VERA BAIRD QC
POLICE & CRIME COMMISSIONER

Police and Crime Commissioner for Northumbria

Statement of Accounts 2016/17

Contents Page

Preface

Dame Vera Baird QC – Police & Crime Commissioner, Northumbria.

I am pleased to present my Statement of Accounts for the year ended 31 March 2017. The statements present the financial position and performance of the Police and Crime Commissioner for Northumbria and the Group position (which also includes the Chief Constable) in accordance with the Police Reform and Social Responsibility Act 2011.

As your Police and Crime Commissioner, I am committed to holding the Chief Constable and Northumbria Police to account for the delivery of an efficient and effective police service. I have responsibility for police governance across Tyne & Wear and Northumberland, commissioning services which include Victims First Northumbria, working collaboratively to improve outcomes for local people and communities and ensuring value for money.

During the 2016/17 financial year I commenced my second term as Police and Crime Commissioner, first elected in 2012 and re-elected with an increased majority in 2016.

Following my re-election I spent the winter months talking with our communities to find out what extra priorities local people want to see in the Police and Crime Plan, and Refreshing my understanding of what you want to ensure that I deliver on the issues important to you.

To find out what you thought, I held public meetings in all local authority areas, met with local groups, set up an online survey with over 3,000 participants and worked with secondary schools in order to ensure we had the thoughts of young people embedded throughout our findings. Following all of the consultation, I refreshed the Police and Crime Plan – ensuring that it remains focused on the priorities that matter to you:

- Tackling domestic and sexual abuse.
- Having an effective criminal justice system.
- Continuing to reduce anti-social behaviour.
- Ensuring that community confidence is maintained.
- Continuing to put victims first.
- Cutting crime will remain a priority.

The cycle of the last Police and Crime Plan was delivered in an environment of continued reductions to financial support from central government. Due to prudent financial planning and reviewing every area of spend from estates to office costs, we have managed to make further savings which we have invested back in to policing. The Office of the Police & Crime Commissioner is more than £3.000 million per annum cheaper to run than that of the former police authority; every penny saved is re-invested back in to Northumbria Police.

When setting the police precept for the financial year 2017/18, the government calculated a funding package for Northumbria Police which assumed that I would increase the police precept by £5 for a band D property or £3.33 for a Band A property. Had I not implemented the increase required by Government, we would have lost £1.908 million in essential funding which would have resulted in a loss of frontline police officers.

Northumbria Police officers and staff continue to go the extra mile to serve all our communities across the Force area. The Chief Constable and I are working hard to ensure Northumbria Police remains focused on becoming an outstanding Force and we will continue to look for savings across all areas of the business. We are determined that Northumbria police continues to be a Force that delivers excellent value for money.

Northumbria will continue to be at the forefront of new initiatives, delivering a high level of service for victims of crime and ensuring that you and your family remain at the heart of everything we do.

Northumbria is a safe place to live, work and visit – together we will keep it that way.

Dame Vera Baird QC

Police and Crime Commissioner for Northumbria

Narrative Statement

Introduction

The Statement of Accounts presents the Commissioner's and Group's (including the Chief Constable's) financial performance for the year ended 31 March 2017, 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 and the Force 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.

The Statement of Accounts

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 fifth statutory accounts to be prepared under the arrangements introduced under the Police Reform and Social Responsibility Act 2011.

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

All the financial transactions incurred during 2016/17 for policing in Northumbria have been recognised and recorded within this Statement of Accounts, which set

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

out the overall financial position of the Commissioner and the Commissioner's Group (the Group) for the year ended 31 March 2017. The Group position reflects the consolidated accounts of the Commissioner and her subsidiary, the Chief Constable. Separate statutory single entity accounts are prepared for the Chief Constable.

The Commissioner is responsible for the finances of the whole Group; she receives all income and funding, including all government grants and Council Tax precept, into the Police Fund and makes all 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[2] is in operation between the two bodies determining their respective responsibilities. The accounting arrangements between the Commissioner and Chief Constable are detailed in Note 8 to the accounts.

The Statement of Accounts presents the Commissioner's and Group's financial performance for the year ended 31 March 2017, 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[3], the Statement provides an insight into the activities of the Commissioner during the year.

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[4] Board and approved by FRAB [5]. The Code constitutes proper accounting practice.

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

Proud to Protect VERA BAIRD QC POLICE & CRIME COMMISSIONER NORTHUMBRIA POLICE

[2] Available at: https://www.northumbria-pcc.gov.uk/transparency/key-decisions/2014-2/
[3] Available at http://www.northumbria-pcc.gov.uk/
[4] Chartered Institute of Public Finance & Accountancy's Local Authority (Scotland) Accounts Advisory Committee
[5] Financial Reporting Advisory Board, an independent board within HM Treasury

Relationship between the Police and Crime Commissioner and the Chief Constable

Each has specific roles and responsibilities.

These roles and responsibilities can be summarised as follows:

The Police and Crime Commissioner:

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

The Chief Constable:

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

Police and Crime Plan 2017 – 2021

Building Safer Communities and Effective Justice

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

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

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

Financial Performance 2016/17

Key Highlights

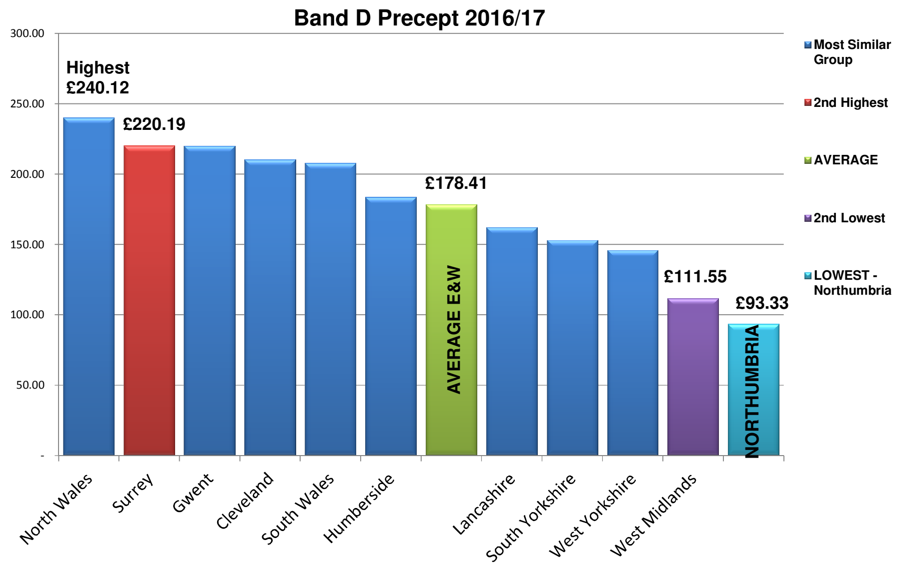
- Government grant funding was cut by a further 0.6%, a cash reduction of £1.250 million;
- Provision for increases in pay and prices of £5.200 million were managed;
- In addition, further budget pressures of £8.100million were managed including a significant annual budget increase of £4.300 million relating to the government decision on single tier pensions and the loss of the employers contracted out rate;
- An increase to the precept of 5.66%;
- Budget savings of £15.300 million were achieved bringing the total made since 2010 to £123.400 million;
- Planned use of reserves of £5.692 million to support budget saving initiatives and to minimise the impact on frontline policing;
- Resulting in an approved revenue budget of £266.840 million for 2016/17 of which £256.080 million was delegated to the Chief Constable;
- A revenue outturn under spend of £2.414 million reducing the required use of general reserves to £3.278 million;
- Capital investment of £10.450 million; and
- Capital Receipts of £10.045 million from the sale of buildings and other assets, of which £6.193 million have been used to fund the capital programme in 2016/17.

Managing the Cuts

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

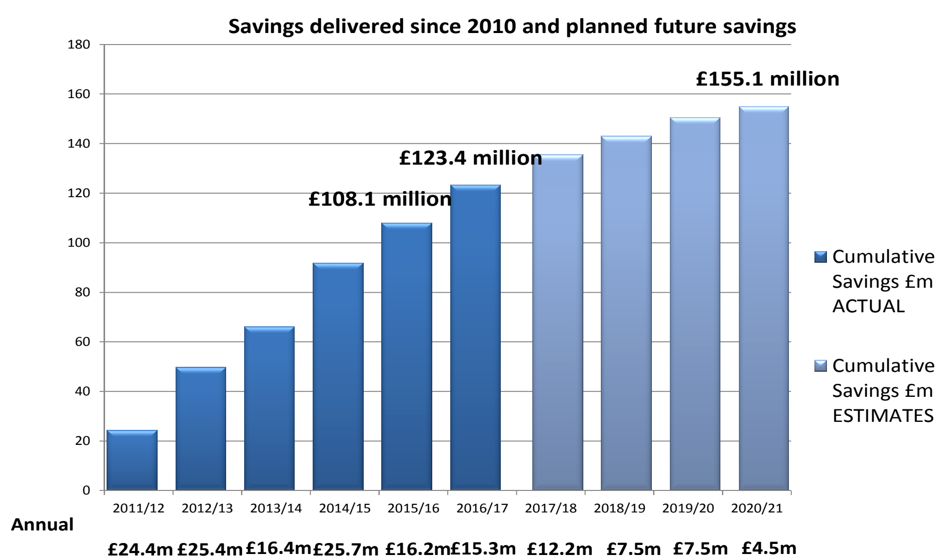
The last six years have seen unprecedented cuts to the core funding provided by the Government to Police Forces in England and Wales. Northumbria has had to make £123.400 million of cuts and efficiencies to manage the reductions imposed by government over that period. In addition, the Police and Crime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

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



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

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



The requirement to deliver savings has therefore continued into 2016/17. The Group revenue budget for 2016/17 included savings of £15.300 million which were delivered successfully through extensive scrutiny of all non-pay budgets, robust budget management and planned workforce reductions.

Savings of £123.400 million have been successfully delivered since 2010. Further reductions are anticipated in future years and additional savings of £31.700 million have been factored into the latest Medium Term Financial Strategy (2017/18 to 2020/21).

Revenue Expenditure and Income Summary

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

The net revenue expenditure for 2016/17 to be met from government grants and local taxation was approved by the Police and Crime Commissioner on 11 February 2016 at £266.840 million. The net revenue budget requirement for 2016/17 included annual budget savings of £15.300 million and the use of reserves estimated at £5.692 million.

The Council Tax precept was increased by 5.66% to £93.33 (£88.33 2015/16) for a Band D property. Total Council Tax income for 2016/17 was £35.482 million of which £34.947 million is attributed to the Council Tax precept and £0.535 million a surplus on the previous year's collection fund.

Throughout 2016/17 the OPCC revenue budget has been subject to monthly monitoring. Each quarter the position is also consolidated with the Chief Constable's budget to consider the Group position. 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 controls such as prudential indicators relating to treasury management activities, and an update on the monitoring of risks identified within the Medium Term Financial Strategy.

Revenue Outturn 2016/17

The Group revenue outturn for 2016/17 is £264.519 million requiring the use of reserves of £3.371 million as set out in the following tables:

Revenue Outturn 2016/17 (Group Position)

Group Position	**Revised Budget 2016/17 £000**	**Outturn 2016/17 £000**	**Variance 2016/17 £000**
Chief Constable	256,080	255,646	(434)
Office of the Police and Crime Commissioner	2,262	1,493	(769)
Capital Financing	8,498	7,380	(1,118)
Specific funds managed by the PCC - Expenditure	1,881	6,531	4,650
Specific funds managed by the PCC - Income	(1,881)	(6,531)	(4,650)
Net Expenditure	**266,840**	**264,519**	**(2,321)**
Central Government Grant Income	225,666	225,666	0
Council Tax Precept	35,482	35,482	0
Central Grant and Precept Total	**261,148**	**261,148**	**0**
Required use of reserves	**5,692**	**3,371**	**(2,321)**
Appropriation To / From reserves:			
General Reserve	5,692	3,578	(2,114)
Domestic Violence Reserve	0	(300)	(300)
External Funding Reserve	0	93	93
Total	**5,692**	**3,371**	**(2,321)**

The revenue outturn position is shown in further detail in the table in the following table:

Revenue Outturn 2016/17	Revised Budget 2016/17 £000	Expenditure 2016/17 £000	Income 2016/17 £000	Outturn 2016/17 £000	Variance 2016/17 £000
Budget under the direction and control of the Chief Constable:					
Employee Pay and Pensions	222,148	226,260	(2,091)	224,169	2,021
Contributions and Subscriptions	1,731	1,416	0	1,416	(315)
Corporate Communications	145	139	(39)	100	(46)
Crime	6,023	6,351	(284)	6,066	43
Prosecution Support	1,931	1,978	(66)	1,912	(19)
Safeguarding	248	277	0	277	29
Estates	8,132	8,343	(1,416)	6,927	(1,205)
Fleet	3,092	3,273	(163)	3,109	17
Human Resources	321	276	0	276	(45)
Information & Communications Technology	8,011	8,367	0	8,367	356
Legal Services	252	578	(447)	131	(121)
Professional Standards	8	2	0	2	(6)
Mutual Aid	46	14	0	14	(32)
Occupational Health Unit	869	775	0	775	(95)
Procurement	225	1,796	(1,654)	141	(83)
Business Support	2,901	3,064	0	3,064	163
Training	1,367	761	(8)	753	(614)
Volunteers	98	102	(11)	91	(7)
Insurance	1,356	1,092	0	1,092	(265)
Other Income	(2,822)	0	(3,128)	(3,128)	(306)
Budget Outturn	**256,080**	**264,863**	**(9,310)**	**255,553**	**(527)**
External Funding Schemes	0	6,735	(6,642)	93	93
Chief Constable Net Expenditure	**256,080**	**271,598**	**(15,952)**	**255,646**	**(434)**
Budget under the direction and control of the Police and Crime Commissioner:					
Office of the Police and Crime Commissioner	2,262	1,493	0	1,493	(769)
Capital Financing	8,498	7,609	(229)	7,380	(1,118)
Total Expenditure	**10,760**	**9,102**	**(229)**	**8,873**	**(1,887)**
Specific funds managed by the PCC					
Commissioning of Victim Services	0	1,696	(1,696)	0	0
Innovation Fund	0	3,836	(3,836)	0	0
Transformation Fund	0	814	(814)	0	0
Night Time Economy	0	185	(185)	0	0
Total Expenditure	**0**	**6,531**	**(6,531)**	**0**	**0**
Grand Total Net Expenditure	**266,840**	**287,231**	**(22,712)**	**264,519**	**(2,321)**

Chief Constable

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

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

Employee Pay and Pensions

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

Non Pay Budgets

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

In addition, to the core revenue budget the Chief Constable manages expenditure against external funding schemes which include specific grants such as Counter Terrorism and other grants and contributions from the Home Office, Local Authorities and external bodies. The majority of income received has been fully utilised in 2016/17. The net position of £0.093 million is funded through the use of the external funding reserve held by the Commissioner. The net position reflects the use of £0.192 million received in previous years and held in the Commissioners reserve, plus income of £0.099 million received in 2016/17 which has been transferred to the reserve as at 31 March 2017 to be used in 2017/18.

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

Police and Crime Commissioner

Within the total approved budget £2.262 million was provided to meet the cost of the Office of the Police and Crime Commissioner which includes the Commissioner's Community Fund. The Fund is used to make valuable contributions to local charity, voluntary, social enterprises and community groups in Northumberland and Tyne and Wear, supporting Police and Crime Plan objectives. The outturn position is £1.493 million, an underspend of £0.769 million. Of the underspend, £0.300 million has been set aside as an earmarked reserve as at 31 March 2017 to fund vital work tackling domestic violence, which will include the work of Health Advocates in Local Authorities during 2017/18.

The Capital Financing budget for 2016/17 is £8.498million comprising interest on borrowing and investments and the minimum revenue provision for repayment of borrowing. The outturn position is £7.380million reflecting an underspend of £1.118million which is mainly attributable to interest on borrowing.

Average interest rates on new borrowing have been around 0.5% compared to the budget set at 2%. This can be attributed to both the cut to the Bank of England base rate following the

Brexit vote and new borrowing in-year being kept short, maximising the use of internal borrowing available through reserve balances and capital receipts.

Use of Reserves

Police and Crime Commissioner Group - Total Use of Reserves			
	Budget 2016/17 £000	Outturn 2016/17 £000	Variance 2016/17 £000
Planned use of reserves to support revenue:			
General Reserve	**5,692**	**3,578**	**(2,114)**
Transfers (To) / From earmarked reserves			
External Funding Reserve	0	93	93
Domestic Violence Reserve	0	(300)	(300)
NERSOU Reserve	0	(388)	(388)
Total transfers (To) / From earmarked reserves	**0**	**(595)**	**(595)**
Total transfers (To) / From revenue reserves	**5,692**	**2,983**	**(2,709)**

The transfer to the NERSOU reserve of £0.388millions is explained later in the narrative statement and shown in further detail at Note 15 to the Single-Entity Accounts.

From the Comprehensive Income and Expenditure Statement, the deficit on the provision of services for the Police and Crime Commissioner Group for 2016/17 is £135.138 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 a reduction in the general reserve of £3.578 million for 2016/17.

Summary of 2016/17 Financial Position (Group)	
	2016/17 Outturn £000
Net Cost of Services	**284,748**
Other operating expenditure	268
Financing and investment income and expenditure	114,961
Taxation and non specific grant income	(264,839)
(Surplus) or Deficit on Provision of Services	**135,138**
Adjustment between accounting basis and funding basis under Regulations	(132,155)
Net (Increase) / Decrease before transfer from Earmarked Reserves	**2,983**
Transfers To / (From) Earmarked Reserves	595
(Increase) / Decrease on General Reserve	**3,578**

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, technology and communications and other major items of plant and equipment.

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

The Chief Constable CIES receives a charge for the use of operational assets based on capital charges.

The Commissioner approved a capital programme of £11.318 million in February 2016. This was revised by the Commissioner during the year to £13.282 million to take into account the following:

- Slippage - capital projects which have not progressed in accordance with the plans included within the approved capital programme.

- Under/Overspend - Where the actual expenditure is different to the budget which can arise due to a variation the price and / or volume of works, goods or services that were originally estimated.

The final capital outturn for the year is £10.450 million.

Capital Expenditure	2016/17 Original Estimate £000	2016/17 Revised Estimate £000	2016/17 Outturn £000
Building Works	1,567	2,021	2,240
Computers & Communications	7,232	8,742	4,720
Vehicles & Equipment	2,519	2,519	3,490
	11,318	**13,282**	**10,450**

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

Capital Financing	2015/16 £000	2016/17 £000
Capital Grants and Other Contributions	(3,616)	(2,776)
Capital Receipts	(3,449)	(6,193)
Borrowing Requirement	(2,090)	(1,481)
	(9,155)	**(10,450)**

A key element of the Medium Term Financial Strategy (MTFS) is the rationalisation of property to transform and free resources locked up in unsuitable assets. The MTFS estimates capital receipts of some £31.000 million over the next four 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, keeping interest costs down.

During 2016/17 the programme of closing and selling unsuitable police stations and opening new neighbourhood offices has continued, many of which are co-located with partner agencies, which helps to maximise collaborative opportunities whilst delivering essential savings. Of the 26 new neighbourhood bases established to date, 20 of these are with Fire, Local Authority or Community Groups.

The estates rationalisation programme generated £10.045 million of capital receipts from the sale of redundant assets. Receipts from the sale of assets in 2016/17 have been used to part fund the capital programme during the year with a surplus of £3.290 million carried forward in reserves to support the capital programme in 2017/18.

The Force continues to make a significant investment in new technology with a wide reaching ICT implementation programme to be delivered by 2020, delivering both new capabilities and improved ICT support for existing business processes.

In 2016/17 the investment has resulted in:

- The refresh of the Force Voice and Data network, significantly reducing the Force's network costs at the same time as delivering a new network capable of supporting the delivery of modern ICT services across the Force's Estate.

- The refresh of a significant proportion of the Force's infrastructure equipment, servers and storage to maintain the delivery of a high performance, efficient and cost effective ICT Infrastructure Service.

- The refresh of the Force's integrated computer and communication systems (ICCS) equipment ensuring an effective capability is retained to support existing and potential Communications activities, and the integration of the Emergency Services Network (ESN) equipment.

- The purchase of equipment to support effective collection, recovery and storage of digital evidence from CCTV installations and seized computers and mobile phones. Equipment has been purchased for local 24x7 officer use as well as centralized specialist use significantly improving the Force's Cyber capabilities.

- Additional phase-2 functionality has been delivered on the Police e-Box mobile application which allows officers and staff to access incident information and search operational systems without the need to return to base. Further functionality is planned to be delivered in 2017/18.

- The rollout of over 500 Wifi and 4G laptop devices to senior officers, senior management teams and mobile workers. This allows access to all office ICT functionality from wherever the individual is located, supporting home working, improving the work life balance, providing additional support for on call staff and an effective use of operational supervisors.

- The installation of the Chronicle system to better support the activities of the Operations Department.

- The refresh of the Force Voice and Data network, significantly reducing the Force's network costs at the same time as delivering a new network capable of supporting the delivery of modern ICT services across the Force's estate.

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 Force have made significant investments in new technology to assist with the 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.

Governance

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

Value for Money

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

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

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC 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 proper accounting practice, the Chief Constable and PCC produce a four 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, use of reserves 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 for their consideration prior to finalising the budget and precept.
- 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 four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The PCC approved a balanced budget for 2016/17 with a 5.66% increase in the Council Tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next four years. For 2016/17 there was an underspend on the revenue budget, this therefore reduced the call on reserves, enabling them to be used in future years to support the MTFS.
- 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. The quarterly reports are '*key decisions'*.
- Performance reports are presented and discussed with the PCC regularly.
- The PCC receives reports from HMIC and will act on recommendations as required.

Complaints

The PCC is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well complying with the requirements of the Independent Police Complaints Commission (IPCC). The PCC role only allows her to carry out investigations into complaints against the Chief Constable.

As part of her scrutiny role, the PCC carries out an annual exercise to review IPCC 'upheld complaints'; these are complaints to Northumbria Police, where the complainant has subsequently appealed or disagreed with the outcome and the IPCC have upheld this complaint. The PCC also operates an independent complaints scrutiny panel that looks at upheld complaints made against the Force looking for lessons learned to improve future practices.

Performance Information - Delivery Of The Police And Crime Plan

Putting Victims First

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

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

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

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

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

Dealing with Anti-Social Behaviour (ASB)

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

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

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

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

Domestic and Sexual Abuse

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

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

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

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

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

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

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

Reducing Crime

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

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

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

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

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

Community Confidence

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

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

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

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

Collaboration

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

North East Regional Special Operations Unit (NERSOU)

The objective of the NERSOU collaboration arrangement is to provide additional capacity and capability across the region to tackle serious and organised crime. NERSOU is further detailed later within the Narrative Statement and at Note 15 to the accounts.

National Police Coordination Centre (NPoCC)

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

Civil Nuclear Constabulary (CNC)

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

Scientific Support Service

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

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

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

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

Other National Police Collaboration Agreements:

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

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

North East Regional Special Operations Unit (NERSOU)

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

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

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

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

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

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

The NERSOU revenue outturn position for 2016/17 and the share attributable to Northumbria is set out in the following table:

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

The Chief Constable made a revenue contribution of £3.858 million to NERSOU for 2016/17. This contribution is included within the Crime heading in the Chief Constable's revenue budget outturn. In addition the NERSOU Joint Committee agreed that the surplus of Force contributions agreed for 2016/17 would be held in reserve to support cost pressures identified for NERSOU in 2017/18. The total contribution by Northumbria to NERSOU for 2016/17 is therefore £3.470 million.

Further information on the financial performance of NERSOU for 2016/17 is set out at Note 15 to the single-entity accounts.

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

Provisions and Contingent Liabilities

Provisions

Provisions are made where a liability exists based on a past event which will probably be settled through a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount required to settle the obligation. Provisions are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Contingent Assets & Liabilities

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

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

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

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

A further contingent liability has been disclosed in relation to a group claim against the Chief Constable (and other parties) relating to the Police Pension Scheme 2015 and Municipal Mutual Insurance (MMI) Levy for the Commissioner. Contingent liabilities are detailed in full at Note 9 to the Group financial statements.

Accounting for Pensions

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

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

Police officers can be members of either the Police Pension Scheme (1987), the Police Pension Scheme (2006) or the Police Pension Scheme (2015), known collectively known as the Police Pension Scheme. This is a wholly unfunded scheme for which the Chief Constable is Scheme Manager[6]. The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries. The regulations[7] 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 and OPCC staff can be members of the Tyne and Wear Pension Scheme, a Local Government Pension Scheme administered by South Tyneside Council. The Chief Constable and Police and Crime Commissioner make employer contributions on the basis of an agreed percentage of employees' pensionable salaries to the Tyne and Wear Pension Fund. Employer contributions are based on an independent actuarial valuation of the fund which is carried out every three years. The 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.

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

The pension liability shows the underlying commitment that the Group has in the long run to pay post-retirement benefits. The total liability of £3.928 billion (£3.181 billion in 2015/16) has a substantial impact on the net worth of the Force as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The deficit on the schemes will be made good by contributions over the remaining working life of employees, i.e. before payments fall due, as assessed by the scheme actuaries.

[6] Public Service Pension Act 2013 (section 4)
[7] Police Pension Fund Regulations 2007 (SI 2007/1932)

Assets Held For Sale

The Commissioner has a large proportion of assets classified as 'held for sale' on the Balance Sheet as at 31 March 2017. The properties are part of the Commissioners Estates Rationalisation Programme where unsuitable or surplus properties are to be sold. The movements against assets held for sale during 2016/17 are set out at Note 17(b) to the single-entity accounts.

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 provide advice 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 2016/17 neither the indicators of the Authorised Limit for External Debt of £185.000 million, nor the Operational Boundary for External Debt of £160.000 million were breached and the profile of debt maturity was maintained within the agreed limits.

The total borrowing at 31 March 2017 was £99.465 million, which was within the operational borrowing limit of £160.000 million. This is a net increase of £5.000 million from the opening figure of £104.465 million, represented by £75.000 million new borrowing and repayments of £80.000 million.

The borrowing strategy during 2016/17 was to keep borrowing short term as the Commissioner is in the process of rationalising the estate and is expecting around £31.000 million of receipts from the sale of assets over the term of the current Medium Term Financial Strategy (MTFS).

This short term strategy is delivering savings but as longer term interest rates have fallen to a historical low over the last 9 months the 2017/18 strategy will remain flexible in order to allow decisions on borrowing to be taken which balance cost savings with the mitigation of refinancing risks.

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 32) -** 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 34) -** The purpose of this statement is to show the accounting cost in the year of the Commissioner providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It includes all income paid into the Police Fund, as well as the accounting costs directly controlled by the Commissioner in relation to her Office, commissioning of victim services (including restorative justice), third party payments from the Commissioners Fund and an intra-group charge from the Chief Constable for the cost of policing.

- **Balance Sheet for the Police and Crime Commissioner (Page 35) -** This sets out the Commissioner's financial position and net assets at the financial year-end.

- **Cash Flow Statement for the Police and Crime Commissioner (Page 36) -** 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 37) -** 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 98) -** The Commissioner and the Chief Constable each hold reserves. The Chief Constable's reserve balances being unusable reserves associated with the Pension Liability and the Accumulated Absence Account. The Group accounts show the combined position of the movement on the Commissioner's and Chief Constable's reserves after removing any transactions between the two.

- **Comprehensive Income and Expenditure Statement for the Police and Crime Commissioner Group (Page 100) -** The purpose of this statement is to show the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council Tax is raised by the Commissioner and central government grants are received each year to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position and the required use of cash reserves are shown in the Movement in Reserves Statement.

- **Balance Sheet for the Police and Crime Commissioner Group (Page 101) -** This sets out 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 102) -** 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 103) -** 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 129) -** This shows the Police Pension Fund Account for the year for which the Chief Constable is Scheme Manager[8].
- **Annual Governance Statement (Page 131) -** This statement, required by regulations[9] to accompany the Statement of Accounts, outlines the Commissioner's approach to corporate governance and internal control.[10]
- **Independent Auditor's Report to the Police and Crime Commissioner (Page 141) -** This report details the basis of the external auditor's opinion on the Statement of Accounts.
- **Glossary of Terms (Page 144) -** This section includes a description of the key terms used in the Statement of Accounts, along with explanations of any technical terminology.

Significant Changes since 2015/16

Presentation of Financial Statements

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

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

Outlook for 2017/18 and Beyond

The Medium Term Financial Strategy (MTFS) sets out the key financial issues facing the Police and Crime Commissioner and Chief Constable over the period 2017/18 to 2020/21, and provides options for delivering a sustainable budget and capital programme over the medium term.

The overall financial context for Northumbria Police remains extremely challenging.

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

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

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

[8] Public Service Pension Act 2013 (section 4)
[9] Regulation 10 of Accounts and Audit (England) Regulations 2015 (available from www.legislation.gov.uk)
[10] In line with Regulation 6 of the Accounts and Audit (England) Regulations 2015

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

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

- THRIVE (threat, harm, risk, investigation, vulnerability and engagement) is a new more rigorous approach to the risk assessment of all 999 and 101 calls to ensure the most appropriate police response is deployed placing an emphasis on the victim and risks posed.

- RWD (resolution without deployment) deals with relevant calls for service in line with the customer's wishes without the need for deployment of police officers. This is an example of change implemented to improve efficiency, and allows the Force to reinvest staff in areas of significant and emerging demand.

- A revised approach to safeguarding which reduces the demands placed upon Neighbourhood Policing Teams. The focus is on longer term partnership working aimed to embed effective working practices and relationships, between Northumbria Police and each Local Authority.

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

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

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

Events after the reporting period

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

Further Information

This publication provides a review of the financial performance of the Group for 2016/17, a summary of which will be included in the Annual Report for 2016/17 available on the Commissioner's website www.northumbria-pcc.gov.uk.

Signed: MJ Tait Dated: 19/9/17

Mike Tait BSc (Econ) CPFA
Treasurer

Statement of Responsibilities

The Commissioner's Responsibilities

The Commissioner is required to:

- Appoint a person (Treasurer) to be responsible for the proper administration of her financial affairs;
- manage her affairs to secure economic, efficient and effective use of resources and safeguard her assets; and
- Approve the Statement of Accounts.

I approve this statement

Signed: Date: 19.7.17

Dame Vera Baird QC
Police and Crime Commissioner for Northumbria

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 2017, required by the Accounts and Audit Regulations, are set out in the following pages.

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

Signed: MJ Tait Date: 19/9/17

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 2016/17

	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 2016		**(15,443)**	**(4,456)**	**0**	**(30)**	**(19,929)**	**(13,091)**	**(33,020)**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure		**9,897**	**0**	**0**	**0**	**9,897**	**(8,119)**	**1,778**
Adjustments between accounting basis & funding basis under regulations	9(b)	(6,914)	0	(3,290)	(649)	(10,853)	10,853	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**2,983**	**0**	**(3,290)**	**(649)**	**(956)**	**2,734**	**1,778**
Transfers To / From Earmarked Reserves	9(c)	595	(595)	0	0	0	0	0
(Increase) or Decrease in Year		**3,578**	**(595)**	**(3,290)**	**(649)**	**(956)**	**2,734**	**1,778**
Balance as at 31 March 2017		**(11,865)**	**(5,051)**	**(3,290)**	**(679)**	**(20,885)**	**(10,357)**	**(31,242)**

Movement in Reserves Statement 2015/16

	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 2015		**(21,786)**	**(5,611)**	**0**	**(120)**	**(27,517)**	**1,258**	**(26,259)**
<u>Movement in reserves during 2015/16</u>								
Total Comprehensive Income and Expenditure		**12,667**	**0**	**0**	**0**	**12,667**	**(19,428)**	**(6,761)**
Adjustments between accounting basis & funding basis under regulations	9(b)	(5,169)	0	0	90	(5,079)	5,079	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**7,498**	**0**	**0**	**90**	**7,588**	**(14,349)**	**(6,761)**
Transfers To / From Earmarked Reserves	9(c)	(1,155)	1,155	0	0	0	0	0
(Increase) or Decrease in Year		**6,343**	**1,155**	**0**	**90**	**7,588**	**(14,349)**	**(6,761)**
Balance as at 31 March 2016		**(15,443)**	**(4,456)**	**0**	**(30)**	**(19,929)**	**(13,091)**	**(33,020)**

Comprehensive Income and Expenditure Statement - Commissioner

2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000	Service Expenditure Analysis	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	Notes
0	(14,406)	(14,406)	Police Services	0	(16,604)	(16,604)	
0	(2,780)	(2,780)	Policing Funds (managed by the PCC)	0	(4,835)	(4,835)	
1,576	0	1,576	Office of the Police and Crime Commissioner	1,294	0	1,294	
0	(126)	(126)	Capital Financing	0	(151)	(151)	
1,590	(1,590)	0	PCC Commissioning of Victim Services	1,696	(1,696)	0	
288,516	0	288,516	PCC Financing of Police Services	291,753	0	291,753	
291,682	**(18,902)**	**272,780**	**Net Cost of Services**	**294,743**	**(23,286)**	**271,457**	
		528	Other Operating Expenditure			268	10
		3,077	Financing and Investment Income and Expenditure			3,011	10
		(263,718)	Taxation and Non-Specific Grant Income			(264,839)	10
		12,667	**(Surplus) or Deficit on Provision of Services**			**9,897**	
		(19,414)	(Surplus) or Deficit on revaluation of non-current assets			(8,411)	9(a)
		(14)	Re-measurements of the net defined pension benefit liability			292	9(a)
		(19,428)	**Other Comprehensive Income and Expenditure**			**(8,119)**	9(a)
		(6,761)	**Total Comprehensive Income and Expenditure**			**1,778**	

Balance Sheet

31 March 2016 £000		31 March 2017 £000	Notes
83,720	Property, plant & equipment	88,027	17 (a)
1,440	Investment property	300	17 (a)
1,331	Intangible assets	1,312	17 (a)
286	Long-term debtors	257	18
86,777	**Long-term assets**	**89,896**	
32,422	Assets held for sale	23,045	17 (b)
711	Inventories	551	
23,270	Short-term debtors	24,002	18
7,090	Cash and cash equivalents	10,216	19
63,493	**Current Assets**	**57,814**	
(1,854)	Bank overdraft	(774)	17
(44,000)	Short-term borrowing	(33,384)	22
(7,681)	Short-term creditors	(13,317)	20
(53,535)	**Current Liabilities**	**(47,475)**	
(2,151)	Long-term provisions	(1,680)	21
(61,465)	Long-term borrowing	(66,885)	22
(99)	Other long-term liabilities (pensions)	(428)	23
(63,715)	**Long-Term Liabilities**	**(68,993)**	
33,020	**Net Assets**	**31,242**	
(19,929)	**Total usable reserves**	**(20,885)**	9(c)
(13,091)	**Total unusable reserves**	**(10,357)**	9(c)
(33,020)	**Total Reserves**	**(31,242)**	

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

Signed: MJ Tait

Dated: 19/9/17

Mike Tait BSc (Econ) CPFA
Treasurer

Cash Flow Statement

2015/16 £000		2016/17 £000
12,667	**(Surplus) or Deficit on the provision of services**	**9,897**
	Adjustments to surplus or deficit on the provision of service for non-cash movements:	
(6,907)	Depreciation of Non Current Assets	(7,949)
(5,506)	Revaluation / Impairment of Non Current Assets	(6,048)
(402)	Amortisation of intangible Fixed Assets	(446)
(50)	Pension Fund adjustments	(37)
(88)	(Increase) / Decrease in impairment for provision for bad debts	578
159	Contributions to Provisions	471
(3,976)	Carrying amount of PP&E, investment property and intangible assets sold	(10,313)
(862)	Other non-cash movement	(98)
(17,632)		(23,842)
	Accruals Adjustments:	
19	Increase / (Decrease) in inventories	(160)
(14,567)	Increase / (Decrease) in debtors	44
1	Increase / (Decrease) in interest debtors	(16)
20,941	(Increase) / Decrease in creditors	(5,403)
33	(Increase) / Decrease in interest creditors	196
6,427		(5,339)
	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities:	
3,949	Proceeds from the disposal of PP&E, investment property and intangible assets	10,229
3,527	Capital Grants credited to Surplus or deficit on the provision of services	3,425
0	Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities	0
7,476		13,654
	Reversal of operating activity items included in the net surplus or deficit on the provision of service that are shown separately below:	
(3,323)	Reversal of amounts disclosed separately below	(3,054)
	Cash Flows from Operating Activities includes the following items:	
3,427	Interest Paid	3,328
(136)	Interest received	(95)
3,291		3,233
8,906	**Net cash flows from Operating Activities**	**(5,451)**
	Net Cash Flows from Investing Activities	
8,417	Purchase of PP&E, investment property and intangible assets	9,551
48,700	Purchase of short term and long term investments	40,006
469	Other payments for investing activities	336
(3,949)	Proceeds from the sale of PP&E, investment property and intangible assets	(9,579)
(47,711)	Proceeds from the sale of short term and long term investments	(41,206)
(2,463)	Capital Grants Received (Government)	(2,531)
(316)	Capital Grants Received (Non-Government)	(332)
3,147	**Net cash flows from Investing Activities**	(3,755)
	Net Cash Flows from Financing Activities	
(49,000)	Cash receipts of short and long term borrowing	(75,000)
40,832	Repayments of short and long term borrowings	80,000
(8,168)	**Net cash flows from Financing Activities**	5,000
3,885	**Net (Increase) / Decrease in cash and cash equivalents**	(4,206)

9,121	**Cash and cash equivalents at the beginning of the period**	**5,236**
5,236	**Cash and cash equivalents at the end of the period**	**9,442**

Notes to the Single Entity Financial Statements

1. Expenditure and Funding Analysis (EFA)

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

Expenditure and Funding Analysis - Commissioner

2015/16 Net Expenditure Chargeable to the General Fund £000	2015/16 Adjustments between Funding and Accounting Basis £000	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Service Expenditure Analysis	2016/17 Net Expenditure Chargeable to the General Fund £000	2016/17 Adjustments between Funding and Accounting Basis £000	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Notes
0	(14,406)	**(14,406)**	Police Services	0	(16,604)	**(16,604)**	
(2,780)	0	**(2,780)**	Policing Funds (managed by the PCC)	(4,835)	0	**(4,835)**	
1,660	(84)	**1,576**	Office of the Police and Crime Commissioner	1,493	(199)	**1,294**	
7,777	(7,903)	**(126)**	Capital Financing	7,380	(7,531)	**(151)**	
0	0	**0**	PCC Commissioning of Victim Services	0	0	**0**	
260,658	27,858	**288,516**	PCC Financing of Police Services	260,092	31,661	**291,753**	
267,315	**5,465**	**272,780**	**Net Cost of Services**	**264,130**	**7,327**	**271,457**	
(259,817)	(296)	(260,113)	Other Income and Expenditure	(261,147)	(413)	(261,560)	
7,498	**5,169**	**12,667**	**(Surplus) or Deficit on Provision of Services**	**2,983**	**6,914**	**9,897**	
(27,397)			**Opening General Fund Balance at 31 March**	(19,899)			
7,498			Less: Deficit on General Fund in Year	2,983			
(19,899)			**Closing General Fund Balance at 31 March**	**(16,916)**			

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

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

2016/17 Adjustments between funding and accounting basis - Commissioner					
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes** £000	**Net Change for the Pensions Adjustments** £000	**Council Tax** £000	**Adjustments between Service Lines** £000	**Total Adjustments** £000
Police Services	0	0	0	(16,604)	(16,604)
Policing Funds (managed by the PCC)	0	0	0	0	0
Office of the Police and Crime Commissioner	14,778	35	0	(15,012)	(199)
Capital Financing	(4,477)	0	0	(3,054)	(7,531)
PCC Commissioning of Victim Services	0	0	0	0	0
PCC Financing of Police Services	0	0	0	31,661	31,661
Net Cost of Services	**10,301**	**35**	**0**	**(3,009)**	**7,327**
Other Income and Expenditure	(3,157)	2	(267)	3,009	(413)
(Surplus) or Deficit on Provision of Services	**7,144**	**37**	**(267)**	**0**	**6,914**

2015/16 Adjustments between funding and accounting basis - Commissioner					
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes** £000	**Net Change for the Pensions Adjustments** £000	**Council Tax** £000	**Adjustments between Service Lines** £000	**Total Adjustments** £000
Police Services	0	0	0	(14,406)	(14,406)
Policing Funds (managed by the PCC)	0	0	0	0	0
Office of the Police and Crime Commissioner	13,284	49	0	(13,417)	(84)
Capital Financing	(4,792)	0	0	(3,111)	(7,903)
PCC Commissioning of Victim Services	0	0	0	0	0
PCC Financing of Police Services	0	0	0	27,858	27,858
Net Cost of Services	**8,492**	**49**	**0**	**(3,076)**	**5,465**
Other Income and Expenditure	(2,999)	1	(374)	3,076	(296)
(Surplus) or Deficit on Provision of Services	**5,493**	**50**	**(374)**	**0**	**5,169**

b) Note to the EFA - Segmental Income

The EFA presents net expenditure chargeable to the general fund based on reportable segments. Income included within this net position is shown below on a segmental basis:

Segmental Income		
Income received on a segmental basis is analysed below:	**Income from services 2015/16** £000	**Income from services 2016/17** £000
Capital Financing	(349)	(78)
Total income analysed on a segmental basis	**(349)**	**(78)**

2. Expenditure and Income Analysed by Nature

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

Expenditure and Income Analysed by Nature - Commissioner		
	2015/16	2016/17
Expenditure / Income	£000	£000
Expenditure		
Employee benefits expenses	594	610
Other employee expenses	0	0
Premises	74	67
Transport	2	2
Supplies and services	233	172
Third party payments	2,263	2,139
Depreciation, amortisation and impairment	12,815	14,442
Other capital charges	469	336
Less: amounts charged to Chief Constable for use of assets	(13,284)	(14,778)
Financing of Police Services	288,516	291,753
Loss on disposal of property, plant and equipment	528	268
Interest payments	3,460	3,132
Police pension fund deficit - payment to pension fund	53,025	57,409
Interest on the net defined benefit pension liability	1	2
Total Expenditure	**348,696**	**355,554**
Income		
Fees, charges and other service income	(4,943)	(4,090)
Recharge receipts	(3,586)	(3,627)
Other operating Income	(1,725)	(2,088)
Revenue grants and contributions	(8,648)	(13,481)
Interest and investment income	(173)	(123)
Dividends receivable	(211)	0
Income from Council Tax	(33,278)	(35,748)
Police Grant income	(226,914)	(225,666)
Police pension fund deficit - grant income	(53,025)	(57,409)
Capital Grants and Contributions	(3,526)	(3,425)
Total Income	**(336,029)**	**(345,657)**
(Surplus) or Deficit on the Provision of Services	**12,667**	**9,897**

3. Statement of Accounting Policies

a) Introduction

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

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

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

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

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

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

b) Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 (the Act) established both the Police and Crime Commissioner for Northumbria and the Chief Constable for Northumbria as two separate corporations sole, and the statutory accounting arrangements for both entities fully comply with this Act.

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

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

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

c) Accruals of expenditure and income

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

- 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 the revalued amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less cost to sell, the loss is posted to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on assets held for sale.

Assets held for sale are disclosed separately in the balance sheet as current assets and further information is disclosed in Note 17(b) to the single-entity accounts. The note sets out the following key movements during the financial year, with comparative figures for the previous year:

- Reclassifications

- Additions / Disposals
- Revaluations

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 the Commissioner's overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance, or loans fund principal charge). Depreciation, impairment losses and amortisation are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 and other short term absences earned by employees but not taken before the year-end, and which employees can carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Commissioner 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.

Post-employment benefits (pensions)

As part of the terms and conditions of employment, the Police and Crime Commissioner Group offers retirement benefits by participating in pension schemes. These are the Police Pension Scheme 1987, the New Police Pension Scheme 2006, the Police Pension Scheme 2015 and the Tyne and Wear Pension 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 Police and Crime Commissioner Group and employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

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

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

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

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

i) Events after the Balance Sheet date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

j) Prior period adjustments

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

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

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

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

k) 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 *Financing Investment Income and Expenditure* line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowing that the Commissioner has, the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Fair Value

For each class of financial asset and financial liability, the Commissioner is required to disclose the fair value (as defined in the Fair Value Measurement section at q), below) of that class of asset and liability in a way that permits it to be compared to its carrying amount. The Commissioner assesses the fair value by calculating the present value of the cash flows that take place over the remaining life of the instruments, using a number of assumptions which are further detailed in Note 22 Financial Instruments.

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

Redemption of Debt

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

External Interest

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

Borrowing costs

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

l) 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. 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.

m) 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.

n) Investment property

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

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

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

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

o) Fair value measurement

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

a) In the principal market for the asset or liability, or

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

p) 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 Police and Crime Commissioner Single Entity and Group. None will be recognised on the Chief Constable's Balance Sheet.

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

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

- Assets under construction - historic cost, net of depreciation, where appropriate;

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Valuations of the Commissioners properties 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, investment properties and assets held for sale are valued annually. Property with a value of less than £40,000 is treated as de minimis and carried on the balance sheet at £1.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

The Revaluation Reserve contains revaluation gains recognised since 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 internally for the Commissioner by Northumbria Police Asset Manager, Tim Rodgers Bsc (Hons), MRICS Registered Valuer, supported by James Clare MRICS Registered Valuer.

Impairment

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

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

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

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

Disposal of Assets

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The useful life of an asset is determined either on acquisition or revaluation of that asset.
A full year's depreciation is charged on newly acquired assets in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use. Depreciation is calculated using the straight-line method.

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

- Police houses: 50 years;
- Police stations: Between 10 and 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.

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

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

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

q) Provisions and contingent liabilities

Provisions

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

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

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

Contingent liabilities

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

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

r) **Reserves**

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

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

s) **Revenue expenditure funded from capital under statute (REFCUS)**

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

t) **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.

u) **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 2016/17 is shown on Note 15.

4. Critical judgements in applying accounting policies

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

- Accounting for pension liabilities;
- 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.

5. Impact of changes in accounting policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Commissioner’s financial position or financial performance. When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. There have been no significant changes in accounting policies in 2015/16.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For 2016/17 the following standards have been issued but not yet adopted:

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

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

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

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

The items in the Commissioner’s Group Balance Sheets as at 31 March 2017 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 2015 for the latest funding valuation.

The assessment of pension liabilities for the Tyne and Wear Pension Scheme has been carried out by AON Hewitt Limited, an independent firm of actuaries. The assessment of the liability 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 2017 including their assessment of future movements in the return on pension assets which is subject to fluctuations in investment markets and discount rate volatility. Further details are included within Note 23.

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 2016/17 valuations were carried out internally by Northumbria Police Asset Manager, Tim Rodgers Bsc (Hons), MRICS Registered Valuer, supported by James Clare MRICS Registered Valuer.

Valuation bases are as set out in section q) Property Plant and Equipment. All valuations were carried out in accordance with the RICS Valuation – Professional Standards 2014.

Accumulated Absence

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

8. Effects of the Police Reform and Social Responsibility Act

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

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

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

Accounting Recognition

At 31 March 2017, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are 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 - £14.778 million; and
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in the provision of policing - £0.257 million.

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

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

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

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

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		
2015/16 **£000**		**2016/17** **£000**
(288,516)	Chief Constable	(291,753)
288,516	Commissioner	291,753
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.		
2015/16 **£000**		**2016/17** **£000**
(4,398)	Chief Constable	(7,300)
4,398	Commissioner	7,300
0	Group	**0**

9. 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 2015/16 and 2016/17:

Other Comprehensive Income & Expenditure		
2015/16 Unusable Reserves £000		**2016/17 Unusable Reserves £000**
(19,414)	(Surplus) or Deficit on revaluation of non current assets	(8,411)
(14)	Re-measurements of the net defined benefit pension liability	292
(19,428)	**Total Other Comprehensive Income and Expenditure**	(8,119)

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. The adjustments for 2016/17 and 2015/16 are set out in the following tables:

Adjustments between accounting basis & funding basis under regulations 2016/17					
	2016/17 movements				
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(13,997)	0	0	0	13,997
Amortisation of intangible assets	(445)	0	0	0	445
Revenue Expenditure Funded from Capital under Statute	(336)	0	0	0	336
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,425	0	0	(649)	(2,776)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(268)		(9,483)	0	9,751
Capital Expenditure Financed from Unapplied Capital Receipts	0	0	6,193	0	(6,193)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	267	0	0	0	(267)
Reversal of IAS 19 Pension Charges	(96)	0	0	0	96
Contributions due under the pension scheme regulations	59	0	0	0	(59)
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	4,477	0	0	0	(4,477)
Total adjustments between accounting basis & funding basis under regulations	(6,914)	0	(3,290)	(649)	10,853

Adjustments between accounting basis & funding basis under regulations 2015/16					
	2015/16 movements				
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(12,413)	0	0	0	12,413
Amortisation of intangible assets	(402)	0	0	0	402
Revenue Expenditure Funded from Capital under Statute	(469)	0	0	0	469
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,527	0	0	90	(3,617)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(528)		(3,448)	0	3,976
Capital Expenditure Financed from Unapplied Capital Receipts	0	0	3,448	0	(3,448)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	374	0	0	0	(374)
Reversal of IAS 19 Pension Charges	(100)	0	0	0	100
Contributions due under the pension scheme regulations	50	0	0	0	(50)
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	4,792	0	0	0	(4,792)
Total adjustments between accounting basis & funding basis under regulations	(5,169)	0	0	90	5,079

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 **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 **Domestic Violence Reserve** has been created from an underspend against the Commissioner's Community Fund budget in 2016/17, to be used to support work with partners which is aimed at tackling domestic abuse.

- The **NERSOU Reserve** represents Northumbria's share of the North East Regional Special Operations Unit (NERSOU) reserve.

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

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

Unusable Reserves:

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

The account contains accumulated gains and losses on investment properties. The account also contains revaluation gains accumulated on property, plant and equipment before 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 31/03/16 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31/03/17 £000
	Usable Reserves				
(15,443)	**General Reserve**	**0**	**3,578**	**3,578**	**(11,865)**
	Earmarked Reserves:				
(1,259)	Workforce Management Reserve	0	0	0	(1,259)
(3,000)	Insurance Reserve	0	0	0	(3,000)
0	Domestic Violence Reserve	(300)	0	(300)	(300)
(192)	External Funding Reserve	(99)	192	93	(99)
(5)	NERSOU Reserve	(388)	0	(388)	(393)
(4,456)	**Total Earmarked reserves**	(787)	192	(595)	(5,051)
0	Capital Receipts Reserve	(9,483)	6,193	(3,290)	(3,290)
(30)	Capital Grants Unapplied	(679)	30	(649)	(679)
(19,929)	**Total Usable Reserves**	**(10,949)**	**9,993**	**(956)**	**(20,885)**
	Unusable Reserves				
(34,444)	Revaluation Reserve	(8,411)	7,018	(1,393)	(35,837)
22,646	Capital Adjustment Account	(13,687)	18,313	4,626	27,272
(1,106)	Collection Fund Adjustment Account	(267)	0	(267)	(1,373)
(286)	Deferred Capital Receipts	(650)	89	(561)	(847)
99	Pensions Reserve	0	329	329	428
(13,091)	**Total Unusable Reserves**	**(23,015)**	**25,749**	**2,734**	**(10,357)**
(33,020)	**Total Reserves**	**(33,964)**	**35,742**	**1,778**	**(31,242)**

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

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

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

Other Operating Expenditure				
2015/16		**2016/17**		
Net Expenditure £000		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
528	(Gains) / Losses on Disposal of Property Plant & Equipment	268	0	268
0	(Gains) / Losses on Disposal of Assets Held for Sale	0	0	0
528	**Total Other Operating Expenditure**	268	0	268

Financing and Investment Income and Expenditure				
2015/16		**2016/17**		
Net Expenditure £000		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
3,460	Interest Payable and similar charges	3,132	0	3,132
(349)	Interest and Investment Income	0	(78)	(78)
(35)	Income & Expenditure in relation to Investment Properties	0	(45)	(45)
1	Pensions interest costs and expected return on assets	2	0	2
3,077	**Total Financing and Invesment Income and Expenditure**	3,134	(123)	3,011

Taxation and Non Specific Grant income				
			2016/17	
2015/16 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(110,758)	Home Office Grant	0	(110,127)	(110,127)
(107,987)	Ex - DCLG Formula Grant	0	(107,371)	(107,371)
(6,867)	Council Tax Support Grant	0	(6,867)	(6,867)
(912)	Council Tax Freeze Grant 11/12	0	(912)	(912)
(389)	Council Tax Freeze Grant 14/15	0	(389)	(389)
(33,278)	Proceeds of PCC Precepts	0	(35,748)	(35,748)
0	Receipts / payments to Police Pension Fund	57,409	(57,409)	0
(3,527)	Capital grants and contributions	0	(3,425)	(3,425)
(263,718)	**Total Taxation and Non Specific Grant Income**	**57,409**	**(322,248)**	**(264,839)**

11. Segmental Analysis

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

12. 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		
2015/16 £000		2016/17 £000
37	External Audit Services	37
37	**Net Cost**	**37**

13. Government and non-government grants and contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2016/17:

Government and non-government grants				
2015/16			2016/17	
Revenue £000	Capital £000		Revenue £000	Capital £000
		General Government Grant not attributable to Services		
110,758	0	Home Office Grant	110,127	0
107,987	0	Ex - DCLG Formula Grant	107,372	0
6,867	0	Council Tax Support Grant	6,867	0
912	0	Council Tax Freeze Grant 11/12	912	0
389	0	Council Tax Freeze Grant 14/15	389	0
53,025	0	Pension top-up grant	57,409	0
0	3,211	Capital Grant	0	2,730
279,938	**3,211**	**Total**	**283,076**	**2,730**
		Specific Government Grant attributable to Services		
1,957	0	Counter Terrorism Grants (including Dedicated Security Posts & Prevent)	4,347	363
126	0	Loan Charges Grant	151	0
1,590	0	Victim Services Grant	1,696	0
0	0	ISVA Grant	20	0
2,618	0	Innovation / Transformation Funding	4,622	0
6,291	**0**	**Total**	**10,836**	**363**
		Non-Government grant and contributions attributable to Services		
2,521	316	Other contributions	2,638	331
2,521	**316**	**Total**	**2,638**	**331**
288,749	**3,527**	**Total Government and Non-Government contributions recognised in the Comprehensive Income & Expenditure Statement**	**296,550**	**3,425**

14. Officers' Remuneration

Remuneration of the senior employees of the Commissioner is disclosed in the following tables:

Remuneration of Senior Employees 2016/17 - Commissioner						
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2016/17 £
Police and Crime Commissioner		85,000	404	**85,404**	11,560	**96,964**
Chief Executive & Monitoring Officer		80,310	0	**80,310**	10,849	**91,159**
Total		**165,310**	**404**	**165,714**	**22,409**	**188,123**

Chief Finance Officer

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

Remuneration of Senior Employees 2015/16 - Commissioner						
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2015/16 £
Police and Crime Commissioner		85,000	0	**85,000**	11,050	**96,050**
Chief Executive & Monitoring Officer		76,788	41	**76,828**	10,443	**87,272**
Total		**161,787**	**41**	**161,828**	**21,493**	**183,321**

15. Related Party Transactions

The Commissioner and senior officers are 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 2016/17, 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

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

Victims First Northumbria is an independent and free victim referral service, working closely with other partner agencies in order to provide specialist support and advice to victims of crime.

During 2016/17 the OPCC made a grant payment of £0.727 million to Victims First Northumbria under a Ministry of Justice Grant and a payment of £0.050 million from the Police Property Act Fund. The OPCC invoiced Victims First Northumbria for services provided during 2016/17 in relation to staff costs and professional services totalling £0.042 million.

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 10.

Other Public Bodies
Gateshead Council

Gateshead Council provides support services to the Commissioner of internal audit and treasury management. 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 £0.207 million in 2016/17 (£0.253 million in 2015/16).

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 in the following table:

Council Tax Precept				
	Total 2015/16 £000	Precept (in accordance with regulation) 2016/17 £000	Share of Surplus / (Deficit) at 31 March 2017 £000	Total £000
Gateshead Council	4,501	4,712	89	**4,801**
Newcastle City Council	5,574	5,948	149	**6,097**
North Tyneside Council	4,987	5,317	34	**5,351**
South Tyneside Council	3,320	3,519	40	**3,559**
Sunderland City Council	6,011	6,491	(64)	**6,427**
Northumberland County Council	8,885	9,495	18	**9,513**
	33,278	**35,482**	**266**	**35,748**

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. There is a requirement to disclose certain information within the accounts for the Chief Constable's material joint arrangements and on this basis the following disclosure is made for NERSOU which is classified as a Joint Operation:

North East Regional Special Operations Unit (NERSOU)

NERSOU Governance and Area of Business

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

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

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

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

Financing and Reserves

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

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

Force	Contribution
Northumbria	57.0%
Durham	20.9%
Cleveland	22.1%

The 2016/17 final outturn position for NERSOU was £6.087 million with Northumbria's share of the net cost being £3.470 million as set out below:

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

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

All three Forces have equal representation and rights to control under the Section 22A collaboration agreement. Under this Agreement assets purchased by a Force and provided for the use of NERSOU are held on the balance sheet of that Force. In addition assets funded through Home Office grants and other contributions are purchased by Northumbria and held for the exclusive benefit of NERSOU. The share of NERSOU assets attributable to Northumbria are held as Property, Plant and equipment (PPE) on the balance sheet of the

Police and Crime Commissioner Single Entity and Group accounts in line with the relevant Northumbria contribution rate.

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

The relative share of ownership is as follows:

Northumbria	37.5%
Durham	37.5%
Cleveland	25.0%

Reserves attributable to NERSOU are also held on the balance sheet of the Police and Crime Commissioner with the share of overall reserves for Northumbria being 57.0%, equating to £0.393 million as at 31 March 2017. The reserve balance relates to income received through the Asset Recovery Incentivisation Scheme (ARIS) which will be carried forward to be utilised in 2017/18, and the surplus generated on the revenue budget in 2016/17 which the NERSOU Joint Committee have also agreed will be carried forward to be used in 2017/18.

16. 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		
2015/16 £000		2016/17 £000
109,820	**Opening Capital Financing Requirement**	**107,118**
	Capital investment	
7,688	Property, Plant and Equipment	9,516
998	Intangible Assets	598
469	Revenue Funded from Capital Under Statute	336
	Sources of finance	
(3,449)	Capital receipts	(6,193)
(3,616)	Government grants and other contributions	(2,776)
(4,792)	Minimum Revenue Provision	(4,477)
107,118	**Closing Capital Financing Requirement**	**104,122**
	Explanation of movements in year	
(2,702)	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(2,996)

Capital Commitments

At 31 March 2017, the Commissioner has no material capital commitment outstanding.

17. (a) Non-current assets

Non-current assets movements	Land & Buildings	Vehicles, Plant & Equipment	Non Operational & Surplus	Assets Under Construction at Cost	Total Property, Plant & Equipment	Investment Property	Intangible Assets	Total Non-Current Asset
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
Balance as at 1 April 2015	**97,077**	**46,080**	**300**	**9**	**143,466**	**2,075**	**2,571**	**148,112**
Reclassifications	(17,616)	0	(300)	(9)	(17,925)	(545)	0	(18,470)
Additions	502	7,077	0	0	7,579	0	989	8,568
Disposals	(570)	(10,920)	0	0	(11,490)	(155)	(705)	(12,350)
Revaluation Increase / (Decrease) to:								
Revalution Reserve	(234)	0	0	0	(234)	65	0	(169)
Comprehensive I&E	(2,417)	0	0	0	(2,417)	0	0	(2,417)
Balance at 1 April 2016	**76,742**	**42,237**	**0**	**0**	**118,979**	**1,440**	**2,855**	**123,274**
Reclassifications	850	0	0	0	850	(1,100)	0	(250)
Additions	487	7,787	0	1,094	9,368	0	597	9,965
Disposals	0	(4,002)	0	0	(4,002)	0	(482)	(4,484)
Revaluation Increase / (Decrease) to:								
Revalution Reserve	6,956	0	0	0	6,956	0	0	6,956
Comprehensive I&E	(6,766)	0	0	0	(6,766)	(40)	0	(6,806)
Balance at 31 March 2017	**78,269**	**46,022**	**0**	**1,094**	**125,385**	**300**	**2,970**	**128,655**

Non-current assets movements (continued)	Land & Buildings	Vehicles, Plant & Equipment	Non Operational & Surplus	Assets Under Construction at Cost	Total Property, Plant & Equipment	Investment Property	Intangible Assets	Total Non-Current Asset
	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated depreciation and impairment								
Balance as at 1 April 2015	**(4,773)**	**(37,682)**	**(5)**	**0**	**(42,460)**	**0**	**(1,687)**	**(44,147)**
Reclassifications	2,341	0	5	0	2,346	0	0	2,346
Eliminated on disposals of assets	31	10,513	0	0	10,544	0	565	11,109
Eliminated on revaluation Increase / (Decrease) to:					0			0
Revalution Reserve	670	0	0	0	670	0	0	670
Revaluation Increase/(Decrease) to Comprehensive I&E	548	0	0	0	548	0	0	548
Depreciation	(1,443)	(5,464)	0	0	(6,907)	0	(402)	(7,309)
Balance as at 1 April 2016	**(2,626)**	**(32,633)**	**0**	**0**	**(35,259)**	**0**	**(1,524)**	**(36,783)**
Reclassifications	0	0	0	0	0	0	0	0
Eliminated on disposals of assets	0	3,891	0	0	3,891	0	312	4,203
Eliminated on revaluation:								
Depreciation written out to Revaluation Reserve	889	0	0	0	889	0	0	889
Depreciation written out to Comprehensive I&E	1,070	0	0	0	1,070	0	0	1,070
Depreciation	(1,369)	(6,580)	0	0	(7,949)	0	(446)	(8,395)
Balance at 31 March 2017	**(2,036)**	**(35,322)**	**0**	**0**	**(37,358)**	**0**	**(1,658)**	**(39,016)**
Net Book Value at 31/03/2016	**74,116**	**9,604**	**0**	**0**	**83,720**	**1,440**	**1,331**	**86,491**
Net Book Value at 31/03/2017	**76,233**	**10,700**	**0**	**1,094**	**88,027**	**300**	**1,312**	**89,639**

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 £10.000 million are valued annually.

Investment properties were valued using the IFRS13 Fair Value market approach which uses prices and other relevant information (inputs) generated by market transactions involving identical or comparable (similar) properties and applies the valuer's professional judgement in accordance with the RICS Valuation – Professional Standards 2014 published by the Royal Institute of Chartered Surveyors.

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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

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	Vehicles & Equipment	Surplus Assets	Assets Held For Sale	Investment Property	**Total Valuation**
	£000	£000	£000	£000	£000	**£000**
Valued at 1 April 2016	63,379	0	0	23,045	300	**86,724**
Valued at 1 April 2015	56,533	0	0	32,422	1,440	**90,395**
Valued at 1 April 2014	68,577	0	300	3,640	2,075	**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**

(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 2017 is £23.045 million (£32.422 million 2015/16). 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.

Assets held for sale are valued using the IFRS13 Fair Value market approach, which uses prices and other relevant information (inputs) generated by market transactions involving identical or comparable (similar) properties and applies the valuer’s professional judgement in accordance with the RICS Valuation – Professional Standards 2014 published by the Royal Institute of Chartered Surveyors.

The valuations of the Commissioners properties held for sale total £23.045 million and are categorised under Level 2 inputs in the fair value hierarchy. The following table provides a reconciliation of the movement in-year with comparative figures shown for the previous year:

Assets Held for Sale	2015/16	2016/17
Net Book Value	£000	£000
Balance as at 1 April	3,640	32,422
Reclassification of Property, Plant & Equipment	16,125	250
Additions	118	148
Disposals	(2,736)	(10,030)
Revaluation	15,275	255
Balance as at 31 March	**32,422**	**23,045**

18. 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 £1.778 million (2015/16 £1.740 million) in relation to the Commissioner's share of the local collection authorities' Council Tax provisions for bad debts.

Short-term Debtors		
31 March 2016 £000		**31 March 2017 £000**
16,645	Central government bodies	16,263
22	NHS bodies	70
7,147	Other local authorities	6,589
0	Public corporations and trading funds	102
1,224	Bodies external to general government	2,788
(1,768)	- Less bad debt provision	(1,810)
23,270		**24,002**

Long-term Debtors		
31 March 2016 £000		**31 March 2017 £000**
286	Sale of assets - deferred receipt	197
0	Other long-term debtor	60
286		**257**

19. Cash and cash equivalents

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

Cash and Cash Equivalents		
31 March 2016 £000		**31 March 2017 £000**
149	Cash held by officers	170
(1,854)	Bank current accounts	(774)
6,941	Short-term deposits with building societies	10,046
5,236	**Total cash and cash equivalents**	**9,442**

20. 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 2016 £000		**31 March 2017 £000**
0	Central government bodies	(13)
0	NHS bodies	(3)
(2,333)	Other local authorities	(2,274)
0	Public corporations and trading funds	0
(950)	Bodies external to general government	(3,727)
(3,283)		**(6,017)**
(4,398)	**Chief Constable**	(7,300)
(7,681)		**(13,317)**

Under IAS19 Employee Benefits, the Commissioner has a long-term liability in relation to future pension commitments. More details are provided in Note 23.

21. Provisions and contingent liabilities

Provisions

Provisions					
31 March 2016 £000		**Additional Provisions Made £000**	**Provisions Used £000**	**Reversals £000**	**31 March 2017 £000**
	Long-term provisions				
(2,151)	Insurance	(345)	816	0	(1,680)
(2,151)	**Total**	**(345)**	**816**	**0**	**(1,680)**

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 2017.

Contingent Liabilities

At 31 March 2017, the Police and Crime Commissioner has identified the following contingent liability:

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

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

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

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

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

The levy calculated in respect of the last payment (June 2016) represented the scheme administrator's best estimate of the sums required to cover MMI's liabilities. We therefore do not expect any further levy or need to make provision within our accounts at this time. Whilst a future levy is possible it is not probable and is therefore noted as a Contingent Liability in the 2016/17 Statement of Accounts.

22. Financial Instruments

a) Nature and Extent of Risk Arising from Financial Instruments

Key Risks

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

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

Procedures for Managing Risk arising from Financial Instruments

The Commissioner's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Commissioner to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Commissioner to manage risk in the following ways:

- Formally adopting the requirements of the CIPFA Treasury Management Code of practice;
- The adoption of a Treasury Policy Statement;
- Approving an investment strategy for the forthcoming year setting out her criteria for both investing and selecting investments counterparties in compliance with government guidance; and
- Approving annually in advance prudential indicators for the following year, setting limits and boundaries for the Commissioner's:
    - ❖ Overall borrowing;
    - ❖ Maximum and minimum exposure to fixed and variable rates;
    - ❖ Maximum and minimum exposures within the maturity structure of debt; and
    - ❖ Maximum annual exposures to investments maturing beyond a year.

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

Treasury Management services are provided by Gateshead Council as part of a Support Service Agreement under section 113 of the Local Government Act 1972. They discharge these duties in accordance with the Commissioners Treasury Policy Statement & Treasury Strategy that includes principles for overall risk management, interest rate risk, credit risk, credit rating standards and the control of investment of surplus cash through Treasury Management Practices (TMPs). The Commissioner also receives advice, information and credit ratings from expert Treasury Management consultants. The Joint Independent Audit Committee reviews the Annual Treasury Management Performance mid-year report, annual report and the four year Treasury Policy Statement & Treasury Strategy and recommends them for approval by the Police and Crime Commissioner.

Credit Risk

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

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

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

As at the 31 March 2017, £1.669 million (16.55%) of the Commissioner's deposits were held with a financial institution domiciled outside of the UK:

Deposits outside the UK				
	2015/16		2016/17	
Country of Domicile	£000	%	£000	%
Sweden	0,000	0.00	1,669	16.55

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	Net Value
	£000	£000	£000
Deposits with Financial Institutions	10,087	(44)	10,043
Trade Debtors	8,823	(31)	8,792

The debtors' balance represents the amount due to the Commissioner from customers. A bad debt provision of £0.031 million on trade debtors, (£0.028 million in 2015/16) is held on the Balance Sheet to provide against the risk of default on debt outstanding.

The trade debtor value of £8.792 million disclosed in the table above represents the group position. The PCC single entity element of trade debtors due is £8.707 million.

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		
	2015/16	2016/17
Rating	£000	£000
AAA	4,337	8,374
AA	0	1,669
AA-	0	0
A+	0	0
A	2,584	0
Total (excluding impaired investments)	**6,921**	**10,043**

Liquidity Risk

The Commissioner's liquidity position is managed through the risk management procedures above (the setting and approval of prudential and treasury indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the CIPFA Code of practice. This seeks to ensure that cash is available when needed.

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

At the 31 March 2017, all of the Commissioner’s £10.043 million deposits were due to mature within 364 days.

Refinancing and Maturity Risk

The Commissioner maintains a debt portfolio of £99.465 million and investment portfolio of £10.087 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’s approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

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

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

Maturity profile of financial liabilities				
Maturity Period	Approved limits %	as at 31 March 2016 %	Approved limits %	as at 31 March 2017 %
< 1 year	50.00	41.16	65.00	32.75
1 - 2 years	40.00	4.38	50.00	5.95
2 - 5 years	40.00	10.45	50.00	5.03
5 - 10 years	70.00	19.15	60.00	15.08
> 10 years	90.00	24.86	75.00	41.19

Market Risk

Interest rate risk – The Commissioner is exposed to interest rate movements on her borrowings and investments. Movements in interest rates have a complex impact on the

Commissioner, depending on how variable and fixed interest rates move across differing financial instrument periods.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowing will not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowing and investments will affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Commissioner is required to carry out a risk assessment on the impact of a change in interest rates on the surplus or deficit for the year. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal, maturity period etc. being held constant). The increase in interest rates will only affect the rate applied to variable rate borrowing and investments. However, as the Commissioner had no variable rate borrowing as at 31 March 2017, there was only exposure to interest rate sensitivity on variable rate investments. The results of this assessment are shown in the following table:

Analysis of 1% increase in interest rates	
	£000
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	(34)
Impact on the (Surplus)/Deficit	**(34)**
Decrease in the fair value of fixed rate investments	0
Decrease in the fair value of fixed rate borrowing	21,934

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

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

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

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	
	as at 31 March 2016 £000	as at 31 March 2017 £000	as at 31 March 2016 £000	as at 31 March 2017 £000
Financial Liabilities at amortised cost	(61,465)	(66,885)	(44,000)	(33,384)
Total Borrowing*	**(61,465)**	**(66,885)**	**(44,000)**	**(33,384)**
Loans and Receivables	0	0	6,941	10,059
Total Investments*	**0**	**0**	**6,941**	**10,059**
* 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 2016 £000	2017 £000
Source of Loan			
Public Works Loans Board	2.37%-9.75%	(67,314)	(67,233)
Other Loan Instruments	0.30%-3.52%	(38,151)	(33,036)
An Analysis of loans by maturity:			
Marturing within 1 year		(44,000)	(33,384)
Maturing within 1 - 2 years		(4,580)	(5,916)
Maturing within 2 - 5 years		(10,916)	(5,000)
Maturing within 5 - 10 years		(20,000)	(15,000)
Maturing in more than 10 years		(25,969)	(40,969)
Total Borrowing		**(105,465)**	**(100,269)**
Trade Creditors		(9,314)	(11,358)
Total Financial Liabilities		**(114,779)**	**(111,627)**

The trade creditor value of £11.358 million disclosed in the table above represents the group position. The PCC single entity element of trade creditors due is £3.788 million.

d) **Loans and Receivables**

No loans and receivables over 364 days were outstanding as at 31 March 2017 (there were none in 2015/16).

e) **Financial Instruments Gains and Losses**

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	2015/16 £000	2016/17 £000
Interest and Investment Income	(349)	(78)
Interest Payable and Similar Charges	3,460	3,132
Total	**3,111**	**3,054**

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

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

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

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

Fair Value of Assets and Liabilities				
	as at 31 March 2016		as at 31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB Debt	(67,314)	(81,941)	(67,233)	(85,919)
Non PWLB Debt	(38,151)	(38,426)	(33,036)	(33,446)
Total Financial Liabilities	**(105,465)**	**(120,367)**	**(100,269)**	**(119,365)**
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. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

There were no investments outstanding at 31 March 2017.

g) **Reconciliation of Loans and Receivables to Balance Sheet**

Loans and Receivables				
	Principal £000	Impairment £000	Accrued £000	Total £000
Short Term Investments				
Fixed Term Deposits	0	0	0	0
Impaired Investment	44	(44)	0	0
Total Short Term Investments	**44**	**(44)**	**0**	**0**
Short Term Deposits - (Cash Equivalents)	10,043	0	16	10,059
Total	**10,087**	**(44)**	**16**	**10,059**

23. Employee benefits

Post-employment benefits (pensions)

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

Defined Benefit Plan: Tyne and Wear Pension Fund

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

In 2016/17, the Commissioner paid £0.059 million to the Pension Fund in respect of pension contributions, representing 13.6% of pensionable pay compared to £0.050 million in 2015/16 (13.6% of pensionable pay).

The scheme is classified as a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 1 April 2014 are based on a Career Average Revalued Earnings scheme (CARE). Scheme benefits are accrued in accordance with the requirements of International Accounting Standard 19 Employee Benefits (IAS 19). IAS 19 accounts for retirement benefits when they are committed to be given, even if the actual payment is many years into the future. IAS 19 also includes the Commissioners attributable share of the fund’s assets and liabilities.

The last actuarial valuation was at 31 March 2016 and the contributions to be paid from 1 April 2017 until 31 March 2020, resulting from that valuation are set out in the Fund’s Rates and Adjustment Certificate.

The Fund Administering Authority, South Tyneside Council, is responsible for the governance of the Fund.

Assets

The assets allocated to the Commissioner in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the fund in relation to an employer’s liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole can be seen in the Analysis of Scheme Assets table in the disclosures below. Further information on the Tyne and Wear Pension Fund can be found in their Annual Report. 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.

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 2016 £m	Funded Liabilities as at 31 March 2017 £m
Within Cost of Service		
Current Service Cost	0.099	0.094
Past service cost (incl. curtailments)	0.000	0.000
Financing, Investment Income & Expenditure		
Interest on net defined benefit liability / (asset)	0.001	0.002
Pension expense recognised in CIES	**0.100**	**0.096**
Remeasurements in OCI		
Return on plan assets (in excess of) / below that recognised in net interest	0.003	(0.642)
Actuarial (gains) / losses due to change in financial assumptions	(0.017)	0.149
Actuarial (gains) / losses due to change in demographic assumptions	0.000	0.002
Actuarial (gains) / losses due to liability experience	0.000	0.783
Total Amount recognised in OCI	**(0.014)**	**0.292**
Total Amount charged to CIES	**0.086**	**0.388**

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 2016 £m	Funded Liabilities as at 31 March 2017 £m
Opening defined benefit obligation	**0.196**	**0.310**
Current service cost	0.099	0.094
Interest expense on defined benefit obligation	0.007	0.011
Contributions by participants	0.029	0.035
Actuarial (Gains) / Losses on liabilities - financial assumptions	(0.017)	0.149
Actuarial (Gains) / Losses on liabilities - demographic assumptions	0.000	0.002
Actuarial (Gains) / Losses on liabilities - experience	0.000	0.783
Net benefits paid out	(0.004)	(0.002)
Past service cost (incl. curtailments)		
Closing defined benefit obligation	**0.310**	**1.382**

Changes to the fair value of assets during the period	Funded Liabilities as at 31 March 2016 £m	Funded Liabilities as at 31 March 2017 £m
Opening fair value of assets	**0.133**	**0.211**
Interest income on assets	0.006	0.009
Remeasurement Gains / (Losses) on assets	(0.003)	0.642
Contributions by the employer	0.050	0.059
Contributions by participants	0.029	0.035
Net benefits paid out	(0.004)	(0.002)
Closing fair value of assets	**0.211**	**0.954**

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 2016 £m	31 March 2017 £m
Present value of defined benefit obligation (funded)	0.310	1.382
Asset / (Liability) recognised on the balance sheet (funded)	(0.099)	(0.428)
Fair value of assets	**0.211**	**0.954**

Scheme Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a gain of £0.651 million (£0.003 million in 2015/16).

Analysis of Scheme Assets

Asset	Asset split at 31 March 2016 (%)			Asset split at 31 March 2017 (%)
	Total	Quoted	Unquoted	Total
Equities	**66.1**	59.5	7.4	**66.9**
Property	**10.4**	0.0	9.2	**9.2**
Government bonds	**3.7**	3.9	0.0	**3.9**
Corporate bonds	**11.6**	11.5	0.0	**11.5**
Cash	**2.6**	2.6	0.0	**2.6**
Other*	**5.6**	3.5	2.4	**5.9**
	100.0	**81.0**	**19.0**	**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 £0.428 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 £m	2014/15 £m	2015/16 £m	2016/17 £m
Present value of the defined benefit obligation				
- Funded liabilities	(0.075)	(0.196)	(0.310)	(1.382)
- Unfunded liabilities	0.000	0.000	0.000	0.000
Fair value of fund assets	0.054	0.133	0.211	0.954
Surplus / (Deficit) in the scheme	**(0.021)**	**(0.063)**	**(0.099)**	**(0.428)**

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

Members	%
Actives	91
Deferred Pensioners	9
Pensioners	0

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projection unit credit 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 2016.

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 26.8 years for the 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 2017.

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

Principal financial and actuarial assumptions		
	Funded Liabilities	
	2015/16	**2016/17**
Financial assumptions (% per annum)		
Discount Rate	3.5	2.5
Rate of Inflation (CPI)	1.8	2.0
Rate of Inflation (RPI)	2.9	3.1
Rate of increase in salaries	3.3	3.5
Rate of increase to pensions in payment	1.8	2.0
Pension accounts revaluation rate	1.8	2.0
Mortality assumptions		
Future lifetime from age 65 (aged 65 at accounting date)		
Men	23.2	22.8
Women	24.8	26.3
Future lifetime from age 65 (aged 45 at accounting date)		
Men	25.3	25.0
Women	27.1	28.6

Commutations	
Year ended 31 March 2017	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.
Year ended 31 March 2016	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.

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

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2017 and the projected service cost for the year ending 31 March 2017. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Sensitivity to main assumptions (Funded Liabilities)			
Discount rate assumption	**Adjustment to Rate**		
Adjustment to discount rate	**+0.1% p.a**	Base Figure	**-0.1% p.a**
Present value of total obligation (£M)	1.345	1.382	1.420
Change in present value of total obligation	-2.6%		2.7%
Projected service cost (£M)	0.138	0.143	0.148
Approximate change in projected service cost	-3.2%		3.3%
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)	1.396	1.382	1.368
Change in present value of total obligation	1.0%		-1.0%
Projected service cost (£M)	0.143	0.143	0.143
Approximate change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	**Adjustment to Rate**		
Adjustment to pension increase rate	**+0.1% p.a**	Base Figure	**-0.1% p.a**
Present value of total obligation (£M)	1.405	1.382	1.360
Change in present value of total obligation	1.7%		-1.6%
Projected service cost (£M)	0.148	0.143	0.138
Approximate change in projected service cost	3.3%		-3.2%
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)	1.423	1.382	1.341
Change in present value of total obligation	3.0%		-2.9%
Projected service cost (£M)	0.148	0.143	0.138
Approximate change in projected service cost	3.7%		-3.7%

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

Expected Future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Commissioner for the accounting period to 31 March 2018 are estimated to be £0.076 million.

24. Trust Funds

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

Trust Funds		
2015/16		2016/17
£000		£000
(57)	Northumbria Police Authority charities	(37)
(748)	Proceeds of Crime Act 2002	(608)
(805)		**(645)**

25. Innovation Fund and Transformation Fund Grants

The Police Innovation Fund allows PCCs to bid for funding intended to support initiatives that improve policing and deliver future efficiencies with the key aims to:

- Transform Policing
- Prevent Crime
- Protect Vulnerable People

The Police Transformation Fund provides PCCs with the opportunity to bid for funding intended to transform policing for the future and to respond to the changing nature of crime.

The Commissioner received Innovation funding from the Home Office totalling £3.808 million and Transformation funding of £0.814 million in 2016/17 in support of the following projects / schemes:

Domestic Abuse Perpetrator Intervention - developing programmes to prevent further perpetrator offending, improving victim safety and confidence, improving partnership arrangements and criminal justice outcomes.

Sanctuary - multi-agency working between Police, Local Authorities, Social Services and third sector organisations, establishing community based hubs with a victim-based approach to tackle Child Sexual Exploitation (CSE), vulnerability and modern day slavery.

Safeguarding of Serial Victims - identifying and safeguarding serial victims of domestic abuse. Working with partner agencies to provide support to high risk individuals, access to specialist agencies and support workers who specialise in safeguarding and mental health issues, breaking the cycle of victimisation.

Remote Evidence - supporting children and vulnerable adults who are required to give evidence in criminal proceedings. Facilitating a remote evidence process which is victim focused, given from reassuring surroundings, achieving best evidence whilst protecting the integrity of the evidential process.

Safetyworks! - an innovative, multi-agency safety centre founded on strong collaborative working between partners. The centre provides an interactive educational experience enabling visitors to participate safely in realistic situations, illustrating everyday hazards and how to avoid them, and highlighting the potential harm of risk-taking behaviour. Enhanced collaborative working with Northumbria Police to further develop the centre, broaden its remit, increase capacity and deal with emerging risks and threats to society. The project aims include supporting young people in protecting themselves from 21st century threats such as online grooming and Child Sexual Exploitation (CSE).

Multi Agency Hub for Safeguarding and Engagement of Sex Workers - the first in the UK, supporting the strategic aim to put victims first ensuring they receive a service specific to their needs. The scheme increases opportunities for intelligence collection and engagement which assist in targeting perpetrators, with aims of reducing re-offending and affording better protection to the wider community.

Polygraph and Eye Detection Testing of Sexual Offenders - to assist in the management of registered sex offenders, better assessing and reducing the risks of harm, providing improved public protection by managing the risk posed to the public by pre- and post-conviction sexual offenders.

Domestic Abuse: A Whole System Approach - a multi-force / agency scheme building new capabilities that transform service provision to prevent and reduce demand within a service wide, multi-partnership approach. Focused on the need for prevention, early intervention, effective engagement with victims and meaningful consequences for perpetrators, it provides victims and their children with early and on-going ‘wrap around’ support from both the police and key partner agencies.

26. Ministry Of Justice Grant

In 2016/17 the Police and Crime Commissioner received a grant from the Ministry of Justice (MOJ) to be used for local commissioning of Victims’ Support Services (including Restorative Justice Services). The total grant allocated to the Commissioner for 2016/17 was £1.696 million. The grant was fully utilised during the year to provide funding to organisations providing vital services to victims of crime in the Northumbria area. The following table sets out all payments made from the MOJ grant during the 2016/17 financial year:

Organisation / Project	Grant 2016/17 £000
Acorns	20
Apna Ghar	10
Back on Track NE	9
Barnados - Circles	37
Bright Futures	10
Children North East	54
City of Sunderland Council - Op Encompass	3
Community Counselling Cooperative LTD	11
Cygnus Support	32
DVSA Pilot Car Project	18
Impact Family Services/ Harbour Family Services / NDAS/Victim Support	
ICOS (International Community Organisation of Sunderland	10
LD: North East	14
Newcastle Law Centre	43
Newcastle Society for Blind People	6
North Tyneside Council - Operation Encompass	2
North Tyneside Disability Forum	10
Northumberland Domestic Abuse Services (NDAS)	60
Rape Crisis Tyneside & Northumberland	74
Regional Refugee Forum North East	14
Safe Newcastle	16
Someone Cares	44
Streetwise Young People's Project	34
The Angelou Centre	79
The Children's Society	56
The Riverside Community Health Project	8
Trinity Youth Association	2
Tyneside and Northumberland MIND	77
Victims First Northumbria	727
Victims Support - DVSA Project	69
Wearside Women in Need- DVSA Project	54
West End Schools Trust	24
West End Women and Girls Centre	50
Womens Health in South Tyneside	19
	1,696

27. Restatement of 2015/16

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

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

Police Services – represents income and specific grants attributed to policing services;

Policing Funds (managed by the PCC) – represents income relating to specific funds such as Innovation, Transformation and the Night Time Economy, the costs of which are attributed to policing and shown in the Chief Constable single entity accounts;

Office of the Police and Crime Commissioner – the costs of the Commissioner's Office and including the Commissioner's Community Fund;

Capital Financing – income shown under this line is attributable to a specific grant relating to loan charges;

PCC Commissioning of Victim Services – specific fund allocated to the Commissioner for the commissioning of victim services; and

PCC Financing of Police Services – this line represents the intra-group charge for policing services.

The new Expenditure and Funding Analysis at Note 1 to the accounts provides further explanation and reconciliation between the funded financial position of the Commissioner and the net expenditure by service line in the Comprehensive Income and Expenditure Statement.

28. Events after the Reporting Period

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

29. Authorisation of accounts for issue

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

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 2016/17 - Group

	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 2016		**(15,443)**	**(4,456)**	**0**	**(30)**	**(19,929)**	**3,177,500**	**3,157,571**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure		**135,138**	**0**	**0**	**0**	**135,138**	**613,547**	**748,685**
Adjustments between accounting basis & funding basis under regulations	4(b)	(132,155)	0	(3,290)	(649)	(136,094)	136,094	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**2,983**	**0**	**(3,290)**	**(649)**	**(956)**	**749,641**	**748,685**
Transfers To / From Earmarked Reserves	4(c)	595	(595)	0	0	0	0	0
(Increase) or Decrease in Year		**3,578**	**(595)**	**(3,290)**	**(649)**	**(956)**	**749,641**	**748,685**
Balance as at 31 March 2017		**(11,865)**	**(5,051)**	**(3,290)**	**(679)**	**(20,885)**	**3,927,141**	**3,906,256**

Movement in Reserves Statement 2015/16 - Group

	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 2015		**(21,786)**	**(5,611)**	**0**	**(120)**	**(27,517)**	**3,708,652**	**3,681,135**
Movement in reserves during 2015/16								
Total Comprehensive Income and Expenditure		**163,248**	**0**	**0**	**0**	**163,248**	**(686,812)**	**(523,564)**
Adjustments between accounting basis & funding basis under regulations	4(b)	(155,750)	0	0	90	(155,660)	155,660	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**7,498**	**0**	**0**	**90**	**7,588**	**(531,152)**	**(523,564)**
Transfers To / From Earmarked Reserves	4(c)	(1,155)	1,155	0	0	0	0	0
(Increase) or Decrease in Year		**6,343**	**1,155**	**0**	**90**	**7,588**	**(531,152)**	**(523,564)**
Balance as at 31 March 2016		**(15,443)**	**(4,456)**	**0**	**(30)**	**(19,929)**	**3,177,500**	**3,157,571**

Comprehensive Income and Expenditure Statement - Group

2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000	Service Expenditure Analysis	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	Notes
315,167	(14,406)	300,761	Police Services	300,209	(16,604)	283,605	
2,780	(2,780)	0	Policing Funds (managed by the PCC)	4,835	(4,835)	0	
1,576	0	1,576	Office of the Police and Crime Commissioner	1,294	0	1,294	
0	(126)	(126)	Capital Financing	0	(151)	(151)	
1,590	(1,590)	0	PCC Commissioning of Victim Services	1,696	(1,696)	0	
321,113	**(18,902)**	**302,211**	**Net Cost of Services**	**308,034**	**(23,286)**	**284,748**	
		528	Other Operating Expenditure			268	
		124,227	Financing and Investment Income and Expenditure			114,961	
		(263,718)	Taxation and Non-Specific Grant Income			(264,839)	
		163,248	**(Surplus) or Deficit on Provision of Services**			**135,138**	
		(19,414)	(Surplus) or Deficit on revaluation of non-current assets			(8,411)	4(a)
		(667,398)	Re-measurements of the net defined pension benefit liability			621,958	4(a)
		(686,812)	**Other Comprehensive Income and Expenditure**			**613,547**	4(a)
		(523,564)	**Total Comprehensive Income and Expenditure**			**748,685**	

Balance Sheet – Group

31 March 2016 £000		31 March 2017 £000	Notes
83,720	Property, plant & equipment	88,027	
1,440	Investment property	300	
1,331	Intangible assets	1,312	
286	Long-term debtors	257	
86,777	**Long-term assets**	**89,896**	
32,422	Assets held for sale	23,045	
711	Inventories	551	
33,382	Short-term debtors	33,316	7
7,090	Cash and cash equivalents	10,216	
73,605	**Current Assets**	**67,128**	
(1,854)	Bank overdraft	(774)	
(44,000)	Short-term borrowing	(33,384)	
0	Short term provision	(2,150)	9
(27,227)	Short-term creditors	(29,952)	8
(73,081)	**Current Liabilities**	**(66,260)**	
(2,151)	Long-term provisions	(1,680)	9
(61,465)	Long-term borrowing	(66,885)	
(3,181,256)	Other long-term liabilities (pensions)	(3,928,455)	
(3,244,872)	**Long-Term Liabilities**	**(3,997,020)**	
(3,157,571)	**Net Assets**	**(3,906,256)**	
(19,929)	**Total usable reserves**	**(20,885)**	4(c)
3,177,500	**Total unusable reserves**	**3,927,141**	4(c)
3,157,571	**Total Reserves**	**3,906,256**	

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

Signed: MJ Tait

Dated: 19/9/17

Mike Tait BSc (Econ) CPFA
Treasurer

Cash Flow Statement - Group

2015/16 £000		2016/17 £000
163,248	**(Surplus) or deficit on the provision of services**	**135,138**
	Adjustments to surplus or deficit on the provision of service for non-cash movements:	
(6,907)	Depreciation of non-current assets	(7,949)
(5,506)	Revaluation / Impairment of Non Current Assets	(6,048)
(402)	Amortisation of intangible non-current assets	(446)
(149,876)	Pension adjustments	(125,241)
(88)	(Increase) / Decrease in impairment for provision for bad debts	578
159	Contributions to provisions	(1,679)
(3,976)	Carrying amount of PP&E, investment property and intangible assets sold	(10,313)
(1,617)	Other non-cash movement	(135)
(168,213)		(151,233)
	Accruals Adjustments:	
19	(Decrease) / Increase in inventories	(160)
(4,842)	(Decrease) / Increase in debtors	(754)
1	(Decrease) / Increase in interest debtors	(16)
11,216	Decrease / (Increase) in creditors	(2,455)
33	Decrease / (Increase) in interest creditors	196
6,427		(3,190)
	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities:	
3,949	Proceeds from the disposal of PP&E, investment property and intangible assets	10,229
3,527	Capital grants credited to surplus or deficit on the provision of services	3,425
0	Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities	0
7,476		13,654
	Reversal of operating activity items included in the net surplus or deficit on the provision of service that are shown separately below:	
(3,323)	Reversals of amounts disclosed separately below	(3,054)
	Cash Flows from Operating Activities includes the following items:	
3,427	Interest paid	3,328
(136)	Interest received	(95)
3,291		3,233
8,906	**Net cash flows from operating activities**	(5,451)
	Net Cash Flows from Investing Activities:	
8,417	Purchase of PP&E, investment property and intangible assets	9,551
48,700	Purchase of short term and long term investments	40,006
469	Other payments for investing activities	336
(3,949)	Proceeds from the sale of PP&E, investment property and intangible assets	(9,579)
(47,711)	Proceeds from the sale of short term and long term investments	(41,206)
(2,463)	Capital Grants Received (government)	(2,531)
(316)	Capital Grants Received (non-government)	(332)
3,147	**Net cash flows from investing activities**	(3,755)
	Net cash flows from Financing Activities:	
(49,000)	Cash receipts of short and long term borrowing	(75,000)
40,832	Repayment of short and long term borrowings	80,000
(8,168)	**Net cash flows from financing activities**	5,000
3,885	**Net (Increase) / Decrease in cash and cash equivalents**	(4,206)
9,121	**Cash and cash equivalents at the beginning of the period**	**5,236**
5,236	**Cash and cash equivalents at the end of the period**	**9,442**

Notes to the Group's Financial Statements

Notes for the Commissioner's Accounts are set out on pages 37 to 96. The following are provided for areas where different notes apply to the Group's financial statements.

1. Expenditure and Funding Analysis (EFA)

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

Expenditure and Funding Analysis - Group

2015/16 Net Expenditure Chargeable to the General Fund £000	2015/16 Adjustments between Funding and Accounting Basis £000	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Service Expenditure Analysis	2016/17 Net Expenditure Chargeable to the General Fund £000	2016/17 Adjustments between Funding and Accounting Basis £000	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Notes
257,878	42,883	**300,761**	Police Services	255,257	28,348	**283,605**	
0	0	**0**	Policing Funds (managed by the PCC)	0	0	**0**	
1,660	(84)	**1,576**	Office of the Police and Crime Commissioner	1,493	(199)	**1,294**	
7,777	(7,903)	**(126)**	Capital Financing	7,380	(7,531)	**(151)**	
0	0	**0**	Commissioning of Victim Services	0	0	**0**	
267,315	**34,896**	**302,211**	**Net Cost of Services**	**264,130**	**20,618**	**284,748**	
(259,817)	120,854	(138,963)	Other Income and Expenditure	(261,147)	111,537	(149,610)	
7,498	**155,750**	**163,248**	**(Surplus) or Deficit on Provision of Services**	**2,983**	**132,155**	**135,138**	
(27,397)			**Opening General Fund Balance at 31 March**	**(19,899)**			
7,498			Less: Deficit on General Fund in Year	2,983			
(19,899)			**Closing General Fund Balance at 31 March**	**(16,916)**			

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

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

2016/17 Adjustments between funding and accounting basis - Group						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Council Tax £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	0	13,254	37	0	15,057	28,348
Policing Funds (managed by the PCC)	0	0	0	0	0	0
Office of the Police and Crime Commissioner	14,778	35	0	0	(15,012)	(199)
Capital Financing	(4,477)	0	0	0	(3,054)	(7,531)
Commissioning of Victim Services	0	0	0	0	0	0
Net Cost of Services	**10,301**	**13,289**	**37**	**0**	**(3,009)**	**20,618**
Other Income and Expenditure	(3,157)	111,952	0	(267)	3,009	111,537
(Surplus) or Deficit on Provision of Services	**7,144**	**125,241**	**37**	**(267)**	**0**	**132,155**

2015/16 Adjustments between funding and accounting basis - Group						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Accumulated Absence £000	Council Tax £000	Adjustments between Service Lines £000	Total Adjustments £000
Police Services	0	28,676	755	0	13,452	42,883
Policing Funds (managed by the PCC)	0	0	0	0	0	0
Office of the Police and Crime Commissioner	13,284	49	0	0	(13,417)	(84)
Capital Financing	(4,792)	0	0	0	(3,111)	(7,903)
Commissioning of Victim Services	0	0	0	0	0	0
Net Cost of Services	**8,492**	**28,725**	**755**	**0**	**(3,076)**	**34,896**
Other Income and Expenditure	(2,999)	121,151	0	(374)	3,076	120,854
(Surplus) or Deficit on Provision of Services	**5,493**	**149,876**	**755**	**(374)**	**0**	**155,750**

b) Note to the EFA - Segmental Income

The EFA presents net expenditure chargeable to the general fund based on reportable segments. Income included within the net position is shown below on a segmental basis. Income presented here represents interest and investment income and revenues from external customers.

Segmental Income		
Income received on a segmental basis is analysed below:	**Income from services 2015/16** £000	**Income from services 2016/17** £000
Police Services	(8,564)	(7,762)
Capital Financing	(349)	(78)
Total income analysed on a segmental basis	**(8,913)**	**(7,840)**

2. Expenditure and Income Analysed by Nature

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

Expenditure and Income Analysed by Nature - Group

Expenditure / Income	2015/16 £000	2016/17 £000
Expenditure		
Employee benefits expenses	266,718	250,013
Other employee expenses	1,189	3,800
Premises	9,955	9,402
Transport	4,073	4,014
Supplies and services	20,485	20,844
Third party payments	5,409	5,183
Depreciation, amortisation and impairment	12,815	14,442
Other capital charges	469	336
Loss on disposal of property, plant and equipment	528	268
Interest payments	3,460	3,132
Police pension fund deficit - payment to pension fund	53,025	57,409
Interest on the net defined benefit pension liability	121,151	111,952
Total Expenditure	**499,277**	**480,795**
Income		
Fees, charges and other service income	(4,943)	(4,090)
Recharge receipts	(3,586)	(3,627)
Other operating Income	(1,725)	(2,088)
Revenue grants and contributions	(8,648)	(13,481)
Interest and investment income	(173)	(123)
Dividends receivable	(211)	0
Income from Council Tax	(33,278)	(35,748)
Police Grant income	(226,914)	(225,666)
Police pension fund deficit - grant income	(53,025)	(57,409)
Capital Grants and Contributions	(3,526)	(3,425)
Total Income	**(336,029)**	**(345,657)**
(Surplus) or Deficit on the Provision of Services	**163,248**	**135,138**

3. Accounting Policies

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

4. 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 2015/16 and 2016/17:

Other Comprehensive Income & Expenditure		
2015/16 Unusable Reserves £000		**2016/17 Unusable Reserves £000**
(19,414)	Surplus or deficit on revaluation of non current assets	(8,411)
(667,398)	Re-measurements of the net defined benefit pension liability	621,958
(686,812)	**Total Other Comprehensive Income and Expenditure**	613,547

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 2016/17					
	2016/17 movements				
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(13,997)	0	0	0	13,997
Amortisation of intangible assets	(445)	0	0	0	445
Revenue Expenditure Funded from Capital under Statute	(336)	0	0	0	336
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,425	0	0	(649)	(2,776)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(268)		(9,483)	0	9,751
Capital Expenditure Financed from Unapplied Capital Receipts	0	0	6,193	0	(6,193)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	267	0	0	0	(267)
Reversal of IAS 19 Pension Charges	(167,216)	0	0	0	167,216
Contributions due under the pension scheme regulations	41,975	0	0	0	(41,975)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(37)	0	0	0	37
Revenue provision for the repayment of debt	4,477	0	0	0	(4,477)
Total adjustments between accounting basis & funding basis under regulations	(132,155)	0	(3,290)	(649)	136,094

Adjustments between accounting basis & funding basis under regulations 2015/16					
	2015/16 movements				
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(12,413)	0	0	0	12,413
Amortisation of intangible assets	(402)	0	0	0	402
Revenue Expenditure Funded from Capital under Statute	(469)	0	0	0	469
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	3,527	0	0	90	(3,617)
Capital Expenditure charged in the year to the General Fund	0	0	0	0	0
Net Gain/Loss on sale of non-current assets	(528)	0	(3,448)	0	3,976
Capital Expenditure Financed from Unapplied Capital Receipts	0	0	3,448	0	(3,448)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	374	0	0	0	(374)
Reversal of IAS 19 Pension Charges	(192,475)	0	0	0	192,475
Contributions due under the pension scheme regulations	42,599	0	0	0	(42,599)
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	(755)	0	0	0	755
Revenue provision for the repayment of debt	4,792	0	0	0	(4,792)
Total adjustments between accounting basis & funding basis under regulations	(155,750)	0	0	90	155,660

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 9 (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 31/03/16 £000		Transfers to reserve £000	Transfers from reserve £000	**Total movement on reserve £000**	**Balance as at 31/03/17 £000**
	Usable Reserves				
(15,443)	**General Reserve**	**0**	**3,578**	**3,578**	**(11,865)**
	Earmarked Reserves:				
(1,259)	Workforce Management Reserve	0	0	0	(1,259)
(3,000)	Insurance Reserve	0	0	0	(3,000)
0	Domestic Violence Reserve	(300)	0	(300)	(300)
(192)	External Funding Reserve	(99)	192	93	(99)
(5)	NERSOU Reserve	(388)	0	(388)	(393)
(4,456)	**Total Earmarked reserves**	(787)	192	(595)	(5,051)
0	Capital Receipts Reserve	(9,483)	6,193	(3,290)	(3,290)
(30)	Capital Grants Unapplied	(679)	30	(649)	(679)
(19,929)	**Total Usable Reserves**	**(10,949)**	**9,993**	**(956)**	**(20,885)**
	Unusable Reserves				
(34,444)	Revaluation Reserve	(8,411)	7,018	(1,393)	(35,837)
22,646	Capital Adjustment Account	(13,687)	18,313	4,626	27,272
(1,106)	Collection Fund Adjustment Account	(267)	0	(267)	(1,373)
(286)	Deferred Capital Receipts	(650)	89	(561)	(847)
9,434	Accumulated Absences Account	0	37	37	9,471
3,181,256	Pensions Reserve	0	747,199	747,199	3,928,455
3,177,500	**Total Unusable Reserves**	**(23,015)**	**772,656**	**749,641**	**3,927,141**
3,157,571	**Total Reserves**	**(33,964)**	**782,649**	**748,685**	**3,906,256**

5. 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		
2015/16		**2016/17**
£000		**£000**
56	External Audit Services	56
56	**Net Cost**	**56**

6. 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 2016/17and the equivalent disclosure for 2015/16.

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

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

The following table shows the total number and cost of exit packages for which the Police and Crime Commissioner Group became demonstrably committed to during the year ending 31 March 2017. The number of voluntary redundancies includes early retirements.

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

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

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

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

Remuneration of Senior Employees 2016/17						
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2016/17 £
Chief Constable - Steve Ashman		167,970	4,487	**172,457**	39,419	**211,876**
Deputy Chief Constable - A		138,867	5,205	**144,072**	32,522	**176,594**
Assistant Chief Constable - C		107,496	5,291	**112,787**	24,764	**137,551**
Assistant Chief Constable - D	1	70,175	5,349	**75,524**	16,297	**91,821**
Assistant Chief Constable - G	2	37,340	0	**37,340**	6,838	**44,178**
Director of Finance & ICT (Chief Finance Officer)		103,122	0	**103,122**	14,025	**117,147**
Director of Human Resources	3	65,986	276	**66,262**	8,847	**75,109**
Director of Asset Management	4	57,332	0	**57,332**	7,756	**65,088**
Police and Crime Commissioner		85,000	404	**85,404**	11,560	**96,964**
Chief Executive & Monitoring Officer		80,310	0	**80,310**	10,849	**91,159**
Total		**913,598**	**21,012**	**934,610**	**172,877**	**1,107,487**

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

Note 1: Assistant Chief Constable – D in post to 13th Nov 2016
Note 2: Assistant Chief Constable – G started in post on 28th Nov 2016
Note 3: Director of Human Resources – senior management structural changes effective from 15th July 2016
Note 4: Director of Asset Management – senior management structural changes effective from 15th July 2016

Remuneration of Senior Employees 2015/16						
		Salary (Including fees & allowances)	Benefits in Kind	Total remuneration excluding pension contributions	Pension contributions	Total Remuneration 2015/16
		£	£	£	£	£
Post holder information	**Notes**					
Chief Constable - Steve Ashman	**1**	137,811	4,417	**142,228**	32,333	**174,561**
Chief Constable - Sue Sim	**2**	29,981	1,632	**31,613**	0	**31,613**
Deputy Chief Constable - A	**3**	115,846	3,623	**119,469**	27,248	**146,717**
Deputy Chief Constable - B	**4**	23,922	849	**24,771**	5,613	**30,384**
Assistant Chief Constable - C	**5**	24,484	851	**25,335**	1,280	**26,615**
Assistant Chief Constable - D		109,368	7,082	**116,450**	25,429	**141,879**
Assistant Chief Constable - E	**6**	68,108	665	**68,773**	13,449	**82,222**
Assistant Chief Constable - F	**7**	10,622	347	**10,969**	2,345	**13,314**
Assistant Chief Officer, Corporate Services	**8**	94,984	5,749	**100,733**	235,906	**336,639**
Director of Finance (Chief Finance Officer)		86,350	0	**86,350**	11,744	**98,093**
Police and Crime Commissioner		85,000	0	**85,000**	11,050	**96,050**
Chief Executive & Monitoring Officer		76,788	41	**76,828**	10,443	**87,272**
Total		**863,263**	**25,256**	**888,519**	**376,840**	**1,265,358**

Note 1: Chief Constable – Steve Ashman started in post on 04 June 2015
Note 2: Chief Constable – Sue Sim in post to 03 June 2015
Note 3: Deputy Chief Constable – A started in post on 08 May 2015
Note 4: Deputy Chief Constable – B in post to 03 June 2015
Note 5: Assistant Chief Constable – C started in post on 04 January 2016
Note 6: Assistant Chief Constable – E started in post on 08 May 2015 to 10 Jan 2016
Note 7: Assistant Chief Constable – F in post to 07 May 2015
Note 8: Assistant Chief Officer, Corporate Services - in post to 20 February 2016.
The pension contributions include a £222,988 cost for the early release of pension benefits.

7. Debtors

These amounts represent sums due from a number of sources, such as other local authorities and government departments. Short-term debtors may also include payments in advance, such as invoices spanning financial periods. A material debtor included in the balance is the Police Pension Fund top-up payment due from Central government which is £9.607m in 2016/17 (£12.702m in 2015/16).

The bad debt provision includes £1.678 million (2015/16 £1.740 million) in relation to the Group's share of the local collection authorities' Council Tax provisions for bad debts.

Short–term Debtors		
31 March 2016 £000		**31 March 2017 £000**
16,744	Central government bodies	16,307
22	NHS bodies	70
7,147	Other local authorities	6,589
74	Public corporations and trading funds	102
11,163	Bodies external to general government	12,058
(1,768)	- Less bad debt provision	(1,810)
33,382		**33,316**

Long-term Debtors		
31 March 2016 £000		**31 March 2017 £000**
286	Sale of assets - deferred receipt	197
0	Other long-term debtor	60
286		**257**

8. Creditors

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

Short Term Creditors		
31 March 2016 £000		**31 March 2017 £000**
(4,354)	Central government bodies	(5,312)
(262)	NHS bodies	(3)
(4,307)	Other local authorities	(4,262)
(131)	Public corporations and trading funds	(172)
(18,173)	Bodies external to general government	(20,203)
(27,227)		**(29,952)**

Under International Accounting Standard 19, the Group has a long-term liability in relation to future pension commitments. More detail is provided in Note 10.

9. Provisions and Contingent liabilities

Provisions

Provisions					
31 March 2016 £000		Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2017 £000
	Long-term provisions				
(2,151)	Insurance	(345)	816	0	(1,680)
	Short-term provisions				
0	Employee remuneration	(2,150)	0	0	(2,150)
(2,151)	**Total**	**(2,495)**	**816**	**0**	**(3,830)**

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 2017.

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

Contingent Liabilities

At 31 March 2017, the Police and Crime Commissioner Group has identified the following contingent liabilities:

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

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

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

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

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

The levy calculated in respect of the last payment (June 2016) represented the scheme administrator's best estimate of the sums required to cover MMI's liabilities. We therefore do not expect any further levy or need to make provision within our accounts at this time. Whilst a future levy is possible it is not probable, and is therefore noted as a Contingent Liability in the 2016/17 Statement of Accounts.

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

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

  The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 accounting statements.

- Employee remuneration - A provision has been made in relation to a number of claims that have been received from serving and retired officers in relation to past service under police regulations. The claims are in relation to a number of officers that worked in a specialist area and at this time each case is subject to legal review. A contingent liability is also disclosed here in relation to other remuneration issues and in particular the potential for further claims to be submitted over and above those included within the provision calculated at 31 March 2017.

10. 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	
2015/16 £000		**2016/17 £000**
9,434	Police Services	9,471
9,434	**Total employee benefits accrued at the Balance Sheet date**	**9,471**

Post-employment benefits (pensions)

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

a) Defined Benefit Plan: Tyne and Wear Pension Fund

The Tyne and Wear Pension Fund (the “Fund”) is a Local Government Pension Scheme (LGPS) administered by South Tyneside Council. This is a funded scheme, meaning that the 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 2016/17, the Group paid £7.370 million to the Pension Fund in respect of pension contributions, with standard contributions representing 13.6% of pensionable pay compared to £7.770 million in 2015/16 (13.6% of pensionable pay).

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

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

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

Assets

The assets allocated to the Group in the Fund are notional and are assumed to be invested in line with the investments of the Fund, for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the fund in relation to an employer’s liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole can be seen in the Analysis of Scheme Assets table in the disclosures below. Further information on the Tyne and Wear Pension Fund can be found in their Annual Report. This is available from South Tyneside Council’s website.

Transactions relating to retirement benefits

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

Charges to Comprehensive Income and Expenditure Statement				
	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31 March	
	2016	2017	2016	2017
	£m	£m	£m	£m
Within Cost of Service				
Current Service Cost	9.23	9.13	0.00	0.00
Past service cost (incl. curtailments)	0.45	0.04	0.00	0.00
Financing, Investment Income & Expenditure				
Interest on net defined benefit Liability / (Asset)	2.93	2.59	0.11	0.12
Pension expense recognised in CIES	**12.61**	**11.77**	**0.11**	**0.12**
Remeasurements in OCI				
Return on plan assets (in excess of) / below that recognised in net interest	3.84	(46.94)	0.00	0.00
Actuarial (Gains) / Losses due to change in financial assumptions	(21.13)	86.76	(0.15)	0.41
Actuarial (Gains) / Losses due to change in demographic assumptions	0.00	0.11	0.00	0.13
Actuarial (Gains) / Losses due to liability experience	(2.87)	(5.22)	(0.06)	(0.02)
Total Amount recognised in OCI	**(20.15)**	**34.71**	**(0.21)**	**0.52**
Total Amount charged to CIES	**(7.54)**	**46.48**	**(0.10)**	**0.64**

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	
	2016	2017	2016	2017
	£m	£m	£m	£m
Opening defined benefit obligation	**326.32**	**317.01**	**3.75**	**3.42**
Current service cost	9.23	9.13	0.00	0.00
Interest expense on defined benefit obligation	10.68	10.99	0.11	0.12
Contributions by participants	2.62	2.58	0.00	0.00
Actuarial (Gains) / Losses on liabilities - financial assumptions	(21.13)	86.76	(0.15)	0.41
Actuarial (Gains) / Losses on liabilities - demographic assumptions	0.00	0.11	0.00	0.13
Actuarial (Gains) / Losses on liabilities - experience	(2.87)	(5.22)	(0.06)	(0.02)
Net benefits paid out	(8.28)	(8.70)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.45	0.04	0.00	0.00
Closing defined benefit obligation	**317.01**	**412.70**	**3.42**	**3.83**

Changes to the fair value of assets during the period	Funded Liabilities as at 31 March		Unfunded Liabilities as at 31	
	2016	2017	2016	2017
	£m	£m	£m	£m
Opening fair value of assets	**233.75**	**239.53**	**0.00**	**0.00**
Interest income on assets	7.75	8.40	0.00	0.00
Remeasurement Gains / (Losses) on assets	(3.84)	46.94	0.00	0.00
Contributions by the employer	7.54	7.14	0.23	0.23
Contributions by participants	2.62	2.58	0.00	0.00
Net benefits paid out	(8.28)	(8.70)	(0.23)	(0.23)
Closing fair value of assets	**239.53**	**295.88**	**0.00**	**0.00**

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 2016	31 March 2017
	£m	£m
Present value of defined benefit obligation (funded)	317.01	412.70
Present value of defined benefit obligation (unfunded)	3.42	3.83
Asset / (Liability) recognised on the balance sheet (funded)	(77.48)	(116.82)
Asset / (Liability) recognised on the balance sheet (unfunded)	(3.42)	(3.83)
Fair value of assets	**239.53**	**295.88**

Scheme Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rate of return experienced on the respective markets. The actual return on scheme assets in the year was a gain of £55.341 million (£3.903 million gain in 2015/16).

Analysis of Scheme Assets				
Asset	Asset split at 31 March 2016 (%)			Asset split at 31 March 2017 (%)
	Total	Quoted	Unquoted	Total
Equities	**66.1**	59.5	7.4	**66.9**
Property	**10.4**	0.0	9.2	**9.2**
Government bonds	**3.7**	3.9	0.0	**3.9**
Corporate bonds	**11.6**	11.5	0.0	**11.5**
Cash	**2.6**	2.6	0.0	**2.6**
Other*	**5.6**	3.5	2.4	**5.9**
	100.0	**81.0**	**19.0**	**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 have 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 £120.650 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)	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Present value of the defined benefit obligation					
- Funded liabilities	(291.52)	(278.78)	(326.32)	(317.01)	(412.70)
- Unfunded liabilities	(3.98)	(3.62)	(3.75)	(3.42)	(3.83)
Fair value of fund assets	193.35	205.70	233.75	239.53	295.88
Surplus / (Deficit) in the scheme	**(102.15)**	**(76.69)**	**(96.31)**	**(80.90)**	**(120.65)**

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

Members	%
Actives	45
Deferred Pensioners	17
Pensioners	38

Actuarial Assumptions

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

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 22.2 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 2017.

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

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

Commutations	
Year ended 31 March 2017	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.
Year ended 31 March 2016	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the maximum permitted.

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

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2017 and the projected service cost for the year ending 31 March 2017. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Sensitivity to main assumptions (Funded Liabilities)			
Discount rate assumption	**Adjustment to Rate**		
Adjustment to discount rate	**+0.1% p.a**	Base Figure	**-0.1% p.a**
Present value of total obligation (£M)	403.64	412.70	421.97
Change in present value of total obligation	-2.2%		2.2%
Projected service cost (£M)	12.78	13.21	13.66
Approximate change in projected service cost	-3.3%		3.4%
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)	415.36	412.70	410.08
Change in present value of total obligation	0.6%		-0.6%
Projected service cost (£M)	13.21	13.21	13.21
Approximate change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	**Adjustment to Rate**		
Adjustment to pension increase rate	**+0.1% p.a**	Base Figure	**-0.1% p.a**
Present value of total obligation (£M)	419.29	412.70	406.23
Change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M)	13.66	13.21	12.78
Approximate change in projected service cost	3.4%		-3.3%
Post retirement mortality assumption	**Adjustment to Rate**		
Adjustment to mortality age rating assumption*	**- 1 year**	Base Figure	**+ 1 year**
Present value of total obligation (£M)	424.72	412.70	400.74
Change in present value of total obligation	2.9%		-2.9%
Projected service cost (£M)	13.68	13.21	12.75
Approximate change in projected service cost	3.5%		-3.5%

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

Expected Future Contributions

The expected contributions to be made to the Tyne and Wear Pension Fund by the Group for the accounting period to 31 March 2017 are estimated to be £11.166 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 2015, for the latest funding valuation. This has then been rolled forward to reflect the position as at March 2017, allowing for additional service accrued between 1 April 2015 and 31 March 2017, and known pension and salary increases that would have applied. The transactions shown below have been made during the year:

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

Present value of the defined benefit obligation

The present values of the scheme's liabilities are shown in the following table:

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

Reconciliation of the present value

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

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 37 years, the New Police Pension Scheme 2006 is around 38 years, and for the Police Pension Scheme 1987 it is around 20 years.
The 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 2016 £m	31 March 2017 £m
Opening fair value of assets	**0.00**	**0.00**
Actuarial gains and (losses) on assets	62.52	57.54
Contributions by employer	34.83	34.61
Contributions by participants	16.73	16.04
Transfers in	1.55	0.28
Net benefits paid	(115.63)	(108.47)
Closing fair value of assets	**0.00**	**0.00**

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 2018 are estimated to be £33.92 million compared to £34.610 million paid in 2016/17.

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the Projected Unit Credit Method (PUCM), an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

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

Commutation Assumptions	
Police Pension Scheme 1987	25% of 1987 Scheme pensions are assumed to be commuted.
Police Pension Scheme 2006	Commutation is not available, no assumption required.
Police Pension Scheme 2015	18.75% of 2015 Scheme pensions are assumed to be commuted, except for members who also have 1987 Scheme pension for whom no specific allowance is made.

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

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

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

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

11. Restatement of 2015/16

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

The new CIES format is in line with the revenue budget reporting structure and governance arrangements between the Chief Constable and Police and Crime Commissioner. The service lines in the Group CIES represent the consolidated position of the Police and Crime Commissioner and Chief Constable single-entity accounts.

The new Expenditure and Funding Analysis at Note 1 to the Group accounts provides further explanation and reconciliation between the funded financial position of the Commissioner and the net expenditure by service line in the Comprehensive Income and Expenditure Statement.

12. Events after the Reporting Period

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

Supplementary Financial Statements

Comprising:

- Police Pension Fund

Police Pension Fund

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

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

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

Notes to the Supplementary Financial Statements

1. Scheme description

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

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

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

2. Administration of the Fund

The Chief Constable is scheme manager for the Police Pension Fund.

3. Accounting Policies

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

4. Future liabilities

The Funds' financial statements do not take account of liabilities to pay pensions and other benefits after the period end, which are the responsibility of the Chief Constable. Details of the long-term pension obligations can be found in the Notes to the Group Financial Statements, Employee benefits Note 10 (b).

Annual Governance Statement

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

This statement is prepared in accordance with the CIPFA/SOLACE *'Good Governance: Framework'* and explains how the 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 policing and crime matters. The Act establishes both the PCC and the Chief Constable as the '*Corporation Sole'* for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the PCC. Both the PCC and Chief Constable are subject to the Accounts and Audit Regulations 2015, as such both must prepare their statements of account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual Annual Governance Statement, both of which are subject to external audit.

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, the 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 Public Finance and Accountancy (CIPFA) Statement on the Role of the CFO appointed by the PCC and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 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 23 July 2013. However, the panel raised concerns at the potential for a conflict of interest to arise with the joint role and stressed the need, especially with the Section 151 responsibilities, to advise the PCC and Chief Constable of any such conflicts at an early stage. The panel also stated that they expect the CFO to act in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

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

The Governance Framework

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

The framework is known as the PCC's Scheme of Governance and it 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 internal assurances on the achievements of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

The 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.

Delivery of the Police and Crime Plans is the responsibility of the Chief Constable. Performance is monitored at the Strategic Management Board (SMB). The PCC and Chief Executive attend and scrutinise progress. In addition, fortnightly Joint Business Meetings manage progress on specific issues. At these meetings the PCC and CC challenge performance where there are concerns, seek further information and analysis to understand where changes should be made to improve service delivery or ensure that officers and staff receive training that they need.

The performance management framework, whilst supporting delivery of the plan is refreshed annually to ensure that it focuses on emerging priority area needs and in particular the needs of victims of crime and the vulnerable within our communities.

In February Northumbria received Her Majesty's Inspectorate of Constabulary (HMIC) PEEL inspections findings and these can be accessed at https://www.justiceinspectorates.gov.uk/hmic/peel-assessments/peel-2016/northumbria/.
The PCC and CC were pleased overall, with all categories receiving a '*good*' assessment rating, but not complacent. In Northumbria we want to keep raising the bar, making improvements and developing the talent making sure we are suitably equipped to take the Force into the future.

HMIC identified Northumbria Police as one of the top performing Forces in England and Wales when it comes to supporting vulnerable people, their report judged the Force as being *'good'* at protecting from harm those who are vulnerable and supporting victims.

Regular monitoring meetings to ensure effective delivery of the Police and Crime Plan include the quarterly budget meeting with the Chief Finance Officer, and fortnightly Joint Business Meetings to manage progress on specific issues.

The PCC and the CC will ensure that the resources available to Northumbria Police are used in the most effective manner and that the funding settlement from the government meets the needs of local communities. The PCC lobbied the government who were reviewing the funding formula to ensure Northumbria Police funding levels reflect the needs of our communities and will continue to do so in the future.

Despite savings of £123.4m since 2010, the PCC has worked to maintain the service provided to local people and approved a balanced budget for 2016/17 with a 5.66% increase in the Council Tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next four years. For 2016/17 there was an underspend on the revenue budget, this therefore reduced the call on reserves, enabling them to be used in future years to support the MTFS.

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 demonstrate how we work together to ensure effective governance and internal control.

The PCC works closely with all six local authorities in the Force area and understands the needs in each area from that of the night time economy in our city centres to the policing needs in rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including community safety partnerships. They are also members of local safeguarding children's boards that work to ensure the safety and wellbeing of children in the area.

A Service Level agreement between the PCC and the CC exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way. This arrangement will ensure that Northumbria Police remain focussed and dedicated to ensuring that they continue to deliver the priorities as set out in the Police and Crime Plan whilst supporting the PCC in her responsibilities to maintain a strategic overview and to undertake her scrutiny and public consultation role.

Collaboration between Forces and other partners is a growing area of business. Governance arrangements are set out in formal collaboration agreements and these are published on the OPCC website. Section 23E of the Police Act 1996 (which itself comes from section 5 the Policing and Crime Act 2009) places on the Police and Crime Commissioner and the Chief Constable a duty to publish copies of collaboration agreements to which they are party.

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

The PCC has a comprehensive website that includes:

- Information about the PCC and her office as required by the Specified information Order 2011.
- A Code of Conduct based on the Seven Principles of Public Life published by the Nolan Committee, signed by the PCC.
- The PCC's disclosure of interest document which is updated annually.
- An '*Ethical Checklist'* signed by the PCC committing to standards required by the Committee for Standards in Public in Life.
- A register of the PCC's and the OPCC gifts and hospitality and business expenses.

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 6 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. A report is provided quarterly to the Police and Crime Panel, the board established to oversee the work of the PCC. Since November 2012 the reports have noted that there have been no complaints against the PCC that have been upheld.

The PCC is also responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters as well complying with the requirements of the Independent Police Complaints Commission. The PCC role only allows her to carry out investigations into complaints against the Chief Constable.

As part of her scrutiny role the PCC carries out an annual exercise to review IPCC *upheld complaints'*, these are complaints to Northumbria Police, where the complainant has subsequently appealed or disagreed with the outcome and the IPCC have upheld this complaint. The PCC also operates an independent complaints scrutiny panel that looks at upheld complaints made against the Force looking for lessons learned to improve future practices.

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

The core purpose of good governance in public services is to ensure public bodies take informed, transparent decisions and manage risk, the PCC has a Decision Making and Recording Policy that supports these principles. All key decisions that have significant public interest regarding policing, crime and community safety in Northumbria are published on the OPCC website. This ensures trust and confidence in Northumbria Police. To ensure that this fair and effective decision making is carried out in a timely manner decision are discussed at weekly management meetings.

Over the last two years a number of significant decisions have been made regarding the estate of Northumbria Police. An example of this is the decisions made around the police estate resulting in significant savings. Each decision is subject to formal agreement by the Police and Crime Commissioner based on an options appraisal and taking into account value for money considerations.

For example:

A shift has been made from ownership of property to leasing over the last two years resulting in the sale of a number of properties that will result in over £31m of capital receipts and generate annual savings approaching £2.8m when the programme is completed.

This has also resulted in police officers, who are the eyes and ears of the community, being relocated into more accessible locations such as the White Swan Centre in Killingworth. This has allowed all savings to be invested in policing.

The Police Reform & Social Responsibility Act 2011 led to the formation of the PCP to oversee the work of, 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. Each strategic risk is assigned to a Chief Officer and OPCC owner, who has responsibility for the management of controls and the implementation of new controls where necessary.
The register is managed at the Executive Board and presented to the Joint Business Meeting on a quarterly basis.

The JIAC are a major contributor to the Strategic Risk Register and the register is monitored quarterly at both the joint PCC and CC Governance Monitoring Group and the JIAC. 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.

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

The PCC operates a Performance Development Review (PDR) process and through 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.

The Chief Constables Proud Vision is developing the capability of the Force as one element. The Chief Constable launched the *'Proud to Protect'* vision in 2015. The vision is supported by the Force mission to serve the communities of Northumbria with pride – proud of what we do and proud of who we are. Proud to Serve sets out our service values and support for the Code of Ethics. Proud of our People sets out the expectations of our officers and staff. Proud to Improve on how we will do differently and Proud to Lead on how we lead, empower and welcome the view of others. Further work is currently on-going driven by the Programme of Change to further embed the values that underpin the *'Proud to Protect'* vision. E.g. the Proud To Lead campaign designed to inspire, empower and raise the standards of leadership across all ranks and grades within the organisation was piloted in 2016/17.

This year changes have been made to the Force structure including the creation of a new Safeguarding Department that specifically coordinates the response and delivery of policing services to the most vulnerable members of our communities. In addition, learning development structures have been enhanced in recognition of the importance of developing the capacity and capability of the workforce.

As a result of the new coercive control legislation, the CPS can charge offenders where there is evidence of repeated, controlling or coercive behaviour within an intimate or family relationship. All police officers in Northumbria continue to be trained to understand the complex and damaging nature of coercive control. This is one of many training packages delivered to Northumbria police officers and staff during the year.

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

The PCC has operated a comprehensive engagement program during 2016/17 with local, regional and national representation and engagement via the press and through active social media channels and numerous meetings with community groups.

An annual report provides an overview of the Commissioners activity over the year and is available on the OPCC website www.northumbria-pcc.gov.uk.

Through these engagement channels with local communities, the PCC can ensure that the service provided reflects the changing needs of local communities.

During the year, the PCC was re-elected with an increased majority demonstrating the confidence residents have in her leadership. The PCC went out personally to meet police officers from different ranks and geographic locations across Northumbria, listening to what was said about the service they provide, what they think is good and how it can be improved and talked to the Chief Constable about her findings. In addition, in order to inform a revised Police and Crime Plan for 2017-2021 the PCC held public meetings in all local authority areas, met with local groups, set-up an on-line survey with over 3,000 participants and worked with secondary schools to ensure the thoughts of young people were taken into account.

From April 2015, the PCC is responsible for commissioning services for victims of crime in Northumbria. To do this a core referral and assessment service has been commissioned from Victims First Northumbria providing emotional and practical support to all victims of crime. In addition, an assessment of the needs of victims of crime identified the predominant profile of vulnerable victims in Northumbria and those most likely to have specialist additional needs to cope and recover, these are categorised into four key victims groups:

- Victims of domestic abuse.
- Victims under 18.
- Victims of hate crime.

- Victims with mental health needs and those who are vulnerable due to risk of abuse or repeat victimisation.

Additional services have been commissioned across Northumbria to support these victims of crime.

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

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

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

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC 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 proper accounting practice the Chief Constable and PCC produce a four 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, use of reserves 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 for their consideration prior to finalising the budget and precept.
- 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 four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The PCC approved a balanced budget for 2016/17 with a 5.66% increase in the Council Tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next four years. For 2016/17 there was an underspend on the revenue budget, this therefore reduced the call on reserves, enabling them to be used in future years to support the MTFS.
- 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. The quarterly reports are '*key decisions'*.
- Performance reports are presented and discussed with the PCC regularly.
- The PCC receives reports from HMIC and will act on recommendations as required.

Review of Effectiveness

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

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

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

Internal Audit Overall Assessment & Independent Opinion

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

During 2016/17 27 internal audits were issued. Of those 21 audits concluded that systems and procedures in place were operating well and 6 audits concluded that systems and procedures were operating satisfactorily. No audit identified a significant weakness.

Based on the evidence arising from internal audit activity during 2016/17, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

Actions from the 2015/16 Statement

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

2016/17 Governance Issues

The review has identified no issues that need to be included within the 2016/17 Annual Governance Statement as actions.

Conclusion

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

However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the 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
Police and Crime Commissioner

SIGNED
Chief Executive

SIGNED
Treasurer
MJ Tait

Date: 19/9/2017

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA (and Group)

Opinion on the financial statements

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (and Group) for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the PCC and Group Movement in Reserves Statements, the PCC and Group Comprehensive Income and Expenditure Statements, the PCC and Group Balance Sheets, the PCC and Group Cash Flow Statements, the Group 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 2016/17.

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Northumbria (and Group) as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on the 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 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 20 of the Local Audit and Accountability Act 2014 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. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner for Northumbria's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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 criterion issued by the Comptroller and Auditor General, 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 2017.

Certificate

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

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

19 September 2017

Glossary of Terms

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

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

Accounting policies do not include estimation techniques.

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

- 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.

- The activities related to the operation have ceased permanently.

- 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.

- 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:

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

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

Exceptional items: are material items which derive from events or transactions that fall within the ordinary activities of the 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 strain on the fund payments, 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. South Tyneside Council is the Fund Administering Authority for the LGPS offered to employees by the Chief Constable and Police and Crime Commissioner and is responsible for the governance of the Fund.

Materiality: an item of information is material if its omission or misstatement from the accounts might reasonably affect the assessment of the 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:

- For a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or

- For a lessor, any residual value guaranteed to the lessor by:
    - The lessee;
    - A party related to the lessee; or
    - 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.

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 comprises the Police Pension Scheme 1987, the New Police Pension Scheme 2006, the Police Pension Scheme 2015, and the Police Injury Benefit Scheme. The rules of which are set out in The Police Pension Regulations 1987, The Police Pension

Regulations 2006, The Police Pension Regulations 2015, and The Police (Injury Benefit) Regulations 2006, and subsequent amendments.

Police staff: includes staff 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.

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

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

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

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

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

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

- Examples of related parties of an authority include:
  - Central government.
  - Local authorities and other bodies precepting or levying demands on the Council Tax.
  - Its subsidiary and associated companies.
  - Its joint ventures and joint venture partners.
  - Its members.
  - Its chief officers.
  - Its pension fund.

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

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

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

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:

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

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 7 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 7 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.

Index

Contacts

For copies, please contact the Office of the Police and Crime Commissioner for Northumbria on 0191 221 9800 or email enquires@northumbria-pcc.gov.uk

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

For queries / feedback, please contact Gail Dickson on 0191 49 36312

Primary contacts:

Chief Executive:	**Elaine Snaith**
Treasurer:	**Mike Tait**
Principal Accountant:	**Gail Dickson**

Web links:

enquiries@northumbria-pcc.gov.uk
www.northumbria-pcc.gov.uk
www.northumbria.police.uk

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/