 2021/22				
Capital Investment	2021/22 Estimate £000	2021/22 Revised Estimate £000	2021/22 Outturn £000	2021/22 Variance £000
Building Works	4,012	4,496	1,555	(2,941)
Information Technology & Digital Transformation	9,852	12,075	4,628	(7,447)
Vehicles & Equipment	3,514	4,541	2,432	(2,109)
Northumbria Contributions to NE ROCU	269	269	208	(61)
Total Capital Programme	**17,647**	**21,381**	**8,823**	**(12,558)**

Capital Financing

The following table sets out how the total capital investment for 2021/22 is financed

Capital Financing	
	2021/22 £000
Capital Grants and Other Contributions	401
Borrowing Requirement	8,422
Total Capital Financing	**8,823**

There were no significant capital receipts received in 2021/22.

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 2021/22.

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.

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- 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 2021/22. However, the Northumbria Council Tax Precept remains by far the lowest of policing bodies in England and Wales. The police settlement issued by the government for 2021/22 assumed that each PCC would increase the precept by the maximum of £15.00 per year for a Band D property. The Commissioner approved a smaller increase of £6.84 for a Band D property (4.99%), being mindful that the previous year had been one of financial challenge for many households.
- The additional income generated by the precept increase for 2021/22 was £2.7m and was used to deliver an additional 60 police officer investigator posts in 2021/22, providing Northumbria Police with additional operational officers and continuing to put the Force ahead of the increase in officer numbers under the Uplift programme.
- 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.

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).

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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 – Police and Crime Plan 2021/22

Police and Crime Plan Priorities

Fighting Crime | Improving Lives | Preventing Crime

Contact Management

- For the 12 months to March 2022 the volume of 999 calls increased by 27% compared to the previous 12 months. Total call demand has increased by 7% (999 and 101 non-emergency), with some of the 999 increase partly offset by a reduction in 101 non-emergency calls. Digital contact has increased by 17% with volumes for the 12 months to March 2022 at 83,242 compared to 71,206 for the previous period. Changes in call volumes reflect national trends.
- The percentage of 999 calls answered within call handling standards for the 12 months to March 2022 was 77%, with an average answer time of 29 seconds. This compares to 88% and an average answer time of 8 seconds for the previous 12 months.
- The percentage of 101 calls answered within call handling standards for the 12 months to March 2022 was 55%, with an average answer time of 5 minutes 48 seconds. This compares to 74% and an average answer time of 49 seconds for the previous 12 months.
- SmartContact, a new system replacing the existing command and control functionality, was introduced on 29 June 2021. As anticipated, following implementation, call handling times increased. This has been as a result of a number of factors, some associated with SmartContact and some which have been compounded by other factors, such as higher than expected call demand. There is continued focus on embedding SmartContact, as well as aligning future non-emergency demand to Digital and Social Media reporting.
- A recruitment programme is in place to ensure future establishment meets demand. There is also ongoing training for all front office staff to assist with 101 and digital demand at peak times to improve call handling capacity
- To support 101 call handling performance, a new system, Call-back Assist was launched on 9 March 2022, which gives non urgent callers the ability to have a call-back at a more convenient time. Since its launch there have been 1,800 call back requests, with an average call back time of 29 minutes. Feedback from both the public and staff has been very positive.
- Whilst satisfaction levels for initial contact remain high, there is a statistically significant reduction when compared to the previous 12 months. Victims less satisfied with this service aspect indicated the time taken to answer the phone, particularly the 101 service and the response time specified by the contact handler as explanation.

Subject to Audit

Response

- Grade 1 incident demand remains high following the easing of COVID-19 lockdown measures. Total incident demand (G1 and G2) increased by 11% for the 12 months to March 2022, compared to the previous 12 months.
- There has been a reduction in the percentage of incidents attended on time for grade 1 incidents in the 12 months to March 2022. The average response time for grade 1 (urban) in the 12 months to March 2022 was 17 minutes, and rural was 22 minutes. This is an increase from 8 minutes, 26 seconds and 14 minutes, 30 seconds respectively, in the previous period.
- The volume of grade 2 incidents has remained consistent. The percentage of grade 2 incidents attended within 1 hour has reduced since March 2021, 59% of grade 2 incidents were attended within 1 hour compared to 75% in the previous period. This coincides with the increase in volume of grade 1 incidents.
- The average response time for grade 2 incidents in the 12 months to March 2022 was 3 hours and 9 minutes, compared to 1 hour 7 minutes for the previous 12-month period.
- There is a statistically significant reduction in response time satisfaction. Although the expectations of victims vary, survey feedback showed that dissatisfied victims felt their response time was not proportionate for the type of incident that they were reporting. Several victims commented that their response time had been longer than the timeframe specified by the contact handler.
- The capability and capacity to respond effectively is anticipated to improve as the officer Uplift programme is completed. To further assist with meeting demand capacity in RPT has been increased above establishment and the 12-hour RPT shift pattern implemented in 2021 to enable the Force to meet challenges associated with COVID-19, will remain in place until January 2023.

Anti-Social Behaviour

- There has been a 40% (-31,017) reduction in ASB related incidents in the 12 months to March 2022 compared to the previous 12-month period. 20% of ASB is youth-related in this 12-month period compared to 13% in the previous period.
- This increase is reflected in residents' feedback from the Safer Communities Survey regarding their perception of ASB as a problem in their local neighbourhoods, as the majority of comments relate to youths engaging in ASB.
- The more recent trend in ASB incidents is in-line with the period pre-COVID. ASB incidents have consistently reduced since the end of COVID-19 restrictions.
- A refreshed ASB Problem Profile is currently being completed which will be used to analyse causal factors behind reduction and assess impact of tactics, such as multi-agency problem solving initiatives, hotspot areas and impact or early intervention strategy and programmes.
- The Force wide Neighbourhood Strategy is articulated through a neighbourhood model to provide clear role and delivery objectives to Neighbourhood teams. Vulnerability is central, with problem solving the overarching methodology across main themes of crime prevention, ASB prevention, community engagement and safeguarding.
- The Force has invested in a Harm Reduction and Communities Team (HRCT) to oversee Force wide delivery of Neighbourhood Policing, including harm reduction, crime prevention, problem solving, early intervention, serious violence reduction, rural policing and offender management, in addition to community engagement.

Subject to Audit

- 76% of ASB victims feel satisfied with their experience of service as a whole. The satisfaction levels of ASB victims have deteriorated across most of the main aspects of service compared to the same period last year.

Recorded Crime

- Total crime has increased by 8% for the 12 months to March 2022, with an increase in most crime categories compared to the 12 months to March 2021. It should be noted crime levels for the 12 months to March 2021 were affected by COVID-19. A more comparable period is the 12 months to March 2020; compared to this period crime levels are lower for the majority of crime categories, with the exception of violent crime, sexual offences and hate crime. There were spikes in violent crime after lockdown easing in March 2021 and in October and November 2021, as well as in March 2022.
- Sexual offences have increased by 31%. The increase in May and June follows the easing of lockdown measures and the re-opening of the night-time economy. Sexual offences were lower in 2020, primarily due to COVID-19; the number of sexual offences is currently +16% above the level of 2019. The Force is placed 32nd nationally (sexual offences per 1,000 population for 12 months to January 2022).
- Hate crime has increased year on year. An increase in race (+234 crimes), homophobic (+80 crimes), transphobic (+42 crimes) and disability (+145 crimes) account for most of the increase for the current 12-month period (+536 crimes in total).
- There is a statistically significant decrease in whole experience satisfaction for victims of hate crime.
- Although there has been a reduction in satisfaction with the action taken, this change is not statistically significant.
- The reduction in follow-up satisfaction for hate crime victims is statistically significant compared to previous results. Lack of communication and regular updates from police drives dissatisfaction with this service aspect.
- The Force continues to prioritise hate crime and provide support to vulnerable victims. Hate Crime guidance for the first responder has been developed to improve service delivery to victims, and in conjunction with the CPS an investigators checklist to improve the quality of hate crime case file submissions. The Force is introducing a new process that will see hate crime convictions published on social media to demonstrate visible consequences of offending.

Police and Crime Plan Priorities

Fighting Crime | Improving Lives | Preventing Crime

Domestic Abuse

- There has been a 1% increase in the number of domestic abuse incidents in the rolling 12 months to March 2022 compared to the previous year. Following a seasonal increase last summer, volumes have been steady and are at levels comparable to pre-COVID-19.
- Domestic abuse victims continue to report high levels of satisfaction with the service with 89% of victims feeling satisfied with their overall service.

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- 85% of domestic abuse victims feel satisfied with the actions taken by police in response to their report. Police keeping victims informed regarding the action taken was suggested as an area for improvement. Satisfaction with treatment remains consistently high over time.

Resolved Rate – Overall Crime

- The resolved rate for total recorded crime is 12.7% compared to 15.7% for the previous year.
- The Force is placed 35th nationally for the 12 months to January 2022 (the latest available national data), which is a decrease from 32nd for the 12 months to November 2021 reported previously.
- The Force has an investigative capability and capacity action plan, focusing on understanding current and future demand, design of organisational structures, current and future resourcing needs and improving investigative capability. This is being supported by the roll-out of a Performance Management Framework, giving supervisors greater focus on performance and quality and improving performance via regular one-to-ones and coaching sessions. There is an Investigative Capability Working Group with responsibility for the day-to-day delivery of the plan with oversight via the Strategic Management Board (SMB) (Performance) and SMB (Business). A Gold Group has also been established to oversee and direct the response to investigative capability and capacity.

Victims' Code of Practice (VCOP)

- Victims' Code of Practice compliance has improved as a consequence of a programme of development, undertaken to deliver improvements in compliance and victim contact. Activity delivered to date includes blogs, videos and personal briefings to investigators across the Force. The key messages have been well received and VCOP is fully embedded throughout all levels of the organisation
- Follow-up performance remains an area for improvement; 64% of victims who wanted updates felt satisfied with the way they were kept informed. Not receiving updates and waiting long periods of time between contact drive dissatisfaction with follow-up.
- There is a statistically significant increase in the percentage of victims satisfied with the way they were treated.
- The Force has reviewed the current service provision for victims and witnesses. Improvements have been identified to support a victim of crime, through improved co-ordination and delivery to keep victims informed of progress and an enhanced support and engagement model for victims and witnesses who enter the Criminal Justice System alongside better IT access and online services. Phased roll out of the system began in April 2022.

Public Perception

- Confidence in Northumbria Police remains high according to insight data from the Safer Communities Survey. Whilst there has been some reduction in the in percentage of residents who feel Northumbria Police do a good or excellent job in their local area, perception scores remain high. Many survey participants who rated their local police as good or excellent commented that the police do what they can with limited resources.
- Other confidence measures have stayed consistently high.
- Although national comparison data has been unavailable throughout the pandemic, the most recent data from the Crime Survey for England and Wales (CSEW) placed the Force first nationally for many of the confidence and public perception measures.

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Police and Crime Plan Priorities

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Preventing Crime

- The number of serious violence offences has remained stable since the re-opening of the night-time economy in March/April 2021, with small peaks in October 2021 and March 2022.
- Knife enabled serious violence was 3.8% of the total serious violence offences in the 12 months to March 2022, compared to 5.1% for the previous period.
- For violent crime, the Force is placed 25th nationally for the 12 months to February 2022 (the most recent national data).
- There has been an increase in total recorded crime across all 6 local authority areas for the 12 months to March 2022 compared to the previous 12-month period, although like the Force level view, is lower than the pre-COVID-19 period.
- There have been increases in violence against person (VAP) offences across all local authority areas, with the largest increase in Newcastle (+29%) contributing to the overall increase in crime in the area (+21%). Sexual offences have increased by +31% across the Force area, with the most notable increases being in Gateshead (+30%), Northumberland (+36%) and Newcastle (+55%). As previously referenced, sexual offences were lower in 2020, primarily due to COVID-19; the number of sexual offences is currently +16% above the level of 2019.
- The Government has committed to multi-year GRIP funding for the next 3 years. The Force will receive £970k each year with a match-funding contribution of 20% in 2022/23, rising to 30% in 2023/24 and 40% in 2024/25. The programme so far has focused on serious violence hotspot policing and it is anticipated that this will continue in 2022/23.
- The Force works with the Violence Reduction Unit (VRU) and voluntary sector organisations to deliver early intervention through commissioned services in all 6 local authority areas. This is delivered through a range of projects. One of the most significant is You Only Live Once (YOLO) delivered by the Newcastle United Foundation, which engages with young people referred by a police lead at risk through being involved in violence or at potential risk identified through early indicators, including association with SOC offenders. Other services are aligned to the primary, secondary, and tertiary intervention approach and include; delivering educational inputs in schools and providing place-based harm intervention. All these interventions are funded by the Home Office VRU.
- The night-time economy plans in Newcastle and Sunderland city centres incorporate a range of activity with partners, including training of staff working in bars, clubs, hotels and door staff in relation to vulnerability indicators and how to respond, funding taxi marshalls in Newcastle, a Safe Haven vehicle in Newcastle staffed by St John's Ambulance and police and Safe Haven premises in Sunderland city centre and working with Street Pastors who conduct patrols in main NTE centres

Collaboration

During 2021/22 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). The North East Regional Organised Crime Unit (NE ROCU) is the principal collaboration arrangement between Northumbria, Durham and Cleveland and is

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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 Organised Crime Unit (NE ROCU)

The North East Regional Organised Crime Unit (NE ROCU) is one of 10 ROCUs across England and Wales.

The NE ROCU was previously known as the North East Regional Special Operations Unit (NERSOU) and was rebranded in July 2022 as NE ROCU.

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.

NE ROCU is categorised as a Joint Operation in line with the Accounting for Collaboration guidance issued by CIPFA. The NE ROCU revenue outturn position for 2021/22 and the share attributable to Northumbria are set out in the following table:

NE ROCU Outturn 2021/22		
NE ROCU Revenue Budget	NE ROCU £000	Northumbria £000
Expenditure	12,678	6,671
Income	(3,755)	(1,976)
Net Expenditure	**8,923**	**4,695**
Funded by:		
Force Contributions	8,854	4,659
Transfer from NE ROCU Reserve	69	36
Total	**8,923**	**4,695**

Northumbria Police made a revenue contribution of £4.659 million to NE ROCU for 2021/22. This contribution is included within the Chief Constable's revenue budget outturn. The net transfer from the NE ROCU reserve reflects the use of prior year Force contributions (£0.208m) which were held in reserves to be used in 2021/22 and a transfer to the reserve (£0.172m) to be used in 2022/23.

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 2022/23. The balance on the provision at 31 March 2022 reflects a prudent estimate to cover the expected costs.

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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[5]. 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[6] 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

[5] Public Service Pension Act 2013 (section 4)

[6] Police Pension Fund Regulations 2007 (SI 2007/1932)

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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 2021/22 is £59.002 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 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 £4.601 billion (£4.581 billion in 2020/21) 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 2021/22 to 2024/25 can be found at the following link: TM Policy and Strategy 2021/22 to 2024/25

The borrowing strategy during 2021/22 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 2022 was £86.969 million, which was within the operational borrowing limit of £155.000 million. This is a net reduction of £6.500 million from the opening figure of £93.469 million, represented by £16.000 million new borrowing and repayments of £22.500 million.

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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 2021/22 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 29)** - 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** 31**)** - 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 32)** - 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 33)** - 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 **34)**Error! Bookmark not defined. - 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 91)** - 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 93)** - 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.

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Balance Sheet for the Police and Crime Commissioner Group **(Page 94)** - 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 95)** - 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 96) - 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 124) - This shows the Police Pension Fund Account for the year for which the Chief Constable is Scheme Manager[7].

Annual Governance Statement (Page 126) - This statement, required by regulations[8] to accompany the Statements of Account, outlines the Commissioner's approach to corporate governance and internal control[9].

Independent Auditor's Report to the Police and Crime Commissioner (Page 138) - This report details the basis of the external auditor's opinion on the Statements of Account.

Glossary of Terms (Page 139) - 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 2020/21

There have been no significant changes to the financial statements since 2020/21.

Outlook for 2022/23 and Beyond

The Commissioner has agreed a Medium Term Financial Strategy (MTFS) which sets out the key financial issues over 2022/23 to 2025/26. 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 2022/23 to 2025/26 will continue to deliver and build upon the investment in policing for Northumbria residents approved by the Commissioner in 2020/21 and 2021/22. The Strategy will assist the Force to become better prepared to meet future demand; deliver a much-needed increase in officer numbers through the final year of the national police officer Uplift programme; and allow Northumbria Police to invest in the right resources to protect the vulnerable, tackle crime and keep our communities safe.

The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support the key enablers within the Northumbria Strategy 2025, deliver the strategic objectives of Northumbria Police and meet the requirements of the National Strategic Policing Requirement.

The Commissioners MTFS was established to make the best use of the financial settlement 2022/23, whilst making prudent assumptions on future funding levels and expected budget requirements, to ensure that

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[7] Public Service Pension Act 2013 (section 4)
[8] Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from www.legislation.gov.uk)
[9] In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015

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resources remain available to meet operational demand, continue to deliver value for money and are sustainable across the period of the MTFS.

The Police Grant Report for 2022/23 confirmed an increase of £550.000 million for policing, to support the recruitment of an additional 8,000 officers by March 2023. Indicative increases of £100 million (2023/24) and £150.000 million (2024/25) were confirmed for future years.

The increase for Northumbria was £16.7000 million which represents the funding formula share (3.08%) of the total £550.000 million nationally. The Uplift target for Northumbria in 2022/23 is an additional 246 police officers which will be delivered by March 2023.

The Commissioner approved an increase in the Council Tax Precept for 2022/23 of £10.00 per year for a Band D property. The additional income generated by the precept increase is £4.000 million and this will be used to deliver:

- Additional call handlers to improve performance for 999 and 101 services.
- Extra resources to tackle cyber-crime and serious and organised crime.
- More civilian investigators to support investigations and free up officers.
- Workforce investment – supporting our officers to keep them on the beat and tackling crime.

The MTFS financial forecast sets out one scenario for what we think the overall funding might look like for Northumbria Police over the four years. However, there are many unknowns within the current economic and political environment and together with a continued lack of certainty around future funding from the Government it remains extremely difficult to predict an accurate financial picture with a high degree of confidence. The budget estimates for future years will require further consideration as the financial landscape becomes clearer and government funding support beyond the 2022/23 financial year is confirmed.

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.

The Commissioner's MTFS for 2022/23 through to 2025/26 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 2022/23, with limited information provided for future years, 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 2022/23 to 2025/26

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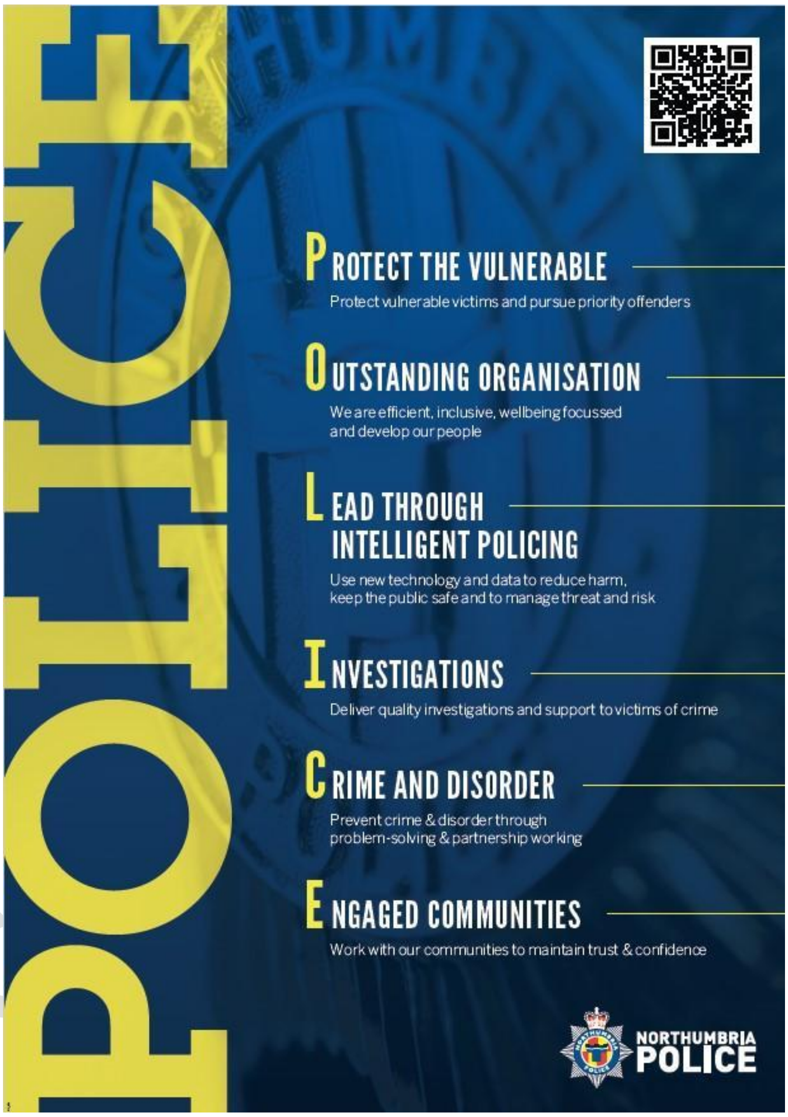
Northumbria Police Strategic Priorities and Transformation Programme

Northumbria Police has a track-record of delivering a high standard of performance and quality services. Understanding our demand helps to ensure we can maintain these standards.

Our strategic priorities, listed below, directly support those of our communities and the Police and Crime Plan priorities of **Fighting Crime, Preventing Crime and Improving Lives.**



We continue to implement our Transformation Programme, which is reviewing all aspects of our operating model and the elements that underpin the delivery of policing services. This aims to reduce demand and optimise capacity, whilst improving the quality of service to users. The programme is being managed over four stages as we standardise, improve, remodel and innovate.

The implementation of core information systems is the result of much-needed, substantial investment in information technology and digital transformation. We are replacing a number of legacy systems with new, modern and flexible platforms. These new systems will provide functionality that will be harnessed to generate more efficient and effective operating practices across the Force.

Digital 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.

The National Uplift Programme - provides Northumbria with an additional 616 officers. We have also committed to invest in a further 60 police officer investigators over and above the target set by government. In response to our demand analysis and increased demand, a large proportion of the new officers will be allocated to investigative functions, including those related to cyber-crime. We are also actively increasing our volunteer base, with plans to expand and widen the remit of volunteering at the centre of our people strategy.

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 2021/22, a summary of which will be included in the Annual Report for 2021/22 available on the Commissioner's website [Homepage - Northumbria PCC (northumbria-pcc.gov.uk)](northumbria-pcc.gov.uk).

Kevin Laing MSc (fin) CPFA

Treasurer

Date: 29/07/2022

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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.

The approval will take place following the audit

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 2022, 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 2022 and of her income and expenditure for the year ended 31 March 2022.

Kevin Laing MSc (fin) CPFA
Treasurer
Date: 29/07/2022

Subject to Audit

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

Subject to Audit

Movement in Reserves Statement 2021/22

	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
Balance as at 31 March 2020		**10,058**	**23,178**	**33,236**	**22,153**	**280**	**55,669**	**(22,547)**	**33,122**
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure		**4,574**	**-**	**4,574**	**-**	**-**	**4,574**	**9,168**	**13,742**
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	(318)	-	**(318)**	20	724	**426**	(426)	**-**
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		**4,256**	**-**	**4,256**	**20**	**724**	**5,000**	**8,742**	**13,742**
Transfers (To) / From Earmarked Reserves	9(c)	(3,916)	3,916	-	-	-	**-**	-	**-**
Increase or (Decrease) in Year		340	3,916	4,256	20	724	**5,000**	8,742	13,742
Balance as at 31 March 2021		**10,398**	**27,094**	**37,492**	**22,173**	**1,004**	**60,669**	**(13,805)**	**46,864**

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
Balance as at 31 March 2020		**12,126**	**11,601**	**23,727**	**15,056**	**280**	**39,063**	**(12,159)**	**26,904**
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure		**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)	**-**
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		**9,509**	**-**	**9,509**	**7,097**	**-**	**16,606**	**(10,388)**	**6,218**
Transfers (To) / From Earmarked Reserves	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
Balance as at 31 March 2021		**10,058**	**23,178**	**33,236**	**22,153**	**280**	**55,669**	**(22,547)**	**33,122**

Comprehensive Income and Expenditure Statement

2020/21				2021/22			Notes
Gross Expenditure £000	Income £000	Net Expenditure £000	**Service Expenditure Analysis**	Gross Expenditure £000	Income £000	Net Expenditure £000	
-	(32,302)	(32,302)	Police Services	-	(33,743)	(33,743)	
-	(2,568)	(2,568)	Policing Funds (managed by the PCC)	-	(4,379)	(4,379)	
2,110	(35)	2,075	Office of the Police and Crime Commissioner	2,311	-	2,311	
-	(129)	(129)	Capital Financing	-	(126)	(126)	
2,630	(2,630)	-	PCC Commissioning of Victim Services	2,525	(2,525)	-	
326,188	-	326,188	PCC Financing of Police Services	345,506	-	345,506	
330,928	**(37,664)**	**293,264**	**Net Cost of Services**	**350,342**	**(40,773)**	**309,569**	
		(7)	Other Operating Expenditure			-	
		2,644	Financing and Investment Income and Expenditure			2,671	10
		(298,974)	Taxation and Non-Specific Grant Income and Expenditure			(316,814)	
		(3,073)	**(Surplus) / Deficit on Provision of Services**			**(4,574)**	
		(3,620)	(Surplus) / Deficit on revaluation of non-current assets			(8,540)	
		475	Re-measurements of the net defined pension benefit Liability			(628)	9 (a)
		(3,145)	**Other Comprehensive Income and Expenditure**			**(9,168)**	
		(6,218)	**Total Comprehensive Income and Expenditure**			**(13,742)**	

Balance Sheet

31 March 2021 £000		31 March 2022 £000	Notes
87,135	Property, Plant & Equipment	94,083	
2,300	Investment Property	2,400	16
2,644	Intangible Assets	3,126	
-	Long-Term Debtors	-	17
92,079	**Long-Term Assets**	**99,609**	
20,002	Short-Term Investments	22,017	
-	Assets Held for Sale	-	16
775	Inventories	941	
27,958	Short-Term Debtors	32,264	17
16,594	Cash and Cash Equivalents	10,706	18
65,329	**Current Assets**	**65,928**	
(1,043)	Bank Overdraft	(965)	18
(7,162)	Short-Term Borrowing	(5,662)	19
	Short-Term Provision	-	21
(26,034)	Short-Term Creditors	(27,127)	19
(34,239)	**Current Liabilities**	**(33,754)**	
(1,330)	Long-Term Provisions	(1,402)	20
(86,969)	Long-Term Borrowing	(81,969)	21
	Long-term creditors	-	18
(1,748)	Other Long-Term Liabilities (Pensions)	(1,548)	22
-	Capital grants receipts in advance	-	
(90,047)	**Long-Term Liabilities**	**(84,919)**	
33,122	**Net Assets**	**46,864**	
55,669	**Total Usable Reserves**	**60,669**	9(c)
(22,547)	**Total Unusable Reserves**	**(13,805)**	
33,122	**Total Reserves**	**46,864**	

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Commissioner at 31 March 2022.

Kevin Laing MSc (fin) CPFA
Treasurer
Date: 29/07/2022

Cash Flow Statement

2020/21 £000		2021/22 £000
(3,073)	**(Surplus) / Deficit on the provision of services**	**(4,574)**
	Adjustments to (Surplus) / Deficit on the Provision of Service for Non-Cash Movements:	
(8,707)	Depreciation of Non-Current Assets	(8,420)
(3,342)	Revaluation / Impairment of Non-Current Assets	100
(1,168)	Amortisation of Intangible Fixed Assets	(1,427)
(166)	Pension Fund Adjustments	(428)
(1)	(Increase) / Decrease in Provision for Bad Debts	18
58	Contributions To / (From) Provisions	(72)
(35)	Carrying amount of PP&E, Investment Property and Intangible Assets Sold	(20)
(1,743)	Other Non-Cash Movement	128
(15,104)		**(10,121)**
	Accruals Adjustments:	
30	Increase / (Decrease) in Inventories	166
(7,673)	Increase / (Decrease) in Debtors	2,786
131	Increase / (Decrease) in Interest Debtors	20
(3,590)	(Increase) / Decrease in Creditors	32
14	(Increase) / Decrease in Interest Creditors	-
(11,088)		**3,004**
	Adjustments for items included in the net (Surplus) / Deficit on the provision of service that are investing or financing activities:	
42	Proceeds from the Disposal of PP&E, Investment Property and Intangible Assets	20
977	Capital Grants Credited to Surplus or Deficit on the Provision of Services	1,303
-	Other Adjustments for items included in the net (Surplus) / Deficit on the Provision of Service that are Investing or Financing Activities	
1,019		**1,323**
	Reversal of Operating Activity items included in the net (Surplus) / Deficit on the Provision of Service that are shown separately below:	
(2,620)	Reversal of amounts disclosed separately below	(2,736)
	Cash Flows from Operating Activities includes the following items:	
2,822	Interest Paid	2,810
(202)	Interest Received	(74)
2,620		**2,736**
(27,252)	**Net Cash Flows from Operating Activities**	**(10,368)**
	Net Cash Flows from Investing Activities:	
10,726	Purchase of PP&E, Investment Property and Intangible Assets	8,757
78,300	Purchase of Short-Term and Long-Term Investments	109,136
380	Other Payments for Investing Activities	244
(42)	Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(20)
(65,800)	Proceeds from the Sale of Short-Term and Long-Term Investments	(107,136)
(491)	Capital Grants Received (Government)	(593)
(486)	Capital Grants Received (Non-Government)	(710)
22,587	**Net Cash Flows from Investing Activities**	**9,678**
	Net Cash Flows from Financing Activities:	
(17,500)	Cash Receipts of Short-Term and Long-Term Borrowing	(16,000)
15,000	Repayments of Short-Term and Long-Term Borrowing	22,500
(2,500)	**Net Cash Flows from Financing Activities**	**6,500**
(7,165)	**Net (Increase) / Decrease in Cash and Cash Equivalents**	**5,810**
7,392	Cash and Cash Equivalents at the Beginning of the Period	15,551
15,551	Cash and Cash Equivalents at the End of the Period	9,741

Notes to the Single Entity Financial Statements

1. 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 financing of police services line of **£302.632 million** comprises the Chief Constables outturn position of **£302.596 million** plus the net transfer from the NE ROCU reserve of **£0.036 million**.

Expenditure and Funding Analysis

2020/21				2021/22		
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	**Service Expenditure Analysis**	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
-	(32,302)	(32,302)	Police Services	-	(33,743)	(33,743)
-	(2,568)	(2,568)	Policing Funds (managed by the PCC)	(440)	(3,939)	(4,379)
2,098	(195)	1,903	Office of the Police and Crime Commissioner	2,128	183	2,311
9,941	(10,070)	(129)	Capital Financing	11,667	(11,793)	(126)
-	-	-	PCC Commissioning of Victim Services	-	-	-
280,979	45,381	326,360	PCC Financing of Police Services	302,632	42,874	345,506
293,018	**246**	**293,264**	**Net Cost of Services**	**315,987**	**(6,418)**	**309,569**
(302,527)	6,190	(296,337)	Other Income and Expenditure	(320,243)	6,100	(314,143)
(9,509)	**6,436**	**(3,073)**	**(Surplus) / Deficit on Provision of Services**	**(4,256)**	**(318)**	**(4,574)**
23,727			**Opening General Fund Balance at 31 March**	**33,236**		
9,509			Surplus / (Deficit) on General Fund in Year	4,256		
33,236			**Closing General Fund as 31 March**	**37,492**		

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.

2021/22

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	-	-	-	(33,743)	(33,743)
Policing Funds (managed by the PCC)	-	-	-	(3,939)	(3,939)
Office of the Police and Crime Commissioner	10,091	393	-	(10,301)	183
Capital Financing	(9,057)	-	-	(2,736)	(11,793)
PCC Commissioning of Victim Services	-	-	-	-	-
PCC Financing of Police Services	-	-	-	42,874	42,874
Net Cost of Services	**1,034**	**393**	**-**	**(7,845)**	**(6,418)**
Other Income and Expenditure	(1,403)	35	(377)	7,845	6,100
(Surplus) / Deficit on Provision of Services	**(369)**	**428**	**(377)**	**-**	**(318)**

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
Net Cost of Services	**6,147**	**142**	**-**	**(6,043)**	**246**
Other Income and Expenditure	(984)	24	1,107	6,043	6,190
(Surplus) / Deficit on Provision of Services	**5,163**	**166**	**1,107**	**-**	**6,436**

2. Expenditure and income Analysed by nature

The Code of Practice requires the Commissioner to disclose information on the nature of expenses. The Commissioner's expenditure and income for 2021/22 (and 2020/21 comparative) is analysed as follows

Expenditure and Income Analysed by Nature		
Expenditure / Income	2020/21 £000	2021/22 £000
Expenditure		
Employee benefits expenses	777	794
Other employee expenses	265	310
Premises	109	165
Transport	-	3
Supplies and services	203	363
Third party payments	3,386	3,201
Depreciation, amortisation and impairment	13,217	9,847
Other capital charges	380	244
Less: amounts charged to Chief Constable for use of assets	(13,597)	(10,091)
Financing of Police Services	326,188	345,506
Loss on disposal of property, plant and equipment	-	-
Interest payments	2,821	2,810
Police pension fund deficit - payment to pension fund	58,840	59,002
Interest on the net defined benefit pension liability	24	35
Total Expenditure	**392,613**	**412,189**
Income		
Fees, charges and other service income	(3,640)	(6,333)
Recharge receipts	(3,018)	(4,582)
Other operating Income	(2,024)	(2,955)
Revenue grants and contributions	(28,981)	(26,903)
Gain on disposal of property, plant and equipment	(7)	
Gain on revaluation of Investment Property	-	(100)
Interest and investment income	(202)	(74)
Dividends receivable	-	-
Income from Council Tax	(54,482)	(57,160)
Police Grant income	(243,515)	(258,351)
Police pension fund deficit - grant income	(58,840)	(59,002)
Capital Grants and Contributions	(977)	(1,303)
Total Income	**(395,686)**	**(416,763)**
(Surplus) / Deficit on the Provision of Services	**(3,073)**	**(4,574)**

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 2021/22, 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

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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

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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

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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.

There are no prior period adjustments for the 2021/22 accounts.

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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.

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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.

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

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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.

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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.

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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.

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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.

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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 Organised Crime Unit (NE ROCU). Further detail of the arrangements in place and the outturn for 2021/22 is shown at **Note 14**.

4. Critical Judgment 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

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 2021/22.

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

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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 2021/22 the following have been issued but will not be adopted by the Code until 2022/23:

- Annual improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 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 estimated 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 2022 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 £421.000 million (9.5%).
- An increase in the salary inflation assumption of 0.5% would result in an increase in the pension liability of £39.000 million (1.0%).

Tyne and Wear Pension Fund (TWPF)

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- A reduction in the discount rate assumption of 0.1% would result in an increase in the pension liability of £14.160 million (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 £2.380 million (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 2021/22 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 note 3 section o. 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 2022, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are in the Commissioners name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all usable reserves. The Commissioner is the recipient of all income including government grants, Precepts and other sources of income which is paid into the Police Fund, and all expenditure of the Chief Constable is funded by the Commissioner from the Police Fund. There are no cash transactions between the two bodies.

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

All income, as well as expenditure directly controlled by the Commissioner, in relation to her Office and a number of Specific Grants and other funding streams, is recognised in the financial statements of the Commissioner.

Subject to Audit

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 - £10.091 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 - £0.237 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 2021/22.

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:

Intra-Group Adjustments
Comprehensive Income and Expenditure Statement

Commissioner's resources consumed by the Chief Constable

2020/21 £000		2021/22 £000
(326,188)	Chief Constable	(345,506)
326,188	Commissioner	345,506
-	**Group**	**-**

Intra-Group Adjustments
Balance Sheet

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.

2020/21 £000		2021/22 £000
(13,464)	Chief Constable	(8,440)
13,464	Commissioner	8,440
-	**Group**	**-**

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9. Movement in Reserve 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 2021/22 and 2020/21

	Other Comprehensive Income & Expenditure	
2020/21 Unusable Reserves £000		2021/22 Unusable Reserves £000
(3,620)	(Surplus) / Deficit on revaluation of non-current Assets	(8,540)
475	Re-measurements of the net defined benefit pension Liability	(628)
(3,145)	**Total Other Comprehensive Income and Expenditure**	**(9,168)**

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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 arrive at the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure. The adjustments for 2021/22 and 2020/21 are set out in the following tables:

Adjustments between Accounting Basis & Funding Basis under regulations 2021/22	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	(8,320)	-	-	-	8,320
Amortisation of intangible assets	(1,427)	-	-	-	1,427
Revenue Expenditure Funded from Capital under Statute	(244)	-	-	-	244
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,303	-	-	(724)	(579)
Capital Expenditure charged in the year to the General Fund	-	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	-	-	(20)	-	20
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	377	-	-	-	(377)
Reversal of IAS 19 Pension Charges	(653)	-	-	-	653
Contributions due under the pension scheme regulations	225	-	-	-	(225)
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	9,057	-	-	-	(9,057)
Total adjustments between Accounting Basis & Funding Basis under regulations	**318**	**-**	**(20)**	**(724)**	**426**

Adjustments between Accounting Basis & Funding Basis under regulations 2020/21	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
Total adjustments between Accounting Basis & Funding Basis under regulations	**(6,436)**	**-**	**(7,097)**	**-**	**(13,533)**

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 just below 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 was repeated for 2021/22 and 2022/23. The MTFS 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** was established to manage costs associated with workforce change. The reserve has a balance of £1.300 million and was increased in 2018/19 as a precautionary measure in case there were workforce implications, should the government fail to fund Police Pensions adequately as part of the 2020 CSR. 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 as a backstop 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 total reserve balance will be used in full to manage the cost of ESN implementation expected for Northumbria in 2025/26.

- The **Inflationary Risks Reserve** – The underspend for 2021/22 against the Chief Constable's revenue budget of £4.325 million has been transferred to an earmarked reserve at 31 March 2022 to manage inflationary risks identified for 2022/23. This reserve will provide much needed support

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to manage the impact of the current extraordinary levels of inflation emerging in the economy for energy, fuel and prices, that were not anticipated within the approved budget for 2022/23

- **Reserve to Maintain Investment over the Medium Term and Support Uplift** - Significant investment in policing services for Northumbria residents was approved by the Commissioner in 2020/21 and part of the total funding allocated for that year (£8.200 million) was identified to support the investment in future years, in order to ensure that it would remain sustainable over the medium term. The previous MTFS included plans to utilise the reserve over 2 years 2023/24 and 2024/25. The use of the £8.200 million has been reprofiled over 2023/24 to 2025/26 to manage the anticipated funding gap in those years.
- The **Covid Enforcement/Operational Reserve -** An earmarked reserve of £3.100 million was established in 2020/21 to meet the costs of Covid enforcement and operational policing in 2021/22. Expenditure of £1.176 million was met from this reserve in 2021/22 and future planned expenditure is now phased over 2022/23 to 2024/25.
- 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 **NE ROCU Reserve** represents Northumbria's share of the North East Regional Organised Crime Unit (NE ROCU) 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. The balance on the Deferred Capital Receipts Reserve at 31 March 2022 is 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:

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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.

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Analysis of the transfers To / From reserves

Balance as at 31 March 2021 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2022 £000
	Usable Reserves				
10,058	**General Reserve**	340	-	**340**	**10,398**
	Earmarked Reserves:				
3,000	Insurance Reserve	-	-	-	**3,000**
3,400	Police Pension Scheme Funding Reserve	-	-	-	**3,400**
1,320	Workforce Management Reserve	-	-	-	**1,320**
2,600	ESN Reserve	-	-	-	**2,600**
-	Inflationary Risks Reserve	4,325	-	4,325	**4,325**
8,200	Investment Reserve	-	-	-	**8,200**
3,146	Covid Enforcement / Operational Reserve	-	(1,176)	(1,176)	**1,970**
603	OPCC Innovation Reserve	181	-	181	**784**
400	External Funding Reserve	850	(228)	622	**1,022**
509	NE ROCU Reserve	172	(208)	(36)	**473**
23,178	**Total Earmarked reserves**	5,528	(1,612)	**3,916**	**27,094**
22,153	**Capital Receipts Reserve**	20	-	**20**	**22,173**
280	**Capital Grants Unapplied**	752	(28)	**724**	**1,004**
55,669	**Total Usable Reserves**	**6,640**	**(1,640)**	**5,000**	**60,669**
	Unusable Reserves				
21,227	Revaluation Reserve	8,540	(325)	**8,215**	**29,442**
(41,863)	Capital Adjustment Account	10,061	(10,111)	**(50)**	**(41,913)**
(163)	Collection Fund Adjustment Account	377	-	**377**	**214**
-	Deferred Capital Receipts	-	-	**-**	**-**
(1,748)	Pension Reserve	628	(428)	**200**	**(1,548)**
(22,547)	**Total Unusable Reserves**	**19,606**	**(10,864)**	**8,742**	**(13,805)**
33,122	**Total Reserves**	**26,246**	**(12,504)**	**13,742**	**46,864**

d) Movement on Unusable Reserves

Unusable Reserves - Revaluation Reserve

Balance as at 31 March 2021 £000		Transfers To/(From) Reserves: Upward revaluations of property, plant and equipment £000	Historic cost depreciation adjustment (HCDA) £000	Total £000	Balance as at 31 March 2022 £000
21,227	Revaluation Reserve	8,540	(325)	**8,215**	**29,442**

Unusable Reserves - Capital Adjustment Account

	Transfers To/(From) Reserves: Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Capital Adjustment Account £000
Balance as at 31 March 2021				**(41,863)**
Amortisation of Intangible Assets	-	(1,427)	(1,427)	
Depreciation	-	(8,420)	(8,420)	
Gain on Revaluation of Investment Property	100	-	100	
Revenue expenditure funded by capital under statute (REFCUS)	-	(244)	(244)	
Net Gain/Loss on Sale of NCA's	-	(20)	(20)	
MRP for financing of Capital Investment	9,057	-	9,057	
Historic cost depreciation adjustment (HCDA)	325	-	325	
Trf from CGU to CAA	579	-	579	
Total Movement on Reserve	10,061	(10,111)		**(50)**
Balance as at 31 March 2022				**(41,913)**

Unusable Reserves - Pensions Reserve					
		Transfers To/(From) Reserves			
Balance as at 31 March 2021 £000		Re-measurements of the net defined benefit pension liability £000	Reverse the net impact of IAS19 charges on the General Fund £000	Total Movement £000	Balance as at 31 March 2022 £000
	Pensions Reserve				
(1,748)	Police and Crime Commissioner LGPS	628	(428)	**200**	**(1,548)**

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

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				
2020/21		2021/22		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(7)	(Gains) / Losses on Disposal of Property Plant and Equipment	-	-	-
(7)	**Total Taxation and Non Specific Grant Income**	**-**	**-**	**-**

Financing and Investment Income and Expenditure				
2020/21		2021/22		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,871	Interest Payable and similar charges	2,810		2,810
(284)	Interest and investment Income		(174)	(174)
12	Pensions Interest costs and expected return on assets	35		35
2,599	**Total Financing and Investment Income and Expenditure**	**2,845**	**(174)**	**2,671**

Taxation and Non Specific Grant Income and Expenditure				
2020/21		2021/22		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(119,660)	Home Office Grant		(127,855)	(127,855)
(115,688)	Ex - DCLG Formula Grant		(122,328)	(122,328)
(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)
(54,481)	Proceeds of PCC Precepts		(56,783)	(56,783)
-	Receipts/payments to Police Pension Fund	59,002	(59,002)	-
(977)	Capital grants and contributions		(593)	(593)
(298,974)	**Total Taxation and Non Specific Grant Income**	**59,002**	**(374,729)**	**(315,727)**

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.

11. External audit costs

The Commissioner has incurred the following costs in relation to work carried out by the Group's external auditors, Grant Thornton UK LLP who were appointed in 2021/22 with the final accounts 2020/21 being the first year subject to their audit

	External Audit Costs	
2020/21 £000		2021/22 £000
29	External Audit Services	29
2	Additional fees relating to the previous year's audit	-
31	**Net Cost**	**29**

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.

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12. Government and non-government grants and contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2021/22 along with the 2020/21 comparators:

Government and Non-Government Grants				
2020/21			2021/22	
Revenue £000	Capital £000		Revenue £000	Capital £000
		General Government Grant not attributable to Services		
119,660	-	Home Office Grant	127,855	-
115,688	-	Ex - DCLG Formula Grant	122,328	-
6,867	-	Council Tax Support Grant	6,867	-
912	-	Council Tax Freeze Grant 2011/12	912	-
389	-	Council Tax Freeze Grant 2014/15	389	-
58,840	-	Pension top-up grant	59,002	-
-	977	Capital Grant General	-	338
302,356	**977**	**Total**	**317,353**	**338**
		Specific Government Grant attributable to Services		
3,220	-	Counter Terrorism Grants (including Dedicated Security Posts & Prevent)	3,186	-
3,423	-	Police Special Pension Grant	3,423	-
5,178	-	Police Officer Uplift	3,081	-
1,524	-	Serious Violence Funding	1,060	-
1,830	-	Violence Reduction Unit Funding	1,600	-
128	-	Loan Charges Grant	126	-
2,488	-	Victim Services Grant	2,400	-
803	-	Other Specific Policing Funds Managed by the PCC	1,975	-
1,952	-	Apprenticeship Grant	2,755	-
1,480	-	Home Office NE ROCU Funding	852	-
4,434	-	Covid-19 related support	284	-
		Localised Council Tax Support Grants (Covid-19)	1,687	
-	-	Specific Operations	555	-
-	-	National Pension Remedy Grants	81	-
-	-	National Audit funding	31	-
26	-	S31 Grant 2020/21	-	-
-	-	Capital Grant Project Specific	-	254
26,486	**-**	**Total**	**23,096**	**254**
		Non-Government grant and contributions attributable to Services		
2,494	-	Other contributions	4,577	711
2,494	**-**	**Total**	**4,577**	**711**
331,336	**977**	**Total Government and Non-Government contributions recognised in the Comprehensive Income & Expenditure Statement**	**345,026**	**1,303**

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 2021/22 and the equivalent disclosure for 2020/21

Numbers of Employees receiving over £50,000		
	Number of Employees	
Remuneration Band	2020/21	2021/22
£50,000 - £54,999	-	1
£55,000 - £59,999	3	4
£60,000 - £64,999	-	1
£65,000 - £69,999	1	-
£70,000 - £74,999	-	1
£75,000 - £79,999	-	2
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1

Exit Packages

There were no exit packages for the Commissioners Single Entity employees during 2021/22 or 2020/21.

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

Remuneration of Senior Employees 2021/22

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 2021/22
		£	£	£	£	£	£	£
Police and Crime Commissioner		86,700	-	-	-	**86,700**	14,566	**101,266**
Chief of Staff and Monitoring Officer		74,634	-	-	-	**74,634**	12,539	**87,173**
Total		**161,334**	**-**	**-**	**-**	**161,334**	**27,104**	**188,438**

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 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**
Total		**160,575**	**-**	**-**	**-**	**160,575**	**26,977**	**187,552**

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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 2021/22.

Other Public Bodies

Gateshead Council

During 2021/22 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 £0.080 million in 2021/22 and (£0.088 million in 2020/21).

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

Council Tax Precept				
	Total 2020/21 £000	Precept (in accordance with regulation) 2021/22 £000	Share of Surplus / (Deficit) at 31 March 2022 £000	Total 2021/22 £000
Gateshead Council	7,302	(7,525)	(41)	(7,566)
Newcastle City Council	9,421	(9,715)	(10)	(9,725)
North Tyneside Council	8,386	(8,802)	(122)	(8,924)
South Tyneside Council	5,344	(5,584)	(326)	(5,910)
Sunderland City Council	9,441	(9,869)	562	(9,307)
Northumberland County Council	14,588	(15,288)	(440)	(15,728)
	54,482	**(56,783)**	**(377)**	**(57,160)**

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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 the NE ROCU which is classified as a Joint Operation:

North East Regional Organised Crime Unit (NE ROCU)

NE ROCU Governance and Area of Business

The North East Regional Organised Crime Unit (NE ROCU) 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.

NE ROCU comprises of a number of highly specialised teams of officers and staff from the three Forces which work with embedded partners from Her Majesty's Revenue and Customs (HMRC), UK Border Force and the National Crime Agency (NCA) to effectively tackle serious and organised crime across the region.

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

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

Financing and Reserves

NE ROCU 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 2021/22 are set out in the table below

Force	Contribution
Northumbria	52.62%
Durham	23.00%
Cleveland	24.38%

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The final outturn position for NE ROCU was £8.923 million with Northumbria's share of the net cost being £4.695 million as set out in the following table:

	NE ROCU Outturn		Northumbria	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Employee Pay and Pensions	9,846	10,985	5,173	5,780
Premises Costs	358	416	188	219
Vehicles and Fuel	165	229	87	120
Travel and Accommodation	38	103	20	54
Communications and Computing	121	330	64	174
Training and Conference Fees	160	207	84	109
Supplies and Services	452	266	238	140
Other Expenses	129	142	68	75
Total Expenditure	**11,268**	**12,678**	**5,921**	**6,671**
Home Office Grant	(3,136)	(2,549)	(1,648)	(1,341)
Other Income	(470)	(1,206)	(247)	(635)
Total Income	**(3,607)**	**(3,755)**	**(1,895)**	**(1,976)**
Net Expenditure	**7,661**	**8,923**	**4,026**	**4,695**

The accounting treatment for NER ROCU is that expenditure is shown as £6.671 million (£5.921 million 2020/21) in the Chief Constable's accounts with income of £1.976 million (£1.895 million 2020/21) being accounted for in the Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £4.695 million (£4.026 million 2020/21).

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 NE ROCU 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 NE ROCU. The share of NE ROCU 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 NE ROCU 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 NE ROCU 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 £0.473 million as at 31 March 2022

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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

2020/21 £000	Capital Expenditure and Capital Financing	2021/22 £000
110,040	**Opening Capital Financing Requirement**	**110,040**
	Capital investment	
9,870	Property, Plant and Equipment	6,832
856	Intangible Assets	1,925
380	Revenue Funded from Capital Under Statute	244
	Sources of finance	
-	Capital receipts	-
(977)	Government grants and other contributions	(579)
(7,450)	Minimum Revenue Provision	(9,057)
110,040	**Closing Capital Financing Requirement**	**109,405**
	Explanation of movements in year	
-	Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(635)

Capital Commitments

At 31 March 2022, the Commissioner has no material capital commitment outstanding.

Subject to

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**
Balance at 31 March 2020 Restated	**75,376**	**50,104**	**-**	**-**	**125,480**	**2,300**	**6,279**	**134,059**
Reclassifications	-	-	-	-	-	-	-	**-**
Additions	1,602	8,268	-	-	9,870	-	856	**10,726**
Disposals	-	(3,143)	-	-	(3,143)	-	(160)	**(3,303)**
Revaluation Increase / (Decrease) to:	-	-	-	-		-	-	**-**
Revaluation Reserve	2,424	-	-	-	2,424	-	-	**2,424**
Comprehensive I&E	(3,682)	-	-	-	(3,682)	-	-	**(3,682)**
Balance at 31 March 2021	**75,720**	**55,229**	**-**	**-**	**130,949**	**2,300**	**6,975**	**140,224**
Reclassifications	-	-	-	-	-	-	-	**-**
Additions	1,517	5,315	-	-	6,832	-	1,925	**8,757**
Disposals	(106)	(5,346)	-	-	(5,452)	-	(71)	**(5,523)**
Revaluation Increase / (Decrease) to:								
Revaluation Reserve	6,186	-	-	-	6,186	100	-	**6,286**
Comprehensive I&E	-	-	-	-	-	-	-	**-**
Balance at 31 March 2022	**83,317**	**55,198**	**-**	**-**	**138,515**	**2,400**	**8,829**	**149,744**

Non-current assets movements (continued)

Accumulated depreciation and impairment	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**
Balance at 31 March 2020 Restated	**(1,690)**	**(38,085)**	**-**	**-**	**(39,775)**	**-**	**(3,298)**	**(43,073)**
Reclassifications	-	-	-	-	-	-	-	**-**
Eliminated on disposals of assets	-	3,133	-	-	3,133	-	135	**3,268**
Eliminated on revaluation:								
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)**
Balance at 31 March 2021	**(1,518)**	**(42,296)**	**-**	**-**	**(43,814)**	**-**	**(4,331)**	**(48,145)**
Reclassifications	-	-	-	-	-	-	-	**-**
Eliminated on disposals of assets	106	5,342	-	-	5,448	-	55	**5,503**
Eliminated on revaluation:								
Depreciation and Amortisation written out to Revaluation Reserve	2,354	-	-	-	2,354	-	-	**2,354**
Depreciation and Amortisation written out to Comprehensive I&E	-	-	-	-	-	-	-	**-**
Depreciation and Amortisation	(1,393)	(7,027)	-	-	(8,420)	-	(1,427)	**(9,847)**
Balance at 31 March 2022	**(451)**	**(43,981)**	**-**	**-**	**(44,432)**	**-**	**(5,703)**	**(50,135)**

Non-current assets movements - Net Book Value								
	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 31/03/2021	74,202	12,933	-	-	87,135	2,300	2,644	**92,079**
Net Book Value at 31/03/2022	82,866	11,217	-	-	**94,083**	2,400	3,126	**99,609**

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.

Subject to Audit

The valuations completed for the 2021/22 financial year and those completed each year as part of the last three year rolling programme are set out in the following table:

Valuations					
	Land and Buildings £000	Vehicles, Plant and Equipment £000	Investment Property £000	Intangible Assets £000	**Total Non-Current Assets £000**
Carried at Historical Cost		55,197		8,829	64,026
Valued in 2021/22	71,210		2,400		73,610
Valued in 2020/21	11,067				11,067
Valued in 2019/20					-
Valued in 2018/19	1,041				1,041
Total Gross Book Value at 31 March 2022	**83,318**	**55,197**	**2,400**	**8,829**	**149,744**

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 2022 there were no assets held for sale.

Subject to

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 £8.013 million in 2021/22 (£10.710 million in 2020/21).

The bad debt provision includes £3.633 million (£3.663 million in 2020/21) 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.

Short–Term Debtors

31 March 2021 £000		31 March 2022 £000
16,933	Central government bodies	17,672
98	NHS bodies	674
12,066	Other local authorities	13,520
23	Public corporations and trading funds	1,471
2,540	Bodies external to general government	2,580
(3,702)	- Less bad debt provision	(3,653)
27,958		**32,264**

18. Cash and Cash Equivalents

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

Cash and Cash Equivalents

31 March 2021 £000		31 March 2022 £000
90	Cash held by the Commissioner	98
(1,043)	Bank Current Accounts	(948)
16,504	Short Term Deposits	10,590
15,551		**9,740**

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.

Short-Term Creditors

31 March 2021 £000		31 March 2022 £000
(2,055)	Central government bodies	(478)
(42)	NHS bodies	(68)
(4,623)	Other local authorities	(7,445)
-	Public corporations and trading funds	-
(5,850)	Bodies external to general government	(10,696)
(12,570)		**(18,687)**
(13,464)	Chief Constable	(8,440)
(26,034)		**(27,127)**

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

31 March 2021 £000	Provisions	Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2022 £000
	Long-term provisions				
(1,330)	Insurance	(586)	514	-	(1,402)
(1,330)	**Total**	**(586)**	**514**	**-**	**(1,402)**

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 2022.

Contingent Liabilities

At 31 March 2022, 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 2021/22 Statements of Account.

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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:

    - Overall borrowing;
    - Maximum and minimum exposures within the maturity structure of debt; and
    - 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

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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 2022, 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	98	-	98
Trade Debtors	16,479	(20)	16,459

The debtors' balance represents the amount due to the Commissioner from customers. A bad debt provision of £0.020 million on trade debtors, (£0.038 million in 2020/21) is held on the Balance Sheet to provide against the risk of default on debt outstanding.

The trade debtor net value of £16.459 million disclosed in the table above represents the group position. The Commissioner single entity element of trade debtors due is £16.321 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

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Analysis of Credit Risk		
Rating	2020/21 £000	2021/22 £000
AAA	15,504	10,587
AA	-	-
AA-	20,000	14,000
A+	1,000	8,728
A	-	-
Total (Excluding Impaired Investments)	**36,504**	**33,315**

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 2022, all of the Commissioner's £33.315 million deposits were due to mature within 364 days.

Refinancing and Maturity Risk

The Commissioner maintained a debt portfolio of £86.969 million and investment portfolio of £33.315 million at 31 March 2022. 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:

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Maturity Profile of Financial Liabilities				
Maturity Period	Approved Limits %	As at 31 March 2021 %	Approved Limits %	As at 31 March 2022 %
< 1 Year	60.00	6.95	60.00	7.00
1 - 2 Years	40.00	5.35	40.00	17.25
2 - 5 Years	40.00	10.70	40.00	10.70
5 - 10 Years	40.00	21.93	40.00	23.57
>10 Years	80.00	55.07	80.00	59.18

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 2022, there was only exposure to interest rate sensitivity on variable rate investments. The results of this assessment are shown in the following table:

Analysis of 1% increase in Interest Rates	
	£000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(353)
Impact on the (Surplus) / Deficit	**(353)**
Decrease in the fair value of fixed rate investments	13
Decrease in the fair value of fixed rate borrowing	13,809

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.

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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:

Financial Instruments Balances	Long Term		Current	
	As at 31 March 2021 £000	As at 31 March 2022 £000	As at 31 March 2021 £000	As at 31 March 2022 £000
Financial Liabilities at Amortised Cost	(86,969)	(81,969)	(7,162)	(5,662)
Total Borrowing	**(86,969)**	**(81,969)**	**(7,162)**	**(5,662)**
Financial Assets at Amortised Cost	-	-	36,505	33,295
Total Investments	**-**	**-**	**36,505**	**33,295**

Analysis of Financial Liabilities at Amortised Cost

Analysis of Financial Liabilities	Range of Interest rates payable %	Total Outstanding at 31 March 2021 £000	Total Outstanding at 31 March 2021 £000
Source of Loan			
Public Works Loan Board	1.17 - 7.125	(82,616)	(82,616)
Other Loan Instruments	0.10 - 3.52	(11,515)	(5,015)
An Analysis of loans by maturity:			-
Maturing within 1 year		(7,162)	(5,662)
Maturing within 1 - 2 years		(5,000)	(5,000)
Maturing within 2 - 5 years		(10,000)	(5,000)
Maturing within 5 - 10 years		(20,500)	(20,500)
Maturing in more than 10 years		(51,469)	(51,469)
Total Borrowing		(94,131)	(87,631)
Trade Creditors		(15,595)	(16,438)
Total Financial Liabilities		(109,726)	(104,069)

The trade creditor value of £16,438 million disclosed in the table above represents the group position. The Commissioner single entity element of trade creditors due is £14.140 million.

Loans and Receivables

No loans and receivables over 364 days were outstanding as at 31 March 2022 (there were none in 2020/21).

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

Financial Instruments Gains and Losses		
	2020/21 £000	2021/2022 £000
Interest and Investment Income	(202)	(74)
Interest Payable and Similar Charges	2,822	2,810
Total	**2,620**	**2,736**

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 todays' 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.

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Fair Value of Assets and Liabilities	As at March 2021		As at March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	82,616	103,748	82,615	95,882
Non PWLB Debt	11,515	12,672	5,015	5,681
Total Financial Liability	**94,131**	**116,420**	**87,630**	**101,563**
Market loans < 1 year	20,000	20,000	10,000	10,000
Market Loans > 1 year	-	-	-	-
Total Investments	**20,000**	**20,000**	**10,000**	**10,000**

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 2022) arising from a commitment to pay interest to lenders above current market rates.

Reconciliation of Loans and Receivables to Balance Sheet

Loans and Receivables	Principal £000	Impairment £000	Accrued Interest £000	Total £000
Short Term Investments				
Fixed Term Deposits	-	-	-	-
Impaired Investments	-	-	-	-
Total Short Term Investments	**-**	**-**	**-**	**-**
Short Term Deposits	22,000	-	18	22,018
Short Term Deposits - (Cash Equivalents)	11,273	-	4	11,277
Total	**33,273**	**-**	**22**	**33,295**

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 2021/22, the Commissioner paid £0.225 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay compared to £0.150 million in 2020/21 (16.8% 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:

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Charges to Comprehensive Income and Expenditure Statement		
	Funded Liabilities as at	
	31 March 2021 £m	31 March 2022 £m
Within Cost of Service		
Current Service Cost	0.292	0.618
Past service cost (incl. curtailments)	-	-
Financing, Investment Income & Expenditure		
Interest on net defined benefit Liability / (Asset)	0.024	0.035
Pension expense recognised in CIES	**0.316**	**0.653**
Remeasurements in OCI		
Return on plan assets (in excess of) / below that recognised in net interest	(0.608)	(0.160)
Actuarial (Gains) / Losses due to change in financial assumptions	0.926	(0.421)
Actuarial (Gains) / Losses due to change in demographic assumptions	-	(0.053)
Actuarial (Gains) / Losses due to liability experience	0.157	0.006
Total Amount recognised in OCI	**0.475**	**(0.628)**
Total Amount charged to CIES	**0.791**	**0.025**

Assets and Liabilities in Relation to Post-Employment Benefits

Changes to the present value of the defined benefit obligation		
	Funded Liabilities as at	
	31 March 2021 £m	31 March 2022 £m
Opening defined benefit obligation	**3.314**	**4.888**
Current service cost	0.292	0.618
Interest expense on defined benefit obligation	0.078	0.104
Contributions by participants	0.069	0.100
Actuarial (Gains) / Losses on liabilities - financial assumptions	0.926	(0.421)
Actuarial (Gains) / Losses on liabilities - demographic assumptions	-	(0.053)
Actuarial (Gains) / Losses on liabilities - experience	0.157	0.006
Net benefits paid out	0.052	(0.012)
Past service cost (incl. curtailments)	-	-
Closing defined benefit obligation	**4.888**	**5.230**

Changes to the fair value of assets during the period		
	Funded Liabilities as at	
	31 March 2021 £m	31 March 2022 £m
Opening fair value of assets	**2.207**	**3.140**
Interest income on assets	0.054	0.069
Remeasurement Gains / (Losses) on assets	0.608	0.160
Contributions by the employer	0.150	0.225
Contributions by participants	0.069	0.100
Net benefits paid out	0.052	(0.012)
Closing fair value of assets	**3.140**	**3.682**

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 2021 £m	31 March 2022 £m
Present value of defined benefit obligation (funded)	3.314	5.230
Asset / (Liability) recognised on the balance sheet (funded)	(1.107)	(1.548)
Fair value of assets	**2.207**	**3.682**

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 £0.299 million (£0.662 million gain in 2020/21).

Analysis of Scheme Assets				
Asset	Asset split at 31 March 2021 (%)	Quoted At 31 March 2022 (%)	Unquoted At 31 March 2022 (%)	Asset split at 31 March 2022 (%)
Equities	55.5	47.8	9.2	57.0
Property	7.9	0.0	8.4	8.4
Government bonds	2.2	2.0	0.0	2.0
Corporate bonds	19.8	18.8	0.0	18.8
Cash	4.0	1.8	0.0	1.8
Other*	10.6	4.8	7.2	12.0
	100.0	**75.2**	**24.8**	**100.0**

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

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Commissioner is liable to pay in retirement benefits. The total liability has a substantial impact on the net worth of the Commissioner as recorded in the Balance Sheet, reducing the overall balance by £1.548 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 future contributions over the remaining working life of employees, as assessed by the scheme actuary.

History of asset values, defined benefit obligation and Surplus / (Deficit)					
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Present value of the defined benefit obligation					
- Funded liabilities	(1.621)	(2.235)	(3.314)	(4.888)	(5.230)
- Unfunded liabilities	-	-	-	-	-
Fair value of fund assets	1.149	1.670	2.207	3.140	3.682
Surplus / (Deficit) in the scheme	**(0.472)**	**(0.565)**	**(1.107)**	**(1.748)**	**(1.548)**

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

Members	%
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:

Principal financial and actuarial assumptions		
	Funded Liabilities	
	2020/21	2021/22
Financial assumptions (% per annum)		
Discount Rate	2.1	2.7
Rate of Inflation (CPI)	2.6	2.9
Rate of Inflation (RPI)	n/a	n/a
Rate of increase in salaries	4.1	4.4
Rate of increase to pensions in payment	2.6	2.9
Pension accounts revaluation rate	2.6	2.9
Mortality assumptions		
Future lifetime from age 65		
(Member aged 65 at accounting date)		
Men	21.9	21.8
Women	25.1	25.0
Future lifetime from age 65		
(Member aged 45 at accounting date)		
Men	23.6	23.5
Women	26.9	26.7

Commutations	
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.
Year end 31 March 2022	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 2022 and the projected service cost for the year ending 31 March 2022. 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)	5.099	5.230	5.366
Change in present value of total obligation	-2.5%		2.6%
Projected service cost (£M)	0.564	0.582	0.601
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)	5.267	5.230	5.193
Change in present value of total obligation	0.7%		-0.7%
Projected service cost (£M)	0.582	0.582	0.582
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)	5.329	5.230	5.136
Change in present value of total obligation	1.9%		-1.8%
Projected service cost (£M)	0.601	0.582	0.564
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)	5.408	5.230	5.052
Change in present value of total obligation	3.4%		-3.4%
Projected service cost (£M)	0.606	0.582	0.559
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 Commissioner for the accounting period to 31 March 2023 are estimated to be £0.234 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.

Trust Funds		
2020/21 £000		2021/22 £000
(28)	Northumbria Police Charities Fund	(24)
(1,140)	Proceeds of Crime Act 2002	(1,548)
(1,168)		**(1,572)**

24. Ministry of Justice Grant

In 2021/22 the Commissioner received a grant of £2.400 million from the Ministry of Justice (MOJ) to be used for local commissioning of Victims' Support Services.

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 2021/22 financial year;

Organisation / Project	**Grant 2021/22 £000**	**Organisation / Project**	**Grant 2021/22 £000**
Acorns	31	North East Law Centre	61
Apna Ghar	8	Northumberland Pride	17
Barnado's	78	Northumbria Police VFN	866
Being Woman	3	NSPCC	5
Bright Futures	10	Oasis Aquilla Housing	18
Building Futures	4	Rape Crisis Tyneside and Northumberland	199
Changing Lives	77	Riverside	4
Children North East	70	Someone Cares	94
Community Counselling Cooperative	58	Streetwise	82
Connected Voice (Advocacy Centre North)	48	Sunderland Counselling	103
Cygnus Support	17	The Angelou Centre	151
DASSN	28	The Children's Society North East	44
Gateshead Domestic Abuse Service	20	Tyneside and Northumberland Mind	82
Harbour	43	Tyneside Women's Health	22
Impact Family Service	15	Wearside Women in Need	100
Northumberland Domestic Abuse Services (NDAS)	56	West End Women and Girls	18
Newcastle Women's Aid	33	Women's Health in South Tyneside (WHiST)	58
NHSE Funding 21/22	(122)		
		Total Grant Allocated	**2,400**

Audit

25. Events after the reporting period

There are no events after the reporting period to note.

26. 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

Subject to Audit

Movement in Reserves Statement 2021/22

	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
Balance as at 31 March 2021		**10,058**	**23,178**	**33,236**	**22,153**	**280**	**55,669**	**(22,547)**	**33,122**	**-**	**(4,589,735)**	**(4,556,613)**
Movement in reserves during 2020/21												
Total Comprehensive Income and Expenditure		**350,080**	**-**	**350,080**	**-**	**-**	**350,080**	**9,168**	**359,248**	**(509,405)**	**140,820**	**(9,337)**
Adjustments between Group Accounts and PCC Single Entity Accounts		(345,506)	-	**(345,506)**	-	-	**(345,506)**	-	**(345,506)**	345,506	-	**-**
Net Increase / (Decrease) before Transfers		**4,574**	**-**	**4,574**	**-**	**-**	**4,574**	**9,168**	**13,742**	**(163,899)**	**140,820**	**(9,337)**
Adjustments between Accounting Basis & Funding Basis under regulations	4(b)	(318)	-	**(318)**	20	724	**426**	(426)	**-**	163,899	(163,899)	**-**
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		**4,256**	**-**	**4,256**	**20**	**724**	**5,000**	**8,742**	**13,742**	**-**	**(23,079)**	**(9,337)**
Transfers (To) / From Earmarked Reserves	4(c)	(3,916)	3,916	**-**	-	-	**-**	-	**-**	-	-	**-**
Increase / (Decrease) in Year		**340**	**3,916**	**4,256**	**20**	**724**	**5,000**	**8,742**	**13,742**	**-**	**(23,079)**	**(9,337)**
Balance at 31 March 2022		**10,398**	**27,094**	**37,492**	**22,173**	**1,004**	**60,669**	**(13,805)**	**46,864**	**-**	**(4,612,814)**	**(4,565,950)**

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

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Comprehensive Income and Expenditure Statement

2020/21 Gross Expenditure £000	2020/21 Income £000	2020/21 Net Expenditure £000	Service Expenditure Analysis	2021/22 Gross Expenditure £000	2021/22 Income £000	2021/22 Net Expenditure £000	
373,651	(32,302)	341,349	Police Services	413,826	(33,743)	380,083	
2,568	(2,568)	-	Policing Funds (managed by the PCC)	3,939	(4,379)	(440)	
2,110	(35)	2,075	Office of the Police and Crime Commissioner	2,311	-	2,311	
-	(129)	(129)	Capital Financing	-	(126)	(126)	
2,630	(2,630)	-	PCC Commissioning of Victim Services	2,525	(2,525)	-	
380,959	**(37,664)**	**343,295**	**Net Cost of Services**	**422,601**	**(40,773)**	**381,828**	
		(7)	Other Operating Expenditure			-	5
		96,014	Financing and Investment Income and Expenditure			94,311	5
		(298,974)	Taxation and Non-Specific Grant Income and Expenditure			(316,814)	5
		140,328	**(Surplus) / Deficit on Provision of Services**			**159,325**	
		(3,620)	(Surplus) / Deficit on revaluation of non-current assets			(8,540)	4 (c)
		276,685	Re-measurements of the net defined pension benefit Liability			(141,448)	4 (c)
		273,065	**Other Comprehensive Income and Expenditure**			**(149,988)**	4 (c)
		413,393	**Total Comprehensive Income and Expenditure**			**9,337**	

Balance Sheet

31 March 2021 £000		31 March 2022 £000	Notes
87,135	Property, Plant & Equipment	94,083	
2,300	Investment Property	2,400	
2,644	Intangible Assets	3,126	
-	Long-term Debtors	-	
92,079	**Long-Term Assets**	**99,609**	
20,002	Short-Term Investments	22,017	
-	Assets Held for Sale	-	
775	Inventories	941	
28,155	Short-Term Debtors	32,444	8
16,594	Cash and Cash Equivalents	10,706	
65,526	**Current Assets**	**66,108**	
(1,043)	Bank Overdraft	(965)	
(7,162)	Short-Term Borrowing	(5,662)	
(375)	Short-Term Provision	(372)	10
(35,921)	Short-Term Creditors	(40,409)	9
(44,501)	**Current Liabilities**	**(47,408)**	
(1,330)	Long-Term Provisions	(1,402)	10
(86,969)	Long-Term Borrowing	(81,969)	
(4,581,418)	Other Long-Term Liabilities (Pensions)	(4,600,888)	
(4,669,717)	**Long-Term Liabilities**	**(4,684,259)**	
(4,556,613)	**Net Assets**	**(4,565,950)**	
55,669	**Total Usable Reserves**	**60,669**	4(c)
(4,612,282)	**Total Unusable Reserves**	**(4,626,619)**	4(c)
(4,556,613)	**Total Reserves**	**(4,565,950)**	

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Group at 31 March 2022.

Kevin Laing MSc (fin) CPFA

Treasurer

Date: 29/07/2022

Cash Flow Statement

2020/21 £000		2021/22 £000
140,328	**(Surplus) / Deficit on the provision of services**	**159,325**
	Adjustments to (Surplus) / Deficit on the provision of service for non-cash movements:	
(8,707)	Depreciation of Non-Current Assets	(8,420)
(3,342)	Revaluation / Impairment of Non-Current Assets	100
(1,168)	Amortisation of Intangible Fixed Assets	(1,427)
(142,836)	Pension Fund Adjustments	(160,918)
(1)	(Increase) / Decrease in Provision for Bad Debts	18
354	Contributions To / (From) Provisions	(69)
(35)	Carrying amount of PP&E, Investment Property and Intangible Assets Sold	(20)
(2,474)	Other Non-Cash Movement	(3,281)
(158,209)		**(174,017)**
	Accruals Adjustments:	
30	Increase / (Decrease) in Inventories	166
(7,655)	Increase / (Decrease) in Debtors	2,769
131	Increase / (Decrease) in Interest Debtors	20
(3,904)	(Increase) / Decrease in Creditors	46
14	(Increase) / Decrease in Interest Creditors	-
(11,384)		**3,001**
	Adjustments for items included in the net (Surplus) / Deficit on the provision of service that are investing or financing activities:	
42	Proceeds from the Disposal of PP&E, Investment Property and Intangible Assets	20
977	Capital Grants Credited to Surplus or Deficit on the Provision of Services	1,303
-	Other Adjustments for items included in the net (Surplus) / Deficit on the Provision of Service that are Investing or Financing Activities	-
1,019		**1,323**
	Reversal of Operating Activity items included in the net (Surplus) / Deficit on the Provision of Service that are shown separately below:	
(2,620)	Reversal of amounts disclosed separately below	(2,736)
	Cash Flows from Operating Activities includes the following items:	
2,822	Interest Paid	2,810
(202)	Interest Received	(74)
2,620		**2,736**
(28,246)	**Net cash flows from Operating Activities**	**(10,368)**
	Net Cash Flows from Investing Activities:	
10,726	Purchase of PP&E, Investment Property and Intangible Assets	8,757
78,300	Purchase of Short-Term and Long-Term Investments	109,136
380	Other Payments for Investing Activities	244
(42)	Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(20)
(65,800)	Proceeds from the Sale of Short-Term and Long-Term Investments	(107,136)
(491)	Capital Grants Received (Government)	(593)
(486)	Capital Grants Received (Non-Government)	(710)
22,587	**Net cash flows from Investing Activities**	**9,678**
	Net Cash Flows from Financing Activities:	
(17,500)	Cash Receipts of Short-Term and Long-Term Borrowing	(16,000)
15,000	Repayments of Short-Term and Long-Term Borrowing	22,500
(2,500)	**Net cash flows from Financing Activities**	**6,500**
(8,159)	**Net (Increase) / Decrease in Cash and Cash Equivalents**	**5,810**
7,392	Cash and Cash Equivalents at the Beginning of the Period	15,551
15,551	Cash and Cash Equivalents at the End of the Period	9,741

Notes to the Group Financial Statements

Notes for the Commissioner's Accounts are set out on pages **34 to 88**. The following are provided for areas where different notes apply to the Group financial statements.

1. 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 **£315.987 million** comprises the outturn position for the Group of **£315.951 million** plus the net transfer from the NE ROCU reserve of **£0.036 million**.

Expenditure and Funding Analysis

2020/21				2021/22		
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	**Service Expenditure Analysis**	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
280,979	60,370	341,349	Police Services	302,632	77,451	380,083
-	-	-	Policing Funds (managed by the PCC)	(440)	-	(440)
2,098	(23)	2,075	Office of the Police and Crime Commissioner	2,128	183	2,311
9,941	(10,070)	(129)	Capital Financing	11,667	(11,793)	(126)
-	-	-	Commissioning of Victim Services	-	-	-
293,018	**50,277**	**343,295**	**Net Cost of Services**	**315,987**	**65,841**	**381,828**
(302,527)	99,560	(202,967)	Other Income and Expenditure	(320,243)	97,740	(222,503)
(9,509)	**149,837**	**140,328**	**(Surplus) / Deficit on Provision of Services**	**(4,256)**	**163,581**	**159,325**
23,727			**Opening General Fund Balance at 31 March**	**33,236**		
9,509			Surplus / (Deficit) on General Fund in Year	4,256		
33,236			**Closing General Fund as 31 March**	**37,492**		

Audit

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.

2021/22 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	-	68,850	3,409	-	5,192	77,451
Policing Funds (managed by the PCC)	-		-	-	-	-
Office of the Police and Crime Commissioner	10,091	393	-	-	(10,301)	183
Capital Financing	(9,057)	-	-	-	(2,736)	(11,793)
Commissioning of Victim Services	-	-	-	-	-	-
Net Cost of Services	**1,034**	**69,243**	**3,409**	**-**	**(7,845)**	**65,841**
Other Income and Expenditure	(1,403)	91,675	-	(377)	7,845	97,740
(Surplus) / Deficit on Provision of Services	**(369)**	**160,918**	**3,409**	**(377)**	**-**	**163,581**

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	-	-	-	-	-	-
Net Cost of Services	**6,147**	**49,442**	**731**	**-**	**(6,043)**	**50,277**
Other Income and Expenditure	(984)	93,394	-	1,107	6,043	99,560
(Surplus) / Deficit on Provision of Services	**5,163**	**142,836**	**731**	**1,107**	**-**	**149,837**

2. Expenditure and Income Analysed by Nature

The Code of Practice requires the Group to disclose information on the nature of expenses. The Group expenditure and income for 2021/22 and 2020/21 is analysed as follows:

Expenditure and Income Analysed by Nature		
Expenditure / Income	2020/21 £000	2021/22 £000
Expenditure		
Employee benefits expenses	317,567	356,399
Other employee expenses	4,866	6,318
Premises	8,312	9,083
Transport	4,494	5,089
Supplies and services	23,105	25,128
Third party payments	9,018	10,493
Depreciation, amortisation and impairment	13,217	9,847
Other capital charges	380	244
Loss on disposal of property, plant and equipment	-	-
Interest payments	2,821	2,810
Police pension fund deficit - payment to pension fund	58,840	59,002
Interest on the net defined benefit pension liability	93,394	91,675
Total Expenditure	**536,014**	**576,088**
Income		
Fees, charges and other service income	(3,640)	(6,333)
Recharge receipts	(3,018)	(4,582)
Other operating Income	(2,024)	(2,955)
Revenue grants and contributions	(28,981)	(26,903)
Gain on disposal of property, plant and equipment	(7)	-
Gain on revaluation of Investment Property	-	(100)
Interest and investment income	(202)	(74)
Dividends receivable	-	-
Income from Council Tax	(54,482)	(57,160)
Police Grant income	(243,515)	(258,351)
Police pension fund deficit - grant income	(58,840)	(59,002)
Capital Grants and Contributions	(977)	(1,303)
Total Income	**(395,686)**	**(416,763)**
(Surplus) / Deficit on the Provision of Services	**140,328**	**159,325**

3. Accounting Policies

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

4. Movement in Reserve 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 2021/22 and 2020/21

	Other Comprehensive Income & Expenditure	
2020/21 Unusable Reserves £000		2021/22 Unusable Reserves £000
(3,620)	(Surplus) / Deficit on revaluation of non-current Assets	(8,540)
276,685	Re-measurements of the net defined benefit pension Liability	(141,448)
273,065	**Total Other Comprehensive Income and Expenditure**	**(149,988)**

Subject to audit

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 2021/22 and 2020/21 are set out in the following tables:

Adjustments between Accounting Basis & Funding Basis under regulations 2021/22					
	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	(8,320)	-	-	-	8,320
Amortisation of intangible assets	(1,427)	-	-	-	1,427
Revenue Expenditure Funded from Capital under Statute	(244)	-	-	-	244
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,303	-	-	(724)	(579)
Capital Expenditure charged in the year to the General Fund	-	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	-	-	(20)	-	20
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	377	-	-	-	(377)
Reversal of IAS 19 Pension Charges	(215,993)	-	-	-	215,993
Contributions due under the pension scheme regulations	55,075	-	-	-	(55,075)
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	(3,409)	-	-	-	3,409
Revenue provision for the repayment of debt	9,057	-	-	-	(9,057)
Total adjustments between Accounting Basis & Funding Basis under regulations	**(163,581)**	**-**	**(20)**	**(724)**	**164,325**

Adjustments between Accounting Basis & Funding Basis under regulations 2020/21	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)
Total adjustments between Accounting Basis & Funding Basis under regulations	**(149,837)**	**-**	**(7,097)**	**-**	**156,934**

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

Analysis of the transfers To / From reserves

Balance as at 31 March 2021 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2022 £000
	Usable Reserves				
10,058	**General Reserve**	340	-	**340**	**10,398**
	Earmarked Reserves:				
3,000	Insurance Reserve	-	-	-	**3,000**
3,400	Police Pension Scheme Funding Reserve	-	-	-	**3,400**
1,320	Workforce Management Reserve	-	-	-	**1,320**
2,600	ESN Reserve	-	-	-	**2,600**
-	Inflationary Risks Reserve	4,325	-	4,325	**4,325**
8,200	Investment Reserve	-	-	-	**8,200**
3,146	Covid Enforcement / Operational Reserve	-	(1,176)	(1,176)	**1,970**
603	OPCC Innovation Reserve	181	-	181	**784**
400	External Funding Reserve	850	(228)	622	**1,022**
509	NE ROCU Reserve	172	(208)	(36)	**473**
23,178	**Total Earmarked reserves**	5,528	(1,612)	**3,916**	**27,094**
22,153	**Capital Receipts Reserve**	20	-	**20**	**22,173**
280	**Capital Grants Unapplied**	752	(28)	**724**	**1,004**
55,669	**Total Usable Reserves**	**6,640**	**(1,640)**	**5,000**	**60,669**
	Unusable Reserves				
21,227	Revaluation Reserve	8,540	(325)	**8,215**	**29,442**
(41,863)	Capital Adjustment Account	10,061	(10,111)	**(50)**	**(41,913)**
(163)	Collection Fund Adjustment Account	377	-	**377**	**214**
-	Deferred Capital Receipts	-	-	**-**	**-**
(10,065)	Accumulated Absences Account	-	(3,409)	**(3,409)**	**(13,474)**
(4,581,418)	Pensions Reserve	141,448	(160,918)	**(19,470)**	**(4,600,888)**
(4,612,282)	**Total Unusable Reserves**	**160,426**	**(174,763)**	**(14,337)**	**(4,626,619)**
(4,556,613)	**Total Reserves**	**167,066**	**(176,403)**	**(9,337)**	**(4,565,950)**

d) Movement on Unusable Reserves

Unusable Reserves - Revaluation Reserve					
		Transfers To/(From) Reserves			
Balance as at 31 March 2021 £000		Upward revaluations of property, plant and equipment £000	Historic cost depreciation adjustment (HCDA) £000	Total £000	Balance as at 31 March 2022 £000
21,227	Revaluation Reserve	8,540	(325)	**8,215**	**29,442**

Unusable Reserves - Capital Adjustment Account				
	Transfers To/(From) Reserves			
	Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Capital Adjustment Account £000
Balance as at 31 March 2021				**(41,863)**
Amortisation of Intangible Assets	-	(1,427)	(1,427)	
Depreciation	-	(8,420)	(8,420)	
Gain on Revaluation of Investment Property	100	-	100	
Revenue expenditure funded by capital under statute (REFCUS)	-	(244)	(244)	
Net Gain/Loss on Sale of NCA's	-	(20)	(20)	
MRP for financing of Capital Investment	9,057	-	9,057	
Historic cost depreciation adjustment (HCDA)	325	-	325	
Trf from CGU to CAA	579	-	579	
Total Movement on Reserve	10,061	(10,111)		**(50)**
Balance as at 31 March 2022				**(41,913)**

Unusable Reserves - Pensions Reserve

Balance as at 31 March 2021 £000		Transfers To/(From) Reserves: Re-measurements of the net defined benefit pension liability £000	Transfers To/(From) Reserves: Reverse the net impact of IAS19 charges on the General Fund £000	Total Movement £000	Balance as at 31 March 2022 £000
	Pensions Reserve				
(1,748)	Police and Crime Commissioner LGPS	628	(428)	**200**	**(1,548)**
(216,050)	Chief Constable LGPS	77,010	(23,810)	**53,200**	**(162,850)**
(4,363,620)	Chief Constable Police Pension Scheme (PPS)	63,810	(136,680)	**(72,870)**	**(4,436,490)**
(4,581,418)	**Total Reserves**	**141,448**	**(160,918)**	**(19,470)**	**(4,600,888)**

Subject

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				
2020/21		2021/22		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(7)	(Gains) / Losses on Disposal of Property Plant and Equipment	-	-	-
(7)	**Total Other Operating Expenditure**	**-**	**-**	**-**

Financing and Investment Income and Expenditure				
2020/21		2021/22		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,822	Interest Payable and similar charges	2,810		2,810
(202)	Interest and investment Income		(174)	(174)
93,394	Pensions Interest costs and expected return on assets	91,675		91,675
96,014	**Total Financing and Investment Income and Expenditure**	**94,485**	**(174)**	**94,311**

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6. External Audit Costs

The Group has incurred the following costs in relation to work carried out by the Group's external auditors Grant Thornton UK LLP;

External Audit Costs		
2020/21 £000		2021/22 £000
43	External Audit Services	43
7	Additional fees relating to the previous year's audit	-
1	Non-audit services provided by the external auditor	-
51	**Net Cost**	**43**

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. Officer Remuneration

The following tables set out the remuneration for police staff and police officers whose total remuneration is more than £50,000 per year in 2021/22 and the equivalent disclosure for 2020/21.

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. 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		
	Number of Employees	
Remuneration Band	2020/2021	2021/2022
£50,000 - £54,999	225	377
£55,000 - £59,999	130	208
£60,000 - £64,999	52	74
£65,000 - £69,999	6	13
£70,000 - £74,999	4	19
£75,000 - £79,999	11	6
£80,000 - £84,999	5	13
£85,000 - £89,999	6	9
£90,000 - £94,999	3	2
£95,000 - £99,999	3	3
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£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 2022. 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 2021/22				
	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	5,857
£60,001 - £80,000	1	-	1	71,382
Total	**2**	**-**	**2**	**77,239**

There are no exit packages included for the OPCC in 2021/22. The exit packages disclosed for the Group 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 2020/21 is set out in the following table

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
Total	**1**	**-**	**1**	**10,214**

Subject to Audit

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

Remuneration of Senior Employees 2021/2022							
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2021/22 £
Police and Crime Commissioner - Kim McGuinness		86,700	-	-	**86,700**	14,566	**101,266**
Chief of Staff and Monitoring Officer		74,634	-	-	**74,634**	12,539	**87,173**
Chief Constable - Winton Keenen		180,062	18,629	-	**198,691**	-	**198,691**
Deputy Chief Constable - A		148,192	8,999	-	**157,191**	45,300	**202,491**
Assistant Chief Constable - B	1	15,760	-	-	**15,760**	1,822	**17,581**
Assistant Chief Constable - C		122,538	20,217	-	**142,755**	36,958	**179,713**
Temporary Assistant Chief Constable - D	2	2,189	-	-	**2,189**	668	**2,857**
Temporary Assistant Chief Constable - E		114,759	-	-	**114,759**	28,442	**143,201**
Temporary Assistant Chief Constable - F		111,338	-	-	**111,338**	28,442	**139,781**
Director of Finance (Chief Finance Officer)		103,362	-	-	**103,362**	17,365	**120,727**
Director of People and Development		103,362	-	-	**103,362**	17,365	**120,727**
Chief Information Officer		103,362	-	-	**103,362**	17,365	**120,727**
Total		**1,166,257**	**47,845**	**-**	**1,214,102**	**220,831**	**1,434,934**

Note 1: Assistant Chief Constable in post to 18th April 2021

Note 2: Assistant Chief Constable in post to 7th April 2021

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Remuneration of Senior Employees 2020/21							
Post holder information	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	-	-	**86,700**	14,566	**101,266**
Chief of Staff and Monitoring Officer		73,875	-	-	**73,875**	12,411	**86,286**
Chief Constable - Winton Keenen		177,434	-	-	**177,434**	-	**177,434**
Deputy Chief Constable - A		146,707	8,778	-	**155,485**	44,840	**200,325**
Assistant Chief Constable - B		118,009	18,677	-	**136,686**	36,583	**173,268**
Assistant Chief Constable - C	1	43,561	2,548	-	**46,109**	13,401	**59,510**
Assistant Chief Constable - D	2	36,675	1,888	-	**38,563**	11,061	**49,624**
Temporary Assistant Chief Constable - E	3	916	-	-	**916**	229	**1,146**
Temporary Assistant Chief Constable - F		109,153	330	-	**109,483**	32,902	**142,385**
Temporary Assistant Chief Constable - G	4	70,451	220	-	**70,671**	18,754	**89,425**
Director of Finance (Chief Finance Officer)		102,311	-	-	**102,311**	17,188	**119,499**
Director of People and Development		102,311	-	-	**102,311**	17,188	**119,499**
Chief Information Officer	5	12,920	-	-	**12,920**	2,171	**15,091**
Total		**1,081,021**	**32,441**	**-**	**1,113,462**	**221,295**	**1,334,757**

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

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 £8.013 million in 2021/22 (£10.710 million in 2020/21).

The bad debt provision includes £3.633 million (2020/21 £3.663 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

Short–Term Debtors

31 March 2021 £000		31 March 2022 £000
16,980	Central government bodies	17,714
98	NHS bodies	674
12,066	Other local authorities	13,520
23	Public corporations and trading funds	1,471
2,690	Bodies external to general government	2,718
(3,702)	- Less bad debt provision	(3,653)
28,155		**32,444**

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

Short-Term Creditors

31 March 2021 £000		31 March 2022 £000
(8,041)	Central government bodies	(6,473)
(97)	NHS bodies	(68)
(6,351)	Other local authorities	(8,588)
-	Public corporations and trading funds	-
(21,432)	Bodies external to general government	(25,280)
(35,921)		**(40,409)**

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

Provisions

Provisions					
31 March 2021 £000		Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2022 £000
	Long-term provisions				
(1,330)	Insurance	(586)	514	-	(1,402)
	Short-term provisions				
(375)	Employee remuneration	-	3	-	(372)
(1,705)	**Total**	**(586)**	**517**	**-**	**(1,774)**

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 2022.

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 2022/23.

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 2022/23. The balance on the provision at 31 March 2022 reflects a prudent estimate to cover the expected costs.

Contingent Liabilities

At 31 March 2022, 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.

Subject to Audit

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 2021/22 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 2022.

- **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.

  On 19 July 2021 the Public Service Pensions and Judicial Offices Act 2022 was taken to the House of Lords. This got royal assent on 10 March 2022 and the Act came into force from 1 April 2022. The Act closed the legacy schemes from 31 March 2022 and brings the retrospective remedy into force by 1 October 2023. The Home Office will now consult on the secondary regulations to bring the policy determined by the act into force from 1 October 2023, this consultation is expected in January 2023.

- **Impact on Pension Liability** – Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the Northumbria Chief Constable through a past service cost of £182.720 million recognised in the 2018/19 accounts, followed by a reduction of £12.080 million in 2019/20 accounts resulting from the eligibility criteria for members set out in HM Treasury's consultation. The additional liability expected for affected members during 2020/21 and 2021/22 is included within the current service cost for those financial years.

  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

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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.' Claims have been lodged under two active sets of litigation, Aarons and Penningtons.

  Aarons & Ors - Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims are due to be heard by the Employment Tribunal in December 2022. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. Therefore, no liability in respect of compensation claims is recognised in these accounts. However, a contingent liability is noted.

  Penningtons - As at 31 March 2022, 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. However, a contingent liability is noted.

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

	Benefits payable during employment	
2020/21 £000		2021/22 £000
10,065	Police Services	13,474
10,065	**Total employee benefits accrued at the Balance Sheet date**	**13,474**

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 2021/22, the Group paid £9.990 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay compared to £9.280 million in 2020/21 (16.8% 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

Subject to Audit

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.

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

Charges to Comprehensive Income and Expenditure Statement				
	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Within Cost of Service				
Current Service Cost	18.62	29.69	-	-
Past service cost (incl. curtailments)	-	0.06	-	-
Financing, Investment Income & Expenditure				
Interest on net defined benefit Liability / (Asset)	3.19	4.41	0.07	0.07
Pension expense recognised in CIES	**21.81**	**34.16**	**0.07**	**0.07**
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	(67.21)	(12.08)	-	-
Actuarial (Gains) / Losses due to change in financial assumptions	129.36	(60.55)	0.33	(0.10)
Actuarial (Gains) / Losses due to change in demographic assumptions	-	(5.96)	-	(0.03)
Actuarial (Gains) / Losses due to liability experience	(3.78)	1.12	(0.04)	(0.03)
Total Amount recognised in OCI	**58.37**	**(77.47)**	**0.29**	**(0.16)**
Total Amount charged to CIES	**80.18**	**(43.31)**	**0.36**	**(0.09)**

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 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Opening defined benefit obligation	**471.38**	**620.40**	**3.16**	**3.29**
Current service cost	18.62	29.69	-	-
Interest expense on defined benefit obligation	10.78	12.94	0.07	0.07
Contributions by participants	3.51	3.77	-	-
Actuarial (Gains) / Losses on liabilities - financial assumptions	129.36	(60.55)	0.33	(0.10)
Actuarial (Gains) / Losses on liabilities - demographic assumptions	-	(5.96)	-	(0.03)
Actuarial (Gains) / Losses on liabilities - experience	(3.78)	1.12	(0.04)	(0.03)
Net benefits paid out	(9.47)	(12.09)	(0.23)	(0.23)
Past service cost (incl. curtailments)	-	0.06	-	-
Closing defined benefit obligation	**620.40**	**589.38**	**3.29**	**2.97**

Changes to the fair value of assets during the period	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Opening fair value of assets	**328.01**	**405.89**	**-**	**-**
Interest income on assets	7.58	8.54	-	-
Re-measurement Gains / (Losses) on assets	67.21	12.08	-	-
Contributions by the employer	9.05	9.76	0.23	0.23
Contributions by participants	3.51	3.77	-	-
Net benefits paid out	(9.47)	(12.09)	(0.23)	(0.23)
Closing fair value of assets	**405.89**	**427.95**	**-**	**-**

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 2021 £m	31 March 2022 £m
Present value of defined benefit obligation (funded)	471.39	589.38
Present value of defined benefit obligation (unfunded)	3.16	2.97
Asset / (Liability) recognised on the balance sheet (funded)	(143.38)	(161.43)
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.16)	(2.97)
Fair value of assets	**328.01**	**427.95**

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 £20.619 million (£74.792 million gain in 2020/21).

Analysis of Scheme Assets

Asset	Asset split at 31 March 2021 (%)	Quoted At 31 March 2022 (%)	Unquoted At 31 March 2022 (%)	Asset split at 31 March 2022 (%)
Equities	55.5	47.8	9.2	57.0
Property	7.9	0.0	8.4	8.4
Government bonds	2.2	2.0	0.0	2.0
Corporate bonds	19.8	18.8	0.0	18.8
Cash	4.0	1.8	0.0	1.8
Other*	10.6	4.8	7.2	12.0
	100.0	**75.2**	**24.8**	**100.0**

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

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the 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 £164.40 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)

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Present value of the defined benefit obligation					
- Funded liabilities	(432.64)	(457.87)	(471.39)	(620.40)	(589.37)
- Unfunded liabilities	(3.73)	(3.54)	(3.16)	(3.29)	(2.97)
Fair value of fund assets	312.33	338.12	328.01	405.89	427.94
Surplus / (Deficit) in the scheme	**(124.04)**	**(123.29)**	**(146.54)**	**(217.80)**	**(164.40)**

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.

Subject to Au

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

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded Liabilities	
	2020/21	2021/22	2020/21	2021/22
Financial assumptions (% per annum)				
Discount Rate	2.1	2.7	2.1	2.7
Rate of Inflation (CPI)	2.7	2.9	2.7	2.9
Rate of Inflation (RPI)	n/a	n/a	n/a	n/a
Rate of increase in salaries	4.2	4.4	n/a	n/a
Rate of increase to pensions in payment	2.7	2.9	2.7	2.9
Pension accounts revaluation rate	2.7	2.9	n/a	n/a
Mortality assumptions				
Future lifetime from age 65				
(Member aged 65 at accounting date)				
Men	21.9	21.8	21.9	21.8
Women	25.1	25.0	25.1	25.0
Future lifetime from age 65				
(Member aged 45 at accounting date)				
Men	23.6	23.5	n/a	n/a
Women	26.9	26.7	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 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.
Year ended 31 March 2022	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.

Subject to

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 2022 and the projected service cost for the year ending 31 March 2022. 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)	575.80	589.37	603.53
Change in present value of total obligation	-2.3%		2.4%
Projected service cost (£M)	25.60	26.58	27.59
Approximate change in projected service cost	-3.7%		3.8%
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)	591.75	589.37	586.99
Change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M)	26.58	26.58	26.58
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)	601.15	589.37	578.18
Change in present value of total obligation	2.0%		-1.9%
Projected service cost (£M)	27.59	26.58	25.60
Approximate change in projected service cost	3.8%		-3.7%
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)	609.41	589.37	569.33
Change in present value of total obligation	3.4%		-3.4%
Projected service cost (£M)	27.62	26.58	25.55
Approximate change in projected service cost	3.9%		-3.9%

* 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 £10.354 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 Fund

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

Charges to Comprehensive Income and Expenditure Statement	31 March 2021 £m	31 March 2022 £m
Net Cost of Service		
Current service cost	83.74	94.57
Past service cost	-	-
Financing and investment income and expenditure		
Pension interest cost	90.13	87.20
Total charge to Provision of Services	**173.87**	**181.77**
Re-measurement of the net defined benefit liability / (asset)	218.03	(63.81)
Total IAS 19 charge to Comprehensive Income and Expenditure	**391.90**	**117.96**

Present value of the defined benefit obligation

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

History of scheme liability	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Present value of the defined benefit obligation	(3,974.13)	(4,335.47)	(4,015.36)	(4,363.62)	(4,436.49)
Surplus / (Deficit) in the Scheme	(3,974.13)	(4,335.47)	(4,015.36)	(4,363.62)	(4,436.49)

Reconciliation of the fair value of scheme assets

Reconciliation of the fair value of scheme assets	31 March 2021 £m	31 March 2022 £m
Opening fair value of assets	-	-
Actuarial Gains and (Losses) on assets	58.47	57.12
Contributions by employer	43.64	45.09
Contributions by participants	16.37	17.13
Transfers in	0.87	1.16
Net benefits paid	(119.35)	(120.50)
Closing fair value of assets	-	-

Subject to

Analysis of movements in scheme liability

Analysis of the movement in scheme liability		
	31 March 2021 £m	31 March 2022 £m
Net Surplus / (Deficit) at the beginning of year	**(4,015.36)**	**(4,363.62)**
Current service cost	(83.74)	(94.57)
Cost covered by employee contributions	(16.37)	(17.13)
Past service cost	-	-
Pension transfers in	(0.87)	(1.16)
Net interest on the net defined benefit Liability / (Asset)	(90.13)	(87.20)
Net benefits paid	119.35	120.50
Remeasurements of the net defined Liability / (Asset)	(276.50)	6.69
Net Surplus / (Deficit) at the end of year	**(4,363.62)**	**(4,436.49)**

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 21 years.

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

Expected Future Contributions

The expected contributions to be made to the Police Pension Scheme by the Police and Crime Commissioner Group for the accounting period to 31 March 2023 are estimated to be £48.691 million compared to £45.089 million paid in 2021/22.

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 2021	31 March 2022
Discount rate (Rate of Return)	2.00%	2.65%
Rate of inflation - pension increases (CPI)	2.40%	3.00%
Rate of inflation (RPI)	-	-
Salary Inflation	4.15%	4.75%
CARE revaluation rate	3.65%	4.25%
Rate of return in excess of:		
Earning increases (long-term)	-2.15%	-2.10%
Pension increases	-0.40%	-0.35%

Rate of Inflation (RPI) – No value is stated by the actuary for RPI for the 2021/22 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. From 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.

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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	
	2020/21 (years)	2021/22 (years)
Future Lifetime at 65 for current pensioners		
Men	22.00	22.10
Women	23.70	23.80
Future Lifetime at 65 for future pensioners (currently aged 45)		
Men	23.70	23.80
Women	25.30	25.40

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		Approximate effect on scheme liability	
Change in assumption*		%	£m
Discount Rate	+ 0.5% a year	(9.50)	(421.00)
Salary Inflation	+ 0.5% a year	1.00	39.00
Pension Increases	+ 0.5% a year	8.50	384.00
Life Expectancy	All members and adult dependants assumed to be one year younger	3.50	152.00

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

12. Events after the balance sheet date

There are no events after the balance sheet date to report

Supplementary Financial Statements

Comprising;

- Police Pension Fund
- Notes to the Supplementary Financial Statements

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2021/22 and shows comparative figures for 2020/21.

Police Pension Fund

2020/21 £000	FUND ACCOUNT	2021/22 £000
(38,266)	Normal	(39,864)
-	Additional funding payable by the local policing body to meet the deficit for the year	-
(520)	Other (Ill Health Retirements)	(410)
(38,786)	**Contribution Receivable from Employer**	**(40,274)**
(16,476)	Contribution Receivable from Members	(17,106)
(16,476)	**Contribution Receivable from Members**	**(17,106)**
(55,262)	**Contributions Receivable**	**(57,380)**
(1,010)	Individual Transfers in from other schemes	(1,191)
(1,010)	**Transfers in**	**(1,191)**
94,907	Pensions	97,097
19,257	Commutations and Lump Sum Retirement Benefits	19,452
293	Lump Sum Death Benefits	92
419	Other (Inter Authority Adjustments / LTA Payments)	756
114,876	**Benefits Payable**	**117,397**
174	Refunds of Contributions	176
62	Individual Transfers Out To Other Schemes	-
236	**Payments To and On Account of Leavers**	**176**
115,112	**Total Benefits Payable**	**117,573**
58,840	**Net amount payable for the year before contribution from the Police Fund**	**59,002**
(58,840)	**Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account**	**(59,002)**
-	**Net Amount (Receivable) / Payable In Year**	**-**

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

3. Accounting Policies

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

4. Future liabilities

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

[10] 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 continues to take into account the impact of the Covid-19 pandemic on governance arrangements, and the introduction of the CIPFA Financial Management Code 2019 (FM Code), following the 'shadow/pilot year' in 2020/21.

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 Commissioner and Chief Constable have a Joint CFO for 2020/21 and consider 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 2021/22. 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 2021/22 financial year covers the period from 1 April 2021 to 31 March 2022 and any issues which arise up to the date of approval of the annual Statements of Account.

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.

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, Fighting Poverty, Fighting Crime for the period 2022 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 and is reviewed annually to ensure that it remains relevant to the needs of the public:

- **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 a regular 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 last HMICFRS inspection report for Northumbria Police (2018/19) was published in September 2019 and was fully disclosed in the 2020/21 AGS. All recommendations and areas for improvement were assessed as complete by HMICFRS and subsequently closed within the HMICFRS monitoring portal.

HMICFRS has undertaken a new PEEL assessment in Northumbria during the Spring of 2022. The final report is anticipated to be published by September 2022. The AGS 2021/22 will be updated with the final audited accounts to reflect the outcome of the HMICFRS 2022 report.

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.

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 and reducing reoffending.

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.

Where collaboration between Forces is in place 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 (and subsequent amendments).
- 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 together with an update on how the Force learn from complaints to further improve service delivery

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 and Crime Panel (the 'Panel') 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; Criminal Investigation Department (CID) 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 2021/22 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 was previously commissioned from Victims First Northumbria, providing emotional and practical support to all victims of crime. During 2021/22 and following a review of victim services arrangements, a new victim service structure was created within Northumbria Police, and to ensure continuity of service the relevant staff and resources have transferred from Victims First Northumbria to the Force.

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 services 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 2021/22.

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 2021/22. However, the Northumbria Council Tax Precept remains by far the lowest of policing bodies in England and Wales. The police settlement issued by the government for 2021/22 assumed that each PCC would increase the precept by the maximum of £15.00 per year for a Band D property. The Commissioner approved a smaller increase of £6.84 for a Band D property (4.99%), being mindful that the previous year had been one of financial challenge for many households.
- The additional income generated by the precept increase for 2021/22 was £2.7m and was used to deliver an additional 60 police officer investigator posts in 2021/22, providing Northumbria Police with additional operational officers and continuing to put the Force ahead of the increase in officer numbers under the Uplift programme.
- 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.

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.

All areas returned compliant to each of the questions, with no non-compliance.

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.

There are 24 audits within the 2021/22 audit plan, of which 21 have been completed. Of the 21 reports issued, 20 audits concluded that systems and procedures were operating well and 1 audit concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2021/22, 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 2021/22 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 2020/21 Statement

There were no actions identified in the 2020/21 Annual Governance Statement.

2021/22 Governance Issues

The review has identified no issues that need to be included within the 2021/22 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.

APPENDIX A

CIPFA Financial Management Code – Action Plan

The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code 2019. 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.

A joint self-assessment between the OPCC and Northumbria Police has been undertaken for 2021/22 in-line with guidance issued by CIPFA.

The results of the self-assessment identified 2 areas for improvement, which once implemented will further strengthen the OPCC and Force compliance with the Financial Management Code.

Accountable Officer: Joint Chief Finance Officer

Action(s) required to enhance effectiveness	Implementation date
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? 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: • The creation of an action plan for areas of improvement. • Review adequacy of financial management support to both organisations.	January 2023
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. An appropriate documented options appraisal methodology to be developed.	September 2022

SIGNED

Police and Crime Commissioner

SIGNED

Chief of Staff

SIGNED

Chief Finance Officer

Date 26/07/2022

Independent Auditors Report

Glossary of Terms

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

Recognising;

Selecting measurement bases for; and

Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

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

Actuarial gains and losses: for a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

The actuarial assumptions have changed.

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

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

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

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

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

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

Cash: comprises cash in hand and demand deposits.

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

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

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

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

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

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

Contingent liabilities are either**:**

Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Commissioner's control; or

Present obligations arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

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

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

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

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

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

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

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

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

Original Estimates are the estimates for a financial year approved by the Commissioner before the start of the financial year.

Revised Estimates are an updated revision of the estimates for a financial year prepared within the financial year.

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

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

Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in a period; and

Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

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

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

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

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

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

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

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

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

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

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

Past service cost: for a defined benefit pension scheme, is the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

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

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

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

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

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

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

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

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

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

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

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

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

A person or a close member of that person's family is related to a reporting entity if that person:

1. Has control or joint control over the reporting entity;
2. Has significant influence over the reporting entity; or
3. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions apply:

The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Both entities are joint ventures of the same third party

One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

The entity is controlled or jointly controlled by a person identified in (a).

A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Examples of related parties of an authority include:

Central Government.

Local authorities and other bodies Precepting or levying demands on the Council Tax.

Its subsidiaries and associated companies.

Its joint ventures and joint venture partners.

Its members.

Its chief officers.

Its pension fund.

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

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

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

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

An employer's decision to terminate an employee's employment before the normal retirement date; or

An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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

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

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

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

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

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

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

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

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

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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

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

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Web links:

www.northumbria-pcc.gov.uk

www.northumbria.police.uk

Image sources

Northumbria Police and Crime Commissioner