

Chief Constable for Northumbria

Statements of Account
2019/20



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Narrative Statement

Introduction

The Statements of Account present the Chief Constable's financial performance for the year ended 31 March 2020. This includes the overall financial position at the end of that period, and the cost of services provided.

The narrative and financial summary that follow provide an overview of the accounting arrangements and a guide to the most significant matters in the financial statements.

The Narrative Statement is not formally part of the Statements of Account and the 'True and Fair View', and is not subject to the statutory requirements for an audit opinion, or for certification by the Chief Financial Officer.

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 which encompasses Tyne and Wear and Northumberland. The Force covers an area from the Scottish border down to County Durham and from the Pennines to the North East coast.

The Chief Constable

'I am incredibly honoured to be the Chief Constable of Northumbria Police. I have spent my entire policing career with the Force – and that is simply because there is nowhere else I would want to be. The North East is my home and I have always considered myself lucky to live and work in such a beautiful, vibrant and safe part of the country.

Add to this the incredibly cohesive communities we are a part of and it's easy to see why the area is such a special place. I am proud to lead a dedicated team of officers, staff and volunteers who are determined to make a real difference and who ultimately want to provide the very best policing service possible.

By working together, we can ensure the North East remains one of the safest places in the country.'



Winton Keenen was appointed by the previous Police and Crime Commissioner during 2017/18. His career with Northumbria Police spans over 30 years, starting in 1985 as a Police Constable.

As Chief Constable, he has put people, especially those who are vulnerable, at the heart of everything the Police do. He wants to work with the public, to listen to them and to engage with them to better understand communities, so wherever possible, in the face of difficult funding challenges, we can ensure the Force meets the demands of modern day policing.

He is determined to make what is already a great and safe place even better and to bring police and the public closer. In doing so, he remains people focussed: ensuring the wellbeing of his officers and staff; providing the best possible service to victims and witnesses; and bringing offenders to justice.

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.

As at 31 March 2019	Workforce	As at 31 March 2020
3,081	Police Officers	3,151
1,523	Police Staff	1,651
194	Police Community Support Officers (PCSOs)	204
161	Special Constables	125

Our Mission/Purpose, Vision 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.

Our vision for 2025

Vision 2025 sets out our plan for policing in the coming years. It will shape decisions around transformation and how we use our resources to help to keep people safe and provide an effective, accessible and value for money service that can be trusted.



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 Statements of Account

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 Revised Financial Management Code of Practice for the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004.
- 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, the Chief Constable is consulted on this budget as part of the budget setting process. 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 2019/20

Key Highlights

The previous Police and Crime Commissioner delegated a budget of £268.581 million to the Chief Constable for 2019/20.

The outturn position is £267.215 million, an underspend of £1.366 million. The position reported at Quarter 3 was a planned underspend of £1.895 million. The movement in the final outturn is mainly attributable to the Forces response to the Covid-19 pandemic and the costs that have been incurred and income that has been lost.

Operation Uplift - the Government announced the recruitment of an additional 20,000 police officers in England and Wales by March 2023. Northumbria has been given a target of delivering an additional 185 Officers by March 2021, commencing in 2019/20 with an initial target of 62 officers by 31 March 2020. Northumbria has fully delivered against this target for which additional funding of £0.887 million was received for 2019/20.



Financial Context

The Comprehensive Spending Review (CSR) in both 2010 and 2015 delivered significant cuts to funding for police Forces across England and Wales with Northumbria taking the largest cut of all Forces. At the start of the 2019/20 financial year, police officer numbers in Northumbria had fallen by more than 1,100 since 2010, a reduction of 26%. The National Audit Office (NAO) report in 2018 identified that Central Government funding for policing in Northumbria was reduced by 31% in real terms between 2010/11 and 2018/19. We have reduced the workforce, rationalised our estate, delivered significant non-pay savings and extensively used reserves, to manage the scale of those reductions.

[NAO Report 2018 Link](#)

The structure of Police funding means those which have a lower Council Tax Precept will suffer the most, as any cut from government is to the larger proportion of their funding. Over the period of austerity covered by the CSR 2010 and 2015, Northumbria has experienced the largest impact of cuts because it receives more in grant in proportion to its council tax; around 81% in 2019/20 was by Home Office grant. In addition, Northumbria has the lowest Precept of any PCC in England and Wales and a low yield too.

Northumbria has had to make £144.300 million of cuts and efficiencies to manage the unprecedented scale of funding reductions imposed by the government since 2010. For Northumbria, employee pay accounts for the majority of the annual revenue budget and therefore those savings delivered were mainly realised through reductions to the workforce. As mentioned earlier, at the start of the 2019/20 financial year, police officer numbers had fallen by more than 1,100 since 2010 and staff by over 800, a reduction of 29% in the total workforce.

Workforce Reductions	31 March 2010	31 March 2019	Reduction since 2010		31 March 2020	Reduction since 2010	
	FTE	FTE	FTE	%	FTE	FTE	%
Police Officers	4,187	3,081	(1,106)	(26%)	3,151	(1,036)	(25%)
Police Staff	2,534	1,717	(817)	(32%)	1,854	(680)	(27%)
Workforce	6,721	4,798	(1,923)	(29%)	5,005	(1,716)	(26%)

The revenue budget allocated by the previous Commissioner for 2019/20 allowed the Chief Constable to provide investment in policing including new officers and staff and retention of roles that had originally planned to be lost. This coupled with the Uplift target set for Northumbria has enabled the Force to start re-investing in officers and staff, although still some way from the numbers lost since 2010.

In calculating the 2019/20 settlement for policing the government assumed that each PCC would increase Council Tax by the maximum amount, £24 for a Band D property. Following the announcement by the government on Northumbria's funding settlement the previous Commissioner launched a consultation with the public on the precept. Responses from the online survey, telephone survey and face-to-face interviews showed a high level of support for the proposed precept increase ranging from 56% up to 87%. With the support of the Police and Crime Panel the Commissioner approved the increase of £24 for a Band D property, equivalent to 46 pence per week.

The budget set for 2019/20 therefore allowed the previous Commissioner and the Chief Constable to begin to stabilise the financial footing of Northumbria Police, to prevent further reductions to the workforce and to start to provide a level of investment in the Force. This was largely due to the support provided by Northumbria residents through the significant increase in the Council Tax Precept for the 2019/20 financial year.

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 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 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 2019/20

The previous Commissioner delegated a budget of £268.581 million to the Chief Constable for 2019/20, to enable the discharge of the activities under the Chief Constable's direction and control. The outturn position against the Chief Constable's revenue budget reflects an underspend of £1.405 million. The position reported at Quarter three was an underspend of £1.895 million. The movement in the final outturn is mainly attributable to costs incurred as a result of the Force's response to Covid-19 with £0.400 million being attributed to the pandemic in 2019/20.

Details of the 2019/20 revenue outturn for the Chief Constable are set out in the following table:

Revenue Outturn 2019/20					
Budget Heading	Revised Estimate 2019/20 £000	Expenditure 2019/20 £000	Income 2019/20 £000	Outturn 2019/20 £000	Variance 2019/20 £000
Workforce	230,298	230,154	-	230,154	(144)
Overtime	2,930	4,681	(933)	3,748	818
Business Support	1,979	2,564	-	2,564	585
Communications and Engagement	129	163	(50)	113	(16)
Crime	2,133	2,231	(108)	2,123	(10)
Criminal Justice	(483)	53	(623)	(570)	(87)
Custody	2,279	2,336	(59)	2,277	(2)
Estates	7,604	8,037	(190)	7,847	243
Finance	40	78	(26)	52	12
Fleet	2,925	3,311	(271)	3,040	115
People Services	2,623	2,798	(271)	2,527	(96)
Information Technology	10,009	9,738	-	9,738	(271)
Legal Services	367	215	(80)	135	(232)
Operations	(264)	666	(1,092)	(426)	(162)
Procurement	262	2,032	(1,712)	320	58
Safeguarding	275	343	(84)	259	(16)
Secondments	(19)	1,639	(1,754)	(115)	(96)
Contributions and Subscriptions	5,615	5,760	-	5,760	145
Insurance	1,370	1,375	-	1,375	5
Other Income	(1,491)	-	(3,706)	(3,706)	(2,215)
Budget Outturn	268,581	278,174	(10,959)	267,215	(1,366)
External Funding	-	8,441	(8,480)	(39)	(39)
Net Expenditure	268,581	286,615	(19,439)	267,176	(1,405)

Outturn – Key Variances

Key variances within the Chief Constable's revenue budget include:

- Workforce – a net underspend of £0.144 million due to the re-profiling of planned recruitment to the end of the 2019/20 financial year and underspends against related pay areas.
- External legal advice/specialist representation – an underspend of £0.232 million relating to the timing of activities subject to outcomes of national cases, specialist advice and additional income.
- ICT – an under spend of £0.271 million mainly due to the timing of new software licenses, support and maintenance contracts and other ICT revenue costs associated with implementation of capital schemes, which have moved to 2020/21.
- Income - additional income of £0.205 million relating to a one-off additional receipt through the Home Office Asset Recovery Incentivisation Scheme (ARIS) which incentivises asset recovery work aimed at cutting crime.
- Income – additional income of £0.783 million including increased demand for delivery of external firearms courses and additional road safety income.
- Covid-19 – Costs incurred as a result of the Force's response to Covid-19 were £0.400 million.

In addition to the core revenue budget, the Chief Constable manages expenditure against external funding schemes which include specific grants such as Counter Terrorism and other grants and contributions from the Home Office, Local Authorities and external bodies. The majority of income received has been fully utilised in 2019/20. The outturn position reflects a net transfer of £0.039 million to the external funding reserve. The net movement reflects the use of £0.128 million received in previous years, and held in the Commissioners reserve, plus income of £0.167 million received in 2019/20 which has been transferred to the reserve as at 31 March 2020 to be used in 2020/21.

Exit Packages

Expenditure of £0.141 million has been incurred in relation to workforce exits during 2019/20. These comprise redundancy payments and pension costs associated with the early release of pension benefits of Force employees and have been met from the Chief Constable's revenue budget.

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

Capital Programme

Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £15.035 million in 2019/20, are shown in the financial statements of the Commissioner.

The Chief Constable's Comprehensive Income and Expenditure Statement (CIES) receives an annual charge for the use of operational assets based on capital charges. For the 2019/20 financial year this charge was £13.970 million (£9.934 million 2018/19).

Governance

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

Value for Money

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

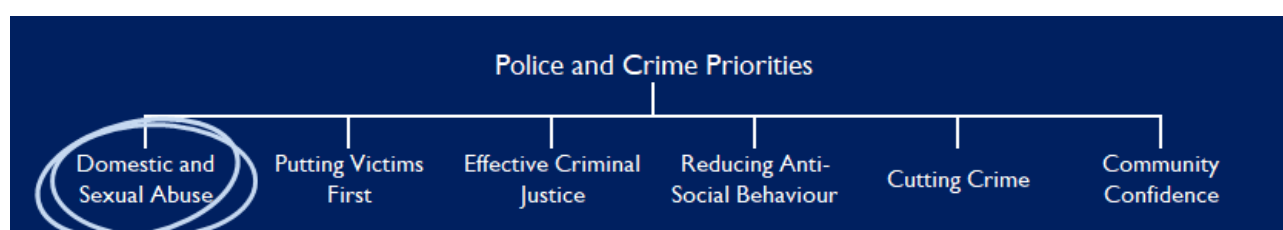
The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Commissioner and Chief Constable's resources. 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 Commissioner and Chief Constable, based on the work undertaken by the Internal Audit Service throughout 2019/20.

The financial management and performance reporting framework follows national and/or professional best practice, and its key-elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Commissioner conducts financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.

- A robust system through which the Force manages Finance, People Services, 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 Commissioner produces a four-year Medium Term Financial Strategy (MTFS) and capital programme. The Chief Constable produces a Medium Term Financial Plan (MTFP) that informs the MTFS of the Commissioner. 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 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 Commissioner through the Joint Business Meeting and these are available on the 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.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2018/19, concluding that the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and this opinion is expected to be repeated for 2019/20.

Performance Information – Delivery of the Police and Crime Plan



Domestic and Sexual Abuse

The number of recorded sexual offences has reduced by 7% (from 4,846 to 4,508) for the 12 months to March 2020 compared to the previous 12 months. There has been a 3% increase in the number of reported domestic abuse incidents for 12 months to March 2020 (from 36,277 to 37,456).

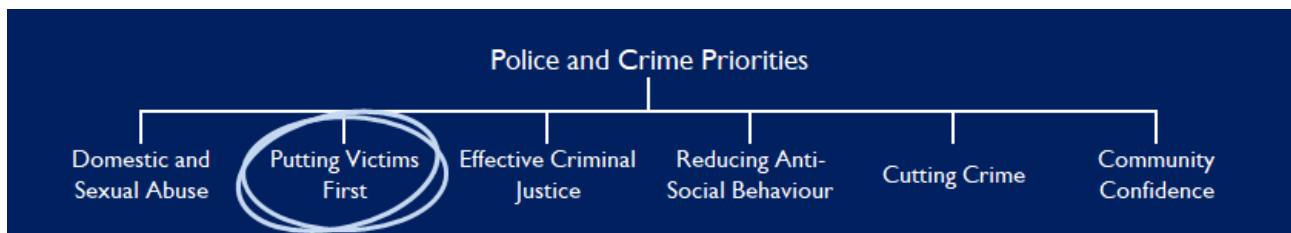
Victim satisfaction remains high; the percentage of domestic abuse victims satisfied with the policing response was 87% for 12 months to March 2020. In addition the percentage of victims who were confident to report further abuse to the police was 93% during the same period.

The Domestic Abuse Improvement Plan and the Rape and Serious Sexual Offence Improvement Plan have been developed to improve both the victim experience and criminal justice outcomes (see Effective Criminal Justice for more detail).

A range of activities have been undertaken to improve service provision, including recruitment of additional resources, the embedding of victim surveys, improved victim support pathways and safety planning for repeat victims, and partnership work to maximise prevention opportunities.

A Victims Pathway Review is supporting work to improve the reach and positive impact of support services with ongoing reviews by both Northumbria Police and Office of the Police and Crime Commissioner.

Arrest rates and use of positive action outcomes, including appropriate use of bail continue to be monitored as part of the domestic abuse performance framework



Putting Victims First

Victims of crime report high levels of satisfaction. Satisfaction levels for action taken and follow-up are traditionally lower and remain an area of focus.

- 96% ease of contact
- 87% response time
- 79% action taken
- 66% follow-up
- 93% treatment
- 81% whole experience

The Primary Investigation Centre (PIC) was introduced in April 2019, as part of the Force's operating model. The PIC consists of the Telephone Investigation Unit and Quality Standards Delivery Team and act as triage for crime investigation into the Secondary Investigation Unit.

Further changes to the Force's operating model were implemented on 04 November 2019; these changes better align resources to meet demand, and include the creation of a Response Policing Team to solely respond to priority 1 and 2 incidents. As a result, attendance times for grade 1 and grade 2 incidents have improved. The percentage of grade 1 incidents attended within 10 minutes (rural) increased from 63% to 65% and within 20 minutes (rural) increased from 73% to 75%. The percentage of grade 2 incidents attended within one hour increased from 64% to 68%.

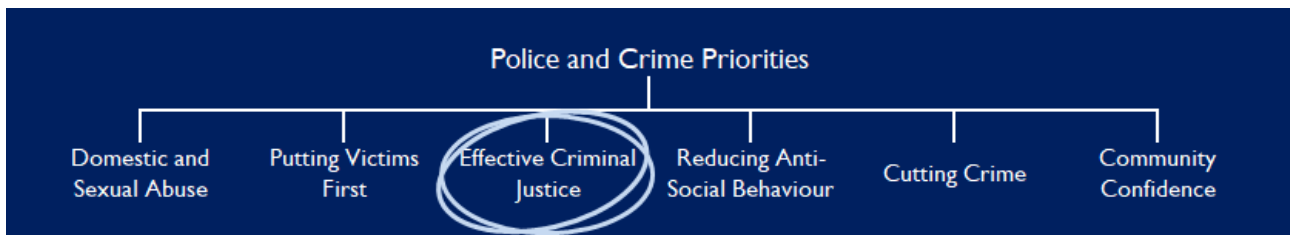
Call answer rates for 999 calls were 100% for 2019/20, with average waiting times of 10 seconds, with 84% of 999 calls answered within 10 seconds. The 101 non-emergency calls answer rate is 89%, with average waiting times of 81 seconds. 79% of 101 calls were answered within 1 minute.

In order to improve contact performance, a review of Communications has commenced, as part of the Force Transformation Programme, and will focus on understanding demand, improving the efficiency and structure of how demand can best be met. A full review of digital provision is also taking place

THRIVE (Threat, Harm, Risk, Investigation Opportunities, Vulnerability, Engagement) training has been delivered to resource controllers, Response Policing Team sergeants and inspectors and team leaders, helping with identifying the most appropriate response based on the needs of the caller and the circumstances of the incident.

The Victims' Code of Practice (VCOP) sets out the services that should be provided to victims of crime by organisations in England and Wales. Significant work has been undertaken to relaunch VCOP to improve compliance and ensure victims receive a written acknowledgement of a crime, are referred to the

appropriate agency and receive an appropriate update. The 'Victim Contract' was launched in February 2020. The Victim Contract provides a written acknowledgment that a crime has been recorded, setting out clearly the service victims can expect, helping them to cope with the impact of the crime.



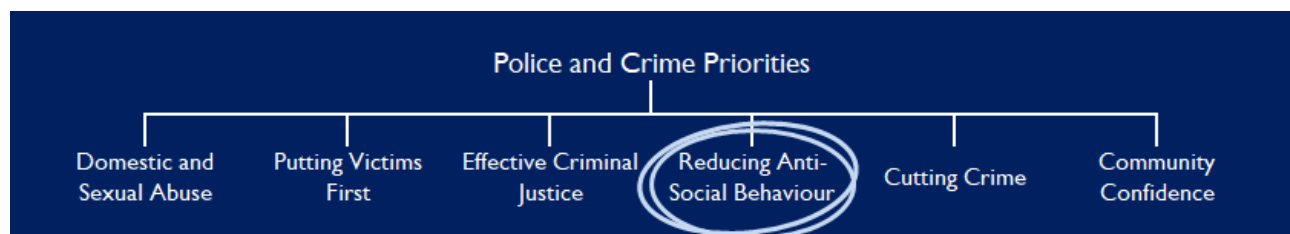
Effective Criminal Justice System

Across both domestic abuse and rape and serious sexual offences the Force is working to improve criminal justice outcomes by improving investigative standards, supervisory oversight and file quality. The Raising Investigative Standards Programme includes a focus on: increasing the arrest rate, improving the effective use of body worn videos, seeking more evidence-led prosecutions and continued close working with CPS to review referral and prosecution rates.

A key focus has been to understand why victims do not always support an investigation after reporting it, and at what stage the victim is likely to withdraw to see what additional support can be offered. For both domestic abuse and crime cases the largest reason for a case not proceeding to a conviction is victim and witness attrition. Significant work is ongoing to improve the reach and positive impact of support services with ongoing reviews by both Northumbria Police and the Office of the Police and Crime Commissioner.

The conviction rates for domestic abuse and other sexual offences have improved since last year; however, the conviction rate for rape has reduced and is below the national average of 67%. The successful prosecution of offenders requires an effective joined up response across the criminal justice system. Northumbria Police and CPS hold bi-monthly review panels and the Local Criminal Justice Board brings together a range of agencies.

As at September 2019 the number of first time entrants to CJS the Criminal Justice System is 2,671, compared to 2,886 for the previous year. Northumbria is ranked 10th highest nationally for 12 months to September 2019 for the number of first time entrants into the criminal justice system. Youth Panels commenced from November 2019 across all six local authorities to triage cases and improve the consistency of outcomes for young people. The new police disposal is being piloted to defer the prosecution of young people while they engage with an intervention activity delivered by the Youth Offending Teams.



Reducing Anti-social Behaviour

For the 12 months to March 2020 there were 46,813 recorded anti-social behaviour incidents; a reduction of 2,648 incidents compared to the previous 12 months.

For the period 12 months to March 2020, 22% of people surveyed considered that anti-social behaviour is a very or fairly big problem in their neighbourhood (up from 17% for 2018/19). Over the same period the percentage of ASB victims who would be confident to report further incidents has increased to 82%.

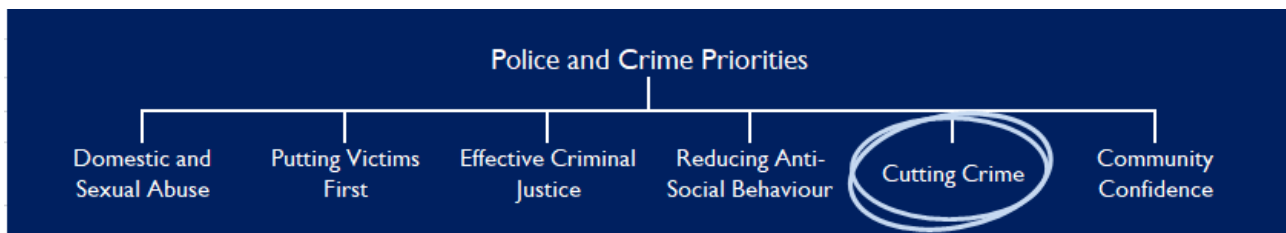
The percentage of victims of longer term ASB who experienced no further incidents since their report has remained at 47% for the 12 months to March 2020, consistent with the previous 12 months.

Satisfaction survey results for ASB:

- 91% initial contact
- 88% response time
- 81% action taken
- 65% follow-up
- 95% treatment
- 80% whole experience

In February 2020, the new neighbourhood policing model was launched which involves a change in shift pattern for officers and staff, and increases the capacity of Neighbourhood Policing Teams to be more proactive in victim care, offender targeting and improving the approach to problem solving. The key outcomes from this include; improved satisfaction, reduction in incidents and increases in the feeling of safety in the community.

A new engagement strategy, delivery plan and toolkits are in place to support engagement with local communities and ensure a more consistent approach to engagement across the Force. Evaluation of engagement activity will help to demonstrate the difference being made to communities.



Cutting Crime

Total recorded crime reduced to 147,491 for the 12 months to March 2020, compared to 158,084 crimes for the 12 months to March 2019; equivalent to 7% fewer recorded crimes.

Volume crime has reduced by 4% (6,932 fewer crimes), serious crime by 6% (459 fewer crimes) and major crime by 14% (57 fewer crimes), with knife crime offences reducing by 18% (166 fewer crimes).

Recorded levels of crime for the majority of crime categories have reduced compared to the previous 12 months. The Force is placed 35th nationally for total recorded crime per 1,000 population and 24th nationally for the crime severity score (data from the Crime Survey for England and Wales).

- Burglary -12% (1,060 fewer crimes)
- Theft and handling -10% (3,324 fewer crimes)
- Criminal damage -6% (1,336 fewer crimes)
- Sexual offences -7% (338 fewer crimes)
- Other crime, such as drug crime and public disorder -8% (4,230 fewer crimes)

The 'Raising Investigative Standards' programme of work has continued with activity including:

- The introduction of a Digital Case File.
- Training to all constables, sergeants, inspectors and relevant police staff.
- Implementation of the new Primary Investigation Centre to improve the allocation, quality of recording, and efficiency in ensuring the most appropriate resource is allocated from the outset of a crime.

- Improvements in THRIVE assessments have increased the number of incidents which are correctly identified as vulnerable.
- Increasing the use of body worn cameras in domestic abuse incidents.

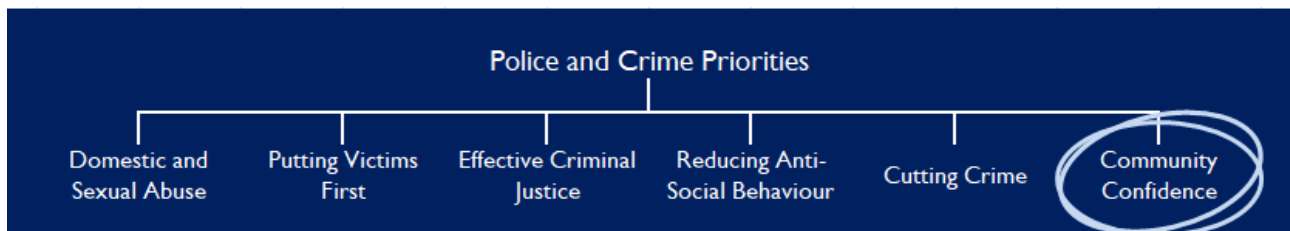
Areas for continued improvement include increased supervisory oversight following the initial response, improved recording standards, providing agreed updates to victims and a planned approach to reduce victim attrition.

Recorded crimes in the night-time economy have reduced by 21% for the 12 months to March 2020, compared to the previous 12 months (from 5,990 crimes to 4,753 crimes). Most serious violence against the person offences in the night-time economy remain low (100 offences in the last 12 months) and have remained stable over the last 12 months.

The perceptions of safety of those that use the night time economy have increased to 85% for the 12 months to March 2020. Officers are working in close partnership with Street Pastors, Taxi Marshalls, North East Ambulance Service and local authorities to deliver a safe and enjoyable environment alongside licensed premises and other venues in city centres.

The Force is working in partnership with the local authority and universities to address licensees who continue to serve alcohol to intoxicated people. Problem locations have been identified and issues resolved. The neighbourhood team has introduced 'Operation Cloak', which involves plain clothed staff observing individual and crowd behaviour, and intervening following identification of potentially high-risk scenarios. Operations are also in place to combat serious violence and drug supply within the night time economy.

The use of new technology continues to be utilised including within education and engagement activities. A virtual reality programme takes the participant through a night-time economy scenario and points out vulnerability and risk which they may have missed.



Community Confidence

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

- 77% think the police do a good or excellent job in their neighbourhood
- 96% feel safe in their local area
- 43% people who believe the level of visibility in their local area is about right

Northumbria Police rank first nationally for all public confidence measures that are surveyed as part of the Crime Survey for England & Wales (CSEW), which includes; public confidence, reliability, respect, fair treatment and community understanding (CSEW data to December 2019). The number of recorded complaints during the financial year 2019/20 increased compared to 2018/19 by 20.4%, from 764 to 920.

Incivility, impoliteness and intolerance and its most similar new² recording categories remains the second most common allegation type at 12.6% of all those recorded. This remains in-line with national trends.

The new Police Complaints and Misconduct Regulations commenced on 1 February 2020. These regulations are part of the wider Police Integrity Reforms and will provide greater efficiency and transparency in the discipline and complaints system and a greater role for the Office of the Police and Crime Commissioner. The reforms will deliver a more proportionate approach to both the handling of complaints and addressing conduct matters. The emphasis will be on a learning culture.

The percentage of complaints upheld has remained consistent with the previous year, with 6% upheld during 2019/20. Work to build on a preventative approach through identification of learning opportunities and early intervention is being continued.

Collaboration

During 2019/20 Northumbria Police and the Police and Crime Commissioner were parties to a number of collaboration agreements, details of which can be found on the Police and Crime Commissioners' website at the following link: http://www.northumbria-pcc.gov.uk/Collaboration_Agreements. The North East Regional Special Operations Unit (NERSOU) is the principal collaboration arrangement between Northumbria, Durham and Cleveland and is accounted for as a Joint Operation in the financial statements. A summary of the financial performance is included below and further detail is provided in Note 12 to the financial statements.

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 the Chartered Institute of Public Finance Accountancy (CIPFA).

The NERSOU revenue outturn position for 2019/20 and the share attributable to Northumbria are set out in the following table:

NERSOU Outturn 2019/20		
	NERSOU	Northumbria
	£000	£000
NERSOU Revenue Budget		
Expenditure	10,954	5,759
Income	(3,320)	(1,746)
Net Expenditure	7,634	4,013
Funded by:		
Force Contributions	7,708	4,053
Transfer to NERSOU Reserve	(74)	(40)
Total	7,634	4,013

² Prior to 1st February 2020, allegation types were recorded from 23 categories. The Independent Office for Police Conduct (IOPC) has introduced revised procedures and there are now 11 primary categories and a total of 45 secondary sub categories

The Chief Constable made a revenue contribution of £4.053 million to NERSOU for 2019/20. 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 2019/20 which are held in reserves to be used in 2020/21.

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 2020/21. The employee remuneration provision included in the accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a small number of claims and costs outstanding which are expected to be finalised in 2020/21. The balance on the provision at 31 March 2020 reflects a prudent estimate to cover the expected costs.

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 non-pecuniary claims for compensation in relation to the

Provisions and 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 Manager³. The Chief Constable has a Police Pensions Board, established in 2015 under Section 5 of the Public Services Pension Act, which provides local administration and governance for the Scheme.

The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries and additional contributions for officers retiring due to ill health. The regulations⁴ 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 2019/20 is £64.849 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 £4.161 billion (£4.460 billion in 2018/19) 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.

Explanation of the Key Statements

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

The Movement in Reserves Statement (MiRS Page 25) - Shows the changes in the Chief Constable's 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.

³ Public Service Pension Act 2013 (section 4)

⁴ Police Pension Fund Regulations 2007 (SI 2007/1932)

The Comprehensive Income and Expenditure Statement (CIES Page 27) - Shows the gains and losses that contributed to these changes in resources. The CIES shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation as shown in the MiRS above.

The Balance Sheet (Page 28) - Shows the Chief Constable's financial position and net assets at the financial year end. The Balance Sheet reflects current liabilities and current assets that are in substance the Chief Constable's at the Balance Sheet date, offset by a corresponding debtor from the Commissioner to reflect the fact that all payments are made in the name of the Commissioner.

The Cash Flow Statement (Page 29) - Shows how the movement in resources has been reflected in cash flows generated and used during the year.

Supplementary Financial Statements:

Police Officer Pension Fund Statements (Page 61) - This shows the Police Pension Fund Account for the year, for which the Chief Constable is the Scheme Manager⁵.

Documents Supporting the Statements of Account:

Annual Governance Statement (Page 63) - This statement, required by regulations⁶ to accompany the Statements of Account, is an assessment of the Chief Constable's corporate governance and internal control.⁷

Significant Changes since 2018/19

There are no significant changes to the financial statements since 2018/19.

Outlook for 2020/21 and Beyond

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

The Commissioner has agreed a Medium Term Financial Strategy (MTFS) which sets out the key financial issues over 2020/21 to 2023/24. Whilst the MTFS covers a period of four years, it is reviewed annually to reflect the dynamic nature of both policing and changes in anticipated funding. It describes the financial direction of the organisation and outlines the level of funding and subsequent investment over the four year period.



The MTFS 2020/21 to 2023/24 will, after years of under investment in policing, go some way in providing better opportunities to invest in the infrastructure necessary to take Northumbria Police forward to 2025. The Strategy will assist the Force to become better prepared to meet future demand; deliver a much-

⁵ Public Service Pension Act 2013 (section 4)

⁶ Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from www.legislation.gov.uk)

⁷ In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015

needed increase in officer numbers; and allow Northumbria Police to invest in the right resources to protect the vulnerable, tackle crime and keep our communities safe.

The Police Grant Report for 2020/21 was published on 22 January 2020 and confirmed that general police grant allocations to PCCs were to be increased by 7.5%. The settlement also included a ring-fenced Uplift grant to support the national Uplift target of 6,000 additional officers by the end of March 2021. Northumbria's core grant therefore increased by £16.384 million and the Northumbria Uplift grant was confirmed at £5.175 million, payable as the Force progresses with recruitment against its target of 185 additional officers by 31 March 2021.

The Special Police Grant that was provided in 2019/20 to help Forces manage the increased costs of Officer Pension Contributions, which were a result of the 2016 Pensions Valuation, has been extended for a further year in flat cash terms. This means that Northumbria will receive £3.423 million for one further year only in 2020/21, to ease the significant pressure caused by the £7.700 million increase in annual pension costs from 01 April 2019.

In calculating the settlement for 2020/21 the government assumed that each PCC would increase the police Precept by £10 for a Band D property (£6.66 for a Band A property). If the Commissioner had chosen to implement this increase it would have seen households experience an increase of 7.4% in their Council Tax bill. Taking into account overall funding it was deemed too much to increase the precept by this amount and therefore an increase of 1.99% was approved bringing the precept for a Band D property to £137 for 2020/21.

Northumbria Police Strategy 2025

The 'Northumbria Police Strategy 2025' sets out plans for the overarching delivery of the priorities for Northumbria Police. A Transformation Programme has been established to deliver the long-term objectives. The plan is to transform the service in a phased approach, putting Northumbria Police in the best position to deliver the priorities in the existing Police & Crime Plan and reflect the emerging priorities in the next Police and Crime Plan, future policing demands and business sustainability.

The first phase of the programme, to introduce a new Force Operating Model, was successfully implemented in November 2019. Designed to deliver a responsive policing service that is prioritised on threat to the public, vulnerability of the victim, and is fully aligned to a demand led re-organisation of resources.

The next phase, currently underway, is designed to transform how services are delivered through the use of technology and digitally enabled processes; increasing effectiveness and efficiency; and supported by the national digital programme. Future phases concentrate on innovation, utilising new and emerging technologies, and partnership and collaborative outcomes.

Moving forward, the adoption of a structured business planning process will enable the Force to continue to understand the demand for services, both internal and external, in order to respond and adapt to change. Ensuring services remain fit for purpose, and resources are aligned to meet operational demand as the Force moves forward into the future.

The Commissioner's MTFS is underpinned by a workforce plan and capital programmes which are aligned with the delivery of the Police and Crime Plan priorities. The Northumbria Police Strategy 2025 and new Force Operating Model are fully aligned to the MTFS and available resources to ensure value for money, providing an efficient and effective police service to the communities of Northumbria.

The MTFS 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. Both the 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: [Medium Term Financial Strategy 2020/21 to 2023/24](#)

Brexit

The United Kingdom exited the European Union (EU) on 31 January 2020. Transitional arrangements are in place and these are due to last until 31 December 2020 when the new EU-UK relationship will begin. The transition period was intended to give both sides breathing space to agree the new arrangements for that relationship. The deadline for extending the transition period was 30 June 2020 and this has now passed.

The eventual position on Brexit post 31 December 2020 (including whether the UK exits the EU with or without a trade deal), does have the potential to impact on the finances of the Commissioner and Chief Constable. However it is too early to predict any impact, the longer-term effects are uncertain and likely to remain so for some time. The position will continue to be monitored during 2020/21.

Coronavirus Pandemic (Covid-19)

Although the Coronavirus outbreak was declared a global pandemic by the World Health Organisation on 11 March 2020, the full impact on the UK economy was not felt until after 31 March 2020.

On 24 March 2020 the Chief Constable and Commissioner issued a message on the Coronavirus restrictions: [Message from the Chief Constable and Commissioner](#)

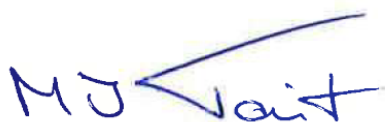
In Northumbria, over the course of the pandemic and the start to recovery police services continued to be delivered effectively, with continued focus being on high levels of public and community engagement.

Where possible, our police staff, mainly those in support roles, were provided with the technology to work at home in-line with the Government advice.

At the time of publication of the Statements of Account it is too early to determine the financial impact on the Commissioner and Group. Costs of £0.400 million were incurred in 2019/20 in relation to the impact of Covid-19 in Northumbria. The Covid-19 costs in 2020/21 are being monitored on a weekly basis and regularly reported to both the Commissioner and Chief Constable. The expectation is that the cost of Personal Protective Equipment (PPE) and lost income from sales and fees will be met by Government. The Commissioner has set aside additional funds within the General Reserve as at 31 March 2020 to help manage any unfunded additional impact in 2020/21.

Events after the reporting period

There are no events after the reporting period to note.



Signed:

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

Date:



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 Statements of Account.

Signed:



Date:

25-11-20

Winton Keenan
Chief Constable Northumbria Police

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Chief Constable's Statements of Account. This has been done in accordance with proper practices as set out in the CIPFA / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Account, 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 Statements of Account for the year ended 31 March 2020, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statements of Account gives a true and fair view of the financial position of the Chief Constable at 31 March 2020 and of his income and expenditure for the year ended 31 March 2020.

Signed:



Date:

25/11/20

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 2019/20

	Note	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Balance as at 31 March 2019		-	-	(4,461,860)	(8,826)	(4,470,686)	(4,470,686)
<u>Movement in reserves during 2019/20</u>							
Total Comprehensive Income and Expenditure		(151,378)	(151,378)	451,940	-	451,940	300,562
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	151,378	151,378	(150,870)	(508)	(151,378)	-
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		-	-	301,070	(508)	300,562	300,562
Transfers (To) / From Earmarked Reserves		-	-	-	-	-	-
Increase / (Decrease) in Year		-	-	301,070	(508)	300,562	300,562
Balance as at 31 March 2020		-	-	(4,160,790)	(9,334)	(4,170,124)	(4,170,124)

Movement in Reserves Statement 2018/19

	Note	General Fund £000	Total Usable Reserves £000	Pension Fund £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Reserves £000
Balance as at 31 March 2018		-	-	(4,100,560)	(9,354)	(4,109,914)	(4,109,914)
<u>Movement in reserves during 2018/19</u>							
Total Comprehensive Income and Expenditure		(329,607)	(329,607)	(31,165)	-	(31,165)	(360,772)
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	329,607	329,607	(330,135)	528	(329,607)	-
Net Increase / (Decrease) before Transfers (To) / From Earmarked Reserves		-	-	(361,300)	528	(360,772)	(360,772)
Transfers (To) / From Earmarked Reserves		-	-	-	-	-	-
Increase / (Decrease) in Year		-	-	(361,300)	528	(360,772)	(360,772)
Balance as at 31 March 2019		-	-	(4,461,860)	(8,826)	(4,470,686)	(4,470,686)

Comprehensive Income and Expenditure Statement							Notes
2018/19				2019/20			
Gross Expenditure £000	Income £000	Net Expenditure £000	Service Expenditure Analysis	Gross Expenditure £000	Income £000	Net Expenditure £000	
507,187	-	507,187		Police Services	345,237	-	345,237
4,770	-	4,770	Policing Funds (managed by the PCC)	4,040	-	4,040	
-	(286,360)	(286,360)	PCC Financing of Police Services	-	(307,119)	(307,119)	
511,957	(286,360)	225,597	Net Cost of Services	349,277	(307,119)	42,158	
		104,010	Financing and Investment Income and Expenditure (Interest on the net defined benefit pension Liability / (Asset))			109,220	
		329,607	(Surplus) / Deficit on Provision of Services			151,378	
		31,165	Re-measurements of the net defined pension benefit Liability			(451,940)	
		31,165	Other Comprehensive Income and Expenditure			(451,940)	
		360,772	Total Comprehensive Income and Expenditure			(300,562)	

9(a)

9(a)

Balance Sheet			
31 March 2019		31 March 2020	Notes
£000		£000	
10,504	Short-Term Debtors	13,907	13
10,504	Current Assets	13,907	
(962)	Short-Term Provisions	(671)	15
(19,798)	Short-Term Creditors	(22,570)	14
(20,760)	Current Liabilities	(23,241)	
(4,460,430)	Other Long-Term Liabilities (Pensions)	(4,160,790)	
(4,460,430)	Long-Term Liabilities	(4,160,790)	
(4,470,686)	Net Assets	(4,170,124)	
Usable Reserves			
-	General Reserve	-	
Unusable Reserves			
(8,826)	Accumulated Absence Account	(9,334)	
(4,461,860)	Pensions Reserve	(4,160,790)	
(4,470,686)	Total Reserves	(4,170,124)	9

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Chief Constable at 31 March 2020.

Signed:



Date:



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

Cash Flow Statement

2018/19 £000		2019/20 £000
329,607	(Surplus) / Deficit on the Provision of Services	151,378
	Adjustments to (Surplus) / Deficit on the Provision of Service for Non-Cash Movements:	
(330,135)	Pension Adjustments	(150,870)
1,188	Contributions To / (From) Provisions	291
528	Other Non-Cash Movements	(508)
	Accruals Adjustments:	
(6,566)	Increase / (Decrease) in Debtors	1,973
5,378	(Increase) / Decrease in Creditors	(2,264)
-	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

I. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available to the Chief Constable (i.e. the financing provided by the 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						
2018/19				2019/20		
Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Service Expenditure Analysis						
253,688	253,499	507,187	Police Services	263,712	81,525	345,237
4,770	-	4,770	Policing Funds (managed by the PCC)	4,040	-	4,040
(258,458)	(27,902)	(286,360)	PCC Financing of Police Services	(267,752)	(39,367)	(307,119)
-	225,597	225,597	Net Cost of Services	-	42,158	42,158
-	104,010	104,010	Other Income and Expenditure	-	109,220	109,220
-	329,607	329,607	(Surplus) / Deficit on Provision of Services	-	151,378	151,378
-			Opening General Fund Balance at 31 March	-		
-			Surplus / (Deficit) on General Fund in Year	-		
-			Closing General Fund as 31 March	-		

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

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

2019/20				
Adjustments between Funding and Accounting Basis				
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	41,650	508	39,367	81,525
Policing Funds (managed by the PCC)	-	-	-	-
PCC Financing of Police Services	-	-	(39,367)	(39,367)
Net Cost of Services	41,650	508	-	42,158
Other Income and Expenditure	109,220	-	-	109,220
(Surplus) / Deficit on Provision of Services	150,870	508	-	151,378

2018/19				
Adjustments between Funding and Accounting Basis				
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	226,125	(528)	27,902	253,499
Policing Funds (managed by the PCC)	-	-	-	-
PCC Financing of Police Services	-	-	(27,902)	(27,902)
Net Cost of Services	226,125	(528)	-	225,597
Other Income and Expenditure	104,010	-	-	104,010
(Surplus) / Deficit on Provision of Services	330,135	(528)	-	329,607

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 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 2018/19 £000	Income from services 2019/20 £000
Police Services	(7,513)	(9,120)
Total income analysed on a segmental basis	(7,513)	(9,120)

2. Expenditure and Income Analysis 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 2019/20 (and 2018/19 comparative) is analysed as follows:

Expenditure and Income Analysed by Nature		
Expenditure / Income	2018/19 £000	2019/20 £000
Expenditure		
Employee benefits expenses	460,249	292,117
Other employee expenses	2,547	3,048
Premises	9,244	8,437
Transport	4,169	4,111
Supplies and services	19,099	22,144
Third party payments	6,715	5,450
Charge for use of assets	9,934	13,970
Interest on the net defined benefit pension liability	104,010	109,220
Total Expenditure	615,967	458,497
Income		
PCC financing of police services	(286,360)	(307,119)
Total Income	(286,360)	(307,119)
(Surplus) / Deficit on the Provision of Services	329,607	151,378

Employee benefits expenses shown within the Expenditure and Income Analysed by Nature note are £292.117 million for 2019/20 (£460.249 million 2018/19). The reduction of £168.132 million relates to the one-off accounting adjustment for pensions (past service cost) included in 2018/19 of £190.690 million. This was attributable to the McCloud / Sargeant judgement and reflected an increase in pension scheme liabilities for the Police Pension Scheme and the Tyne and Wear Pension Fund (TWPF).

3. Statement of Accounting Policies

Introduction

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

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

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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:

a) Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 (the Act) established both the Police and Crime Commissioner for Northumbria (the Commissioner) and the Chief Constable for Northumbria as two

separate corporations sole, and the statutory accounting arrangements for both entities fully comply with this Act.

By virtue of the powers and responsibilities of the Commissioner as designated by the Act and the Home Office Financial Management Code of Practice, the Commissioner controls the Chief Constable for financial reporting purposes and as such is required to prepare consolidated financial statements for the Group (the Commissioner and the Chief Constable) as well as her own (Police and Crime Commissioner) single-entity accounts. The Chief Constable, who is treated as a subsidiary of the Commissioner, has prepared single-entity accounts.

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

The Chief Constable manages expenditure in relation to policing within the budget set by the Commissioner. These Statements of Account presents expenditure on policing following appropriate accounting practice.

b) Accruals of expenditure and income

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventory in the Balance Sheet of the Police and Crime Commissioner;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

c) 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.

d) 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 services. 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.

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.

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 Scheme is an unfunded defined benefit scheme, 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.

e) Events after the Balance Sheet date

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

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

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

f) 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 Chief Constable'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 2019/20 financial statements.

g) 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.

h) 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 2019/20 are set out at Note 15 to the Accounts.

i) 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.

j) 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.

k) 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 2019/20 is shown at Note **12** to the Accounts.

4. Critical Judgement in applying accounting policies

In applying its accounting policies, certain judgements have been made about the complex transactions or those involving uncertainty about future events. The most significant areas where judgements have been necessary 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. There have been no significant changes in accounting policies in 2019/20. Changes in accounting estimates are accounted for prospectively i.e. In the current and future years

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by an amendment to an existing standard or a new standard that has been issued but not yet adopted. For 2019/20 the following have been issued but will not be adopted by the Code until 2020/21:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements for the Chief Constable.

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

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items within the Chief Constable's Balance Sheet as at 31 March 2020 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 Scheme 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 2019. 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 three 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. The latest detailed calculation of actual balances was carried out as at 31 March 2019. Further details are included within Note 17 to the core financial statements.

8. Effects of the Police Reform and Social Responsibility Act

The statutory accounts are prepared under the arrangements introduced by the Police Reform and Social Responsibility Act 2011 (the Act).

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

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

Accounting Recognition

At 31 March 2020, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are in the Commissioners name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all usable reserves. The Commissioner is the recipient of all income including government grants, Precepts and other sources of income which is paid into the Police Fund and all expenditure of the Chief Constable is funded by the Commissioner from the Police Fund. There are no cash transactions between the two bodies.

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

All income, as well as expenditure directly controlled by the Commissioner, in relation to her Office, 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 - £13.970 million.
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in the provision of policing - £0.178 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 - £0.026 million in 2019/20.

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.

Intra-Group Adjustments Balance Sheet

Net debtor / (creditor) reflecting resources consumed by the Chief Constable but cash payments not made by the Commissioner or payments made by the Commissioner in advance of services received at the Balance sheet date.

2018/19 £000		2019/20 £000
(8,745)	Chief Constable	(13,728)
8,745	Commissioner	13,728
- Group		-

9. Movement in Reserves Statement

The Movement in Reserves Statement details all movements in the financial year on the different reserves held by the Chief Constable, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable' reserves (notional adjustment accounts not supported by cash). At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences reserve (reflecting movements relating to police officers and police staff under the direction and control of the Chief Constable). All other reserves are managed by the Commissioner. The following tables provide further details of the amounts disclosed in the Movement in Reserves Statement.

a) Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure (OCIE) comprises items of expense and income that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. The following table details the transactions during 2018/19 and 2019/20:

Other Comprehensive Income & Expenditure	
2018/19	2019/20
Unusable Reserves	Unusable Reserves
£000	£000
31,165	Re-measurements of the net defined benefit pension liability (451,940)
31,165	Total Other Comprehensive Income and Expenditure (451,940)

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			
2018/19		2019/20	
Usable Reserves General Fund £000	Unusable Reserves Pension Fund £000	Usable Reserves General Fund £000	Unusable Reserves Pension Fund £000
528	(528)	(508)	508
(372,610)	372,610	(201,710)	201,710
42,475	(42,475)	50,840	(50,840)
(329,607)	329,607	(151,378)	151,378

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 Scheme and the Tyne and Wear Pension Fund.

Analysis of the transfers To / From reserves					
Balance as at 31 March 2019 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2020 £000
Usable Reserves					
-	General Reserve	-	-	-	-
-	Total Usable Reserves	-	-	-	-
Unusable Reserves					
(8,826)	Accumulated Absences Account	-	(508)	(508)	(9,334)
(4,461,860)	Pensions Reserve	460,790	(159,720)	301,070	(4,160,790)
(4,470,686)	Total Unusable Reserves	460,790	(160,228)	300,562	(4,170,124)
(4,470,686)	Total Reserves	460,790	(160,228)	300,562	(4,170,124)

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 2019/20.

External Audit Costs	
2018/19 £000	2019/20 £000
14	14
14	14

11. Officer Remuneration

The following tables set out the remuneration for police staff and police officers whose total remuneration is more than £50,000 per year in 2019/20 and the equivalent disclosure for 2018/19.

Total remuneration for the purposes of the banding note requires the disclosure of all payments paid to or receivable by an individual during the year. This includes salary, overtime, fees and allowances, holiday pay, exit payments and any other payments. Payments made in relation to remuneration claims in respect of past service, as described in the Narrative Statement and Note 15 to the accounts have therefore impacted on values within the banding note for both 2018/19 and 2019/20, in particular the addition of the £120,000 to £124,999 banding category for 2018/19 and 2 of those officers earning over £90,000 in 2019/20.

Numbers of Employees receiving over £50,000		
Remuneration Band	Number of Employees	
	2018/19	2019/20
£50,000 - £54,999	119	148
£55,000 - £59,999	66	120
£60,000 - £64,999	11	21
£65,000 - £69,999	13	6
£70,000 - £74,999	7	8
£75,000 - £79,999	9	8
£80,000 - £84,999	5	7
£85,000 - £89,999	3	1
£90,000 - £94,999	-	4
£100,000 - £109,000	-	2
£120,000 - £124,999	1	-

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 following table shows the total number and cost of exit packages which became demonstrably committed to during the year ending 31 March 2020. The disclosure for exit packages is set out in-line with the CIPFA Code of Practice which requires an analysis between compulsory and other departures. The number of other departures includes voluntary redundancies and early retirements.

Exit packages 2019/20				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£0 - £20,000	3	1	4	63,266
£20,001 - £40,000	3	-	3	77,829
Total	6	1	7	141,095

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. The comparative disclosure for the Group in 2018/19 is set out in the following table:

Exit packages 2018/19				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£0 - £20,000	7	3	10	99,945
£20,001 - £40,000	2	1	3	99,780
£40,001 - £60,000	1	-	1	58,469
£60,001 - £80,000	1	-	1	78,628
Total	11	4	15	336,822

Remuneration of senior employees is disclosed in the following table for 2019/20:

Remuneration of Senior Employees 2019/20							
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2019/20 £
Chief Constable - Winton Keenen		175,907	5,547	-	181,454	-	181,454
Deputy Chief Constable - A	1	40,264	2,282	-	42,546	12,054	54,600
Deputy Chief Constable - B	2	112,691	5,719	-	118,410	33,805	152,215
Assistant Chief Constable - C		122,620	7,414	-	130,034	35,333	165,367
Assistant Chief Constable - D		98,709	7,528	-	106,237	29,828	136,065
Assistant Chief Constable - E	3	27,122	1,704	-	28,826	8,110	36,936
Temporary Assistant Chief Constable - F	4	80,309	212	-	80,521	20,554	101,075
Temporary Assistant Chief Constable - G	5	25,102	64	-	25,166	7,561	32,727
Director of Finance and IT (Chief Finance Officer)		99,814	-	-	99,814	16,469	116,283
Director of People and Development		99,814	-	-	99,814	16,469	116,283
Total		882,352	30,470	-	912,822	180,183	1,093,005

Note 1: Deputy Chief Constable A in post 01 April 2019 to 11 July 2019

Note 2: Deputy Chief Constable B started in post 24 June 2019

Note 3: Assistant Chief Constable E in post to 23 June 2019

Note 4: Temporary Assistant Chief Constable - F in post to 05 January 2020

Note 5: Temporary Assistant Chief Constable - G started in post 06 January 2020

Remuneration of senior employees is disclosed in the following table for 2018/19:

Remuneration of Senior Employees 2018/19							
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2018/19 £
Chief Constable - Winton Keenen		172,280	6,788	-	179,068	-	179,068
Deputy Chief Constable - A		141,427	7,464	-	148,891	32,898	181,789
Assistant Chief Constable - C		107,404	7,423	38,880	153,707	25,393	179,100
Assistant Chief Constable - D	1	63,301	6,949	-	70,250	14,613	84,863
Assistant Chief Constable - E	2	38,504	1,185	-	39,689	8,949	48,638
Temporary Assistant Chief Constable - F	3	38,513	715	-	39,228	7,920	47,148
Temporary Assistant Chief Constable - H	4	77,719	1,143	-	78,862	18,480	97,342
Director of Finance and IT (Chief Finance Officer)		99,081	-	-	99,081	16,348	115,429
Director of People and Development		99,081	-	-	99,081	16,348	115,429
Total		837,310	31,667	38,880	907,857	140,949	1,048,806

Note 1: Assistant Chief Constable D - in post to 28 October 2018

Note 2: Assistant Chief Constable E - started in post on 03 December 2018

Note 3: Temporary Assistant Chief Constable - F started in post on 12 November 2018

Note 4: Temporary Assistant Chief Constable - H in post to 03 January 2019

Chief Finance Officer

The Director of Finance & IT for Northumbria Police is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner, 20% of the CFO remuneration is charged to the Commissioner in the single entity CIES. The senior officer remuneration in respect of the CFO role is disclosed in the Statements of Account for the Chief Constable and Police and Crime Commissioner Group financial statements – Remuneration of Senior Employees.

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) governed by a Board of Trustees. During 2019/20 the Chief Constable served as a Trustee up to 17 September 2019. The Chief Constable had no material transactions with VFN in 2019/20.

Police and Crime Commissioner for Northumbria

Whilst the Chief Constable retains responsibility for the direction and control of the Force, the Commissioner is responsible for holding the Chief Constable to account for the full range of his responsibilities.

The Commissioner has an integrated scheme of corporate governance that sets out the operational policy framework within which the Commissioner and Chief Constable will operate. The Commissioner funds the expenditure on operational policing incurred by the Chief Constable, the total of which is disclosed in the Commissioner's Comprehensive Income and Expenditure Statement.

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 other Forces and 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 a collaboration between the three Forces of Northumbria, Durham and Cleveland categorised as a Joint Operation in line with the *Accounting for Collaboration* guidance issued by CIPFA. The governance of the Joint Operation is managed through a Section 22A collaboration agreement 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 2019/20 are set out in the table below.

Force	Contribution
Northumbria	52.58%
Durham	22.80%
Cleveland	24.62%

The final outturn position for NERSOU was £7.634 million with Northumbria's share of the net cost being £4.013 million as set out below:

	NERSOU Outturn		Northumbria	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Employee Pay and Pensions	8,788	9,256	4,604	4,866
Premises Costs	403	379	211	199
Vehicles and Fuel	222	297	116	156
Travel and Accommodation	110	186	58	98
Communications and Computing	119	114	62	60
Training and Conference Fees	148	135	78	71
Supplies and Services	300	466	157	245
Other Expenses	136	121	71	64
Total Expenditure	10,226	10,954	5,357	5,759
Home Office Grant	(2,894)	(3,015)	(1,516)	(1,585)
Other Income	(565)	(306)	(296)	(161)
Total Income	(3,459)	(3,321)	(1,812)	(1,746)
Net Expenditure	6,767	7,633	3,545	4,013

The accounting treatment for NERSOU is that expenditure is shown as £5.759 million (£5.357 million 2018/19) in the Chief Constable's accounts with income of £1.746 million (£1.812 million 2018/19) being accounted for in the Police and Crime Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £4.013 million (£3.545 million 2018/19).

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, the North East Regional Crime Prevention Centre (NERCPC). The property asset is held under a Trust Agreement signed by the three Police and Crime Commissioners. 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 for the NERCPC 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 £0.368 million as at 31 March 2020. The reserve balance relates to income received through the Asset Recovery Incentivisation Scheme (ARIS) which will be carried forward to be utilised in 2020/21, and an amount set aside from the revenue underspend in 2019/20 which the NERSOU Joint Committee have agreed will be carried forward to be used in 2020/21.

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 2020.

Short-Term Debtors			
31 March 2019			31 March 2020
£000			£000
25	Central government bodies		39
-	Public corporations and trading funds		-
1,734	Bodies external to general government		140
8,745	Police and Crime Commissioner		13,728
10,504			13,907

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 2019			31 March 2020
£000			£000
(1,949)	Central government bodies		(5,905)
-	NHS bodies		(7)
(3,886)	Other local authorities		(1,760)
(3)	Public corporations and trading funds		-
(13,960)	Bodies external to general government		(14,898)
(19,798)			(22,570)

15. Provisions and Contingent Liabilities

Provisions

Provisions				
31 March 2019	Additional Provisions Made	Provisions Used	Reversals	31 March 2020
£000	£000	£000	£000	£000
Short-term provisions				
(962)	Employee remuneration	291	-	(671)
(962)	Total	291	-	(671)

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 2020/21.

The employee remuneration provision included in the accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a number of claims and costs outstanding which are expected to be finalised in 2020/21. The balance on the provision at 31 March 2020 reflects a prudent estimate to cover the expected costs.

Contingent Liabilities

At 31 March 2020, the Chief Constable has identified the following contingent liability:

- **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 2020.
- **McCloud/Sargeant judgement** – The Chief Constable along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police Pension Scheme had previously been stayed behind the McCloud/Sargeant judgement but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 01 April 2015. This interim declaration applies to claimants only. However, the government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure that they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that pension remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

- **Impact on Pension Liability** – Allowing for members to remain in their existing scheme as at 01 April 2015 would lead to an increase in pension scheme liabilities. Scheme actuaries have estimated the potential increase for the Northumbria Chief Constable and this is fully reflected in the IAS19 accounting for 2019/20.

The actual impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from the McCloud/Sargeant judgement is determined through the Police Pension Fund Regulations 2007. These require the Chief Constable to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in-year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

- **Compensation Claims** – The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The banding of claims proposed by claimants was received in June for non-pecuniary claims. As at the date of publication of the draft accounts it is not possible to estimate the extent or likelihood of these claims being successful and therefore no liability in respect of compensation claims is recognised in these accounts.

Due to the overall uncertainty for both cases described above it is not possible to provide any further detail of anticipated timings or the potential scale of any liability that may arise.

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 2019 £000	31 March 2020 £000
Financial Liabilities at Amortised Cost		
Short-term Creditors	(8,899)	(7,665)
Financial Assets at Amortised Cost		
Short-term Debtors	1,734	140

Due to the very limited types of financial instruments held by the Chief Constable there is limited exposure to risk. Key risks such as credit risk, liquidity risk, re-financing risk and market risk are all associated with contracts; cashflow; investment and borrowing activity; and overall financing of services. The Chief Constable has no material exposure to any of these sources of risk, which fall mainly to the Commissioner and are considered within the Financial Instruments note to the Commissioner's single-entity accounts.

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		
2018/19 £000		2019/20 £000
8,826	Police Services	9,334
8,826	Total employee benefits accrued at the Balance Sheet date	9,334

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.

a) Defined Benefit Plan: Tyne and Wear Pension Fund

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

In 2019/20, the Chief Constable paid £7.820 million (£7.410 million in 2018/19) to the Pension Fund in respect of pension contributions, with standard contributions representing 16.5% of pensionable pay (16.5% in 2018/19).

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 2019 which determined the contributions to be paid from 01 April 2020 to 31 March 2023. The results from that valuation are set out in the Fund's Rates and Adjustment Certificate. The employer's standard contribution rate for 01 April 2020 to 31 March 2023 increased from 16.5% to 16.8% as a result of the 2019 valuation.

The next actuarial valuation of the Fund will be carried out at 31 March 2022 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 01 April 2023. The Fund Administering Authority, South Tyneside Council, is responsible for the governance of the Fund.

Assets

The assets allocated to the 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 contributions payable for the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement as an appropriation.

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

Charges to Comprehensive Income and Expenditure Statement

	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£m	£m	£m	£m
Within Cost of Service				
Current Service Cost	14.01	16.32	-	-
Past service cost (incl. curtailments)	8.15	0.08	-	-
Financing, Investment Income & Expenditure				
Interest on net defined benefit Liability / (Asset)	3.02	2.95	0.09	0.09
Pension expense recognised in CIES	25.18	19.35	0.09	0.09
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	(17.42)	19.89	-	-
Actuarial (Gains) / Losses due to change in financial assumptions	18.90	0.17	0.09	-
Actuarial (Gains) / Losses due to change in demographic assumptions	(18.66)	(6.86)	(0.15)	(0.09)
Actuarial (Gains) / Losses due to liability experience	0.76	(4.11)	0.01	(0.15)
Total Amount recognised in OCI	(16.42)	9.09	(0.05)	(0.24)
Total Amount charged to CIES	8.76	28.44	0.04	(0.15)

Assets and Liabilities in Relation to Retirement Benefits**Changes to the present value of the defined benefit obligation**

	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£m	£m	£m	£m
Opening defined benefit obligation	431.02	457.87	3.73	3.54
Current service cost	14.01	16.32	-	-
Interest expense on defined benefit obligation	11.11	11.37	0.09	0.09
Contributions by participants	2.71	2.92	-	-
Actuarial (Gains) / Losses on liabilities	18.90	0.17	0.09	-
- financial assumptions				
Actuarial (Gains) / Losses on liabilities	(18.66)	(6.86)	(0.15)	(0.09)
- demographic assumptions				
Actuarial (Gains) / Losses on liabilities	0.76	(4.11)	0.01	(0.15)
- experience				
Net benefits paid out	(10.13)	(9.69)	(0.23)	(0.23)
Past service cost (incl. curtailments)	8.15	0.08	-	-
Closing defined benefit obligation	457.87	468.07	3.54	3.16

Changes to the fair value of assets during the period				
	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
Opening fair value of assets	311.18	336.45	-	-
Interest income on assets	8.09	8.42	-	-
Remeasurement Gains / (Losses) on assets	17.42	(19.89)	-	-
Contributions by the employer	7.18	7.59	0.23	0.23
Contributions by participants	2.71	2.92	-	-
Net benefits paid out	(10.13)	(9.69)	(0.23)	(0.23)
Closing fair value of assets	336.45	325.80	-	-

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 2019 £m	31 March 2020 £m
Present value of defined benefit obligation (funded)	457.87	468.07
Present value of defined benefit obligation (unfunded)	3.54	3.16
Asset / (Liability) recognised on the balance sheet (funded)	(121.42)	(142.27)
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.54)	(3.16)
Fair value of assets	336.45	325.80

Scheme Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a loss of £11.470 million (£25.510 million gain in 2018/19).

Analysis of Scheme Assets				
Asset	Asset split at 31 March 2019 (%)	Quoted At 31 March 2020 (%)	Unquoted At 31 March 2020 (%)	Asset split at 31 March 2020 (%)
Equities	65.0	48.0	6.8	54.8
Property	8.8	0.0	9.0	9.0
Government bonds	4.1	4.1	0.0	4.1
Corporate bonds	11.7	15.3	0.0	15.3
Cash	2.7	2.3	0.0	2.3
Other*	7.7	8.5	6.0	14.5
	100.0	78.2	21.8	100.0

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

Material Valuation Uncertainty (Property Assets)

A small proportion of the Pension Fund's investments (9.0%) are held in direct property valuations and pooled residential property funds. The impact of Covid-19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts.

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Chief Constable is liable to pay in 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 £145.430 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)					
	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
Present value of the defined benefit obligation					
- Funded liabilities	(316.70)	(411.32)	(431.02)	(457.87)	(468.07)
- Unfunded liabilities	(3.42)	(3.83)	(3.73)	(3.54)	(3.16)
Fair value of fund assets	239.32	294.93	311.18	336.45	325.80
Surplus / (Deficit) in the scheme	(80.80)	(120.22)	(123.57)	(124.96)	(145.43)

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, 2018/19 and 2019/20 with the prepayment at 31 March 2018 and 31 March 2019 being offset against the pension liability on the Balance Sheet. The pension reserve and the net pension liability therefore differed by the value of the prepayment at each of those balance sheet dates but have been brought back into line at 31 March 2020 as the final prepayment is accounted for during the 2019/20 financial year.

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

Members	%
Actives	49
Deferred Pensioners	20
Pensioners	31

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis to provide an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and discount rates. AON 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 2019. The liabilities for unfunded benefits are based on an actuarial valuation which took place on 31 March 2020.

A building block approach is employed in determining the rate of return on fund assets. Historic markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out in the (analysis of scheme assets) table on the previous page. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2020.

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

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded Liabilities	
	2018/19	2019/20	2018/19	2019/20
Financial assumptions (% per annum)				
Discount Rate	2.5	2.3	2.5	2.3
Rate of Inflation (CPI)	2.1	1.9	2.1	1.9
Rate of Inflation (RPI)	3.2	n/a	3.2	n/a
Rate of increase in salaries	3.6	3.4	n/a	n/a
Rate of increase to pensions in payment	2.1	1.9	2.1	1.9
Pension accounts revaluation rate	2.1	1.9	n/a	n/a
Mortality assumptions				
Future lifetime from age 65 (Member aged 65 at accounting date)				
Men	22.2	21.8	22.2	21.8
Women	25.3	25.0	25.3	25.0
Future lifetime from age 65 (Member aged 45 at accounting date)				
Men	23.9	23.5	n/a	n/a
Women	27.2	26.8	n/a	n/a

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 2020 and the projected service cost for the year ending 31 March 2020. In each case, only the assumption mentioned is altered; all other assumptions remain the same:

Sensitivity to main assumptions (Funded Liabilities)			
Discount rate assumption	Adjustment to Rate		
Adjustment to discount rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present value of total obligation (£M)	457.3	468.07	479.3
Change in present value of total obligation	-2.3%		2.4%
Projected service cost (£M)	16.24	16.88	17.54
Approximate change in projected service cost	-3.8%		3.9%
Rate of general increase in salaries	Adjustment to Rate		
Adjustment to salary increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present value of total obligation (£M)	469.94	468.07	466.2
Change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M)	16.88	16.88	16.88
Approximate change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	Adjustment to Rate		
Adjustment to pension increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present value of total obligation (£M)	477.43	468.07	459.18
Change in present value of total obligation	2.0%		-1.9%
Projected service cost (£M)	17.54	16.88	16.24
Approximate change in projected service cost	3.9%		-3.8%
Post retirement mortality assumption	Adjustment to Rate		
Adjustment to mortality age rating assumption*	- 1 year	Base Figure	+ 1 year
Present value of total obligation (£M)	483.05	468.07	453.56
Change in present value of total obligation	3.2%		-3.1%
Projected service cost (£M)	17.5	16.88	16.26
Approximate change in projected service cost	3.7%		-3.7%

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

Expected future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Chief Constable for the accounting period to 31 March 2021 are estimated to be £8.140 million (£7.910 million funded and £0.230 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 23.7 years.

b) Defined Benefit Plan: Police Pension Scheme

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 2020, allowing for additional service accrued between 01 April 2016 and 31 March 2020, and known

pension and salary increases that would have applied. The transactions shown below have been made during the year:

Charges to Comprehensive Income and Expenditure Statement		
	31 March 2019 £m	31 March 2020 £m
Net Cost of Service		
Current service cost	63.72	88.17
Past service cost	182.72	(12.08)
Financing and investment income and expenditure		
Pension interest cost	100.90	106.18
Total charge to Provision of Services	347.34	182.27
Re-measurement of the net defined benefit Liability / (Asset)	47.64	(460.79)
Total IAS 19 charge to Comprehensive Income and Expenditure	394.98	(278.52)

A past service cost of £182.720m was included in the accounts for 2018/19 relating to the McCloud / Sargeant judgement to account for the impact of the anticipated remedy. The approach taken by the Government Actuaries Department (GAD) to estimate the additional future liability resulting from the judgement considered the police scheme membership as a whole. The calculation was then applied proportionally to Northumbria Police for 2018/19. For 2019/20, the calculation has been updated to allow for Northumbria Police specific membership data and following CIPFA guidance the change has been included in the re-measurement of the net defined benefit liability. Included in the Current Service Cost above is the additional liability expected for affected members during April 2019 to March 2020.

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					
	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Present value of the defined benefit obligation	(3,100.36)	(3,807.81)	(3,974.13)	(4,335.47)	(4,015.36)
Surplus / (Deficit) in the Scheme	(3,100.36)	(3,807.81)	(3,974.13)	(4,335.47)	(4,015.36)

Reconciliation of the present value

Reconciliation of the fair value of scheme assets		
	31 March 2019 £m	31 March 2020 £m
Opening fair value of assets	-	-
Actuarial Gains and (Losses) on assets	65.20	64.60
Contributions by employer	33.64	41.59
Contributions by participants	15.66	15.59
Transfers in	0.90	0.44
Net benefits paid	(115.40)	(122.22)
Closing fair value of assets	-	-

Analysis of movements in scheme liability

Analysis of the movement in scheme liability		
	31 March 2019 £m	31 March 2020 £m
Net Surplus / (Deficit) at the beginning of year	(3,974.13)	(4,335.47)
Current service cost	(63.72)	(88.17)
Cost covered by employee contributions	(15.66)	(15.59)
Past service cost	(182.72)	12.08
Pension transfers in	(0.90)	(0.44)
Net interest on the net defined benefit Liability / (Asset)	(100.90)	(106.18)
Net benefits paid	115.40	122.22
Remeasurements of the net defined Liability / (Asset)	(112.84)	396.19
Net Surplus / (Deficit) at the end of year	(4,335.47)	(4,015.36)

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 36 years, the New Police Pension Scheme 2006 is around 37 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 21 years.

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

Expected Future Contributions

The expected contributions to be made to the Police Pension Scheme by the Police and Crime Commissioner Group for the accounting period to 31 March 2020 are estimated to be £44.180 million compared to £41.590 million paid in 2019/20.

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 2019	31 March 2020
Discount rate (Rate of Return)	2.45%	2.25%
Rate of inflation - pension increases (CPI)	2.35%	2.00%
Rate of inflation (RPI)	3.50%	3.15%
Salary Inflation	4.35%	4.00%
CARE revaluation rate	3.60%	3.25%
Rate of return in excess of:		
Earning increases (long-term)	-1.90%	-1.75%
Pension increases	0.10%	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	
	2018/19 (years)	2019/20 (years)
Future Lifetime at 65 for current pensioners		
Men	22.70	21.90
Women	24.30	23.60
Future Lifetime at 65 for future pensioners (currently aged 45)		
Men	24.60	23.60
Women	26.20	25.20

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 decrease in the scheme liability attributed to the re-measurement of the net defined benefit pension liability is primarily caused by the change to financial and demographic assumptions showing shorter life expectancies and the change in approach to the McCloud/Sargeant approach leading to a reduction in the scheme liability. The following table sets out the sensitivity to the main assumptions:

Sensitivity to main assumptions			
Change in assumption*		Approximate effect on scheme liability	
		%	£m
Discount Rate	+ 0.5% a year	(9.50)	(383.00)
Salary Inflation	+ 0.5% a year	1.00	40.00
Pension Increases	+ 0.5% a year	7.50	307.00
Life Expectancy	All members and adult dependants assumed to be one year younger	3.00	120.00

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

18. 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.

19. Events after the reporting period

There are no events after the balance sheet date to report for 2019/20.

20. Authorisation of accounts for issue

The Chief Constable's Statements of Account for the financial year ended 31 March 2020 were approved by the Chief Constable on 25 November 2020.

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 2019/20 and shows comparative figures for 2018/19.

Police Pension Fund		
2018/19 £000	FUND ACCOUNT	2019/20 £000
(24,586)	Normal	(35,928)
(3,347)	Additional funding payable by the local policing body to meet the deficit for the year	-
(786)	Other (Ill Health Retirements)	(785)
(28,719)	Contribution Receivable from Employer	(36,713)
(15,663)	Contribution Receivable from Members	(15,588)
(15,663)	Contribution Receivable from Members	(15,588)
(44,382)	Contributions Receivable	(52,301)
(1,033)	Individual Transfers in from other schemes	(554)
(1,033)	Transfers in	(554)
87,534	Pensions	91,842
22,839	Commutations and Lump Sum Retirement Benefits	24,793
203	Lump Sum Death Benefits	117
333	Other (Inter Authority Adjustments / LTA Payments)	927
110,909	Benefits Payable	117,679
17	Refunds of Contributions	25
226	Individual Transfers Out To Other Schemes	-
243	Payments To and On Account of Leavers	25
111,152	Total Benefits Payable	117,704
65,737	Net amount payable for the year before contribution from the Police Fund	64,849
(65,737)	Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account	(64,849)
-	Net Amount (Receivable) / Payable In Year	-

There was an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes being reflected in a reduction in Her Majesty's Treasury pensions top up funding in 2016/17 through to 2018/19. The cost was being met by an additional employer contribution from the Chief Constable to the Fund as required by the Home Office, shown here for 2018/19 only.

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 Manager⁸ for the Police Pension Fund. The Chief Constable has a Police Pensions Board, established in 2015, under section 5 of the Public Service Pension Act, which provides local administration and governance for the Scheme.

3. Accounting Policies

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

4. Future liabilities

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

⁸ Public Service Pension Act 2013 (section 4)

Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual Statements of Account and a narrative statement that sets out financial performance and economy, efficiency and effectiveness in its use of resources.

This statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) 'Good Governance: Framework' 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 (the 'Commissioner') and the Chief Constable as the '*Corporation Sole*' for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the Commissioner. Both the Commissioner and Chief Constable are subject to the Accounts and Audit Regulations 2015; as such, both must prepare their Statements of Account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual AGS, both of which are subject to external audit.

The Chief Constable shares most core-systems of control with the 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 Commissioner's Statements of account include a similar statement which covers both the Office of the Police and Crime Commissioner (OPCC) as well as the group position of the 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 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 Commissioner and Chief Constable have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE 'Good Governance: Framework'.

The PRSR Act 2011 requires the Commissioner and Chief Constable to each appoint a Chief Finance Officer (CFO) with defined responsibilities and powers. The CIPFA Statement on the Role of the CFO appointed by the Commissioner, and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 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 previous Commissioner and former Chief Constable agreed in 2013 to appoint a Joint CFO for both corporate bodies. The Commissioner and Chief Constable continue to have a Joint CFO for 2019/20 and the reasoning for this approach remains unchanged, that a joint CFO role provides both the Commissioner and Chief Constable with a single efficient, effective and economic financial management lead. The controls remain that there is an expectation that the CFO should advise the Commissioner and Chief Constable of

any conflict of interest that should arise in the joint role, especially with section 151 responsibilities; and, the CFO acts in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review, an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the JIAC for 2019/20. It confirms that the role is complying with the requirements of the Statement. The Commissioner and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively, and that potential conflicts are subject to continuous review. To date no conflicts have been identified.

The Governance Framework

The governance framework in place throughout the 2019/20 financial year covers the period from 01 April 2019 to 31 March 2020 and any issues which arise up to the date of approval of the annual Statements of Account.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the Commissioner's Governance Framework. Through the application of the 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. Consequently, the Chief Constable is able to provide assurance to the 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 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 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 Commissioner for the exercise of those functions. The Chief Constable must therefore satisfy the 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 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:

- I. Focusing upon the mission/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 Commissioner has published a Police and Crime Plan for the period 2017 to 2021. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area. A new Commissioner was successfully appointed from 19 July, following the resignation of the previous Commissioner; the Office of the Police and Crime Commissioner's Chief of Staff and Monitoring Officer was appointed by the Police and Crime Panel as Interim Commissioner during the intervening period.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Northumbria Police has a governance and decision-making structure which supports leadership, at all levels, in the effective and efficient conduct of business. It enables the Force to deliver the Police and Crime Plan, maintaining high levels of performance and service delivery at a time of continuing financial challenge. The Force's Strategic Performance Board (SPB), chaired by the Deputy Chief Constable, is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. This Board is underpinned by a number of Delivery, Standards and Assurance boards. Performance is considered in a number of ways: Compared to previous years; against agreed service standards or thresholds and peers (most similar family of Forces or nationally); and the direction of travel.

Other areas of business are also regularly reported to the boards, including: 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); organisational learning; and risk management.

HMICFRS carry out a programme of inspections, including thematic reports and an annual PEEL Assessment (Effectiveness, Efficiency and, Legitimacy and Leadership). Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year.

The HMICFRS inspection report for Northumbria Police 2018/19 was published in September 2019. The main findings were: In the extent to which it is effective in reducing crime and keeping people safe; and the extent to which the Force operates efficiently and sustainably, Northumbria was assessed as 'requires improvement'. The extent to which the Force treats the public and its workforce legitimately was assessed as 'good'. The Force acknowledges that there are areas for improvement and has established a programme of improvement with actions, timescales and plans for delivery which are monitored for progress and risk to delivery. The Commissioner and Chief Constable are committed to delivering the necessary improvement and the Force is working very hard to address those issues identified.

The full report can be accessed using the following link ([Northumbria](#)).

All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. A lead is appointed to consider inspection findings and identify actions in response to any recommendations and areas for improvement. The Force position is reported to the Police and Crime Commissioner at the Joint Business Meeting, to inform a statutory response to reports within 56

days. Delivery is overseen at the relevant board within the Force Governance and Decision-Making structure, with further oversight and scrutiny at the Strategic Performance Board and at the Executive Board. Progress is reported and monitored at the Scrutiny Meeting of the Office of the Police and Crime Commissioner and reported to the Joint Independent Audit Committee. There were risks to delivery identified during the year, for any of the recommendations or areas for improvement reported by HMICFRS.

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

The Commissioner's Governance Framework sets out the roles of both the Commissioner and Chief Constable; they are clearly defined and demonstrate how they work together to ensure effective governance and internal control.

The Force works closely with all six local authorities in the Northumbria area and understands the policing needs in each area from our city centres to the rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including Community Safety Partnerships. They are also members of local children's and adult safeguarding boards that work to ensure the safety and wellbeing of vulnerable children and adults in the Force area. During 2019/20 the Commissioner developed a Violence Reduction Unit which takes a public health approach to tackling serious violence working with a range of partners.

A Service Level Agreement between the Commissioner and the Chief Constable exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way.

The Commissioner and Chief Constable operate a Joint Business Meeting, which meets regularly, the minutes of which are published on the Commissioner's website ([Northumbria PCC](#)) to ensure transparency of decision making.

The governance arrangements for partnership working are clearly set-out and monitored during the year. The partnership arrangement with the North East Regional Special Operations Unit (NERSOU), collaboration between the three Forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored. Other agreements are published on the Commissioner's website under [Collaboration Agreements](#).

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

The OPCC is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as scrutinising the Force's approach to the investigation of all other complaints and conduct matters.

The Chief Constable handles complaints and conduct matters through the Professional Standards Department (PSD) within Northumbria Police. The Head of PSD reports directly to the Deputy Chief Constable. It is the purpose of PSD to promote public confidence through upholding high standards, deterring misconduct and influencing individual and organisational behaviour. Governance around the performance of PSD, trends in complaints or conduct matters and lessons learned is provided by the Confidence and Standards Board. The board is chaired by the Deputy Chief Constable and ensures that the provision of services is based on insight and engagement and considers aspects of legitimacy concerned with the use of police powers and decision making.

The Independent Office for Police Conduct (IOPC) scrutinise the performance of PSD with regards the quality and timeliness of decisions and investigations. Performance meetings are held between PSD, the Regional Director of the IOPC and Oversight Liaison (IOPC North East) on a quarterly basis.

Northumbria Police also has an Ethics Advisory Board comprising internal and external members, with links to the Regional Ethics Group. The Advisory Board ensures that the way Northumbria Police applies its working practices is ethical and legitimate. It also considers any highlighted ethical dilemmas, contributing as appropriate to the revision of Force policies and procedures.

The Chief Constable is the Data Controller for the Force, responsible for determining the purposes and manner in which personal data are processed. The Force's Information Management Unit (IMU) helps to fulfil the legal requirements associated with the Data Protection Act 2018, ensuring information and systems comply with all Data Protection principles and legislation as set out in the Act. Information management is a critical area of business required to ensure good governance. Northumbria Police has a robust process for dealing with data breaches, the 2019/20 audit of Information Governance and Data Security found that control systems are operating well and no findings were raised. During the 12 months to 31 March 2020 there were three data breaches reported to the Information Commissioners Office (ICO), two of which have been resolved with no further action. One remains ongoing and the outcome will be reported in next year's AGS.

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 Commissioner's Governance Framework.

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

The Joint Independent Audit Committee (JIAC) of the Commissioner and Chief Constable has 5 independent members who are appointees from within the Force area. 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 challenge not only by the Commissioner, but also of the independent members of the JIAC.

The Commissioner and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned to a Chief Officer and Office of the Commissioner owner, who has responsibility for the management of controls and the implementation of new controls where necessary. The register is reported at the Force's Executive Board and managed by the Joint Business Meeting on a quarterly basis and is also presented to all meetings of the JIAC.

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

The Commissioner and Chief Constable ensure that they have appropriate personal performance development processes for all staff that underpin and support the performance of the local policing area or department in which they work and their own personal development. Objectives are aligned to the Commissioner's Police and Crime Plan, supported by the Northumbria Police Strategy 2025, which in turn is supported by the Force mission/purpose, vision and values.

A new Force operating model was implemented in Quarter 3 of 2019/20 which enabled the Force to reorganise resources and increase capacity and capability to better meet different types of policing demands. Key elements included:

- Calls for service requiring an immediate response are dealt with by a dedicated Response Policing Team (RPT).
- Incidents requiring a more planned response are dealt with in the Primary Investigation Centre, which allocates crime investigations to the most appropriately skilled resource.

- To further increase investigative capability the investigation of volume and serious crime is now undertaken in Secondary Investigation Units (SIU) by skilled and professionally accredited investigating officers and police staff.

On 5 September 2019 the Prime Minister announced the Government commitment to recruit an additional 20,000 police officers in England and Wales by 31 March 2023. The Force has fully complied with all requirements to support the increase of officer numbers through the national Uplift programme. The Force delivered the agreed investment in police staff roles in 2019/20 to support delivery of the Northumbria share of Uplift. The new MTFs approved by the Commissioner on 12 March 2020 will deliver further investment in police infrastructure, technology, and professional and specialist police staff that will ensure that Uplift targets for 2020/21 and later years, when set, will be delivered, in-full.

In 2019/20 the majority of new Police Officer recruits entered through the new Police Constable Degree Apprenticeship (PCDA) route. Northumbria Police was one of the first Forces to introduce the PCDA entry route in May 2019. This is a three year degree practical based apprenticeship based on the Policing Education Qualifications Framework (PEQF) national policing curriculum and is delivered in collaboration with Northumbria University.

A Leadership Development Approach has also been introduced to develop leaders at all levels in leading and developing others, leading change and leading and developing the organisation. This has been introduced to develop leaders who are future focussed and have the right skills, behaviours and personal qualities to successfully lead an empowered and diverse workforce in a new environment.

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 Commissioner's and Chief Constable's 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 Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC 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 Commissioner and Chief Constable, based on the work undertaken by the Internal Audit Service throughout 2019/20.

The financial management and performance reporting framework follows national and/or professional best practice, and its key-elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Commissioner conducts financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set-out the rules to be followed in respect of contracts for the supply of goods and services.
- A robust system through which the Force manages Finance, People Services, 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 Commissioner produces a four-year Medium Term Financial Strategy (MTFS) and capital programme. The Chief Constable produces a Medium Term Financial Plan (MTFP) that informs the MTFS of the Commissioner. 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 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 Commissioner through the Joint Business Meeting and these are available on the 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.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2018/19, concluding that the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and this opinion is expected to be repeated for 2019/20.

Review of Effectiveness

The Chief Constable has a responsibility to ensure, at least annually, that an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control is undertaken. This is informed by the internal audit assurance, 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 2019/20, 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:

- The system of Internal Audit
- Senior manager's assurance statements
- Governance arrangements
- Financial Controls - An assessment of the role of the CFO in accordance with best practice
- Views of the external auditor
- HMICFRS and other external inspectorates
- The legal and regulatory framework
- Risk management arrangements
- Performance management and data quality
- Other 'Thematic Assurance'
 - Business Planning
 - Partnership arrangements and governance

- Information and Communications Technology (ICT) Arrangements
- Fraud, Corruption and Money Laundering
- Wellbeing

From the review of effectiveness no issues were identified as governance issues, which required disclosure within this AGS. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire.

All areas returned compliant to each of the questions, with one exception relating to data quality and performance management processes. This related to an enhanced information system for one area of business that will now be delivered in 2020/21. Whilst the senior manager's assurance statement for ICT confirmed no governance issues, it is noted that there is extensive work currently being undertaken in-Force to ensure that the highest possible level of assurance can be achieved and maintained both during and after the current transformation programme is complete.

Internal Audit Overall Assessment & Independent Opinion

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

During 2019/20, 30 internal audit reports were issued. Of those issued, 26 audits concluded that systems and procedures were operating well and 4 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 2019/20, including advice on governance arrangements, the Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

As part of the 2019/20 audit plan, approved by the JIAC, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised.

Actions from the 2018/19 Statement

There were no actions identified in the 2018/19 Annual Governance Statement.

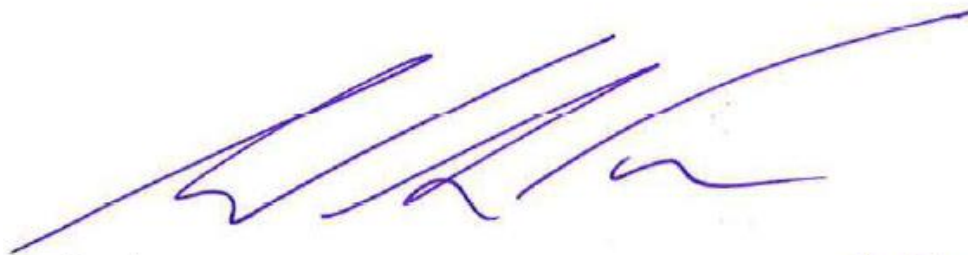
2019/20 Governance Issues

The review has identified no issues that need to be included within the 2019/20 Annual Governance Statement as actions.

Conclusion

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

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

Date: 25.11.20



Signed:
Deputy Chief Constable

Date: 25/11/20.



Signed:
Director of Finance and IT

Date: 25/11/20

Independent Auditors Report

Independent auditor's report to the Chief Constable for Northumbria

Report on the financial statements

Opinion

We have audited the financial statements of the Chief Constable for Northumbria for the year ended 31 March 2020, which 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 a 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 2019/20.

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 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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.

Emphasis of Matter - Material uncertainty relating to valuations of property investments

We draw attention to Note 17(a) of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in Note 17(a) of the financial statements, the outbreak of Covid-19 has had a significant impact on global financial markets. As such the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their 31 March 2020 valuation reports due to the possible impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Our opinion is not modified in respect of this matter.

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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial 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 Financial 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 Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial 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 2019/20, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial 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 Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 Financial Officer is responsible for assessing each year whether or not it is appropriate for the Chief Constable for Northumbria 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.

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.

Conclusion on 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 April 2020, we are satisfied that, in all significant respects, 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 2020.

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 April 2020, 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 2020.

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 for the 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 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.

Use of the audit report

This report is made solely to the members of 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 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of 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 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Signed:



Date: 25 November 2020

Cameron Waddell
Key Audit Partner
For and on behalf of Mazars LLP
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Glossary of Terms

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

- Recognising;
- Selecting measurement bases for; and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

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

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

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

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

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

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

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

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

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

Cash: comprises cash in hand and demand deposits.

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

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

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

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

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

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

Contingent liabilities are either:

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Commissioner's control, or
- Present obligations arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Fund: holds the police fund and is the main reserve into which Council Tax Precept, government grant and other income is paid into and from which meets the day-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 the Commissioner in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross expenditure: is the total cost of providing the Commissioner's services before taking into account income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- A person or a close member of that person's family is related to a reporting entity if that person:
 - 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 an authority include:
 - Central Government.
 - Local authorities and other bodies Precepting or levying demands on the Council Tax.
 - Its subsidiaries and associated companies.
 - Its joint ventures and joint venture partners.
 - Its members.
 - Its chief officers.
 - Its pension fund.

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

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

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

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

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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

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

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

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

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

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

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

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

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

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Contacts

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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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www.northumbria-pcc.gov.uk

Image sources

Northumbria Police and Crime Commissioner