VERA BAIRD QC
POLICE & CRIME COMMISSIONER

Police and Crime Commissioner for Northumbria

Statement of Accounts 2014/15

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Preface

Vera Baird QC – Police & Crime Commissioner, Northumbria.

It has been another busy, but rewarding year as Police & Crime Commissioner. I would like to take this opportunity to thank our partners and my team for their continued support, advice and commitment to putting ideas into practice.

I have continued building on projects that were established from 2012 onwards and during the course of the last year and I'm determined that Northumbria continues to implement innovative new measures aimed at improving the conduct and outcomes of rape trials. To achieve this, in January 2015 I launched the Rape Scrutiny Panel.

The panel consists of ten specially-trained volunteers who already had expertise in this subject area. They examine rape case files where it has been judged that no crime has been committed, or which were said not to have achieved the required threshold of evidence to be sent to the Crown Prosecution Service.

I introduced a Court Observers Panel in February 2015; trained volunteer observers are now present at adult rape trials at Newcastle Crown Court. They report back to me their observations of the trial and in particular note the use of any myths and stereotypes such as the suggestion that victims have in some way contributed to what has happened; for instance, by the way they have dressed.

The two different panels will publish their observations to improve the way rape cases are dealt with by the criminal justice agencies and to increase understanding between those agencies and alleged victims of abuse. I want these innovations to increase confidence in the process, encouraging victims and witnesses to report incidents, whilst assuring defendants that any improvements in the system will protect them too.

Earlier in the year I also launched the Domestic Violence and Sexual Assault 'DVSA' project in Newcastle and Sunderland. This innovative project sees experienced domestic violence and sexual abuse workers from the voluntary sector accompanying Police Officers on duty at peak times in response to DVSA calls. Whilst the Police Officer engages with the perpetrator, the worker will talk to the victim offering advice and support. This style of engagement will give the victim early intervention opportunities increasing access for victims to support at the time and scene of a reported domestic violence incident.

Door supervisors across Northumbria and staff in clubs and bars continue to take part in specialised training as part of the ground breaking initiative to ensure they can identify vulnerable people and know what steps to take to help protect them. The training, which is now being picked up by local authorities and police forces across the country, will enable door staff to support police in taking an active role in ensuring the safety of the public. It also includes improved awareness training for police officers to identify vulnerable people and ensure their safety.

This work is a key part of delivering our Violence against Women and Girls strategy which was launched in late 2013 with my fellow North East Police and Crime Commissioners in the Durham and Cleveland areas.

The Complaints Triage System continues to go from strength to strength. The team action up to 60% of complaints within a few hours, this is helping to build trust in Northumbria Police for those who feel they have been let down. Complaints are acknowledged within 24 hours (majority within a few hours of being received). As we have made the process to complain easier, we are receiving more complaints. This is to be welcomed as it allows us to get a true reflection of how the public perceive Northumbria Police. It is important to note that we don't just receive complaints; we also receive compliments which we always pass on to the Chief Constable so the officers concerned can be congratulated.

During the last year we continued to tackle ever decreasing budgets. Since 2010, Northumbria Police has had to find budget savings of approximately £91.9 million up to March 2015. To ensure we keep officers on the beat and protect neighbourhood policing we have had to look at all areas to save money. Once again, my office has continued to make savings right across the board and in addition to the £1.033 million saved in 13/14, we also saved a further £1.196 million in 14/15, this money has gone straight back in to Northumbria Police.

I have also looked closely at the properties owned by Northumbria Police, many of our police stations were built over 100 years ago and were expensive to maintain and overheads were high. The other problem with the older stations is that they aren't in the right location as towns expand and parking can be poor. A number of police stations have been relocated successfully to bases in the heart of the community. This has allowed us to keep police officers in the communities that they serve; this will mean substantial savings will be made over the years, again, being reinvested in policing.

The new Forth Banks station which was commissioned by the former Police Authority after many years in the planning and building stage is now open. It has brought policing in Newcastle and Gateshead closer together and provides a station fit for modern day policing.

It is important that we have healthy finances to deliver the policing that local residents want to see actioned through the Police & Crime plan, the public made clear their priorities and part of my role is to ensure the finances are available to deliver.

In 2014/15 I agreed to freeze the council tax precept. However, for 2015/16 I consulted with local residents about increasing the police precept element of the council tax.

Northumbria has the lowest police precept in England and Wales. After much consultation via the website and local media, I decided to increase the precept by 1.99%, this resulted in a typical Band A property paying an extra 2p a week to keep their communities safe. In addition to the money I have saved across every department, local residents can be assured that we are delivering the best value possible for their money.

In the last financial year, Northumbria Police and the Office of the Police & Crime Commissioner became an accredited Living Wage employer. This award shows that we care about our staff. The main beneficiaries of this announcement were the cleaning staff who are now employed by Northumbria Police as their in house cleaning service, they now receive the Living Wage.

Explanatory Foreword

Introduction

The Statement of Accounts presents the Commissioner's and Group's (including the Chief Constable) financial performance for the year ended 31 March 2015, presents their overall financial position at the end of that period and the cost of services provided. When read in conjunction with the Annual Report[1], the Statement provides an insight into the activities of the Commissioner during the year.

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

It is not formally part of the Statement of Accounts 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.

Key Facts

The Northumbria Police and Crime Commissioner (PCC) area is located in the the North East of England and covers an area extending from the Scottish border down to County Durham and from the Pennines across to the North East coast. It is one of the largest forces in the country.

Force Area	2,144 square miles	
Population	1.43m people	2% local 10 year change
Workforce	77%frontline	78% national level
	3.8 per 1000 population	3.7 national level
		20% change in local workforce since 2010
Cost	53p per person per day local	55p per person per day national

Source: Her Majesty's Inspectorate of Constabulary PEEL assessment 2014

Commissioners Community Fund

£100,000 of funding made available for local charities, voluntary, social enterprises and community groups in Northumberland and Tyne and Wear. Groups were able to apply for funding up to £2,000. 83 organisations were funded.

[1] Available at http://www.northumbria-pcc.gov.uk/

The Statement of Accounts

The Police Reform and Social Responsibility Act 2011 (the Act) changed the way policing in England and Wales was governed and held accountable. On the 22 November 2012, Northumbria Police Authority was replaced by the Police and Crime Commissioner for Northumbria (the Commissioner). At the same time, the Chief Constable for Northumbria, who has responsibility for direction and control of Northumbria Police Force's officers and staff, was established as a separate legal entity. The primary statutory duty and electoral mandate of the Commissioner is to ensure an efficient and effective police force in Northumbria, and to hold the Chief Constable to account on behalf of the public for the exercise of operational policing duties under the Police Act 1996.

These are the third statutory accounts to be prepared under the new arrangements. The statements have been prepared in accordance with the International Financial Reporting Standards (IFRS)-Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), developed by the CIPFA/LASAAC[2] Board and approved by FRAB[3]. The Code constitutes proper accounting practice.

Under the provisions of the Act, the Commissioner and Chief Constable are created as two separate corporations sole. For financial reporting purposes, the Chief Constable is a subsidiary of the Commissioner by virtue of the powers the Commissioner has to govern the financial and operating policies of the Chief Constable. All the financial transactions incurred during 2014/15 for policing in Northumbria have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of the Commissioner and the Commissioner's Group (the Group) for the year ended 31 March 2015. The Group position reflects the consolidated accounts of the Commissioner and her subsidiary, the Chief Constable. Separate statutory single entity accounts are prepared for the Chief Constable.

The Statement of Accounts presents the Commissioner's and Group's financial performance for the year ended 31 March 2015, presents their overall financial position at the end of that period and the cost of services provided. When read in conjunction with the Annual Report[4], the Statement provides an insight into the activities of the Commissioner during the year.

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 her function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation[5] is in operation between the two bodies determining their respective responsibilities. The accounting arrangements between the Commissioner and Chief Constable are detailed in Note 6 to the accounts.

[2] Chartered Institute of Public Finance & Accountancy's Local Authority (Scotland) Accounts Advisory Committee
[3] Financial Reporting Advisory Board, an independent board within HM Treasury
[4] Available at http://www.northumbria-pcc.gov.uk/
[5] 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 publishing 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 priorities

Over 5000 local residents helped decide the Police & Crime Plan Priorities for Northumbria. These are –

- Putting Victims First
- Dealing with Anti Social Behaviour
- Domestic and Sexual Abuse
- Reducing Crime
- Community Confidence.

The Commissioner meets regularly with the Chief Constable to ensure these priorities are delivered by Northumbria Police.

Explanation of the Key Statements

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

Core Financial Statements – Commissioner's single-entity accounts:

- **Movement in Reserves Statement (MiRS) for the Police and Crime Commissioner (Page 25) -** This statement shows the movement in year on the different reserves held by the Commissioner, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

  The 'Surplus or (deficit) on the Provision of Services' line shows the true economic cost of providing the Commissioner's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

  The 'Net (increase) /decrease before transfers to Earmarked Reserves' line shows the statutory General Reserve before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner.

- **Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner (Page 27) -** The purpose of this statement is to show the accounting cost in the year of the Commissioner providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It includes all income paid into the Police Fund, as well as the accounting cost directly controlled by the Commissioner, in relation to her Office and Community Safety Funding, and an intra-group charge from the Chief Constable for the total cost of policing.

  The Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in CIPFA's Service Reporting Code of Practice (SeRCOP).

- **Balance Sheet for the Police and Crime Commissioner (Page 28) -** This shows the Commissioner's financial position and net assets at the financial year-end.

- **Cash Flow Statement for the Police and Crime Commissioner (Page 29) -** This summarises the cash and cash-equivalent receipts and payments of the Commissioner arising from transactions with third parties for both capital and revenue purposes.

- **Notes to the Single-entity Financial Statements (Page 30) -** The notes provide additional information to support the core statements above including a Statement of Accounting Policies.

Core Financial Statements - Group:

- **Movement in Reserves Statement for the Police and Crime Commissioner Group (Page 81) -** The Commissioner and the Chief Constable each hold reserves. The Chief Constable's reserves being those associated with the Pension Liability associated with the staff she controls. The Group accounts show the combined effect of the Commissioner's and Chief Constable's reserves after removing any transactions between the two.

- **Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner Group (Page 83) -** The purpose of this statement is to show the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council tax is raised and central government grants are received to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet for the Police and Crime Commissioner Group (Page 84) -** This shows the Group's financial position and net assets at the financial year-end. It summarises the non-current and current assets and liabilities, which are used in carrying out the Group's activities.

- **Cash Flow Statement for the Police and Crime Commissioner Group (Page 85) -** This summarises the cash and cash-equivalent receipts and payments of the Group arising from transactions with third parties for both capital and revenue purposes. Cash is defined for the purpose of this statement as cash in hand; cash equivalents are deposits repayable on demand.

- **Notes to the Group Financial Statements (Page 86) -** The notes for the Group accounts provide additional information where they differ from those disclosed for the Commissioner's single-entity accounts.

Documents supporting the Statement of Accounts:

- **Police Officer Pension Fund Statements (Page 108)** – This shows the Police Pension Fund Account for the year as the Chief Constable is the police pensions' authority in accordance with the amended Police Pensions Act 1976.

- **Annual Governance Statement (Page 110)** - This statement, required by regulations[6] to accompany the Statement of Accounts, outlines the Commissioner's approach to corporate governance and internal control.[7]

- **Independent Auditor's Report to the Police and Crime Commissioner (Page 117)** - This report details the basis of the external auditor's opinion on the Statement of Accounts.

- **Glossary of Terms (Page 120)** - This section includes a description of the key terms used in the Statement of Accounts, along with explanations of any technical terminology.

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[6] Paragraph 4(4)(a) of Accounts and Audit (England) Regulations 2011 (available from www.legislation.gov.uk)
[7] In line with Regulation 4 of the Accounts and Audit (England) Regulations 2011

Financial Performance 2014/15

Key Highlights

Government grant funding was cut by £11.5 million;

The Band D Council Tax was frozen at £86.61 per household;

Annual Budget savings of £19.6 million were planned;

Reserves used to balance budget;

The 2014/15 revenue budget was £276.927 million;

Actual spend £275.815 million;

Budget reductions were achieved in year;

Use of reserves less than planned so now provides further support to three year MTFS and future anticipated cuts.

Managing Austerity

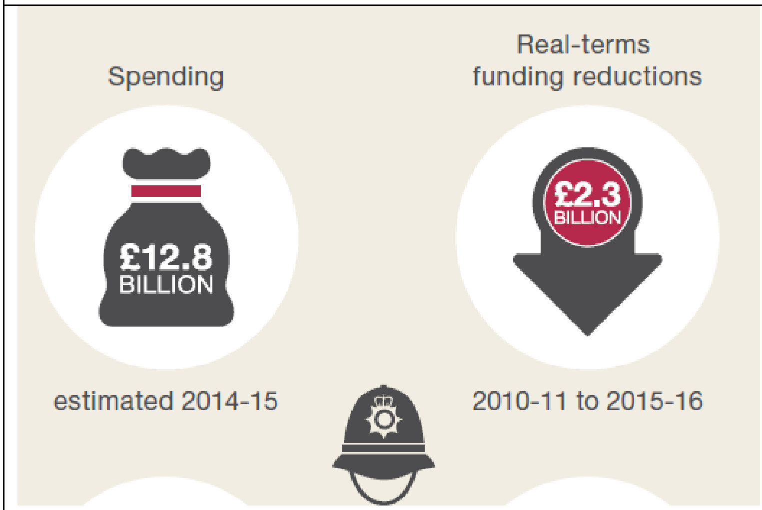
The 2014/15 financial year was the final year of the Government's 2010 Comprehensive Spending Review (CSR) period. The Commissioner faced a cash reduction to the Police Grant settlement of 4.8% representing a loss in funding of £11.5 million per annum for 2014/15. In February 2015 a further reduction of 5.1% was confirmed by the Government in the final police settlement for the 2015/16 financial year, representing an additional loss of £11.8 million for Northumbria.

Over the period 2010/11 to 2015/16 the National Audit Office has stated that central government funding to police and crime commissioners has reduced by £2.3 billion in real-terms – a 25% cut.

Northumbria has delivered £91.9 million in savings to 2014/15 with further savings of £16.2 million planned for 2015/16 - £108.1 million in total since the start of the CSR.

Reductions in the Police Grant over the CSR period have represented a particularly difficult challenge for Northumbria. The Force receives the highest percentage contribution from central government funding and has the lowest council tax precept of all forces in England and Wales. This means that there is a disproportionate effect on overall funding levels when central grants are cut.

National Grant Funding Reductions



Northumbria has been one of the hardest hit forces financially over the CSR period. It has suffered the highest funding reduction in real terms out of all forces in England and Wales, and reserves are amongst the lowest levels in the country (as a percentage of net revenue expenditure).

The requirement to deliver savings has therefore continued into 2014/15, and is likely to continue into the future. Savings have been successfully achieved through extensive scrutiny of all non-pay budgets, robust budget management and planned workforce reductions. Reserves have been used alongside those savings delivered in order to mitigate workforce reductions where possible.

Grant vs Local Funding	
National	**Northumbria**
68% funding comes from central government (2015-16)  **32%** local taxation But these proportions vary between police forces	**86%** Government Funding **14%** Local Taxation

The Government made available funding to Police and Crime Commissioners to freeze their council tax in 2014/15. The Commissioner accepted the grant offer which was equivalent to a 1% rise in Council Tax equating to £0.389 million for Northumbria.

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2014/15 to be met from government grants and local taxation was approved by the Police and Crime Commissioner on 13th February 2014 at £276.927 million. Revenue expenditure represents the day to day running costs of providing the Commissioner's services and the costs of policing. It includes expenses such as employee pay, vehicle and premises running costs, communications, insurances and the cost of borrowing. The net revenue budget requirement for 2014/15 included annual budget savings of £19.2 million and the use of reserves estimated at £6.457 million. The council tax precept remained frozen at the 2013/14 level of £86.61 for a Band D property. Total council tax income for 2014/15 was £31.780 million, the increase of £0.860 million being attributable to an increase in the tax base (more properties) for the region and a surplus on the previous year's collection fund of £0.266 million.

Throughout 2014/15 the revenue budget has been subject to regular monitoring on a joint monthly basis, with quarterly reports being considered by the Joint Business meeting of the Chief Constable and the Police and Crime Commissioner. These quarterly updates include a review of budgets and spending forecasts for both revenue and capital expenditure and also include consideration of certain other key financial items such as capital control limits.

The provisional revenue outturn for 2014/15 is £275.815 million requiring the use of reserves of £5.342 million as set out in the following tables:

Revenue Outturn 2014/15 (Group Position)			
Group Position	**Revised Budget 2014/15 £000s**	**Outturn 2014/15 £000s**	**Variance 2014/15 £000s**
Chief Constable	277,106	276,861	(246)
Redundancy / Strain on the fund	0	532	532
Police and Crime Commissioner	12,313	11,053	(1,261)
Specific funds managed by the PCC	736	1,725	989
Total Expenditure	**290,155**	**290,171**	**13**
Income	(13,229)	(14,355)	(1,126)
Net Expenditure	**276,926**	**275,816**	**(1,112)**
Central Government Grant Income	(238,690)	(238,693)	(3)
Council Tax Precept	(31,780)	(31,780)	0
Central Grant and Precept Total	**(270,470)**	**(270,473)**	**(3)**
Appropriations (to) / from reserves	**6,456**	**5,343**	**(1,115)**

Use of Reserves			
	Revised Budget 2014/15 £000s	**Outturn 2014/15 £000s**	**Variance 2014/15 £000s**
Planned use of reserves to support revenue:			
General Reserve	**4,757**	**0**	**(4,757)**
Transfers (to) / from earmarked reserves			
Capital Development Reserve	1,700	4,285	2,585
Workforce Development Reserve	0	532	532
Victim Services Reserve	0	524	524
External Funding Reserve	0	82	82
NERSOU Reserve	0	(90)	(90)
Total transfers (to) / from earmarked reserves	**1,700**	**5,333**	**3,633**
Use of Capital Receipts Reserve	**0**	**9**	**9**
Total transfers (to) / from reserves	**6,457**	**5,342**	**(1,115)**

Revenue Outturn 2014/15	Revised Budget 2014/15 £000s	Outturn 2014/15 £000s	Variance 2014/15 £000s
Budget under the direction and control of the Chief Constable:			
Employee Pay and Pensions	240,074	239,745	(329)
Contributions and Subscriptions	1,697	1,502	(195)
Corporate Communications	256	319	64
Crime	4,883	4,890	7
Custody	1,854	2,266	412
Estates	9,415	9,422	7
Fleet	4,011	3,811	(200)
Force Resillience Unit	478	404	(74)
Information & Communications Technology	8,244	8,350	106
Legal Services	316	139	(177)
Mutual Aid	73	101	28
Occupational Health Unit	797	739	(58)
Procurement	1,505	1,460	(44)
Supplies and Services	3,158	3,382	224
Training	307	306	(2)
Volunteers	38	25	(14)
Total Expenditure	**277,106**	**276,861**	**(246)**
Income	(12,168)	(12,894)	(726)
Chief Constable Net Expenditure	**264,938**	**263,967**	**(972)**
Redundancy and Strain on the Fund Payments	**0**	**532**	**532**
Budget under the direction and control of the Police and Crime Commissioner:			
Office of the Police and Crime Commissioner	1,319	1,158	(161)
OPCC - Volunteers	32	95	63
Other Expenditure Under the Control of the PCC	9,712	8,938	(774)
Crime Reduction	1,250	862	(388)
Total Expenditure	**12,313**	**11,053**	**(1,261)**
Income	(325)	(260)	65
Police and Crime Commissioner Net Expenditure	**11,988**	**10,793**	**(1,196)**
Specific funds managed by the PCC			
Victim Services	736	1,016	280
Innovation Fund	0	129	129
Competed Fund	0	306	306
Night Time Economy	0	274	274
Total Expenditure	**736**	**1,725**	**989**
Income	(736)	(1,201)	(465)
Specific Funds Net Expenditure	**0**	**524**	**524**
Grand Total Net Expenditure	**276,926**	**275,816**	**(1,112)**

Outturn 2014/15

The total budget for the Police and Crime Commissioner Group for 2014/15 was agreed at £276.927 million. An element of the overall budget is delegated to the Chief Constable for activities under his / her control. In 2014/15 this totalled £264.939 million. The provisional outturn against the Chief Constable’s budget is £263.967 million, an under spend of £0.972

million. In addition, the Chief Constable has incurred costs of £0.532 million in relation to redundancy and strain on the fund payments which are being managed through the Commissioner's Workforce Development reserve. These costs relate to voluntary and compulsory redundancies in 2014/15 which were required to manage planned workforce reductions over the financial year.

Chief Constable

Employee Pay and Pensions

Police officer pay under spent by £1.7 million due to changes in the timing of recruitment during the year and lower pension costs as a result of officers opting out of the police pension scheme. The under spend on officer pay is partially offset by an over spend of £0.9 million on police staff pay. This relates to increased pension costs as a result of the auto enrolment of staff in the LGPS pension scheme following the Stage 2 transfer on 1 April 2014 and an increase in temporary staff costs to cover the transition to the new workforce structure. Also included in the overall variance is an over spend on overtime of £0.5m, however this is fully funded by additional income received in year through mutual aid and external funding schemes.

Non pay

Budget variances include: £0.412 million over spend on Custody relating to an increase in FME attendance rates and associated charges; £0.200 million under spend on Fleet due to a reduction in fuel prices; £0.177 million under spend on Legal Services due to a reduction in costs associated with Employment Tribunals; £0.219 million over spend on Supplies and Services mainly relating to external funding schemes and therefore fully offset by additional income.

Income: the outturn position is an over recovery against budget of £0.726m which relates to mutual aid income and other external funding schemes, and is fully offset by the over spend on overtime and supplies and services expenditure mentioned above.

In addition, the Chief Constable also incurred costs of £0.532 million in relation to redundancy (See Group Note 4 for summary of the exit packages) and strain on the pension fund payments which are being managed through the PCC Workforce Development Reserve. These costs relate to voluntary and compulsory redundancies in 2014/15 which were required to manage planned workforce reductions over the financial year.

Police and Crime Commissioner

Within the total approved budget £11.988 million has been provided to meet the cost of the Office of the Police and Crime Commissioner and other expenditure in support of the Force which falls under the Commissioner's control. The provisional outturn position is £10.792 million, an under spend of £1.196 million. The under spend includes £0.161 million in the costs of the Commissioner's office including postage, printing, salaries and legal costs.

Other expenditure under the control of the Police and Crime Commissioner relates mainly to the cost of capital financing and insurances. The under spend against this budget is £0.774 million and mainly comprises an under spend of £0.408 million in capital financing costs due to borrowing at lower rates and delays in the borrowing being taken; and £0.296 million against insurances which has been achieved through reduced premiums and a reduction in the costs associated with in year claims.

The Crime Reduction budget has an under spend of £0.388 million due to the availability and use of additional specific funds in 2014/15 which the Commissioner has maximised.

As mentioned above, in addition to the revenue budget provided to the Police and Crime Commissioner, there are a number of specific funding streams that the Commissioner has managed in 2014/15. Total expenditure across these funds totalled £1.725 million for the year. Expenditure was predominantly funded by grants and contributions received in year, however the outturn includes £0.524 million of expenditure relating to Victim Services and funded through the Commissioner's earmarked reserve which was established at the end of the 2013/14 financial year.

From the Comprehensive Income and Expenditure Statement, the deficit on the provision of services for the Police and Crime Commissioner Group for 2014/15 is £21.020 million. However, this figure on its own is not the best measure of financial performance because the financial statements follow accounting standards rather than local government legislation. A better measure is the movement on the general reserve which can be established following a number of accounting adjustments and is shown in the Movement in Reserves table. The following table summarises these adjustments and the financial position at the year-end showing no movement on the General Reserve for 2014/15.

Summary of 2014/15 Financial Position	2014/15 Actual Outturn £000s
Net Cost of Services	**291,217**
Other operating expenditure	343
Financing and investment income and expenditure	3,311
Taxation and non specific grant income	(273,851)
(Surplus) or Deficit on Provision of Services	**21,020**
Adjustment between accounting basis and funding basis under Regulations	(15,687)
Net (increase) / decrease before transfer from Earmarked Reserves	**5,333**
Transfers to / (from) Earmarked Reserves	(5,333)
(Increase) / decrease on General Reserve	**0**

Performance Information

Putting Victims First

Satisfaction levels increased this year compared to 2013/14; 89.3% of victims were satisfied with being kept informed of progress (compared to 87.3%) and 92.2% were satisfied with the overall service (compared to 90.3%). The Force has the highest satisfaction levels in England and Wales for overall satisfaction and follow-up. BME satisfaction is the second highest in the country.

These satisfaction levels reflect the focus on improving the service provided to victims. During the year, the Force implemented the Quality of Service Commitment, which pledged to show

RESPECT, based on the principles of **R**espond, **E**xplain, **S**upport, **P**rofessional, **E**mpathise, **C**ommunicate and **T**imely.

Assessments of the service provided at the first point of contact has shown that Contact Handlers provided a courteous and professional service and collect sufficient information to make an initial decision about the caller's vulnerability. The standard of investigation plans and harm reduction plans has been consistently high throughout the year. Victim contracts were assessed as meeting the standard on 74% of occasions.

Dealing with Anti-Social Behaviour (ASB)
The number of ASB incidents increased by 1.7% (1,288 further incidents) compared to last year. Youth ASB has reduced by 10%, whilst non-youth ASB increased by 6%.

There were 32 ASB incidents identified where the caller was identified as vulnerable and required attendance within one hour, with 78% attended within the target time.

The percentage of ASB victims satisfied with the overall service has reduced compared to 2013/14 (from 91.0% to 89.1%).

Domestic and Sexual Abuse
The number of sexual offences increased by 80% compared to 2013/14, and rape offence increased by 135%, equivalent to 491 further crimes. This increase follows the national trend and can be attributed to increased/encouraged reporting, improved recording practices and Operation Sanctuary. In 2014/15, 93% or rape offences were recorded within 24 hours, with 53 offences recorded outside of 24 hours. There have been four evidential no-crime decisions made for rape offences since August 2014. All decisions met the standards laid out within the Home Office Counting Rules.

Reducing Crime
Total recorded crime increased by 4.2% (2,930 further crimes), although the Force continues to have one of the lowest crime rates in the country, placed 15th nationally. Increases in violence against the person, sexual offences and criminal damage had the greatest contribution to the increase in total recorded crime. Improvements in the crime recording standards also contributed to the increase in total recorded crime.

There were reductions in a number of offences, most notably:

- Burglary dwelling (-5.9%)
- Burglary OTD (other than dwelling) (-10.6%)
- Vehicle crime (-6.7%)
- Drug crime (-18.2%)
- Theft of a pedal cycle (-12.5%)

Violence against the person (VAP) increased by 25.8% compared to last year; however, the Force continues to have a lower rate of VAP compared to many forces in England and Wales. Northumbria is positioned 1st (lowest) in its Most Similar Group (MSG) and 6th (lowest) nationally.

The positive outcome rate for total recorded crime is 41.3%; the Force continues to have one of the highest positive outcome rates for total recorded crime in England and Wales. Compliance with National Crime Recording Standards has improved during 2014/15 compared to the baseline set following Crime Data Integrity Inspection by Her Majesty's Inspectorate of Constabulary.

Community Confidence

Public confidence remains high. The percentage of people who think that the police can be relied upon to do a good or excellent job in their neighbourhood was 87.4% compared to 83.5% in 2013/14. Likewise, the percentage of people who agree that the police can be relied upon to sort out problems in their neighbourhood is 91.9%, compared to 91.6% in 2013/14. The time spent by neighbourhood officers in their local area increased by 1% to 47% for 2014/15.
The number of new complaints recorded in 2014/15 was 1,016; an increase compared to 2013/14 (788). This increase is due to a combination of improved decision-making and an emphasis on encouraging the reporting of complaints as part of the focus in increasing community confidence. The percentage of cases appealed in 2014/15 was 19%, similar to 2013/14 (18%), however, the percentage of appeals which were subsequently upheld reduced to 24%, from 44% in 2013/14; reflecting improved levels of investigation to ensure the right outcome of complaints.

Governance

The Police and Crime Commissioner attends the Force's Strategic Management Board. This board is held on a monthly basis. The purpose of the Strategic Management Board is to drive performance and organisational change in support of the strategic objectives within the Police and Crime Plan. Performance against the Police and Crime Plan is reported at every meeting. Performance is considered in a number of ways, for example:

- Performance compared to previous years.
- Performance compared to agreed service standards or targets.
- Performance compared to peers (geographic areas within Force, most similar group of forces or nationally).

The Strategic Management Board also considers other business areas, including equality, the Strategic Policing Requirement, community consultation, risk management and progress against action plans to address recommendations from HMIC.

Capital Expenditure

In addition to spending on day-to-day activities, the Commissioner incurs expenditure on the acquisition of fixed assets that will be used in providing services beyond the current accounting period; or expenditure that adds value to an existing fixed asset, such as buildings, computers and communications and other major items of plant and equipment.

The Commissioner approved a capital programme of £13.211 million in February 2014. This was revised by the Commissioner during the year to £20.534 million. The increase took into account the final outturn for 2013/14, slippage into 2014/15, and planned expenditure on Fleet and ICT programmes being brought forward from 2015/16. The final capital outturn for the year is £12.246 million. This position is £8.288 million less than the revised estimate and is set out in the table below:

Capital Expenditure	2014/15 Original Estimate £000s	2014/15 Revised Estimate £000s	2014/15 Final Outturn £000s
Building Works	6,195	7,950	3,768
Computers & Communications	3,905	6,282	4,228
Vehicles & Equipment	3,111	6,302	4,250
	13,211	**20,534**	**12,246**

The following table sets out how the final expenditure under the Capital Programme was financed:

Capital Financing	2013/14 £000s	2014/15 £000s
Capital Grants and other contributions	(3,591)	(3,211)
Capital Receipts	(1,695)	(1,645)
Borrowing Requirement	(13,085)	(7,390)
	(18,371)	**(12,246)**

A key element of the Medium Term Financial Strategy 2014/15 to 2016/17 is the rationalisation of property to transform and free resources locked up in unsuitable assets. The plan estimates capital receipts of some £30 million over the next three years that will be used to fund the capital programme and reduce the capital financing requirement. The cash injection will also be available to offset the need to borrow.

This 2014/15 financial year saw the completion and occupation of the new Newcastle Police Station at Forth Banks. The building that cost £36.4 million features 50 custody suites and accommodation for over 400 staff and officers who have relocated from buildings that will be, in due course, sold. The programme also supported the successful relocation of the Occupational Health Unit within Newcastle City Council's building, the refurbishment of custody cells and funded the replacement of fleet vehicles.

The estates rationalisation programme has also resulted in the sale of 9 former police officer homes in 2014/15 and other buildings during the year raising £1.6 million in capital receipts. A further 17 properties are classified on the balance sheet as Available for Sale. The receipts from the sale of assets in 2014/15 have been used to part fund the capital programme during the year.

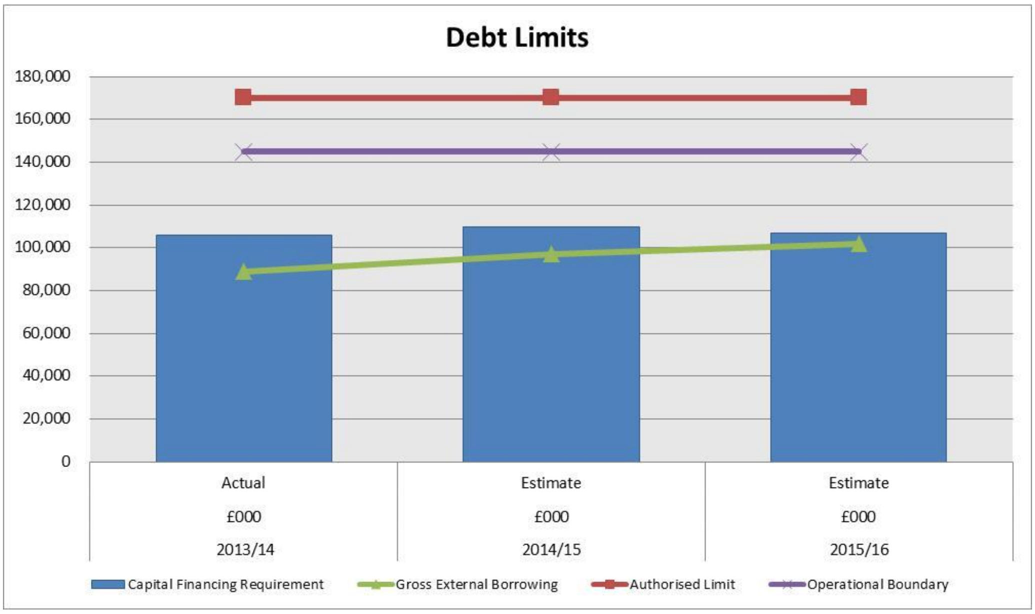
Capital has also been used to help transform the way officers and staff work by providing the mobile technology, systems and management to allow officers to submit intelligence from, and disseminate information and reassurance to the communities which they police.

The Street to Strategic project as it is known is redesigning processes, to improve the Force's intelligence led policing capability and help better inform operational tasking and briefing to achieve the positive outcomes that make communities safer and build the public's confidence in the Force.

Although this mobile technology led transformation extends across the entire workforce, for Police Officers, this will mean reducing their need to return to police stations in order to interact with information when carrying out their day to day duties. This programme of change will enable Police Officers to become more productive, and more visible. With more reliable information linking Street to Strategic, through integrated end-to-end processes the Force will improve the quality of service it provides to its communities and positively impact on Force priorities.

Significant capital receipts are expected in future years as the estate rationalisation gathers pace and redundant assets are sold. The most significant receipt is expected to be from the sale of land and buildings at the Ponteland site. A sale tender process was started during 2014/15 and is expected to be completed in 2016/17. The receipt could be in excess of £20 million.

Treasury Management



Treasury Management deals with the day to day and longer term cash flow position of the PCC investing surplus balances and managing the loans portfolio. Specialist advisers are retained to advise on borrowing strategies and other treasury related matters.

Treasury management activities are monitored daily to the approved indicator limits that are set in accordance with The Prudential Code for Capital Finance in Local Authorities. For 2014/15 neither the indicators of the Authorised Limit for External Debt of £170 million, nor the Operational Boundary for External Debt of £145 million were breached and the profile of debt maturity was maintained within the agreed limits.

Borrowing is planned to reduce over the MTFS period as capital receipts are banked from asset sales.

Material Assets and Liabilities

Revaluation of Non-Current Assets

The revaluation of non-current assets has resulted in material accounting charges through the CIES of £15.0 million.

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The new Newcastle Police Station was brought into use in 2014. The total cost of the building and associated infrastructure totalled £36.4 million. The valuation of the building has brought the asset onto our balance sheet at £25.7 million and the reduction in value of £10.7 million has been charged to the service lines within the CIES. The difference has arisen because the valuation method used for accounting purposes is based on fair value existing use i.e. it is valued as a police station.

The balance of the charge relates to the net revaluation reduction of police stations including Bellingham, Gilbridge, North Tyneside, Whitley Bay and Ponteland HQ totalling £4.7 million.

The surplus of £5.41 million credited to the CIES consists of the unrealised gains associated with assets that have been revalued and accounted for in the revaluation reserve.

These entries do not result in any cash impact on the General Fund reserve.

Accounting for Pensions

Retirement benefits are offered to employees as part of the terms and conditions of employment. Although these will not actually be payable until employees retire, the Chief Constable has a commitment to make these payments, which need to be recognised 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 Police and Crime Commissioner's Group Balance Sheet, (balanced by the Pension Reserve) shows the underlying commitments 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 are members of either the Police Pension Scheme or the New Police Pension Scheme, collectively known as the Police Pension Scheme, which is a wholly unfunded scheme administered by the Chief Constable[8]. The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries. The regulations[9] governing funding arrangements require that if the Pension Fund does not have sufficient funds to meet the cost of pensions in any year the amount required to meet the deficit must be transferred from the Police Fund to the Pension Fund. 100% of this deficit is recouped by the Group in the form of a top-up grant paid by the Home Office.

Police staff are members of the Tyne and Wear Pension Scheme, 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' contributions to the Tyne and Wear Pension Fund, based on an independent actuarial revaluation of the fund 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 also makes additional contributions to make good the shortfall in the pension fund, known as deficiency payments.

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

Significant Changes since 2013/14

There has been no significant change in the 2014/15 Code of Practice on Local Authority Accounting.

[8] Police Reform & Social Responsibility Act 2011 (Schedule 16 Part 3)
[9] Police Pension Fund Regulations 2007 (SI 2007/1932)

Outlook for 2015/16 and Beyond
Revenue Budget 2015/16

The Medium Term Financial Strategy (MTFS) 2015/16 to 2017/18 sets out the financial plans for Northumbria over the next 3 years. The plan includes the 5.1% cash reduction to 2015/16 central government funding which was confirmed in the police settlement announcement in February this year. For Northumbria this equates to a reduction in funding of £11.8 million per annum.

The MTFS includes assumptions that the Force has made regarding future cuts in central government funding - with forecast cash reductions of 4.0% in both 2016/17 and 2017/18, resulting in a further loss of £17.1 million per annum by 2017/18.

The MTFS sets out the continued need for significant savings over the 3 year period in order to manage the continued funding reductions. Plans include the use of £30 million in capital receipts from the disposal of assets, set out in the Estates Strategy, to fund the capital programme and repay debt, and the continued use of reserves to underpin the savings requirements.

Total savings planned over the MTFS period 2015/16 to 2017/18 are £40.5 million. Rationalisation of the Estate is expected to deliver revenue savings of £2 million per annum. Further workforce reductions will be required and the MTFS includes £34.3 million in savings from proposed reductions in both officer and staff numbers.

The total use of reserves over the MTFS period is estimated at £14.0 million with a forecast closing reserve of £8.0 million at the end of 2017/18, approx. 3.2% of the annual budget requirement. This is in line with the minimum reserve policy of 2% set out in the MTFS.

Capital Programme 2015/16

The Commissioner approved a capital budget of £13.211 million for 2015/16. The programme has been set at a level to reflect the challenging financial position and the need to focus on essential schemes only to deliver the Programme of Change. The Estates Strategy continues to focus on the rationalisation of the estate. It is estimated that £6.190 million will be spent on major and minor building schemes during 2015/16.

The capital programme for 2015/16 also includes £3.910 million investment in computers and communications, and planned expenditure of £3.110 million on the vehicle fleet and other operational equipment.

The Commissioner has planned to invest a further £15.664 million in future years.

Local Government Funding

Northumbria received a cash reduction of £11.8 million (5.1%) in its Local Government Finance settlement for 2015/16 consistent with the national reduction for all Commissioners.

Northumbria will receive £218.747 million in formula grant in 2015/16. In addition the Commissioner will receive £6.867 million in localised council tax support grant, and £1.301 million in legacy council tax freeze grant which is the total allocation from both the 2011/12 and 2013/14 freeze grants.

The Commissioner will continue to receive a number of specific grants including Counter Terrorism and grant funding for the commissioning of Victims and Restorative Justice Services.

The Home Office capital grant was reduced from £3.007m in 2014/15 to £2.463m in 2015/16, a reduction of 18%.

For 2015/16 the Commissioner has been successful in securing further grant funding through the national police Innovation Fund, 5 bids totalling £2.7m which will be received over 2015/16 and 2016/17.

Spending Reviews and Home Office Funding Formula
In the spending review announcement on 26th June 2013 the Home Office confirmed cash reductions to the Government Grant for Police Services equating to 3.3% in 2014/15 and 3.2% in 2015/16.

The actual cash reductions to police funding were 3.2% and 3.5% over those years, however the impact of top-slicing from the overall Police Grant and the protection for specific grants from those cuts, has meant that the cash reduction for individual forces is higher than this. Cash reductions were 4.8% (14/15) and 5.1% (15/16), a combined reduction for Northumbria of £23.3m per annum.

In 2014/15 the government introduced a number of new funding streams by cutting the main police grant given to forces in a process known as top slicing. For 2015/16 this trend continued with existing top slices increased or protected from cuts and further new streams added:

- Innovation Fund
- National Police Coordination Centre
- IPCC (Independent Police Complaints Commission)
- College of Policing
- Major Programmes
- Police Special Grant

National work remains on-going with regard to the review of the Funding Formula however there has been no formal update on the likely impact on individual forces. There was no change in 2015/16 to the damping mechanism which ensures that all forces face the same % cut in the Police Grant.

The National Audit Office (NAO) report *Financial Sustainability of Police Forces in England and Wales,* published in June 2015 recommended that the Home Office should build upon its on-going review of the funding formula and adopt an approach to funding that takes account of forces' local circumstances more fairly. This might include, as set out by the NAO, the proportion of funding commissioners receive from local taxation (council tax precept), levels of demand, relative efficiency of forces and the level of financial reserves.

Events after the reporting period

New Chief Constable

The Chief Constable Mrs Sue Sim retired from the Force on 3 June 2015. Mr Steve Ashman has been appointed as the new Chief Constable. Mr Ashman joined Northumbria in 2009 as Assistant Chief Constable and became Deputy in 2013.

Pension Ombudsman Determination - Lump Sum Commutation Factors 2001 to 2006

An event has arisen after the reporting period which relates to a determination made by the Pension Ombudsman in respect of historic commutation factors. As a result of the determination the Police Pension Fund has a liability to make backdated payments in respect of lump sum benefits. The total liability is estimated at £9.485 million. It is expected that payments will be made in 2015/16 and the liability will be covered by an additional top up payment from Government. This event is being treated as an adjusting post balance sheet event, the full details of which are set out at Note 24 to the Commissioner's Single Entity statements.

Further Information

This publication provides a review of the financial performance of the Group for 2014/15, a summary of which will be included in the Annual Report for 2014/15 available on the Commissioner's website www.northumbria-pcc.gov.uk.

Mike Tait BSc (Econ) CPFA
Treasurer

Dated: 22 September 2015

Statement of Responsibilities

The Commissioner's Responsibilities

The Commissioner is required to:
- appoint a person (Treasurer) to be responsible for the proper administration of her financial affairs;
- manage her affairs to secure economic, efficient and effective use of resources and safeguard her assets; and
- approve the Statement of Accounts.

I approve this statement.

Signed: Date: 22 September 2015

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Treasurer has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:
- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2015, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statement of Accounts gives a true and fair view of the financial position of the Commissioner at 31 March 2015 and of her income and expenditure for the year ended 31 March 2015.

Signed: MJ Tait Date: 22 September 2015

Mike Tait BSc (Econ) CPFA
Treasurer

Police and Crime Commissioner Single Entity Financial Statements

Comprising:

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

Movement in Reserves Statement 2014/15

The Movement in Reserves Statement details all movements in the Commissioner's reserves.

	Note	General Fund Reserve £000s	Earmarked GF Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Commissioners Reserves £000s**
Balance as at 31 March 2014		**(21,787)**	**(10,944)**	**0**	**(128)**	**(32,858)**	**(9,389)**	**(42,247)**
(Surplus) or deficit on provision of services (accounting basis)		21,020	0	0	0	21,020	0	21,020
Other Comprehensive Income and Expenditure	7(a)	0	0	0	0	0	(5,032)	(5,032)
Total Comprehensive Income and Expenditure		**21,020**	**0**	**0**	**0**	**21,020**	**(5,032)**	**15,988**
Adjustments between accounting basis & funding basis under regulations	7(b)	(15,687)	0	0	8	(15,679)	15,679	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**5,333**	**0**	**0**	**8**	**5,341**	**10,647**	**15,988**
Transfers to / from Earmarked Reserves	7(c)	(5,333)	5,333	0	0	0	0	0
(Increase) or Decrease in Year		**0**	**5,333**	**0**	**8**	**5,341**	**10,647**	**15,988**
Balance as at 31 March 2015		**(21,787)**	**(5,611)**	**0**	**(120)**	**(27,517)**	**1,258**	**(26,259)**

Movement in Reserves Statement 2013/14

	Note	General Fund Reserve £000s	Earmarked GF Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Commissioners Reserves £000s**
Balance as at 31 March 2013		**(21,645)**	**(13,296)**	**(57)**	**(161)**	**(35,159)**	**(19,667)**	**(54,826)**
(Surplus) or deficit on provision of services		12,703	0	0	0	12,703	0	12,703
Other Comprehensive Income and Expenditure	7(a)	0	0	0	0	0	(124)	(124)
Total Comprehensive Income and Expenditure		**12,703**	**0**	**0**	**0**	**12,703**	**(124)**	**12,579**
Adjustments between accounting basis & funding basis under regulations	7(b)	(10,488)	0	53	33	(10,402)	10,402	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**2,214**	**0**	**53**	**33**	**2,301**	**10,278**	**12,579**
Transfers to / from Earmarked Reserves	7(c)	(2,356)	2,352	4	0	0	0	0
(Increase) or Decrease in Year		**(142)**	**2,352**	**57**	**33**	**2,301**	**10,278**	**12,579**
Balance as at 31 March 2014		**(21,787)**	**(10,944)**	**0**	**(128)**	**(32,858)**	**(9,389)**	**(42,247)**

Comprehensive Income and Expenditure Statement - Commissioner

2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	2013/14 Net Expenditure £000s	Police Objective Service Expenditure Analysis	2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s	Notes
2,150	(7,330)	(5,180)	Local Policing	2,587	(3,749)	(1,162)	
0	(88)	(88)	Dealing with the Public	0	(96)	(96)	
0	(1,459)	(1,459)	Criminal Justice Arrangements	0	(1,165)	(1,165)	
0	(2,451)	(2,451)	Roads Policing	0	(2,826)	(2,826)	
0	(1,698)	(1,698)	Specialist Operations	0	(3,207)	(3,207)	
0	(336)	(336)	Intelligence	0	(231)	(231)	
0	(920)	(920)	Specialists Investigations	0	(966)	(966)	
0	(22)	(22)	Investigative Support	0	(25)	(25)	
0	(3,339)	(3,339)	National Policing	0	(2,593)	(2,593)	
1,379	0	1,379	Corporate & Democratic Core	1,252	0	1,252	
0	0	0	Non Distributed Costs: Past Service Cost / (Curtailment Gain)	0	0	0	
305,582	0	305,582	PCC Financing of Police Services	302,236	0	302,236	
309,111	**(17,643)**	**291,468**	**Net Cost of Services**	**306,075**	**(14,858)**	**291,217**	
		469	Other Operating Expenditure			343	
		2,858	Financing and Investment Income and Expenditure			3,311	
		(282,092)	Taxation and Non Specific Grant income			(273,851)	
		12,703	**(Surplus) or Deficit on the Provision of Services**			**21,020**	
		(119)	(Surplus) or deficit on revaluation of non current assets			(5,041)	
		(5)	Re-measurements of the net defined benefit pension liability			9	
		(124)	**Other Comprehensive Income & Expenditure**			**(5,032)**	7 (a)
		12,579	**Total Comprehensive Income & Expenditure**			**15,988**	

Balance Sheet

Restated 1 April 2013 £000s	Restated 31 March 2014 £000s		31 March 2015 £000s	Notes
114,161	111,433	Property, plant & equipment	101,006	
653	1,640	Investment property	2,075	15
342	309	Intangible assets	884	
9,485	9,771	Long-term debtors	286	16
124,641	**123,153**	**Long-term assets**	**104,251**	
11,093	0	Short-term investments	0	
732	1,240	Assets held for sale	3,640	
612	773	Inventories	692	
19,410	21,488	Short-term debtors	37,439	16
9,187	18,591	Cash and cash equivalents	10,150	17
41,034	**42,092**	**Current Assets**	**51,921**	
(2,077)	(1,932)	Bank overdraft	(1,029)	17
(158)	(146)	Short-term provisions	0	19
(2,822)	(17,764)	Short-term borrowing	(20,798)	20
(19,727)	(19,282)	Short-term creditors	(28,768)	18
(24,784)	**(39,124)**	**Current Liabilities**	**(50,595)**	
(2,839)	(2,459)	Long-term provisions	(2,310)	19
(73,130)	(71,298)	Long-term borrowing	(76,465)	20
(9,485)	(9,485)	Long-term creditors	0	18
0	(21)	Other long-term liabilities (pensions)	(63)	23
(611)	(611)	Capital grants receipts in advance	(480)	
(86,065)	**(83,874)**	**Long-Term Liabilities**	**(79,318)**	
54,826	**42,247**	**Net Assets**	**26,259**	
(35,159)	**(32,858)**	**Total usable reserves**	**(27,517)**	7(c)
(19,667)	**(9,389)**	**Total unusable reserves**	**1,258**	
(54,826)	**(42,247)**	**Total Reserves**	**(26,259)**	

Cash Flow Statement

2013/14 £000s		2014/15 £000s
12,703	**(Surplus) or Deficit on the provision of services**	**21,020**
	Adjustments to surplus or deficit on the provision of service for non-cash movements:	
(5,656)	Depreciation of Non Current Assets	(6,751)
(11,402)	Revaluation / Impairment of Non Current Assets	(15,008)
(209)	Amortisation of intangible Fixed Assets	(324)
(26)	Pension Fund adjustments	(33)
(233)	(Increase)/decrease in impairment for provision for bad debts	(17)
392	Contributions to Provisions	295
(2,396)	Carrying amount of PP&E, investment property and intangible assets sold	(1,988)
428	Other non-cash movement	(57)
(19,102)		(23,883)
	Accruals Adjustments:	
161	Increase/(Decrease) in inventories	(81)
2,768	Increase/(Decrease) in debtors	6,200
(83)	Increase/(Decrease) in interest debtors	(7)
(716)	(Increase)/Decrease in creditors	156
(111)	(Increase)/Decrease in interest creditors	(36)
2,019		6,232
	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities:	
2,115	Proceeds from the disposal of PP&E, investment property and intangible assets	1,864
3,558	Capital Grants credited to Surplus or deficit on the provision of services	3,203
0	Other adjustments for items included in the net Surplus or deficit on the provision of service that are investing or financing activities	0
5,673		5,067
	Reversal of operating activity items included in the net surplus or deficit on the provision of service that are shown separately below:	
(2,911)	Reversal of amounts disclosed separately below	(3,363)
	Cash Flows from Operating Activities includes the following items:	
3,397	Interest Paid	3,450
(618)	Interest received	(130)
2,779		3,320
1,161	**Net cash flows from Operating Activities**	**8,394**
	Net Cash Flows from Investing Activities	
18,277	Purchase of PP&E, investment property and intangible assets	12,013
121,243	Purchase of short term and long term investments	39,647
94	Other payments for investing activities	233
(1,825)	Proceeds from the sale of PP&E, investment property and intangible assets	(1,864)
(132,568)	Proceeds from the sale of short term and long term investments	(39,647)
(2,933)	Capital Grants Received (Government)	(3,059)
0	Capital Grants Received (Non-Government)	(13)
2,288	**Net cash flows from Investing Activities**	7,310
	Net Cash Flows from Financing Activities	
(20,000)	Cash receipts of short and long term borrowing	(36,350)
7,002	Repayments of short and long term borrowings	28,184
(12,998)	**Net cash flows from Financing Activities**	(8,166)
(9,549)	**Net (increase)/decrease in cash and cash equivalents**	7,538

7,110	**Cash and cash equivalents at the beginning of the period**	**16,659**
16,659	**Cash and cash equivalents at the end of the period**	**9,121**

Notes to the Single Entity Financial Statements

1. Statement of Accounting Policies

a) Introduction

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

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

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).

The accounts have been prepared on a going-concern basis using a historical cost convention modified by the revaluation of certain categories of non-current assets and financial instruments. Any departure from the relevant standards is stated in the notes.

In line with CIPFA's best practice approach to accounting for best value, the accounts are presented in compliance with the service expenditure analysis set out in CIPFA's Service Reporting Code of Practice (SeRCOP).

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

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

b) Transfer of functions from Northumbria Police Authority

The Police Reform and Social Responsibility Act 2011 (the Act) abolished Northumbria Police Authority on 22 November 2012 replacing it with two corporations sole; the Police and Crime Commissioner for Northumbria and the Chief Constable for Northumbria. The Act provided for a statutory transfer of all assets, liabilities, contracts and reserves from the Police Authority to the Commissioner at 22 November 2012 (Stage 1). The reforms of the Act will be phased over a number of years in a two-stage transition process. At the Balance Sheet date of 31 March 2013, all assets, liabilities, contracts and reserves remained under the control of the Commissioner. The second stage (Stage 2) came into force on 1 April 2014 when the employment contracts of those staff and officers directly under the control of the Chief Constable were transferred to her from the Commissioner.

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 single-entity accounts. The Chief Constable, who is treated as a subsidiary of the Commissioner, has prepared her own single-entity accounts.

c) Accruals of expenditure and income

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

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

d) Assets held for sale

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

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

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

e) Cash and cash equivalents

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

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

f) Charges to revenue for non-current assets

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

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

Depreciation, impairment losses or amortisation do not impact on the level of council tax precept. However, there is a requirement to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance, or loans fund principal charge). Depreciation, impairment losses and amortisation are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g) Council tax income

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

h) Employee benefits

Benefits payable during employment

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

i) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Commissioner 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 the Commissioner is demonstrably committed to terminating the employment of an employee or group of employees. When an offer to encourage voluntary redundancy is made to a group of employees, a provision or contingent liability will be included in the accounts.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Reserve balance to be charged with the amount payable by the

Commissioner 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.

j) Post-employment benefits (pensions)

As part of the terms and conditions of employment, the Commissioner offers retirement benefits by participating in pension schemes. These are the Police Pension Scheme (including the New Police Pension Scheme) and the Tyne and Wear Pension Scheme, all of which offer defined benefits related to pay and service:

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

The Local Government Pension Scheme (Tyne & Wear Pension Fund) is administered by South Tyneside Council. It is classified as a funded defined benefit scheme, meaning that the Commissioner 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 Commissioner 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 note to the accounts.

k) Events after the Balance Sheet date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any new information about that adjusting event.
Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but are disclosed as a separate note to the accounts.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts are authorised for issue and published. Events after the balance sheet date 2014/15 are described in Note 24 Single Entity Accounts page 77.

l) 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, and are accounted for accordingly. Material adjustments applicable to prior years arising from changes on accounting policies and to ensure consistency of presentation, that would otherwise misrepresent the accounts to the reader, are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. Prior period adjustments required for 2014/15 are set out in Note 25 Single Entity accounts on page 78 and Note 10 Group accounts on page 105.

m) Financial instruments

Financial Assets

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

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans that the Commissioner has made, the amount presented in the Balance Sheet is the outstanding principal receivable. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial Liabilities

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

Amortised cost is adjusted for any premiums, discounts, material transaction costs and accrued interest. Where financial liability interest rates are fixed until maturity they are deemed not to require an effective interest rate calculation to be carried out.
The transaction costs of the financial liabilities held on the Balance Sheet are considered to be immaterial.

Fair Value

For each class of financial asset and financial liability, the Commissioner is required to disclose the fair value of that class of asset and liability in a way that permits it to be compared to its carrying amount. The Commissioner assesses the fair value by calculating the present value of the cash flows that take place over the remaining life of the instruments, using a number of assumptions detailed in Note 20.

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

Redemption of Debt

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

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

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

n) Government grants and other contributions

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

o) Intangible assets

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

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

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

p) Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms' length. Properties are not depreciated but are revalued according to market conditions at the year-end. Valuations were carried out by external valuers Montague Evans LLP. The valuation report is signed by Mr Gary Howes BSc MRICS who is a partner of Montagu Evans LLP, a member of the Royal Institution of Chartered Surveyors and an RICS Registered Valuer. Gains and losses on revaluation and disposals are posted to the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

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

q) Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to democratic representation, public accountability, governance and management by the office of the Commissioner; and
- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

r) Property, Plant and Equipment

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

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

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

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

- **Measurement** – Property, Plant and Equipment are valued on the basis recommended by CIPFA and in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (8th Edition). Assets are then carried in the Balance Sheet using the following measurement basis:

  - Assets under construction (excluding investment properties) are measured at historic cost, net of depreciation, where appropriate;
  - Dwellings are measured at fair value; and
  - All other classes of assets are measured at fair value. For land and buildings, the fair value is considered to be the amount that would be paid for the asset in its existing use.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, and other valuations are carried out on a rolling programme basis, with 20% of assets valued each year with an effective date of 1 April in the reporting period. This provides a full revaluation every five years, in line with statutory requirements. In addition, significant assets with a value in excess of £10 million are valued annually. Property with a value of less than £40,000 is treated as de minimis.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Valuations were carried out for the Commissioner by Montague Evans LLP who are suitably qualified valuers.

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

Where impairment losses are identified, they are accounted for as follows:

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

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

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

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

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

- **Depreciation** - International Accounting Standard 16 (IAS 16 Property, Plant and Equipment) requires depreciation to be provided for all non-current assets with a finite useful life (which is determined at the time of acquisition or revaluation) according to the following policy:
- A full year's depreciation is charged on newly acquired assets in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use;
- Depreciation is calculated using the straight-line method; and
- Generally, assets are depreciated in accordance with the following estimate of useful lives:
- Police houses: 50 years;
- Police stations: 10 or 50 years depending on use, construction type and condition:
- Computers and other equipment: 5 years;
- Communication towers: 8 – 18 years depending on conditions; and
- Vehicles: 3 years.

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

Another requirement of IAS 16 is that separate charges are made for the depreciation of major components of a single asset, where significant components of the asset have materially different useful economic lives. The Commissioner has split her assets into separate components where the following criteria are met:

- The total asset has a value greater than £1 million;
- The component has a value of greater than 20% of the total asset; and
- The component has a useful life which differs by 10 years or more from any other component of the asset.

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

s) Provisions and contingent liabilities

Provisions

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

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Commissioner becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 19 to the single entity accounts and the notes to the group accounts.

t) Reserves

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

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

u) Revenue expenditure funded from capital under statute

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

v) 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.

w) 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 jointly 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 2014/15 is shown in Note 13.

2. Critical judgements in applying accounting policies

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

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

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

3. Impact of changes in accounting policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Commissioner’s financial position or financial performance. When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. There have been no significant changes in accounting policies in 2014/15.

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.

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

A number of amendments to accounting standards have been issued that are applicable to periods commencing after 31 March 2015:

- IFRS 13 Fair Value Measurement (May 2011).
- IFRIC 21 Levies.
- Annual Improvements to IFRS 2011 – 2013 Cycle.
- IFRS 1: Meaning of effective IFRSs;

- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception);
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations; and
- IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

It is not anticipated that any of these amendments will have a material effect on the Financial Statements and require retrospective application.

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

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Commissioner's Group Balance Sheets as at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liabilities

Pensions liabilities included in the Balance Sheet have been assessed on an actuarial basis using the projected unit credit method which results in an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, rates of inflation and discount rates. The pension fund liabilities for the Police Pension Scheme have been assessed by GAD, the Government's Actuary Department, based on the latest membership data provided at 31 March 2012 for the latest funding valuation.

The assessment of pension liabilities for the Tyne and Wear Pension Scheme has been assessed by AON Hewitt Limited, an independent firm of actuaries, which is based on their last full valuation of the scheme carried out as at 31 March 2013. The Actuary also estimates the Tyne and Wear Pension Fund position as at 31 March 2015 including their assessment of future movements in the return on pension assets which is subject to fluctuations in investment markets and discount rate volatility. Further details are included within Note 21.

Fixed Asset Valuations

Asset valuations are carried out on a rolling programme basis with 20% of assets valued each year. In addition significant assets, investment properties and assets held for sale are valued each year. This provides a full revaluation every 5 years in line with statutory requirements. The valuations are carried out by external valuers Montague Evans LLP.

All assets are measured at Fair Value adopting Existing Use Value. Valuation methods used include the Comparable method and Depreciated Replacement Cost. All valuations were carried out in accordance with the RICS Valuation – Professional Standards 2014.

6. Effects of the Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility Act 2011 (the Act) abolished Northumbria Police Authority on 22 November 2012 replacing it with two corporations sole; the Police and Crime Commissioner for Northumbria and the Chief Constable for Northumbria. The reforms of the Act were to be phased over a number of years in a two stage transition process, the first of which provided for a statutory transfer of all income, expenditure, assets, liabilities and reserves of the Police Authority to the Commissioner at 22 November 2012.
Under the second phase of the transition process, the Commissioners Stage 2 Scheme transfers staff from the employment of the Police and Crime Commissioner to that of the Chief Constable.

The **Northumbria Police Staff Transfer Scheme 2013** came into force on 1 April 2014 transferring all Police warranted and non-warranted staff in the employment of the Police and Crime Commissioner for Northumbria at that date, to the employment of the Chief Constable of Northumbria Police. This involved the transfer of all police officer posts and 1,847 police staff posts, with the Commissioner retaining only core staff in order to fulfil the statutory role.

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 2015, 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 the Commissioners name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all useable reserves. The Commissioner is the recipient of all income including government grants, precepts and other sources of income which is paid into the Police Fund and all expenditure of the Chief Constable is funded by the Commissioner from the Police Fund. There are no cash transactions between the two bodies.

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

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

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

- the use of non-current assets equivalent to the depreciation, impairment, amortisation and revaluation of the assets charged to the Commissioner £22.32 million; and
- the cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in her provision of policing £1.46 million.

In order to show the total cost of services provided by the Police and Crime Commissioner, the following charges, under the control of the Chief Constable, are included as a proxy 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 £0.019 million.

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

The table below sets out the intra-group transactions within the single-entity financial statements:

Intra-group adjustments Comprehensive Income and Expenditure Statement		
Commissioner’s resources consumed by the Chief Constable		
2013/14 £000s		**2014/15 £000s**
(305,582)	Chief Constable	(302,510)
305,582	Commissioner	302,510
0	Group	**0**

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.		
2013/14 £000s		**2014/15 £000s**
(23,809)	Chief Constable	(23,629)
23,809	Commissioner	23,629
0	Group	**0**

7. Movement in Reserves Statement adjustments

The Movement in Reserves Statement details all movements in the Commissioner’s usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and provides a summary of the movement in unusable reserves. The 'Surplus or deficit on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve balance for council tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Reserve balance before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner. The following tables provide further details of the amounts disclosed in the Movement in Reserves Statement.

a) **Other Comprehensive Income and Expenditure** comprises items of expense and income that are not recognised in the surplus or deficit on the provision of services as required or permitted by the Code. The following tables detail the transactions during 2013/14 and 2014/15:

Other Comprehensive Income & Expenditure		
2013/14 Unusable Reserves £000s		**2014/15 Unusable Reserves £000s**
(119)	Surplus or deficit on revaluation of non current assets	(5,041)
(5)	Re-measurements of the net defined benefit pension liability	9
(124)	**Total Other Comprehensive Income and Expenditure**	**(5,032)**

b) **Adjustments between accounting basis and funding under regulations** details the adjustments that are made to the total comprehensive income and expenditure recognised by the Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure:

Adjustments between accounting basis & funding basis under regulations 2014/15					
	2014/15 movements (£000s)				
	General Fund balance	**Earmarked GF reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(21,759)	0	0	0	21,759
Amortisation of intangible assets	(324)	0	0	0	324
Revenue Expenditure Funded from Capital under Statute	(232)	0	0	0	232
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,203	0	0	8	(3,211)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(334)	0	(1,654)	0	1,988
Capital Expenditure Financed from Unapplied Capital Receipts	(9)	0	1,654	0	(1,645)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	175	0	0	0	(175)
Reversal of IAS 19 Pension Charges	(77)	0	0	0	77
Contributions due under the pension scheme regulations	44	0	0	0	(44)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0
Revenue provision for the repayment of debt	3,626	0	0	0	(3,626)
Total adjustments between accounting basis & funding basis under regulations	(15,687)	0	0	8	15,679

Adjustments between accounting basis & funding basis under regulations 2013/14					
	2013/14 movements (£000s)				
	General Fund balance	Earmarked GF reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(17,058)	0	0	0	17,058
Amortisation of intangible assets	(209)	0	0	0	209
Revenue Expenditure Funded from Capital under Statute	(94)	0	0	0	94
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,558	0	0	33	(3,591)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(469)	0	(1,642)	0	2,111
Capital Expenditure Financed from Unapplied Capital Receipts	0	0	1,695	0	(1,695)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	428	0	0	0	(428)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(26)	0	0	0	26
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0
Revenue provision for the repayment of debt	3,382	0	0	0	(3,382)
Total adjustments between accounting basis & funding basis under regulations	(10,488)	0	53	33	10,402

c) Analysis of transfers to / from reserves

The Commissioner maintains a number of reserves, which are classified as either usable (backed by cash) or unusable (notional adjustment accounts not supported by cash).

Usable reserves:

The **General Reserve** (Police Fund) is the main fund into which council tax precept income, government grants and other income is paid and from which the day-to-day cost of providing services is met. The balance of the fund provides a reserve to manage unexpected expenditure and other budget pressures for the Commissioner. The Police Reform and Social Responsibility Act specifies that the Commissioner is the holder of the Police Fund and the recipient of all income. The Commissioner has an agreed strategy that the level of the General Reserve will be influenced by the balance of risks inherent in the budget, the robustness of budget monitoring, past experience of outturn spending, the extent of earmarked reserves and funding cuts over the medium term. As a result, the agreed strategy is to reduce the General Reserve, but to maintain it at a minimum level of 2% of the net revenue budget over the medium term.

Earmarked reserves:

- The **Capital Development Reserve** sets aside resources to fund the revenue implications of prudential borrowing to support the delivery of the capital programme. It is anticipated that following the completion of the major projects in the Capital Programme, capital receipts will be received in respect of the former sites, which can be used to either repay debt or replenish this reserve.

- The **Workforce Management Reserve** was set up to smooth the cost impact of workforce changes and has been used to fund the one-off cost of police staff redundancies to release the on-going savings of the reduction in staff costs.

- The scheme of financial devolvement ensures that responsibility and accountability for resources rests with those managers who are responsible for service delivery. To make the scheme work and give devolved budget holders the necessary freedom to manage their resources, they are allowed to carry forward underspends. The amount in the **Devolved Budget Reserve** represents the cumulative net unspent element of the budgets devolved to specific departments and area commands, limited to 1% of devolved budgets, which is carried forward into the following financial year to cover future events.

- The **Insurance Reserve** is maintained for potential liabilities and costs which fall on the Commissioner where no external insurance cover is arranged by or available to the Commissioner. Potential liabilities include storm damage, business interruption and claims that would fall within the Commissioner’s policy excess limits.

- The **External Funding Reserve** has been created from unspent non-conditional revenue grant income which is to be used for specific purposes in future years.

- The **NERSOU Reserve** represents Northumbria’s share of the North East Regional Special Operations Unit (NERSOU) Asset Recovery Incentivisation (ARIS) Funds which are held by the region to be spent in future years, and the NERSOU general reserve created from Force contributions.

- The **Victim Services Reserve** was created from unspent Home Office grant income and has been used to commission and support victim services.

Capital Receipts Reserve represents capital receipts from the sale of assets held in order to finance future capital expenditure.

Capital Grants Unapplied represents capital grants or contributions recognised in the Comprehensive Income and Expenditure Statement but for which the expenditure to be financed from the grant or contribution has not been incurred. The reserve is available to finance future capital expenditure.

Unusable Reserves:

The **Capital Adjustment Account** absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Deferred Capital Receipts - The transfer of an aircraft to the National Police Air Service (NPAS) took place in 2013/14 under a police force collaboration agreement with West Yorkshire Constabulary. The long term debtor relates to a rebate payment that will be received each year from 2017/18 to 2020/21 totalling £285,860.

The **Revaluation Reserve** contains gains made by the Commissioner arising from increases in non-current asset values. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The **Collection Fund Adjustment Account** manages the differences arising from the recognition of Council Tax precept income in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory arrangements for paying across amounts to the Commissioner from billing authorities.

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

Analysis of the transfers to / from reserves

Balance as at 31/03/14		Transfers to reserve	Transfers from reserve	**Total movement on reserve**	**Balance as at 31/03/15**
£000s		£000s	£000s	**£000s**	**£000s**
	Usable Reserves				
(21,786)	**General Reserve**	**0**	**0**	**0**	**(21,786)**
	Earmarked Reserves:				
(5,199)	Capital Development Reserve	0	4,285	4,285	(914)
(1,791)	Workforce Management Reserve	0	532	532	(1,259)
(3,000)	Insurance Reserve	0	0	0	(3,000)
(291)	External Funding Reserve	(152)	234	82	(209)
(139)	NERSOU Reserve	(204)	115	(89)	(229)
(524)	Victim Services	0	524	524	0
(10,944)	**Total Earmarked reserves**	**(356)**	**5,689**	**5,333**	**(5,611)**
0	Capital Receipts Reserve	(1,654)	1,654	0	0
(128)	Capital Grants Unapplied	0	8	8	(120)
(32,857)	**Total Usable Reserves**	**(2,010)**	**7,351**	**5,341**	**(27,517)**
	Unusable Reserves				
(12,573)	Revaluation Reserve	(5,041)	1,023	(4,018)	(16,591)
4,006	Capital Adjustment Account	(8,735)	23,533	14,798	18,804
(557)	Collection Fund Adjustment Account	(175)	0	(175)	(732)
(286)	Deferred Capital Receipts	0	0	0	(286)
21	Pensions Reserve	0	42	42	63
(9,388)	**Total Unusable Reserves**	**(13,952)**	**24,599**	**10,647**	**1,258**
(42,246)	**Total Reserves**	**(15,961)**	**31,950**	**15,988**	**(26,259)**

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

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

An analysis of items included in the Comprehensive Income and Expenditure Statement below Cost of Services is detailed overleaf:

Other Operating Expenditure

2013/14 Net Expenditure £000s		2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s
469	(Gains)/Losses on Disposal of Property Plant & Equipment	343	0	343
0	(Gains)/Losses on Disposal of Assets Held for Sale	0	0	0
469	**Total Other Operating Expenditure**	**343**	**0**	**343**

Financing and Investment Income and Expenditure

2013/14 Net Expenditure £000s		2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s
3,508	Interest Payable and similar charges	3,486	0	3,486
(597)	Interest and Investment Income	0	(123)	(123)
(52)	Income & Expenditure in relation to Investment Properties	0	(52)	(52)
(1)	Pensions interest costs and expected return on assets	0	0	0
2,858	**Total Financing and Invesment Income and Expenditure**	**3,486**	**(175)**	**3,311**

Taxation and Non Specific Grant income				
2013/14 Net Expenditure £000s			**2014/15**	
		Gross Expenditure £000s	**Gross Income £000s**	**Net Expenditure £000s**
(121,164)	Home Office Grant	0	(117,979)	(117,979)
(7,005)	Council Tax Support Grant	0	(6,867)	(6,867)
(119,017)	DCLG Grant (previously National Non Domestic Rates)	0	(113,847)	(113,847)
(31,348)	Proceeds of PCC Precepts	0	(31,955)	(31,955)
0	Receipts / payments to Police Pension Fund	47,224	(47,224)	0
(3,558)	Capital grant income	0	(3,203)	(3,203)
(282,091)	**Total Taxation and Non Specific Grant Income**	**47,224**	**(321,075)**	**(273,851)**

9. 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. However, as segments are not used for internal management reporting, no segmental analysis is disclosed.

10. External Audit Costs

The Commissioner has incurred the following costs in relation to work carried out by the Commissioner's external auditors Mazars LLP.

External Audit Costs - Commissioner		
2013/14 £000s		**2014/15 £000s**
49	External Audit Services	49
0	Rebate	(13)
49	**Net Cost**	**36**

In 2014/15 a rebate was provided by the Audit Commission for the two previous financial years.

11. Government and non-government grants and contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2014/15:

Government and non-government grants				
2013/14			2014/15	
Revenue £000s	Capital £000s		Revenue £000s	Capital £000s
		General Government Grant not attributable to Services		
7,005	0	Council Tax Support Grant	6,867	0
119,017	0	DCLG Grant (previously National Non Domestic Rates)	112,546	0
121,164	0	Home Office Grant	117,979	0
39,122	0	Pension top-up grant	47,224	0
0	3,558	Capital Grant	0	3,203
286,308	**3,558**	**Total**	**284,616**	**3,203**
		Specific Government Grant attributable to Services		
1,866	16	Counter Terrorism Grant	1,846	0
132	0	PFI Grant	0	0
150	0	Loan Charges Grant	125	0
2,789	0	Community Safety Grant	0	0
524	0	Victim Services Grants	492	0
0	0	Victims Compeated Fund	306	0
0	0	Council Tax Freeze Legacy Grant	911	0
0	0	Council Tax Freeze Grant 14/15	389	0
5,461	**16**	**Total**	**4,069**	**0**
		Non-Government grant and contributions attributable to Services		
2,559	0	Other contributions	2,115	0
2,559	**0**	**Total**	**2,115**	**0**
294,328	**3,574**	**Total Government and Non-Government contributions recognised in the Comprehensive Income & Expenditure Statement**	**290,800**	**3,203**

12. Officers' Remuneration

The following table sets out the Commissioner, Deputy and relevant officers whose salary is more than £50,000 per year in 2015/16.

Remuneration of Senior Employees 2014/15 - Commissioner						
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2014/15 £
Police and Crime Commissioner		85,000	0	**85,000**	11,050	**96,050**
Chief Executive & Monitoring Officer	**1**	80,902	46	**80,949**	10,837	**91,786**
Total		**165,902**	**46**	**165,948**	**21,887**	**187,836**

Note1
The Chief Executive & Monitoring Officer in 2014/15 increase in their working week from 4 to 5 days.

The Director of Finance is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. 20% of his salary is charged to the PCC in the CIES and is reflected in the Statement of Accounts for the Chief Constable – Remuneration of Senior Employees 2014/15.

Remuneration of Senior Employees 2013/14 - Commissioner						
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2013/14 £
Police and Crime Commissioner		85,000	0	**85,000**	11,050	**96,050**
Deputy Police and Crime Commissioner	**1**	53,031	0	**53,031**	0	**53,031**
Chief Executive & Monitoring Officer		72,300	0	**72,300**	9,277	**81,577**
Total		**210,331**	**0**	**210,331**	**20,327**	**230,658**

Note 1, The Chief Finance Officer to the Police and Crime Commissioner is also the Chief Finance Officer of the Chief Constable. He received no remuneration for the Treasurers post in 2013/14 and is fully reflected in the Statement of Accounts for the Chief Constable - Remuneration of Senior Employees 2013/14.

13. Related Party Transactions

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

Office of the Police and Crime Commissioner

During 2014/15, no related party transaction was entered into with any senior officers of the Office of the Police and Crime Commissioner or their close family members.

Victims First Northumbria

The Commissioner became a joint director of Victims First Northumbria Ltd, a company limited by guarantee, with the Chief Constable with effect from 10 March 2015. The company has been established to deliver victim support services. No material transactions were carried out during the financial year 2014/15.

Chief Constable for Northumbria

The general operations of the Chief Constable are controlled by the Commissioner who governs the financial and operational policy framework within which the Chief Constable operates. 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 effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework, within which the Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Commissioner has with other parties. Grants received from government departments are set out in Note 11.

Other Public Bodies

Gateshead Council

Gateshead Council provides a range of support services to the Commissioner. The necessary power for this exists within section 113 of the Local Government Act 1972. The combined cost of support services and advice to the Commissioner and Group amounted to £0.852 million in 2014/15 (£1.148 million in 2013/14).

Gateshead Council billed £0.171 million in respect of building cleaning in 2014/15 (£1.400 million in 2013/14).

Precepts

The Commissioner obtains part of her income from precepts levied on the local billing authorities in the Northumbria police force area. During the year, transactions with these related parties were as shown below:

Council Tax Precept				
	Total 2013/14 £000s	**Precept (in accordance with regulation) 2014/15 £000s**	**Share of Surplus / (Deficit) at 31 March 2015 £000s**	**Total £000s**
Gateshead Council	4,198	4,396	(58)	**4,338**
Newcastle City Council	5,334	5,430	(15)	**5,415**
North Tyneside Council	4,613	4,799	(1)	**4,798**
South Tyneside Council	3,075	3,103	29	**3,132**
Sunderland City Council	5,621	5,628	68	**5,696**
Northumberland County Council	8,507	8,424	152	**8,576**
	31,348	**31,780**	**175**	**31,955**

Joint Arrangements

The Commissioner is involved with a number of entities that are not legally distinct bodies. These have been established to aid joint working between organisations, and as such any material assets or liabilities attributable to the Commissioner will be included in the Balance Sheet. Any income or expenditure attributable to the Commissioner is accounted for within the Comprehensive Income and Expenditure Statement.

The main joint arrangement identified during 2014/15 is detailed below:

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. 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 Home Office core grant allocations.

The contributions made for 2014/15 are set out in the table below:

Force	Contribution
Northumbria	57.0%
Durham	20.9%
Cleveland	22.1%

The final outturn position for NERSOU was £4.386 million with Northumbria's share of the net cost being £2.500m as set out below:

	NERSOU Outturn 2014/15 £000s	Northumbria 2014/15 £000s
Employee Pay and Pensions	4,812	2,743
Premises Costs	244	139
Vehicles and Fuel	130	74
Transport and Mileage	18	10
Accommodation and Subsistence	47	27
Communications and Computing	32	18
Training and Conference Fees	92	52
Supplies and Services	170	97
Miscellaneous Expenses	26	15
Total Expenditure	**5,571**	**3,175**
Home Office Grant	1,105	630
Other Income	80	45
Total Income	**1,185**	**675**
Net Expenditure	**4,386**	**2,500**

The accounting treatment for NERSOU is that expenditure is shown as £3.175 million in the Chief Constable's accounts with income of £0.675 million being accounted for in the Police and Crime Commissioner's Single Entity accounts. As all costs of the Chief Constable are met by the Commissioner the net cost to the Commissioner and Group is £2.500 million.

All three forces have equal representation and rights to control under the Section 22A collaboration agreement. Assets purchased by a force and provided for the use of NERSOU are held on the balance sheet of that force. The only joint assets are those funded through Home Office grants and contributions. The share of NERSOU assets attributable to Northumbria is 57% and these are held on the balance sheet of the Police and Crime Commissioner Single Entity and Group accounts.

Reserves attributable to NERSOU are also held on the balance sheet of the Police and Crime Commissioner with the share of overall reserves for Northumbria being 57.0%, equating to £0.229 million as at 31 March 2015.

14. Capital Expenditure and Commitments

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

Capital Expenditure and Capital Financing		
2013/14 £000s		**2014/15 £000s**
96,352	**Opening Capital Financing Requirement**	**106,055**
	Capital investment	
18,100	Property, Plant and Equipment	11,117
177	Intangible Assets	897
94	Revenue Funded from Capital Under Statute	233
	Sources of finance	
(1,695)	Capital receipts	(1,645)
(3,591)	Government grants and other contributions	(3,211)
(3,382)	Minimum Revenue Provision	(3,626)
106,055	**Closing Capital Financing Requirement**	**109,820**
	Explanation of movements in year	
9,703	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,764

Capital Commitments

At 31 March 2015, the Commissioner has a commitment outstanding in respect of a retention payment of £400K for Forth Banks Newcastle City Centre Police Station.

15. (a) Non-current assets

Non-current assets movements	Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Non Operational & Surplus £000s	Assets Under Construction at Cost £000s	Total Property, Plant & Equipment £000s	Investment Property £000s	Intangible Assets £000s	Total Non-Current Asset £000s
Cost or valuation								
Balance as at 1 April 2013	**92,105**	**46,396**	**0**	**19,680**	**158,181**	**653**	**1,372**	**160,206**
Reclassifications	(1,468)	(124)	0	0	(1,592)	122	124	(1,346)
Additions	986	2,918	0	14,194	18,098	0	177	18,275
Disposals	(128)	(3,848)	0	0	(3,976)	0	0	(3,976)
Revaluation increase/(decrease):								
Revaluation increase/(decrease) to Revalution Reserve	(512)	0	0	0	(512)	0	0	(512)
Revaluation increase/(decrease) to Comprehensive I&E	(14,880)	0	0	0	(14,880)	865	0	(14,015)
Balance at 1 April 2014	**76,103**	**45,342**	**0**	**33,874**	**155,319**	**1,640**	**1,673**	**158,632**
Reclassifications	31,076	0	100	(33,874)	(2,698)	0	1	(2,697)
Additions	3,531	7,569	0	9	11,109	1	897	12,007
Disposals	0	(6,861)	0	0	(6,861)	0	0	(6,861)
Revaluation increase/(decrease):								
Revaluation increase/(decrease) to Revalution Reserve	1,941	30	200	0	2,171	434	0	2,605
Revaluation increase/(decrease) to Comprehensive I&E	(15,574)	0	0	0	(15,574)	0	0	(15,574)
Balance at 31 March 2015	**97,077**	**46,080**	**300**	**9**	**143,466**	**2,075**	**2,571**	**148,112**

Non-current assets movements (continued)	Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Non Operational & Surplus £000s	Assets Under Construction at Cost £000s	Total Property, Plant & Equipment £000s	Investment Property £000s	Intangible Assets £000s	Total Non-Current Asset £000s
Accumulated depreciation and impairment								
Balance as at 1 April 2013	**(6,235)**	**(37,785)**	**0**	**0**	**(44,020)**	**0**	**(1,030)**	**(45,050)**
Reclassifications	114	125	0	0	239	(2)	(125)	112
Eliminated on disposals of assets	3	2,614	0	0	2,617	0	0	2,617
Eliminated on revaluation:					0			0
Revaluation increase/(decrease) to Revalution Reserve	268	0	0	0	268	0	0	268
Revaluation increase/(decrease) to Comprehensive I&E	2,659	0	0	0	2,659	2	0	2,661
Depreciation	(1,663)	(3,986)	0	0	(5,649)	0	(209)	(5,858)
Balance as at 1 April 2014	**(4,854)**	**(39,032)**	**0**	**0**	**(43,886)**	**0**	**(1,364)**	**(45,250)**
Reclassifications	158	(1)	(13)	0	144	0	1	145
Eliminated on disposals of assets	0	6,472	0	0	6,472	0	0	6,472
Eliminated on revaluation:					0			0
Depreciation written out to Revaluation Reserve	1,023	0	13	0	1,036	0	0	1,036
Depreciation written out to Comprehensive I&E	524	0	0	0	524	0	0	524
Depreciation	(1,624)	(5,121)	(5)	0	(6,750)	0	(324)	(7,075)
Balance at 31 March 2015	**(4,773)**	**(37,682)**	**(5)**	**0**	**(42,460)**	**0**	**(1,687)**	**(44,148)**
Net Book Value at 31/03/2014	**71,249**	**6,310**	**0**	**33,874**	**111,433**	**1,640**	**309**	**113,382**
Net Book Value at 31/03/2015	**92,304**	**8,398**	**295**	**9**	**101,006**	**2,075**	**884**	**103,964**

Valuations

Valuations are carried out on a rolling programme basis, with 20% of assets valued each year. This provides a full revaluation every five years, in line with statutory requirements. In addition, significant assets, those with values in excess of £10 million are valued annually.

A full review of the Commissioner's property assets was undertaken at the end of 2008/09 to assess the impact of the economic downturn on the assets. The valuations in subsequent years have been completed as part of the rolling programme and the total valuations are summarised in the table below for the relevant years:

Valuations						
	Land and Buildings £000s	Vehicles & Equipment £000s	Surplus Assets £000s	Assets Held For Sale £000s	Investment Property £000s	**Total Valuation £000s**
Valued at 1 April 2014	68,577	0	300	2,075	3,640	**74,592**
Valued at 1 April 2013	38,421	0	0	1,246	1,640	**41,307**
Valued at 1 April 2012	30,911	0	0	259	653	**31,823**
Valued at 1 April 2011	45,501	0	360	1,707	0	**47,568**
Valued at 1 April 2010	40,464	0	200	810	300	**41,774**
Valued at 1 April 2009	13,200	1,865	0	0	0	**15,065**

(b) Assets Held For Sale

Assets held for sale are shown as current assets on the balance sheet. The total value of assets held for sale as at 31 March 2015 is £3.640 million (£1.240m 2013/14). These are properties (Land and Buildings) owned by the Police and Crime Commissioner for Northumbria which are being disposed of under the Commissioner's Estates Rationalisation Plan and are expected to be sold within 12 months.

16. Debtors

These amounts represent sums due from a number of sources, such as other local authorities and government departments. These may also include payments in advance, such as invoices spanning financial periods.

The bad debt provision includes £1.651 million (2013/14 £1.632 million) in relation to the Commissioner's share of the local collection authorities' council tax provisions for bad debts.

Short-term Debtors		
31 March 2014 £000s		**31 March 2015 £000s**
14,685	Central government bodies	28,925
5	NHS bodies	31
5,895	Other local authorities	7,704
718	Public corporations and trading funds	0
1,848	Bodies external to general government	2,458
(1,663)	- less bad debt provision	(1,680)
21,488		**37,439**

Long-term Debtors		
Restated 31 March 2014 £000s		**31 March 2015 £000s**
9,485	Central government (Pension top up payment)	0
286	Sale of Assets - Deferred Receipt	286
9,771		**286**

17. Cash and cash equivalents

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

Cash and Cash Equivalents		
31 March 2014 £000s		**31 March 2015 £000s**
153	Cash held by officers	177
(1,932)	Bank current accounts	(1,029)
18,438	Short-term deposits with building societies	9,973
16,659	**Total cash and cash equivalents**	**9,121**

18. Creditors

These amounts represent sums owed to a number of sources, such as other local authorities and government departments, as well as short-term borrowing disclosed separately.

Short-term Creditors		
31 March 2014 £000s		**31 March 2015 £000s**
(181)	Central government bodies	(203)
(3,011)	Other local authorities	(3,290)
(128)	Public corporations and trading funds	0
(1,638)	Bodies external to general government	(1,646)
(4,958)		**(5,139)**
(14,324)	Chief Constable	(23,629)
(19,282)		**(28,768)**

Long-term Creditors		
Restated 31 March 2014 £000s		**31 March 2015 £000s**
(9,485)	Chief Constable - Police Pension Fund	0
(9,485)		**0**

Under IAS19 Employee Benefits, the Commissioner has a long-term liability in relation to future pension commitments. More details are provided in Note 21.

19. Provisions and contingent liabilities

Provisions

31 March 2014 £000s	Provisions	**Additional Provisions Made £000s**	**Provisions Used £000s**	**Reversals £000s**	**31 March 2015 £000s**
	Long-term provisions				
(2,459)	Insurance	(466)	615	0	(2,310)
	Short-term provisions				
(146)	CRC Provision	(146)	292	0	0
(2,605)	**Total**	**(612)**	**907**	**0**	**(2,310)**

The **Insurance Provision** is made for known outstanding liability claims, the costs of which have been estimated by the Commissioner's insurers. The timing of payments from the insurance provision will be determined by the settlement of claims and is therefore unknown at present. The decrease in the provision reflects the estimate of outstanding claims at 31 March 2015.

The **Carbon Reduction Commitment Provision** was created in order to purchase CRC allowances for 2014/15 relating to carbon emissions produced by the Commissioner in 2013/14.

Contingent Liabilities
At 31 March 2015, the Commissioner has no contingent liabilities.

20. Financial Instruments

a) Nature and Extent of Risk Arising from Financial Instruments

Key Risks
The Commissioner's borrowing and investment activities expose it to a variety of financial risks, the key risks being:

- Credit risk: the possibility that other parties might fail to pay amounts due to the Commissioner;
- Liquidity risk: the possibility that the Commissioner might not have the funds available to meet its commitments to make payments;
- Re-financing risk: the possibility that the Commissioner might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk: the possibility that the Commissioner may suffer financial loss as a result of changes in such measures as interest rates.

Procedures for Managing Risk arising from Financial Instruments
The Commissioner's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Commissioner to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Commissioner to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investments counterparties in compliance with government guidance; and
- by approving annually in advance prudential indicators for the following three years, limiting:
  - the Commissioner's overall borrowing;
  - its maximum and minimum exposure to fixed and variable rates;
  - its maximum and minimum exposures within the maturity structures of its debt; and
  - its maximum annual exposures to investments maturing beyond a year.

These are required to be reported and approved at or before the Commissioner's annual budget setting meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Commissioner's financial instruments exposure. Actual performance is also reported annually to the Commissioner.

Gateshead Council provides a treasury management service to the Commissioner as part of a Support Service Agreement under section 113 of the Local Government Act. When undertaking investments on behalf of the Commissioner, Gateshead Council operates an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly. The Commissioner also utilises treasury consultants to provide guidance in all areas of treasury management.

Credit Risk

Credit risk arises from deposits with banks, building societies, other local authorities and the Debt Management Office, as well as credit exposures to the Commissioner's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not placed with financial institutions that fail to meet the agreed minimum credit criteria. The Annual Investment Strategy also stipulates the maximum amount and time limits in respect of each financial institution.

As at the 31 March 2015 the Commissioner's £10.210 million of deposits were held with financial institutions domiciled in the UK.

The table below shows the gross amounts due to the Commissioner from her financial assets, and the amounts which have been impaired due to likely non receipt. The net carrying value represents the maximum credit rating to which the Commissioner is exposed.

Analysis of Financial Assets			
	Gross Value	Impairment Value	Net Value
	£000s	£000s	£000s
Deposits with Financial Institutions	10,210	(255)	9,955
Trade Debtors	22,639	(29)	22,609

The debtors' balance represents the amount due to the Commissioner from customers. A bad debt provision of £0.029 million on trade debtors, (£0.031 million in 2013/14) is held on the Balance Sheet to provide against the risk of default on debt outstanding.

The following table summarises the Commissioner's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by treasury advisors, Capita Asset Services, and focuses on the long term investment grade rating issued to each financial institution by Fitch. The highest possible rating is AAA and the lowest rating is BBB.

Analysis of credit risk		
Rating	2013/14 £000s	2014/15 £000s
AAA	15,228	7,964
AA-	0	0
A+	0	0
A	3,185	1,991
Total (excluding impaired investments)	**18,413**	**9,955**

Liquidity Risk

The Commissioner's liquidity position is managed through the risk management procedures above (the setting and approval of prudential and treasury indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code.

The Commissioner has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the Public Works Loans Board (PWLB) and money markets for access to longer term funds. The Commissioner is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Commissioner will be unable to raise finance to meet its commitments under financial instruments.

At the 31 March 2015, all the Commissioner's £10.210 million deposits were due to mature within 364 days.

Refinancing and Maturity Risk

The Commissioner maintains a debt portfolio of £96.297 million and investment portfolio of £10.210 million. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Commissioner relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Commissioner-approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Commissioner's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity profile of the Commissioner's financial liabilities is shown below:

Maturity profile of financial liabilities

Maturity Period	Approved limits %	as at 31 March 2014 %	Approved limits %	as at 31 March 2015 %
< 1 year	20	19.10	50	20.59
1 - 2 years	40	5.48	50	15.58
2 - 5 years	60	28.93	60	16.09
5 - 10 years	70	22.70	70	20.77
> 10 years	90	23.79	90	26.97

Market Risk

Interest rate risk – The Commissioner is exposed to interest rate movements on her borrowings and investments. Movements in interest rates have a complex impact on the Commissioner, depending on how variable and fixed interest rates move across differing periods.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowing will not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowing and investments will affect the General Reserve balance.

The Commissioner is required to carry out a risk assessment on the impact of a change in interest rates on the surplus or deficit for the year. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal, maturity periods etc being held constant). The increase in interest rates will only affect the rate applied to variable rate borrowing and investments. However, as the Commissioner had no variable rate borrowing as at 31 March 2015, there was only exposure to interest rate sensitivity on variable rate investments. The results of this assessment are shown in the following table:

Analysis of 1% increase in interest rates	
	£000s
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	(72)
Impact on the (surplus)/deficit	**(72)**
Decrease in the fair value of fixed rate investments	0
Decrease in the fair value of fixed rate borrowing	9,143

The Commissioner has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Commissioner's prudential indicators and her expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid to limit exposure to losses.

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

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

b) **Financial Instrument Balances**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Instrument Balances				
	Long Term		Current	
	31/03/2014 £000s	31/03/2015 £000s	31/03/2014 £000s	31/03/2015 £000s
Financial Liabilities at amortised cost	(71,298)	(76,465)	(17,764)	(20,798)
Total Borrowing*	**(71,298)**	**(76,465)**	**(17,764)**	**(20,798)**
Loans and Receivables	0	0	18,438	9,973
Total Investments*	**0**	**0**	**18,438**	**9,973**
* Includes accrued interest				

c) **Analysis of Financial Liabilities at Amortised Cost**

Analysis of Financial Liabilities			
	Range of Interest Rates Payable %	Total Outstanding at 31 March	
		2014 £000s	2015 £000s
Source of Loan			
Public Works Loans Board	2.44%-9.75%	(73,969)	(72,172)
Other Loan Instruments	0.50%-3.52%	(15,092)	(25,091)
An Analysis of loans by maturity:			
Marturing within 1 year		(17,764)	(20,798)
Maturing within 1 - 2 years		(4,832)	(15,000)
Maturing within 2 - 5 years		(25,496)	(15,496)
Maturing within 5 - 10 years		(20,000)	(20,000)
Maturing in more than 10 years		(20,969)	(25,969)
Total Borrowing		**(89,061)**	**(97,263)**
Trade Creditors		(18,972)	(17,402)
Total Financial Liabilities		**(108,033)**	**(114,665)**

d) **Loans and Receivables**
No loans and receivables over 364 days were outstanding as at 31 March 2015 (there were none in 2013/14).

e) **Financial Instruments Gains and Losses**
The Commissioner does not hold any financial instruments that have been recognised at fair value and income received in relation to the available-for-sale assets held is considered to be immaterial. Therefore all gains and losses on financial instruments have been recognised in the Commissioner's Comprehensive Income and Expenditure Statement.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to loans and receivables and financial liabilities at amortised cost are as follows:

Finanical Instruments Gains and Losses		
	2013/14 £000s	2014/15 £000s
Interest and Investment Income	(597)	(123)
Interest Payable and Similar Charges	3,508	3,486
Total	**2,911**	**3,363**

f) **Fair Value of Assets and Liabilities carried at Amortised Cost**

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

- the new borrowing rates from the PWLB have been applied to provide the fair value of PWLB debts to ensure that the rate used to calculate fair value is a rate currently available from a comparable lender for the same loan;
- for market loans the prevailing rate of a similar instrument with a published market rate has been used, where this was unavailable the assumption above has been applied;
- loans from sources other than the PWLB and the market have not been assessed for fair value and are included in the calculation at the carrying amount. The amounts involved are considered to be immaterial and would have a minimal impact on the calculation of the fair value of the debt held;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value; the fair value of trade and other receivables is taken to be the invoiced or billed amount; and
- a consistent approach has been applied to assets and liabilities.

Fair Value of Assets and Liabilities				
		2013/14		2014/15
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
PWLB Debt	(73,969)	(81,320)	(72,172)	(86,456)
Non PWLB Debt	(15,092)	(14,340)	(25,091)	(25,373)
Total Financial Liabilities	**(89,061)**	**(95,660)**	**(97,263)**	**(111,829)**
Market loans < 1 year	0	0	0	0
Market loans > 1 year	0	0	0	0
Total Investments	**0**	**0**	**0**	**0**

The fair value of the total financial liabilities is greater than the carrying amount because the Commissioner’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

There were no investments outstanding at 31 March 2015.

g) Reconciliation of Loans and Receivables to Balance Sheet

Loans and Receivables	Principal £000s	Impairment £000s	Accrued Interest £000s	Total £000s
Short Term Investments				
Fixed Term Deposits	0	0	0	0
Impaired Investment	255	(255)	0	0
Total Short Term Investments	**255**	**(255)**	**0**	**0**
Short Term Deposits - (Cash Equivalents)	9,955	0	18	9,973
Total	**10,210**	**(255)**	**18**	**9,973**

21. Employee benefits

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

Defined Benefit Plan: Tyne and Wear Pension Fund
The Tyne and Wear Pension Fund is a Local Government Pension Scheme administered by South Tyneside Council. This is a funded scheme, meaning that the Commissioner and employees pay contributions into the fund calculated at a level estimated to balance the pension liabilities with investment assets.

The scheme is classified as a defined benefit scheme, and is accrued in accordance with the requirements of International Accounting Standard 19 Employee Benefits (IAS 19). IAS 19 accounts for retirement benefits when they are committed to be given, even if the actual payment is many years into the future. IAS 19 also includes the Commissioner's attributable share of the fund's assets and liabilities. 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 Commissioner recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefit is paid as pensions. However, the charge which is made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement as an appropriation.

Following clarification and guidance from CIPFA and the Stage 2 transfer which took place on 1 April 2014, the pension liabilities and other staff related assets and liabilities for both 2013/14 and 2014/15 are shown as part of either the Chief Constable's or the Commissioner's Financial Statements depending on where the associated expenditure is recorded.

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

a)

Charges to Comprehensive Income and Expenditure Statement		
	Funded Liabilities as at 31 March 2014 £m	**Funded Liabilities as at 31 March 2015 £m**
Within Cost of Service		
Current Service Cost	0.049	0.077
Past service cost (incl. curtailments)	0	0
Financing, Investment Income & Expenditure		
Interest on net defined benefit liability / (asset)	(0.001)	0
Pension expense recognised in CIES	**0.048**	**0.077**
Remeasurements in OCI		
Return on plan assets (in excess of) / below that recognised in net interest	0	(0.007)
Actuarial (gains) / losses due to change in financial assumptions	(0.004)	0.016
Actuarial (gains) / losses due to change in demographic assumptions	(0.003)	0
Actuarial (gains) / losses due to liability experience	0.002	0
Total Amount recognised in OCI	**(0.005)**	**0.009**
Total Amount charged to CIES	**0.043**	**0.086**

Assets and Liabilities in Relation to Post Employment Benefits

b)

Changes to the present value of the defined benefit obligation	Funded Liabilities as at 31 March 2014 £m	Funded Liabilities as at 31 March 2015 £m
Opening defined benefit obligation	**0.018**	**0.075**
Current service cost	0.049	0.077
Interest expense on defined benefit obligation	0.001	0.004
Contributions by participants	0.014	0.027
Actuarial (gains) / losses on liabilities - financial assumptions	(0.004)	0.016
Actuarial (gains) / losses on liabilities - demographic assumptions	(0.003)	0
Actuarial (gains) / losses on liabilities - experience	0.002	0
Net benefits paid out	(0.002)	(0.003)
Past service cost (incl. curtailments)		
Closing defined benefit obligation	**0.075**	**0.196**

c)

Changes to the fair value of assets during the period	Funded Liabilities as at 31 March 2014 £m	Funded Liabilities as at 31 March 2015 £m
Opening fair value of assets	**0.013**	**0.054**
Interest income on assets	0.002	0.004
Remeasurement gains / (losses) on assets	0	0.007
Contributions by the employer	0.027	0.044
Contributions by participants	0.014	0.027
Net benefits paid out	(0.002)	(0.003)
Closing fair value of assets	**0.054**	**0.133**

d)

Reconcilliation 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 2014 £m	31 March 2015 £m
Present value of defined benefit obligation (funded)	0.075	0.196
Asset / (liability) recognised on the balance sheet (funded)	(0.021)	(0.063)
Fair value of assets	**0.054**	**0.133**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a gain of £0.011m (£0.002 million in 2013/14).

Analysis of Scheme Assets

Asset	**Asset split at 31 March 2014 (%)**	**Asset split at 31 March 2015 (%)**		
	Total	Quoted	Unquoted	Total
Equities	66.8	58.2	8.2	**66.4**
Property	8.5	0.0	9.5	**9.5**
Government bonds	3.5	3.7	0.0	**3.7**
Corporate bonds	11.5	11.7	0.0	**11.7**
Cash	2.9	2.4	0.0	**2.4**
Other*	6.8	4.2	2.1	**6.3**
	100.0	**80.2**	**19.8**	**100.0**

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

Scheme History Gains and Losses

The liabilities shown over leaf represent the underlying commitment that the Commissioner has to pay retirement benefits. The total liability has an impact on the net worth of the Commissioner as recorded in the Balance Sheet, reducing the overall balance by £0.063 million. However, statutory regulations for funding the deficit mean that the financial position of the Commissioner remains healthy, as the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary:

History of asset values, defined benefit obligation and surplus / (deficit)		
	2013/14	**2014/15**
	£m	**£m**
Present value of the defined benefit obligation		
- Funded liabilities	(0.075)	(0.196)
- Unfunded liabilities	0	0
Fair value of fund assets	0.054	0.133
Surplus / (deficit) in the scheme	**(0.021)**	**(0.063)**

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

Members	%
Actives	100
Deferred Pensioners	0
Pensioners	0

Actuarial Assumptions
Liabilities have been assessed on an actuarial basis using the projection unit method, 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 2013.

The duration of the employer’s liabilities is the average period between the calculation date and the date at which benefit payments fall due. The duration of the scheme liabilities is estimated at 21.8 years for funded benefits.

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 assumption 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 2015.

Principal financial and actuarial assumptions	Funded Liabilities		Unfunded	
	2013/14	2014/15	2013/14	2014/15
Financial assumptions (% per annum)				
Discount Rate	4.3	3.3	4.2	3.1
Rate of Inflation (CPI)	2.4	1.9	2.2	1.8
Rate of Inflation (RPI)	3.4	3.0	3.2	2.9
Rate of increase in salaries	3.9	3.4	n/a	n/a
Rate of increase to pensions in payment	2.4	1.9	2.2	1.8
Rate of increase to deferred pensions	2.4	1.9	n/a	n/a
Mortality assumptions				
Future lifetime from age 65 (aged 65 at accounting date)				
Men	23.0	23.1	23.0	23.1
Women	24.6	24.7	24.6	24.7
Future lifetime from age 65 (aged 45 at accounting date)				
Men	25.0	25.1	n/a	n/a
Women	26.9	27.0	n/a	n/a

Commutations	
Year ended 31 March 2015	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.
Year ended 31 March 2014	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.

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

The approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2015 and the projected service cost for the year ending 31 March 2016. In each case, the only assumption mentioned is altered; all other assumptions remain the same and are summarised below:

Sensitivity to main assumptions			
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)	0.192	0.196	0.200
% change in present value of total obligation	-2.20%		2.20%
Projected service cost (£M)	0.087	0.089	0.091
Approximate % change in projected service cost	-2.60%		2.60%
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)	0.198	0.196	0.194
% change in present value of total obligation	0.80%		-0.80%
Projected service cost (£M)	0.089	0.089	0.089
Approximate % change in projected service cost	0.00%		0.00%
Rate of increase to pensions in payment and	**Adjustment to Rate**		
deferred pensions assumption, and rate of	**+0.1% p.a**	Base Figure	**-0.1% p.a**
revaluation of pension accounts assumption	0.198	0.196	0.194
Adjustment to pension increase rate	1.20%		-1.20%
Present value of total obligation (£M)	0.091	0.089	0.087
% change in present value of total obligation	2.60%		-2.60%
Projected service cost (£M)			
Approximate % change in projected service cost			
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)	0.201	0.196	0.191
% change in present value of total obligation	2.70%		-2.70%
Projected service cost (£M)	0.092	0.089	0.086
Approximate % change in projected service cost	3.60%		-3.60%

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

Expected Future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Commissioner for the accounting period to 31 March 2016 are estimated to be £0.046 million.

22. Trust Funds

The funds do not represent the assets of the commissioner and therefore have not been included in the balance sheet:

Trust Funds		
2013/14 £000s		**2014/15 £000s**
(53)	Northumbria Police Authority charities	(57)
(511)	Proceeds of Crime Act 2002	(899)
(564)		**(956)**

23. Innovation Fund Grant

The Home Office awarded a grant of £141,155 in 2014/15 for a Domestic Abuse Perpetrator Intervention project. The key objectives of the project were to map domestic abuse perpetrators in the Northumbria Police force area and to develop a programme that would prevent further offending, improve victim safety and confidence, improve criminal justice outcomes, and improve partnership arrangements. The actual project spend was less than anticipated at £129,386 and a grant claim has been submitted for reimbursement of the expenditure.

24. Events after the Balance Sheet date

New Chief Constable

The Chief Constable Mrs Sue Sim retired from the Force on 3 June 2015. Mr Steve Ashman has been appointed as the new Chief Constable. Mr Ashman joined Northumbria in 2009 as Assistant Chief Constable and became Deputy in 2013.

Adjusting post balance sheet event – Pension Ombudsman Determination Lump Sum Commutation Factors 2001 to 2006

On 15 May 2015 The Pensions Ombudsman published his determination in the case of Milne vs the Government Actuary's Department (GAD) concerning the lump sum paid to a firefighter on his retirement. The determination made by the Pensions Ombudsman concerns historic commutation factors in the Fire Scheme and the responsibilities for maintaining and updating them. The Ombudsman's findings also have relevance to the Police Scheme given the similar commutation provisions which apply.

The determination finds that "an opportunity to review the commutation factors was lost in 2001/2 and then again between 2002 and 2004". The Ombudsman ordered that a new commutation factor should be prepared for Mr Milne, as if a factor review had been carried out in December 2004, with a payment made to the member to reflect the recalculated commutation lump sum. He also directed that interest should be paid on the back-dated payment and, if necessary, any tax liability arising from the additional lump sum should be reimbursed to the member.

The Ombudsman has noted that the principles of his findings are also relevant to police officers. He further states that he expects Government to make arrangements for payments to be made to others affected, reflecting the more beneficial terms that would have applied had commutation factors been reviewed and, where appropriate, revised at the relevant times.

The Government has made arrangements for payments to be made from the Police Pension Fund and GAD has prepared tables for use in the calculation of redress, based on a best reconstruction of the commutation factors which would have applied if factors had been reviewed and revised at 1 December 2001 and at 1 December 2004. The mortality and related assumptions used in the development of these tables have been reviewed by an independent firm of consulting actuaries who have confirmed that the assumptions fall within the range that GAD might reasonably have chosen if it had prepared revised commutation factors at these dates.

Using the tables and guidance issued by the government we have identified 530 pensioners that we understand would have been affected by this issue. We have calculated the revised lump sums and interest based on the guidance. Our calculations indicate a total liability of £9.485 million. This sum could be subject to change depending on acceptance by the pensioners as a full and final settlement and when the payments are made.

Recognition in the financial statements

Although the determination was issued after the 31 March 2015 and payments will be made in 2015/16, as the sum is material it is treated as an error arising prior to the comparative period and an adjusting post balance sheet event [IAS10 para9(a)].

The liability to make additional payments for lump sum benefits from the pension fund totalling £9.485m is recognised as a creditor in the Pension Fund Statements, within the Net Asset Statement. A corresponding asset of £9.485m is also recognised as a debtor in the Net Asset Statement representing the additional top-up grant due from Government to cover the liability. The management judgement regarding the recognition point for the top-up grant is based on the assumption that the top-up grant is receivable to the fund in the year that benefits should have been paid. On this basis the balance on the Net Asset Statement for the Police Pension Fund is nil across the three balance sheet dates.

The creditor and debtor balances are also recognised in the balance sheet for the Group, prior year adjustments are shown at Note 10 to the Group accounts and a third balance sheet has been added to show the opening balances for the prior year (2013/14).

The loss associated with the liability is recorded in the Group financial statements by adjusting actuarial losses, in recognition of the error made in calculating lump sum benefits in a period prior to the comparative period. The calculation of total payments due to pensioners of £9.485m has been used as an estimate of the actuarial loss to be recognised. Any variance against this estimate will be dealt with in 2015/16 as part of the pension disclosures and GAD IAS19 reports. The pension liability has therefore been increased to recognise the additional actuarial loss, and the pension reserve is adjusted to recognise the increased liability to make payments from the fund in 2015/16.

The Commissioner’s Single Entity statements have been adjusted to include a debtor of £9.485m in respect of the additional top-up grant due from Government. A corresponding creditor of £9.485m is also included representing the liability to make this payment to the Police Pension Fund which sits under the Chief Constable.

All prior period adjustments required as a result of accounting for the Pension Ombudsman Determination in respect of commutation factors are set out in Note 25 to the Single Entity accounts and Note 9 to the Group accounts.

25. Prior Period Adjustments

The Commissioner’s Single Entity accounts include an adjusting post balance sheet event as a result of the Pension Ombudsman determination in respect of commutation factors for the Police Pension Fund. The accounting treatment and recognition is described at Note 24 to the Commissioner’s Single Entity accounts and the prior period adjustments required are set out below:

Prior period adjustments - Single Entity Statements	Original Disclosure in 2013/14 £000s	Adjustment (Commutation Factors - Liability) £000s	Restated Balance for 2013/14 £000s
Balance Sheet			
Long-term assets			
Long-term debtors	286	9,485	9,771
Long-term Liabilities			
Long-term creditors	0	(9,485)	(9,485)

Prior period adjustments - Note 6 Intra-group adjustments	Original Disclosure in 2013/14 £000s	Adjustment (Commutation Factors - Liability) £000s	Restated Balance for 2013/14 £000s
Intra-group adjustments - Balance Sheet			
Chief Constable	(14,324)	(9,485)	(23,809)
Commissioner	14,324	9,485	23,809
Group	**0**	**0**	**0**

26. Authorisation of accounts for issue

The Commissioner’s Statement of Accounts for the financial year ended 31 March 2015 was approved by the Commissioner and authorised for issue on 22 September 2015.

Police and Crime Commissioner Group Financial Statements

Comprising:

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

Movement in Reserve Statement 2014/15 - Group

The Movement in Reserves Statement details all movements in the Commissioner's reserves.

	Note	General Fund Reserve £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Commissioners Reserves £000**
Balance as at 31 March 2014 (Restated)		**(21,786)**	**(10,944)**	**0**	**(128)**	**(32,858)**	**3,218,659**	**3,185,801**
(Surplus) or deficit on provision of services (accounting basis)		189,861	0	0	0	189,861	0	189,861
Other Comprehensive Income and Expenditure	2(a)	0	0	0	0	0	305,473	305,473
Total Comprehensive Income and Expenditure		**189,861**	**0**	**0**	**0**	**189,861**	**305,473**	**495,334**
Adjustments between accounting basis & funding basis under regulations	2(b)	(184,528)	0	0	8	(184,520)	184,520	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**5,333**	**0**	**0**	**8**	**5,341**	**489,993**	**495,334**
Transfers to / from Earmarked Reserves	2(c)	(5,333)	5,333	0	0	0	0	0
(Increase) or Decrease in Year		**0**	**5,333**	**0**	**8**	**5,341**	**489,993**	**495,334**
Balance as at 31 March 2015		**(21,786)**	**(5,611)**	**0**	**(120)**	**(27,517)**	**3,708,652**	**3,681,135**

Movement in Reserves Statement 2013/14 - Group (Restated)

	Note	General Fund Reserve £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Commissioners Reserves £000**
Balance as at 1 April 2013		**(21,645)**	**(13,296)**	**(57)**	**(161)**	**(35,159)**	**3,184,483**	**3,149,324**
(Surplus) or deficit on provision of services		187,454	0	0	0	187,454	0	187,454
Other Comprehensive Income and Expenditure	2(a)	0	0	0	0	0	(150,977)	(150,977)
Total Comprehensive Income and Expenditure		**187,454**	**0**	**0**	**0**	**187,454**	**(150,977)**	**36,477**
Adjustments between accounting basis & funding basis under regulations	2(b)	(185,239)	0	53	33	(185,153)	185,153	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**2,215**	**0**	**53**	**33**	**2,301**	**34,176**	**36,477**
Transfers to / from Earmarked Reserves	2(c)	(2,356)	2,352	4	0	0	0	0
(Increase) or Decrease in Year		**(141)**	**2,352**	**57**	**33**	**2,301**	**34,176**	**36,477**
Balance as at 31 March 2014		**(21,786)**	**(10,944)**	**0**	**(128)**	**(32,858)**	**3,218,659**	**3,185,801**

Comprehensive Income and Expenditure Statement - Group

2013/14 Gross Expenditure £000s	2013/14 Income £000s	2013/14 Net Expenditure £000s	Police Objective Service Expenditure Analysis	2014/15 Gross Expenditure £000s	2014/15 Income £000s	2014/15 Net Expenditure £000s	Notes
202,160	(7,330)	194,829	Local Policing	192,678	(3,749)	188,929	
19,499	(88)	19,411	Dealing with the public	18,104	(96)	18,008	
19,850	(1,459)	18,391	Criminal Justice Arrangements	20,826	(1,165)	19,661	
12,823	(2,451)	10,372	Roads Policing	12,247	(2,826)	9,421	
16,781	(1,698)	15,083	Specialist Operations	17,210	(3,207)	14,003	
18,577	(336)	18,241	Intelligence	17,929	(231)	17,698	
45,040	(920)	44,120	Specialist Investigations	44,304	(966)	43,338	
6,192	(22)	6,170	Investigative Support	5,930	(25)	5,905	
4,356	(3,339)	1,017	National Policing	3,522	(2,593)	929	
1,404	0	1,404	Corporate and Democratic Core	1,277	0	1,277	
120	0	120	Non Distributed Costs: Past Service Cost / (Curtailment Gain)	300	0	300	
346,801	**(17,643)**	**329,158**	**Net Cost of Services**	**334,327**	**(14,858)**	**319,469**	
		469	Other Operating Expenditure			343	
		139,918	Financing and Investment Income and Expenditure			143,901	
		(282,091)	Taxation and Non-Specific Grant Income			(273,851)	
		187,454	**(Surplus) or Deficit on Provision of Services**			**189,862**	
		(119)	(Surplus) or deficit on revaluation of non-current assets			(5,041)	
		(150,858)	Re-measurements of the net defined pension benefit liability			310,514	
		(150,977)	**Other Comprehensive Income and Expenditure**			**305,473**	2 (a)
		36,477	**Total Comprehensive Income and Expenditure**			**495,335**	

Balance Sheet – Group

Restated 1 April 2013 £000s	Restated 31 March 2014 £000s		31 March 2015 £000s	Notes
114,161	111,433	Property, plant & equipment	101,006	
653	1,640	Investment property	2,075	
342	309	Intangible assets	884	
9,485	9,771	Long-term debtors	286	5
124,641	**123,153**	**Long-term assets**	**104,251**	
11,093	0	Short-term investments	0	
732	1,240	Assets held for sale	3,640	
612	773	Inventories	692	
19,744	23,352	Short-term debtors	37,826	5
9,187	18,591	Cash and cash equivalents	10,150	
41,368	**43,956**	**Current Assets**	**52,308**	
(2,077)	(1,932)	Bank overdraft	(1,029)	
(158)	(146)	Short-term provisions	0	
(2,822)	(17,764)	Short-term borrowing	(20,798)	
(29,616)	(29,600)	Short-term creditors	(37,834)	6
(34,673)	**(49,442)**	**Current Liabilities**	**(59,661)**	
(2,839)	(2,459)	Long-term provisions	(2,310)	
(73,130)	(71,297)	Long-term borrowing	(76,465)	
(9,485)	(9,485)	Long-term creditors	0	6
(3,194,595)	(3,219,616)	Other long-term liabilities (pensions)	(3,698,778)	
(611)	(611)	Capital grants receipts in advance	(480)	
(3,280,660)	**(3,303,468)**	**Long-Term Liabilities**	**(3,778,033)**	
(3,149,324)	**(3,185,801)**	**Net Assets**	**(3,681,135)**	
(35,159)	**(32,858)**	**Total usable reserves**	**(27,517)**	2(c)
3,184,483	**3,218,659**	**Total unusable reserves**	**3,708,652**	
3,149,324	**3,185,801**	**Total Reserves**	**3,681,135**	

Cash Flow Statement - Group

2013/14 £000s		2014/15 £000s
187,454	**(Surplus) or deficit on the provision of services**	**189,861**
	Adjustments to surplus or deficit on the provision of service for non-cash movements:	
(5,656)	Depreciation of non-current assets	(6,751)
(11,402)	Revaluation / Impairment of Non Current Assets	(15,008)
(209)	Amortisation of intangible non-current assets	(324)
(175,879)	Pension adjustments	(168,648)
(233)	(Increase)/decrease in impairment for provision for bad debts	(17)
392	Contributions to provisions	295
(2,396)	Carrying amount of PP&E, investment property and intangible assets sold	(1,988)
1,530	Other non-cash movement	(284)
(193,853)		(192,725)
	Accruals Adjustments:	
161	(Decrease)/increase in inventories	(81)
3,010	(Decrease)/increase in debtors	4,722
(83)	(Decrease)/increase in interest debtors	(7)
(958)	Decrease/(increase) in creditors	1,636
(111)	Decrease/(increase) in interest creditors	(36)
2,019		6,234
	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities:	
2,115	Proceeds from the disposal of PP&E, investment property and intangible assets	1,864
3,558	Capital grants credited to surplus or deficit on the provision of services	3,203
0	Other adjustments for items included in the net Surplus or deficit on the provision of service that are investing or financing activities	0
5,673		5,067
	Reversal of operating activity items included in the net surplus or deficit on the provision of service that are shown separately below:	
(2,911)	Reversals of amounts disclosed separately below	(3,363)
	Cash Flows from Operating Activities includes the following items:	
3,397	Interest paid	3,450
(618)	Interest received	(130)
2,779		3,320
1,161	**Net cash flows from operating activities**	8,394
	Net Cash Flows from Investing Activities:	
18,277	Purchase of PP&E, investment property and intangible assets	12,013
121,243	Purchase of short term and long term investments	39,647
94	Other payments for investing activities	233
(1,825)	Proceeds from the sale of PP&E, investment property and intangible assets	(1,864)
(132,568)	Proceeds from the sale of short term and long term investments	(39,647)
(2,933)	Capital Grants Received (government)	(3,072)
0	Capital Grants Received (non-government)	0
2,288	**Net cash flows from investing activities**	7,310
	Net cash flows from Financing Activities:	
(20,000)	Cash receipts of short and long term borrowing	(36,350)
7,002	Repayment of short and long term borrowings	28,184
(12,998)	**Net cash flows from financing activities**	(8,166)
(9,549)	**Net (increase)/ decrease in cash and cash equivalents**	7,538
7,110	**Cash and cash equivalents at the beginning of the period**	**16,659**
16,659	**Cash and cash equivalents at the end of the period**	**9,121**

Notes to the Group's Financial Statements

Notes for the Commissioner's Accounts are set out on pages 30 to 79. The following are provided for areas where different notes apply to the Group's financial statements.

1. Accounting Policies

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

2. Movement in Reserves Statement adjustments

The Movement in Reserves Statement details all movements in the Police and Crime Commissioner Group usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and provides a summary of the movement in unusable reserves. The 'Surplus or deficit on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve balance for council tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Reserve balance before any discretionary transfers to or from earmarked reserves undertaken by the Group. The following tables provide further details of the amounts disclosed in the Movement in Reserves Statement.

a) **Other Comprehensive Income and Expenditure** 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 2013/14 and 2014/15:

Other Comprehensive Income & Expenditure		
2013/14 Unusable Reserves £000s		**2014/15 Unusable Reserves £000s**
(119)	Surplus or deficit on revaluation of non current assets	(5,041)
(150,858)	Re-measurements of the net defined benefit pension liability	310,514
(150,977)	**Total Other Comprehensive Income and Expenditure**	305,473

b) **Adjustments between accounting basis and funding under regulations** details the adjustments that are made to the total comprehensive income and expenditure recognised by the Police and Crime Commissioner Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure:

Adjustments between accounting basis & funding basis under regulations 2014/15					
	2014/15 movements (£000s)				
	General Fund balance	**Earmarked GF reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(21,759)	0	0	0	21,759
Amortisation of intangible assets	(324)	0	0	0	324
Revenue Expenditure Funded from Capital under Statute	(232)	0	0	0	232
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,203	0	0	8	(3,211)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(334)	0	(1,654)	0	1,988
Capital Expenditure Financed from Unapplied Capital Receipts	(9)	0	1,654	0	(1,645)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	175	0	0	0	(175)
Reversal of IAS 19 Pension Charges	(212,267)	0	0	0	212,267
Contributions due under the pension scheme regulations	43,619	0	0	0	(43,619)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(226)	0	0	0	226
Revenue provision for the repayment of debt	3,626	0	0	0	(3,626)
Total adjustments between accounting basis & funding basis under regulations	(184,528)	0	0	8	184,520

Adjustments between accounting basis & funding basis under regulations 2013/14					
	2013/14 movements (£000s)				
	General Fund balance	**Earmarked GF reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(17,058)	0	0	0	17,058
Amortisation of intangible assets	(209)	0	0	0	209
Revenue Expenditure Funded from Capital under Statute	(94)	0	0	0	94
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,558	0	0	33	(3,591)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(469)	0	(1,642)	0	2,111
Capital Expenditure Financed from Unapplied Capital Receipts	0	0	1,695	0	(1,695)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	428	0	0	0	(428)
Reversal of IAS 19 Pension Charges	(220,158)	0	0	0	220,158
Contributions due under the pension scheme regulations	44,279	0	0	0	(44,279)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,102	0	0	0	(1,102)
Revenue provision for the repayment of debt	3,382	0	0	0	(3,382)
Total adjustments between accounting basis & funding basis under regulations	(185,239)	0	53	33	185,153

c) Analysis of transfers to / from reserves

The Police and Crime Commissioner Group maintains a number of reserves, which are classified as either usable (backed by cash) or unusable (notional adjustment accounts not supported by cash).

The information on reserves relevant to the Group Accounts are those shown for the Commissioner's Single Entity Accounts at Note 7 (c) with the addition of the Accumulated Absences Account described below:

Unusable reserves:

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

Analysis of the transfers to / from reserves

Balance as at 31/03/14 £000s		Transfers to reserve £000s	Transfers from reserve £000s	**Total movement on reserve £000s**	**Balance as at 31/03/15 £000s**
	Usable Reserves				
(21,786)	**General Reserve**	**0**	**0**	**0**	**(21,786)**
	Earmarked Reserves:				
(5,199)	Capital Development Reserve	0	4,285	4,285	(914)
(1,791)	Workforce Management Reserve	0	532	532	(1,259)
(3,000)	Insurance Reserve	0	0	0	(3,000)
(291)	External Funding Reserve	(152)	234	82	(209)
(139)	NERSOU Reserve	(204)	115	(89)	(228)
(524)	Victim Services	0	524	524	0
(10,944)	**Total Earmarked reserves**	**(356)**	**5,689**	**5,333**	**(5,611)**
0	Capital Receipts Reserve	(1,654)	1,654	0	0
(128)	Capital Grants Unapplied	0	8	8	(120)
(32,857)	**Total Usable Reserves**	**(2,010)**	**7,351**	**5,341**	**(27,517)**
	Unusable Reserves				
(12,573)	Revaluation Reserve	(5,041)	1,023	(4,018)	(16,591)
4,006	Capital Adjustment Account	(8,735)	23,533	14,798	18,804
(557)	Collection Fund Adjustment Account	(175)	0	(175)	(732)
(286)	Deferred Capital Receipts	0	0	0	(286)
8,453	Accumulated Absences Account	0	226	226	8,679
3,219,616	Pensions Reserve	0	479,162	479,162	3,698,778
3,218,659	**Total Unusable Reserves**	**(13,951)**	**503,944**	**489,993**	**3,708,652**
3,185,801	**Total Reserves**	**(15,961)**	**511,295**	**495,334**	**3,681,135**

3. External Audit Costs

The Group has incurred the following costs in relation to work carried out by the Group's external auditors Mazars LLP.

External Audit Costs		
2013/14 £000s		2014/15 £000s
74	External Audit Services	74
0	Rebate	(19)
74	**Net Cost**	**55**

In 2014/15 a rebate was provided by the Audit Commission for the two previous financial years.

4. Officers' Remuneration

The following tables set out the remuneration for senior police staff and relevant police officers whose salary, including voluntary redundancy payments, is more than £50,000 per year in 2014/15 and the equivalent disclosure for 2013/14.

Numbers of Employees receiving over £50,000		
Remuneration Band	**Number of Employees 2013/14**	**2014/15**
£50,000 - £54,999	105	111
£55,000 - £59,999	69	64
£60,000 - £64,999	8	6
£65,000 - £69,999	1	5
£70,000 - £74,999	8	5
£75,000 - £79,999	15	9
£80,000 - £84,999	7	4
£85,000 - £89,999	5	6
£90,000 - £94,999	2	0

Remuneration of the senior employees of the Commissioner and senior police officers is disclosed in the following tables.

The table above shows the total number and cost of exit packages for which the Commissioner became demonstrably committed to during the year ending 31 March 2015. The number of voluntary redundancies includes early retirements.

Exit packages 2014/15				
	Number of other departures	**Number of compulsory redundancies**	**Total number of departures**	**Total cost of exit packages in each band £**
£0 - £20,000	12	1	13	118,005
£20,001 - £40,000	7	0	7	169,715
Total Group	**19**	**1**	**20**	287,720

In 2013/14, a total of 8 staff left the organisation with an exit package at a total cost of £0.177 million.

Exit packages 2013/14				
	Number of other departures	**Number of compulsory redundancies**	**Total number of departures**	**Total cost of exit packages in each band £**
£0 - £20,000	1	5	6	52,112
£40,001 - £60,000	0	1	1	55,161
£60,001 - £80,000	1	0	1	69,878
Total Group	**2**	**6**	**8**	177,151

Remuneration of Senior Employees 2013/14						
		Salary (Including fees & allowances)	**Benefits in Kind**	**Total remuneration excluding pension contributions**	**Pension contributions**	**Total Remuneration 2013/14**
		£	**£**	**£**	**£**	**£**
Post holder information	**Notes**					
Chief Constable - Sue Sim		160,483	4,058	**164,541**	38,260	**202,801**
Deputy Chief Constable		136,743	5,376	**142,119**	31,687	**173,806**
Assistant Chief Constable – A	**1**	74,837	5,721	**80,558**	0	**80,558**
Assistant Chief Constable – B	**2**	47,529	1,557	**49,086**	11,754	**60,840**
Assistant Chief Constable – C	**3**	81,334	5,886	**87,220**	17,641	**104,861**
Assistant Chief Constable – D	**4**	39,632	1,637	**41,269**	7,970	**49,239**
Assistant Chief Officer, Corporate Services		100,843	5,919	**106,762**	13,110	**119,872**
Director of Finance (Chief Finance Officer)		88,955	124	**89,079**	11,554	**100,633**
Police and Crime Commissioner		85,000	0	**85,000**	11,050	**96,050**
Deputy Police and Crime Commissioner		53,031	0	**53,031**	0	**53,031**
Chief Executive & Monitoring Officer		72,300	0	**72,300**	9,277	**81,577**
Total		**940,687**	**30,278**	**970,965**	**152,303**	**1,123,268**

Note 1: Assistant Chief Constable A left on 17 December 2013
Note 2: Assistant Chief Constable B left on 29 August 2013
Note 3: Assistant Chief Constable C started in post 19 June 2013
Note 4: Assistant Chief Constable D started in post 25 November 2013

Remuneration of Senior Employees 2014/15						
		Salary (Including fees & allowances)	Benefits in Kind	Total remuneration excluding pension contributions	Pension contributions	Total Remuneration 2014/15
		£	£	£	£	£
Post holder information	**Notes**					
Chief Constable - Sue Sim		162,839	3,950	**166,789**	10,842	**177,631**
Deputy Chief Constable		136,482	7,114	**143,596**	31,889	**175,484**
Assistant Chief Constable - C		103,923	6,638	**110,561**	24,204	**134,764**
Assistant Chief Constable - E	**5**	89,358	4,657	**94,015**	20,654	**114,668**
Assistant Chief Constable - D	**6**	22,713	0	**22,713**	5,209	**27,921**
Assistant Chief Officer, Corporate Services		104,185	7,550	**111,735**	14,137	**125,873**
Director of Finance (Chief Finance Officer)		82,044	37	**82,081**	11,132	**93,213**
Police and Crime Commissioner		85,000	0	**86,497**	11,050	**97,547**
Deputy Police and Crime Commissioner		0	0	**0**	0	**0**
Chief Executive & Monitoring Officer	**7**	80,902	46	**80,949**	10,837	**91,786**
Total		**867,446**	**31,489**	**898,935**	**139,953**	**1,038,888**

Note 5: Assistant Chief Constable E started post on 9th May 2014
Note 6: Assistant Chief Constable D was in post to 22nd June 2014
Note 7: The Chief Executive & Monitoring Officer in 2014/15 increase in their working week from 4 to 5 days.

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

5. Debtors

These amounts represent sums due from a number of sources, such as other local authorities and government departments. It may also include payments in advance, such as invoices spanning financial periods.

The bad debt provision includes £1.651 million in relation to the Group's share of the local collection authorities' council tax provisions for bad debts.

Short-term Debtors		
31 March 2014 £000s		**31 March 2015 £000s**
14,770	Central government bodies	29,058
5	NHS bodies	31
5,895	Other local authorities	7,705
819	Public corporations and trading funds	153
3,526	Bodies external to general government	2,559
(1,663)	- less bad debt provision	(1,680)
23,352		**37,826**

Long-term Debtors		
Restated 31 March 2014 £000s		**31 March 2015 £000s**
9,485	Central government (Pension top up payment)	0
286	Sale of Assets - Deferred Receipt	286
9,771		**286**

6. Creditors

These amounts represent sums owed to a number of sources, such as other local authorities and government departments, as well as short-term borrowing disclosed separately.

Short-term Creditors		
31 March 2014 £000s		**31 March 2015 £000s**
(4,922)	Central government bodies	(603)
(393)	NHS bodies	(362)
(3,101)	Other local authorities	(5,466)
(1,219)	Public corporations and trading funds	(145)
(19,965)	Bodies external to general government	(31,258)
(29,600)		**(37,834)**

Long-term Creditors		
Restated 31 March 2014 £000s		31 March 2015 £000s
9,485	Police Pension Fund	0
9,485		**0**

Under International Accounting Standard 19, the Group has a long-term liability in relation to future pension commitments. More detail is provided in Note 8.

7. Contingent liabilities

At 31 March 2015, the Police and Crime Commissioner Group has identified the following contingent liabilities:

- Injury pensions, which has arisen following a judicial review ruling in which it was deemed unlawful to review the injury pension of an officer downwards at age 65. A judicial review brought by those pensioners affected meant that injury awards would be the subject of reconsideration. A liability will arise if injury pensions are reinstated to their original levels. An estimate has not been disclosed as there is uncertainty around the number of likely further claimants and the value of them.

- Employment Tribunal 1 - The Employment Tribunal concluded in June 2014 when an award was made by the Courts, however, the value of this award is subject to an appeal by the Force. The final verdict is currently subject to deliberation by the Courts, should the Force lose the appeal it will be liable for remit in the region of £250,000.

- Employment Tribunal 2 - An estimate has not been disclosed due to the uncertainty around the possible outcome of the proceedings. A hearing is anticipated in the summer of 2015 but no date has yet been set.

- Employment Tribunal 3 - An estimate has not been disclosed due to the uncertainty around the possible outcome of the proceedings. A hearing is anticipated during October-December 2015 but no date has yet been set.

- Holiday pay - In the case of Fulton v Bear Scotland the Employment Tribunal ruled that the Working Time Regulations 1998 should be interpreted so that an employee’s pay which includes an element of overtime should be included within that person’s holiday pay. A future hearing will be held in order to resolve the means of calculation. A final decision is not yet available but it is anticipated that around 1,000 staff within Northumbria Police may be affected by this decision.

8. Employee Benefits

Benefits payable during employment

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

Benefits payable during employment		
2013/14 £000s		**2014/15 £000s**
5,014	Local Policing	5,191
504	Dealing with the Public	510
451	Criminal Justice Arrangements	449
313	Roads Policing	319
382	Specialist Operations	390
453	Intelligence	455
1134	Specialist Investigations	1,164
98	Investigative Support	105
104	National Policing	96
8,453	**Total employee benefits accrued at the Balance Sheet date**	**8,679**

Post-employment benefits (pensions)

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

a) Defined Benefit Plan: Tyne and Wear Pension Fund

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

In 2014/15, the Group paid £7.5 million to the Pension Fund in respect of pension contributions, representing 13.6% of pensionable pay compared to £6.8 million in 2013/14 (13.0% of pensionable pay).

The scheme is classified as a defined benefit scheme, and is accrued in accordance with the requirements of International Accounting Standard 19 Employee Benefits (IAS 19). IAS 19 accounts for retirement benefits when they are committed to be given, even if the actual giving is many years into the future. IAS 19 also includes the Group's attributable share of the fund's assets and liabilities. 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 Police and Crime Commissioner Group 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 Police Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement as an appropriation. The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

Charges to Comprehensive Income and Expenditure Statement				
	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31 March	
	2014 £m	2015 £m	2014 £m	2015 £m
Within Cost of Service				
Current Service Cost	8.55	7.89	0	0
Past service cost (incl. curtailments)	0.12	0.27	0	0
Financing, Investment Income & Expenditure				
Interest on net defined benefit liability / (asset)	4.38	2.99	0.16	0.15
Pension expense recognised in CIES	**13.05**	**11.15**	**0.16**	**0.15**
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	(2.68)	(16.42)	0	0
Actuarial (gains) / losses due to change in financial assumptions	(17.91)	33.76	(0.20)	0.26
Actuarial (gains) / losses due to change in demographic assumptions	(5.30)	0	0.12	0
Actuarial (gains) / losses due to liability experience	(6.02)	(1.59)	(0.21)	(0.04)
Total Amount recognised in OCI	**(31.92)**	**15.75**	**(0.29)**	**0.22**
Total Amount charged to CIES	**(18.87)**	**26.90**	**(0.13)**	**0.37**

Assets and Liabilities in Relation to Post-Employment Benefits

Changes to the present value of the defined benefit obligation	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31 March	
	2014	2015	2014	2015
	£m	£m	£m	£m
Opening defined benefit obligation	**291.54**	**278.78**	**3.98**	**3.62**
Current service cost	8.55	7.89	0	0
Interest expense on defined benefit obligation	13.29	11.89	0.16	0.15
Contributions by participants	2.24	2.67	0	0
Actuarial (gains) / losses on liabilities - financial assumptions	(17.91)	33.76	(0.20)	0.26
Actuarial (gains) / losses on liabilities - demographic assumptions	(5.30)	0	0.12	0
Actuarial (gains) / losses on liabilities - experience	(6.02)	(1.59)	(0.21)	(0.04)
Net benefits paid out	(7.73)	(7.34)	(0.23)	(0.24)
Past service cost (incl. curtailments)	0.12	0.27	0	0
Closing defined benefit obligation	**278.78**	**326.32**	**3.62**	**3.75**

Changes to the fair value of assets during the period	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31	
	2014	2015	2014	2015
	£m	£m	£m	£m
Opening fair value of assets	**193.36**	**205.70**	**0**	**0**
Interest income on assets	8.91	8.90	0	0
Remeasurement gains / (losses) on assets	2.68	16.42	0	0
Contributions by the employer	6.24	7.40	0.23	0.24
Contributions by participants	2.24	2.67	0	0
Net benefits paid out	(7.73)	(7.34)	(0.23)	(0.24)
Closing fair value of assets	**205.70**	**233.75**	**0**	**0**

Reconcilliation 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 2014 £m	31 March 2015 £m
Present value of defined benefit obligation (funded)	278.78	326.32
Present value of defined benefit obligation (unfunded)	3.62	3.75
Asset / (liability) recognised on the balance sheet (funded)	(73.07)	(92.56)
Asset / (liability) recognised on the balance sheet (unfunded)	(3.62)	(3.75)
Fair value of assets	**205.70**	**233.75**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a gain of £25.32 million (£11.59 million gain in 2013/14).

Analysis of Scheme Assets				
Asset	**Asset split at 31 March 2014 (%)**			**Asset split at 31 March 2015 (%)**
	Total	Quoted	Unquoted	Total
Equities	66.8	58.2	8.2	**66.4**
Property	8.5	0.0	9.5	**9.5**
Government bonds	3.5	3.7	0.0	**3.7**
Corporate bonds	11.5	11.7	0.0	**11.7**
Cash	2.9	2.4	0.0	**2.4**
Other*	6.8	4.2	2.1	**6.3**
	100.0	**80.2**	**19.8**	**100.0**

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

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Police and Crime Commissioner Group has to pay retirement benefits. The total liability has a material impact on the net worth of the Group as recorded in the Balance Sheet, reducing the overall balance by £96.31 million. However, statutory regulations for funding the deficit mean that the financial position of the Group remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary:

History of asset values, defined benefit obligation and surplus / (deficit)	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Present value of the defined benefit obligation					
- Funded liabilities	(232.82)	(265.94)	(291.52)	(278.78)	(326.32)
- Unfunded liabilities	(3.47)	(3.75)	(3.98)	(3.62)	(3.75)
Fair value of fund assets	167.44	170.81	193.35	205.70	233.75
Surplus / (deficit) in the scheme	**(68.85)**	**(98.88)**	**(102.15)**	**(76.69)**	**(96.31)**

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

Members	%
Actives	44
Deferred Pensioners	16
Pensioners	40

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the Projection Unit Credit Method (PUCM), an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and discount rates. AON Hewitt Limited, an independent firm of actuaries, has valued the Tyne and Wear Pension Fund's assets and liabilities in accordance with IAS 19 by using the latest actuarial valuation of the fund as at 31 March 2013. The liabilities for unfunded benefits are based on an actuarial valuation which took place on 31 March 2014.

The duration of the employer's liabilities is the average period between the calculation date and the date at which benefit payments fall due. The duration of the scheme liabilities is estimated at 21.8 years for funded benefits.

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 assumption 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 2015.

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded	
	2013/14	**2014/15**	**2013/14**	**2014/15**
Financial assumptions (% per annum)				
Discount Rate	4.3	3.3	4.2	3.1
Rate of Inflation (CPI)	2.4	1.9	2.2	1.8
Rate of Inflation (RPI)	3.4	3.0	3.2	2.9
Rate of increase in salaries	3.9	3.4	n/a	n/a
Rate of increase to pensions in payment	2.4	1.9	2.2	1.8
Rate of increase to deferred pensions	2.4	1.9	n/a	n/a
Mortality assumptions				
Future lifetime from age 65 (aged 65 at accounting date)				
Men	23.0	23.1	23.0	23.1
Women	24.6	24.7	24.6	24.7
Future lifetime from age 65 (aged 45 at accounting date)				
Men	25.0	25.1	n/a	n/a
Women	26.9	27.0	n/a	n/a

Commutations	
Year ended 31 March 2015	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.
Year ended 31 March 2014	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.

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

The approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2015 and the projected service cost for the year ending 31 March 2016 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Sensitivity to main assumptions			
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)	319.28	326.32	333.50
% change in present value of total obligation	-2.16%		2.20%
Projected service cost (£M)	9.34	9.70	10.07
Approximate % change in projected service cost	-3.73%		3.84%
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)	328.80	326.32	323.87
% change in present value of total obligation	0.76%		-0.75%
Projected service cost (£M)	9.70	9.70	9.70
Approximate % change in projected service cost	0.00%		0.00%
Rate of increase to pensions in payment and	**Adjustment to Rate**		
deferred pensions assumption, and rate of	**+0.1% p.a**	Base Figure	**-0.1% p.a**
revaluation of pension accounts assumption	331.23	326.32	321.48
Adjustment to pension increase rate	1.51%		-1.48%
Present value of total obligation (£M)	10.07	9.70	9.34
% change in present value of total obligation	3.84%		-3.73%
Projected service cost (£M)			
Approximate % change in projected service cost			
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)	335.24	326.32	317.37
% change in present value of total obligation	2.74%		-2.74%
Projected service cost (£M)	10.04	9.70	9.36
Approximate % change in projected service cost	3.54%		-3.54%

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

Expected Future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Group for the accounting period to 31 March 2015 are estimated to be £7.426 million. In addition, strain on the fund contributions may be required as a result of voluntary redundancies and early retirements.

b) Defined Benefit Plan: Police Pension Schemes

The Police Pension Schemes are wholly unfunded final salary defined benefits schemes. Contributions and pensions are made to and paid from the Police Pension Fund, which is balanced to nil at the end of each financial year by receipt of a top-up pension grant from the Home Office. There are no investment assets built up to meet the pensions' liabilities and cash has to be generated by the Home Office to meet the actual pension payments as they eventually fall due. The results have been calculated by carrying out a detailed valuation of the data provided as at 31 March 2012, for the latest funding valuation. This has then been rolled forward to reflect the position as at March 2015, allowing for additional service accrued 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 2014 £m	31 March 2015 £m
Net cost of services		
Current service cost	74.43	63.49
Past service cost	0	0.03
Financing and investment income and expenditure		
Pension interest cost	132.52	137.45
Total charge to Provision of Services	**206.95**	**200.97**
Remeasurement of the net defined liability / (asset)	(118.65)	294.55
Total IAS 19 charge to Comprehensive Income and Expenditure	**88.30**	**495.52**

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	Restated 2010/11 £m	Restated 2011/12 £m	Restated 2012/13 £m	Restated 2013/14 £m	2014/15 £m
Present value of the defined benefit obligation	(2,559.31)	(2,692.11)	(3,092.45)	(3,142.93)	(3,602.47)
Surplus / (Deficit) in the Scheme	**(2,559.31)**	**(2,692.11)**	**(3,092.45)**	**(3,142.93)**	**(3,602.47)**

Reconciliation of the present value

Analysis of the movement in scheme liability	Restated 31 March 2014 £m	31 March 2015 £m
Net surplus / (deficit) at the beginning of year	(3,092.45)	(3,142.93)
Current service cost	(74.43)	(63.49)
Cost covered by employee contributions	(17.45)	(17.45)
Past service cost	0	(0.03)
Pension transfers in	(1.43)	(0.68)
Net interest on the net defined benefit liability / (asset)	(132.52)	(137.45)
Net benefits paid	95.72	101.33
Remeasurements of the net defined liability / (asset)	79.63	(341.77)
Net surplus / (deficit) at the end of year	**(3,142.93)**	**(3,602.47)**

The weighted average duration of the defined benefit obligation for the New Police Pension Scheme 2006 is around 34 years, and for the Police Pension Scheme 1987 it is around 23 years.
The Police Pension Scheme has no investment assets to cover its liabilities; these are met as they fall due.

Reconciliation of the fair value of scheme assets		
	31 March 2014 £m	31 March 2015 £m
Opening fair value of assets	**0**	**0**
Actuarial gains and (losses) on assets	39.02	47.22
Contributions by employer	37.82	35.98
Contributions by participants	17.45	17.45
Transfers in	1.43	0.68
Net benefits paid	(95.72)	(101.33)
Closing fair value of assets	**0**	**0**

Expected Future Contributions
The expected contributions to be made to the Police Pension Schemes by the Police and Crime Commissioner Group for the accounting period to 31 March 2016 are estimated to be £35.284 million compared to £36.025 million paid in 2014/15.

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		
	2013/14	2014/15
Discount rate (Rate of Return)	4.40%	3.30%
Rate of inflation (CPI)	2.50%	2.20%
Rate of inflation (RPI)	3.65%	3.35%
Rate of increase in salaries	4.50%	4.20%
Rate of return in excess of:		
Earning increases	-0.10%	-0.90%
Pension increases	1.85%	1.10%

Mortality Assumptions				
	Normal Health		Ill Health	
	2013/14 (years)	2014/15 (years)	2013/14 (years)	2014/15 (years)
Future Lifetime at 65 for current pensioners				
Men	23.4	23.3	-	20.7
Women	25.9	25.7	-	23.1
Future Lifetime at 65 for future pensioners (currently aged 45)				
Men	25.6	25.4	-	23.0
Women	28.0	27.9	-	26.6

The results of any actuarial calculations are inherently uncertain because of the assumptions which must be made under IAS19 to reflect market conditions at the valuation date. The increase in the scheme liability attributed to the re-measurement of the net defined benefit pension liability is primarily caused by the change in the discount rate assumption from 4.40% last year to 3.30% this year. The table below sets out the sensitivity to the main assumptions.

Sensitivity to main assumptions		
Change in assumptions		**Approximate effect on total liability**
Rate of Return		
(i) in excess of earnings	- 0.5% a year	+2.5%
(ii) in excess of pensions	- 0.5% a year	+7.5%
Pensioner mortality		
(iii) pensioner living (on average) 1 year longer		+2.5%

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

9. Prior Period Adjustments

The Police and Crime Commissioner Group accounts include an adjusting post balance sheet event as a result of the Pension Ombudsman determination in respect of commutation factors for the Police Pension Fund. The accounting treatment and recognition is described at Note 24 to the Single Entity accounts and the prior period adjustments required for the Group are set out below:

Prior period adjustments - Group Statements	Original Disclosure in 2013/14 £000s	Adjustment (Commutation Factors - Liability) £000s	Restated Balance for 2013/14 £000s
Balance Sheet			
Long-term assets			
Long-term debtors	286	9,485	9,771
Long-term Liabilities			
Long-term creditors	0	(9,485)	(9,485)
Other long-term liabilities (pensions)	(3,210,131)	(9,485)	(3,219,616)
Total unusable reserves	3,209,174	9,485	3,218,659
Reserves Statement			
Pensions Reserve	3,210,131	9,485	3,219,616
Police Pension Fund - Net Asset Statement			
Long-term debtors	0	9,485	9,485
Long-term creditors	0	(9,485)	(9,485)

Prior period adjustments – Note 8b to the Group Accounts
Defined Benefit Plan: Police Pension Schemes

History of scheme liability				
Present value of the defined benefit obligation	**2010/11**	**2011/12**	**2012/13**	**2013/14**
	£m	**£m**	**£m**	**£m**
Original disclosure in 2013/14	(2,549.82)	(2,682.62)	(3,082.96)	(3,133.44)
Adjustment (Commutation Factors - Liability)	(9.49)	(9.49)	(9.49)	(9.49)
Restated Balance	**(2,559.31)**	**(2,692.11)**	**(3,092.45)**	**(3,142.93)**

Analysis of the movement in scheme liability			
	Original Disclosure in 2013/14	**Adjustment (Commutation Factors - Liability)**	**Restated Balance for 2013/14**
	£m	**£m**	**£m**
Net surplus / (deficit) at the beginning of year	(3,082.96)	(9.49)	(3,092.45)
Net surplus / (deficit) at the end of year	(3,133.44)	(9.49)	(3,142.93)

Supplementary Financial Statements

Comprising:

- **Police Pension Fund**

Police Pension Fund

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2014/15 and shows comparative figures for 2013/14

2013/14 £000s	FUND ACCOUNT	2014/15 £000s
(31,965)	Normal	(30,537)
(1,112)	Other (Ill Health Retirements)	(708)
(33,077)	**Contribution Receivable from Employer**	**(31,245)**
(17,453)	Contribution Receivable from Members	(17,446)
(17,453)	**Contribution Receivable from Members**	**(17,446)**
(50,530)	**Contributions Receivable**	**(48,691)**
(1,436)	Individual Transfers in from other schemes	(694)
(1,436)	**Transfers in**	**(694)**
69,141	Pensions	73,414
20,979	Commutations and Lump Sum Retirement Benefits	20,876
150	Lump Sum Death Benefits	
280	Other (Inter Authority Adjustments / LTA Payments)	195
90,550	**Benefits Payable**	**94,485**
	Refunds of Contributions	11
538	Individual Transfers Out To Other Schemes	2,113
538	**Payments To and On Account of Leavers**	**2,124**
91,088	**Total Benefits Payable**	**96,609**
39,122	**Net amount payable for the year before contribution from the Police Fund**	**47,224**
(39,122)	**Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account**	**(47,224)**
0	**Net Amount (Receivable) / Payable In Year**	**0**

Net Asset Statement			
Restated 1 April 2013 £000s	Restated 31 March 2014 £000s		31 March 2015 £000s
9,485	9,485	Long-term debtors	0
0	0	Short-term debtors	9,485
0	0	Short-term creditors	(9,485)
(9,485)	(9,485)	Long-term creditors	0
0	**0**	**Net Assets**	**0**

Notes to the Supplementary Financial Statements

1. **Scheme description**

The Police Pension Fund is a final salary defined benefits scheme, the rules of which are set out in The Police Pension Regulations 1987, The Police Pension Regulations 2006 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 Net Asset Statement includes a creditor of £9.485m to recognise the pension fund's liability to make back-dated lump sum payments to pensioners as a result of the Pension Ombudsman determination in respect of commutation factors. The debtor of £9.485m is included to recognise the additional top-up grant due from Government in respect of this liability. The Pension Ombudsman decision is described in further detail at Note 24 to the Single Entity statements.

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

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.

2. **Administration of the Fund**

The Police Officer Pension Fund is managed by the Chief Constable.

3. **Accounting Policies**

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

4. **Future liabilities**

The Funds' financial statements do not take account of liabilities to pay pensions and other benefits after the period end, which are the responsibility of the Chief Constable. Details of the long-term pension obligations can be found in the Notes to the Group Financial Statements, Employee benefits Note 9 (c).

Annual Governance Statement

The Accounts and Audit Regulations 2011 require an Annual Governance Statement (AGS) to be published with the annual statement of accounts.

This statement is prepared in accordance with the CIPFA/SOLACE Good Governance: Framework and explains how the Police and Crime Commissioner for Northumbria's (PCC) 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 police and crime. The Act establishes both the PCC and the Chief Constable as 'corporations sole'. This means each is a separate legal entity, though the Chief Constable is accountable to the PCC. Both the PCC and Chief Constable are subject to the Accounts and Audit Regulations 2011 and as such both have to prepare a set of accounts in accordance with the Code of Practice on Local Authority Accounting and an Annual Governance Statement and are subject to audit.

This statement covers the PCC's own office and the group position of the PCC and the Chief Constable. The PCC and Chief Constable share most core systems of control including the finance systems, internal policies and processes and Chief Finance Officer (CFO), internal audit and a Joint Independent Audit Committee (JIAC). Under the PCC's Governance Framework, most of the staff, officers and systems deployed in the systems of internal control are under the direction and control of the Chief Constable. The PCC has oversight and scrutiny of the Chief Constable's delivery including governance, risk management and systems of internal control.

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

The PCC therefore places reliance on the Chief Constable to deliver and support the governance and risk management processes and the framework described in this statement.

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

The Chief Constable and PCC have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE Good Governance: Framework.

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

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

The PCC and the Chief Constable agreed to appoint a joint CFO for both corporate bodies. The reasoning was that a joint CFO role would provide both the PCC and Chief Constable with a single efficient, effective and economic financial management lead. The appointment to the joint role was approved by the independent Northumbria Police and Crime Panel at their confirmation meeting held on 29th March 2013. However, the panel raised concerns at the potential for a conflict of interest to arise with the joint role and stressed the need, especially with the Section 151 responsibilities, to advise the PCC and Chief Constable of any such conflicts at an early stage. The panel also stated that they expect the CFO to act in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review an assessment to the latest CIPFA Statement (2014) has been completed and reviewed by the Joint Independent Audit Committee. It confirms that the role is complying with the requirements of the Statement. The PCC and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively and that potential conflicts are subject to continuous review.

The Governance Framework

The governance framework in place throughout the 2014/15 financial year covers the period from 1 April 2014 to 31 March 2015 and up to the date of approval of the annual Statement of Accounts.

This framework, that is known as the PCC's Scheme of Governance, comprises the systems, processes, culture and values by which the PCC operates. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services which provide value for money which is a duty under the Local Government Act 1999.

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

A copy of the Governance Framework is available on the PCC website at https://goo.gl/rwZkEB (This is a shortened URL that will take you to the document on our website).

Although the Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Force, the PCC is required to hold the post holder, and those under their direction and control, to account for the exercise of those functions. The PCC must therefore satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the PCC's Governance Framework. It is informed by assurances on the five principles set out in the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government (Guidance Notes for Police Authorities 2012 Edition) where the Chief Constable has responsibility, and by on-going internal and external audit and inspection opinions.

The PCC's six principles of good governance are:

1. Focusing on the purpose of the PCC, on the outcomes for the community and creating and implementing a vision for the local area.

2. Ensuring the PCC, officers of the PCC and partners work together to achieve a common purpose with clearly defined functions and roles.

3. Good conduct and behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.

5. Developing the capacity and capability of the PCC and officers to the PCC to be effective.

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

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

The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. These are set out in the PCC's Police and Crime Plan 2013-18. This is set around the five local police and crime objectives of:

- Putting victims first
- Dealing with anti-social behaviour
- Domestic and sexual abuse
- Reducing Crime
- Community Confidence

The Plan also aims to support national policing priorities as set out in the Strategic Policing Requirement. Performance is monitored through a robust framework based around the Chief Constable's Delivery Plan and the PCC attends the Force's Strategic Management Board (SMB) to scrutinise progress. In addition, Joint Fortnightly Business Meetings manage progress on specific issues.

Since November 2012 the PCC has undertaken extensive consultation to help shape the priorities in the Police and Crime Plan. This has included input from over forty voluntary and community groups, local neighbourhood meetings, the Safer Community Safety Survey, over 3,500 responses to the PCC's online survey, input from the Community Safety Partnerships, the establishment of advisory groups representing each of the communities protected under the Equality Act 2010 and a group to represent the views specifically of the victims of crime.

The PCC also monitors and reviews the reports of and progress against Her Majesty's Inspectorate of Constabulary for England and Wales (HMIC) reports, action plans and risk management.

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

The PCC's Governance Framework sets out the roles of both the Chief Constable and PCC are clearly defined and demonstrates how we work together to ensure effective governance and internal control.

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

The governance arrangements for partnership working are clearly set out and monitored during the year. For example, all Community Safety partnerships carry out regular self-assessments to Home Office guidance. The partnership arrangement with the North East Regional Special Operations Unit (NERSOU), a collaboration between the three forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored.

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

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (PCP) will investigate any complaints about the PCC. The Panel agreed on 6th February 2013 a complaints procedure and determined that any complaints about the PCC will be dealt with, in the first instance, by the Chief Executive and Monitoring Officer of the PCC. An independent Scrutiny Panel has also been established to review police complaints and highlight areas of good practice in policing. The PCC and her staff publish all disclosable interests, a register of gifts and hospitality and business expenses on the PCC's website. Complaints are reported to each Police and Crime Panel meeting.

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

The PCC has also received assurance from an external review by HMIC titled Police Integrity and Corruption in November 2014 which found that the Force was set up to prevent, identify and investigate corruption and there is good consistency in the management of complaints and misconduct and in the conduct and sanctions applied in disciplinary cases.

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

The Police Reform & Social Responsibility Act 2011 led to the formation of the PCP to scrutinise and support the PCC in the effective exercise of functions. The Panel is comprised of twelve local authority councillors, two from each of the six authorities in the Northumbria policing area, and two independent members. A Relationship Protocol between the PCC, Chief Constable and the PCP is in place and this sets out the mutual expectations and responsibilities needed to promote and enhance local policing through effective working relationships of all parties.

The JIAC of the PCC and Chief Constable was established during 2012/13 in line with the requirements of the Home Office's Financial Management Code of Practice and monitors internal control, risk and governance issues relating to both the PCC and Force. This JIAC receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference.

The PCC and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk, whilst reducing the bureaucracy associated with historic practices. Each strategic risk is assigned to a Chief Officer and OPCC owner who has responsibility for the management of controls and the implementation of new controls where necessary. The register is monitored by the Chief Constable's Executive Board and the monthly SMB that is attended by the PCC, Chief Constable and Northumbria Police senior management.

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

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

The PCC operates a Performance Development Review (PDR) process and though this process it is able to ensure that corporate values are reinforced and promoted. The Chief Constable and members of the PCC staff have individual objectives which underpin and support the performance of the local policing area, their work and their own personal development.

Value for Money and Reliable Financial and Performance Statements are Reported and Internal Financial Controls Followed

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and PCC's overall objectives and targets. Internal financial control systems are in place to minimize the risk of loss, unlawful expenditure or poor value for money, and to maximize the use of those assets and resources.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Chief Internal Auditor also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2014/15.

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services;
- Responsibility and accountability for resources rest with managers who are responsible for service provision;
- The PCC has adopted the CIPFA Code of Practice on Treasury Management requiring the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy;
- In accordance with the Prudential Code and best accounting practice the Chief Constable and PCC produce a three year Medium Term Financial Strategy (MTFS), capital programme and prudential indicators. 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 provision for inflation, known commitments 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 PCC and police service and sets out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the PCC.
- The PCC is required to present precept proposals to the PCP by the end of February for their consideration and consider their recommendations, prior to finalising the budget and precept in March;
- Capital expenditure is an important element in the development of the PCC's service since it represents major investment in new and improved assets. The PCC approves a capital programme each year and monitors its implementation and funding closely at Finance meetings;
- The PCC approved a balanced budget for 2014/15 with a 1.99% increase in the council tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next three years. A budget surplus was identified during 2014/15 and this will be used to meet budget pressures in future years;
- Monthly financial performance reports and quarterly group budget monitoring reports are presented to the Chief Constable's and PCC's Joint Business Meeting and published for wider scrutiny of financial performance by the public;
- Performance reports are presented and discussed with the PCC regularly;
- The PCC receives reports from HMIC and will act on recommendations as required.

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

The PCC has operated a comprehensive engagement program during 2014/15 with local, regional and national representation and engagement via the press and through active social media channels and numerous meetings with community groups.

All meetings of the JIAC are public and agendas and minutes are published on the PCC website. Independent Members of the Board are volunteers from the local community.

Review of Effectiveness

The PCC has a responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, information gathered from PCC and Chief Constable's senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2014/2015 the review process has been led by the Joint PCC/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

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

Internal Audit Overall Assessment & Independent Opinion

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

During 2014/15 27 internal audits were completed. Of those completed 13 audits concluded that systems and procedures in place were operating well and 10 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 2014/15, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

Actions From The 2013/14 Statement

The five actions identified in the 2013/14 Annual Governance Statement were all completed.

Governance Issues

The review has identified two best practice points as listed in the table below and their implementation will be monitored by the JIAC.

Action for Improvement	Current Position
1.1. Ensure that consideration has been given to nominated deputy provision if the CFO is unable to discharge their responsibilities. As there is a single CFO the nomination between the two roles set out in the Statement does not apply. However, best practice would suggest that even with a single CFO a suitable deputy is nominated.	CFO to nominate a deputy.
1.2. Ensure that capital projects are managed with post completion reviews.	To be added to the Governance Framework - Financial Regulations: summer 2015.

Assurance Summary

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

However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the PCC for Northumbria 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
PCC

SIGNED
Chief Executive

SIGNED
Chief Finance Officer

Date 21 June 2015

Independent Auditor’s Report

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

Opinion on the financial statements

We have audited the financial statements of the Police and Crime Commissioner for Northumbria for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, the Pension Fund accounts and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Police and Crime Commissioner for Northumbria in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Northumbria for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner’s and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Northumbria as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner for Northumbria's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner for Northumbria's and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner for Northumbria has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner for Northumbria has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the arrangements for securing economy, efficiency and effectiveness are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Police and Crime Commissioner for Northumbria has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 Police and Crime Commissioner for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Northumbria put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Gareth Davies
Partner
For and on behalf of Mazars LLP, Appointed Auditors
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

28 September 2015

Issue of audit opinion on the financial statements

In my audit report for the year ended 31 March 2015 issued on 28 September 2015 we reported that, in my opinion, the financial statements:

- gave a true and fair view of the financial position of the Police and Crime Commissioner for Northumbria as at 31 March 2015 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the relevant aspects of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Issue of value for money conclusion

In my audit report for the year ended 31 March 2015 issued on 28 September 2015 we reported that, in my opinion, in all significant respects, the Police and Crime Commissioner for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Other matters on which we are required to conclude

Certificate

In my report dated 28 September 2015, I explained that I could not formally conclude the audit on that date until I had completed the work necessary to issue my assurance statement in respect of the Police and Crime Commissioner for Northumbria's Whole of Government Accounts consolidation pack. I have now completed this work. No matters have come to my attention that date that have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

Accordingly I now certify that I have completed the audit of the accounts of Police and Crime Commissioner for Northumbria in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Gareth Davies
Partner
For and on behalf of Mazars LLP, Appointed Auditor
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

2 October 2015

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:
(i) recognising;
(ii) selecting measurement bases for; and
(iii) 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. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the comprehensive income and expenditure statement or Balance Sheet it is to be presented.

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.

Acquired operations are those operations of the Commissioner that are acquired in 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 the Commissioner and the services it provides for a period of more than one year (e.g. land and buildings).

Assets held for sale are non-operational assets that meet the following criteria:
- they are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- the sale is highly probable, with the Commissioner committed to a plan to sell the asset
- an active programme to locate a buyer and complete the plan has been initiated
- the asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

Capital Adjustment Account: This account shows various transactions in relation to capital expenditure. It accommodates write outs on disposal and downward revaluations in excess of the balance on the revaluation reserve. It also includes accounting entries such as depreciation over MRP, capital financing entries and Government Grants Deferred amortisation.

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.

Depreciation is the systematic allocation of the depreciable amount of a non-current asset over its useful life, and reflects the economic benefits consumed by the asset during the period.

Discontinued operations are those that meet all of the following conditions:
(a) The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
(b) The activities related to the operation have ceased permanently.
(c) The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Commissioner's continuing operations.

(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying all these conditions are classified as continuing.

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure.

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

Estimates are amounts that the 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:
(a) 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
(b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

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

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

Expected rate of return on pension assets: for a funded defined benefit scheme, is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Exit packages are the cost to the Commissioner of the termination of employment and include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Fair value is the price at which it could be exchanged in an arm's length transaction less (where applicable) any grants receivable towards the purchase or use of the asset.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of a non-current asset. Title may or may not eventually be transferred.

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Floors are a method by which stability in funding is protected through limiting the effect of wide variations in grant increase. A floor guarantees a minimum fixed level of increase in grant. To pay for the floor, the grant increases of authorities who are above the floor are scaled back (damping) by a fixed proportion.

Floor damping is used by central government to phase the impact of changes to the revenue grant distribution system, to give stability in funding for individual public bodies. It limits the effect these changes have on council tax levels and is intended to give authorities more time to adjust their spending following the changes. Damping of grant is achieved by setting a minimum floor level for the percentage increase in grant, with the cost of providing this additional level of grant met by scaling back the grant allocated to authorities whose percentage increase in grant is above the floor minimum.

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

General Reserve 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.

Heritage assets are assets held to increase the knowledge, understanding and appreciation of the Commissioner’s history.

Historical cost is the original monetary value of an asset.

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.

Impairment: Impairment is permanent reduction in the valuation of an asset, caused by either a consumption of economic benefits (e.g. obsolescence, damage or adverse change in statutory environment), or general fall in prices.

Intangible assets are identifiable, non-monetary, non-current assets without physical substance. Examples include software licences, patents and copyrights.

Investments are separated into the following categories:

- long-term investments are investments intended to be held for use on a continuing basis in the activities of the Commissioner for 365 days or more; and
- short-term investments occur when surplus funds are invested for 364 days or fewer.

Investment properties are interests in land and/or buildings, in respect of which construction work and development have been completed, and which is held solely for its investment potential, with any rental income being negotiated at arm's length.

Leases: leasing is the method of financing the provision of various capital assets to discharge the Commissioner's functions outside normal borrowing procedures but within the criteria laid down in the Local Authorities (Capital Finance) Regulations. Leases are classified as either *finance leases* or *operating leases*.

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

Local Government Pension Scheme 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. The Tyne and Wear Pension Fund manages the Council's pension assets and liabilities.

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.

Minimum lease payments are payments over lease terms that lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

(a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
(b) for a lessor, any residual value guaranteed to the lessor by:
  (i) the lessee;
  (ii) a party related to the lessee; or
  (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

Net book value, or carrying amount, is the amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation / amortisation.

Net current replacement cost is the cost of replacing or recreating a particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

Net debt is the Commissioner's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net realisable value is the open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-current assets are those that yield benefits to the Commissioner and the services she provides for a period of more than one year.

Operating lease is a lease other than a finance lease.

Operational assets are non-current assets held and occupied, used or consumed by the Commissioner in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Commissioner.

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. Commissioners were elected for the first time on 15 November 2012 and took on their roles from 22 November 2012 in 41 force areas across England and Wales. They replaced the former police authorities.

Police Fund is the fund into which all receipts of a 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 comprised the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and the Police Injury Benefit Scheme. The rules of which are set out in The Police Pension Regulations 1987, The Police Pension Regulations 2006 and The Police (Injury Benefit) Regulations 2006, and subsequent amendments.

Police staff includes staff within the Commissioner's office and staff under the direction and control of the Chief Constable.

Precepts: The demands made by the Commissioner on councils to finance her expenditure.

Private Finance Initiatives (PFIs) are public/private sector partnerships designed to procure new major capital investment resources for authorities. They are intended to form a substantial and genuine additional source of funding to authorities rather than merely being a replacement for existing funding.

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) A person or a close member of that person's family is related to a reporting entity if that person:
   - (i) has control or joint control over the reporting entity;
   - (ii) has significant influence over the reporting entity; or
   - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:
   - (i) 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).
   - (ii) 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).
   - (iii) both entities are joint ventures of the same third party
   - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) 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.
   - (vi) the entity is controlled or jointly controlled by a person identified in (a).
   - (vii) 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:

(i) central government
(ii) local authorities and other bodies precepting or levying demands on the council tax
(iii) its subsidiary and associated companies
(iv) its joint ventures and joint venture partners
(v) its members
(vi) its chief officers, and
(vii) 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.

Residual value is the net realisable value of a non-current asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

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:
(i) an employer's decision to terminate an employee's employment before the normal retirement date; or
(ii) 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.

Revaluation Reserve: Where assets have been revalued upwards, the increase is recorded in the reserve for as long as the Commissioner holds the asset on the Balance Sheet.

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

Revenue expenditure funded from capital under statute is expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset.

Revenue Support Grant (RSG) is grant paid by the government to aid Commissioner services in general, as opposed to specific grants, which may only be used for a specific purpose.

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 Commissioner'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. Support services include finance, administration, ICT, legal and other central services.

Unusable reserves are those reserves that the Commissioner 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 6 provides further information on the individual reserves in this category.

Usable reserves are those reserves that the Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. They can also be described as 'cash-backed'. Note 8 provides further information on the individual reserves in this category.

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

Contacts

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

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Image sources

Northumbria Police and Crime Commissioner
National Audit Office - Financial sustainability of police forces in England and Wales
http://www.nao.org.uk/report/financial-sustainability-of-police-forces-in-england-and-wales/