



KIM MCGUINNESS
NORTHUMBRIA
**POLICE & CRIME
COMMISSIONER**

violence
reduction
unit

Police and Crime Commissioner for Northumbria

Statements of Account 2022/23



**NORTHUMBRIA
POLICE**
Proud to Protect

Contents

Preface	2
Narrative Statement	3
Statement of Responsibilities	27
Police and Crime Commissioner Single Entity Financial Statements	28
Movement in Reserves Statement – Police and Crime Commissioner Single Entity	29
Comprehensive Income and Expenditure Statement – Police and Crime Commissioner Single Entity	31
Balance Sheet – Police and Crime Commissioner Single Entity	32
Cash Flow Statement – Police and Crime Commissioner Single Entity	33
Notes to the Core Financial Statements	34
Police and Crime Commissioner Group Financial Statements	86
Movement in Reserves - Group	87
Comprehensive Income and Expenditure - Group	89
Balance Sheet - Group	90
Cash Flow Statement - Group	91
Notes to the Group Financial Statements	92
Supplementary Financial Statements	122
Notes to the Supplementary Financial Statements	124
Annual Governance Statement	125
Independent Auditors Report	138
Glossary of Terms	143
Index	149
Contacts	151

Preface

Kim McGuinness – Police & Crime Commissioner, Northumbria

The North East of England is home to many vibrant and proud communities, and Northumbria Police works hard to maintain our region's reputation as a safe place to live and work.

As Police and Crime Commissioner I ensure the force is meeting the needs of our residents through my strategic policing plan, Fighting Poverty, Fighting Crime. Here our focus has been both on dealing with criminality in our neighbourhoods, but also on preventing people, especially young people, from entering the criminal justice system in the first place.

Northumbria Police does well on both these measures, but the truth is the efforts of the force are hampered by resource limitations.

Since 2010 Northumbria Police has lost £148.000 million in budget reductions and more than 1,100 officers as a result of Government austerity. In recent years inflation costs have further impacted force budgets, with electricity bills doubling and gas bills up by 77% for the force.

Keeping communities safe and fighting crime comes at a price and prices are soaring.

The Government announced in 2019 that it would be replacing lost police officer numbers under its national uplift programme. Four years on, and Northumbria is still owed more than 400 officers just to get us back to 2010 recruitment levels, even as many forces in the South of England boast of record recruitment levels.

People here in the North East repeatedly tell me they want more police officers out on the streets, in the heart of our local communities, and I'm with them on that. To deliver this, we need more funds. Uplift barely covers the hundreds of officers we've lost over the years and the ongoing financial pressures faced by the force are huge.

Government increasing believes the answer lies in higher precept charges, passed on to the public via their council tax bills. I do not agree with this approach, and believe the government needs to take a fairer approach to funding police services.

Against this backdrop Northumbria Police continues to perform strongly. I'm proud to say the force is restructuring frontline operations to put an extra 134 officers into neighbourhood policing – a record investment in local services.

Over the course of the next year, we will again have to look at the financial challenges facing the Force and potentially 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 2023. 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 Report¹, 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.

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 2022/23 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 2023. 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 their function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation² is in operation between the two bodies determining their respective responsibilities. The accounting arrangements between the Commissioner and Chief Constable are detailed in **Note 3** 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 FRAB⁴. The Code constitutes proper accounting practice

¹ Available on the PCCs website

² Available on the PCCs website

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

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

Police and Crime Plan 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.

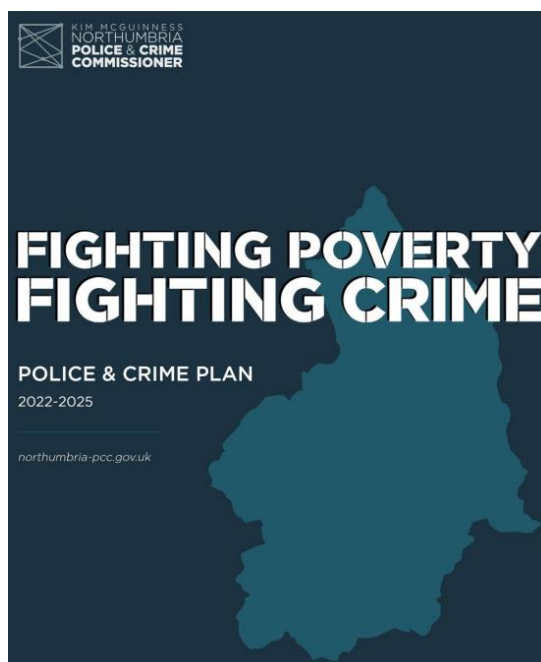
In 2021 the Commissioner published her first Police and Crime Plan which sets out how the priorities of Northumbria residents will be acted on by Northumbria Police.

In 2022 the Commissioner consulted the public on the existing plan as part of a commitment to an annual refresh. The public 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

The Police and Crime Plan can be found on the Commissioners website.

Your Priorities		
Fighting Crime	Preventing Crime	Improving Lives
<p>'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.</p> <p>That's why my number one priority is fighting crime in our region.'</p>	<p>'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.</p> <p>As your Police and Crime Commissioner I have worked with the Chief Constable to ensure we are intervening to stop crime in its tracks.'</p>	<p>'Crime, and the fear of crime, can cause far reaching damage both to individuals and local communities.</p> <p>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.'</p>
Your Plan in Action		
<p>Addressing Anti-social Behavior</p> <p>Reducing Crime</p>	<p>Preventing Violent Crime</p> <p>Neighbourhood Policing</p>	<p>Support for Victims</p> <p>Tackling Domestic Abuse and Sexual Violence</p>

Financial Performance 2022/23

Key Highlights

For 2022/23 the Northumbria Police revenue budget was set at £339.332 million which includes grant income of £276.818 million from central government and Council Tax Precept income of £62.514 million.

As part of the National Police Uplift Programme, forces across the country were given recruitment targets to be achieved from September 2019 to March 2023, with an aim of increasing the number of police officers by 20,000 nationally. The Uplift target for Northumbria was 615 additional police officers by March 2023 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 £4.018 million.

During 2022/23 the capital programme delivered investment of £16.274 million in capital schemes delivering estates refurbishment, continued investment in vehicles and operational equipment, and in new ICT systems and technologies.

Financial Context 2022/23

Since 2010, Central Government's 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). As a result, police officer numbers in Northumbria reduced by more than 1,100 between March 2010 and March 2019. By March 2021 the force had made £148.000 million of cuts and efficiencies to manage the reductions imposed by government. Further details can be found on the NAO website.

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 Comprehensive Spending Review (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 2022/23 was funded by Home Office grant. In addition, Northumbria has the lowest Precept of any PCC in England and Wales, and a low yield.

By March 2021 Northumbria Police had made £148.000m of cuts and efficiencies to manage the scale of reductions imposed by 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	31 March 2010	31 March 2019	Reduction since 2010		31 March 2023
Reductions	FTE	FTE	FTE	%	FTE
Police Officers	4,187	3,081	(1,106)	(26%)	3,818
Police Staff	2,534	1,717	(817)	(32%)	2,117
Workforce	6,721	4,798	(1,923)	(29%)	5,935

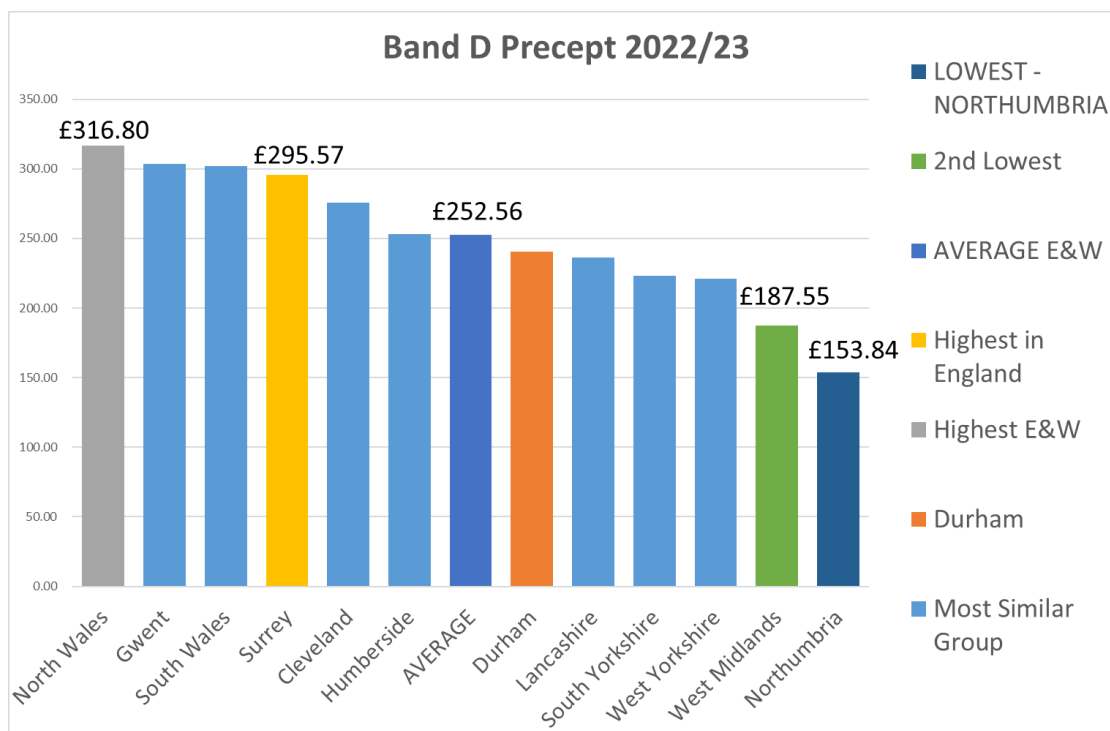
The increase in the precept for the financial years 2019/20 to 2022/23 has delivered vital new funding for Northumbria. This coupled with the Uplift target set for Northumbria has enabled the Force to start re-investing in officers and staff, although still some way from the numbers lost since 2010.

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 £11 million over the medium term.

Council Tax

The Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales at £153.84 per year (2022/23) 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 2022/23:



When calculating the overall settlement for policing in 2022/23 the Government set a precept increase maximum of £10.00 for a Band D property precept rise.

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 2022/23 the Commissioner stated that her primary consideration is to ensure public safety through a well-resourced police force and that this priority is reinforced in almost every consultation carried out by her office. The proposed increase to the Council Tax Precept for 2022/23 was supported by the results of a public consultation during January 2022.

Therefore, the Commissioner approved an increase in the Council Tax Precept of £10.00 for a Band D property in 2022/23, resulting in a charge of £153.84 per year (£143.84 2021/22).

The additional income generated by the precept increase was £4.018 million and was 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.

Total Council Tax income for 2022/23 was £62.514 million of which £61.820 million is attributed to the Council Tax Precept, and by £0.694 million which related to a surplus on the previous year's collection fund.

Revenue Expenditure and Income Summary

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

The net revenue requirement for 2022/23, to be met from government grants and local taxation, was approved by the Commissioner on 22 February 2022 at £339.332 million.

Throughout 2022/23 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 2022/23

The Group Revenue budget for 2022/23 was £339.332 million. Net revenue expenditure of £335.314 million for the year reflects an underspend of £4.018 million as set out below:

Revenue Outturn 2022/23 (Group Position)					
	Budget 2022/23 £000	Expenditure 2022/23 £000	Income 2022/23 £000	Outturn 2022/23 £000	Variance 2022/23 £000
Chief Constable					
Chief Constable Revenue Budget	322,788	339,554	(18,075)	321,479	(1,309)
Covid Enforcement and Operational Reserve Expenditure	-	563	-	563	563
External Funding Schemes	-	10,340	(11,176)	(836)	(836)
Chief Constable Net Expenditure	322,788	350,457	(29,251)	321,206	(1,582)
Police and Crime Commissioner					
Office of the Police and Crime Commissioner	1,829	1,670	-	1,670	(159)
OPCC Supporting Services	1,121	1,012	(138)	874	(247)
OPCC Reserve Expenditure	-	94	-	94	94
Capital Financing	13,594	12,544	(1,003)	11,541	(2,053)
Total Expenditure	16,544	15,320	(1,141)	14,179	(2,365)
Specific Funds managed by the PCC:					
Commissioning of Victims Services	-	2,314	(2,314)	-	-
Violence Reduction Unit	-	2,987	(2,987)	-	-
Other Funding	-	2,207	(2,278)	(71)	(71)
Total Expenditure	-	7,508	(7,579)	(71)	(71)
Total Net Expenditure	339,332	373,285	(37,971)	335,314	(4,018)

Chief Constable

The Chief Constable has delivered policing services in Northumbria for 2022/23 within the budget allocated by the Commissioner for the financial year.

The underspend of £1.582 million includes expenditure of £0.563 million 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. Expenditure against this reserve now relates solely to Operational policing and the reserve has been renamed accordingly.

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 2022/23 and the outturn position reflects a net transfer of £0.836 million to the external funding reserve to be used in 2023/24.

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

Police and Crime Commissioner

An approved budget of £1.829 million was provided to meet the running costs of the Commissioner and her office, covering all administration and governance arrangements. The underspend of £0.159 million was transferred to the General Reserve at the year end.

The OPCC Supporting Services budget of £1.121 million includes the specific budget for the Commissioners Community Fund and in addition, the Northumbria Sexual Assault Referral Centre (SARC), for which there has been a transfer of budget and service ownership from the Force. 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 £0.247 million which was transferred to the General Reserve at the year end.

The outturn position also includes expenditure of £0.094 million funded from the OPCC Innovation Reserve which funds innovative work with partner agencies through the Office of the Police and Crime Commissioner.

The Capital Financing budget for 2022/23 was £13.594 million, comprising interest on borrowing and investments, and the minimum revenue provision for repayment of borrowing. The outturn position is £11.541 million reflecting an underspend of £2.053 million which is primarily attributable to:

- The Minimum Revenue Provision (MRP) charge for the principal repayment of borrowing was £1.011 million lower than the budget estimate. The underspend represents the revenue impact of slippage in the capital programme for 2021/22. The actual borrowing requirement for the 2021/22 year was reduced by £5.3m against the estimate used to set the MRP budget for 2022/23.
- Investment income was £0.790 million higher than budgeted reflecting additional cash and reserve balances available for investment and the accelerated increase in Bank Rate over the year. Whilst the budget assumed Bank Rate would increase from 0.75% to 1.25% by March 2023, the Bank of England actually increased Bank Rate to reach 4.25% in March 2023.
- Borrowing costs were £0.259 million less than the original budget estimate, reflecting increased reserve balances available for internal borrowing and a lower borrowing requirement for capital financing.

The underspend on the Capital Financing budget has been transferred to a new earmarked reserve at the year end, the Pay Inflation reserve, which will provide some mitigation for the risk that annual pay awards are above the current MTFS estimates, in the case that government provide no additional financial support.

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 £0.071 million which will be carried forward in reserves and used to continue that work in 2022/23.

Use of Reserves

The reserve movements as a result of the revenue outturn for 2022/23 are set out in the following table

Police and Crime Commissioner Group - Use of Reserves					
	Budget 2022/23 £000	Transfer to reserves £000	Transfer (from) reserves £000	Net Movement 2022/23 £000	Variance 2022/23 £000
Use of reserves to support the revenue budget					
General Reserve	-	406	-	406	406
Transfers To / (From) earmarked reserves					
Police Pension Scheme Funding Reserve	-		(3,400)	(3,400)	(3,400)
Operational Systems Reserve	-	3,400	-	3,400	3,400
Inflationary Risks Reserve	-	1,309	-	1,309	1,309
Operational Reserve	-	-	(563)	(563)	(563)
Pay Inflation Reserve	-	2,053	-	2,053	2,053
OPCC Innovation Reserve	-	-	(94)	(94)	(94)
External Funding Reserve	-	1,689	(782)	907	907
Transfers To / (From) earmarked reserves	-	8,451	(4,839)	3,612	3,612
Total transfers To / (From) reserves	-	8,857	(4,839)	4,018	4,018

Reserve Movements

The Commissioners Reserve Strategy Statement 31 March 2023 sets out the approved transfer of £3.400 million from the Police Pension Scheme Funding Reserve to a new earmarked reserve established to support Force Operational Systems.

The underspends of £0.159 million against the OPCC budget and £0.247 million against the OPCC Supporting Services budget were transferred to the General Reserve (total £0.406 million).

The underspend on the Chief Constable's core revenue budget of £1.309 million was transferred to an earmarked reserve to manage inflationary risk in 2023/24.

The Chief Constable incurred expenditure of £0.563 million against the Operational Reserve in 2022/23.

The underspend on the Capital Financing budget of £2.053 million was transferred to a new Pay Inflation Reserve.

Expenditure of £0.094 million was funded from the OPCC Innovation Reserve.

Net transfer of £0.907 million to the External Funding reserve reflecting £0.836 million for the Chief Constables funded schemes and £0.071 million for specific funds managed by the Commissioner.

Earmarked Reserves

The total movement in earmarked reserves is an increase of £3.540 million as set out in the following table

Police and Crime Commissioner Group - Transfers To / (From) Earmarked Reserves			
	Budget 2022/23 £000	Outturn 2022/23 £000	Variance 2022/23 £000
Transfers To / (From) Earmarked Reserves	-	3,612	3,612
Transfer To / (From) NE ROCU Reserve	-	(72)	(72)
	-	3,540	3,540

The transfer from the NE ROCU reserve of £0.072 million is explained later in the Narrative Statement and shown in further detail in **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 2022/23 year the net cost of services in the Group CIES is £381.578 million and the deficit on provision of services is £166.695 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 and earmarked reserves 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 £3.540 million to earmarked reserves and the increase in the general reserve of £0.406 million for 2022/23.

Summary of 2022/23 Financial Position (Group)	
	Financial Position 2022/23 £000
Net Cost of Services	381,578
Other operating expenditure	280
Financing and investment income and expenditure	123,221
Taxation and non-specific grant income	(338,384)
(Surplus) / Deficit on Provision of Services	166,695
Adjustment between accounting basis and funding basis under regulations*	(170,641)
Net (Increase) / Decrease before transfer to / from earmarked reserves	(3,946)
Transfers To / (From) earmarked reserves	3,540
(Increase) / Decrease on General Reserve	(406)

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 £16.274 million in 2022/23, 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 2022/23 financial year this charge was £12.379 million (£10.091 million 2021/22)

The Commissioner approved a capital programme of £31.092 million in May 2022. This was revised by the Commissioner at Quarter 1 to £39.387 million to take into account the re-phasing of the capital programme for specific projects from 2021/22.

The final capital outturn for the year is £16.274 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, and delays in supply chains globally.

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

Capital Outturn 2022/23				
	2022/23 Estimate £000	2022/23 Revised Estimate £000	2022/23 Outturn £000	2022/23 Variance £000
Capital Investment				
Building Works	9,385	9,920	3,197	(6,723)
Digital Policing & Digital Transformation	13,733	21,086	8,995	(12,091)
Vehicles & Equipment	7,661	8,068	4,016	(4,052)
Northumbria Contributions to NEROCU	313	313	66	(247)
Total Capital Programme	31,092	39,387	16,274	(23,113)

Capital Financing

The following table sets out how the capital programme for 2022/23 was financed;

Capital Financing	
	2022/23 £000
Capital Grants and Other Contributions	535
Capital Receipts	5,561
Use of Reserves	-
Prudential Borrowing	10,178
Total Capital Financing	16,274

Governance

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

Value for Money

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and 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 2022/23.

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 2022/23. The police settlement issued by the government for 2022/23 assumed that each PCC would increase the precept by the maximum of £10.00 per year for a Band D property. The Commissioner approved an increase of £10.00 per year for a Band D property, but for the majority of residents in Northumbria, those in a Band A property, the actual increase was only £6.67 per year. However, the Northumbria Council Tax Precept remains by far the lowest of policing bodies in England and Wales.
- The additional income generated by the precept increase for 2022/23 was £4.000 million and was used to provide investment in:
 - 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.
- 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 published as key decisions on the OPCC website.
- 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.

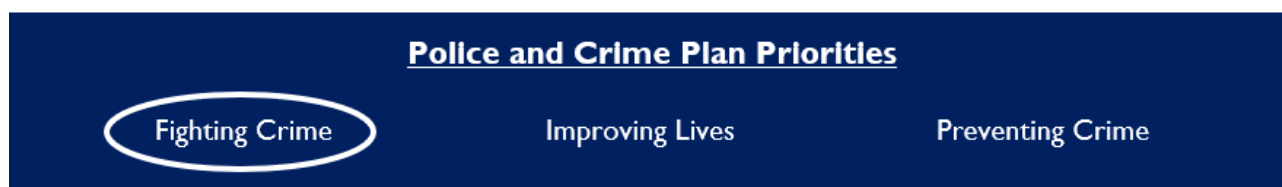
The Policing Protocol Order 2011 sets out respective roles of the PCC and of the Chief Constable, highlighting the PCC's responsibility for the totality of policing in the local area and a mandate to hold the Chief Constable to account.

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).

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 on the Commissioners website.

Performance Information – Police and Crime Plan 2022/23



Contact Management

- For the 12 months to March 2023, the number of 999 calls increased by 3% compared to the previous 12 months, from 290,809 to 300,455 whilst the number of 101 non-emergency calls decreased by 12% over the same period, from 260,805 to 229,345. Changes in call volumes reflect national trends.
- The percentage of 999 calls answered within call handling standards for the 12 months to March 2023 was 83%, with an average answer time of 15 seconds. This compares to 70% and an average answer time of 29 seconds for the previous 12 months.
- The percentage of non-emergency 101 calls answered within call handling standards for the 12 months to March 2023 was 50%, with an average answer time of 3 minutes 32 seconds. This compares to 40% and an average answer time of 5 minutes 48 seconds for the previous 12 months.
- 999 call demand is expected to increase over the next 3 years. The changing nature of crime and vulnerability is resulting in more complex and time-consuming calls for contact handlers. The anticipated demands on partner agencies may see a further impact on requests for policing services via emergency channels. The Force is working with strategic partners to introduce a 'Right Care, Right Person' response to ensure joint protocols are followed and the right care is provided by the

appropriate agency. There is also wider demand reduction work across high demand areas to support and complement the protocols for Right Care, Right Person.

- A new role of Communication Performance Manager at Chief Inspector level has been introduced to lead the performance of the Communications Department on a 24/7 basis. The aim of the role is to support improvements in performance across the contact and deployment functions, proactively and dynamically planning, managing, and directing operational activity.
- The introduction of a new demand-led shift pattern, introduction of new technology and significant investment in recruitment and training has allowed the Communications department to improve levels of call handling performance. A significant recruitment campaign continued in 2022/23 with additional new contact handling staff recruited, continuing the investment to meet current and future demand.
- The satisfaction of volume crime victims with their initial contact with police remains high and stable over time. There has been a reduction in levels of satisfaction with the time taken to answer the phone; however, satisfaction levels remain high.

Response

- Grade 1 (emergency response) incident demand remains high. For the 12 months to March 2023, there were 9% more grade 1 incidents than the previous 12-month period.
- There has been a reduction in the percentage of incidents attended on time for grade 1 incidents in the 12 months to March 2023. 78% of urban grade 1 incidents were attended within 15 minutes and 60% of rural grade 1 incidents were attended within 20 minutes for the 12 months to March 2023, compared to 81% and 62%, respectively for the previous period.
- Grade 2 (priority response) incident demand has remained consistent. For the 12 months to March 2023 there were 1.7% fewer grade 2 incidents compared to the previous 12-month period.
- The average response time for grade 2 incidents in the 12 months to March 2023 was 3 hours and 19 minutes, compared to 5 hours 4 minutes for the previous 12-month period.
- There is a statistically significant reduction in satisfaction with response times. Although the expectations of victims vary, survey feedback showed that dissatisfied victims felt their response time was not proportionate for the type of incident reported.
- A Force Response Strategy has been developed. The strategy has three key strands; Prevention, Response and Investigation. A delivery plan is also in place to improve victim satisfaction levels, public confidence, arrest rate, investigation standards in the golden hour, including handover to CID, as well as outcome rates by using a get it right first-time approach.
- The Force continues to monitor resourcing within response, tracking the progress and movement of student officers who make up a large proportion of response.
- The Force is monitoring skill sets and working with training delivery providers to maintain and enhance specialist frontline skills to ensure capacity and capability to meet demand.
- Other areas of work include, improving the exploitation of data to reduce demand and supporting intelligent tasking, early intervention, and prevention to manage high frequency callers and spikes in call, incident, and crime demand.

Anti-Social Behaviour (ASB)

- There has been a 10% (-4,874) reduction in ASB related incidents in the 12 months to March 2023 compared to the previous 12-month period. 23% of ASB is youth-related in this 12-month period compared to 21% in the previous period. Feedback from the Safer Communities Survey regarding

the perception of ASB as a problem in the local neighbourhood, identifies youths engaging in ASB as a key contributor.

- The Force is working with partners to increase youth diversion provision and activities moving into the summer months. Home Office funding for two ASB pilots has been secured relating to Immediate Justice and visible hotspot resourcing which will see increased resource deployments into high demand areas across each local authority. Multi-agency hubs, such as the SAIL (Sunderland Altogether Improving Lives) project are embedding youth outreach workers into the teams to enable effective engagement, enforcement, and intervention support to key offenders.
- The Force's preventative and proactive approach continues to be underpinned by problem solving, early intervention and partnership working and further supported by the introduction of a new Neighbourhood Policing Model, where the Force will refocus priorities on; reducing neighbourhood crime and ASB; proactively targeting and disrupting offenders; identifying and protecting vulnerable victims.
- 70% of ASB victims feel satisfied with their overall experience of service. This has reduced from 76% for the previous 12 months. Significantly less ASB victims were satisfied with the action taken compared to the same period last year. Most dissatisfied victims perceived that a lack of action had been taken in relation to their report and/or that the action taken fell short of their expectations. Some victims said they did not know what action had been taken or the outcome as they had not received any feedback. Victims feeling that their report was not taken seriously and/or police not resolving the ASB issue were also drivers of dissatisfaction.

Recorded Crime

- Total crime has increased by 5% for the 12 months to March 2023, with an increase in most crime categories compared to 12 months to March 2022. When compared to the 12 months to December 2019, the nationally agreed baseline for the Government's Beating Crime Plan, crime levels are higher for violence against the person, sexual offences, vehicle crime, robbery, cyber-crime and hate crime. All other categories are lower. Northumbria is placed 32nd nationally and 3rd within its most similar family group.
- For the 12 months to March 2023, there has been increases in most crime groups particularly vehicle crime (+48%, +3,146 crimes), shoplifting (+32%, +2,597 crimes), violence against the person (+4%, +1,991 crimes) and other theft and handling (+16%, +1,756), with reductions in criminal damage, public disorder, and drug crime.
- The Force has adopted leads for Serious Violence and Serious Acquisitive Crime (SAC) (domestic burglary, personal robbery and vehicle crime) and strategies been developed, to drive the force priorities and harness national best practice available. The strategy is underpinned by a coordinated 4 'P' plan (Prevent, Protect, Pursue & Prepare) to deliver and monitor performance outcomes.
- Suppression Groups for Serious Violence and SAC have been established to further develop the existing performance management frameworks and drive the operational delivery of the strategy. The progress, impact and outcomes will be reported into the force strategic governance.
- Overall hate crime volumes remain consistent with the previous 12 months. Increases have been seen in homophobic hate crimes and transphobic hate crimes. However, there has been a decrease in disability and faith hate. Race remains the largest proportion of hate crime followed by homophobic.
- A hate crime action plan is in place. The plan covers initial contact, investigation, training and raising awareness, victim satisfaction and partnership activity. A monthly Hate Crime delivery group is in

place to deliver elements of the plan, with a focus on investigations, victim contact and satisfaction improvements. The delivery group is attended by lead officers from Area Command, Communications and Custody. A training delivery plan is underway, with hate crime training already being delivered to control room staff, Criminal Investigation Department (CID) and Neighbourhood Policing Team (NPT). From April onwards, all RPT staff will receive the training and plans are being developed for custody staff. The Force attends practitioner meetings with Durham and Cleveland to share best practice and meets regularly with CPS on joint improvement plans.

- The satisfaction of hate crime victims with their whole experience of service remains stable compared to the same period last year.
- Satisfaction with action taken also remains stable compared to the 12 months to March 2022. Some dissatisfied victims felt that police could have been more proactive and/or that police should have kept them informed regarding the action taken in relation to their report. Conversely, satisfied victims stated that police had taken appropriate action, had kept them informed and/or had provided them with support, advice, and information.
- The percentage of hate crime victims satisfied with how they were kept informed has increased; although this change is not statistically significant.



Domestic Abuse (DA)

- There has been a 1% increase in the number of domestic abuse incidents in the rolling 12 months to March 2023 compared to the previous year.
- The well-embedded whole system approach to DA prevention includes primary (early intervention/education on healthy relationships in schools etc), secondary (police intervention/CJ outcomes for victims) and tertiary (pathways of support). In addition, the effective Multi Agency Risk Assessment Conference (MARAC) processes help reduce risk among the highest risk DA victim cohort and the Multi Agency Tasking and Co-ordination (MATAC) programme works with repeat offenders of DA to reduce further offending.
- Domestic abuse victims continue to report high levels of satisfaction with the service with 86% of victims feeling satisfied with their overall service.
- 82% 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

- For the 12 months to March 2023, the resolved rate is 12.0% compared to 12.7% for the previous 12 months. Nationally, the resolved rate is 12.4% and Northumbria's MSG is 12.3% for the same period.
- The Force is placed 32nd nationally for the 12 months to March 2023.
- The national position for overall resolved rate, has seen a similar a long-term reducing trend. The Force resolved rate compares positively for several neighbourhood crime types, such as burglary (2nd), robbery (28th) and vehicle crime (19th), whilst some of the low-level volume crime offences,

for example shoplifting (40th) and theft and handling (35th) have a lower resolved rate compared to other forces in England and Wales (national ranking in brackets).

- The Force has a Resolved Rate Improvement Plan to improve the number of positive outcomes and maintain a deliberate focus on those investigations more serious in nature and involve more vulnerable adults and children.
- The plan follows five key areas:
 - a) Raising Investigative standards
 - b) Maximising Investigative approach
 - c) Reducing Victim attrition
 - d) Greater use of Out of Court Disposals (OCCD)
 - e) Performance focus on resolved outcomes

Victims' Code of Practice (VCOP)

- There are several elements of VCOP where compliance has reduced compared to the previous 12 months; informing victims following a change in the status of the crime (i.e. suspect arrested, charged or bailed). The percentage of needs assessments completed within 48 hours is slightly above the same period last year.
- Follow-up performance remains an area for improvement; 59% 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.
- Being kept informed and/or making it easier to contact officers dealing with their report were among the suggestions for improvement from surveyed victims.
- A working group has been set up by the Force with an action plan to address the issues with declining satisfaction trends on DA, rape and hate crime, including the need to improve communication with victims from initial contact throughout the crime investigation process. The action plan seeks to address satisfaction and includes additional training and support with focus performance management to improve consistency. Delivery of this plan will be tracked and monitored via the Investigations & Effective Justice Performance Delivery Group. The plan is being revised to widen the scope across other crime types.
- The Force has reviewed the current service provision for victims and witnesses. The service includes a new referral method to improve access to cope and recovery support. A new engagement/support plan has also been introduced for all victims and witnesses whose case goes to trial, as well as a single point of contact for victims to contact Northumbria Police for further information/updates regarding the investigation. Phase 2 of the victim and witness service will be implemented in June 2023. This will include further support to officers in providing timely updates to victims in-line with significant events and progress with the investigation.

Public Perception

- Results from the Safer Community Survey (SCS) suggest confidence measures remain relatively high; however, there have been statistically significant reductions across all of the measures compared to the same period last year (12 months to March 2022).
- Confidence has been reducing since late 2021, with a more significant reduction throughout 2022.
- Data suggests that public perceptions of the standard of service may have a strong influence of levels of confidence in the police. Perception of the Force's ability to effectively deal with an emergency

and/or a request for advice or information were more likely to impact on confidence (albeit fewer respondents considered that the Force could not effectively deal with an emergency or provide advice or information).

- Perceptions of the Force's ability to deal effectively with a non-emergency or online crime has a lesser impact; however, a greater number of respondents considered that the Force would not be effective in dealing with a non-emergency incident and/or an online crime.
- Data for the 12 months to September 2022 from the Crime Survey for England and Wales (CSEW) shows public confidence/perception has reduced for all measures compared to the previously available data as at March 2020.
- Confidence/perceptions is generally around the national average for many of the measures, with the exception of the 'police can be relied on when you need them', 'deal with issues that matter to the community' and the 'police and council deal with ASB/Crime issues'. Northumbria is below the national average for these measures.

Police and Crime Plan Priorities

Fighting Crime

Improving Lives

Preventing Crime

Preventing Crime

- Following reductions in serious violence offences from October to December 2022 (which is consistent with the trend for the same period in 2021), volumes have increased from January 2023. Knife enabled serious violence was 5% of the total serious violence offences in the 12 months to March 2023, from 4% in the previous period.
- For serious violent crime, the Force is placed 35th nationally for the 12 months to March 2023.
- There has been an increase in total recorded crime across all 6 local authority areas for the 12 months to March 2023 compared to the previous 12-month period. Five local authority areas are below the levels of total recorded crime in the 12 months to December 2019, with the exception of Northumberland, where there has been a slight increase.
- There have been increases in violence against person offences across all local authorities with the largest percentage increase in South Tyneside (+9%) contributing to the overall increase in crime force wide (+5%) when comparing 12 months to March 2023 to the previous period. South Tyneside has seen the highest increase in total crimes at 11% and has the highest increase in sexual offences (+19%). Sunderland, Gateshead and Newcastle did see a reduction in sexual offences. Northumberland has seen the largest percentage increase in vehicle crime (+82%). Overall theft and handling and vehicle crime have increased in all local authority areas.
- The Force has adopted leads for Serious Violence and Serious Acquisitive Crime (SAC) (domestic burglary, personal robbery and vehicle crime) and strategies been developed, to drive Force priorities and harness the national best practice available. The strategy is underpinned by a coordinated 4 'P' plan (Prevent, Protect, Pursue & Prepare) to deliver and monitor performance outcomes.
- Suppression Groups for Serious Violence and SAC have been established to further develop the existing performance management frameworks and drive the operational delivery of the strategy. The progress, impact and outcomes will be reported into the force strategic governance, through the Force Performance Delivery Groups.

Collaboration

During 2022/23 the Commissioner and Northumbria Police were parties to a number of collaboration agreements, details of which can be found on the Commissioners' website. The North East Regional Organised Crime Unit (NEROCU) is the principal collaboration arrangement between Northumbria, Durham and Cleveland and is accounted for as a Joint Arrangement 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 (NEROCU)

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

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

NEROCU is categorised as a Joint Arrangement in line with the Accounting for Collaboration guidance issued by CIPFA. The NEROCU revenue outturn position for 2022/23 and the share attributable to Northumbria are set out in the following table:

NEROCU Outturn 2022/23		
	NEROCU £000	Northumbria £000
NEROCU Revenue Budget		
Expenditure	14,457	7,648
Income	(4,850)	(2,565)
Net Expenditure	9,607	5,083
Funded by:		
Force Contributions	9,472	5,011
Transfer from NEROCU Reserve	135	72
Total	9,607	5,083

Northumbria Police made a revenue contribution of £5.011 million to NEROCU for 2022/23. This contribution is included within the Chief Constable's revenue budget outturn. The net transfer from the NEROCU reserve reflects the use of prior year Force contributions and funding (£0.173 million) which were held in reserves to be used in 2023/24 and a transfer to the reserve (£0.101 million) to be used in 2023/24.

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 2023/24. The balance on the provision at 31 March 2023 reflects a prudent estimate to cover the expected costs.

Contingent Assets & Liabilities

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

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

During any financial year we will receive a number of legal and other claims in relation to employment, insurance and other issues. Many of these are subject to legal process and therefore the possibility of a future obligation is uncertain. The accounting rules classify such possible obligations as 'contingent liabilities'. They also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. No specific charges are made to the accounts.

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

A further contingent liability has been disclosed in relation to compensation claims for 'injury to feelings' in relation to the McCloud/Sargeant judgement (2015 Police Pension Scheme transitional arrangements), and for the Municipal Mutual Insurance (MMI) Levy for the Commissioner. Contingent liabilities are detailed in full at **Note 12** 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 Manager⁵. 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 regulations⁶ governing funding arrangements require that if the Pension Fund does not have sufficient funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Police Fund to the Pension Fund. 100% of this deficit is recouped by the Group in the form of a top-up grant paid by the Home Office. The top-up grant paid by the Home Office in 2022/23 is £64.598 million.

⁵ Public Service Pension Act 2013 (section 4)

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

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/asset that the Group have committed to provide in the future, for service completed up to the Balance Sheet date. The pension liability/asset is valued using an actuarial valuation and can fluctuate dependent on external factors and changes in actuarial assumptions.

The net pension liability/asset 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 net liability of £3.238 billion (£4.576 billion in 2021/22) 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.

Pensions – Balance Sheet Net (Liability)/Asset	31 March 2022 Long-Term (Liability)/Asset £000	31 March 2023 Long-Term (Liability)/Asset £000
OPCC Staff	(1,773)	139
Police Staff	(138,010)	14,600
Police Officers	(4,436,490)	(3,252,990)
Group Net Position (Liability)	(4,576,273)	(3,238,251)

As at 31 March 2023 the net pension liability for the Group is £3.238 billion, however this is shown on the Balance Sheet as a Long-Term Asset of £0.015 billion relating to Staff (TWPF) and a Long-Term Liability of £3.253 billion for Police Officer Pension Schemes.

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 2022/23 to 2025/26 can be found on The Commissioners website.

The borrowing strategy during 2022/23 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 Public Works Loans Board (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 principal borrowing at 31 March 2023 was £81.969 million, which was within the operational borrowing limit of £155.000 million. This is a net reduction of £5.000 million from the opening figure of £86.969 million, representing repayment of PWLB borrowing.

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 2022/23 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) - 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 87**) - 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 89**) - The purpose of this statement is to show the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Council Tax is raised by the Commissioner and Central Government grants are received each year to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position and the required use of cash reserves are shown in the Movement in Reserves Statement.

Balance Sheet for the Police and Crime Commissioner Group (**Page 90**) - 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 91**) - 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 92) - 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 123) - This shows the Police Pension Fund Account for the year for which the Chief Constable is Scheme Manager⁷.

Annual Governance Statement (Page 125) - This statement, required by regulations⁸ to accompany the Statements of Account, outlines the Commissioner's approach to corporate governance and internal control⁹.

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.

⁷ Public Service Pension Act 2013 (section 4)

⁸ Regulation 10 of Accounts and Audit (England) Regulations 2015 (available online)

⁹ In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015

Significant Changes since 2021/22

There have been no significant changes to the financial statements since 2021/22.

Outlook for 2023/24 and Beyond

The Commissioner has agreed a Medium Term Financial Strategy (MTFS) which sets out the key financial issues over 2023/24 to 2026/27. 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 provides projections for the revenue budget and capital programme over the medium term.

The MTFS 2023/24 to 2026/27 will continue to deliver and build upon the investment in policing for Northumbria residents approved by the Commissioner in 2022/23. The Strategy will assist the Force to become better prepared to meet future demand; maintain the much-needed increase in police officer numbers delivered through the national police officer Uplift programme to March 2023; 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 2023/24, whilst making prudent assumptions on future funding levels and expected budget requirements, to ensure that resources remain available to meet operational demand, continue to deliver value for money and are sustainable across the period of the MTFS.

The Police Grant Report for 2023/24 confirmed an increase of £174.000 million for policing, comprising:

- The additional £100.000 million committed in the 2021 Spending Review.
- New funding of £140.000 million which was allocated to cover the additional cost of the 2022 police officer pay award has been added to the ring-fenced Uplift grant.
- A reduction of £69.000 million due to the reversal of the employer NI increase in relation to the Health and Social Care Levy.
- Minor increase of £5.000 million to legacy council tax grants nationally.

The actual settlement increase for Northumbria was £5.232 million which broadly represents the funding formula share (3.08%) of the total £174.000 million nationally.

The Commissioner approved an increase in the Council Tax Precept for 2023/24 of £15.00 per year for a Band D property. The additional income generated by the precept increase is £6.100 million and this will be used to:

- Deliver a restructure of neighbourhood policing, allocating 134 new officers into specialist frontline roles to take on the fight against crime, and;
- Help protect the force from the impact of significant budget pressures and spiraling inflation.

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 2023/24 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. The national Uplift target delivered over the past 4 years does not fully replace the 1,100 officers that Northumbria lost during that earlier period of austerity.

The Commissioner's MTFS for 2023/24 through to 2026/27 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 2023/24, 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.

The National Uplift Programme – has provided Northumbria with an additional 615 officers. We have also invested 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

Appointment of Chief Constable Vanessa Jardine

In April 2023 Winton Keenen retired from the post of Chief Constable and Vanessa Jardine was appointed as the new Chief Constable for Northumbria Police.

As the Chief Constable throughout the financial year 2022/23, any references to information verified or provided by the Chief Constable will refer to Winton Keenen.

Further information can be found in **Note 14** to the Group financial statements.

Further Information

This publication provides a review of the financial performance of the Group for 2022/23, a summary of which will be included in the Annual Report for 2022/23 available on the Commissioner's website



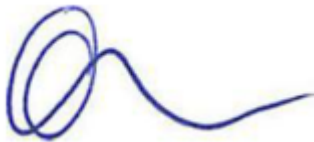
Kevin Laing MSc (fin) CPFA Date: 25/01/2024
Treasurer

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.



Kim McGuinness, **Date: 25/01/2024**
Police and Crime Commissioner for Northumbria

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 2023, 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 2023 and of her income and expenditure for the year ended 31 March 2023.



Kevin Laing MSc (fin) CPFA **Date: 25/01/2024**
Treasurer

Police and Crime Commissioner Single Entity Financial Statements

Comprising:

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

Movement in Reserves Statement 2022/23

	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 2022		10,398	27,094	37,492	22,173	1,004	60,669	(13,850)	46,819
<u>Movement in reserves during 2022/23</u>									
Total Comprehensive Income and Expenditure		2,471	-	2,471	-	-	2,471	3,617	6,088
Adjustments between Accounting Basis & Funding Basis under regulations	8(a)	1,475	-	1,475	(4,893)	(520)	(3,938)	3,938	-
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		3,946	-	3,946	(4,893)	(520)	(1,467)	7,555	6,088
Transfers (To) / From Earmarked Reserves	8(b)	(3,540)	3,540	-	-	-	-	-	-
Increase or (Decrease) in Year		406	3,540	3,946	(4,893)	(520)	(1,467)	7,555	6,088
Balance as at 31 March 2023		10,804	30,634	41,438	17,280	484	59,202	(6,295)	52,907

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 2021		10,058	23,178	33,236	22,153	280	55,669	(22,547)	33,122
<u>Movement in reserves during 2021/22</u>									
Total Comprehensive Income and Expenditure		4,754	-	4,754	-	-	4,754	8,943	13,697
Adjustments between Accounting Basis & Funding Basis under regulations	8(a)	(498)	-	(498)	20	724	246	(246)	-
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		4,256	-	4,256	20	724	5,000	8,697	13,697
Transfers (To) / From Earmarked Reserves	8(b)	(3,916)	3,916	-	-	-	-	-	-
Increase or (Decrease) in Year		340	3,916	4,256	20	724	5,000	8,697	13,697
Balance as at 31 March 2022		10,398	27,094	37,492	22,173	1,004	60,669	(13,850)	46,819

Comprehensive Income and Expenditure Statement						
2021/22				2022/23		
Gross Expenditure £000	Income £000	Net Expenditure £000	Service Expenditure Analysis	Gross Expenditure £000	Income £000	Net Expenditure £000
-	(33,743)	(33,743)		-	(38,518)	(38,518)
-	(4,379)	(4,379)	Police Services	-	(5,265)	(5,265)
2,311	-	2,311	Policing Funds (managed by the PCC)	1,966	-	1,966
-	(126)	(126)	Office of the Police and Crime Commissioner	1,105	(137)	968
2,525	(2,525)	-	OPCC Supporting Services	-	(123)	(123)
345,506	-	345,506	Capital Financing	2,315	(2,315)	-
350,342	(40,773)	309,569	PCC Commissioning of Victim Services	374,084	-	374,084
			PCC Financing of Police Services	379,470	(46,358)	333,112
			Net Cost of Services			
			- Other Operating Expenditure			280
			2,671 Financing and Investment Income and Expenditure			2,521
			(316,994) Taxation and Non-Specific Grant Income and Expenditure			(338,384)
			(4,754) (Surplus) / Deficit on Provision of Services			(2,471)
			(8,540) (Surplus) / Deficit on revaluation of non-current assets			(1,227)
			(403) Re-measurements of the net defined pension benefit Liability / Asset			(2,390)
			(8,943) Other Comprehensive Income and Expenditure			(3,617)
			(13,697) Total Comprehensive Income and Expenditure			(6,088)

Notes

9

Balance Sheet				
31 March 2022		31 March 2023		Notes
	£000		£000	
94,083	Property, Plant & Equipment	98,872		}
2,400	Investment Property	1,775		
3,126	Intangible Assets	3,992		
-	Long-Term Assets (Pensions)	139		22
99,609	Long-Term Assets	104,778		
22,017	Short-Term Investments	-		21
941	Inventories	855		
31,989	Short-Term Debtors	48,942		17
10,706	Cash and Cash Equivalents	11,132		18
65,653	Current Assets	60,929		
(965)	Bank Overdraft	(1,718)		21
(5,662)	Short-Term Borrowing	(5,585)		21
(26,672)	Short-Term Creditors	(26,831)		19
(33,299)	Current Liabilities	(34,134)		
(1,402)	Long-Term Provisions	(1,697)		20
(81,969)	Long-Term Borrowing	(76,969)		21
(1,773)	Other Long-Term Liabilities (Pensions)	-		22
(85,144)	Long-Term Liabilities	(78,666)		
46,819	Net Assets	52,907		
60,669	Total Usable Reserves	59,202		}
(13,850)	Total Unusable Reserves	(6,295)		
46,819	Total Reserves	52,907		

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Commissioner at 31 March 2023.



Kevin Laing MSc (fin) CPFA

Chief Finance Officer

Date: 25/01/2024

Cash Flow Statement		
2021/22		2022/23
£000		£000
(4,754)	(Surplus) / Deficit on the provision of services	(2,471)
	Adjustments to (Surplus) / Deficit on the Provision of Service for Non-Cash Movements:	
(8,420)	Depreciation of Non-Current Assets	(9,357)
100	Revaluation / Impairment of Non-Current Assets	(1,272)
(1,427)	Amortisation of Intangible Fixed Assets	(1,585)
(428)	Pension Fund Adjustments	(478)
18	(Increase) / Decrease in Provision for Bad Debts	10
(72)	Contributions To / (From) Provisions	(295)
(20)	Carrying amount of PP&E, Investment Property and Intangible Assets Sold	(948)
309	Other Non-Cash Movement	155
(9,940)		(13,770)
	Accruals Adjustments:	
166	Increase / (Decrease) in Inventories	(86)
2,695	Increase / (Decrease) in Debtors	14,943
20	Increase / (Decrease) in Interest Debtors	17
122	(Increase) / Decrease in Creditors	861
-	(Increase) / Decrease in Interest Creditors	78
3,003		15,813
	Adjustments for items included in the net (Surplus) / Deficit on the provision of service that are investing or financing activities:	
20	Proceeds from the Disposal of PP&E, Investment Property and Intangible Assets	668
1,303	Capital Grants Credited to Surplus or Deficit on the Provision of Services	1,495
-	Other Adjustments for items included in the net (Surplus) / Deficit on the Provision of Service that are Investing or Financing Activities	-
1,323		2,163
	Reversal of Operating Activity items included in the net (Surplus) / Deficit on the Provision of Service that are shown separately below:	
(2,736)	Reversal of amounts disclosed separately below	(1,851)
	Cash Flows from Operating Activities includes the following items:	
2,810	Interest Paid	2,731
(74)	Interest Received	(880)
2,736		1,851
(10,368)	Net Cash Flows from Operating Activities	1,735
	Net Cash Flows from Investing Activities:	
8,757	Purchase of PP&E, Investment Property and Intangible Assets	16,965
109,136	Purchase of Short-Term and Long-Term Investments	156,253
244	Other Payments for Investing Activities	790
(20)	Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(668)
(107,136)	Proceeds from the Sale of Short-Term and Long-Term Investments	(178,253)
(593)	Capital Grants Received (Government)	(1,436)
(710)	Capital Grants Received (Non-Government)	(59)
9,678	Net Cash Flows from Investing Activities	(6,408)
	Net Cash Flows from Financing Activities:	
(16,000)	Cash Receipts of Short-Term and Long-Term Borrowing	-
22,500	Repayments of Short-Term and Long-Term Borrowing	5,000
6,500	Net Cash Flows from Financing Activities	5,000
5,810	Net (Increase) / Decrease in Cash and Cash Equivalents	327
15,551	Cash and Cash Equivalents at the Beginning of the Period	9,741
9,741	Cash and Cash Equivalents at the End of the Period	9,414

I. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available to the 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 **£321.278 million** comprises the Chief Constables outturn position of **£321.206 million** plus the net transfer from the NE ROCU reserve of **£0.072 million**. The OPCC Supporting Services figure of **£0.968m** comprises both the OPCC Supporting Services outturn of **£0.874m** plus OPCC Reserve Expenditure of **£0.094m**.

Expenditure and Funding Analysis						
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				
			2022/23			
Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	
Service Expenditure Analysis						
-	(33,743)	(33,743)	-	(38,518)	(38,518)	Police Services
(440)	(3,939)	(4,379)	(71)	(5,194)	(5,265)	Policing Funds (managed by the PCC)
2,128	183	2,311	1,670	296	1,966	Office of the Police and Crime Commissioner
-	-	-	968	-	968	OPCC Supporting Services
11,667	(11,793)	(126)	11,541	(11,664)	(123)	Capital Financing
-	-	-	-	-	-	PCC Commissioning of Victim Services
302,632	42,874	345,506	321,278	52,806	374,084	PCC Financing of Police Services
315,987	(6,418)	309,569	335,386	(2,274)	333,112	Net Cost of Services
(320,243)	5,920	(314,323)	(339,332)	3,749	(335,583)	Other Income and Expenditure
(4,256)	(498)	(4,754)	(3,946)	1,475	(2,471)	(Surplus) / Deficit on Provision of Services
33,236			37,492			Opening General Fund Balance at 31 March
4,256			3,946			Surplus / (Deficit) on General Fund in Year
37,492			41,438			Closing General Fund as 31 March

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

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

2022/23					
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	-	-	-	(38,518)	(38,518)
Policing Funds (managed by the PCC)	-	-	-	(5,194)	(5,194)
Office of the Police and Crime Commissioner	12,379	434	-	(12,517)	296
OPCC Supporting Services	-	-	-	-	-
Capital Financing	(9,812)	-	-	(1,852)	(11,664)
PCC Commissioning of Victim Services	-	-	-	-	-
PCC Financing of Police Services	-	-	-	52,806	52,806
Net Cost of Services	2,567	434	-	(5,275)	(2,274)
Other Income and Expenditure	(590)	44	(980)	5,275	3,749
(Surplus) / Deficit on Provision of Services	1,977	478	(980)	-	1,475

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	(557)	7,845	5,920
(Surplus) / Deficit on Provision of Services	(369)	428	(557)	-	(498)

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 2022/23 (and 2021/22 comparative) is analysed as follows:

Expenditure and Income Analysed by Nature		
Expenditure / Income	2021/22 £000	2022/23 £000
Expenditure		
Employee benefits expenses	794	1,593
Other employee expenses	310	2
Premises	165	295
Transport	3	3
Supplies and services	363	498
Third party payments	3,201	2,995
Depreciation, amortisation and impairment	9,847	11,589
Other capital charges	244	790
Less: amounts charged to Chief Constable for use of assets	(10,091)	(12,379)
Financing of Police Services	345,506	374,084
Loss on revaluation of investment property	-	725
Loss on disposal of property, plant and equipment	-	280
Interest payments	2,810	2,732
Police pension fund deficit - payment to pension fund	59,002	64,596
Interest on the net defined benefit pension liability	35	44
Total Expenditure	412,189	447,847
Income		
Fees, charges and other service income	(6,585)	(6,714)
Recharge receipts	(4,582)	(4,587)
Other operating Income	(1,933)	(1,821)
Revenue grants and contributions	(27,673)	(33,236)
Gain on disposal of property, plant and equipment	-	-
Gain on revaluation of Investment Property	(100)	(100)
Interest and investment income	(74)	(879)
Dividends receivable	-	-
Income from Council Tax	(57,340)	(63,496)
Police Grant income	(258,351)	(273,394)
Police pension fund deficit - grant income	(59,002)	(64,596)
Capital Grants and Contributions	(1,303)	(1,495)
Total Income	(416,943)	(450,318)
(Surplus) / Deficit on the Provision of Services	(4,754)	(2,471)

3. Statement of Accounting Policies

Introduction

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 International Financial Reporting Standards (IFRS) as adapted and interpreted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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 which form a separate document.

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.

The following gives further context to the accounting recognition in each entity, at 31 March 2023, 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.

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 - £12.379 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 - £0.161 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 - £0.023 million in 2022/23.

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.

b) Accruals of expenditure and income

The financial statements, other than the cash flow, are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner;
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the Commissioner;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventory in the Balance Sheet;
- Interest payable on borrowings and receivables on investment income is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful

that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) **Assets held for sale**

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

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

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

The Commissioner currently has no assets in this category but if there were these assets would be disclosed separately in the Balance Sheet as current assets identified as assets held for sale and would be disclosed in Note 16 to the single-entity accounts.

d) **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

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

Depreciation, impairment losses or amortisation do not impact on the level of Council Tax Precept. However, there is a requirement to make an annual provision from revenue to contribute towards the reduction in the Commissioner's overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance, or loans fund principal charge). Depreciation, impairment losses and amortisation are therefore replaced by a revenue provision in

the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) Council Tax income

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

g) Employee benefits

Benefits payable during employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Reserve balance to be charged with the amount payable by the Commissioner / Chief Constable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amount payable but unpaid at the year end.

Post-employment benefits (pensions)

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

The Police Pension Schemes are unfunded defined benefit schemes, for which contributions are paid into a Pension Fund and pensions paid from the Fund. The deficit each year on the Fund is balanced to nil at the end of each year by receipt of a pension top up grant from the Home Office. There are no investment assets

built up to meet the pension liabilities and cash has to be generated by the Home Office to meet actual pension payments as they eventually fall.

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

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

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

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

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

h) Events after the Balance Sheet date

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

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

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

i) Prior period adjustments

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

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

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

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 assets that have fixed or determinable payments but are not quoted in an active market. These assets are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans that the Commissioner has made, the amount presented in the Balance Sheet is the outstanding principal receivable. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial Liabilities

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

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

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

Fair Value

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

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

Redemption of Debt

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

External Interest

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

Borrowing costs

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

k) Government grants and other contributions

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

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

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

l) Intangible assets

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

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

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

m) Investment property

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

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

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

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

n) Fair value measurement

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

participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

o) Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost comprising:

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

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

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

and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every three years. Valuations of the Commissioners properties are carried out on a rolling programme basis, with approximately one third of assets valued each year with an effective date of 31 March in the reporting period just ended. This provides a full revaluation every three years, in line with statutory requirements. In addition, significant assets, investment properties and assets held for sale are valued annually.

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

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

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

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

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

Impairment

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

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

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

Disposal of Assets

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

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

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

Depreciation

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

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

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

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

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

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

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

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

p) Provisions and contingent liabilities

Provisions

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

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

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

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Commissioner a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in **Note 20** to the single entity accounts and **Note 12** to the group accounts

q) Reserves

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

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

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

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

s) Value Added Tax (VAT)

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

t) Joint Arrangements

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

Expenditure relating to the cost of Joint Arrangements is charged to the Comprehensive Income and Expenditure Statement (CIES) of the Chief Constable with any associated income being shown against the CIES for the Commissioner Single Entity. Any assets held jointly are accounted for on the Balance Sheet of the Commissioner Single Entity and Group as the percentage share of assets attributable to the Commissioner for Northumbria.

The Force currently has a Joint Arrangement with Durham and Cleveland, the North East Regional Organised Crime Unit (NE ROCU). Further detail of the arrangements in place and the outturn for 2022/23 is shown at **Note 14**.

4. Critical Judgement in applying accounting policies

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

- Property valuations; 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 2022/23.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by an amendment to an existing standard or a new standard that has been issued but not yet adopted. For 2022/23 there have been no changes that have been assessed to be material.

The Code only requires items to be mentioned here which will be adopted in 2023/24. However, it is also useful to note that we are planning to adopt IFRS 16 Leases in 2024/25. Further information is set out in the following paragraph.

IFRS 16 Leases

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 and was due to be adopted in the Code for the 2019/20 financial year. Implementation has now been delayed a number of times, with the latest position being that adoption is now required from 01 April 2024, although early adoption is allowed from 01 April 2022. The Commissioner intends to adopt IFRS 16 for the 2024/25 financial year. Whilst the impact on the financial statements is not yet known in detail, there is expected to be no impact on the General Fund balance resulting from implementation.

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

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Commissioner's Balance Sheet as at 31 March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

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 2022/23 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.

The date of valuation of the Commissioners property assets is 31 March 2023.

The NBV of Land and Buildings held on the balance sheet of the Commissioner totals £83.770m. Of this amount, £67.924m is attributed to 3 properties which are valued as specialist properties on a depreciated replacement cost (DRC) basis.

The financial statements for 2022/23 are presented against a backdrop of significant economic uncertainty, worldwide supply chain shortages and extraordinary levels of inflation across fuel, energy, goods and services. As a result, there is an uncertainty due to the assumed build costs used in the valuation of those properties under the DRC method.

The weighted average movement in build costs per square foot, since the previous year, was around +4.2% across those properties (+11.3% in 2021/22).

The build costs under the DRC calculations for those 3 properties (excluding professional fees and land valuations) are a total of £55.476m.

If the valuation of build costs moved up or down by 10% the impact on the NBV of Land and Buildings would be around £5.548m.

8. 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 Commissioners 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) 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 2022/23 and 2021/22 are set out in the following tables;

Adjustments between Accounting Basis & Funding Basis under regulations 2022/23

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(10,629)	-	-	10,629
Amortisation of intangible assets	(1,585)	-	-	1,585
Revenue Expenditure Funded from Capital under Statute	(790)	-	-	790
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,495	-	520	(2,015)
Capital Expenditure charged in the year to the General Fund	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	(280)	(668)	-	948
Capital Expenditure Financed from Unapplied Capital Receipts	-	5,561	-	(5,561)
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	980	-	-	(980)
Reversal of IAS 19 Pension Charges	(761)	-	-	761
Contributions due under the pension scheme regulations	283	-	-	(283)
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	9,812	-	-	(9,812)
Total adjustments between Accounting Basis & Funding Basis under regulations	(1,475)	4,893	520	(3,938)

Adjustments between Accounting Basis & Funding Basis under regulations 2021/22

	General Fund Balance £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	557	-	-	(557)
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	498	(20)	(724)	246

b) 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 because of the sudden shift in employer's pension costs for police officers from April 2019. Specific grant funding of £3.400m 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 has subsequently been confirmed at the same level for each year since and the MTFS revenue projections assume that funding will continue to be provided in some form by Government over the medium term. On that basis the Commissioner feels that this risk is sufficiently mitigated, and the Police Pension Scheme Funding Reserve is no longer required. The full balance of £3.400m has therefore been used to create the Operational Systems Reserve.

The **Operational Systems Reserve** was created at the end of the 2022/23 financial year through a transfer of £3.400m from the Police Pension Scheme Funding Reserve. The Reserve will provide funding to support the transformational approach to the replacement of operational police systems and is expected to be fully utilised over 2023/24 and 2024/25.

The **Workforce Management Reserve** was established to manage costs associated with workforce change. 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. However, due to slippage in the National timeline for ESN implementation the capital costs for ESN delivery in Northumbria are now expected beyond the current medium term in 2027/28 and/or 2028/29.

The **Inflationary Risks Reserve** was created in 2021/22, from the underspend against the Chief Constable's revenue budget to manage inflationary risks identified for 2022/23 and future years, and has been further increased during 2022/23. This reserve will provide much needed support to manage the impact of the current extraordinary levels of inflation emerging in the economy for energy, fuel and prices. It is expected to be fully utilised over 2023/24 and 2024/25.

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 (£8.2m) was identified to support the investment in future years, to ensure that it would remain sustainable over the medium term. The previous MTFS included plans to utilise the reserve over 3 years 2023/24 to 2025/26. The use of the £8.2m has been reprofiled over 2023/24 to 2026/27 to manage the anticipated funding gap in those years.

The **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 against this reserve now relates solely to Operational policing and the reserve has been renamed accordingly. The balance on the reserve is £1.4m at 31 March 2023 and planned expenditure is phased over 2023/24 and 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. In the 2022/23 financial year there was £0.094 million used for these purposes.

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 **NEROCU Reserve** represents Northumbria's share of the North East Regional Organised Crime Unit (NEROCU) 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 2023 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:

- 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.

Analysis of the transfers To / From reserves 2022/23					
Balance as at 31 March 2022 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2023 £000
Usable Reserves					
10,398	General Reserve	406	-	406	10,804
Earmarked Reserves:					
3,000	Insurance Reserve	-	-	-	3,000
3,400	Police Pension Scheme Funding Reserve	-	(3,400)	(3,400)	-
-	Operational Systems Reserve	3,400	-	3,400	3,400
1,320	Workforce Management Reserve	-	-	-	1,320
2,600	ESN Reserve	-	-	-	2,600
4,325	Inflationary Risks Reserve	1,309	-	1,309	5,634
8,200	Investment Reserve	-	-	-	8,200
1,970	Operational Reserve	-	(563)	(563)	1,407
-	Pay Inflation Reserve	2,053	-	2,053	2,053
784	OPCC Innovation Reserve	-	(94)	(94)	690
1,022	External Funding Reserve	1,689	(782)	907	1,929
473	NE ROCU Reserve	101	(173)	(72)	401
27,094	Total Earmarked reserves	8,552	(5,012)	3,540	30,634
22,173	Capital Receipts Reserve	668	(5,561)	(4,893)	17,280
1,004	Capital Grants Unapplied	1,495	(2,015)	(520)	484
60,669	Total Usable Reserves	11,121	(12,588)	(1,467)	59,202
Unusable Reserves					
29,442	Revaluation Reserve	1,227	(481)	746	30,188
(41,913)	Capital Adjustment Account	17,869	(13,952)	3,917	(37,996)
394	Collection Fund Adjustment Account	980	-	980	1,374
-	Deferred Capital Receipts	-	-	-	-
(1,773)	Pension Reserve	2,390	(478)	1,912	139
(13,850)	Total Unusable Reserves	22,466	(14,911)	7,555	(6,295)
46,819	Total Reserves	33,587	(27,499)	6,088	52,907

Analysis of the transfers To / From reserves 2021/22					
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	557	-	557	394
-	Deferred Capital Receipts	-	-	-	-
(1,748)	Pension Reserve	403	(428)	(25)	(1,773)
(22,547)	Total Unusable Reserves	19,561	(10,864)	8,697	(13,850)
33,122	Total Reserves	26,201	(12,504)	13,697	46,819

c) Transfers To / From Unusable Reserves

Unusable Reserves - Revaluation Reserve				
Transfers To/(From) Reserves				Balance as at 31 March 2023 £000
Balance as at 31 March 2022 £000	Upward revaluations of property, plant and equipment £000	Historic cost depreciation adjustment (HCDA) £000	Total £000	
29,442	Revaluation Reserve 1,227	(481)	746	30,188

Unusable Reserves - Capital Adjustment Account				
Transfers To/(From) Reserves			Total movement on reserve £000	Capital Adjustment Account £000
	Transfers to reserve £000	Transfers from reserve £000		
Balance as at 31 March 2022				(41,913)
Amortisation of Intangible Assets	-	(1,585)	(1,585)	
Depreciation	-	(9,357)	(9,357)	
Gain on Revaluation of Investment Property	-	(1,272)	(1,272)	
Revenue expenditure funded by capital under statute (REFCUS)	-	(790)	(790)	
Net Gain/Loss on Sale of NCA's	-	(948)	(948)	
MRP for financing of Capital Investment	9,812	-	9,812	
Capital Receipts applied to finance capital expenditure	5,561	-	5,561	
Historic cost depreciation adjustment (HCDA)	481	-	481	
Trf from CGU to CAA	2,015	-	2,015	
Total Movement on Reserve	17,869	(13,952)		3,917
Balance as at 31 March 2023				(37,996)

Unusable Reserves - Pensions Reserve					
Transfers To/(From) Reserves					
Balance as at 31 March 2022 £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 2023 £000
Pensions Reserve					
(1,773)	Police and Crime Commissioner LGPS	2,390	(478)	1,912	139

9. 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			
2021/22	2022/23		
Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(Gains) / Losses on Disposal of Property			
- Plant and Equipment	280	-	280
Total Other Operating			
- Expenditure	280	-	280

Financing and Investment Income and Expenditure			
2021/22	2022/23		
Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,810 Interest on Borrowing	2,731	-	2,731
(74) Interest Income	-	(879)	(879)
(100) Loss / (Gain) on Revaluation of Investment Assets	725	(100)	625
35 Pensions Interest costs and expected return on assets	44	-	44
Total Financing and Investment			
Income and Expenditure	3,500	(979)	2,521

Taxation and Non Specific Grant Income and Expenditure			
2021/22	2022/23		
Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(127,855) Home Office Grant		(135,645)	(135,645)
(122,328) Ex - DCLG Formula Grant		(129,581)	(129,581)
(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)
(57,340) Proceeds of PCC Precepts		(63,495)	(63,495)
- Receipts/payments to Police Pension Fund	64,596	(64,596)	-
(1,303) Capital grants and contributions		(1,495)	(1,495)
Total Taxation and Non Specific			
Grant Income	64,596	(402,980)	(338,384)

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.

10. 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.

Both 2020/21 and 2021/22 accounts have been subject to fee variations that have been incurred after the audit had concluded and therefore hit the following financial years.

External Audit Costs	
2021/22 £000	2022/23 £000
29 External Audit Services	33
18 Additional fees relating to the previous year's audit	23
47 Net Cost	56

II. Government and non-government grants and contributions

Government and Non-Government Grants				
2021/22			2022/23	
Revenue £000	Capital £000		Revenue £000	Capital £000
		General Government Grant not attributable to Services		
127,855	-	Home Office Grant	135,645	-
122,328	-	Ex - DCLG Formula Grant	129,581	-
6,867	-	Council Tax Support Grant	6,867	-
912	-	Council Tax Freeze Grant 2011/12	912	-
389	-	Council Tax Freeze Grant 2014/15	389	-
59,002	-	Pension top-up grant	64,596	-
-	338	Capital Grant General	-	-
317,353	338	Total	337,990	-
		Specific Government Grant attributable to Services		
3,186	-	Counter Terrorism Grants (including Dedicated Security Posts & Prevent)	3,317	-
3,423	-	Police Special Pension Grant	3,423	-
3,081	-	Police Officer Uplift	5,958	-
1,060	-	Serious Violence Funding	968	-
1,600	-	Violence Reduction Unit Funding	2,942	-
126	-	Loan Charges Grant	123	-
2,400	-	Victim Services Grant	3,178	-
1,975	-	Other Specific Policing Funds Managed by the PCC	1,855	-
2,755	-	Apprenticeship Grant	3,277	-
852	-	Home Office NE ROCU Funding	1,284	1,436
284	-	Covid-19 related support	-	-
1,687	-	Localised Council Tax Support Grants (Covid-19)	-	-
555	-	Specific Operations	555	-
81	-	National Pension Remedy Grants	27	-
31	-	National Audit funding	22	-
-	-	Pay Award	2,156	-
-	254	Capital Grant Project Specific	-	-
23,096	254	Total	29,085	1,436
		Non-Government grant and contributions attributable to Services		
4,577	711	Other contributions	4,151	59
4,577	711	Total	4,151	59
345,026	1,303	Total Government and Non-Government contributions recognised in the Comprehensive Income & Expenditure Statement	371,226	1,495

As well as Government Grants and Contributions the Commissioner obtains part of her income through Precepts levied on the local billing authorities in the Northumbria police Force area. The income received through precept during the year (and the prior year comparator) is set out in the table below;

Council Tax Precept				
	Total 2021/22 £000	Precept (in accordance with regulation) 2022/23 £000	Share of Surplus / (Deficit) at 31 March 2023 £000	Total 2022/23 £000
Gateshead Council	7,566	8,101	(12)	8,089
Newcastle City Council	9,905	10,334	292	10,626
North Tyneside Council	8,924	9,573	(109)	9,464
Northumberland County Council	15,614	16,708	318	17,026
South Tyneside Council	5,022	6,002	85	6,087
Sunderland City Council	10,309	11,101	121	11,222
	57,340	61,819	695	62,514

12. 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 2022/23 and the equivalent disclosure for 2021/22

Numbers of Employees receiving over £50,000		
Remuneration Band	Number of Employees	
	2021/22	2022/2023
£50,000 - £54,999	-	1
£55,000 - £59,999	1	1
£60,000 - £64,999	2	2
£65,000 - £69,999	-	-
£70,000 - £74,999	1	1

Exit Packages

There were no exit packages for the Commissioners Single Entity employees during 2022/23 or 2021/22.

Remuneration of the senior employees is disclosed in the following tables

Remuneration of Senior Employees 2022/23								
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 2022/23 £
Police and Crime Commissioner		88,444	-	-	-	88,444	14,859	103,302
Chief of Staff and Monitoring Officer		75,808	-	-	-	75,808	12,771	88,578
Total		164,251	-	-	-	164,251	27,629	191,880

Chief Finance Officer

The Head of Finance (formerly 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 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

13. 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 11**.

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, for the Group, the Force Executive of the Chief Constable 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 2022/23.

Other Public Bodies

Gateshead Council

During 2022/23 Gateshead Council provided Internal Audit services to the Commissioner and the Chief Constable. The necessary power for this exists within section 113 of the Local Government Act 1972. The cost of Internal Audit services to the Commissioner and Group amounted to £0.088 million in 2022/23 and (£0.080 million in 2021/22).

The Commissioner also collects precepts through the 6 local authorities in the force area, detail of precepts receivable can be found in **Note 11**.

14. 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 NEROCU which is classified as a Joint Operation:

North East Regional Organised Crime Unit (NEROCU)

NE ROCU Governance and Area of Business

The North East Regional Organised Crime Unit (NEROCU) 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 His 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, NEROCU 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

NEROCU 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 2022/23 are set out in the table below

Force	Contribution
Northumbria	52.90%
Durham	22.86%
Cleveland	24.24%

The final outturn position for NEROCU was £9.607 million with Northumbria's share of the net cost being £5.083 million as set out in the following table

	NE ROCU Outturn		Northumbria	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Employee Pay and Pensions	10,985	12,339	5,780	6,528
Premises Costs	416	478	219	253
Vehicles and Fuel	229	256	120	136
Travel and Accommodation	103	141	54	75
Communications and Computing	330	618	174	327
Training and Conference Fees	207	172	109	91
Supplies and Services	266	364	140	192
Other Expenses	142	89	75	47
Total Expenditure	12,678	14,457	6,671	7,649
Home Office Grant	(2,549)	(2,256)	(1,341)	(1,194)
Other Income	(1,206)	(2,594)	(635)	(1,372)
Total Income	(3,755)	(4,850)	(1,976)	(2,566)
Net Expenditure	8,923	9,607	4,695	5,083

The accounting treatment for NEROCU is that expenditure is shown as £7.649 million (£6.671 million 2021/22) in the Chief Constable's accounts with income of £2.566 million (£1.976 million 2021/22) being accounted for in the Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £5.083 million (£4.695 million 2021/22).

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 NEROCU 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 NEROCU. The share of NEROCU 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 NEROCU 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 NEROCU 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 £0.401 million as at 31 March 2023.

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.

Capital Expenditure and Capital Financing		
2021/22 £000		2022/23 £000
112,719	Opening Capital Financing Requirement	112,084
	Capital investment	
6,832	Property, Plant and Equipment	14,236
1,925	Intangible Assets	2,729
244	Revenue Funded from Capital Under Statute	790
	Sources of finance	
-	Capital receipts	(5,561)
(579)	Government grants and other contributions	(2,016)
(9,057)	Minimum Revenue Provision	(9,812)
112,084	Closing Capital Financing Requirement	112,450
	Explanation of movements in year	
(635)	Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(635)

Capital Commitments

At 31 March 2023, the Commissioner has capital commitments of approximately £5.400 million relating mainly to Building Works and Digital Policing contracts.

I6. 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 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	-	-	6,186
Comprehensive I&E	-	-	-	-	-	100	-	100
Balance at 31 March 2022	83,317	55,198	-	-	138,515	2,400	8,829	149,744
Reclassifications	-	-	-	-	-	-	-	-
Additions	1,912	11,107	-	1,217	14,236	-	2,729	16,965
Disposals	-	(7,049)	-	-	(7,049)	-	(2,091)	(9,140)
Revaluation Increase / (Decrease) to:								
Revaluation Reserve	(119)	-	-	-	(119)	-	-	(119)
Comprehensive I&E	(834)	-	-	-	(834)	(625)	-	(1,459)
Balance at 31 March 2023	84,276	59,256	-	1,217	144,749	1,775	9,467	155,991

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 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)
Reclassifications	-	-	-	-	-	-	-	-
Eliminated on disposals of assets	-	6,379	-	-	6,379	-	1,813	8,192
Eliminated on revaluation:								
Depreciation and Amortisation written out to Revaluation Reserve	1,346	-	-	-	1,346	-	-	1,346
Depreciation and Amortisation written out to Comprehensive I&E	187	-	-	-	187	-	-	187
Depreciation and Amortisation	(1,588)	(7,769)	-	-	(9,357)	-	(1,585)	(10,942)
Balance at 31 March 2023	(506)	(45,371)	-	-	(45,877)	-	(5,475)	(51,352)

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 31/03/2022	82,866	11,217	-	-	94,083	2,400	3,126	99,609
Net Book Value at 31/03/2023	83,770	13,885	-	1,217	98,872	1,775	3,992	104,639

Valuations

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

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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

The valuations completed for the 2022/23 financial year and those completed each year as part of the last three year rolling programme are set out in the following table

	Valuations					Total Non-Current Assets £000
	Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets under construction £000	Investment Property £000	Intangible Assets £000	
Carried at Historical Cost		13,885	1,217		3,992	19,094
Valued in 2022/23	72,274			1,775		74,049
Valued in 2021/22	4,212					4,212
Valued in 2020/21	7,284					7,284
Total Gross Book Value at 31 March 2023	83,770	13,885	1,217	1,775	3,992	104,639

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 IFRS 13 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.

As at 31 March 2023 there were no assets held for sale.

17. Debtors

These amounts represent sums due from a number of sources, such as other local authorities and government departments. These may also include payments in advance, such as invoices spanning financial periods. A material debtor included in the balance is the Police Pension Fund top-up payment due from Central Government which is £17.726 million in 2022/23 (£8.013 million in 2021/22).

The bad debt provision includes £4.768 million (£4.088 million in 2021/22) 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 2022 £000	31 March 2023 £000
17,672 Central government bodies	30,309
674 NHS bodies	220
15,242 Other local authorities	20,452
- Public corporations and trading funds	-
2,489 Bodies external to general government	2,739
(4,088) - Less bad debt provision	(4,778)
31,989	48,942

18. Cash and Cash Equivalents

The balance of cash and cash equivalents held on the balance sheet is made up of the following elements, as the Commissioners main bank account includes trust funds this is recognised on the face of the balance sheet within liabilities – Bank Overdraft and therefore not included in the below table:

Cash and Cash Equivalents	
31 March 2022 £000	31 March 2023 £000
98 Cash held by the Commissioner	95
18 Service Specific Current Accounts	12
10,590 Short Term Deposits	11,025
10,706	11,132

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 2022 £000	31 March 2023 £000
(156) Central government bodies	(151)
(67) NHS bodies	(159)
(5,551) Other local authorities	(6,504)
(7,063) Bodies external to general government	(5,561)
(12,837)	(12,375)
(13,835) Chief Constable	(14,456)
(26,672)	(26,831)

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

Provisions				
31 March 2022 £000	Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2023 £000
Long-term provisions				
(1,402) Insurance	(534)	239	-	(1,697)
(1,402) Total	(534)	239	-	(1,697)

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 2023.

Contingent Liabilities

At 31 March 2023, 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 2022/23 Statements of Account.

21. Financial Instruments

Financial Instrument Balances

The Commissioner has various types of financial instruments, which are held on the balance sheet at amortised cost according to their nature. The following table shows all financial instruments held by the Commissioner and which section of the balance sheet they are held in.

Financial Instruments Balances				
	Long Term		Current	
	As at 31 March 2022 £000	As at 31 March 2023 £000	As at 31 March 2022 £000	As at 31 March 2023 £000
Financial Assets (at amortised cost);				
Fixed Term Investments	-	-	22,017	-
Instant Access Investments	-	-	10,590	11,025
Service Specific Current Accounts	-	-	18	12
Cash	-	-	98	95
Trade Debtors	-	-	14,759	20,043
Total Financial Assets	-	-	47,482	31,175
Financial Liabilities (at amortised cost);				
Borrowing	(81,969)	(76,969)	(5,662)	(5,585)
Bank Overdraft	-	-	(965)	(1,719)
Trade Creditors	-	-	(7,530)	(6,048)
Total Financial Liabilities	(81,969)	(76,969)	(14,157)	(13,352)

Analysis of Financial Instruments at Amortised Cost

Financial Instruments can be part of a wider asset or liability class on the face of the balance sheet, the following tables show where on the balance sheet the Commissioners financial instruments sit;

Analysis of Financial Assets

	Total Outstanding at 31 March 2022 £000	Total Outstanding at 31 March 2023 £000
Short Term Investments		
Fixed Term	22,017	-
Cash and Cash Equivalents		
Instant Access Investments	10,590	11,025
Service Specific Current Accounts	18	12
Cash	98	95
Short Term Debtors		
Trade Debtors	14,759	20,043
Total Financial Assets	47,482	31,175

There are no long term financial assets held by the Commissioner or Group therefore only Current Asset classes are represented in the above table. The Trade Debtors figure shown here is the Short Term debtors balance adjusted to remove any elements relating to other public sector bodies in relation to council tax, VAT and Pension Grant. The Group also contains the trade debtors held on the Chief Constable balance sheet of which for 2022/23 is £0.129m (£0.229m in 2021/22).

Financial liabilities have been analysed further to show the duration and sources of borrowing to demonstrate how much of the Commissioners debt profile is classed as short term and therefore due for repayment within 12 months and how much is longer term.

Analysis of Financial Liabilities

	Range of Interest rates payable %	Total Outstanding at 31 March 2022 £000	Total Outstanding at 31 March 2023 £000
Source of Borrowing			
Public Works Loan Board	1.17 - 7.125	(82,616)	(77,539)
Other Loan Instruments	3.52	(5,015)	(5,015)
Long Term Borrowing			
Maturing in more than 10 years		(51,469)	(51,469)
Maturing within 5 - 10 years		(20,500)	(15,500)
Maturing within 2 - 5 years		(5,000)	(5,000)
Maturing within 1 - 2 years		(5,000)	(5,000)
		(81,969)	(76,969)
Short Term Financial Liabilities			
Short Term Borrowing		(5,662)	(5,585)
Bank Overdraft		(965)	(1,719)
Short Term Creditors - Trade Creditors		(7,530)	(6,048)
Total Financial Liabilities		(96,126)	(90,321)

The trade creditor, similar to that of the trade debtors is the short term creditors balance adjusted for balances in relation to other local authorities for council tax as well as the intra group adjustment. The Group balance sheet also contains the short term creditors as disclosed in the Chief Constable accounts of £4.778 million for 2021/22 (£7.785 million for 2021/22).

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments at amortised cost are as follows;

Financial Instruments Gains and Losses		
	2021/22 £000	2022/23 £000
Interest and Investment Income	(74)	(879)
Interest Payable and Similar Charges	2,810	2,731
Total	2,736	1,853

Fair Value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which can be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised; and
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

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

Fair Value of Assets and Liabilities				
	As at March 2022		As at March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Market loans < 1 year	10,000	10,000	-	-
Market Loans > 1 year	-	-	-	-
Service Specific Current Accounts	18	18	12	12
Cash	98	98	95	95
Total Financial Asset	10,116	10,116	107	107
PWLB Debt	82,615	95,882	77,827	67,680
Non PWLB Debt	5,015	5,681	5,015	4,308
Main Current Account (Overdraft)	965	965	1,719	1,719
Total Financial Liability	88,595	102,528	84,561	73,707

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates. The fair values at 31 March 2023 are lower than last year due to the higher interest rate environment this year which impacts the prevailing market rates used in calculating fair value.

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:

- Credit risk: the possibility that other parties might fail to pay amounts due to the Commissioner;
- Liquidity risk: the possibility that the Commissioner might not have the funds available to meet her commitments to make payments;
- 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
- 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:

- Formally adopting the requirements of the CIPFA Treasury Management Code of practice;
- The adoption of a Treasury Policy Statement;

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

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

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

Credit Risk

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

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

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

As at 31 March 2023, 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 (Instant Access Investments). 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 only financial instrument subject to impairment are trade debtors, trade debtors is adjusted for impairment but only on the amounts outstanding with customers that are not in the public sector, the Commissioner and Group predominantly deal with other local authorities and central government which are underwritten and cannot default therefore analysis is done to ensure expected credit loss impairment is calculated after omitting these values, of the £10.768 million only £0.178 million was considered to carry credit risk and therefore has been provided for to the value of £0.010 million on the Commissioners balance sheet (£0.020 million for financial year 2021/22).

Bad debt is provided for by the Commissioner as the amount for trade debtors under the Chief Constable is immaterial but is included in the £10.768 million.

Deposits with financial institutions are not subject to impairment as the Commissioner only deals with institutes that have credit ratings A or above, the Commissioner receives credit rating advice from 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, the below table shows how the Commissioners deposits are split across the different ratings;

Analysis of Credit Risk		
Rating	2021/22 £000	2022/23 £000
AAA	10,587	9,901
AA	-	-
AA-	14,000	1,085
A+	8,686	323
A	-	-
Total	33,273	11,309

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 2023, all of the Commissioner's £11.309 million deposits were due to mature within 364 days.

Refinancing and Maturity Risk

The Commissioner maintained a debt portfolio of £76.969 million and investment portfolio of £11.309 million at 31 March 2023. 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:

Maturity Profile of Financial Liabilities

Maturity Period	As at 31 March 2022		As at 31 March 2023	
	Approved Limits	%	Approved Limits	%
< 1 Year	60.00	5.75	60.00	6.10
1 - 2 Years	40.00	5.75	40.00	6.10
2 - 5 Years	40.00	5.75	40.00	6.10
5 - 10 Years	40.00	23.57	40.00	18.91
>10 Years	80.00	59.18	80.00	62.79

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 2023, 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	(249)
Impact on the (Surplus) / Deficit	(249)
Decrease in the fair value of fixed rate investments	-
Decrease in the fair value of fixed rate borrowing	7,846

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

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

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

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 2022/23, the Commissioner paid £0.283 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay compared to £0.225 million in 2021/22 (also 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 2022 which determined the contributions to be paid from 01 April 2023 to 31 March 2026. 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 2023 to 31 March 2026 reduced from 16.8% to 16.0% as a result of the 2022 valuation.

The next actuarial valuation of the Fund will be carried out at 31 March 2025 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 01 April 2026. 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.

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:

Charges to Comprehensive Income and Expenditure Statement		
	Funded Liabilities as at	
	31 March 2022 £m	31 March 2023 £m
Within Cost of Service		
Current Service Cost	0.618	0.717
Past service cost (incl. curtailments)	-	-
Financing, Investment Income & Expenditure		
Interest on net defined benefit Liability / (Asset)	0.035	0.044
Pension expense recognised in CIES	0.653	0.761
Remeasurements in OCI		
Return on plan assets (in excess of) / below that recognised in net interest	(0.209)	0.159
Actuarial (Gains) / Losses due to change in financial assumptions	(0.421)	(2.871)
Actuarial (Gains) / Losses due to change in demographic assumptions	(0.045)	-
Actuarial (Gains) / Losses due to liability experience	0.272	0.322
Total Amount recognised in OCI	(0.403)	(2.390)
Total Amount charged to CIES	0.250	(1.629)

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 2022 £m	31 March 2023 £m
Opening defined benefit obligation	4.888	5.504
Current service cost	0.618	0.717
Interest expense on defined benefit obligation	0.104	0.150
Contributions by participants	0.100	0.123
Actuarial (Gains) / Losses on liabilities - financial assumptions	(0.421)	(2.871)
Actuarial (Gains) / Losses on liabilities - demographic assumptions	(0.045)	-
Actuarial (Gains) / Losses on liabilities - experience	0.272	0.322
Net benefits paid out	(0.012)	(0.019)
Past service cost (incl. curtailments)	-	-
Closing defined benefit obligation	5.504	3.926

Changes to the fair value of assets during the period

	Funded Liabilities as at	
	31 March 2022 £m	31 March 2023 £m
Opening fair value of assets	3.140	3.731
Interest income on assets	0.069	0.106
Remeasurement Gains / (Losses) on assets	0.209	(0.159)
Contributions by the employer	0.225	0.283
Contributions by participants	0.100	0.123
Net benefits paid out	(0.012)	(0.019)
Closing fair value of assets	3.731	4.065

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 2022 £m	31 March 2023 £m
Fair Value of Assets (funded)	3.731	4.065
Present value of defined benefit obligation (funded)	(5.504)	(3.926)
Asset / (Liability) recognised on the balance sheet	(1.773)	0.139

The above table shows the impact within the Commissioners Balance Sheet, the total asset / (liability) has a substantial impact on the net worth of the Commissioner as recorded in the Balance Sheet. In 2022/23 the fund was recorded as an asset increasing the overall balance by £0.168 million, where as for 2021/22 it was a liability reducing the overall balance by £1.773 million. Regardless of the year end position, 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.

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 loss of £0.053 million (£0.278 million gain in 2021/22)

Analysis of Scheme Assets

Asset	Asset split at 31 March 2022	Quoted At 31 March 2023	Unquoted At 31 March 2023	Asset split at 31 March 2023
	(%)	(%)	(%)	(%)
Equities	57.0	40.1	11.1	51.2
Property	8.4	0.0	10.5	10.5
Government bonds	2.0	1.3	0.0	1.3
Corporate bonds	18.8	19.5	0.0	19.5
Cash	1.8	1.8	0.0	1.8
Other*	12.0	4.5	11.2	15.7
	100.0	67.2	32.8	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

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

Members	%
Actives	94
Deferred Pensioners	0
Pensioners	6

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 2022.

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 2023.

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

Principal financial and actuarial assumptions		
	Funded Liabilities	
	2021/22	2022/23
Financial assumptions (% per annum)		
Discount Rate	2.7	4.6
Rate of Inflation (CPI)	2.9	2.6
Rate of Inflation (RPI)	n/a	n/a
Rate of increase in salaries	4.4	4.1
Rate of increase to pensions in payment	2.9	2.6
Pension accounts revaluation rate	2.9	2.6
Mortality assumptions		
Future lifetime from age 65 (Member aged 65 at accounting date)		
Men	21.5	21.6
Women	24.5	24.6
Future lifetime from age 65 (Member aged 45 at accounting date)		
Men	22.8	22.9
Women	26.0	26.1

Commutations

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.
Year end 31 March 2023	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 (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)	3.832	3.926	4.024
Change in present value of total obligation	-2.4%		2.5%
Projected service cost (£M)	0.285	0.299	0.314
Approximate change in projected service cost	-4.8%		5.0%
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)	3.942	3.926	3.910
Change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M)	0.299	0.299	0.299
Approximate change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	Adjustment to Rate		
Adjustment to pension increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present value of total obligation (£M)	4.005	3.926	3.849
Change in present value of total obligation	2.0%		-2.0%
Projected service cost (£M)	0.314	0.299	0.285
Approximate change in projected service cost	5.0%		-4.8%
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)	4.028	3.926	3.824
Change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M)	0.310	0.299	0.288
Approximate change in projected service cost	3.7%		-3.7%

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

Expected Future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Commissioner for the accounting period to 31 March 2024 are estimated to be £0.280 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 24.3 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	
2021/22 £000	2022/23 £000
(24) Northumbria Police Charities Fund	(32)
(1,548) Proceeds of Crime Act 2002	(1,936)
(1,572)	(1,968)

24. Ministry of Justice Grant

In 2022/23 the Commissioner received a grant of £3.178 million from the Ministry of Justice (MOJ) (£2.400m for 2021/22) 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 tables set out all payments made from the MOJ grant during the 2022/23 financial year followed by the equivalent tables for 2021/22;

Organisation / Project	Grant 2022/23 £000	Organisation / Project	Grant 2022/23 £000
Acorns	59	North East Law Centre	68
Action for Children	46	Northumbria PCC Commissioning Staff	43
Age UK Gateshead	6	Northumbria Victim and Witness Service	867
Apna Ghar	15	Oasis Aquilla Housing	45
Barnado's	11	Rape Crisis Tyneside and Northumberland	303
Bright Futures	2	Someone Cares	96
Changing Lives	116	Streetwise	28
Children North East	94	Sunderland Counselling	91
Community Counselling Cooperative	98	SURT	18
Connected Voice (Advocacy Centre North)	57	The Angelou Centre	178
Cygnus Support	88	The Children's Society North East	49
Harbour	102	Tyneside and Northumberland Mind	97
Impact Family Service	73	Tyneside Women's Health	3
NEPACS	3	Wearside Women in Need	252
Northumberland Domestic Abuse Services (NDAS)	75	West End Women and Girls	52
Newcastle Women's Aid	34	Women's Health in South Tyneside (WHIST)	79
Northumberland Pride	28		
Total Grant Allocated			3,178

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

25. Events after the reporting period

There have been no events after the reporting period.

26. Authorisation of accounts for issue

This note will be completed following completion of the external audit of the Statements of Account 2022/23.

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 Single Entity Financial Statements

Movement in Reserves Statement 2022/23

	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 2022		10,398	27,094	37,492	22,173	1,004	60,669	(13,850)	46,819	-	(4,587,974)	(4,541,155)
<u>Movement in reserves during 2022/23</u>												
Total Comprehensive Income and Expenditure		376,555	-	376,555	-	-	376,555	3,617	380,172	(543,250)	1,502,690	1,339,612
Adjustments between Group Accounts and PCC Single Entity Accounts		(374,084)	-	(374,084)	-	-	(374,084)	-	(374,084)	374,084	-	-
Net Increase / (Decrease) before Transfers		2,471	-	2,471	-	-	2,471	3,617	6,088	(169,166)	1,502,690	1,339,612
Adjustments between Accounting Basis & Funding Basis under regulations	6(a)	1,475	-	1,475	(4,893)	(520)	(3,938)	3,938	-	169,166	(169,166)	-
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		3,946	-	3,946	(4,893)	(520)	(1,467)	7,555	6,088	-	1,333,524	1,339,612
Transfers (To) / From Earmarked Reserves	6(b)	(3,540)	3,540	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year		406	3,540	3,946	(4,893)	(520)	(1,467)	7,555	6,088	-	1,333,524	1,339,612
Balance at 31 March 2023		10,804	30,634	41,438	17,280	484	59,202	(6,295)	52,907	-	(3,254,450)	(3,201,543)

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)
<u>Movement in reserves during 2021/22</u>												
Total Comprehensive Income and Expenditure		350,260	-	350,260	-	-	350,260	8,943	359,203	(509,405)	165,660	15,458
Adjustments between Group Accounts and PCC Single Entity Accounts		(345,506)	-	(345,506)	-	-	(345,506)	-	(345,506)	345,506	-	-
Net Increase / (Decrease) before Transfers		4,754	-	4,754	-	-	4,754	8,943	13,697	(163,899)	165,660	15,458
Adjustments between Accounting Basis & Funding Basis under regulations	6(a)	(498)	-	(498)	20	724	246	(246)	-	163,899	(163,899)	-
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		4,256	-	4,256	20	724	5,000	8,697	13,697	-	1,761	15,458
Transfers (To) / From Earmarked Reserves	6(b)	(3,916)	3,916	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year		340	3,916	4,256	20	724	5,000	8,697	13,697	-	1,761	15,458
Balance at 31 March 2022		10,398	27,094	37,492	22,173	1,004	60,669	(13,850)	46,819	-	(4,587,974)	(4,541,155)

Comprehensive Income and Expenditure Statement

2021/22				2022/23		
Gross Expenditure £000	Income £000	Net Expenditure £000	Service Expenditure Analysis	Gross Expenditure £000	Income £000	Net Expenditure £000
413,826	(33,743)	380,083		417,356	(38,518)	378,838
3,939	(4,379)	(440)	Police Services	5,194	(5,265)	(71)
2,311	-	2,311	Policing Funds (managed by the PCC)	1,966	-	1,966
-	-	-	Office of the Police and Crime Commissioner	1,105	(137)	968
-	(126)	(126)	OPCC Supporting Services	-	(123)	(123)
2,525	(2,525)	-	Capital Financing	2,315	(2,315)	-
422,601	(40,773)	381,828	PCC Commissioning of Victim Services	427,936	(46,358)	381,578
			Net Cost of Services			
		-	Other Operating Expenditure			280
		94,311	Financing and Investment Income and Expenditure			123,221
		(316,994)	Taxation and Non-Specific Grant Income and Expenditure			(338,384)
		159,145	(Surplus) / Deficit on Provision of Services			166,695
		(8,540)	(Surplus) / Deficit on revaluation of non-current assets			(1,227)
		(166,063)	Re-measurements of the net defined pension benefit Liability / Asset			(1,505,080)
		(174,603)	Other Comprehensive Income and Expenditure			(1,506,307)
		(15,458)	Total Comprehensive Income and Expenditure			(1,339,612)

Balance Sheet			
31 March 2022		31 March 2023	Notes
£000		£000	
94,083	Property, Plant & Equipment	98,872	
2,400	Investment Property	1,775	
3,126	Intangible Assets	3,992	
-	Other Long-Term Assets (Pensions)	14,739	
99,609	Long-Term Assets	119,378	
22,017	Short-Term Investments	-	
941	Inventories	855	
32,260	Short-Term Debtors	49,116	10
10,706	Cash and Cash Equivalents	11,132	
65,924	Current Assets	61,103	
(965)	Bank Overdraft	(1,718)	
(5,662)	Short-Term Borrowing	(5,585)	
(372)	Short-Term Provision	(372)	12
(40,045)	Short-Term Creditors	(42,693)	11
(47,044)	Current Liabilities	(50,368)	
(1,402)	Long-Term Provisions	(1,697)	12
(81,969)	Long-Term Borrowing	(76,969)	
(4,576,273)	Other Long-Term Liabilities (Pensions)	(3,252,990)	13
(4,659,644)	Long-Term Liabilities	(3,331,656)	
(4,541,155)	Net Assets	(3,201,543)	
60,669	Total Usable Reserves	59,202	} 6(b)
(4,601,824)	Total Unusable Reserves	(3,260,745)	
(4,541,155)	Total Reserves	(3,201,543)	

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Group at 31 March 2023.



Kevin Laing MSc (fin) CPFA

Treasurer

Date:

25/01/2024

Cash Flow Statement		
2021/22 £000		2022/23 £000
159,145	(Surplus) / Deficit on the provision of services	166,695
	Adjustments to (Surplus) / Deficit on the provision of service for non-cash movements:	
(8,420)	Depreciation of Non-Current Assets	(9,357)
100	Revaluation / Impairment of Non-Current Assets	(1,272)
(1,427)	Amortisation of Intangible Fixed Assets	(1,585)
(160,918)	Pension Fund Adjustments	(167,058)
18	(Increase) / Decrease in Provision for Bad Debts	10
(69)	Contributions To / (From) Provisions	(295)
(20)	Carrying amount of PP&E, Investment Property and Intangible Assets Sold	(948)
(3,100)	Other Non-Cash Movement	(2,431)
(173,836)		(182,936)
	Accruals Adjustments:	
166	Increase / (Decrease) in Inventories	(86)
2,769	Increase / (Decrease) in Debtors	14,846
20	Increase / (Decrease) in Interest Debtors	17
45	(Increase) / Decrease in Creditors	958
-	(Increase) / Decrease in Interest Creditors	78
3,000		15,813
	Adjustments for items included in the net (Surplus) / Deficit on the provision of service that are investing or financing activities:	
20	Proceeds from the Disposal of PP&E, Investment Property and Intangible Assets	668
1,303	Capital Grants Credited to Surplus or Deficit on the Provision of Services	1,495
-	Other Adjustments for items included in the net (Surplus) / Deficit on the Provision of Service that are Investing or Financing Activities	-
1,323		2,163
	Reversal of Operating Activity items included in the net (Surplus) / Deficit on the Provision of Service that are shown separately below:	
(2,736)	Reversal of amounts disclosed separately below	(1,851)
	Cash Flows from Operating Activities includes the following items:	
2,810	Interest Paid	2,731
(74)	Interest Received	(880)
2,736		1,851
(10,368)	Net cash flows from Operating Activities	1,735
	Net Cash Flows from Investing Activities:	
8,757	Purchase of PP&E, Investment Property and Intangible Assets	16,965
109,136	Purchase of Short-Term and Long-Term Investments	156,253
244	Other Payments for Investing Activities	790
(20)	Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(668)
(107,136)	Proceeds from the Sale of Short-Term and Long-Term Investments	(178,253)
(593)	Capital Grants Received (Government)	(1,436)
(710)	Capital Grants Received (Non-Government)	(59)
9,678	Net cash flows from Investing Activities	(6,408)
	Net Cash Flows from Financing Activities:	
(16,000)	Cash Receipts of Short-Term and Long-Term Borrowing	-
22,500	Repayments of Short-Term and Long-Term Borrowing	5,000
6,500	Net cash flows from Financing Activities	5,000
5,810	Net (Increase) / Decrease in Cash and Cash Equivalents	327
15,551	Cash and Cash Equivalents at the Beginning of the Period	9,741
9,741	Cash and Cash Equivalents at the End of the Period	9,414

Notes for the Commissioner's Accounts are set out on pages **34 to 85**. The following are provided for areas where different notes apply to the Group financial statements.

I. Expenditure and Funding Analysis (EFA)

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

Net expenditure chargeable to the general fund shown in the net cost of services line of **£335.386 million** comprises the outturn position for the Group of **£335.314 million** plus the net transfer from the NE ROCU reserve of **£0.072 million**.

Expenditure and Funding Analysis						
2021/22			2022/23			
Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	
Service Expenditure Analysis						
302,632	77,451	380,083	321,278	57,560	378,838	Police Services
(440)	-	(440)	(71)	-	(71)	Policing Funds (managed by the PCC)
2,128	183	2,311	1,670	296	1,966	Office of the Police and Crime Commissioner
-	-	-	968	-	968	OPCC Supporting Services
11,667	(11,793)	(126)	11,541	(11,664)	(123)	Capital Financing
-	-	-	-	-	-	Commissioning of Victim Services
315,987	65,841	381,828	335,386	46,192	381,578	Net Cost of Services
(320,243)	97,560	(222,683)	(339,332)	124,449	(214,883)	Other Income and Expenditure
(4,256)	163,401	159,145	(3,946)	170,641	166,695	(Surplus) / Deficit on Provision of Services
33,236			37,492			Opening General Fund Balance at 31 March
4,256			3,946			Surplus / (Deficit) on General Fund in Year
37,492			41,438			Closing General Fund as 31 March

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

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

2022/23						
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	-	45,880	2,586	-	9,094	57,560
Policing Funds (managed by the PCC)	-	-	-	-	-	-
Office of the Police and Crime Commissioner	12,379	434	-	-	(12,517)	296
OPCC Supporting Services	-	-	-	-	-	-
Capital Financing	(9,812)	-	-	-	(1,852)	(11,664)
Commissioning of Victim Services	-	-	-	-	-	-
Net Cost of Services	2,567	46,314	2,586	-	(5,275)	46,192
Other Income and Expenditure	(590)	120,744	-	(980)	5,275	124,449
(Surplus) / Deficit on Provision of Services	1,977	167,058	2,586	(980)	-	170,641

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	-	(557)	7,845	97,560
(Surplus) / Deficit on Provision of Services	(369)	160,918	3,409	(557)	-	163,401

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 2022/23 and 2021/22 is analysed as follows:

Expenditure and Income Analysed by Nature		
Expenditure / Income	2021/22 £000	2022/23 £000
Expenditure		
Employee benefits expenses	356,399	353,777
Other employee expenses	6,318	7,636
Premises	9,083	10,880
Transport	5,089	5,968
Supplies and services	25,128	25,968
Third party payments	10,493	11,328
Depreciation, amortisation and impairment	9,847	11,589
Other capital charges	244	790
Loss on Revaluation of Investment Property	-	725
Loss on disposal of property, plant and equipment	-	280
Interest payments	2,810	2,732
Police pension fund deficit - payment to pension fund	59,002	64,596
Interest on the net defined benefit pension liability	91,675	120,744
Total Expenditure	576,088	617,013
Income		
Fees, charges and other service income	(6,585)	(6,714)
Recharge receipts	(4,582)	(4,587)
Other operating Income	(1,933)	(1,821)
Revenue grants and contributions	(27,673)	(33,236)
Gain on disposal of property, plant and equipment	-	-
Gain on revaluation of Investment Property	(100)	(100)
Interest and investment income	(74)	(879)
Dividends receivable	-	-
Income from Council Tax	(57,340)	(63,496)
Police Grant income	(258,351)	(273,394)
Police pension fund deficit - grant income	(59,002)	(64,596)
Capital Grants and Contributions	(1,303)	(1,495)
Total Income	(416,943)	(450,318)
(Surplus) / Deficit on the Provision of Services	159,145	166,695

3. Accounting Policies

The accounting policies shown in the Commissioner's Single Entity Accounts are also applicable to the Group Accounts. As the Group Accounts include the Chief Constable the Group also adheres to any policies outlined by the Chief Constable. The only significant consideration in the Chief Constable Accounts that is not referenced in the Commissioner Single Entity Accounts, as it is not material, is that of Accounting for Pension Liabilities the following notes refer to this from the perspective of critical judgements and estimation uncertainty.

4. Critical Judgements in applying accounting policies

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

- Accounting for Pensions (Chief Constable and Group),
- Property valuations (Commissioner single entity and Group); 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. Assumptions made about the future and other major sources of estimation uncertainty

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The Group Balance Sheet as at 31 March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as outlined in **Note 7** to the Single Entity Accounts with the addition of the following:

Pension Assets and Liabilities

Pension assets and/or 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 assets and liabilities for the Tyne and Wear Pension Fund (TWPF) have been assessed by AON Solutions UK Limited (AON).

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

The effects on the net pension asset/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 13** 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 £244.000 million (7.5%).
- An increase in the salary inflation assumption of 0.5% would result in an increase in the pension liability of £29.000 million (1.0%).

Tyne and Wear Pension Fund (TWPF)

- A reduction in the discount rate assumption of 0.1% would result in a decrease to the pension asset of £8.340 million (2.0%).
- An increase in the rate of general salary increases assumption of 0.1% would result in a decrease to the pension asset of £0.830 million (0.2%).

Further details are included within the sensitivity analysis in the notes to the accounts (employee benefits).

6. 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) 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 2022/23 and 2021/22 are set out in the following tables:

Adjustments between Accounting Basis & Funding Basis under regulations 2022/23

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(10,629)	-	-	10,629
Amortisation of intangible assets	(1,585)	-	-	1,585
Revenue Expenditure Funded from Capital under Statute	(790)	-	-	790
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,495	-	520	(2,015)
Capital Expenditure charged in the year to the General Fund	-	-	-	-
Net (Gain) / Loss on sale of non-current assets	(280)	(668)	-	948
Capital Expenditure Financed from Unapplied Capital Receipts	-	5,561	-	(5,561)
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	980	-	-	(980)
Reversal of IAS 19 Pension Charges	(225,581)	-	-	225,581
Contributions due under the pension scheme regulations	58,523	-	-	(58,523)
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	(2,586)	-	-	2,586
Revenue provision for the repayment of debt	9,812	-	-	(9,812)
Total adjustments between Accounting Basis & Funding Basis under regulations	(170,641)	4,893	520	165,228

Adjustments between Accounting Basis & Funding Basis under regulations 2021/22

	General Fund Balance £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	557	-	-	(557)
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	(163,401)	(20)	(724)	164,145

b) 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 8** 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 2022/23					
Balance as at 31 March 2022 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2023 £000
Usable Reserves					
10,398	General Reserve	406	-	406	10,804
Earmarked Reserves:					
3,000	Insurance Reserve	-	-	-	3,000
3,400	Police Pension Scheme Funding Reserve	-	(3,400)	(3,400)	-
-	Operational Systems Reserve	3,400	-	3,400	3,400
1,320	Workforce Management Reserve	-	-	-	1,320
2,600	ESN Reserve	-	-	-	2,600
4,325	Inflationary Risks Reserve	1,309	-	1,309	5,634
8,200	Investment Reserve	-	-	-	8,200
1,970	Operational Reserve	-	(563)	(563)	1,407
-	Pay Inflation Reserve	2,053	-	2,053	2,053
784	OPCC Innovation Reserve	-	(94)	(94)	690
1,022	External Funding Reserve	1,689	(782)	907	1,929
473	NE ROCU Reserve	101	(173)	(72)	401
27,094	Total Earmarked reserves	8,552	(5,012)	3,540	30,634
-					
22,173	Capital Receipts Reserve	668	(5,561)	(4,893)	17,280
1,004	Capital Grants Unapplied	1,495	(2,015)	(520)	484
60,669	Total Usable Reserves	11,121	(12,588)	(1,467)	59,202
Unusable Reserves					
29,442	Revaluation Reserve	1,227	(481)	746	30,188
(41,913)	Capital Adjustment Account	17,869	(13,952)	3,917	(37,996)
394	Collection Fund Adjustment Account	980	-	980	1,374
-	Deferred Capital Receipts	-	-	-	-
(13,474)	Accumulated Absences Account	-	(2,586)	(2,586)	(16,060)
(4,576,273)	Pensions Reserve	1,505,080	(167,058)	1,338,022	(3,238,251)
(4,601,824)	Total Unusable Reserves	1,525,156	(184,077)	1,341,079	(3,260,745)
(4,541,155)	Total Reserves	1,536,277	(196,665)	1,339,612	(3,201,543)

Analysis of the transfers To / From reserves 2021/22					
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	557	-	557	394
-	Deferred Capital Receipts	-	-	-	-
(10,065)	Accumulated Absences Account	-	(3,409)	(3,409)	(13,474)
(4,581,418)	Pensions Reserve	166,063	(160,918)	5,145	(4,576,273)
(4,612,282)	Total Unusable Reserves	185,221	(174,763)	10,458	(4,601,824)
(4,556,613)	Total Reserves	191,861	(176,403)	15,458	(4,541,155)

c) Movement on Unusable Reserves

Unusable Reserves - Revaluation Reserve				
Transfers To/(From) Reserves				Balance as at 31 March 2023 £000
Balance as at 31 March 2022 £000	Upward revaluations of property, plant and equipment £000	Historic cost depreciation adjustment (HCDA) £000	Total £000	
29,442	Revaluation Reserve 1,227	(481)	746	30,188

Unusable Reserves - Capital Adjustment Account				
Transfers To/(From) Reserves				Capital Adjustment Account £000
	Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	
Balance as at 31 March 2022				(41,913)
Amortisation of Intangible Assets	-	(1,585)	(1,585)	
Depreciation	-	(9,357)	(9,357)	
Downward Revaluation	-	(1,272)	(1,272)	
Revenue expenditure funded by capital under statute (REFCUS)	-	(790)	(790)	
Net Gain/(Loss) on Sale of NCA's	-	(948)	(948)	
MRP for financing of Capital Investment	9,812	-	9,812	
Capital Receipts applied to finance capital expenditure	5,561	-	5,561	
Historic cost depreciation adjustment (HCDA)	481	-	481	
Trf from CGU to CAA	2,015	-	2,015	
Total Movement on Reserve	17,869	(13,952)		3,917
Balance as at 31 March 2023				(37,996)

Unusable Reserves - Pensions Reserve					
Balance as at 31 March 2022 £000		Transfers To/(From) Reserves		Total Movement £000	Balance as at 31 March 2023 £000
		Re-measurements of the net defined benefit pension liability £000	Reverse the net impact of IAS19 charges on the General Fund £000		
	Pensions Reserve				
(1,773)	Police and Crime Commissioner LGPS	2,390	(478)	1,912	139
(138,010)	Chief Constable LGPS	172,940	(20,330)	152,610	14,600
(4,436,490)	Chief Constable Police Pension Scheme (PPS)	1,329,750	(146,250)	1,183,500	(3,252,990)
(4,576,273)	Total Reserves	1,505,080	(167,058)	1,338,022	(3,238,251)

7. 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			
2021/22	2022/23		
Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(Gains) / Losses on Disposal of Property Plant and Equipment	280	-	280
- Total Other Operating Expenditure	280	-	280

Financing and Investment Income and Expenditure			
2021/22	2022/23		
Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,810 Interest on Borrowing	2,731	-	2,731
(74) Interest Income	-	(879)	(879)
(100) Loss / (Gain) on Revaluation of Investment Assets	725	(100)	625
91,675 Pensions Interest costs and expected return on assets	120,744	-	120,744
94,311 Total Financing and Investment Income and Expenditure	124,200	(979)	123,221

8. 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		
2021/22 £000		2022/23 £000
43 External Audit Services		50
25 Additional fees relating to the previous year's audit		38
1 Non-audit services provided by the external auditor		-
69 Net Cost		88

Grant Thornton UK LLP were appointed as the Groups auditors in 2021/22 with 2020/21 financial year being the first year of accounts subject to their audit. Prior to appointment Grant Thornton UK LLP provided a Tax and VAT Helpline service to the Group, the 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. On completion of the 2021/22 audit a fee variation was agreed and paid to Grant Thornton in the financial year 2022/23 which is reflected in the table above 'additional fees relating to the previous year's audit'.

9. 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 2022/23 and the equivalent disclosure for 2021/22.

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.

Numbers of Employees receiving over £50,000		
Remuneration Band	Number of Employees	
	2021/2022	2022/2023
£50,000 - £54,999	376	424
£55,000 - £59,999	205	249
£60,000 - £64,999	75	91
£65,000 - £69,999	13	16
£70,000 - £74,999	19	19
£75,000 - £79,999	4	11
£80,000 - £84,999	12	6
£85,000 - £89,999	9	6
£90,000 - £94,999	1	7
£95,000 - £99,999	3	-

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 2023. 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 2022/23				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£20,001 - £40,000	2	-	2	71,518
Total	2	-	2	71,518

There are no exit packages included for the OPCC in 2022/23. 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 2021/22 is set out in the following table

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

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

Remuneration of Senior Employees 2022/23						
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Total remuneration excluding pension contributions £	Pension contributions £
Police and Crime Commissioner - Kim McGuinness		88,444	-	-	88,444	14,859
Chief of Staff and Monitoring Officer		75,808	-	-	75,808	12,771
Chief Constable - Winton Keenen		187,965	-	-	187,965	-
Deputy Chief Constable - A		149,301	-	-	149,301	45,644
Assistant Chief Constable - B	1	18,506	2,381	-	20,887	5,737
Assistant Chief Constable - C		137,009	-	-	137,009	37,302
Temporary Assistant Chief Constable - D	2	95,912	-	-	95,912	22,699
Temporary Assistant Chief Constable - E	3	68,970	-	-	68,970	20,936
Temporary Assistant Chief Constable - F	4	42,158	-	-	42,158	10,551
Temporary Assistant Chief Constable - G	5	68,393	-	-	68,393	20,623
Director of Finance (Chief Finance Officer)	6	9,075	-	-	9,075	1,525
Director of People and Development	7	29,504	-	-	29,504	4,957
Assistant Chief Officer Corporate Services	8	85,522	-	-	85,522	14,368
Chief Information Officer		105,534	-	-	105,534	17,730
Head of Finance (Chief Finance Officer)	9	82,365	-	-	82,365	13,835
Total		1,244,465	2,381	-	1,246,846	243,535

Note 1: Assistant Chief Constable from 30th January 2023

Note 2: Temporary Assistant Chief Constable in post to 15th January 2023

Note 3: Temporary Assistant Chief Constable from 15th August 2022

Note 4: Temporary Assistant Chief Constable in post to 14th August 2022

Note 5: Temporary Assistant Chief Constable from 18th July 2022 to 28th February 2023

Note 6: Director of Finance (Chief Finance Officer) in post to 1st May 2022

Note 7: Director of People and Development in post to 11th July 2022

Note 8: Assistant Chief Officer Corporate Services from 12th July 2022

Note 9: Head of Finance (Chief Finance Officer) in post from 2nd May 2022

Remuneration of Senior Employees 2021/22							
		Salary (Including fees & allowances)	Benefits in kind	Relocation Expenses	Total remuneration excluding pension contributions	Pension contributions	Total remuneration 2021/22
Post holder information	Notes	£	£	£	£	£	£
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

10. 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 £17.726 million (£8.013 million in 2021/22).

The bad debt provision includes £4.768 million (£4.068 million in 2021/22) 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 Group had no long-term debtors meaning all amounts are due within the next 12 months

Short-Term Debtors	
31 March 2022 £000	31 March 2023 £000
17,714 Central government bodies	30,354
674 NHS bodies	220
15,242 Other local authorities	20,452
- Public corporations and trading funds	-
2,718 Bodies external to general government	2,868
(4,088) - Less bad debt provision	(4,778)
32,260	49,116

11. 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 2022 £000	31 March 2023 £000
(6,429) Central government bodies	(6,784)
(68) NHS bodies	(160)
(7,081) Other local authorities	(7,650)
(26,467) Bodies external to general government	(28,099)
(40,045)	(42,693)

Under International Accounting Standard 19, the Group has a long-term liability in relation to future pension commitments. More detail is provided in **Note 13**

12. Provisions and Contingent Liabilities

Provisions

Provisions				
31 March 2022 £000		Additional Provisions Made £000	Provisions Used £000	Reversals £000
	Long-term provisions			
(1,402)	Insurance	(534)	239	-
	Short-term provisions			
(372)	Employee remuneration	-	-	-
(1,774)	Total	(534)	239	-
				31 March 2023 £000
				(1,697)
				(372)
				(2,069)

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 2023.

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 2023/24.

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 2023/24. The balance on the provision at 31 March 2023 reflects a prudent estimate to cover the expected costs.

Contingent Liabilities

At 31 March 2023, the Group has identified the following contingent liabilities, there is no estimate for the financial impact as it is not practicable to do so:

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

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

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

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

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

The levy calculated in respect of the last payment (June 2016) represented the scheme administrator's best estimate of the sums required to cover MMI's liabilities. We therefore do not expect any further

levy or need to make provision within our accounts at this time. Whilst a future levy is possible it is not probable, and is therefore noted as a Contingent Liability in the 2022/23 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 2023.
- **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 have consulted during 2023 on the secondary regulations to bring the policy determined by the act into force from 1 October 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 to 2022/23 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 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. A preliminary hearing for the pecuniary loss which was set for 20 December 2022 was stayed pending introduction of the remedy from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent that Government should meet the costs of compensation paid to claimants for discrimination. Therefore, no liability in respect of compensation claims is recognised in these accounts. However, a contingent liability is noted.
- **Penningtons** - These claims were brought on behalf of the Police Federation after the finding of discrimination by the Court of Appeal in McCloud and Sargeant. NPCC will look to defend these cases on the basis that they were ‘out of time’. At present no date has been set to hear these cases. It is not possible to estimate the extent of claims being successful, however if the time point were not to succeed, then NPCC would look towards the government to indemnify chief constables. This has been the NPCC position throughout this litigation, and it is felt the settlement of the Aarons cases has set a very helpful precedent. Therefore, no liability in respect of compensation claims is recognised in these accounts. However, a contingent liability is noted.

13. 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			
2021/22			2022/23
£000			£000
13,474	Police Services		16,060
13,474	Total employee benefits accrued at the Balance Sheet date		16,060

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 2022/23, the Group paid £11.090 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.8% of pensionable pay compared to £9.990 million in 2021/22 (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 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 2022 which determined the contributions to be paid from 01 April 2023 to 31 March 2026. 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 2023 to 31 March 2026 reduced from 16.8% to 16.0% as a result of the 2022 valuation.

The next actuarial valuation of the Fund will be carried out at 31 March 2025 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 01 April 2026. 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.

Transactions relating to retirement benefits

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

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

Charges to Comprehensive Income and Expenditure Statement				
	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m
Within Cost of Service				
Current Service Cost	29.69	28.27	-	-
Past service cost (incl. curtailments)	0.06	-	-	-
Financing, Investment Income & Expenditure				
Interest on net defined benefit Liability / (Asset)	4.41	3.55	0.07	0.08
Pension expense recognised in CIES	34.16	31.82	0.07	0.08
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	(20.69)	18.47	-	-
Actuarial (Gains) / Losses due to change in financial assumptions	(60.55)	(235.73)	(0.10)	(0.53)
Actuarial (Gains) / Losses due to change in demographic assumptions	(3.36)	-	(0.03)	(0.03)
Actuarial (Gains) / Losses due to liability experience	(17.50)	42.23	(0.03)	0.26
Total Amount recognised in OCI	(102.10)	(175.03)	(0.16)	(0.30)
Total Amount charged to CIES	(67.94)	(143.21)	(0.09)	(0.22)

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 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m
Opening defined benefit obligation	620.40	573.36	3.29	2.97
Current service cost	29.69	28.27	-	-
Interest expense on defined benefit obligation	12.94	15.39	0.07	0.08
Contributions by participants	3.77	4.19	-	-
Actuarial (Gains) / Losses on liabilities - financial assumptions	(60.55)	(235.73)	(0.10)	(0.53)
Actuarial (Gains) / Losses on liabilities - demographic assumptions	(3.36)	-	(0.03)	(0.03)
Actuarial (Gains) / Losses on liabilities - experience	(17.50)	42.23	(0.03)	0.26
Net benefits paid out	(12.09)	(11.32)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.06	-	-	-
Closing defined benefit obligation	573.36	416.39	2.97	2.52

Changes to the fair value of assets during the period				
	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m
Opening fair value of assets	405.89	436.55	-	-
Interest income on assets	8.54	11.84	-	-
Re-measurement Gains / (Losses) on assets	20.69	(18.47)	-	-
Contributions by the employer	9.76	10.86	0.23	0.23
Contributions by participants	3.77	4.19	-	-
Net benefits paid out	(12.09)	(11.32)	(0.23)	(0.23)
Closing fair value of assets	436.56	433.65	-	-

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 2022 £m	31 March 2023 £m
Fair Value of Assets (funded)	436.55	433.66
Fair Value of Assets (unfunded)	-	-
Present value of defined benefit obligation (funded)	(573.36)	(416.40)
Present value of defined benefit obligation (unfunded)	(2.97)	(2.52)
Asset / (Liability) recognised on the balance sheet	(139.78)	14.74

The above table shows the impact within the Group Balance Sheet, the total asset / (liability) has a material impact on the net worth of the Group as recorded in the Balance Sheet. In 2022/23 the asset resulted in an increased balance of £14.740 million whereas in 2021/22 the position was a liability which reduced the overall balance by £139.780 million. Regardless of the year end position due to statutory regulations for funding the deficit 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.

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 loss of £6.630 million (£29.230 million gain in 2021/22).

Analysis of Scheme Assets				
Asset	Asset split at 31 March 2022 (%)	Quoted At 31 March 2023 (%)	Unquoted At 31 March 2023 (%)	Asset split at 31 March 2023 (%)
Equities	57.0	40.1	11.1	51.2
Property	8.4	0.0	10.5	10.5
Government bonds	2.0	1.3	0.0	1.3
Corporate bonds	18.8	19.5	0.0	19.5
Cash	1.8	1.8	0.0	1.8
Other*	12.0	4.5	11.2	15.7
	100.0	67.2	32.8	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

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

Members	%
Actives	45
Deferred Pensioners	15
Pensioners	40

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 2022. 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 2023.

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

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded Liabilities	
	2021/22	2022/23	2021/22	2022/23
Financial assumptions (% per annum)				
Discount Rate	2.7	4.7	2.7	4.7
Rate of Inflation (CPI)	2.9	2.7	2.9	2.7
Rate of increase in salaries	4.4	4.2	n/a	n/a
Rate of increase to pensions in payment	2.9	2.7	2.9	2.7
Pension accounts revaluation rate	2.9	2.7	n/a	n/a
Mortality assumptions				
Future lifetime from age 65 (Member aged 65 at accounting date)				
Men	21.5	21.6	21.8	21.6
Women	24.5	24.6	25.0	24.6
Future lifetime from age 65 (Member aged 45 at accounting date)				
Men	22.8	22.9	n/a	n/a
Women	26.0	26.1	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 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.
Year ended 31 March 2023	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2023 and the projected service cost for the year ending 31 March 2023. 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)	408.46	416.40	424.74
Change in present value of total obligation	-1.9%		2.0%
Projected service cost (£M)	12.14	12.68	13.25
Approximate change in projected service cost	-4.3%		4.5%
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)	417.23	416.40	415.56
Change in present value of total obligation	0.2%		-0.2%
Projected service cost (£M)	12.68	12.68	12.68
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)	423.49	416.40	409.31
Change in present value of total obligation	1.7%		-1.7%
Projected service cost (£M)	13.25	12.68	12.14
Approximate change in projected service cost	4.5%		-4.3%
Post retirement mortality assumption		Adjustment to Rate	
Adjustment to mortality age rating assumption*	- 1 year	Base Figure	+ 1 year
Present value of total obligation (£M)	427.22	416.40	405.57
Change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M)	13.12	12.68	12.24
Approximate change in projected service cost	3.5%		-3.5%

* 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 2024 are estimated to be £11.030 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 19.4 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 2023, allowing for additional service accrued between 01 April 2020 and 31 March 2023, 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 2022 £m	31 March 2023 £m
Net Cost of Service		
Current service cost	94.57	76.57
Past service cost	-	-
Financing and investment income and expenditure		
Pension interest cost	87.20	117.11
Total charge to Provision of Services	181.77	193.68
Re-measurement of the net defined benefit liability / (asset)	(63.81)	(1,329.75)
Total IAS 19 charge to Comprehensive Income and Expenditure	117.96	(1,136.07)

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					
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Present value of the defined benefit obligation	(4,335.47)	(4,015.36)	(4,363.62)	(4,436.49)	(3,252.99)
Surplus / (Deficit) in the Scheme	(4,335.47)	(4,015.36)	(4,363.62)	(4,436.49)	(3,252.99)

Reconciliation of the fair value of scheme assets

Reconciliation of the fair value of scheme assets		
	31 March 2022 £m	31 March 2023 £m
Opening fair value of assets	-	-
Actuarial Gains and (Losses) on assets	58.47	64.63
Contributions by employer	43.64	47.43
Contributions by participants	16.37	18.09
Transfers in	0.87	0.34
Net benefits paid	(119.35)	(130.49)
Closing fair value of assets	-	-

Analysis of movements in scheme liability

Analysis of the movement in scheme liability		
	31 March 2022 £m	31 March 2023 £m
Net Surplus / (Deficit) at the beginning of year	(4,363.62)	(4,436.49)
Current service cost	(94.57)	(76.57)
Cost covered by employee contributions	(17.13)	(18.09)
Past service cost	-	-
Pension transfers in	(1.16)	(0.34)
Net interest on the net defined benefit Liability / (Asset)	(87.20)	(117.11)
Net benefits paid	120.50	130.49
Remeasurements of the net defined Liability / (Asset)	6.69	1,265.12
Net Surplus / (Deficit) at the end of year	(4,436.49)	(3,252.99)

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 29 years, the New Police Pension Scheme 2006 is around 30 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 17 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 Chief Constable for the accounting period to 31 March 2024 are estimated to be £45.230 million compared to £47.430 million paid in 2022/23.

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 2022	31 March 2023
Discount rate (Rate of Return)	2.65%	4.65%
Rate of inflation - pension increases (CPI)	3.00%	2.60%
Salary Inflation	4.75%	3.85%
CARE revaluation rate	4.25%	3.85%
Rate of return in excess of:		
Earning increases (long-term)	-2.10%	0.80%
Pension increases	-0.35%	2.05%

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 12% of 2015 Scheme pensions are assumed to be commuted.
Mixed 2006 and 2015 Scheme	20% 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	20% of 2015 Scheme pensions are assumed to be commuted, except for members who also have 1987 Scheme pension for whom 12% are assumed to be commuted.

Mortality Assumptions		
	Normal Health	
	2021/22 (years)	2022/23 (years)
Future Lifetime at 65 for current pensioners		
Men	22.10	21.90
Women	23.80	23.50
Future Lifetime at 65 for future pensioners (currently aged 45)		
Men	23.80	23.50
Women	25.40	25.00

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 2022/23 there has been a significant reduction in the liability, this is due to all the key financial assumption rates moving in a direction that favours the Group as reflected in the principal Financial and Actuarial assumptions table. The principal change is an increase in the discount rate assumption from 2.65% to 4.65% (+2.0%) which reduces the net liability considerably as can be evidenced by the Sensitivity table below:

Sensitivity to main assumptions			
Change in assumption*		Approximate effect on scheme liability	
		%	£m
Discount Rate	+ 0.5% a year	(7.50)	(244.00)
Salary Inflation	+ 0.5% a year	1.00	29.00
Pension Increases	+ 0.5% a year	7.50	240.00
Life Expectancy	All members and adult dependants assumed to be one year younger	2.50	79.00

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the actual impact may be different from simply combining the changes above.

14. Events after the balance sheet date

Appointment of Chief Constable Vanessa Jardine

In April 2023 Winton Keenen retired from the post of Chief Constable and Vanessa Jardine was appointed as the new Chief Constable for Northumbria Police.

As the Chief Constable throughout the financial year 2022/23, any references to information verified or provided by the Chief Constable will refer to Winton Keenen.

15. Authorisation of accounts for issue

This note will be completed following completion of the external audit of the Statements of Account 2022/23.

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 2022/23 and shows comparative figures for 2021/22.

Police Pension Fund		
2021/22 £000	FUND ACCOUNT	2022/23 £000
(39,864)	Normal	(42,181)
-	Additional funding payable by the local policing body to meet the deficit for the year	-
(410)	Other (Ill Health Retirements)	(331)
(40,274)	Contribution Receivable from Employer	(42,512)
(17,106)	Contribution Receivable from Members	(18,082)
(17,106)	Contribution Receivable from Members	(18,082)
(57,380)	Contributions Receivable	(60,594)
(1,191)	Individual Transfers in from other schemes	(366)
(1,191)	Transfers in	(366)
97,097	Pensions	101,825
19,452	Commutations and Lump Sum Retirement Benefits	22,544
92	Lump Sum Death Benefits	511
756	Other (Inter Authority Adjustments / LTA Payments)	431
117,397	Benefits Payable	125,311
176	Refunds of Contributions	183
-	Individual Transfers Out To Other Schemes	64
176	Payments To and On Account of Leavers	247
117,573	Total Benefits Payable	125,558
59,002	Net amount payable for the year before contribution from the Police Fund	64,598
(59,002)	Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account	(64,598)
-	Net Amount (Receivable) / Payable In Year	-

2021/22 £000	Net Asset Statement	2022/23 £000
(299)	Lump Sums processed for April payment	(829)
299	Debtor Held on Commissioners Balance Sheet	829

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 Manager¹⁰ 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

(Police and Crime Commissioner for Northumbria Statements of Account 2022/23)

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 introduction of the CIPFA Financial Management Code 2019 (FM Code).

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 2022/23 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 2022/23. 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 2022/23 financial year covers the period from 1 April 2022 to 31 March 2023 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.

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 refreshed following consultation with local people about their views of policing and community safety and sets out the police and crime priorities for the area. The consultation showed clear areas of concern from the public. There was widespread support for renewed emphasis on targeting criminals and those who commit anti-social behaviour. The public also gave strong backing to a preventative approach to fighting crime, endorsing the PCCs view that diversionary activity and targeted interventions are key to keeping out of crime. Alongside this there was widespread support from partner agencies for a continued focus on tackling domestic abuse and supporting victims of sexual violence. This consultation therefore endorsed the findings of earlier consultation exercises whilst adding for the first time concerns over the need for safer public transport and also an acknowledgment from the public that there is a need to invest in key areas and sectors to prevent crime. The plan now also reflects the impact of poverty on crime.

- **Fighting Crime:**
 - Anti-social behaviour
 - Reducing crime
- **Preventing Crime:**
 - Preventing violent crime and reducing reoffending
 - Neighbourhood policing and Safety on Public Transport
- **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.

Delivery of the Police and Crime Plan is through partnership working between the OPCC and the Chief Constable. The Force's Strategic Management Board (Performance), chaired by the Deputy Chief Constable,

is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. This Board is underpinned by a number of Delivery, Standards and Assurance boards. 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.

His 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 His Majesty's Inspectors' (HMI's) professional judgment across the year.

The latest HMICFRS inspection report for Northumbria Police 'PEEL 2021/22 Police effectiveness, efficiency and legitimacy' was published in September 2022. The inspection assessed how good Northumbria Police is in 10 areas of policing and graded judgments were made in nine of these. These are outlined below.

Policing area	Grade
Providing a service to the victims of crime	Ungraded
Recording data about crime	Adequate
Treatment of the public	Good
Preventing crime	Good
Responding to the public	Requires improvement
Investigating crime	Good
Protecting vulnerable people	Good
Managing offenders	Good
Developing a positive workplace	Good
Good use of resources	Good

Eight areas for improvement were assigned to the Force.

All HMICFRS inspection and investigation reports and other external inspection and audit reports are considered by the Force Chief Officer 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 any statutory response to inspection activity required under section 55 of the Police Act 1996. Delivery is overseen by the relevant Chief Officer lead, with further oversight at the bi-monthly Strategic Management Board – Business and scrutiny at the Executive Board. Progress is reported and monitored at the Scrutiny Meeting of the OPCC

and reported to the Joint Independent Audit Committee. There were no risks to delivery identified during the year, for any of the recommendations or areas for improvement reported by HMICFRS.

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. 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. 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. 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 each have a Strategic Risk Register which is been designed to ensure the effective management of strategic risk. In both registers the 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 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.

On 8 March 2023 the Force announced the successful delivery of the police officer Uplift target set by the Government for Northumbria Police. As part of the National Police Uplift Programme, forces across the country were given recruitment targets to be achieved from September 2019 to March 2023, with an aim of increasing the number of officers by 20,000. In addition to the national Uplift target the Force took the bold decision to commit to recruiting additional numbers which took them over and above the target which was set by the Government.

New officers have entered policing in Northumbria through a number of entry routes including the Police Constable Degree Apprenticeship (PCDA), the Degree Holder Entry Programme (DHEP), the Graduate Detective Programme (GDP) and some existing staff will be following the Initial Police Learning Development Programme (IPLDP) pathway.

Many of those additional officers have now completed their training and more of them are well on their way towards becoming fully-fledged officers, serving to protect communities and create additional capacity and capability across many of the Force's operational roles.

The recruitment drive delivered by Northumbria Police received praise in the latest report from His Majesty's Inspectorate of Constabulary and Fire & Rescue Service (HMICFRS), highlighting the Force's successful innovative approach to attracting candidates from under-represented groups.

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. The Force has developed a new learning programme specifically focused on professional development for Sergeants and Inspectors new to role, aimed at helping to boost leadership capability. The course is modular in design and consists of both behavioural and operational elements with input from subject matter experts, covering topics that include:

- How to build an Effective Team
- Effective Feedback
- P&DR
- DE&I
- Problem Solving
- Investigative Standards
- A full day and a half masterclass on people, performance management and wellbeing

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

The Commissioner has operated a comprehensive engagement programme during 2022/23 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 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, the Commissioner can ensure that the service provided reflects the changing needs of local communities,

The Commissioner has consulted with community and partner agencies across the following issues:

- Local Neighbourhood Surveys
- Development of a Violence against Women and Girls Strategy.
- Development of Safer Streets Projects - Women's Safety in Public Places and Safety on Public transport

- Impact of the cost of living
- Precept
- Police and Crime Plan

In respect of Victim Services, consultation with service providers, the public and our Victim and Witness Service Improvement Board informed our commissioning priorities. Additional priorities were identified around support for victims of serious violence and stalking harassment. Additional specialist services have been commissioned for these two priorities along with those already commissioned for our existing priorities:

- 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

An annual report provides an overview of the Commissioner's activity over the year and is published on the Commissioners website.

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 2022/23.

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 2022/23. The police settlement issued by the government for 2022/23 assumed that each PCC would increase the precept by the maximum of £10.00 per year for a Band D property. The Commissioner approved an increase of £10.00 per year for a Band D property, but for the majority of residents in Northumbria, those in a Band A property, the actual increase was only £6.67 per year. However, the Northumbria Council Tax Precept remains by far the lowest of policing bodies in England and Wales.
- The additional income generated by the precept increase for 2022/23 was £4.0m and was used to provide investment in:
 - 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.
- 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 published as key decisions on the OPCC website.
- 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 2022/23 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 the CIPFA Financial Management Code self-assessment which was first introduced in 2020/21 and became mandatory from 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium, and long-term finances of 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 one area for improvement, which once implemented will further strengthen the OPCC and Force compliance 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 27 audits within the 2022/23 audit plan, all of which have been completed. Of the 27 reports, 22 audits concluded that systems and procedures were operating well, and 5 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2022/23, 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 2022/23 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 2021/22 Statement

There was one action identified in the 2021/22 Annual Governance Statement which relates to an outstanding planned activity identified under the CIPFA Financial Management Code self-assessment which is included at Appendix A.

2022/23 Governance Issues

The review has identified no governance issues that need to be included within the 2022/23 Annual Governance Statement as actions.

Conclusion

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

However, on the basis of the review of the sources of assurance set out in this statement, the undersigned are satisfied that the 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.

CIPFA Financial Management Code – Action Plan

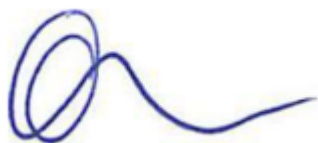
The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code 2019. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances 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 2022/23 in-line with guidance issued by CIPFA.

The results of the self-assessment identified 1 area 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
<p><i>The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</i></p> <p>Whilst a peer review is not a requirement for compliance with the FM Code, the Finance Department intends to implement the CIPFA FM model/review during 2023/24. This will enable:</p> <ul style="list-style-type: none"> • Review adequacy of financial management capability and support to both organisations. • Develop and put in place a target-driven plan to strengthen financial management. 	March 2024



SIGNED

Police and Crime Commissioner



SIGNED

Chief of Staff



SIGNED

Chief Finance Officer

Date: 25/01/2024

Independent Auditors Report

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement – Group, the Comprehensive Income and Expenditure Statement – Group, the Balance Sheet – Group, the Cash Flow Statement – Group and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, and notes to the supplementary financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2023 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner and the group's ability

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 27, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Police and Crime Commissioner and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011).

We enquired of management and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Police and Crime Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, risk of judgements derived by management with high estimation uncertainty and other fraud risks including fraudulent recognition of revenue and incompleteness of expenditure and associated liabilities. We determined that the principal risks were in relation to journal entries posted which met a range of criteria determined during the course of the audit, in particular, those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual manual journals which are at higher risk of manipulation in comparison to automatic system generated journals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the risk of fraudulent financial reporting via the use of journal entries. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Northumbria for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Laurelin Griffiths, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

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:

1. 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).
2. 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).
3. Both entities are joint ventures of the same third party

4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
5. 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.
6. The entity is controlled or jointly controlled by a person identified as a related party.
7. A person identified as a related party 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:

1. Central Government.
2. Local authorities and other bodies Precepting or levying demands on the Council Tax.
3. Its subsidiaries and associated companies.
4. Its joint ventures and joint venture partners.
5. Its members.
6. Its chief officers.
7. 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 8** 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 8c** provides further information on the individual reserves in this category.

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

Index

Preface	2
Narrative Statement.....	3
Statement of Responsibilities	27
Core Financial Statements – Single Entity.....	28
Movement in Reserve Statement – Single Entity	29
Comprehensive Income and Expenditure Statement – Single Entity.....	31
Balance Sheet – Single Entity	32
Cash Flow Statement – Single Entity	33
Notes to the Single Entity Core Financial Statements.....	34
1. Expenditure and Funding Analysis (EFA)	34
2. Expenditure and Income Analysed by Nature.....	36
3. Statement of Accounting Policies	36
4. Critical Judgement in applying accounting policies	48
5. Impact of changes in accounting policies	48
6. Accounting standards that have been issued but have not yet been adopted.....	48
7. Assumptions made about the future and other major sources of estimation uncertainty.....	49
8. Movement in Reserves Statement.....	49
9. Information to be presented either in the CIES or in the Notes.....	58
10 External Audit Costs	59
11. Government and non-government grants and contributions.....	60
12. Officer Remuneration.....	61
13. Related Parties	63
14. Joint Arrangements	65
15. Capital Expenditure and Contributions	65
16. Non-Current Assets.....	66
17. Debtors.....	70
18. Cash and cash equivalents.....	70
19. Creditors	71
20. Provisions and Contingent Liabilities	71
21. Financial Instruments	72
22. Employee Benefits	79
23. Trust Funds	84
24. Ministry of Justice Grant.....	84
25. Events After the Reporting Period.....	85
26. Authorisation of Accounts	85
Core Financial Statements – Group	86
Movement in Reserve Statement – Group.....	87

Comprehensive Income and Expenditure Statement – Group	89
Balance Sheet – Group	90
Cash Flow Statement – Group	91
Notes to the Group Core Financial Statements	92
1. Expenditure and Funding Analysis (EFA)	92
2. Expenditure and Income Analysed by Nature.....	95
3. Statement of Accounting Policies	95
4. Critical Judgement in applying accounting policies	96
5. Assumptions made about the future and other major sources of estimation uncertainty.....	96
6. Movement in Reserves Statement.....	97
7. Information to be presented either in the CIES or in the Notes.....	103
8. External Audit Costs	103
9. Officer Remuneration.....	104
10 Debtors.....	108
11. Creditors	108
12. Provisions and Contingent Liabilities	109
13. Employee Benefits	111
13. a) Staff Pensions	111
13. b) Officer Pensions.....	118
14. Events After the Reporting Period.....	121
15. Authorisation of Accounts	121
Supplementary Financial Statements	122
Notes to the Supplementary Financial Statements	124
Annual Governance Statement	125
Independent Auditor’s Report	138
Glossary of Terms	143
Contacts	151

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

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Image sources

Northumbria Police and Crime Commissioner