

# Chief Constable for Northumbria

Statement of Accounts  
2016/17



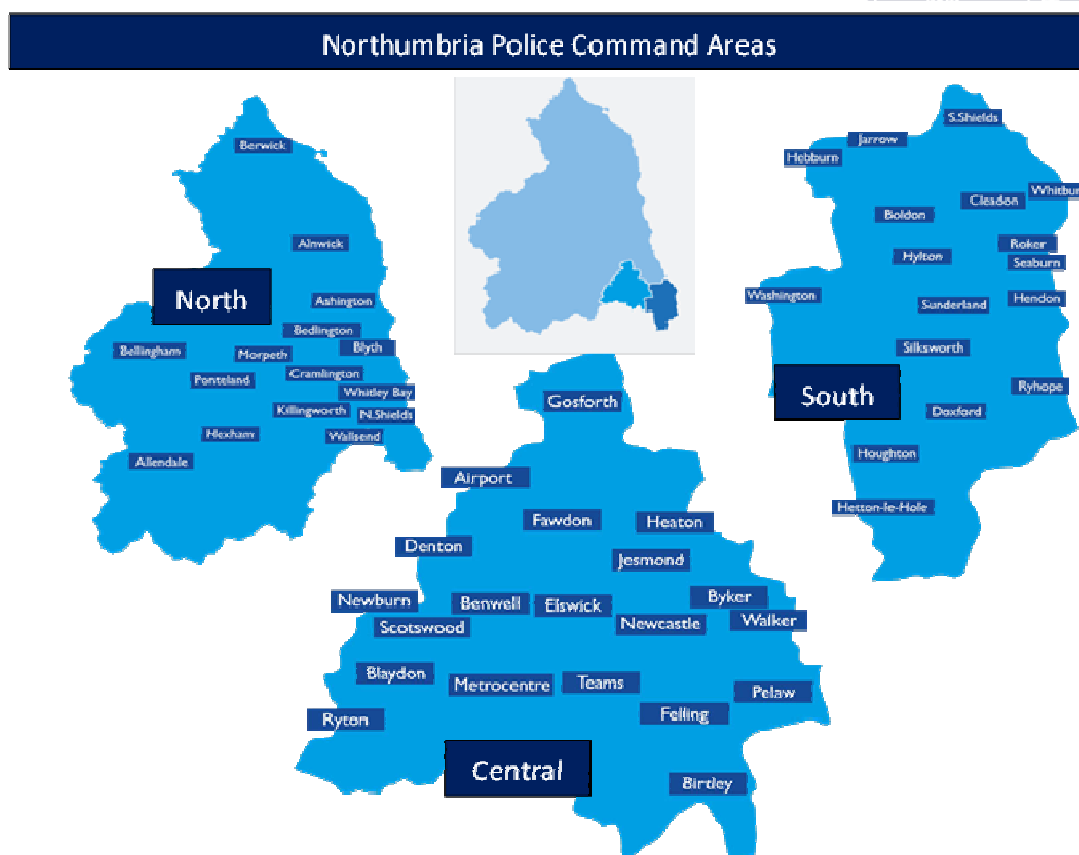
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# Narrative Statement

## Northumbria Police - Key Facts

Northumbria Police serves a population of 1.5 million people and covers an area of 2,000 square miles in the North East of England, from the Scottish border down to County Durham and from the Pennines across to the North East coast. It is one of the largest Forces in the country.



Northumbria Police operates over a three area command structure as illustrated above:

## Workforce Numbers

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

2015/16 Number		2016/17 Number
3,326	Police Officers	3,283
1,430	Police Staff	1,448
195	Police Community Support Officers (PCSO)	163
208	Special Constables	208

## Proud to Protect

Northumbria Police is recognised as a service which upholds high standards and delivers outstanding service, this is captured in our vision statement:

### Our Vision

Northumbria Police will be outstanding in the service we provide.

### Our Mission

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

### Our Values

***Proud to serve*** – sets out what the public can expect from us:

- Protect the vulnerable
- Victim Focused
- Minimise harm to communities
- Vigorously pursue offenders
- Treat everyone ethically and in accordance with the Code of Ethics



***Proud of our people*** – sets out the expectations of our officers and staff:

- Engage, listen and respect the views of others
- Ensure a skilled workforce
- Embrace diversity
- Encourage innovation
- Support people and learn from our mistakes



***Proud to improve*** – sets out what we will do differently:

- Understanding our policing demand
- Maximise use of technology and other assets
- Be open minded
- Seek out and drive collaborative opportunities
- Be financially sustainable and transparent in our decision making



***Proud to lead*** – sets out what we expect from our leaders:

- Take personal responsibility and lead by example
- Inspire others and achieve excellence
- Support others and set clear and fair objectives
- Empower others, encourage and celebrate endeavour, innovation and individuality
- Be approachable and welcome the views of others



## The Financial Statements

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

- The Police Reform and Social Responsibility Act 2011.
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013.
- The Police and Crime Commissioner for Northumbria's Governance Arrangements including Financial and Contract Regulations.

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

The Commissioner is responsible for the finances of the whole Group; she receives all income and funding, including all government grants and Council Tax Precept, into the Police Fund and makes all the payments for the Group from the Police Fund. In turn, the Chief Constable fulfils his function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation<sup>1</sup> is in operation between the two bodies determining their respective responsibilities.

The detailed accounting arrangements between the Commissioner and Chief Constable are detailed in Note 3 to the accounts.



Chief Constable Steve Ashman and Police and Crime Commissioner Dame Vera Baird

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

## Relationship between the Police and Crime Commissioner and the Chief Constable

Each has specific roles and responsibilities.

These roles and responsibilities can be summarised as follows:

### The Police and Crime Commissioner:

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

### The Chief Constable:

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

### Police and Crime Plan 2017 – 2021

#### Building Safer Communities and Effective Justice

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

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

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

## Financial Performance

### Key Highlights

The Police and Crime Commissioner delegated a budget of £256.080 million to the Chief Constable for 2016/17.



The outturn is £255.553 million, an underspend of £0.527 million and that surplus was returned to the Commissioner, reducing the requirement for use of reserves in 2016/17.

Budget reduction plans totalling £15.300 million were achieved in the year bringing the total savings delivered since 2010 to £123.400 million.

Funding secured by the Police and Crime Commissioner of £3.808 million from the National Innovation Fund and £0.814 million from the Transformation Fund has been utilised in year. The funding has been used by the Force to support initiatives that transform policing, deliver future efficiencies, prevent crime, protect vulnerable people, and to respond to the changing nature of crime.

### Government Funding Cuts

The last six years have seen unprecedented cuts to the core funding provided by the Government to Police Forces in England and Wales. Northumbria has had to make £123.400 million of cuts and efficiencies to manage the reductions imposed by government over that period. In addition the Police and Crime Commissioner's ability to raise additional tax revenue from the precept has been restricted by excessiveness rules and a climate of Council Tax Freeze Grant incentives.

Northumbria were the hardest hit of any Force in England and Wales over the last Comprehensive Spending Review (CSR 2010) period with total funding reduced by over 23% to 2015/16, and a further cut followed in 2016/17. The Forces most affected by funding reductions are those with a higher percentage of total funding coming from central government. Northumbria experienced the largest impact of the cuts because the majority of its total funding (around 86% in 2016/17) comes through central government grant. In addition, Northumbria has the lowest precept of any PCC in England and Wales.

The Home Office settlement announcement for 2016/17 stated that PCCs should plan on the basis that their direct resource funding (comprising government grants and precept added together) will remain broadly at flat cash levels when compared with 2015/16, throughout the CSR Period.

However, the Police and Crime Commissioner for Northumbria received a cash reduction to the Police Grant settlement of 0.6% for 2016/17 that represented a further loss in government funding of £1.250 million. The Home Office has made an assumption that any cut that it makes to grant funding over the CSR period will be offset by an increase in the Council Tax Precept levied on local taxpayers, in order to 'maintain overall funding in flat cash terms'.

The requirement to deliver savings has therefore continued into 2016/17. As the Chief Constable receives all resources required to deliver services and meet the costs of



policing from the Police and Crime Commissioner, the impact of central government cuts remains a significant challenge. The Chief Constable's budget for 2016/17 included savings of £15.300 million which were delivered successfully through extensive scrutiny of all non-pay budgets, robust budget management and planned workforce reductions.

Further reductions are anticipated in future years and have been factored into the latest Medium Term Financial Strategy.

### Revenue Expenditure and Income Summary

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



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

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



## Revenue Outturn 2016/17

The Police and Crime Commissioner delegated a budget of £256.080 million to the Chief Constable for 2016/17, to enable the discharge of the activities under the Chief Constable's direction and control. Regular monitoring and scrutiny of the budget has ensured that the budget has been effectively managed and the revenue outturn is £255.553 million, an underspend of £0.527 million.

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 2016/17. The net position of £0.093 million is funded through the use of the external funding reserve held by the Commissioner. The net position reflects the use of £0.192 million received in previous years and held in the Commissioners reserve, plus income of £0.099 million received in 2016/17 which has been transferred to the reserve as at 31 March 2017 to be used in 2017/18.

Details of the revenue outturn are set out in the table below:

Revenue Outturn 2016/17					
Budget Heading	Revised Estimate 2016/17 £000s	Expenditure 2016/17 £000s	Income 2016/17 £000s	Provisional Outturn 2016/17 £000s	Variance 2016/17 £000s
Employee Pay and Pensions	222,148	226,260	(2,091)	224,169	2,021
Contributions and Subscriptions	1,731	1,416	0	1,416	(315)
Corporate Communications	145	139	(39)	100	(46)
Crime	6,023	6,351	(284)	6,066	43
Prosecution Support	1,931	1,978	(66)	1,912	(19)
Safeguarding	248	277	0	277	29
Estates	8,132	8,343	(1,416)	6,927	(1,205)
Fleet	3,092	3,273	(163)	3,109	17
Human Resources	321	276	0	276	(45)
Information & Communications Technology	8,011	8,367	0	8,367	356
Legal Services	252	578	(447)	131	(121)
Professional Standards	8	2	0	2	(6)
Mutual Aid	46	14	0	14	(32)
Occupational Health Unit	869	775	0	775	(95)
Procurement	225	1,796	(1,654)	141	(83)
Business Support	2,901	3,064	(0)	3,064	163
Training	1,367	761	(8)	753	(614)
Volunteers	98	102	(11)	91	(7)
Insurance	1,356	1,092	0	1,092	(265)
Other Income	(2,822)	0	(3,128)	(3,128)	(306)
<b>Budget Outturn</b>	<b>256,080</b>	<b>264,863</b>	<b>(9,310)</b>	<b>255,553</b>	<b>(527)</b>
External Funding Schemes	0	6,735	(6,642)	93	93
<b>Net Expenditure / (Income)</b>	<b>256,080</b>	<b>271,598</b>	<b>(15,952)</b>	<b>255,646</b>	<b>(434)</b>

The net underspend of £0.527 million against the budget delegated to the Chief Constable is attributable to a number of underspends across non pay budgets offset by an over spend against Employee Pay and Pensions.

## **Employee Pay and Pensions**

The overspend on Employee Pay and Pensions of £2.021 million is mainly attributable to additional costs in-year relating to backdated payments for injury pensions and a provision made in relation to employee remuneration. The outturn position against the police officer and staff workforce budget which totals £212.935 million within the pay and pensions line is within the budget allocated for 2016/17, demonstrating that the planned workforce savings in year were successfully delivered.

## **Non Pay Budgets**

Key variances within non pay include additional income of £0.779 million in rates rebates; an underspend on utilities of £0.392 million; recovery of additional legal costs £0.387 million; a reduction in the insurance provision of £0.265 million; an underspend against the workforce investment budget within Training of £0.437 million; and £0.306 million additional income attributed to services.

## **Capital Programme**

Capital Expenditure: Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £10.450 million in 2016/17, are shown in the financial statements of the Commissioner.

The Chief Constable CIES receives a charge for the use of operational assets based on capital charges for depreciation, amortisation and revaluation of assets.

## **Pension Liability**

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

The pension liability reflects the underlying commitment that the Chief Constable has in the long run to pay post-employment (retirement) benefits. The total liability of £3.900 billion (£3.200 billion in 2015/16) 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 Chief Constable remains healthy.

The deficit on the schemes will be made good by the returns on scheme assets (in relation to Local government pension scheme (LGPS) funded schemes), grant payments from government (police officer schemes) and contributions over the remaining working life of employees, i.e. before payments fall due, as assessed by the scheme actuaries.

## **Provisions and Contingent Liabilities**

### **Provisions**

Provisions are made where a liability exists based on a past event which will probably be settled through a transfer of economic benefit or service potential, and a reliable estimate

can be made of the amount required to settle the obligation. Provisions are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

A number of Forces including Northumbria are currently dealing with legal claims from serving and retired officers which relate to a specialist area of policing. These claims are for remuneration in relation to past service under police regulations. The Chief Constable has a number of such claims which are currently subject to legal process and expected to conclude in 2017/18. The employee remuneration provision has been made in respect of those claims. The value of the provision has been set at a prudent level estimated to settle claims in 2017/18.

### **Contingent Assets and Liabilities**

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

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

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

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

A further contingent liability has been disclosed in relation to a group claim relating to the police pension scheme. The contingent liabilities are further detailed in Note 15 to the core financial statements.

### **Governance**

Governance arrangements are set out in the Annual Governance Statement (AGS) published within the Statement of Accounts.

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

The 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 PCC and Chief Constable conduct their financial affairs in a way which complies with statutory provision, and reflects best professional practice. Contract Standing Orders set-out the rules to be followed in respect of contracts for the supply of goods and services;
- A robust system through which we manage finance, Human Resources, payroll and procurement processes is used throughout the Force. This enables systematic control to be applied, particularly in relation to budget management. This ensures that responsibility and accountability for resources rest with those managers who are responsible for service-provision. This is underpinned by systematic controls which ensure financial commitments are approved by the relevant manager;
- In accordance with the Prudential Code and best accounting practice, the Chief Constable and PCC produce a four year Medium Term Financial Strategy (MTFS) and capital programme. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget and capital programme;
- The MTFS includes known commitments, anticipated resource availability and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities;
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the Chief Constable and sets-out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor and report on financial performance;
- Monthly financial performance reports are presented to the Executive Board that focus on year-to-date information and forecast outturn enabling officers to establish a clear understanding of financial performance. These are then presented quarterly to the PCC through the Joint Business Meeting and are available on the PCC website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year; and
- Her Majesty's Inspectorate of Constabulary (HMIC) Value for Money reviews are considered by management and recommendations implemented as appropriate.

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 PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the Joint Independent Audit Committee on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2016/17.

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

### Putting Victims First



The Force has sustained high levels of satisfaction and confidence for victims of crime over many years. Overall satisfaction levels remain high, with the Force placed first nationally for overall service (90%), and in the top three for all other aspects of service:

- 98% Ease of contact (2<sup>nd</sup> nationally)
- 91% Time of arrival (not measured nationally)
- 87% Action taken (2<sup>nd</sup> nationally)
- 84% Follow up (3<sup>rd</sup> nationally)
- 97% Treatment (1<sup>st</sup> nationally)
- 90% Whole experience (1<sup>st</sup> nationally)

Crime recording at source has been introduced; all officers can record a crime at the scene using their mobile devices. Contact handlers can now also record a crime when they first speak to the victim. These developments will further improve the timeliness of crime recording and more importantly, the service to victims of crime.

A victim-centric approach to meet calls for service has been introduced (THRIVE). Contact handlers are empowered to make decisions using the THRIVE (threat, harm, risk, investigative opportunities, vulnerability and engagement) model. An assessment of THRIVE conducted has shown that contact handlers correctly identify vulnerability on 97% of occasions.

Resolution without deployment (RWD) has been introduced to reduce demand on frontline resources and improve services to victims. The RWD team dealt with approximately 7% of incident demand, 19% of all recorded crime, and 30% of missing and absent incidents during 2016/17. More recently, RWD performance has improved with the team dealing with 14.7% of incident demand in February 2017. This is projected to improve further in 2017/18. Overall, the satisfaction level of those callers with an incident or crime managed through RWD is high (89%), with 99% saying they were listened to and things were explained clearly, 94% happy with the actions taken, and 91% felt that their issue was taken seriously.

## Dealing With Anti-Social Behaviour (ASB)



Overall satisfaction levels remain high. 86% of ASB victims are satisfied with the overall service provided:

- 96% Ease of contact
- 94% Time of arrival
- 86% Action taken
- 86% Follow up
- 97% Treatment
- 86% Whole experience

In March 2017, a new ASB scheduling facility was launched providing the opportunity to make appointments for incidents to be resolved by Neighbourhood Policing Teams. Neighbourhood staff, utilising their skills and ASB related knowledge, seek early intervention opportunities and aim to resolve incidents from the outset. This aims to reduce the demand on response officers and provide an improved service. An evaluation of this new approach will be conducted to ensure lessons learned can improve the service to victims.

Area commands continue to undertake a significant amount of activity with partners to tackle ASB issues, despite budget pressures on other service providers. The Force has a clear model and approach to problem solving, prioritises repeat victims and uses the creation of bespoke harm reduction plans to address vulnerability issues. A review of harm reduction plans found that 98% had a satisfactory plan in place that addressed victim vulnerabilities.

## Domestic And Sexual Abuse



The creation of a new Safeguarding Department has set a clear priority to reinvest resources into safeguarding the vulnerable. Work continues to develop a new safeguarding operating model, with a strong commitment to work with partner agencies to ensure that effective safeguarding measures are put in place.



The new safeguarding approach is based upon four pillars (Prepare, Prevent, Pursue and Protect) with the development of Multi Agency Safeguarding Hubs (MASH) across the six local authority areas within the Force area at its core. Through close working with partners, this approach will aim to identify risk at the earliest opportunity and maximise early intervention opportunities in support of all areas of vulnerability.

The report to conviction rate for rape offences has reduced from 12% to 8% and is lower than the national average of 9% (2015/16). The report to conviction rates for both sexual offences and domestic abuse have reduced compared to 2015/16. Despite an increase in the conviction rate for domestic abuse from 71% to 73%, it is below both the 75% target and the national average (74.5%).

The report to conviction rate for rape and sexual offences is influenced by improvements in crime recording and a reduction in the charge rate, despite the charge rate remaining high compared to other Forces nationally. Further work to understand the attrition at different stages of the criminal justice process is being developed with partners. An improvement plan has been developed to drive forward activity in this area and is being managed through the Local Criminal Justice Board (LCJB). The improvement plan focusses on:

- The development of a Rape Steering Group - including the Deputy Chief, Crown Prosecutor, Superintendents from Criminal Justice, Safeguarding and Area Commands.
- Introducing and embedding a police Detective Inspector within the Rape and Serious Sexual Offences (RaSSO) section of Crown Prosecution Services (CPS) North East. The RaSSO 'gatekeeper' role will develop an understanding amongst investigators regarding the requirement of the role and their responsibilities.
- Joint Police / CPS review of Plea and Trial Preparation Hearings (PTPH) to further address blockages to case progression.

A survey of domestic abuse victims was launched in May 2016 to understand how the police can improve the service delivered. To date, over 600 surveys have been completed; results show that 94% of victims are happy with the overall service received and over 96% were confident in reporting any incidents in the future.

The delivery of the policing aspects of the Violence against Women and Girls Strategy remains a high priority. The Force has invested in significant activity to raise awareness of domestic and sexual violence and worked with partners, including training and wider interventions to tackle perpetrators of domestic abuse.

## Reducing Crime



Total crime has increased by 33% compared to 2015/16. Northumbria is one of 40 (from 43 Forces) that has recorded an increase in the 12 months to February 2017 and has the highest increase in recorded crime. The increase in recorded crime in Northumbria does not indicate a marked rise in offending; the increases are largely attributable to increased confidence of victims to report crimes and continued improvements in crime recording. Data from the Crime Survey for England and Wales (CSEW) indicates a continued reduction in personal and household crime.

The level of burglary dwelling compared to other Forces in England and Wales is lower than the national average and below all Forces within the most similar family group. Burglary dwelling offences have increased by 9% this year. Despite the increase in recorded burglary offences (and increased confidence in recording), the number of recorded burglary dwelling offences this year is 1% below the level recorded in 2011/12.

Work is underway to improve the Force's capability to tackle cyber-crime and support all areas of digital policing. A strategic lead for digital policing has been appointed and digital policing forms a specific part of the current Force improvement programme.

The Force surveys all victims of hate crime to understand where we can improve our service to victims. Satisfaction of hate crime victims remains high, with 90% of hate crime victims satisfied with the overall service provided – placing the Force 1st nationally for overall satisfaction of hate crime victims. The Force has supported the National Hate Crime Awareness Week and held a series of events and initiatives to raise awareness of what hate crime is, the work that police and partners do to tackle it and the support available for victims.

The Force continues to encourage the increased reporting of under 'reported crime. LGBT consultation is carried out at the PRIDE festival every year. The perception of barriers to reporting incidents to the police has reduced year-on-year, from 39% in 2013 to 31% in 2016. Consultation has also been carried out with the Asian and LGBT community this year to seek feedback about recruitment barriers and perceptions of the police.

## Community Confidence



Residents within the Force area are surveyed jointly by the police and local Council about community safety issues. Results show that 85% of people think the police do a good job and 90% think the police would be there if they needed them. The perception of crime and anti-social behaviour within local neighbourhoods has fallen over the last two years and feelings of safety remain high, with 97% of people stating they feel safe in their local area. The Force is placed first, compared to similar Forces, in five of the eight public confidence measures within the Crime Survey for England and Wales, and first nationally for reliability.

58% of residents think the number of times they see officers on foot patrol is about right. The percentage of time neighbourhood officers spend outside a police station in their neighbourhood has increased from 48% to 49%.

A revised Neighbourhood Policing Model has been implemented which is focused on accessibility and committed to safeguarding, protecting the vulnerable, collaborative problem solving, engagement, targeted crime prevention and visible patrols. Effective engagement with new and emerging communities is underpinned by the recently developed Engagement Strategy.

A number of public engagement and consultation activities have been conducted to raise awareness and measure public confidence in the use of stop and search within the Force area, including: telephone and online surveys and face-to-face sessions with young people within youth organisations. The results of over 600 surveys show that that 98% thought the power was used about right or not enough, 97% that it is used fairly, and 82% thought it made their neighbourhood safer.

## Collaboration

During 2016/17 Northumbria Police and the Police and Crime Commissioner were parties to the following collaboration agreements:

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

The objective of the NERSOU collaboration arrangement is to provide additional capacity and capability across the region to tackle serious and organised crime. NERSOU is further detailed later within the Narrative Statement and at Note 12 to the accounts.

### **National Police Co-Ordination Centre (NPoCC)**

The National Police Co-ordination Centre was established to enable operationally independent and locally accountable Chief Officers to co-ordinate national operations on behalf of the Chief Officers in order to protect the public. The Parties have agreed to collaborate with each other in relation to the running, the carrying out of the functions, the funding and the establishment of (NPoCC).

### **Civil Nuclear Constabulary**

All Home Office Police Forces have been requested to enter into a formal collaboration agreement with the Civil Nuclear Constabulary (CNC). The CNC is an armed police service responsible for the protection of civil nuclear material at sites across the UK. Their officers have the full powers of a Constable at licensed sites and 5 kilometres beyond the boundary and anywhere whilst escorting nuclear material. The purpose of the Section 22A collaboration Agreement is to provide a lawful basis for the CNC to assist Home Office Police Forces when authorised to do so, as a simple alternative to the Energy Act 2004.

### **Scientific Support Service**

The Force has entered into a formal collaboration agreement to share the Durham Constabulary scientific support laboratory and facilities which are ISO accredited, to enable the Force to provide a fingerprint enhancement service which will meet national quality standards for the foreseeable future.

### **Police and Crime Commissioners' and Chief Constables' North East (NPCC NE) Region Collaboration Agreement**

This Agreement provides a single, overarching legal agreement for the entirety of the NPCC NE Region's seven policing services, and other partners, for collaboration.

As joint working progresses individual sub-functional service agreements may be added to this overarching Agreement rather than requiring a new Section 22A Agreement each time. The two sub-functional agreements which have been added to date are Chemical, Biological, Radiological and Nuclear (CBRN) and the Disaster Victim Identification (DVI) service responses.

### **Other National Police Collaboration Agreements:**

- National Police Collaboration Agreement;
- ACRO Criminal Records Office;
- Property and Wireless Interference Authorisations; and
- NPCC national collaboration agreement to support CHIS (covert human intelligence sources) authorisation.

Further details can be found on the Police and Crime Commissioners' website: <http://www.northumbria-pcc.gov.uk/transparency/key-decisions/collaboration-agreements/>

## North East Regional Special Operations Unit (NERSOU)



The North East Regional Special Operations Unit (NERSOU) was established in October 2013 and is a collaboration between the three Forces of Northumbria, Cleveland and Durham. All three Chief Constables and Police and Crime Commissioners signed a regional collaboration document which formalised the existing joint working relationship.

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.

A Detective Superintendent and a Detective Chief Inspector lead the unit which comprises of a number of highly specialised teams of officers and staff from the three Forces. They work with embedded partners from Her Majesty's Revenue and Customs (HMRC), UK Border Force and the National Crime Agency (NCA) to make the region a place hostile to serious and organised crime.

NERSOU provides the additional capacity and resilience for the region, to use all forms of covert policing tactics against cross border and highly motivated organised criminals. NERSOU can and does provide expert support to the constituent Forces as and when required in a number of specialist areas.

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

The mission of the unit is simple - to protect the communities of Cleveland, Durham and Northumbria from Serious and Organised Crime.

The detailed statement showing the NERSOU financial performance for the year is set out at Note 12 to the accounts. The NERSOU revenue outturn position for 2016/17 and the share attributable to Northumbria is set out in the following table:

<b>NERSOU Outturn 2016/17</b>	<b>NERSOU £000</b>	<b>Northumbria £000</b>
Expenditure	7,308	4,166
Income	(1,221)	(696)
<b>Net Expenditure</b>	<b>6,087</b>	<b>3,470</b>
<b>Funded by:</b>		
Force Contributions	6,768	3,858
Transfer to NERSOU Reserve	(681)	(388)
<b>Total</b>	<b>6,087</b>	<b>3,470</b>

The Chief Constable made a revenue contribution of £3.858 million to NERSOU for 2016/17. This contribution is included within the Crime heading in the Chief Constable's revenue budget outturn. In addition, the NERSOU Joint Committee agreed that the surplus of Force contributions agreed for 2016/17 would be held in reserve to support

cost pressures identified for NERSOU in 2017/18. The total contribution by Northumbria to NERSOU for 2016/17 is therefore £3.470 million.

The NERSOU website <http://www.nersou.org.uk/home/latest-news.aspx> includes all the latest news.

## Explanation of the Key Statements

The Statement of Accounts consists of four main statements and various disclosure notes as follows:

- **The Movement in Reserves Statement (MiRS Page 25)** - Shows the changes in the Chief Constables financial resources over the year to help readers to understand how the balances have changed over the year. Information on the pension and accumulated absence reserves can also be found in the Balance Sheet and related notes.
- **The Comprehensive Income and Expenditure Statement (CIES Page 27)** - Shows the gains and losses that contributed to these changes in resources. The CIES shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation as shown in the MiRS above.
- **The Balance Sheet (Page 28)** - Shows the Chief Constable's financial position and net assets at the financial year end. The Balance Sheet reflects current liabilities and current assets that are in substance the Chief Constable's at the Balance Sheet date, offset by a corresponding debtor from the Commissioner to reflect the fact that all payments are made in the name of the Commissioner.
- **The Cash Flow Statement (Page 29)** - Shows how the movement in resources has been reflected in cash flows generated and used during the year.

### Supplementary Financial Statements:

- **Police Officer Pension Fund Statements (Page 62)** - This shows the Police Pension Fund Account for the year, for which the Chief Constable is the Scheme Manager<sup>2</sup>.

### Documents Supporting the Statement of Accounts:

- **Annual Governance Statement (Page 64)** - This statement, required by regulations<sup>3</sup> to accompany the Statement of Accounts, is an assessment of the Chief Constable's corporate governance and internal control.<sup>4</sup>

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<sup>2</sup> Public Service Pension Act 2013 (section 4)

<sup>3</sup> Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from [www.legislation.gov.uk](http://www.legislation.gov.uk))

<sup>4</sup> In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015



## Significant Changes since 2015/16

### Presentation of Financial Statements

The 2016/17 Code requires the Chief Constable and Police and Crime Commissioner to present expenditure and income on services in the Comprehensive Income and Expenditure Statement on the basis of the Group's reportable segments. These segments are based on the Group's internal management reporting structure. The CIES has therefore been restated from the SERCOP basis that was used previously.

The 2016/17 Code also introduces the new Expenditure and Funding Analysis (EFA) as a result of the (*Telling the Story*) review of the presentation of local authority financial statements, and a subjective analysis of Expenditure and Income Analysed by Nature.

### Accounting for Pensions

Retirement benefits are offered to employees as part of the terms and conditions of employment.

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 cost neutral in the accounts. The pension liability, which is disclosed on the Chief Constable's Balance Sheet, (balanced by the Pension Reserve) shows the underlying commitment that the Chief Constable has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet.

Police officers can be members of either the Police Pension Scheme 1987, the New Police Pension Scheme 2006, or the Police Pension Scheme 2015, collectively known as the Police Pension Scheme, which is a wholly unfunded scheme for which the Chief Constable is Scheme Manager<sup>5</sup>. The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries. The regulations<sup>6</sup> governing funding arrangements require that if the Pension Fund does not have sufficient funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Chief Constable to the Pension Fund. 100% of this deficit is recouped by the Chief Constable via the Commissioner in the form of a top-up grant paid by the Home Office.

Police staff are members of the Local Government Pension Scheme (LGPS), administered by South Tyneside Council. An explanation of the pensions' accounting arrangements can be found in the Notes to the Accounts. The Chief Constable makes employer contributions on the basis of an agreed percentage of employees' pensionable pay to the Pension Fund, which is based on an independent actuarial revaluation of the fund every three years. The latest valuation of the Fund took place as at 31 March 2016.

Under provisions within the Police Reform and Social Responsibility Act 2011, both the Commissioner and Chief Constable can be employers.

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

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

## Outlook for 2017/18 and Beyond

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

The overall financial context for Northumbria Police remains extremely challenging.

The approach set out in the Police and Crime Commissioner's Medium Term Financial Strategy (MTFS) 2017/18 to 2020/21 will deliver a balanced budget. The MTFS sets out how all four years will be financed and general reserves will be maintained at an estimated £9.300 million, which is greater than the minimum 2% (£5.000 million) set out in the reserve strategy.

The successful delivery of the Strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources.

Demand for police services is changing as new types of crime emerge which often require a different approach to policing, and working closely with partner agencies such as Fire and Rescue Services, Local Authorities, the National Health Service (NHS) and Ambulance Service, to achieve common aims and objectives.

Detailed below are some examples of how the Force is changing the way it works to meet the demands of changing crime types and free up resources to provide an effective police response which meets the demands of the public:

- THRIVE (threat, harm, risk, investigation, vulnerability and engagement) is a new more rigorous approach to the risk assessment of all 999 and 101 calls to ensure the most appropriate police response is deployed placing an emphasis on the victim and risks posed.
- RWD (resolution without deployment) deals with relevant calls for service in line with the customer's wishes without the need for deployment of police officers. This is an example of change implemented to improve efficiency and allows the Force to reinvest staff in areas of significant and emerging demand.
- A revised approach to safeguarding which reduces the demands placed upon Neighbourhood Policing Teams. The focus is on longer term partnership working aimed to embed effective working practices and relationships between Northumbria Police and each Local Authority.

Underpinning the MTFS is a workforce plan which includes recruitment, training and development of officers and police staff, aligning resources with changing demand, whilst continuing to manage organisational change through the prudent use of the Commissioner's reserves.

The MTFS does indicate that a sustainable financial position can be achieved over the period 2017/18 to 2020/21 and both the Chief Constable and the Commissioner are fully committed to taking the necessary decisions to achieve this outcome.

The MTFS can be found on the Commissioners website at the following link.  
<http://www.northumbria-pcc.gov.uk/transparency/finance/financial-strategies/>

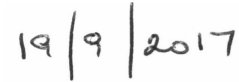
## Events after the reporting period

There are no events after the balance sheet date to report for the 2016/17 financial year.

Signed:

A handwritten signature in black ink, appearing to read 'M J Tait', written over the 'Signed:' label.

Date:

A handwritten date '19/9/2017' in black ink, written over the 'Date:' label.

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

# Statement of Responsibilities

## The Chief Constable's Responsibilities

The Chief Constable is required to:

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

I approve this statement

Signed: 

Date: 19.9.17.

**Steve Ashman**  
**Chief Constable of Northumbria Police**

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Chief Constable's Statement of Accounts. This has been done 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 Statement of Accounts, the Chief Finance Officer has:

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


The Chief Finance Officer has also:

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

## Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2017, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable at 31 March 2017 and of his income and expenditure for the year ended 31 March 2017.

Signed: 

Date: 19/9/2017

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

# Core Financial Statements

## Comprising:

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

# Movement in Reserves Statement 2016/17

	Note	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Balance as at 31 March 2016		0	0	3,181,157	9,434	3,190,591	3,190,591
<b><u>Movement in reserves during 2016/17</u></b>							
Total Comprehensive Income and Expenditure		125,241	125,241	621,666	0	621,666	746,907
Adjustments between accounting basis & funding basis under regulations	9(b)	(125,241)	(125,241)	125,204	37	125,241	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>0</b>	<b>0</b>	<b>746,870</b>	<b>37</b>	<b>746,907</b>	<b>746,907</b>
Transfers To / From Earmarked Reserves		0	0	0	0	0	0
<b>(Increase) or Decrease in Year</b>		<b>0</b>	<b>0</b>	<b>746,870</b>	<b>37</b>	<b>746,907</b>	<b>746,907</b>
Balance as at 31 March 2017		0	0	3,928,027	9,471	3,937,498	3,937,498



## Movement in Reserves Statement 2015/16

	Note	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance as at 31 March 2015</b>		<b>0</b>	<b>0</b>	<b>3,698,715</b>	<b>8,679</b>	<b>3,707,394</b>	<b>3,707,394</b>
<b><u>Movement in reserves during 2015/16</u></b>							
Total Comprehensive Income and Expenditure		<b>150,581</b>	<b>150,581</b>	<b>(667,384)</b>	<b>0</b>	<b>(667,384)</b>	<b>(516,803)</b>
Adjustments between accounting basis & funding basis under regulations	9(b)	(150,581)	(150,581)	149,826	755	150,581	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>0</b>	<b>0</b>	<b>(517,558)</b>	<b>755</b>	<b>(516,803)</b>	<b>(516,803)</b>
Transfers To / From Earmarked Reserves		0	0	0	0	0	0
<b>(Increase) or Decrease in Year</b>		<b>0</b>	<b>0</b>	<b>(517,558)</b>	<b>755</b>	<b>(516,803)</b>	<b>(516,803)</b>
<b>Balance as at 31 March 2016</b>		<b>0</b>	<b>0</b>	<b>3,181,157</b>	<b>9,434</b>	<b>3,190,591</b>	<b>3,190,591</b>

# Comprehensive Income and Expenditure Statement - Chief Constable

Gross Expenditure £000	2015/16		Service Expenditure Analysis	Gross Expenditure £000	2016/17		Notes
	Income £000	Net Expenditure £000			Income £000	Net Expenditure £000	
315,167	0	315,167	Police Services	300,209	0	300,209	
2,780	0	2,780	Policing Funds (managed by the PCC)	4,835	0	4,835	
0	(288,516)	(288,516)	PCC Financing of Police Services	0	(291,753)	(291,753)	
<b>317,947</b>	<b>(288,516)</b>	<b>29,431</b>	<b>Net Cost of Services</b>	<b>305,044</b>	<b>(291,753)</b>	<b>13,291</b>	
		121,150	Financing and Investment Income and Expenditure (Interest on the net defined benefit pension Liability / (Asset))			111,950	
		<b>150,581</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>125,241</b>	
		(667,384)	Re-measurements of the net defined pension benefit liability			621,666	
		<b>(667,384)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>621,666</b>	9(a)
		<b>(516,803)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>746,907</b>	

# Balance Sheet

31 March 2016 £000		31 March 2017 £000	Notes
14,510	Short-term debtors	16,614	13
<b>14,510</b>	<b>Current Assets</b>	<b>16,614</b>	
	Short term provision	(2,150)	
(23,944)	Short-term creditors	(23,935)	14
<b>(23,944)</b>	<b>Current Liabilities</b>	<b>(26,085)</b>	
(3,181,157)	Other long-term liabilities (pensions)	(3,928,027)	
<b>(3,181,157)</b>	<b>Long-term Liabilities</b>	<b>(3,928,027)</b>	
<b>(3,190,591)</b>	<b>Net Assets</b>	<b>(3,937,498)</b>	
	<b>Unusable Reserve</b>		
9,434	Accumulated Absences Account	9,471	
3,181,157	Pensions Reserve	3,928,027	
<b>3,190,591</b>	<b>Total Reserves</b>	<b>3,937,498</b>	9(c)

I certify that the balance sheet position gives a true and fair view of the financial position of the Chief Constable at 31 March 2017.

Signed:



Dated:

19/9/2017

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

# Cash Flow Statement

2015/16 £000		2016/17 £000
150,581	(Surplus) or Deficit on the provision of services	125,241
	<b><u>Adjustments to surplus or deficit on the provision of service for non-cash movements:</u></b>	
(149,826)	Pension adjustments	(125,204)
0	Contributions to provisions	(2,150)
(755)	Other non-cash movement	(37)
	<b><u>Accruals Adjustments:</u></b>	
(9,504)	Increase / (Decrease) in Debtors	2,104
9,504	(Increase) / Decrease in Creditors	46
<b>0</b>	<b>Net cash flows from Operating Activities</b>	<b>0</b>
<b>0</b>	<b>Net (Increase) / Decrease in cash and cash equivalents</b>	<b>0</b>
0	Cash and cash equivalents at the beginning of the period	0
0	Cash and cash equivalents at the end of the period	0

# Notes to the Core Financial Statements

## 1. Expenditure and Funding Analysis (EFA)

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

Expenditure and Funding Analysis - Chief Constable								
2015/16			Service Expenditure Analysis	2016/17				
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		
£000	£000	£000		£000	£000	£000	Notes	
257,878	57,289	<b>315,167</b>	Police Services	255,257	44,952	<b>300,209</b>		
2,780	0	<b>2,780</b>	Policing Funds (managed by the PCC)	4,835	0	<b>4,835</b>		
(260,658)	(27,858)	<b>(288,516)</b>	PCC Financing of Police Services	(260,092)	(31,661)	<b>(291,753)</b>		
<b>0</b>	<b>29,431</b>	<b>29,431</b>	<b>Net Cost of Services</b>	<b>0</b>	<b>13,291</b>	<b>13,291</b>		
0	121,150	121,150	Other Income and Expenditure	0	111,950	111,950		
<b>0</b>	<b>150,581</b>	<b>150,581</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>125,241</b>	<b>125,241</b>		
0			Opening General Fund Balance at 31 March	0				
0			Less: Deficit on General Fund in Year	0				
<b>0</b>			<b>Closing General Fund at 31 March</b>	<b>0</b>				

## a) Note to the EFA - Adjustments 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.

2016/17				
Adjustments between funding and accounting basis - Chief Constable				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	13,254	37	31,661	44,952
Policing Funds (managed by the PCC)	0	0	0	0
PCC Financing of Police Services	0	0	(31,661)	(31,661)
<b>Net Cost of Services</b>	<b>13,254</b>	<b>37</b>	<b>0</b>	<b>13,291</b>
Other Income and Expenditure	111,950	0	0	111,950
<b>(Surplus) or Deficit on Provision of Services</b>	<b>125,204</b>	<b>37</b>	<b>0</b>	<b>125,241</b>

2015/16				
Adjustments between funding and accounting basis - Chief Constable				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	28,676	755	27,858	57,289
Policing Funds (managed by the PCC)	0	0	0	0
PCC Financing of Police Services	0	0	(27,858)	(27,858)
<b>Net Cost of Services</b>	<b>28,676</b>	<b>755</b>	<b>0</b>	<b>29,431</b>
Other Income and Expenditure	121,150	0	0	121,150
<b>(Surplus) or Deficit on Provision of Services</b>	<b>149,826</b>	<b>755</b>	<b>0</b>	<b>150,581</b>

## b) Note to the EFA - Segmental Income

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

Segmental Income		
Income received on a segmental basis is analysed below:	Income from services 2015/16 £000	Income from services 2016/17 £000
Police Services	(8,564)	(7,762)
<b>Total income analysed on a segmental basis</b>	<b>(8,564)</b>	<b>(7,762)</b>



## 2. Expenditure and Income Analysed by Nature

The Code of Practice requires the Chief Constable to disclose information on the nature of expenses. The Chief Constable's expenditure and income for 2016/17 (and 2015/16 comparative) is analysed as follows:

<b>Expenditure and Income Analysed by Nature - Chief Constable</b>		
	<b>2015/16</b>	<b>2016/17</b>
Expenditure / Income	£000	£000
<b><u>Expenditure</u></b>		
Employee benefits expenses	266,124	249,403
Other employee expenses	1,189	3,800
Premises	9,881	9,335
Transport	4,071	4,012
Supplies and services	20,252	20,672
Third party payments	3,146	3,044
Charge for use of assets	13,284	14,778
Interest on the net defined benefit pension liability	121,150	111,950
<b>Total Expenditure</b>	<b>439,097</b>	<b>416,994</b>
<b><u>Income</u></b>		
PCC financing of police services	(288,516)	(291,753)
<b>Total Income</b>	<b>(288,516)</b>	<b>(291,753)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>150,581</b>	<b>125,241</b>

## 3. Statement of Accounting Policies

### a) Introduction

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

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

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

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

**b) 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 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 (PCC) single-entity accounts. The Chief Constable, who is treated as a subsidiary of the Commissioner, has prepared single-entity accounts.

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

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

**c) Accruals of expenditure and income**

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

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

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

**e) Employee Benefits**

**Benefits payable during employment**

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

**f) Termination Benefits**

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

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

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

As part of the terms and conditions of employment, the Chief Constable offers retirement benefits by participating in pension schemes. These are the Police Pension Schemes (including the Police Pension Scheme 1987, the Police Pension Scheme 2006 and the Police Pension Scheme 2015) and the Tyne and Wear Pension Scheme, 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 on the Fund each year is balanced to nil by receipt of a pension top-up grant via the Commissioner from the Home Office. There are no investment assets built up to meet the pension liabilities and cash has to be generated by the Home Office to meet actual pension payments as they eventually fall.

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

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

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

As with capital charges, pension entries are reconciled back to cash amounts payable to ensure that there is no effect upon the 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 Statement of Accounts is 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 Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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 Statement of Accounts.

## **i) Prior period adjustments**

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

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

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

There are no prior period adjustments required for the 2016/17 financial statements.

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

## **Financial Assets**

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

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

## **Financial Liabilities**

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

### **k) Provisions and contingent liabilities**

#### **Provisions**

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

#### **Contingent liabilities**

A contingent liability arises where an event has taken place that gives the Chief Constable a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities for 2016/17 are set out at Note 15 to the Accounts.

### **l) Reserves**

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

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

### **m) 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.

### **n) Joint Arrangements**

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

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

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

The Force currently has a Joint Arrangement with Durham and Cleveland, the North East Regional Special Operations Unit (NERSOU). Further detail of the arrangements in place and the outturn for 2016/17 is shown in the disclosure notes.

#### **4. Critical judgements in applying accounting policies**

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable's financial position or financial performance. When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There have been no significant changes in accounting policies in 2016/17.

#### **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 a new standard that has been issued but not yet adopted. For 2016/17 the following standards have been issued but not yet adopted:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of pension fund investment concentration.

These changes relate to pension fund accounting disclosures and will not have a material impact on the financial statements for the Chief Constable.

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

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items within the Chief Constable's Balance Sheet as at 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year is as follows:

**Pension Liabilities**

Pensions liabilities included in the Balance Sheet have been assessed on an actuarial basis using the projected unit credit method which results in an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, rates of inflation and discount rates. The pension fund liabilities for the Police Pension Scheme have been assessed by GAD, the Government's Actuary Department, based on the membership data provided at 31 March 2015 for the latest funding valuation. Further details are included within Note 19 to the core financial statements.

The assessment of pension liabilities for the Tyne and Wear Pension Scheme has been assessed by AON Hewitt Limited, an independent firm of actuaries, which is based on their last full valuation of the scheme carried out as at 31 March 2016. The Actuary also estimates the Tyne and Wear Pension Fund position as at 31 March 2017 including their assessment of future movements in the return on pension assets which is subject to fluctuations in investment markets and discount rate volatility. Further details are included within Note 18 to the core financial statements.

**Accumulated Absence**

These are the costs of holiday entitlements and lieu time earned by police officers and police staff but not taken by the year-end. As balances at 31 March each year do not differ with materiality, the estimated liability is calculated on a bi-annual basis using data from resource management systems. Further details are included within Note 17 to the core financial statements.

**8. Effects of the Police Reform and Social Responsibility Act**

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

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

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



## Accounting Recognition

At 31 March 2017, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are in the Commissioner's name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all useable reserves. The Commissioner is the recipient of all income including government grants, precepts and other sources of income which is paid into the Police Fund and all expenditure of the Chief Constable is funded by the Commissioner from the Police Fund. There are no cash transactions between the two bodies.

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

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

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

- The use of non-current assets equivalent to the depreciation, impairment, amortisation and revaluation of the assets charged to the Commissioner - £14.778 million.
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in the provision of policing - £0.257 million.

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

- The proportion of the Joint Chief Finance Officer (CFO) role attributed to the statutory functions provided under the Office of the Police and Crime Commissioner - £0.023 million in 2016/17.

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

- a) A debit for the resources consumed by the Chief Constable is included in the Comprehensive Income and Expenditure Account of the Commissioner with a corresponding credit in the Comprehensive Income and Expenditure Statement of the Chief Constable.



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

## 9. Movement in Reserves Statement

### a) Other Comprehensive Income and Expenditure

Comprises items of expense and income that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. The following table details the transactions during 2015/16 and 2016/17:

Other Comprehensive Income & Expenditure	
2015/16 Unusable Reserves £000	2016/17 Unusable Reserves £000
(667,384) Re-measurements of the net defined benefit pension liability	621,666
<b>(667,384) Total Other Comprehensive Income and Expenditure</b>	<b>621,666</b>

### b) Adjustments between accounting basis and funding under regulations

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

Adjustments between accounting basis & funding basis under regulations				
2015/16			2016/17	
Usable Reserves General Fund £000	Unusable Reserves Pension Fund £000		Usable Reserves General Fund £000	Unusable Reserves Pension Fund £000
(755)	755	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	(37)	37
(192,375)	192,375	Reversal of IAS 19 Pension Charges	(167,120)	167,120
42,549	(42,549)	Contributions due under the pension scheme regulations	41,916	(41,916)
<b>(150,581)</b>	<b>150,581</b>	<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>(125,241)</b>	<b>125,241</b>

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

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

### c) Unusable Reserves:

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

The **Pensions Reserve** absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing actuarial assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require that benefits earned, are financed as the Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which the Chief Constable is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The Pensions Reserve holds balances in relation to both the Police Pension Schemes and the Local Government Pension Scheme (LGPS).

Analysis of the transfers To / From reserves				
Balance as at 31/03/16 £000	Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31/03/17 £000
<b>Usable Reserves</b>				
0 General Reserve	0	0	0	0
<b>0 Total Usable Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Unusable Reserves</b>				
9,434 Accumulated Absences Account	0	37	37	9,471
3,181,157 Pensions Reserve	0	746,870	746,870	3,928,027
<b>3,190,591 Total Unusable Reserves</b>	<b>0</b>	<b>746,907</b>	<b>746,907</b>	<b>3,937,498</b>
<b>3,190,591 Total Reserves</b>	<b>0</b>	<b>746,907</b>	<b>746,907</b>	<b>3,937,498</b>

**10. External Audit Costs**

The Chief Constable has incurred the following costs in relation to work carried out by the Group's external auditors, Mazars LLP, in 2016/17.

<b>External Audit Costs - Chief Constable</b>	
<b>2015/16</b>	<b>2016/17</b>
<b>£000</b>	<b>£000</b>
19 External Audit Services	19
<b>19 Net Cost</b>	<b>19</b>

**11. Officer Remuneration**

The following tables set out the remuneration for senior police staff and relevant police officers whose salary, including voluntary redundancy payments, is more than £50,000 per year in 2016/17 and the equivalent disclosure for 2015/16.

<b>Numbers of Employees receiving over £50,000</b>		
<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2015/16</b>	<b>2016/17</b>
£50,000 - £54,999	100	136
£55,000 - £59,999	61	42
£60,000 - £64,999	7	10
£65,000 - £69,999	6	8
£70,000 - £74,999	8	5
£75,000 - £79,999	1	5
£80,000 - £84,999	8	7
£85,000 - £89,999	5	2
£90,000 - £94,999	2	0
£105,000 - £109,999	1	0

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

The table below shows the total number and cost of exit packages during the year ending 31 March 2017.

<b>Exit packages 2016/17</b>				
	<b>Number of other departures</b>	<b>Number of compulsory redundancies</b>	<b>Total number of departures</b>	<b>Total cost of exit packages in each band £</b>
£0 - £20,000	6	0	6	42,343
<b>Total Group</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>42,343</b>

The total cost of exit packages as set out above has been charged to the Chief Constable's Comprehensive Income and Expenditure Statement in the current year and funded from the Chief Constable's revenue budget.

<b>Exit packages 2015/16</b>				
	<b>Number of other departures</b>	<b>Number of compulsory redundancies</b>	<b>Total number of departures</b>	<b>Total cost of exit packages in each band £</b>
£0 - £20,000	18	5	23	181,365
£20,001 - £40,000	1	1	2	36,407
£60,001 - £80,000	1	0	1	75,000
£250,001 - £300,000	1	0	1	278,055
<b>Total Group</b>	<b>21</b>	<b>6</b>	<b>27</b>	<b>570,828</b>

## Notes to the Core Financial Statements

Remuneration of senior employees is disclosed in the following table for 2016/17:

Remuneration of Senior Employees 2016/17						
		Salary (Including fees & allowances)	Benefits in Kind	Total remuneration excluding pension contributions	Pension contributions	Total Remuneration 2016/17
		£	£	£	£	£
Post holder information	Notes					
Chief Constable - Steve Ashman		167,970	4,487	172,457	39,419	211,876
Deputy Chief Constable - A		138,867	5,205	144,072	32,522	176,594
Assistant Chief Constable - C		107,496	5,291	112,787	24,764	137,551
Assistant Chief Constable - D	1	70,175	5,349	75,524	16,297	91,821
Assistant Chief Constable - G	2	37,340	0	37,340	6,838	44,178
Director of Finance & ICT (Chief Finance Officer)		103,122	0	103,122	14,025	117,147
Director of Human Resources	3	65,986	276	66,262	8,847	75,109
Director of Asset Management	4	57,332	0	57,332	7,756	65,088
Total		748,288	20,608	768,896	150,468	919,364

The Director of Finance is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. 80% of his salary is charged to the Chief Constable in the CIES.

Note 1: Assistant Chief Constable – D in post to 13<sup>th</sup> Nov 2016

Note 2: Assistant Chief Constable – G started in post on 28<sup>th</sup> Nov 2016

Note 3: Director of Human Resources – senior management structural changes effective from 15<sup>th</sup> July 2016

Note 4: Director of Asset Management – senior management structural changes effective from 15<sup>th</sup> July 2016

Remuneration of senior employees is disclosed in the following table for 2015/16:

Remuneration of Senior Employees 2015/16						
		Salary (Including fees & allowances)	Benefits in Kind	Total remuneration excluding pension contributions	Pension contributions	Total Remuneration 2015/16
		£	£	£	£	£
Post holder information	Notes					
Chief Constable - Steve Ashman	1	137,811	4,417	142,228	32,333	174,561
Chief Constable - Sue Sim	2	29,981	1,632	31,613	0	31,613
Deputy Chief Constable - A	3	115,846	3,623	119,469	27,248	146,717
Deputy Chief Constable - B	4	23,922	849	24,771	5,613	30,384
Assistant Chief Constable - C	5	24,484	851	25,335	1,280	26,615
Assistant Chief Constable - D		109,368	7,082	116,450	25,429	141,879
Assistant Chief Constable - E	6	68,108	665	68,773	13,449	82,222
Assistant Chief Constable - F	7	10,622	347	10,969	2,345	13,314
Assistant Chief Officer, Corporate Services	8	94,984	5,749	100,733	235,906	336,639
Director of Finance (Chief Finance Officer)		86,350	0	86,350	11,744	98,093
<b>Total</b>		<b>701,475</b>	<b>25,215</b>	<b>726,690</b>	<b>355,346</b>	<b>1,082,037</b>

Note 1: Chief Constable – Steve Ashman started in post on 04 June 2015

Note 2: Chief Constable – Sue Sim in post to 03 June 2015

Note 3: Deputy Chief Constable – A started in post on 08 May 2015

Note 4: Deputy Chief Constable – B in post to 03 June 2015

Note 5: Assistant Chief Constable – C started in post on 04 January 2016

Note 6: Assistant Chief Constable – E started in post on 08 May 2015 to 10 Jan 2016

Note 7: Assistant Chief Constable – F in post to 07 May 2015

Note 8: Assistant Chief Officer, Corporate Services – in post to 20 February 2016

The pension contribution included £222,988 cost for the early release of pension benefits.

## 12. Related Party Transactions

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

### **Victims First Northumbria**

Victims First Northumbria (VFN) is a Charitable Company (Charity Number 1164578). Both the Chief Constable and the Police and Crime Commissioner are Trustees for VFN. The Chief Constable had no material transactions with VFN in 2016/17.

### **Police and Crime Commissioner for Northumbria**

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

### **UK Government**

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

### **Joint Arrangements**

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

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

#### **NERSOU Governance and Area of Business**

The North East Regional Special Operations Unit (NERSOU) is collaboration between the three Forces of Northumbria, Durham and Cleveland categorised as a Joint Operation in line with the *Accounting for Collaboration* guidance issued by CIPFA. The governance of the Joint Operation is managed through a Section 22A collaboration agreement from the Police Act 1996, between all three Chief Constables and Police and Crime Commissioners.

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

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

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

### Financing and Reserves

NERSOU is financed through a combination of Home Office Grants and Force contributions under a fully immersed budget model. The net revenue requirement after the application of all available grant funding, is met by the three Forces with contributions being determined on the basis of Home Office core grant allocations.

The contribution proportions made for 2016/17 are set out in the table below:

Force	Contribution
Northumbria	57.0%
Durham	20.9%
Cleveland	22.1%

The final outturn position for NERSOU was £6.087 million with Northumbria's share of the net cost being £3.470 million as set out below:

	NERSOU Outturn		Northumbria	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Employee Pay and Pensions	5,293	6,361	3,016	3,625
Premises Costs	244	264	139	151
Vehicles and Fuel	122	151	70	86
Travel and Accommodation	57	82	33	47
Communications and Computing	25	54	14	31
Training and Conference Fees	104	58	59	33
Supplies and Services	112	210	64	120
Other Expenses	0	128	0	73
<b>Total Expenditure</b>	<b>5,957</b>	<b>7,308</b>	<b>3,395</b>	<b>4,166</b>
Home Office Grant	852	1,011	485	577
Other Income	170	210	97	119
<b>Total Income</b>	<b>1,022</b>	<b>1,221</b>	<b>582</b>	<b>696</b>
<b>Net Expenditure</b>	<b>4,935</b>	<b>6,087</b>	<b>2,813</b>	<b>3,470</b>

The accounting treatment for NERSOU is that expenditure is shown as £4.166 million (£3.395 million 2015/16) in the Chief Constable's accounts with income of £0.696 million (£0.582 million 2015/16) being accounted for in the Police and Crime Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £3.470 million (£2.813 million 2015/16).

All three Forces have equal representation and rights to control under the Section 22A collaboration agreement. Under this Agreement assets purchased by a Force and provided for



the use of NERSOU are held on the balance sheet of that Force. In addition assets funded through Home Office grants and other contributions are purchased by Northumbria and held for the exclusive benefit of NERSOU. The share of NERSOU assets attributable to Northumbria are held as Property, Plant and equipment (PPE) on the balance sheet of the Police and Crime Commissioner Single Entity and Group accounts in line with the relevant Northumbria contribution rate.

During 2016/17 the three Forces jointly purchased new premises for NERSOU, held under a Trust Agreement signed by the three Police and Crime Commissioners. NERSOU received a capital grant from the Home Office of £1.500 million towards the purchase cost and the balance was funded by capital contributions from the three Forces. The agreed capital contributions for each Force were used to determine the respective share of ownership under the Trust Agreement and form the basis of the cost of the 'Asset Under Construction' held on the Commissioners' balance sheets.

The relative share of ownership is as follows:

Northumbria	37.5%
Durham	37.5%
Cleveland	25.0%

Reserves attributable to NERSOU are also held on the balance sheet of the Police and Crime Commissioner with the share of overall reserves for Northumbria being 57%, equating to £0.393 million as at 31 March 2017. The reserve balance relates to income received through the Asset Recovery incentivisation Scheme (ARIS) which will be carried forward to be utilised in 2017/18, and the surplus generated on the revenue budget in 2016/17 which the NERSOU Joint Committee have also agreed will be carried forward to be used in 2017/18.

### 13. Debtors

These amounts represent payments in advance, such as invoices spanning financial periods and the amount due from the Commissioner for resources consumed by the Chief Constable for which cash payments were not made by the 31 March 2017.

Short-term Debtors	
31 March 2016	31 March 2017
£000	£000
99 Central government bodies	44
74 Public corporations and trading funds	0
9,939 Bodies external to general government	9,270
4,398 Police and Crime Commissioner	7,300
<b>14,510</b>	<b>16,614</b>

**14. Creditors**

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

<b>Short-term Creditors</b>	
<b>31 March 2016</b>	<b>31 March 2017</b>
<b>£000</b>	<b>£000</b>
(4,354) Central government bodies	(5,299)
(262) NHS bodies	0
(1,974) Other local authorities	(1,988)
(131) Public corporations and trading funds	(172)
(17,223) Bodies external to general government	(16,476)
<b>(23,944)</b>	<b>(23,935)</b>

**15. Provisions and Contingent Liabilities****Provisions**

<b>Provisions</b>				
<b>31 March 2016</b>	<b>Additional Provisions Made</b>	<b>Provisions Used</b>	<b>Reversals</b>	<b>31 March 2017</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Short-term provisions</b>				
0 Employee remuneration	(2,150)	0	0	(2,150)
<b>0 Total</b>	<b>(2,150)</b>	<b>0</b>	<b>0</b>	<b>(2,150)</b>

A number of Forces including Northumbria are currently dealing with legal claims from serving and retired officers which relate to a specialist area of policing. These claims are for remuneration in relation to past service under police regulations. The Chief Constable has a number of such claims which are currently subject to legal process expected to conclude in 2017/18. The employee remuneration provision has been made in respect of those claims. The value of the provision has been set at a prudent level estimated to settle claims in 2017/18.

**Contingent Liabilities**

At 31 March 2017, the Chief Constable has identified the following contingent liabilities:

- The Chief Constable for Northumbria, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension Regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims.

The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and

who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 accounting statements.

- 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 2017.

## 16. Financial Instruments

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

The Chief Constable holds the following types of financial instruments:

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

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

The financial instruments carried in the Chief Constable's balance sheet are set out in the table below:

<b>Financial Instruments</b>		
	<b>31 March 2016 £000</b>	<b>31 March 2017 £000</b>
<b>Financial liabilities at amortised cost</b>		
Short-term creditors	(8,320)	(7,570)
<b>Loans and receivables</b>		
Short-term debtors	78	85

## 17. Employee Benefits

### Benefits payable during employment

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

<b>Benefits payable during employment</b>	
<b>2015/16</b>	<b>2016/17</b>
<b>£000</b>	<b>£000</b>
9,434 Police Services	9,471
<b>9,434</b>	<b>9,471</b>
<b>Total employee benefits accrued at the Balance Sheet date</b>	

### Post-employment benefits (pensions)

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

### 18. Defined Benefit Plan: Tyne and Wear Pension Fund

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

In 2016/17, the Chief Constable paid £7.310 million (£7.720 million in 2015/16) to the Pension Fund in respect of pension contributions, with standard contributions representing 13.6% of pensionable pay (13.6% in 2015/16).

The scheme is classified as a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings (CARE) scheme. Scheme benefits are accrued in accordance with the requirements of International Accounting Standard 19 (IAS 19) Employee Benefits. IAS 19 accounts for retirement benefits when they are committed to be given, even if the actual payment is many years into the future. IAS 19 also includes the Chief Constable's share of the fund's assets and liabilities.

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

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

### Assets

The assets allocated to the Chief Constable in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the fund in

relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole can be seen in the Analysis of Scheme Assets table in the disclosures below. Further information on the Tyne and Wear Pension Fund can be found in their Annual Report. This is available from South Tyneside Council's website.

### Transactions relating to retirement benefits

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

<b>Charges to Comprehensive Income and Expenditure Statement</b>				
	<b>Funded Liabilities</b>		<b>Unfunded Liabilities</b>	
	<b>as at 31 March</b>		<b>as at 31 March</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Within Cost of Service</b>				
Current Service Cost	9.13	9.04	0.00	0.00
Past service cost (incl. curtailments)	0.45	0.04	0.00	0.00
<b>Financing, Investment Income &amp; Expenditure</b>				
Interest on net defined benefit Liability / (Asset)	2.93	2.59	0.11	0.12
<b>Pension expense recognised in CIES</b>	<b>12.51</b>	<b>11.67</b>	<b>0.11</b>	<b>0.12</b>
<b>Remeasurements in OCI</b>				
Return on plan assets (in excess of) / below that recognised in net interest	3.84	(46.30)	0.00	0.00
Actuarial (Gains) / Losses due to change in financial assumptions	(21.11)	86.61	(0.15)	0.41
Actuarial (Gains) / Losses due to change in demographic assumptions	0.00	0.11	0.00	0.13
Actuarial (Gains) / Losses due to liability experience	(2.87)	(6.00)	(0.06)	(0.02)
<b>Total Amount recognised in OCI</b>	<b>(20.14)</b>	<b>34.42</b>	<b>(0.21)</b>	<b>0.52</b>
<b>Total Amount charged to CIES</b>	<b>(7.63)</b>	<b>46.09</b>	<b>(0.10)</b>	<b>0.64</b>

## Assets and Liabilities in Relation to Retirement Benefits

Changes to the present value of the defined benefit obligation				
	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31 March	
	2016 £m	2017 £m	2016 £m	2017 £m
<b>Opening defined benefit obligation</b>	<b>326.12</b>	<b>316.70</b>	<b>3.75</b>	<b>3.42</b>
Current service cost	9.13	9.04	0.00	0.00
Interest expense on defined benefit obligation	10.67	10.98	0.11	0.12
Contributions by participants	2.59	2.54	0.00	0.00
Actuarial (Gains) / Losses on liabilities - financial assumptions	(21.11)	86.61	(0.15)	0.41
Actuarial (Gains) / Losses on liabilities - demographic assumptions	0.00	0.11	0.00	0.13
Actuarial (Gains) / Losses on liabilities - experience	(2.87)	(6.00)	(0.06)	(0.02)
Net benefits paid out	(8.28)	(8.70)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.45	0.04	0.00	0.00
<b>Closing defined benefit obligation</b>	<b>316.70</b>	<b>411.32</b>	<b>3.42</b>	<b>3.83</b>

Changes to the fair value of assets during the period				
	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31	
	2016 £m	2017 £m	2016 £m	2017 £m
<b>Opening fair value of assets</b>	<b>233.62</b>	<b>239.32</b>	<b>0.00</b>	<b>0.00</b>
Interest income on assets	7.74	8.39	0.00	0.00
Remeasurement Gains / (Losses) on assets	(3.84)	46.30	0.00	0.00
Contributions by the employer	7.49	7.08	0.23	0.23
Contributions by participants	2.59	2.54	0.00	0.00
Net benefits paid out	(8.28)	(8.70)	(0.23)	(0.23)
<b>Closing fair value of assets</b>	<b>239.32</b>	<b>294.93</b>	<b>0.00</b>	<b>0.00</b>

Reconciliation of the present value of the defined benefit obligation and the fair value of fund assets to the assets and liabilities recognised in the balance sheet		
	31 March 2016 £m	31 March 2017 £m
Present value of defined benefit obligation (funded)	316.70	411.32
Present value of defined benefit obligation (unfunded)	3.42	3.83
Asset / (Liability) recognised on the balance sheet (funded)	(77.38)	(116.39)
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.42)	(3.83)
<b>Fair value of assets</b>	<b>239.32</b>	<b>294.93</b>

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

Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a gain of £54.690 million (£3.900 million gain in 2015/16).

<b>Analysis of Scheme Assets</b>				
<b>Asset</b>	<b>Asset split at</b>	<b>Asset split at</b>		
	<b>31 March 2016</b>	<b>31 March 2017</b>		
	(%)			(%)
	Total	Quoted	Unquoted	Total
Equities	<b>66.1</b>	59.5	7.4	<b>66.9</b>
Property	<b>10.4</b>	0.0	9.2	<b>9.2</b>
Government bonds	<b>3.7</b>	3.9	0.0	<b>3.9</b>
Corporate bonds	<b>11.6</b>	11.5	0.0	<b>11.5</b>
Cash	<b>2.6</b>	2.6	0.0	<b>2.6</b>
Other*	<b>5.6</b>	3.5	2.4	<b>5.9</b>
	<b>100.0</b>	<b>81.0</b>	<b>19.0</b>	<b>100.0</b>
* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.				

### Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Chief Constable is liable to pay retirement benefits. The total liability has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet, reducing the overall balance by £120.22 million. However, statutory regulations for funding the deficit mean that the financial position of the Chief Constable remains healthy, as the deficit on the local government scheme will be made good by future contributions over the remaining working life of employees, as assessed by the scheme actuary:

<b>History of asset values, defined benefit obligation and surplus / (deficit)</b>					
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Present value of the defined benefit obligation					
- Funded liabilities	(291.52)	(278.70)	(326.12)	(316.70)	(411.32)
- Unfunded liabilities	(3.98)	(3.62)	(3.75)	(3.42)	(3.83)
Fair value of fund assets	193.35	205.65	233.62	239.32	294.93
<b>Surplus / (Deficit) in the scheme</b>	<b>(102.15)</b>	<b>(76.67)</b>	<b>(96.25)</b>	<b>(80.80)</b>	<b>(120.22)</b>

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

Members	%
Actives	45
Deferred Pensioners	17
Pensioners	38

### Actuarial Assumptions

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

A building block approach is employed in determining the rate of return on fund assets. Historic markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out in the (analysis of scheme assets) table on the previous page. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2017.

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded	
	2015/16	2016/17	2015/16	2016/17
<b>Financial assumptions (% per annum)</b>				
Discount Rate	3.5	2.6	3.5	2.6
Rate of Inflation (CPI)	1.8	2.0	1.8	2.0
Rate of Inflation (RPI)	2.9	3.1	2.9	3.1
Rate of increase in salaries	3.3	3.5	n/a	n/a
Rate of increase to pensions in payment	1.8	2.0	1.8	2.0
Pension accounts revaluation rate	1.8	2.0	n/a	n/a
<b>Mortality assumptions</b>				
Future lifetime from age 65 (aged 65 at accounting date)				
Men	23.2	22.8	23.2	22.8
Women	24.8	26.3	24.8	26.3
Future lifetime from age 65 (aged 45 at accounting date)				
Men	25.3	25.0	n/a	n/a
Women	27.1	28.6	n/a	n/a



Commutations	
Year ended 31 March 2017	Each member was 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 maximum permitted.
Year ended 31 March 2016	Each member was 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 maximum permitted.

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

### Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2017 and the projected service cost for the year ending 31 March 2017. 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	<b>+0.1% p.a</b>	Base Figure	<b>-0.1% p.a</b>
Present value of total obligation (£M)	402.29	411.32	420.55
Change in present value of total obligation	-2.2%		2.2%
Projected service cost (£M)	12.64	13.07	13.51
Approximate change in projected service cost	-3.3%		3.4%
Rate of general increase in salaries	Adjustment to Rate		
Adjustment to salary increase rate	<b>+0.1% p.a</b>	Base Figure	<b>-0.1% p.a</b>
Present value of total obligation (£M)	413.96	411.32	408.71
Change in present value of total obligation	0.6%		-0.6%
Projected service cost (£M)	13.07	13.07	13.07
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	<b>+0.1% p.a</b>	Base Figure	<b>-0.1% p.a</b>
Present value of total obligation (£M)	417.88	411.32	404.87
Change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M)	13.51	13.07	12.64
Approximate change in projected service cost	3.4%		-3.3%
Post retirement mortality assumption	Adjustment to Rate		
Adjustment to mortality age rating assumption*	<b>- 1 year</b>	Base Figure	<b>+ 1 year</b>
Present value of total obligation (£M)	423.3	411.32	399.4
Change in present value of total obligation	2.9%		-2.9%
Projected service cost (£M)	13.53	13.07	12.61
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 Chief Constable for the accounting period to 31 March 2018 are estimated to be £11.090 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. This is estimated as 22.2 years.

## 19. Defined Benefit Plan: Police Pension Schemes

The Police Pension Schemes are wholly unfunded final salary defined benefits schemes. Contributions and pensions are made to and paid from the Police Pension Fund, which is balanced to nil at the end of each financial year by receipt of a top-up pension grant from the Home Office. There are no investment assets built up to meet the pensions' liabilities and cash has to be generated by the Home Office to meet the actual pension payments as they eventually fall due. The results have been calculated by carrying out a detailed valuation of the data provided as at 31 March 2015, for the latest funding valuation. This has then been rolled forward to reflect the position as at March 2017, allowing for additional service accrued between 1 April 2015 and 31 March 2017, and known pension and salary increases that would have applied. The transactions shown have been made during the year:

Charges to Comprehensive Income and Expenditure Statement		
	31 March 2016 £m	31 March 2017 £m
<b>Net Cost of Services</b>		
Current service cost	61.63	46.09
Past service cost	0.02	0.00
<b>Financing and investment income and expenditure</b>		
Pension interest cost	118.11	109.24
<b>Total charge to Provision of Services</b>	<b>179.76</b>	<b>155.33</b>
Remeasurement of the net Defined Liability / (Asset)	(647.03)	586.73
<b>Total IAS 19 charge to Comprehensive Income and Expenditure</b>	<b>(467.28)</b>	<b>742.06</b>

## 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					
	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Present value of the defined benefit obligation	(3,092.45)	(3,142.93)	(3,602.47)	(3,100.36)	(3,807.81)
Surplus / (Deficit) in the Scheme	<b>(3,092.45)</b>	<b>(3,142.93)</b>	<b>(3,602.47)</b>	<b>(3,100.36)</b>	<b>(3,807.81)</b>

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 37 years, the New Police Pension Scheme 2006 is around 38 years, and for the Police Pension Scheme 1987 it is around 20 years.

The weighted average duration of the defined benefit obligation for all police officer Pension Schemes, on a consolidated basis are around 21 years.

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

<b>Reconciliation of the fair value of scheme assets</b>		
	<b>31 March 2016 £m</b>	<b>31 March 2017 £m</b>
<b>Opening fair value of assets</b>	<b>0.00</b>	<b>0.00</b>
Actuarial Gains and (Losses) on assets	62.52	57.54
Contributions by employer	34.83	34.61
Contributions by participants	16.73	16.04
Transfers in	1.55	0.28
Net benefits paid	(115.63)	(108.47)
<b>Closing fair value of assets</b>	<b>0.00</b>	<b>0.00</b>

#### Analysis of movement in scheme liability

<b>Analysis of the movement in scheme liability</b>		
	<b>31 March 2016 £m</b>	<b>31 March 2017 £m</b>
Net Surplus / (Deficit) at the beginning of year	(3,602.47)	(3,100.36)
Current service cost	(61.63)	(46.09)
Cost covered by employee contributions	(16.73)	(16.04)
Past service cost	(0.02)	0.00
Pension transfers in	(1.55)	(0.28)
Net interest on the net defined benefit Liability / (Asset)	(118.11)	(109.24)
Net benefits paid	115.63	108.47
Remeasurements of the net defined Liability / (Asset)	584.51	(644.27)
Net Surplus / (Deficit) at the end of year	<b>(3,100.36)</b>	<b>(3,807.81)</b>

#### Expected Future Contributions

The expected contributions to be made to the Police Pension Schemes by the Chief Constable for the accounting period to 31 March 2018 are estimated to be £33.920 million compared to £34.610 million paid in 2016/17.

#### 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 2016	31 March 2017
Discount rate (Rate of Return)	3.55%	2.65%
Rate of inflation - pension increases (CPI)	2.20%	2.35%
Rate of inflation (RPI)	3.35%	3.50%
Rate of increase in salaries (long term)	4.20%	4.35%
Rate of increase in salaries (short term)	1.00%	1.00%
Rate of revaluation for CARE pensions	3.45%	3.60%
Rate of return in excess of:		
Earning increases (long term)	(0.65%)	(1.70%)
Earning increases (short term)	2.55%	1.65%
Pension increases	1.35%	0.30%

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.
Police Pension Scheme 2015	18.75% of 2015 Scheme pensions are assumed to be commuted, except for members who also have 1987 Scheme pension for whom no specific allowance is made.

Mortality Assumptions				
	Normal Health		Ill Health	
	2015/16 (years)	2016/17 (years)	2015/16 (years)	2016/17 (years)
Future Lifetime at 65 for current pensioners				
Men	23.1	23.2	20.6	20.7
Women	25.1	25.2	22.6	22.7
Future Lifetime at 65 for future pensioners (currently aged 45)				
Men	25.1	25.2	22.8	23.0
Women	27.2	27.3	25.9	26.0

The results of any actuarial calculations are inherently uncertain because of the assumptions which must be made under IAS19 to reflect market conditions at the valuation date. The increase in the scheme liability attributed to the re-measurement of the net defined benefit pension liability is primarily caused by the change in the discount rate assumption from 3.55% last year to 2.65% this year. The following table sets out the sensitivity to the main assumptions:

Sensitivity to main assumptions			
Change in assumption*		Approximate effect on scheme liability	
		%	£ Million
Rate of discounting scheme liabilities	+ 0.5% a year	(9.8%)	(373.3)
Rate of increase in salaries	+ 0.5% a year	1.2%	45.6
Rate of increase in pensions / deferred revaluation	+ 0.5% a year	9.2%	350.4
Life expectancy - each pensioner subject to longevity of an individual 1 year younger than assumed		2.6%	98.3
Early Retirement - each member assumed to retire 1 year later than expected		(0.1%)	(2.9)
* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO.			

## 20. Segmental analysis

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

## 21. Restatement of 2015/16

The Comprehensive Income and Expenditure Statement has been restated to present the Net Cost of Services as required by the 2016/17 CIPFA Code of Practice. The 2016/17 Code requires that authorities report expenditure and income on services based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice (SeRCOP)* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

The new CIES format is in line with the revenue budget reporting structure and governance arrangements between the Chief Constable and Police and Crime Commissioner. The service lines in the Chief Constable's CIES are as follows:

**Police Services** – this line represents the budget delegated to the Chief Constable to enable the discharge of the activities under the Chief Constable's direction and control.

**Policing Funds (managed by the PCC)** – this line represents expenditure against specific funds such as Innovation and Transformation funded schemes and the Night Time Economy fund which are under the direction and control of the Police and Crime Commissioner but with costs attributed to policing.

## 22. Events after the Reporting Period

There are no events after the reporting period to note.

## 23. Authorisation of accounts for issue

The Chief Constable's Statement of Accounts for the financial year ended 31 March 2017 was approved by the Chief Constable and authorised for issue on 19 September 2017.

# Supplementary Financial Statements

## Comprising:

- Police Pension Fund

## Police Pension Fund

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2016/17 and shows comparative figures for 2015/16.

2015/16 £000	FUND ACCOUNT	2016/17 £000
(29,362)	Normal	(24,961)
0	Additional funding payable by the local policing body to meet the deficit for the year	(3,399)
(746)	Other (Ill Health Retirements)	(613)
<b>(30,108)</b>	<b>Contribution Receivable from Employer</b>	<b>(28,973)</b>
(16,740)	Contribution Receivable from Members	(16,041)
<b>(16,740)</b>	<b>Contribution Receivable from Members</b>	<b>(16,041)</b>
<b>(46,848)</b>	<b>Contributions Receivable</b>	<b>(45,014)</b>
(1,549)	Individual Transfers in from other schemes	(280)
<b>(1,549)</b>	<b>Transfers in</b>	<b>(280)</b>
76,883	Pensions	79,431
23,396	Commutations and Lump Sum Retirement Benefits	22,969
0	Lump Sum Death Benefits	0
172	Other (Inter Authority Adjustments / LTA Payments)	162
<b>100,451</b>	<b>Benefits Payable</b>	<b>102,562</b>
15	Refunds of Contributions	36
956	Individual Transfers Out To Other Schemes	105
<b>971</b>	<b>Payments To and On Account of Leavers</b>	<b>141</b>
<b>101,422</b>	<b>Total Benefits Payable</b>	<b>102,703</b>
<b>53,025</b>	<b>Net amount payable for the year before contribution from the Police Fund</b>	<b>57,409</b>
<b>(53,025)</b>	<b>Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account</b>	<b>(57,409)</b>
<b>0</b>	<b>Net Amount (Receivable) / Payable In Year</b>	<b>0</b>

There is an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes in 2016/17, being reflected in a reduction in HMT pensions top up funding.

# Notes to the Supplementary Financial Statements

## 1. Scheme description

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

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

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

## 2. Administration of the Fund

The Chief Constable is Scheme Manager<sup>7</sup> for the Police Pension Fund.

## 3. Accounting Policies

The accounting policies detailed in this Statement of Accounts 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 19).

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



# Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual statement of accounts 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 CIPFA/SOLACE *'Good Governance: Framework'* and explains how the Chief Constable of Northumbria Police Force has complied with this framework and meets the statutory requirements of regulations.

## Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011 sets out the accountability and governance arrangements for policing and crime matters. The Act establishes both the Police and Crime Commissioner (PCC) 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 PCC. Both the PCC and Chief Constable are subject to the Accounts and Audit Regulations 2015, as such both must prepare their statements of account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual Annual Governance Statement, both of which are subject to external audit.

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

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

The Chief Constable is also responsible for putting-in-place proper arrangements for the governance of the Force and ensuring that these arrangements comply with the PCC'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 PCC have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE *'Good Governance: Framework'*.

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

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

### **The Governance Framework**

The governance framework in place throughout the 2016/17 financial year covers the period from 1 April 2016 to 31 March 2017 and any issues which arise up to the date of approval of the annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the PCC's Scheme of Governance. It is through the application of this framework that the Chief Constable is able to both monitor and deliver the objectives of the Force and provides assurance to the PCC that these objectives are leading to the delivery of appropriate and cost effective policing services which provide value for money. This is a duty under the Local Government Act 1999.

The 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 PCC'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 PCC website at <https://goo.gl/rwZkEB> (This is a shortened URL that will take you to the document on our website).

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel and making proper arrangements for the governance of the Force. The role is accountable to the PCC for the exercise of those functions. The Chief Constable must therefore satisfy the PCC 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 PCC's Governance Framework. It is informed by internal assurances on the achievement of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities

2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

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

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

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

The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. These are set out in the PCC's Police and Crime Plan.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. The Strategic Management Board (SMB) is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. The Chief Constable chairs the Strategic Management Board. Performance is considered in a number of ways: performance compared to previous years; performance compared to agreed service standards; performance compared to peers (most similar family of Forces or nationally); and Direction of travel.

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

Performance and activity in support of the Police and Crime Plan is monitored by Chief Officers as part of regular meetings with respective Senior Police Officers and Directors of Services.

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

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

A Service Level Agreement between the PCC and the CC 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. This arrangement assists the Force to deliver the priorities as set out in the Police and Crime Plan whilst supporting the PCC in her responsibilities to maintain a strategic overview and to undertake her scrutiny and public consultation role.

The Chief Constable and PCC have regular meetings, the minutes of which are published on the PCC website to ensure transparency of decision making.

The governance arrangements for partnership-working are clearly set out and monitored during the year. All Community Safety partnerships carry out regular self-assessments to Home Office guidance. The partnership arrangement with the North East Regional Special Operations Unit (NERSOU), a collaboration between the three Forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored. Other agreements are published on the PCC website under Collaboration Agreements.

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

The Chief Constable launched the '*Proud to Protect*' vision in 2015. The vision is supported by the Force mission to serve the communities of Northumbria with pride – proud of what we do and proud of who we are. Proud to Serve sets out our service values and support for the Code of Ethics. Proud of our People sets out the expectations of our officers and staff. Proud to Improve on how we will do things differently and Proud to Lead on how we lead, empower and welcome the view of others. Further work is currently on going, driven by the Programme of Change to further embed the values that underpin the '*Proud to Protect*' vision. e.g. the Proud To Lead campaign designed to inspire, empower and raise the standards of leadership across all ranks and grades within the organisation.

The HMIC has issued its third PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) assessment of the Force. The report can be found here:

<https://www.justiceinspectorates.gov.uk/hmic/peel-assessments/peel-2016/northumbria/>?

In summary:

- The extent to which Northumbria Police is effective at keeping people safe and reducing crime is **good**.
- The extent to which Northumbria Police is efficient at keeping people safe and reducing crime is **good**.
- The extent to which Northumbria Police is legitimate at keeping people safe and reducing crime is **good**.

From the 2016 PEEL assessment, although all areas were classified with a good assessment there were items identified for improvement, but only one area within the '*Effectiveness*' assessment was an area for concern. Significant progress has now been made to address this concern and therefore it is not included as an action within the AGS:

- The Force's ability to examine digital devices is causing severe delays, hampering the quality of investigations and undermining the service provided to victims.

The PCC is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as complying with the requirements of the Independent Police Complaints Commission. The PCC also operates an independent complaints scrutiny panel that look at upheld complaints made against the Force, looking for lessons learned to improve future practices. Complaints are also reported to each Police and Crime Panel meeting.

The Force has a Professional Standards Department, which reports directly to the Deputy Chief Constable. It is through the work of this department that the Force is able to promote the ethos of personal accountability amongst staff, as well as to investigate allegations of breaches in the code of conduct. Regular communication with both new and existing members of staff reinforce our corporate anti-corruption messages.

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

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

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

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

The PCC and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk, whilst reducing the bureaucracy associated with historic practices. Each strategic risk is assigned to a Chief Officer and OPCC owner who has responsibility for the management of controls and the implementation of new controls where necessary. The register is managed at the Executive Board and presented to the Joint Business Meeting on a quarterly basis. The Joint Independent Audit Committee and the Joint PCC/Chief Constable Governance Meeting provide additional scrutiny and governance on a quarterly basis.

The strategic risk register is also subject to scrutiny by the JIAC.

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

The Force operates a Performance Development Review (PDR) process. Through the PDR process, the Force is able to ensure that the corporate values are reinforced and promoted and that each member of staff has individual objectives which underpin and support the performance of the local policing area or department in which they work, as well as their own personal development. The Force PDR process has been redesigned in line with the values of Proud to Protect and was re-launched in 2016/17 as part of the Proud to Lead campaign.

In recognition of the importance of developing the capacity and capability of the workforce, the learning development structures have been enhanced during 2016/17. A range of internal training resources are provided to meet the identified development needs of the staff. If appropriate, the Force will also use external training events to provide staff with necessary development opportunities. The Force has also embarked on a leadership development programme and launched a pilot scheme during 2016/17. This is one of the key features of the Proud Vision – Proud to Lead.

## **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 PCC'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 maximize the use of those assets and resources over which the Chief Constable has delegated control.



The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2016/17.

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 PCC and Chief Constable conduct their financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services;
- A robust system through which we manage finance, HR, payroll and procurement processes is used throughout the Force. This enables systematic control to be applied, particularly in relation to budget management. This ensures that responsibility and accountability for resources rest with those managers who are responsible for service-provision. This is underpinned by systematic controls which ensure financial commitments are approved by the relevant manager;
- In accordance with the Prudential Code and best accounting practice, the Chief Constable and PCC produce a four year Medium Term Financial Strategy (MTFS) and capital programme. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget and capital programme;
- The MTFS includes known commitments, anticipated resource availability and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities;
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the Chief Constable and sets out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor and report on financial performance;
- Monthly financial performance reports are presented to the Executive Board that focus on year-to-date information and forecast outturn enabling officers to establish a clear understanding of financial performance. These are then presented quarterly to the PCC through the Joint Business Meeting and these are available on the PCC website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year;
- HMIC Value for Money reviews are considered by management and recommendations implemented as appropriate.

## **Review of Effectiveness**

The Chief Constable has responsibility for conducting, at least annually, an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, opinions and reports of our external auditors and other inspection bodies, as well as the work of the CFO and of managers

within the Force who have responsibility for the development and maintenance of the governance environment.

For 2016/17 the review process has been led by the Joint PCC/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

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

### **Internal Audit Overall Assessment & Independent Opinion**

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

During 2016/17 27 internal audits were completed. Of those completed 21 audits concluded that systems and procedures in place were operating well and 6 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 2016/17, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

### **Actions from the 2015/16 Statement**

There were no actions identified in the 2015/16 Annual Governance Statement.

### **2016/17 Governance Issues**

The review has identified no issues that need to be included within the 2016/17 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, we are satisfied that the Chief Constable of Northumbria Police has in place satisfactory systems of internal control which facilitate the effective exercise of their functions and which include arrangements for the governance, control and the management of risk.



SIGNED  
Chief Constable



SIGNED  
Deputy Chief Constable



SIGNED  
Director of Finance and ICT

Date: 19/9/2017



# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHUMBRIA

### Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Northumbria for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Police Pension Fund Account, and the related notes. 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 2016/17.

This report is made solely to the Chief Constable for Northumbria, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Northumbria, for our audit work, for this report or for the opinions we have formed.

### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Northumbria's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Northumbria as at 31 March 2017 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on the Chief Constable for Northumbria's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Chief Constable for Northumbria and the auditor**

The Chief Constable for Northumbria is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable for Northumbria has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable for Northumbria's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Chief Constable for Northumbria has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, the Chief

Constable for Northumbria put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.



Cameron Waddell  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS  
19 September 2017

# 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.
- 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.

**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).

**Best Value:** provides a framework for the planning, delivery and continuous improvement of the Chief Constable’s services. The overriding purpose is to establish a culture of good management for the delivery of efficient, effective and economic services that meet the users’ needs.

**Budgets:** a statement of 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.

**Cash:** comprises cash in hand and demand deposits.

**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.

**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 Chief Constable'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 Chief Constable'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 those activities and costs that provide the infrastructure that allows the information that is required for public accountability of the Chief Constable, for example, freedom of information 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 an entity for goods and services supplied but where payment has not been received at the end of the financial year.

**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 Commissioner's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

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

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

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

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

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

**Events after the Balance Sheet date:** are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts 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.

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

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

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

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

**Gross expenditure:** is the total cost of providing the Chief Constable'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 Police and Crime Commissioner 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 Chief Constable'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 for a period of more than one year.

**Pension fund:** an employee's pension fund which is maintained by an entity (Chief Constable / local authority), or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing body, 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 a fund into which all receipts of a Commissioner must be paid into and from which all expenditure must be paid out of.

**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:** include staff employed in the Commissioner's office and those under the direction and control of the Chief Constable.

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

**Precepts:** are the demands made by the Commissioner on Councils to finance her expenditure.

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

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



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

- A person or a close member of that person's family is related to a reporting entity if that person:
  - Has control or joint control over the reporting entity;
  - Has significant influence over the reporting entity; or
  - Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- An entity is related to a reporting entity if any of the following conditions apply:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - Both entities are joint ventures of the same third party;
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - The entity is controlled or jointly controlled by a person identified in (a);
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- Examples of related parties of a Chief Constable could include:
  - Central government
  - The Police and Crime Commissioner
  - Chief officers, and
  - 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 entity 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 policy purposes or to cover contingencies.

**Retirement benefits:** are all forms of consideration given 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.

**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.

**Strain on the Fund:** when a member of the Local Government Pension Fund is allowed to retire early (for example, efficiency or redundancy) 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. Support services include finance, administration, ICT, legal and other central services.

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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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