

Chief Constable for Northumbria

Statement of Accounts 2017/18



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Narrative Statement

Northumbria Police – Key Facts

Northumbria Police is one of the largest and top performing police forces in the country, serving a population of 1.5 million people from a wide range of various communities, covering an area of more than 2,000 square miles.

Northumbria Police is dedicated to building trust and confidence and reducing crime and disorder in the communities within the North East of England.



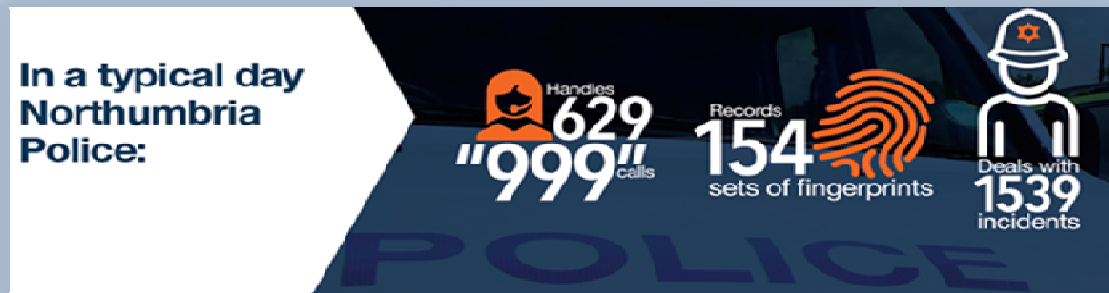
Northumbria Police operates over a three area command structure covering an area from the Scottish border down to County Durham and from the Pennines to the North East coast.

Workforce Numbers

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

2016/17 Number	Workforce	2017/18 Number
3,283	Police Officers	3,171
1,448	Police Staff	1,482
163	Police Community Support Officers (PCSO)	173
208	Special Constables	182

A typical day for Northumbria Police



Our Vision, Mission and Values

Vision for Change

Over the past five years we have made our force more efficient with a significant programme of change and Northumbria Police continues to be recognised as a service which upholds high standards and delivers outstanding service.

It is important for Northumbria Police to be clear about what we want to achieve and how we intend to do it and this is captured in our vision statement:

"Northumbria Police will be outstanding in the service we provide"

Our vision is supported by a mission, which is to serve the communities of Northumbria with pride - 'proud of what we do and proud of who we are'.

Simply put we are Proud to Protect.



Our Values

Our vision and mission are underpinned by a set of core values which define the standards we have set, they confirm our determination to be:

Proud to serve – what the public can expect from us

Proud of our people – what we can expect from our people

Proud to improve – what we can do differently

Proud to lead – what we expect from leaders

These core values create an environment where all officers, staff and volunteers are 'Proud to come to work, proud to represent Northumbria Police, and proud to deliver an outstanding service'.



The Chief Constable launched the Northumbria Police Strategy 2025 in March 2018, clearly outlining the Force's strategic priorities and key enablers. The Northumbria Police vision, mission and values remain unchanged. Underpinning the Force Strategy is a revised governance structure, this will ensure Northumbria Police has an appropriate business framework to help understand how the Force is performing and shape the activities it delivers to meet the requirements of the Police and Crime Plan. The Northumbria Police Strategy 2025 can be found on the Force website at the following link: <https://www.northumbria.police.uk/about-us/policies-plans-and-strategy/plans/>

The Chief Constable

During 2017/18 the Police and Crime Commissioner for Northumbria appointed a new Chief Constable, Mr Winton Keenen. Mr Keenen has served Northumbria Police for over thirty years, starting his career as a police officer on the beat in Southwick, Sunderland. He joined Northumbria Police in 1985, became Assistant Chief Constable in 2014 and Deputy Chief Constable a year later.

On appointment the new Chief Constable said '*I am determined to help build on the excellent work already under way as we continually strive towards our vision to be outstanding in the service we provide to communities*'. He added '*Every day I continue to see people going the extra mile for the communities we serve, all the time meeting ever-changing challenges head-on*'.



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 delegation¹ 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.



¹ 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 £252.943 million to the Chief Constable for 2017/18.

The outturn is £254.227 million, an overspend of £1.284 million, primarily due to the Northumbria response to the increased counter terrorism threat level in 2017 and pay settlements being in excess of the budgeted 1%. Despite national representation by all Forces the Home Office

determined that no additional funding was to be provided in-year. The overspend is partially offset by underspends within the overall Group position and additional use of the Commissioner's general reserve.

Budget reduction plans totalling £12.200 million were achieved in the year bringing the total savings delivered since 2010 to £135.600 million.

Funding secured by the Police and Crime Commissioner of £0.308 million from the National Innovation Fund and £2.154 million from the Police 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

Northumbria has taken the biggest financial cut of all Forces in England and Wales through both the 2010 and 2015 Comprehensive Spending Review (CSR) periods. Central Government formula funding for policing in Northumbria has been reduced by 37% in real terms since 2010. 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 cuts because it receives more in grant in proportion to its Council Tax; around 85% is grant for 2017/18. In addition, Northumbria has the lowest precept of any Police and Crime Commissioner in England and Wales and a low yield through the tax base too.

Northumbria has had to make £135.600 million of cuts and efficiencies to manage the unprecedented scale of funding reductions imposed by the government since 2010. For Northumbria, employee pay accounts for the majority of the annual revenue budget and therefore savings delivered to date have been mainly realised through reductions to the workforce (March 2010 to March 2018):



Workforce Reduction	March 2010	March 2018	Reduction	
	FTE	FTE	FTE	%
Police Officers	4,187	3,171	(1,016)	24%
Police Staff and PCSO	2,534	1,655	(879)	35%
Workforce	6,721	4,826	(1,895)	28%

The Home Office settlement announcement for 2017/18 stated that Police and Crime Commissioners should continue to plan on the basis that their direct resource funding (comprising government grants and precept added together) would remain broadly at flat cash levels when compared with 2016/17, throughout the CSR Period.

The Police and Crime Commissioner for Northumbria received a cash reduction to the Police Grant settlement of 1.4% for 2017/18 that represented a further significant loss in government funding of £3.000 million. The government required each Police and Crime Commissioner to increase Council Tax Precept by the maximum amount under referendum principles in order to maintain the flat cash settlement, passing the cost of funding reductions on to local tax payers.

A flat cash settlement means a real terms funding reduction for policing. The Chief Constable has to deliver significant savings within the annual revenue budget to meet the cost of pay and non-pay inflation, contract increases and other budget pressures.

The requirement to deliver savings has therefore continued into 2017/18. 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 2017/18 included savings of £12.200 million in specific budget areas which were delivered successfully. The net overspend on the Chief Constable's budget for 2017/18 can be attributed mainly to the overspend on officer and staff pay as a result of the government decision to lift the 1% pay cap on public sector pay. The government chose not to fund additional non-consolidated payments to police officers, and one-off lump sum payments awarded to police staff for 2017/18. Local Forces were required to meet this additional cost pressure from within existing resources.

Further reductions are anticipated in future years and have been factored into the latest Medium Term Financial Strategy which demonstrates an affordable position over the next 4 years 2018/19 to 2021/22.

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 between the Chief Constable and the Police and Crime Commissioner.

The Comprehensive Income and Expenditure Statement (CIES) presents the outturn on an accounting basis and that differs from how the Chief Constable actually manages the budget during the year. Capital charges for the use of assets, the cost of annual leave / lieu time balances and accrued pension benefits 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 2017/18

The Police and Crime Commissioner delegated a budget of £252.943 million to the Chief Constable for 2017/18, to enable the discharge of the activities under the Chief Constable's direction and control. The net outturn position is an overspend of £1.284 million, mainly attributable to additional employee costs as a result of the pay award for officers and staff.

Details of the 2017/18 revenue outturn are set out in the following table:

Revenue Outturn 2017/18					
Budget Heading	Revised Estimate 2017/18 £000	Expenditure 2017/18 £000	Income 2017/18 £000	Provisional Outturn 2017/18 £000	Variance 2017/18 £000
Employee Pay and Pensions	220,986	225,948	(2,809)	223,139	2,153
Contributions and Subscriptions	1,307	1,476	-	1,476	169
Corporate Communications	123	134	(31)	103	(20)
Crime	6,012	5,895	(316)	5,579	(433)
Prosecution Support	1,835	1,981	(66)	1,915	80
Safeguarding	259	321	-	321	62
Estates	7,453	8,080	(468)	7,612	159
Fleet	3,070	3,151	(128)	3,023	(47)
Human Resources	288	241	-	241	(47)
Information & Communications Technology	7,802	7,495	-	7,495	(307)
Legal Services	235	365	(77)	288	53
Professional Standards	5	-	-	-	(5)
Mutual Aid	79	35	-	35	(44)
Occupational Health Unit	657	618	-	618	(39)
Procurement	223	1,813	(1,487)	326	103
Business Support	2,992	3,590	-	3,590	598
Training	1,031	1,389	(278)	1,111	80
Volunteers	98	98	(9)	89	(9)
Insurance	1,454	736	-	736	(718)
Other Income	(2,966)	-	(3,463)	(3,463)	(497)
Budget Outturn	252,943	263,366	(9,132)	254,234	1,291
External Funding Schemes	-	5,901	(5,908)	(7)	(7)
Net Expenditure	252,943	269,267	(15,040)	254,227	1,284

The Chief Constable's budget position is subject to regular monitoring and scrutiny throughout the year. The forecast overspend position and the increased requirement for use of reserves was identified within the second quarter of the year and is therefore fully reflected within the Commissioner's current Medium Term Financial Strategy (MTFS) 2018/19 to 2021/22 which demonstrates an affordable position over the medium term.

The overspend of £1.284 million against the budget delegated to the Chief Constable is mainly attributable to Employee Pay and Pensions. The additional expenditure is primarily due to the Northumbria response to the increase terrorism threat level in 2017 and pay settlements being in excess of 1% budget in 2017/18. Despite national representation by all Forces, the Home Office determined that no additional funding was to be provided in-year.

Employee Pay and Pensions

The overspend on Employee Pay and Pensions of £2.153 million includes £1.879 million over spend against the workforce budget, which primarily relates to the 2017 pay awards agreed for officers and staff. For 2017 the Government took the decision to lift the pay cap for public sector pay. In addition to the budgeted pay award of 1%, police officers were awarded a 1% non-consolidated bonus and police staff were awarded a one-off 1% lump sum payment. The government have chosen not to fund these additional payments, requiring forces to fund the additional cost pressure from within existing resources.

Also included within the Employee Pay and Pensions position is an over spend of £0.357 million which relates to the workforce costs incurred due to the Northumbria response to the increased counter terrorism threat level in 2017.

Non Pay Budgets

Key variances within non-pay include:

- Crime - an under spend of £0.345 million in the contribution required from Northumbria to the North East Regional Special Operations Unit (NERSOU). This was attributable to a number of vacancies across the unit and additional funding received in-year from the Police Transformation Fund.
- Business Support - an over spend of £0.598 million attributed to reactive repairs and other supplies and services.
- Insurance - following advice from the Commissioner's insurers and taking a professional view in relation to claims history, the insurance provision was reduced from £1.681 million to £1.022 million at the Balance Sheet date, resulting in an under spend against the Chief Constable's revenue budget.
- Income - additional income received of £0.497 million including a one-off refund relating to the VAT treatment for seized vehicles and increased Police Led Prosecutions.

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 2017/18. The underspend position of £0.007 million reflects a net transfer to the external funding reserve held by the Commissioner. The outturn includes expenditure of £0.085 million against funds received in previous years and held in the Commissioners reserve, plus

income of £0.092 million received in 2017/18 which has been transferred to the reserve as at 31 March 2018 to be used in 2018/19.

In addition to the Chief Constable's expenditure set out within the revenue outturn position, expenditure of £0.900m has been incurred in relation to workforce exits. These comprise redundancy payments and pension costs associated with the early release of pension benefits.

Details of performance are set out later in this narrative statement.

Capital Programme

Under the terms of the funding arrangement between the Police and Crime 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 £9.553 million in 2017/18, 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.

Governance

Governance arrangements are set out in the Annual Governance Statement (AGS) published with 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 Police and Crime Commissioner's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money and to maximise the use of those assets and resources 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 Police and Crime Commissioner 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 (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 2017/18.

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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner'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 Police and Crime Commissioner through the Joint Business Meeting and these are available on the Police and Crime Commissioner website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year.
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (**HMICFRS**) Value for Money reviews are considered by management and recommendations implemented as appropriate.

Performance Information - Delivery of the Police and Crime Plan

Domestic and Sexual Abuse



The number of sexual offences reported has increased from 9 per day to 12 per day for the year to February 2018. The increase in reporting is due to improved crime recording, victims reporting historical abuse and complex investigations which uncover multiple victims and offenders.

A new service was introduced in November 2017 to improve safeguarding of victims of two or more sexual offences. The services include assessments and reviews; with safeguarding interventions and referrals to support agencies taking place.

The percentage of domestic abuse victims satisfied with the policing response provided was 92% for 12 months to February 2018. In addition, the percentage of victims who were confident to report further abuse to the police was 93% during the same period.

The Multi-Agency Tasking and Co-ordinating Conference (MATAC) process identifies the most harmful domestic abuse offenders and ensures agencies work in partnership to reduce their offending. The MATAC process was independently evaluated by Sunderland University in June 2017, who identified the project as achieving its objectives of preventing further domestic abuse offending, improving victim safety, improving criminal justice outcomes, improving partnership working and improving offender behaviour.

The development of Multi-Agency Safeguarding Hubs (MASH) is an operating model across all six local authority areas with the ability to provide a holistic response to vulnerable children and adults based on their individual needs and the needs of their family. At the heart of this model are the following principals:

- Information sharing
- Joint decision making
- Co-ordinated intervention

Putting Victims First



Victims of crime report high levels of satisfaction with the Force:

- 95% Ease of contact
- 90% Time of arrival
- 82% Action taken
- 70% Follow-up
- 97% Treatment
- 83% Whole experience

A new survey model has been launched which will support the Force to better meet the needs of victims and service users. Key benefits include:

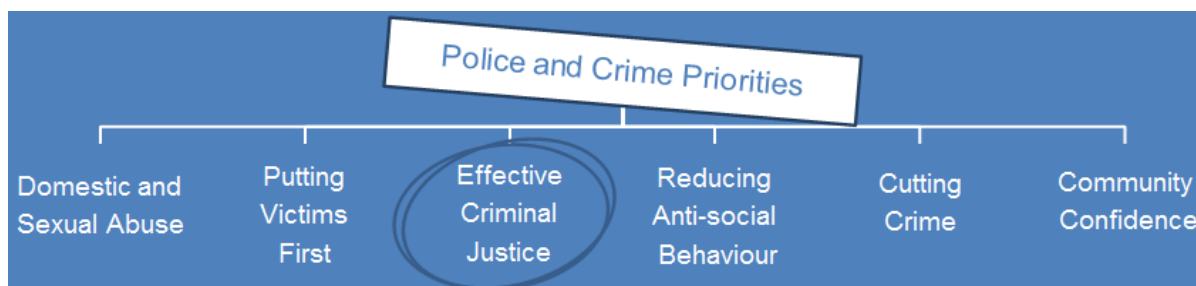
- Greater focus on vulnerability, with more surveys conducted with those who identify a need on a victims' need assessment.
- Consultation with domestic abuse, rape and repeat victims, as well as those who have been through the criminal justice system.

In September 2017, a new Victims and Witnesses webpage was launched with links to the Victims' Code of Practice, advice on Victims' Right to Review, Victims First Northumbria (VFN) and useful information on crime prevention, as well as helpline numbers.

All Forces have experienced an increase in calls to emergency and non-emergency calls, at 15% and 11% respectively. Call handling times have also increased as call handlers spend more time carrying out detailed risk assessments. In response, Northumbria Police has implemented changes which include improving how the call handlers are resourced, supervised, supported and performance managed. As of February 2018 answer rates for 999 calls are now at 100%, with average waiting times of 7 seconds.

The Force has had success using the Street Triage Team, which includes a police officer and a Mental Health (MH) nurse, who can attend to provide face-to-face support to a person in crisis. This is a streamlined service which has resulted in more effective and efficient decision making to support vulnerable people.

Effective Criminal Justice System



Northumbria Police is piloting a new programme of work aimed at first time and/or low level offenders. The conditional caution pathways are unique and by adopting these outcomes for appropriate offences, it places the victim at the heart of the conversation, addressing offending behaviour and leading to improved victim satisfaction. The pathways have been developed through work with statutory organisations, local and national organisations and charities.

The way Northumbria Police investigates and documents crime is under review, this includes rape, sexual offences and domestic abuse. For the year to February 2018, conviction rates for rape, sexual offences and domestic abuse are:

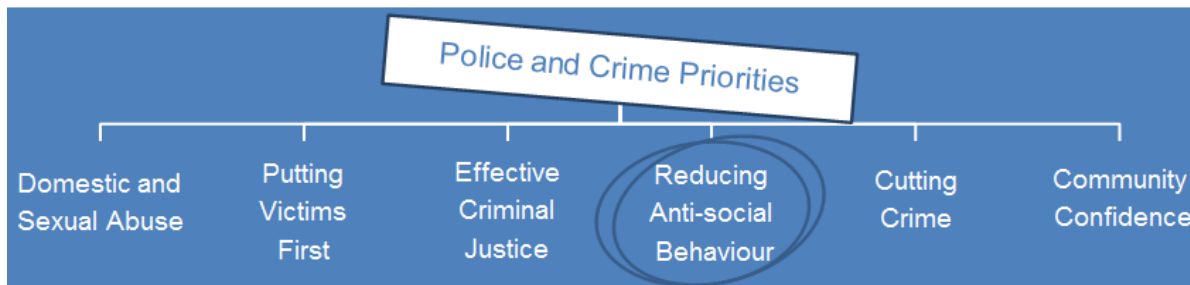
- 52% Rape
- 83% Other sexual offences
- 71% Domestic abuse

Remote Evidence suites are well used, increasing the likelihood of victims attending court, which in turn increases the number of convictions at court.

The use of Body Worn Video increases the opportunities for improving available evidence which can be particularly useful in cases of rape, sexual offences and domestic abuse. Evaluations around the country have shown that using BWV can:

- Increase early guilty pleas, reduce court time and speed up the criminal justice process.
- Reduce challenges to evidence in court.
- Reduce the reliance on victim evidence particularly those who may be vulnerable or reluctant to attend court.
- Increase the number of evidence led prosecutions.
- Reduce incidents of violent crime.
- Promote public reassurance.

Reducing Anti-Social Behaviour



A new anti-social behaviour survey was introduced in September 2017. The survey questions have been designed to provide greater insight into the victim experience and the information is used to identify areas for improvement. The results are below:

- 92% Ease of contact
- 90% Time of arrival
- 87% Action taken
- 66% Follow-up
- 97% Treatment
- 82% Whole experience

The Force has taken steps to improve service delivery to the public by enhancing the role of Police Community Support Officers (PCSOs). Pilot sites have been established in three neighbourhoods in Newcastle, North Tyneside and South Tyneside, where PCSOs have been trained in problem solving activities relating to crime and anti-social behaviour issues and Harm Reduction Plans (HRP).

The Force is working on an online guidance toolkit in partnership with North Tyneside Council. The anti-social behaviour toolkit can be used by the community to help them understand how issues that matter to them can be resolved.

Cutting Crime



The number of recorded crimes increased from 124,179 in 2016/17 to 153,821 in 2017/18. However, this increase does not automatically translate into a marked rise in offending; the increases are largely attributable to improvements in crime recording practices and increased confidence of victims to report crimes.

Significant work has been undertaken to improve standards of crime recording, under four broad themes:

- Leadership
- Process change – Implementation of crime recording at source
- Training
- Improved quality assurance and rectification

There are a number of offence types which have been influenced to a lesser extent, albeit not entirely, by improvements in crime recording standards. Within Northumbria, those offences which are more likely to be actual increases in offending include burglary dwelling, vehicle crime, theft (including shoplifting) and some offences within the violent crime category including most serious violence.

The Crime Survey for England and Wales reports the Force is 8th lowest in the country (8.6%) for risk of personal crime, and the risk of household crime in Northumbria is at its lowest since the measure was introduced in 2007 (5.5%).

Within the night time economy (NTE) environment Northumbria Police are working with a range of agencies and volunteers to ensure a safe environment. Partners include the North East Ambulance Service, street pastors and street and taxi marshals. Vulnerability training is delivered to takeaways, promoters, security staff, licensee and taxi drivers in key areas and the Force works closely with universities and student event organisers to deliver crime prevention and safety messages to students. All NTE plans have been reviewed following the terror attacks in Manchester and London to ensure adequate protection for crowded areas.

The Force is working on a Modern Day Slavery protocol (MDS) which will provide a strategy and ability to respond to this emerging area. As a result of a recent investigation 9 defendants were charged with offences of trafficking, slavery and controlling prostitution. The Force is working with a number of agencies and other police authorities to investigate MDS related crimes.

The Force is also working with partners to tackle crimes of Child Sexual Exploitation (CSE) and Sexual Exploitation (SE). This work focuses on community engagement, raising awareness and training to share information and promote confidence.

In March 2017, a new banking protocol was launched aimed at improving early intervention to protect victims of cyber-crime by empowering banks to inform the police at an early stage of any concerns. As of 15th February 2018, Northumbria Police dealt with 84 incidents, made 10 arrests and stopped fraudulent transactions worth £0.796 million.

Community Confidence



Residents within the Force area are surveyed jointly by the police and local council about community safety issues:

- 86% Think the Police do a good or excellent job in their neighbourhood.
- 97% Feel safe in their local area.
- 54% People who believe the level of visibility in their local area is about right.

Northumbria Police are undertaking a number of activities to improve engagement with communities to tackle hate crime, including training, hate crime and community tension monitoring groups, improved victim support, media campaigns and events.

Throughout 2017, community engagement activity prioritised engagement with Muslim, Jewish, LGBT and Roma Traveller/Gypsy communities. The key priority for 2018 will be building better relations with Eastern European communities and people with disabilities.

The way communities engage and interact with Police is changing and there is a need to develop creative communication channels to provide relevant information, accessible contact points, timely feedback, and success stories for reassurance and maximise the way technology is used, including:

- 'MyStreet' app is a reporting tool for the public, directing issues and concerns to the appropriate authority and away from the police. The app is currently live in five of the six local authorities and will go live in Sunderland before the end of March 2018.
- An updated website will support more digital services including over 30 online forms as well as detailed advice and information.
- Web Chat is available through the website and allows members of the public to speak directly with an operator within the Communications Department at a time and place that is convenient for them.

- 'Your Northumbria', a community messaging tool went live in June 2017 which allows officers and staff to engage directly with targeted community groups to provide information and reassurance.

Collaboration

During 2017/18 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.
- 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 collaboration between the three Forces of Northumbria, Cleveland and Durham.

NERSOU is one of 10 ROCUs (Regional Organised Crime Units) across England and Wales. The unit works with embedded partners from Her Majesty's Revenue and Customs (HMRC), UK Border Force and the National Crime Agency (NCA) to make the region a place hostile to serious and organised crime.

NERSOU is categorised as a Joint Operation in line with the *Accounting for Collaboration guidance* issued by CIPFA.

The NERSOU revenue outturn position for 2017/18 and the share attributable to Northumbria is set out in the following table:

NERSOU Outturn 2017/18	NERSOU £000	Northumbria £000
Expenditure	9,142	4,791
Income	(2,580)	(1,352)
Net Expenditure	6,562	3,439
Funded by:		
Force Contributions	6,683	3,502
Transfer to NERSOU Reserve	(121)	(63)
Total	6,562	3,439

The Chief Constable made a revenue contribution of £3.502 million to NERSOU for 2017/18. This contribution is included within the Crime heading in the Chief Constable's revenue budget outturn. The transfer to the NERSOU reserve reflects income and force contributions during 2017/18 which are held in the Commissioner's reserves to be used in 2018/19.

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

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 2018/19. 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 2018/19.

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.

Accounting for Pensions

Retirement benefits (pensions) are offered to officers and staff as part of the terms and conditions of employment. Employees can choose to opt out of the scheme at any time. Although benefits will not be payable until employees retire, the Chief Constable has a commitment to account for these at the time that employees earn their future entitlement.

Pensions are accounted for in accordance with International Accounting Standard 19 (IAS19). This standard is based on a principle that an organisation should account for its retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. The net overall impact of IAS19 accounting entries is neutral in the accounts. The pension liability, which is disclosed on the Balance Sheet, (balanced by the Pension Reserve) shows the underlying commitment that the Chief Constable has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet.

Police officers can be members of either the Police Pension Scheme (1987), the Police Pension Scheme (2006) or the Police Pension Scheme (2015), known collectively known as the Police Pension Scheme. This is a wholly unfunded scheme for which the Chief Constable is Scheme Manager². The Fund is governed by a Police Pensions Board, established in 2015, under Section 5 of the Public Services Pensions Act.

The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries and additional contributions for officers retiring due to ill health. The regulations³ governing funding arrangements require that if the Pension Fund does not have sufficient funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Police Fund to the Pension Fund. 100% of this deficit is met through the payment of a top-up grant paid by the Home Office. The top-up grant paid by the Home Office in 2017/18 is £64.669 million.

Police staff can be members of the Tyne and Wear Pension Fund, a Local Government Pension Scheme administered by South Tyneside Council. The Chief Constable makes employer contributions on the basis of an agreed percentage of employees' pensionable salaries to the Tyne and Wear Pension Fund. Employer contributions are based on an independent actuarial valuation of the fund which is carried out every three years. The Chief Constable also has to meet the pension costs of employees who have left employment due to ill health or where early retirements have been agreed, and makes additional contributions to make good the shortfall in the pension fund, known as deficiency payments.

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

The pension liability on the Balance Sheet shows the underlying commitment that the Chief Constable has in the long run to pay post-retirement benefits. The total liability of £4.098 billion (£3.928 billion in 2016/17) has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains healthy.

² Public Service Pension Act 2013 (section 4)

³ Police Pension Fund Regulations 2007 (SI 2007/1932)

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 29)** - 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 31)** - 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 32)** - 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 33)** - 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 66)** - This shows the Police Pension Fund Account for the year, for which the Chief Constable is the Scheme Manager ⁴.

Documents Supporting the Statement of Accounts:

- **Annual Governance Statement (Page 68)** - This statement, required by regulations⁵ to accompany the Statement of Accounts, is an assessment of the Chief Constable's corporate governance and internal control.⁶

Significant Changes since 2016/17

Presentation of Financial Statements

There are no significant changes to the financial statements since 2016/17.

A minor presentational change has been made to the statement of accounts in relation to the presentation of reserve balances. These were previously presented in accounting terms in that usable cash reserves were shown as credits (negative values), and therefore

⁴ Public Service Pension Act 2013 (section 4)

⁵ Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from www.legislation.gov.uk)

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

Net Assets and Total Reserves on the Balance Sheet were equal and opposite amounts which summed to nil.

The 2017/18 statements have adopted revised approach to aid a better understanding of those balances presented in the Balance Sheet and reserves statements. Usable cash reserves are now shown as positive values. This results in a changed presentation of the Balance Sheet in that Net Assets and Total Reserves are now either both positive or both negative (i.e. of equal value). 2016/17 balances have therefore been restated on the same basis.

The statements affected are the Balance Sheet, Movement in Reserves Statement (MiRS) and associated notes to the accounts

Outlook for 2018/19 and Beyond

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

The Medium Term Financial Strategy (MTFS) sets out the key financial issues facing the Police and Crime Commissioner and Chief Constable over the period 2018/19 to 2021/22, and provides options for delivering a sustainable budget and capital programme over the medium term.

The overall financial context for Northumbria Police remains extremely challenging.

The Police Grant Report for 2018/19 was published on 31 January 2018 and confirmed that

the 2018/19 grant from central government would be maintained in flat cash terms against 2017/18. This represents a further real terms cut for police funding. The government required each PCC to maximise increases to the Council Tax precept for 2018/19, in order to maintain total funding in real terms. Referendum principles for 2018/19 permitted each PCC to increase the precept by £12 per Band D household.

The severe restrictions on funding from central government are being delivered with the continued expectation that the shortfall is met locally by tax payers.

The government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same precept flexibility. However this commitment is conditional and



requires the police to deliver clear and substantial progress against productivity and efficiency milestones, yet to be determined.

The approach set out in the Police and Crime Commissioner's MTFS 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 £8.200 million, which is greater than the minimum 2% (around £5.500 million) set out in the Reserve Strategy.

It also sets out how the Commissioner can provide the Chief Constable with the resources to deliver the priorities in the Police and Crime Plan.

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.

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 demonstrates that a sustainable financial position can be achieved over the period 2018/19 to 2021/22 and both the Police and Crime Commissioner and Chief Constable 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/>

Funding Formula

The Home Office failed to implement its proposed new funding formula for 2016/17 after a fundamental error was found in the data it was using for its calculations. During 2016 the government re-launched its review of the Police funding formula which continued into 2017.

In the 2018/19 settlement announcement on 19 December 2017 the Minister for Policing and the Fire Service expressed gratitude for the work of the Core Grant Distribution Review team. The Minister further clarified that, in the context of changing demand and in order to prioritise funding certainty for 2018/19, the formula review will now be revisited at the next Spending Review. Therefore there is no change anticipated to the formula used to distribute core grant funding in 2018/19 or 2019/20.

Events after the reporting period

There are no events after the Balance Sheet date to report for the 2017/18 financial year.

Signed: 

Date: 26/07/18

Mike Tait BSc (Econ) CPFA
Director of Finance and IT

Statement of Responsibilities

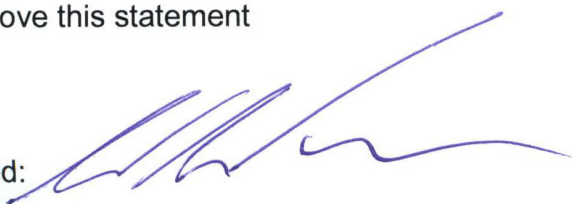
The Chief Constable's Responsibilities

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:

26 /07/18

Winton Keenen

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 2018, 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 2018 and of his income and expenditure for the year ended 31 March 2018.

The status of the statement of accounts is unaudited and that the statement of accounts as published may be subject to change.

Signed:

A handwritten signature in blue ink, appearing to read 'M J Tait', with a long horizontal stroke extending to the right.

Date:

26/07/18

Mike Tait BSc (Econ) CPFA
Director of Finance and IT

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 2017/18

	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Note						
Balance as at 31 March 2017	-	-	(3,928,027)	(9,471)	(3,937,498)	(3,937,498)
<u>Movement in reserves during 2017/18</u>						
Total Comprehensive Income and Expenditure	(140,388)	(140,388)	(32,028)	-	(32,028)	(172,416)
Adjustments between accounting basis & funding basis under regulations	9(b) 140,388	140,388	(140,505)	117	(140,388)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	-	-	(172,533)	117	(172,416)	(172,416)
Transfers to / from Earmarked Reserves	-	-	-	-	-	-
Increase or (Decrease) in Year	-	-	(172,533)	117	(172,416)	(172,416)
Balance as at 31 March 2018	-	-	(4,100,560)	(9,354)	(4,109,914)	(4,109,914)

Movement in Reserves Statement 2016/17

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

Comprehensive Income and Expenditure Statement - Chief Constable

2016/17			Service Expenditure Analysis	2017/18			Notes
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	
300,209	-	300,209	Police Services	319,369	-	319,369	
4,835	-	4,835	Policing Funds (managed by the PCC)	2,648	-	2,648	
-	(291,753)	(291,753)	PCC Financing of Police Services	-	(285,099)	(285,099)	
305,044	(291,753)	13,291	Net Cost of Services	322,017	(285,099)	36,918	
			Financing and Investment Income and Expenditure (Interest on the net defined benefit pension liability / (asset))				
		<u>111,950</u>	(Surplus) or Deficit on Provision of Services			<u>103,470</u>	
		125,241	Re-measurements of the net defined pension benefit liability			140,388	
		<u>621,666</u>	Other Comprehensive Income and Expenditure			<u>32,028</u>	
		621,666	Total Comprehensive Income and Expenditure			32,028	9(a)
		<u>746,907</u>				<u>172,416</u>	

Balance Sheet

31 March 2017 £000		31 March 2018 £000	Notes
16,614	Short-term debtors	17,071	13
16,614	Current Assets	17,071	
(2,150)	Short term provision	(2,150)	
(23,935)	Short-term creditors	(27,135)	14
(26,085)	Current Liabilities	(29,285)	
(3,928,027)	Other long-term liabilities (pensions)	(4,097,700)	
(3,928,027)	Long-term Liabilities	(4,097,700)	
(3,937,498)	Net Assets	(4,109,914)	
	Unusable Reserve		
(9,471)	Accumulated Absences Account	(9,354)	
(3,928,027)	Pensions Reserve	(4,100,560)	
(3,937,498)	Total Reserves	(4,109,914)	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 2018.

Signed:



Dated:

26/07/18

Mike Tait BSc (Econ) CPFA
Director of Finance and IT

Cash Flow Statement

2016/17 £000		2017/18 £000
125,241	(Surplus) or Deficit on the provision of services	140,388
	<u>Adjustments to surplus or deficit on the provision of service for non-cash movements:</u>	
(125,204)	Pension adjustments	(140,505)
(2,150)	Contributions to provisions	-
(37)	Other non-cash movement	117
	<u>Accruals Adjustments:</u>	
2,104	Increase / (Decrease) in Debtors	3,317
46	(Increase) / Decrease in Creditors	(3,317)
-	Net cash flows from Operating Activities	-
-	Net (Increase) / Decrease in cash and cash equivalents	-
-	Cash and cash equivalents at the beginning of the period	-
-	Cash and cash equivalents at the end of the period	-

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

Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	2016/17 Net Expenditure in the Comprehensive Income and Expenditure		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure
£000	£000	£000		£000	£000	£000
Service Expenditure Analysis						
255,257	44,952	300,209	Police Services	255,407	63,962	319,369
4,835	-	4,835	Policing Funds (managed by the PCC)	2,648	-	2,648
(260,092)	(31,661)	(291,753)	PCC Financing of Police Services	(258,055)	(27,044)	(285,099)
-	13,291	13,291	Net Cost of Services	-	36,918	36,918
-	111,950	111,950	Other Income and Expenditure	-	103,470	103,470
-	125,241	125,241	Surplus or Deficit on Provision of Services	-	140,388	140,388
-			Opening General Fund Balance at 31 March	-		
-			Less Deficit on General Fund in Year	-		
-			Closing General Fund at 31 March	-		

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.

2017/18				
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	37,035	(117)	27,044	63,962
Policing Funds (managed by the PCC)	-	-	-	-
PCC Financing of Police Services	-	-	(27,044)	(27,044)
Net Cost of Services	37,035	(117)	-	36,918
Other Income and Expenditure	103,470	-	-	103,470
(Surplus) or Deficit on Provision of Services	140,505	(117)	-	140,388

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)	-	-	-	-
PCC Financing of Police Services	-	-	(31,661)	(31,661)
Net Cost of Services	13,254	37	-	13,291
Other Income and Expenditure	111,950	-	-	111,950
(Surplus) or Deficit on Provision of Services	125,204	37	-	125,241

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 2016/17 £000	Income from services 2017/18 £000
Police Services	(7,762)	(8,012)
Total income analysed on a segmental basis	(7,762)	(8,012)

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 2017/18 (and 2016/17 comparative) is analysed as follows:

Expenditure and Income Analysed by Nature - Chief Constable		
	2016/17	2017/18
Expenditure / Income	£000	£000
<u>Expenditure</u>		
Employee benefits expenses	249,403	274,019
Other employee expenses	3,800	1,874
Premises	9,335	9,120
Transport	4,012	3,966
Supplies and services	20,672	19,443
Third party payments	3,044	2,796
Charge for use of assets	14,778	10,799
Interest on the net defined benefit pension liability	111,950	103,470
Total Expenditure	416,994	425,487
<u>Income</u>		
PCC financing of police services	(291,753)	(285,099)
Total Income	(291,753)	(285,099)
(Surplus) or Deficit on the Provision of Services	125,241	140,388

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 2017/18, 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 (Police and Crime Commissioner) single-entity accounts. The Chief Constable, who is treated as a subsidiary of the Commissioner, has prepared single-entity accounts.

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

The Chief Constable manages expenditure in relation to policing within the budget set by the Commissioner. 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 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 Scheme 1987, the New Police Pension Scheme 2006, the Police Pension Scheme 2015 and the Tyne and Wear Pension Fund, all of which offer defined benefits related to pay and service:

The Police Pension Schemes are unfunded defined benefit schemes, for which contributions are paid into a Pension Fund and pensions paid from the Fund. The deficit on the Fund each year is balanced to nil by receipt of a pension top-up grant via the Commissioner from the Home Office. There are no investment assets built up to meet the pension liabilities and cash has to be generated by the Home Office to meet actual pension payments as they eventually fall.

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

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

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

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

Further information relating to pension costs is included in the Notes to the Accounts.

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 2017/18 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 2017/18 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 2017/18 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 2017/18.

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 2017/18 the following standards have been issued but not yet adopted:

- IFRS 9 *Financial Instruments*.
- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *clarifications to IFRS 15 Revenue from Contracts with Customers*.
- Amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 *Statement of Cashflow*: Disclosure Initiative.

These disclosures will not have a material impact on the financial statements for the Police and Crime Commissioner.

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 2018 for which there is significant risk of material adjustment in the forthcoming financial year is as follows:

Pension Liabilities

Pensions liabilities included in the Balance Sheet are assessed on an actuarial basis which results in an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, rates of inflation and discount rates.

The Pension Fund liabilities for the Police Pension Schemes have been assessed by the Government Actuary Department (GAD), based on the membership data provided at 31 March 2016 for the latest funding valuation, and using the Projected Unit Credit Method ('PUCM'). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the financial year ended as at the Balance Sheet date.

The Pension Fund liabilities for the Tyne and Wear Pension Fund have been assessed by AON Hewitt Limited, an independent firm of actuaries. The assessment of the scheme liability is based on the latest full valuation carried out as at 31 March 2016. The Actuary estimates the Tyne and Wear Pension Fund position as at the Balance Sheet date using a roll-forward methodology. The roll-forward approach uses the latest full valuation results, adjusts these for interest and makes further allowances for changes in liabilities due to:

- The accrual of new benefits and discharge of liabilities through payment of benefits.
- Changes in financial and demographic assumptions under IAS 19.
- The impact of any known experience affecting the liabilities.
- Past service cost, settlements and curtailments.

Further details are included within the notes to the accounts.

Accumulated Absence

These are the costs of holiday entitlements and lieu time earned by police officers and police staff but not taken by the year-end. As balances at 31 March each year do not differ with materiality, the estimated liability is calculated on a 3 year rolling basis using data from resource management systems, and adjusted to reflect changes in workforce numbers, pay inflation and employers contribution rates for pension and national insurance. 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 2018, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are in the Commissioners name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all 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 Commissioners 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 - £10.799 million.
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in the provision of policing - £0.220 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 - £0.022 million in 2017/18.

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

- A debit for the resources consumed by the Chief Constable is included in the Comprehensive Income and Expenditure Account of the Commissioner with a corresponding credit in the Comprehensive Income and Expenditure Statement of the Chief Constable.
- The Chief Constable's Balance Sheet includes any creditors and debtors in relation to the cost of policing, offset by a balancing net debtor for resources consumed by the Chief Constable but no cash payment made by the Commissioner, or payments made by the Commissioner in advance of services received by the Chief Constable at the Balance Sheet date with a corresponding net creditor in the Commissioner's Balance Sheet.

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 2016/17 and 2017/18:

Other Comprehensive Income & Expenditure		
2016/17		2017/18
Unusable		Unusable
Reserves		Reserves
£000		£000
621,666	Re-measurements of the net defined benefit pension liability	32,028
621,666	Total Other Comprehensive Income and Expenditure	32,028

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					
2016/17			2017/18		
Usable Reserves General Fund £000	Unusable Reserves Pension Fund £000		Usable Reserves General Fund £000	Unusable Reserves Pension Fund £000	
		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	117	(117)	
(37)	37	Reversal of IAS 19 Pension Charges	(183,010)	183,010	
(167,120)	167,120	Contributions due under the pension scheme regulations	42,505	(42,505)	
41,916	(41,916)				
(125,241)	125,241	Total adjustments between accounting basis and funding basis under regulations	(140,388)	140,388	

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 Tyne and Wear Pension Fund.

Analysis of the transfers To / From reserves				
Balance as at 31/03/17 £000	Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31/03/18 £000
Usable Reserves				
- General Reserve	-	-	-	-
- Total usable reserves	-	-	-	-
Unusable Reserves				
(9,471) Accumulated Absences Account	117	-	117	(9,354)
(3,928,027) Pensions Reserve	1,360	(173,893)	(172,533)	(4,100,560)
(3,937,498) Total unusable reserves	1,477	(173,893)	(172,416)	(4,109,914)
(3,937,498) Total reserves	1,477	(173,893)	(172,416)	(4,109,914)

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 2017/18.

External Audit Costs - Chief Constable	
2016/17 £000	2017/18 £000
19 External Audit Services	19
19 Net Cost	19

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 2017/18 and the equivalent disclosure for 2016/17.

Numbers of Employees receiving over £50,000		
Remuneration Band	Number of Employees 2016/17	2017/18
£50,000 - £54,999	136	103
£55,000 - £59,999	42	96
£60,000 - £64,999	10	8
£65,000 - £69,999	8	4
£70,000 - £74,999	5	7
£75,000 - £79,999	5	8
£80,000 - £84,999	7	4
£85,000 - £89,999	2	3

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

The table below shows the total number and cost of exit packages during the year ending 31 March 2018. The number of voluntary redundancies includes early retirements.

Exit packages 2017/18				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£0 - £20,000	11	3	14	134,484
£20,001 - £40,000	3	-	3	98,932
£40,001 - £60,000	6	-	6	279,431
£60,001 - £80,000	3	-	3	226,341
£80,001 - £100,000	2	-	2	161,093
Total Group	25	3	28	900,281

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.

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

Notes to the Core Financial Statements

Remuneration of senior employees is disclosed in the following table for 2017/18:

Remuneration of Senior Employees 2017/18							
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2017/18 £
Chief Constable - Steve Ashman	1	102,004	2,288	-	104,292	23,931	128,223
Chief Constable - Winton Keenen	2	74,537	3,616	-	78,153	-	78,153
Deputy Chief Constable - A	3	70,596	3,676	-	74,272	6,353	80,625
Temporary Deputy Chief Constable - B	4	62,118	3,701	-	65,819	14,392	80,211
Assistant Chief Constable - C	5	57,754	3,846	-	61,600	13,325	74,925
Assistant Chief Constable - E	6	82,550	57,212	-	139,762	19,534	159,296
Assistant Chief Constable - F	7	92,840	5,425	-	98,265	21,667	119,932
Temporary Assistant Chief Constable - G	8	19,312	-	-	19,312	3,419	22,731
Temporary Assistant Chief Constable - H	9	34,655	1,427	-	36,082	8,136	44,218
Director of Finance and IT (Chief Finance Officer)	10	95,493	-	-	95,493	15,756	111,249
Director of People and Development	11	95,493	-	-	95,493	15,756	111,249
Director of Asset Management	12	67,644	-	25,533	93,177	60,216	153,393
Total		854,996	81,191	25,533	961,720	202,485	1,164,205

Note 1: Chief Constable - Steve Ashman in post to 06 November 2017

Note 2: Chief Constable - Winton Keenen started in post on 02 October 2017

Note 3: Temporary Deputy Chief Constable - A in post to 01 October 2017

Note 4: Deputy Chief Constable - B started in post on 04 October 2017

Note 5: Assistant Chief Constable - C in post to 03 October 2017

Note 6: Assistant Chief Constable - E started in post on 05 June 2017

Note 7: Assistant Chief Constable - F started in post on 03 May 2017

Note 8: Temporary Assistant Chief Constable - G in post to 31 May 2017

Note 9: Temporary Assistant Chief Constable - H started in post on 27 November 2017

Note 10: Director of Finance and IT is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner.

Note 11: Director of People and Development - post title changed on 05 June 2017 from the original Director of Human Resources

Note 12: Director of Asset Management - in post to 31 December 2017. The pension contributions include a £49,708 cost for the early release of pension benefits.

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	Compensation for loss of office	Total remuneration excluding pension contributions	Total remuneration 2016/17
Post holder information	Notes	£	£	£	£	£
Chief Constable - Steve Ashman		167,970	4,487	-	172,457	211,876
Deputy Chief Constable - A		138,867	5,205	-	144,072	176,594
Assistant Chief Constable - C		107,496	5,291	-	112,787	137,551
Assistant Chief Constable - D	1	70,175	5,349	-	75,524	91,821
Temporary Assistant Chief Constable - G	2	37,340	-	-	37,340	44,178
Director of Finance and IT (Chief Finance Officer)	3	103,122	-	-	103,122	117,147
Director of Human Resources	4	65,986	276	-	66,262	75,109
Director of Asset Management	5	57,332	-	-	57,332	65,088
Total		748,288	20,608	-	768,896	919,364

Note 1: Assistant Chief Constable - D in post to 13 November 2016

Note 2: Temporary Assistant Chief Constable - G started in post on 28 November 2016

Note 3: The Director of Finance is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner.

Note 4: Director of Human Resources - senior management structural changes effective from 15 July 2016

Note 5: Director of Asset Management - senior management structural changes effective from 15 July 2016

12. Related Party Transactions

The Chief Constable and his senior management team are 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 2017/18.

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 Police and Crime Commissioner and Chief Constable will operate. The Scheme of Corporate Governance sets out the role of the Police and Crime Commissioner 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 between all three Chief Constables and Police and Crime Commissioners.

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

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

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

Financing and Reserves

NERSOU is financed through a combination of Home Office Grants and Force contributions under a fully immersed budget model. The net revenue requirement after the application of all available grant funding, is met by the three Forces with contributions being determined on the basis of Net Revenue Expenditure (NRE) after the use of reserves. NRE is equivalent to total funding from Home Office grants plus Council Tax income.

The contribution proportions made for 2017/18 are set out in the table below:

Force	Contribution
Northumbria	52.40%
Durham	22.74%
Cleveland	24.86%

The final outturn position for NERSOU was £6.562 million with Northumbria's share of the net cost being £3.439 million as set out below:

	NERSOU Outturn		Northumbria	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Employee Pay and Pensions	6,361	7,522	3,625	3,942
Premises Costs	264	557	151	292
Vehicles and Fuel	151	257	86	134
Travel and Accommodation	82	80	47	42
Communications and Computing	54	86	31	45
Training and Conference Fees	58	152	33	80
Supplies and Services	210	380	120	199
Other Expenses	128	108	73	57
Total Expenditure	7,308	9,142	4,166	4,791
Home Office Grant	1,011	2,172	577	1,138
Other Income	210	408	119	214
Total Income	1,221	2,580	696	1,352
Net Expenditure	6,087	6,562	3,470	3,439

The accounting treatment for NERSOU is that expenditure is shown as £4.791 million (£4.166 million 2016/17) in the Chief Constable's accounts with income of £1.352 million (£0.696 million 2016/17) being accounted for in the Police and Crime Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £3.439 million (£3.470 million 2016/17).

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.

In 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 in 2016/17 and a contribution towards fit-out costs of £0.765 million from a partner agency in 2017/18. The balance was funded by the use of the NERSOU reserve and capital contributions from the three Forces in both 2016/17 and 2017/18. 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 asset value 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 determined on the basis of revenue contributions equating to £0.113 million as at 31 March 2018. The reserve balance relates to income received through the Asset Recovery Incentivisation Scheme (ARIS) which will be carried forward to be utilised in 2018/19, and an amount set aside from the revenue underspend in 2017/18 which the NERSOU Joint Committee have agreed will be carried forward to be used in 2018/19.

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 2018.

Short-term Debtors	
31 March 2017	31 March 2018
£000	£000
44 Central government bodies	34
- Public corporations and trading funds	-
9,270 Bodies external to general government	8,758
7,300 Police and Crime Commissioner	8,279
16,614	17,071

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.

Short-term Creditors	
31 March 2017	31 March 2018
£000	£000
(5,299) Central government bodies	(4,107)
- NHS bodies	(8)
(1,988) Other local authorities	(3,452)
(172) Public corporations and trading funds	-
(16,476) Bodies external to general government	(19,568)
(23,935)	(27,135)

15. Provisions and Contingent Liabilities**Provisions**

Provisions				
31 March 2017	Additional Provisions Made	Provisions Used	Reversals	31 March 2018
£000	£000	£000	£000	£000
Short-term provisions				
(2,150) Employee remuneration	-	-	-	(2,150)
(2,150) Total	-	-	-	(2,150)

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 2018/19. 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 2018/19.

Contingent Liabilities

At 31 March 2018, 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 and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the

judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum, at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

- 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 2018.

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:

Financial Instruments		
	31 March 2017 £000	31 March 2018 £000
Financial liabilities at amortised cost		
Short-term creditors	(7,570)	(10,832)
Loans and receivables		
Short-term debtors	85	59

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.

Benefits payable during employment	
2016/17	2017/18
£000	£000
9,471 Police Services	9,354
9,471	9,354
Total employee benefits accrued at the Balance Sheet date	

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 2017/18, the Chief Constable paid £11.600 million (£7.310 million in 2016/17) to the Pension Fund in respect of pension contributions, with standard contributions representing 16.5% of pensionable pay (13.6% in 2016/17).

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 which determined the contributions to be paid from 1 April 2017 until 31 March 2020. The results 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:

Charges to Comprehensive Income and Expenditure Statement				
	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31 March	
	2017	2018	2017	2018
	£m	£m	£m	£m
Within Cost of Service				
Current Service Cost	9.04	12.79	-	-
Past service cost (incl. curtailments)	0.04	0.54	-	-
Financing, Investment Income & Expenditure				
Interest on net defined benefit Liability / (Asset)	2.59	2.88	0.12	0.10
Pension expense recognised in CIES	11.67	16.21	0.12	0.10
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	(46.30)	(3.74)	-	-
Actuarial (Gains) / Losses due to change in financial assumptions	86.61	-	0.41	-
Actuarial (Gains) / Losses due to change in demographic assumptions	0.11	-	0.13	-
Actuarial (Gains) / Losses due to liability experience	(6.00)	2.35	(0.02)	0.03
Total Amount recognised in OCI	34.42	(1.39)	0.52	0.03
Total Amount charged to CIES	46.09	14.82	0.64	0.13

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	
	2017 £m	2018 £m	2017 £m	2018 £m
Opening defined benefit obligation	316.70	411.32	3.42	3.83
Current service cost	9.04	12.79	-	-
Interest expense on defined benefit obligation	10.98	10.61	0.12	0.10
Contributions by participants	2.54	2.55	-	-
Actuarial (Gains) / Losses on liabilities - financial assumptions	86.61	-	0.41	-
Actuarial (Gains) / Losses on liabilities - demographic assumptions	0.11	-	0.13	-
Actuarial (Gains) / Losses on liabilities - experience	(6.00)	2.35	(0.02)	0.03
Net benefits paid out	(8.70)	(9.14)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.04	0.54	-	-
Closing defined benefit obligation	411.32	431.02	3.83	3.73

Changes to the fair value of assets during the period				
	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31 March	
	2017 £m	2018 £m	2017 £m	2018 £m
Opening fair value of assets	239.32	294.93	-	-
Interest income on assets	8.39	7.73	-	-
Remeasurement Gains / (Losses) on assets	46.30	3.74	-	-
Contributions by the employer	7.08	11.37	0.23	0.23
Contributions by participants	2.54	2.55	-	-
Net benefits paid out	(8.70)	(9.14)	(0.23)	(0.23)
Closing fair value of assets	294.93	311.18	-	-

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 2017 £m	31 March 2018 £m
Present value of defined benefit obligation (funded)	411.32	431.02
Present value of defined benefit obligation (unfunded)	3.83	3.73
Asset / (Liability) recognised on the balance sheet (funded)	(116.39)	(119.84)
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.83)	(3.73)
Fair value of assets	294.93	311.18

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 £11.470 million (£54.690 million gain in 2016/17).

Analysis of Scheme Assets				
Asset	Asset split at 31 March 2017	Asset split at 31 March 2018		
	(%) Total	Quoted	Unquote	(%) Total
Equities	66.9	60.7	6.3	67.0
Property	9.2	0.0	8.5	8.5
Government bonds	3.9	4.0	0.0	4.0
Corporate bonds	11.5	11.7	0.0	11.7
Cash	2.6	3.7	0.0	3.7
Other*	5.9	3.5	1.6	5.1
	100.0	83.6	16.4	100.0

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

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the 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 £123.570 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.

History of asset values, defined benefit obligation and surplus / (deficit)					
	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
Present value of the defined benefit obligation					
- Funded liabilities	(278.70)	(326.12)	(316.70)	(411.32)	(431.02)
- Unfunded liabilities	(3.62)	(3.75)	(3.42)	(3.83)	(3.73)
Fair value of fund assets	205.65	233.62	239.32	294.93	311.18
Surplus / (Deficit) in the scheme	(76.67)	(96.25)	(80.80)	(120.22)	(123.57)

In April 2017 the Chief Constable made a one-off payment to the Pension Fund of £4.290 million to cover future deficit liabilities for the period from 01 April 2017 to 31 March 2020.

In-line with the Chief Constable's accounting policies £1.430 million has been accounted for in 2017/18 with the remainder (£2.860 million) being offset against the pension liability on the Balance Sheet. Over the next 2 financial years, the pension reserve of £126.430 million and

the net pension liability of £123.570 million will be brought into line as the prepayment arrangements are accounted for over 2018/19 and 2019/20.

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 to provide an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and discount rates. AON Hewitt Limited, an independent firm of actuaries, has valued the Tyne and Wear Pension Fund's assets and liabilities in accordance with IAS 19 by using the latest actuarial valuation of the Fund as at 31 March 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 2018.

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded Liabilities	
	2016/17	2017/18	2016/17	2017/18
Financial assumptions (% per annum)				
Discount Rate	2.6	2.6	2.6	2.6
Rate of Inflation (CPI)	2.0	2.0	2.0	2.0
Rate of Inflation (RPI)	3.1	3.1	3.1	3.1
Rate of increase in salaries	3.5	3.5	n/a	n/a
Rate of increase to pensions in payment	2.0	2.0	2.0	2.0
Pension accounts revaluation rate	2.0	2.0	n/a	n/a
Mortality assumptions				
Future lifetime from age 65 (Member aged 65 at accounting date)				
Men	22.8	22.9	22.8	22.9
Women	26.3	26.4	26.3	26.4
Future lifetime from age 65 (Member aged 45 at accounting date)				
Men	25.0	25.1	n/a	n/a
Women	28.6	28.7	n/a	n/a

Commutations	
Year ended 31 March 2018	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.
Year ended 31 March 2017	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

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

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2018 and the projected service cost for the year ending 31 March 2018. 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		
	+0.1% p.a	Base Figure	-0.1% p.a
Adjustment to discount rate			
Present value of total obligation (£M)	421.56	431.02	440.69
Change in present value of total obligation	-2.2%		2.2%
Projected service cost (£M)	12.91	13.35	13.8
Approximate change in projected service cost	-3.3%		3.4%
Rate of general increase in salaries	Adjustment to Rate		
	+0.1% p.a	Base Figure	-0.1% p.a
Adjustment to salary increase rate			
Present value of total obligation (£M)	433.79	431.02	428.29
Change in present value of total obligation	0.6%		-0.6%
Projected service cost (£M)	13.35	13.35	13.35
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		
	+0.1% p.a	Base Figure	-0.1% p.a
Adjustment to pension increase rate			
Present value of total obligation (£M)	437.9	431.02	424.27
Change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M)	13.8	13.35	12.91
Approximate change in projected service cost	3.4%		-3.3%
Post retirement mortality assumption	Adjustment to Rate		
	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption*			
Present value of total obligation (£M)	443.55	431.02	418.55
Change in present value of total obligation	2.9%		-2.9%
Projected service cost (£M)	13.82	13.35	12.89
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 2019 are estimated to be £7.010 million (£6.770 million funded and £0.240 million unfunded). In addition, strain on the fund contributions may be required as a result of voluntary redundancies and early retirements.

Duration of Liabilities

The duration of the Employer's liabilities is the average period between the calculation date and the date at which benefit payments fall due. This is estimated as 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 2016, for the latest funding valuation. This has then been rolled forward to reflect the position as at March 2018, allowing for additional service accrued between 1 April 2016 and 31 March 2018, 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 2017 £m	31 March 2018 £m
Net Cost of Services		
Current service cost	46.09	63.74
Past service cost	-	2.47
Financing and investment income and expenditure		
Pension interest cost	109.24	100.49
Total charge to Provision of Services	155.33	166.70
Remeasurement of the net Defined Liability / (Asset)	586.73	33.39
Total IAS 19 charge to Comprehensive Income and Expenditure	742.06	200.09

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					
	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	(3,142.93)	(3,602.47)	(3,100.36)	(3,807.81)	(3,974.13)
Surplus / (Deficit) in the Scheme	(3,142.93)	(3,602.47)	(3,100.36)	(3,807.81)	(3,974.13)

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 33 years, the New Police Pension Scheme 2006 is around 34 years, and for the Police Pension Scheme 1987 it is around 19 years.

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

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

Reconciliation of the fair value of scheme assets		
	31 March 2017	31 March 2018
	£m	£m
Opening fair value of assets	-	-
Actuarial Gains and (Losses) on assets	57.54	64.67
Contributions by employer	34.61	33.77
Contributions by participants	16.04	15.92
Transfers in	0.28	0.49
Net benefits paid	(108.47)	(114.85)
Closing fair value of assets	-	-

Analysis of movement in scheme liability

Analysis of the movement in scheme liability		
	31 March 2017	31 March 2018
	£m	£m
Net Surplus / (Deficit) at the beginning of year	(3,100.36)	(3,807.81)
Current service cost	(46.09)	(63.74)
Cost covered by employee contributions	(16.04)	(15.92)
Past service cost	-	(2.47)
Pension transfers in	(0.28)	(0.49)
Net interest on the net defined benefit Liability / (Asset)	(109.24)	(100.49)
Net benefits paid	108.47	114.85
Remeasurements of the net defined Liability / (Asset)	(644.27)	(98.06)
Net Surplus / (Deficit) at the end of year	(3,807.81)	(3,974.13)

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 2019 are estimated to be £33.330 million compared to £33.770 million paid in 2017/18.

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 2017	31 March 2018
Discount rate (Rate of Return)	2.65%	2.55%
Rate of inflation - pension increases (CPI)	2.35%	2.30%
Rate of inflation (RPI)	3.50%	3.45%
Rate of increase in salaries (long term)	4.35%	4.30%
Rate of increase in salaries (short term)	1.00%	1.00%
Rate of revaluation for CARE pensions	3.60%	3.55%
Rate of return in excess of:		
Earning increases (long term)	(1.70%)	(1.75%)
Earning increases (short term)	1.65%	1.55%
Pension increases	0.30%	0.25%

Member with service in the following scheme:	Commutation Assumptions
Police Pension Scheme 1987	25% of 1987 Scheme pensions are assumed to be commuted.
Police Pension Scheme 2006	Commutation is not available, no assumption required.
Mixed 1987 and 2015 Scheme	25% of 1987 Scheme pensions and 8.75% of 2015 Scheme pensions are assumed to be commuted.
Mixed 2006 and 2015 Scheme	17.5% of 2015 Scheme pensions are assumed to be commuted and nil in respect of the 2006 Scheme for which commutation is not available.
Police Pension Scheme 2015	17.5% of 2015 Scheme pensions are assumed to be commuted, except for members who also have 1987 Scheme pension for whom 8.75% are assumed to be commuted.

Mortality Assumptions				
	Normal Health		Ill Health	
	2016/17 (years)	2017/18 (years)	2016/17 (years)	2017/18 (years)
Future Lifetime at 65 for current pensioners				
Men	23.20	22.60	20.70	20.20
Women	25.20	24.20	22.70	21.90
Future Lifetime at 65 for future pensioners (currently aged 45)				
Men	25.20	24.50	23.00	21.80
Women	27.30	26.10	26.00	24.40

The results of any actuarial calculations are inherently uncertain because of the assumptions which must be made under IAS19 to reflect market conditions at the valuation date. 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 2.65% last year to 2.55% 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	(10.00%)	(396.00)
Rate of increase in salaries	+ 0.5% a year	1.00%	49.00
Rate of increase in pensions / deferred revaluation	+ 0.5% a year	8.00%	312.00
Life expectancy - each pensioner subject to longevity of an individual 1 year younger than assumed		2.50%	100.00
* 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 2016/17

A minor presentational change has been made to the statement of accounts in relation to the presentation of reserve balances. These were previously presented in accounting terms in that usable cash reserves were shown as credits (negative values), and therefore Net Assets and Total Reserves on the Balance Sheet were equal and opposite amounts which summed to nil.

The 2017/18 statements have adopted a revised approach to aid a better understanding of those balances presented in the Balance Sheet and reserves statements. Usable cash reserves are now shown as positive values. This results in a changed presentation of the Balance Sheet in that Net Assets and Total Reserves are now either both positive or both negative (i.e. of equal value). 2016/17 balances have therefore been restated on the same basis.

The statements affected are the Balance Sheet, Movement in Reserves Statement (MiRS) and associated notes to the accounts.

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 ending 31 March 2018 was approved by the Chief Constable and authorised for issue on 26 July 2018.

Supplementary Financial Statements

Comprising:

- **Police Pension Fund**
- **Notes to the Supplementary Financial Statements**

Police Pension Fund

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2017/18 and shows comparative figures for 2016/17.

2016/17 £000	FUND ACCOUNT	2017/18 £000
(24,961)	Normal	(24,937)
(3,399)	Additional funding payable by the local policing body to meet the deficit for the year	(3,380)
(613)	Other (Ill Health Retirements)	(702)
(28,973)	Contribution Receivable from Employer	(29,019)
(16,041)	Contribution Receivable from Members	(15,914)
(16,041)	Contribution Receivable from Members	(15,914)
(45,014)	Contributions Receivable	(44,933)
(280)	Individual Transfers in from other schemes	(493)
(280)	Transfers in	(493)
79,431	Pensions	83,055
22,969	Commutations and Lump Sum Retirement Benefits	26,327
-	Lump Sum Death Benefits	101
162	Other (Inter Authority Adjustments / LTA Payments)	553
102,562	Benefits Payable	110,036
36	Refunds of Contributions	25
105	Individual Transfers Out To Other Schemes	34
141	Payments To and On Account of Leavers	59
102,703	Total Benefits Payable	110,095
57,409	Net amount payable for the year before contribution from the Police Fund	64,669
(57,409)	Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account	(64,669)
-	Net Amount (Receivable) / Payable In Year	-

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 2017/18, being reflected in a reduction in Her Majesty's Treasury pensions top up funding. The cost is being met by an additional employer contribution from the Chief Constable to the Fund as required by the Home Office.

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 Manager⁷ for the Police Pension Fund. The fund is governed by a Police Pensions Board, established in 2015, under section 5 of the Public Service Pension Act.

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).

⁷ 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 (Police and Crime Commissioner) and the Chief Constable as the 'Corporation Sole' for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the Police and Crime Commissioner. Both the Police and Crime Commissioner and Chief Constable are subject to the Accounts and Audit Regulations 2015, as such both must prepare their statements of account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual Annual Governance Statement, both of which are subject to external audit.

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

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

The Chief Constable is also responsible for putting-in-place proper arrangements for the governance of the Force and ensuring that the arrangements comply with the Police and Crime Commissioner's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

The Chief Constable and Police and Crime Commissioner have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE *'Good Governance: Framework'*.

The PRSR Act 2011 requires the Police and Crime Commissioner 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 Police and Crime Commissioner and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 2014 Statement states:

“That both the Police and Crime Commissioner and Chief Constable appoint separate CFOs, where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority’s AGS, together with an explanation of how this arrangement delivers the same impact.”

The Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively and that potential conflicts are subject to continuous review. To date no conflicts have been identified.

The Governance Framework

The governance framework in place throughout the 2017/18 financial year covers the period from 1 April 2017 to 31 March 2018 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 Police and Crime Commissioner’s Governance Framework. Through the application of the Police and Crime Commissioner’s framework and Force governance arrangements the Chief Constable is able to both monitor and deliver the objectives of the Police and Crime Plan and the Force 2025 Strategy. Consequently, the Chief Constable is able to provide assurance to the Police and Crime Commissioner that these objectives are leading to the delivery of appropriate and cost-effective policing services which provide value for money, a duty under the Local Government Act 1999.

The system of internal-control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal-control is an on-going process designed to identify and prioritise the risks to achieving the Police and Crime Commissioner’s and Chief Constable’s aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the Police and Crime Commissioner website at [Governance Framework](#) (This is a shortened URL that will take you to the document on the Police and Crime Commissioner website).

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel and making proper arrangements for the governance of the Force. The role is accountable to the Police and Crime Commissioner for the exercise of those functions. The Chief Constable must therefore satisfy the Police and Crime Commissioner that the Force has appropriate mechanisms in-place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the Police and Crime Commissioner's Governance Framework. It is informed by internal assurances on the achievement of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

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

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

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

The purpose, vision, values, priorities and strategic objectives of the Police and Crime Commissioner are developed in consultation with the Chief Constable. These are set out in the Police and Crime Commissioner'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, underpinned by a number of Operational Delivery Groups (ODGs), and other boards. The Deputy Chief Constable chairs the Strategic Management Board. Performance is considered in a number of ways: compared to previous years; performance agreed service standards or thresholds and peers (most similar family of forces or nationally); and direction of travel.

Other areas of business are also regularly reported to ODGs, SMB and other boards, in-line with the new Force governance structure, agreed in December 2017. This includes the Strategic Policing Requirement, community consultation and engagement, progress against action plans in response to recommendations and areas for improvement resulting from inspections by Her Majesty's Inspectorate of Constabulary Fire and Rescue Services for England and Wales (HMICFRS) and risk management.

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

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

A Service Level Agreement between the Police and Crime Commissioner 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 Police and Crime Commissioner in her responsibilities to maintain a strategic overview and to undertake her scrutiny and public consultation role.

The Chief Constable and Police and Crime Commissioner have regular meetings, the minutes of which are published on the Police and Crime Commissioner 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 Police and Crime Commissioner website under Collaboration Agreements.

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

The Chief Constable launched the Northumbria Police 2025 Strategy in March 2018, which clearly outlines our strategic priorities and key enablers. The Northumbria Police vision, mission and values remain unchanged.

Underpinning the Force Strategy is the revised governance structure; this will ensure we have a business framework to help us understand how we are performing and allow us shape what we do.

Further work is currently on-going driven by the Force Improvement Programme (FIP), which aims to ensure we deliver an outstanding service to our communities (especially the vulnerable), both now and in the future. We are reviewing all aspects of our service delivery to look at ways we can work differently, more effectively and more efficiently.

The HMICFRS has issued its fourth PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) assessment of the Force. The report can be found here: [PEEL 2017](#).

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**.

Although the 2017 PEEL assessment classified all overall areas with a good assessment, there were identified areas for improvement; however, there were no causes of concern in the reports specific to Northumbria Police.

The Police and Crime Commissioner is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as complying with the requirements of the Independent Office of Police Conduct.

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 Police and Crime Commissioner's Governance Framework.

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

The Police and Crime Commissioner 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 Police and Crime Commissioner, but also of the independent members of the JIAC.

The Police and Crime Commissioner 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 / or Office of the Police and Crime Commissioner (OPCC) owner, who have responsibility for the management of controls and the implementation of new controls where necessary. The register is managed at the Chief Constable's Executive Board and presented to the Joint Business Meeting on a quarterly basis. The Joint Independent Audit Committee and the Joint Police and Crime Commissioner / Chief Constable Governance Meeting provide additional scrutiny and governance on a quarterly basis.

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. In July 2017, the percentage of officers and staff with a live PDR was 47% and this has been increased to 87%. Further work to increase professional development conversations will support the Force in moving towards a learning organisation with a culture of sustained improvement.

A learning and development structure is in place in recognition of the importance of developing the capacity and capability of the workforce. A range of internal training resources, and where appropriate external training events, are provided to continue to build a skilled and resilient workforce. The Force has embedded leadership and development programmes and is in the early stages of developing an approach to talent identification and management all focused on sustained improvement in a supportive environment. This is a key part of the Strategy 2025.

The Northumbria Competency and Values framework was launched in 2017/18. This framework has been designed to incorporate the National Competency and Values framework for policing which sets the standards across all roles in policing as devised by the College of Policing.

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 Police and Crime Commissioner's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources 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 2017/18.

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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner'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 Police and Crime Commissioner through the Joint Business Meeting and these are available on the Police and Crime Commissioner website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year.
- HMICFRS 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 2017/18 the review process has been led by the Joint Police and Crime Commissioner/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

- Governance arrangements.
- An assessment of the role of the CFO in accordance with best practice.
- Senior manager's 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.
- Other sources of assurance as appropriate.

Internal Audit Overall Assessment & Independent Opinion

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

During 2017/18, 25 internal audits were completed. Of those completed 18 audits concluded that systems and procedures in place were operating well and seven 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 2017/18, including advice on governance arrangements, the Police and Crime Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

As part of the 2017/2018 audit plan, approved by the Joint Independent Audit Committee, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised.

Actions from the 2016/17 Statement

There were no actions identified in the 2016/17 Annual Governance Statement.

2017/18 Governance Issues

The review has identified no issues that need to be included within the 2017/18 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 IT

Date: 26/07/18

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 2018 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 and notes to the financial statements, including the summary of significant accounting policies. 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 2017/18.

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 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Chief Constable for Northumbria in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable for Northumbria's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer 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 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Chief Constable for Northumbria is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusion on the Chief Constable for Northumbria's arrangements for securing economy, efficiency and effectiveness in the 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 in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Northumbria has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Chief Constable for Northumbria had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Chief Constable for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. 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.

Responsibilities of the Chief Constable for Northumbria

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.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) 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. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. 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.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- 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 sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

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

Certificate

We certify that we have completed the audit of the Chief Constable for Northumbria in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Cameron Waddell, Partner
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham, DH1 5TS

Date

27 July 2018

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 Fund: 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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