NORTHUMBRIA
POLICE AND CRIME
COMMISSIONER

Police and Crime Commissioner for Northumbria

Statements of Account

2018/19

NORTHUMBRIA
POLICE
Proud to Protect

Contents

Preface

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

I am pleased to present my Statements of Account for the year ended 31 March 2019. 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.

I have worked closely with the Chief Constable to ensure, despite the challenging financial situation that Northumbria Police continues to deliver excellent value for money. Part of the challenge that we have to contend with is the fact that our funding from Central Government continues to be reduced.

When setting the police Precept for the financial year 2019/20, the government had assumed that I would increase the police Precept by £24 for a Band D property (£16 for a Band A property) - if this assumption did not go ahead, it would have resulted in a further reduction to Northumbria's budget of £9.400 million, on top of the £142.300 million since 2010. As part of our consultation into the police Precept, we consulted with local communities across the force area – via telephone, email, face to face interviews and online. 88% of residents agreed that policing needed to be properly funded. My stance has always been that government should fund policing, not council tax payers – however, that is not the case and we have to abide by the rules as set by the government.

What you can be assured of is that every penny of the police Precept goes to policing in Northumbria.

The money raised through the police Precept pays for the priorities that you have set, it ensures that we keep neighbourhood police officers on the beat and it allows us to deliver an excellent policing service that you and your family rightly deserve.

Part of my role is to hold the Chief Constable and Northumbria Police to account for the delivery of the police and crime plan and to ensure an efficient and effective police service. I will continue to challenge the Chief Constable, to ensure that the police Precept is put to excellent use and that it continues to make a real difference to how police officers deliver services. In addition to my responsibilities for police governance across Tyne & Wear and Northumberland, I also commission a number of services which include Victims First Northumbria, working collaboratively to improve outcomes for local people and communities and ensuring value for money.

The second Police and Crime Plan, written with the support of many local residents and organisations is being implemented by Northumbria Police and the priorities continue to be the priorities that matter to you:

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

I have worked closely with the Chief Constable throughout 2018/19 to ensure the effective delivery of the Police and Crime Plan. We are both fully committed to the delivery of the plan as this is your plan, your priorities – influenced by thousands of local residents. You can see how Northumbria are delivering the plan, by logging in to my website www.northumbria-pcc.gov.uk

Our police officers and staff are what make our Force unique – they are focused on the needs of you and your family and want to make a difference to you and each and every person associated with 'Team Northumbria'. I regularly receive letters from members of the public telling me how grateful they are for the service they have received from the police – we are all determined that service will continue.

As in previous years, 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 Statements of Account present the Police and Crime Commissioner's (the Commissioner's) and Group (including the Chief Constable's) financial performance for the year ended 31 March 2019. This includes the 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 narrative and financial summary that follow provide an overview of the accounting arrangements and a guide to the most significant matters in the financial statements.

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

The Statements of Account

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.

The accounts are prepared in-line with the statutory 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 2018/19 for policing in Northumbria have been recognised and recorded within the Statements of Account, which set out the overall financial position of the Commissioner and the Commissioner's Group (the Group) for the year ended 31 March 2019. 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.

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

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 payments for the Group from the Police Fund. In turn, the Chief Constable fulfils his function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation[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 financial 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 Chartered Institute of Public Finance Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC)[3] Board and approved by FRAB[4]. The Code constitutes proper accounting practice.

[2] Available at: https://www.northumbria-pcc.gov.uk/transparency/key-decisions/2014-2/

[3] Chartered Institute of Public Finance & Accountancy's Local Authority (Scotland) Accounts Advisory Committee

[4] 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 2018/19

Key Highlights

- Police Grant - The one year settlement announcement for 2018/19 confirmed that government grants would be maintained in flat cash terms against the level received in 2017/18, a further real terms cut to police funding from Central Government.

- Income from Council Tax - The funding settlement calculated by the government for 2018/19 required Police and Crime Commissioners to increase the Band D Precept by £12 per year, in order to maintain total funding in real terms.

- The Northumbria Band D Precept was increased by £12 per year after full and appropriate consultation with the public by the Office of the Police and Crime Commissioner.

- Provision for increases in pay and prices of £7.500 million were managed, mainly attributable to the annual pay award and incremental pay progression for officers under police regulations.

- In addition, further budget pressures of £2.900 million were managed and an increase in capital financing costs of £0.100 million.

- Budget savings of £6.700 million were achieved bringing the total made since 2010 to £142.300 million.

- The revenue budget for 2018/19 included no planned use of reserves with the aim to maintain the general reserve at around 3% of the revenue budget.

- Resulting in an approved Group revenue budget of £266.245 million for 2018/19 of which £256.801 million was delegated to the Chief Constable.

- The Group revenue outturn position for 2018/19 is an underspend of £3.436 million. The Group position reported at Quarter 3 was a planned underspend of £2.214 million. The movement in the final outturn is mainly attributable to the late notification of a Home Office Special Grant which was awarded to cover expenditure incurred earlier in the financial year.

- The underspend is primarily being used to establish a new earmarked reserve as at 31 March 2019, the Police Pension Scheme Funding Reserve. This reserve is necessary to ensure that the Group can meet the significant budget pressure identified from 2020/21 as a result of the government's failure to commit to protecting police budgets against the revaluation of the police pension fund. The reserve will provide one year of funding until it is known if the forthcoming Comprehensive Spending Review (CSR) includes any mitigation for the increased costs.

- Capital investment of £7.351 million.

- Capital Receipts of £7.944 million from the sale of buildings and other assets, which are held in reserve to fund the capital programme over the Medium Term Financial Strategy (MTFS) period 2019/20 to 2022/23.

Financial Context 2018/19

The last nine years have seen unprecedented cuts to the funding provided by the government for policing. Northumbria has taken the biggest financial cut of all Forces in England and Wales through both the 2010 and 2015 Comprehensive Spending Review (CSR) periods

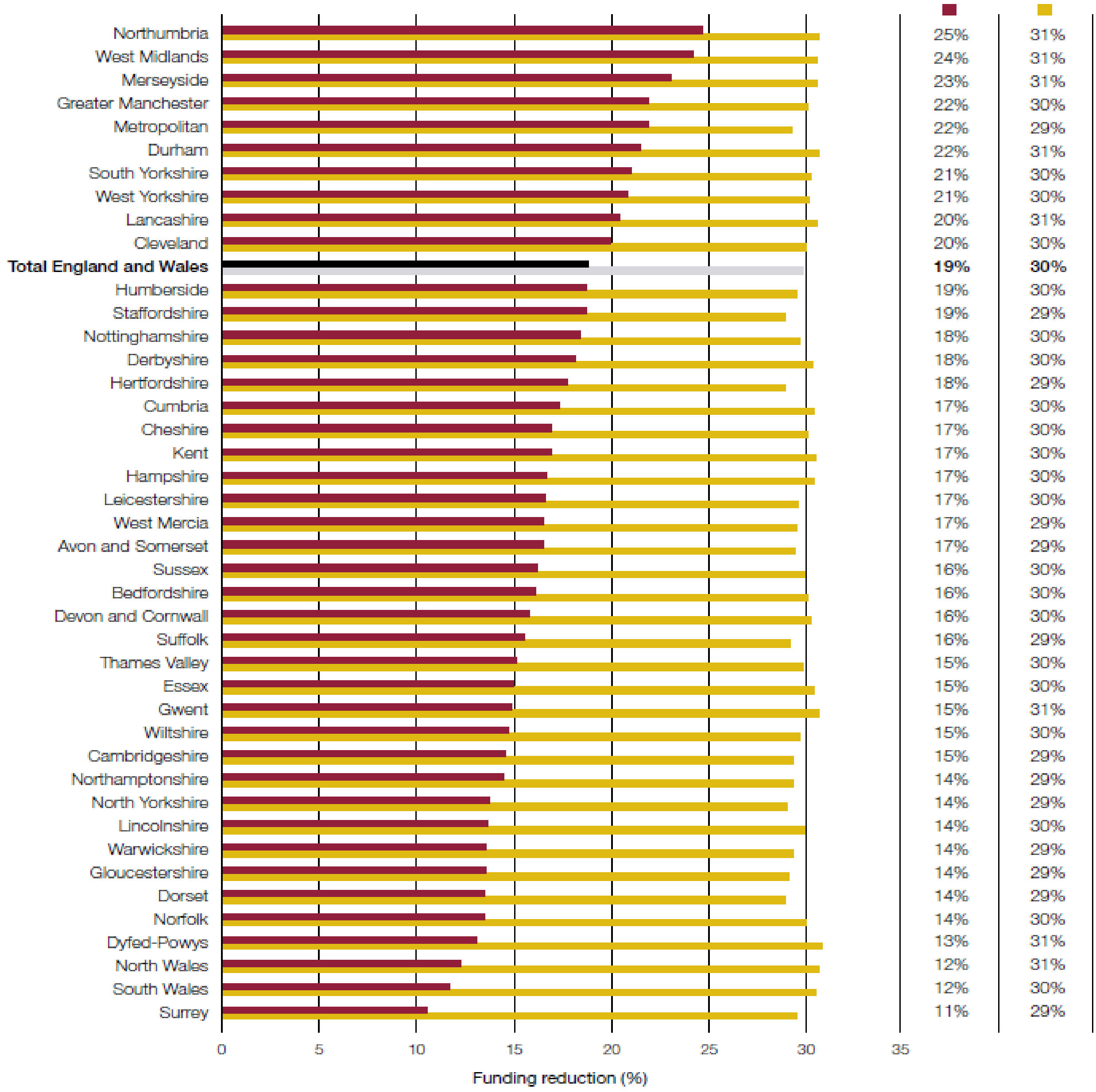
The National Audit Office (NAO) report, '*Financial sustainability of police forces in England and Wales 2018',* identified that Central Government funding for policing in Northumbria has been reduced by 31% in real terms since 2010/11: https://www.nao.org.uk/Financial-sustainability-of-police-forces-in-England-and-Wales-2018.pdf

The structure of Police funding means those which have a lower Council Tax Precept will suffer the most, as any cut from government is to the larger proportion of their funding. Over this nine year period of austerity, Northumbria has experienced the largest impact of cuts because it receives more in grant in proportion to its council tax; around 84% in 2018/19 was by Home Office grant. In addition, Northumbria has the lowest Precept of any Police and Crime Commissioner in England and Wales and a low yield too.

The NAO 2018 report shows that Central Government funding for policing in Northumbria has fallen by 31%, and total funding, through grant and Precept, has fallen by 25% since 2010/11, as set out in the following chart:

Funding reductions by police force, 2010-11 to 2018-19

Police funding fell by 19% in real terms, with wide variation between forces in the level of cuts experienced



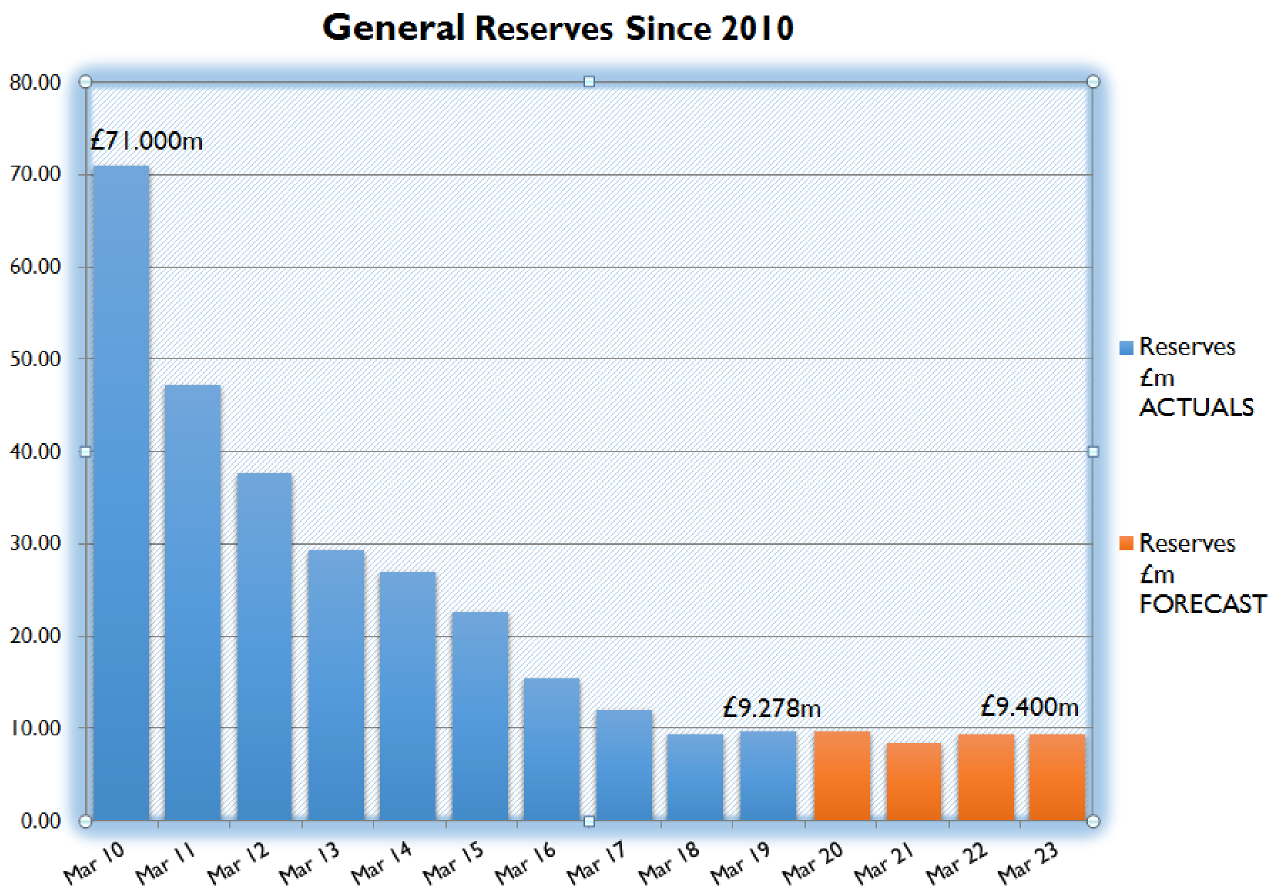
Total funding reduction (central government funding, council tax contributions and local council tax support grant)

Central government funding reduction (excluding local council tax support grant)

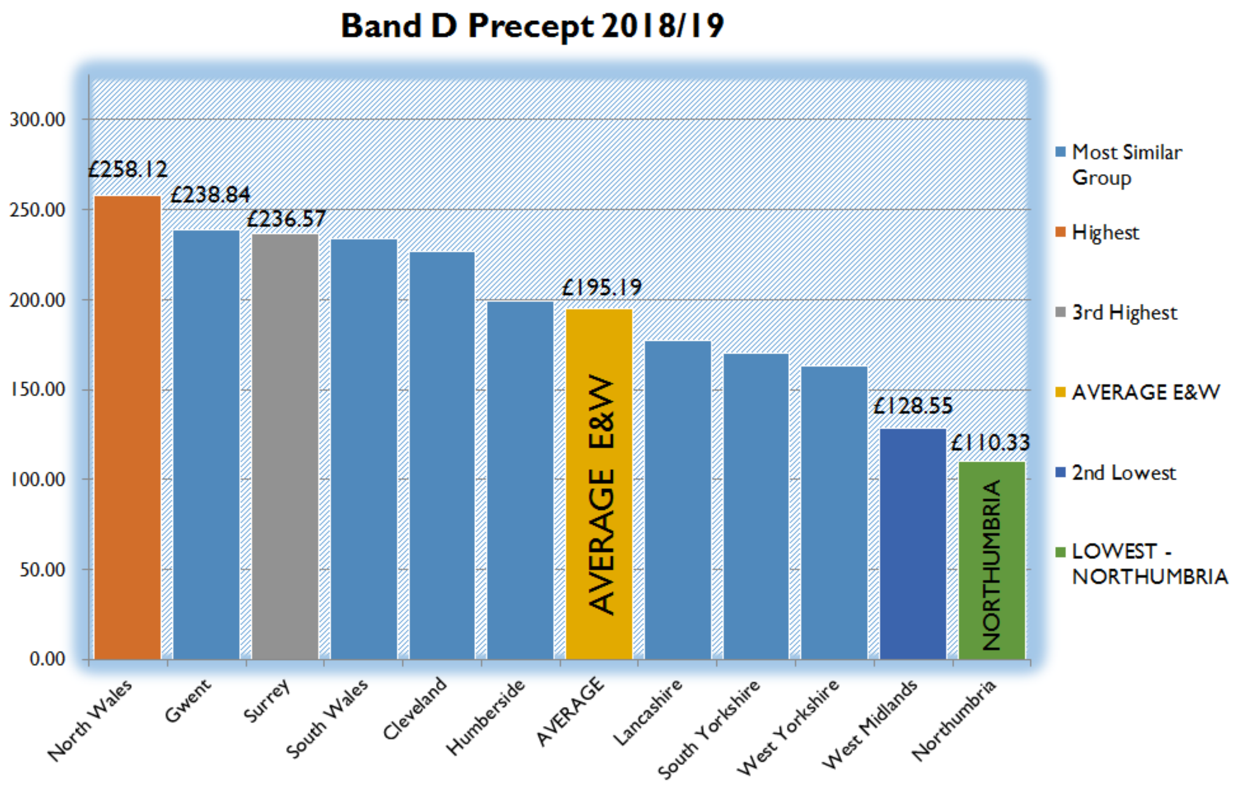
Northumbria has had to make £142.300 million of cuts and efficiencies to manage the unprecedented scale of funding reductions imposed by the government since 2010. For Northumbria, employee pay accounts for the majority of the annual revenue budget and therefore savings delivered to date have been mainly realised through reductions to the workforce totalling 29% (March 2010 to March 2019). The movement is set out in the following table:

Workforce Reductions	31 March 2010	31 March 2019	Reduction	
	FTE	FTE	FTE	%
Police Officers	4,187	3,081	(1,106)	(26%)
Police Staff and PCSOs	2,534	1,717	(817)	(32%)
Workforce	**6,721**	**4,798**	**(1,923)**	**(29%)**

The financial reserves have played a key part in the strategy to balance costs with available funding since 2010, giving much needed head room to establish strategies and implement change. General reserves have reduced from £71.000 million in 2010 to £9.728 million as at March 2019, a reduction of around 86% over that period. General reserves as at March 2019 reflect around 3.3% of the 2019/20 revenue budget. The annual survey by the Police and Crime Commissioners Treasures Society (PACCTS) technical support team, shows that Northumbria has the second lowest level of reserves of all Forces in the country (as at March 2018), both in terms of earmarked and general reserves (as a % of Net Revenue Expenditure).



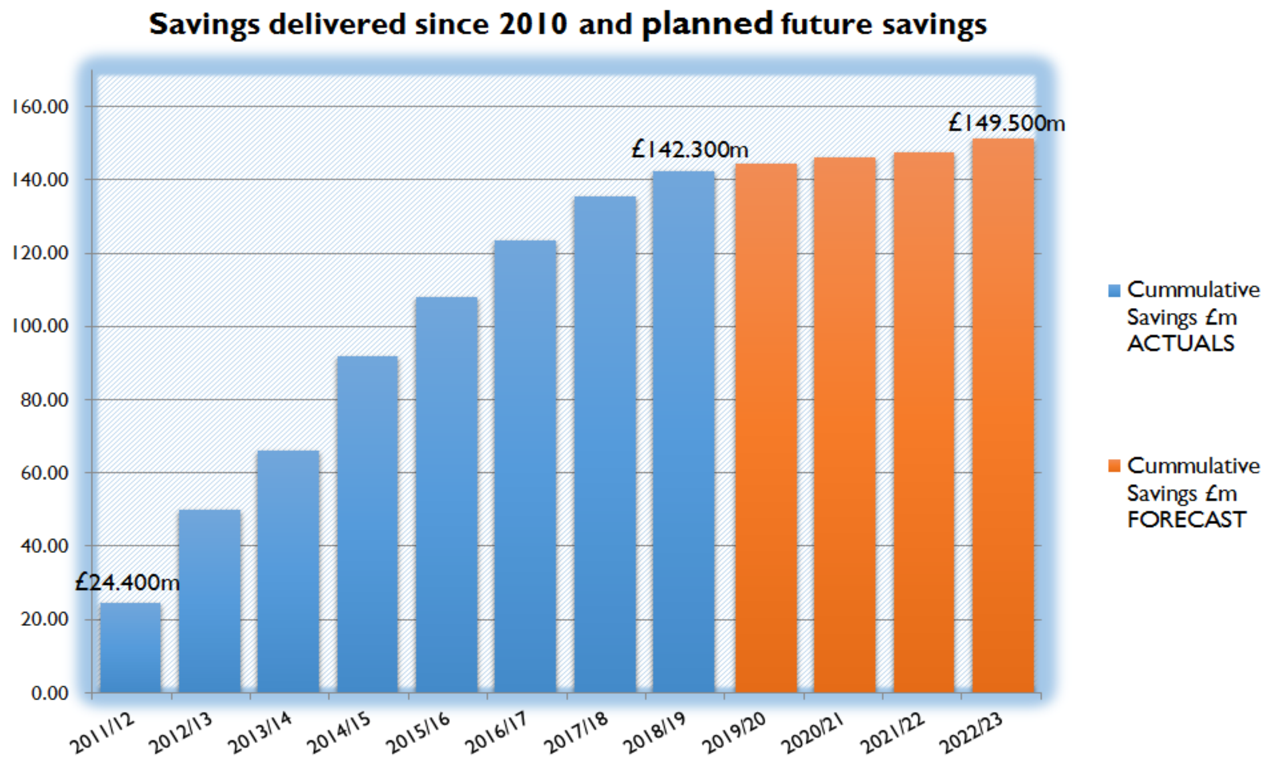
The Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales at £110.33 per year (2018/19) for Band D properties. The following chart shows the highest and lowest Police and Crime Commissioner Precepts; Northumbria's 'Most Similar Group'; and the average Police and Crime Commissioner Precept for England and Wales during 2018/19:



The PCC for Northumbria was therefore required to raise the Council Tax Precept in 2018/19 by £12 for a Band D property, in order to protect total funding for Northumbria in real terms, managing officer and staff pay awards, pay progression and other inflationary pressures.

The requirement to deliver savings has also continued into 2018/19. The Group revenue budget for 2018/19 included savings of £6.700 million in specific budget areas which were delivered successfully.

Total savings of £142.300 million have been successfully delivered since 2010.



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 2018/19, to be met from government grants and local taxation, was approved by the Police and Crime Commissioner on 22 February 2018 at £266.245 million. The net revenue budget requirement for 2018/19 included annual budget savings of £6.700 million and no planned use of reserves.

The Council Tax Precept was increased by 12.2% to £110.33 (£98.33 2017/18) for a Band D property. Total Council Tax income for 2018/19 was £43.621 million of which £42.722 million is attributed to the Council Tax Precept and £0.899 million a surplus on the previous year's collection fund.

Throughout 2018/19 both the Office of the Police and Crime Commissioner's and Chief Constable's revenue budgets have been subject to monthly monitoring, with the consolidated position being considered on a quarterly basis. Each quarter, the Group budget monitoring reports are presented to the Commissioner and Chief Constable's Joint Business Meeting and the position is published for wider scrutiny of financial performance by the public. 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 2018/19

The Group revenue outturn for 2018/19 is £262.809 million resulting in a net transfer to reserves of £3.436 million as set out in the following tables:

Revenue Outturn 2018/19 (GroupPosititon)			
	Budget 2018/19	Outturn 2018/19	Variance 2018/19
Budget Heading	£000	£000	£000
Chief Constable	256,801	253,903	(2,898)
Office of the Police and Crime Commissioner	2,061	1,764	(297)
Capital Financing	7,383	7,022	(361)
Specific funds managed by the PCC - Expenditure	1,894	6,593	4,699
Specific funds managed by the PCC - Income	(1,894)	(6,473)	(4,579)
Net Expenditure	**266,245**	**262,809**	**(3,436)**
Central Government Grant Income	222,624	222,624	-
Council Tax Precept	43,621	43,621	-
Central Grant and Precept Total	**266,245**	**266,245**	**-**
Required transfer To/(From) reserves	**-**	**3,436**	**3,436**
Transfers To/(From) reserves			
General Reserve	(1,000)	292	**1,292**
Workforce Reserve	1,000	1,000	**-**
Pension Reserve	-	2,000	**2,000**
OPCC Partnership Working Reserve	-	145	**145**
Domestic Violence Reserve - Health Advocates	-	(100)	**(100)**
LCJB Project Support Reserve	-	(40)	**(40)**
External Funding Reserve	-	139	**139**
Total	**-**	**3,436**	**3,436**

Revenue Outturn 2018/19 (Group Position)					
Chief Constable's Revenue Budget	Revised Estimate 2018/19 £000	Expenditure 2018/19 £000	Income 2018/19 £000	Provisional Outturn 2018/19 £000	Variance 2018/19 £000
Workforce	220,841	219,549	-	219,549	(1,292)
Overtime	2,136	3,367	(1,025)	2,342	206
Business Support	2,042	2,468	(115)	2,353	311
Communications and Engagement	134	186	(44)	142	8
Crime	2,973	3,037	(152)	2,885	(88)
Custody and Criminal Justice	1,630	2,467	(626)	1,841	211
Estates	8,349	8,889	(851)	8,038	(311)
Finance	87	82	-	82	(5)
Fleet	2,703	3,224	(211)	3,013	310
Human Resources	270	271	-	271	1
Information Technology	8,088	7,630	(9)	7,621	(467)
Legal Services	225	238	(66)	172	(53)
Occupational Health	696	539	-	539	(157)
Operations	(343)	452	(702)	(250)	93
People Development	1,752	1,622	(81)	1,541	(211)
Procurement	135	1,677	(1,480)	197	62
Safeguarding	223	313	(84)	229	6
Volunteers	47	58	(11)	47	-
Secondments	(4)	945	(1,039)	(94)	(90)
Contributions & Subscriptions	5,293	5,385	-	5,385	92
Insurance	1,548	1,538	-	1,538	(10)
Other Income	(2,024)	-	(3,419)	(3,419)	(1,395)
Budget Outturn	**256,801**	**263,937**	**(9,915)**	**254,022**	**(2,779)**
External Funding	-	5,926	(6,045)	(119)	(119)
Chief Constable Net Expenditure	**256,801**	**269,863**	**(15,960)**	**253,903**	**(2,898)**
Budget under the direct control of the Police and Crime Commissioner:					
Office of the Police and Crime Commissioner	2,061	1,792	(28)	1,764	(297)
Capital Financing	7,383	7,269	(247)	7,022	(361)
Total Expenditure	**9,444**	**9,061**	**(275)**	**8,786**	**(658)**
Specific Funds managed by the PCC:					
Commissioning of Victims Services	-	1,679	(1,679)	-	-
Police Transformation Funded Schemes	-	4,555	(4,575)	(20)	(20)
Domestic Violence - Health	-	44	(4)	40	40
LCJB Project Support	-	100	-	100	100
Other Funding	-	215	(215)	-	-
Total Expenditure	**-**	**6,593**	**(6,473)**	**120**	**120**
Total Net Expenditure	**266,245**	**285,517**	**(22,708)**	**262,809**	**(3,436)**

Chief Constable

The Police and Crime Commissioner delegated a budget of £256.801 million to the Chief Constable for 2018/19, to enable the discharge of the activities under the Chief Constable's direction and control. The outturn position against the Chief Constable's revenue budget reflects an underspend of £2.779 million. The position reported at Quarter three was a planned underspend of £1.695 million. The movement in the final outturn is mainly attributable to the late notification of a Home Office Special Grant which was awarded to cover expenditure incurred earlier in the financial year.

Workforce (employee pay and pensions)

The underspend on the workforce budget relates mainly to the re-profiling of planned recruitment to the end of the 2018/19 financial year and underspends against related pay areas.

Non Pay Budgets

Key variances within non-pay include:

- Business Support – an overspend of £0.311 million attributed to supplies and services.
- Estates – an underspend of £0.311 million relating to one-off income in relation to rates rebates offset by additional expenditure on estates modernisation.
- Fleet – the outturn position is mainly attributable to under-recovery of planned income as a result of the re-profiling of vehicle sales into future years.
- Information Technology – an underspend of £0.467 million relating to the re-phasing of IT projects, mainly the HR Management System (HRMS).
- Other Income – additional income of £1.395 million mainly attributable to the award of a Home Office Special Grant in relation to specific operations including Safeguarding.

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 2018/19. The underspend position of £0.119 million reflects a net transfer to the external funding reserve held by the Commissioner. The net movement reflects the use of £0.106 million received in previous years, and held in the Commissioners reserve, plus income of £0.225 million received in 2018/19 which has been transferred to the reserve as at 31 March 2019 to be used in 2019/20.

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

Police and Crime Commissioner

An approved budget of £2.061 million was provided to meet the cost of the Office of the Police and Crime Commissioner (OPCC), which includes £0.750 million for the Commissioner's Community Fund. The Community Fund is used to make valuable contributions to local charity, voluntary, social enterprises, local authorities and community groups in Northumberland and Tyne and Wear, supporting Police and Crime Plan objectives. The overall outturn position is £1.764 million, an underspend of £0.297 million. Of the underspend, £0.145 million relates to the Community Fund and has been set aside in the OPCC Partnership Working Reserve to support continued partnership work in future years.

The Capital Financing budget for 2018/19 was £7.383 million, comprising interest on borrowing and investments, and the minimum revenue provision for repayment of borrowing. The outturn position is £7.022 million reflecting an underspend of £0.361 million which is primarily attributable to:

- Borrowing interest - £0.236 million savings on interest costs have been achieved in-year mainly due to a reduction in planned capital spend, new long term borrowing secured at preferential rates and deferred to later in the financial year on advice from the Commissioner's external treasury advisers.

- The Minimum Revenue Provision (MRP) charge in 2018/19 was £0.076 million lower than the budget estimate as a result of the re-profiling of capital programme expenditure in the 2017/18 financial year.

- Additional investment income of £0.041 million due to the base rate increase in August 2018 and an increase in average investment balances due to underspends on revenue and capital budgets.

Exit Packages

Expenditure of £0.337 million has been incurred in relation to workforce exits during 2018/19. These comprise redundancy payments and pension costs associated with the early release of pension benefits and have been met from the Chief Constable's budget.

Use of Reserves

The underspend against the Group revenue budget for 2018/19 will be used to establish a pensions reserve because the government has failed to commit to protecting police budgets against the revaluation of the police pension fund. Further detail regarding the impact of the revaluation and Public Sector Pension Valuation 'Directions' announced by the government are included later in the narrative statement.

The reserve movements as a result of the revenue outturn for 2018/19 are set out in the following table:

Police and Crime Commissioner Group - Use of Reserves			
	Budget 2018/19 £000	Outturn 2018/19 £000	Variance 2018/19 £000
Use of reserves to support the revenue budget			
General Reserve	**1,000**	**(292)**	**(1,292)**
Transfers (To)/From earmarked reserves			
Workforce Management Reserve	(1,000)	(1,000)	-
Police Pension Reserve	-	(2,000)	(2,000)
Domestic Violence Reserve	-	40	40
Partnership Working Reserve	-	(145)	(145)
LCJB Project Support Reserve	-	100	100
External Funding Reserve	-	(139)	(139)
Transfers (To)/From earmarked reserves	**(1,000)**	**(3,144)**	**(2,144)**
Total transfers (To)/From reserves to support the revenue budget	**-**	**(3,436)**	**(3,436)**

The total transfers To/From earmarked reserves for revenue purposes are set out in the following table:

Police and Crime Commissioner Group - Transfers To/From Earmarked Reserves	Budget 2018/19 £000	Outturn 2018/19 £000	Variance 2018/19 £000
Transfers (To)/From earmarked reserves			
Transfers (To)/From earmarked reserves to support the revenue budget	(1,000)	(3,144)	(2,144)
Transfer to NERSOU Reserve	-	(215)	(215)
Exclude use of NERSOU Reserve for capital	-	(36)	(36)
Total revenue transfers (To)/From earmarked reserves	**(1,000)**	**(3,395)**	**(2,395)**

The transfer to the NERSOU reserve of £0.215 million is explained later in the Narrative Statement and shown in further detail at Note 15 to the Single-Entity Accounts.

Financial Position

For the purposes of financial accounting there is a requirement to produce a Comprehensive Income and Expenditure Statement (CIES) which sets out the income and expenditure for the single-entity and Group. For technical reporting of performance for the 2018/19 year the deficit on provision of services for the Police and Crime Commissioner Group is £330.537 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 within the Movement in Reserves Statement. The following table summarises these adjustments and the financial position at the year-end, showing an increase in the general reserve of £0.292 million for 2018/19.

Summary of 2018/19 Financial Position (Group)	Variance 2018/19 £000
Net Cost of Services	**491,093**
Other operating expenditure	31
Financing and investment income and expenditure	106,691
Taxation and non-specific grant income	(267,278)
(Surplus)/Deficit on Provision of Services	**330,537**
Adjustment between accounting basis and funding basis under regulations	(334,224)
Net (Increase)/Decrease before transfer to/from earmarked reserves	**(3,687)**
Transfers To/(From) earmarked reserves	3,395
(Increase)/Decrease on General Reserve	**(292)**

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 £7.351 million in 2018/19, are shown in the financial statements of the Commissioner.

The Chief Constable's Comprehensive Income and Expenditure Statement (CIES) receives a charge for the use of operational assets based on capital charges. For the 2018/19 financial year this charge was £9.934 million (£10.799 million 2017/18)

The Commissioner approved a capital programme of £15.177 million in February 2018. This was revised by the Commissioner at Quarter 3 to £12.760 million to take into account the re-phasing of the capital programme for specific projects.

The final capital outturn for the year is £7.351 million, an underspend of £5.409 million against the revised estimate. Key variances within the outturn position include:

- Estates Refurbishment Programme – Underspends due to lower than expected relocation costs during the year. Slippage to 2019/20 due to the re-phasing of the main programme of works relating to the 2018 condition surveys.

- Information Technology and Digital Transformation – Re-phasing of expenditure to 2018/19 for a number of significant schemes including the Northumbria Police Integrated Command and Control System (NPICCS) replacement and IT infrastructure refresh.

- Vehicles and Equipment – Reduced vehicle purchases due to changes in the Fleet Strategy and slippage in the scheme to issue body worn video to operational officers.

The capital outturn position is set out in the following table:

Capital Outturn 2018/19				
Capital Investment	2018/19 Estimate £000	2018/19 Revised Estimate £000	2018/19 Outturn £000	2018/19 Variance £000
Building Works	2,806	1,835	667	(1,168)
Computers and Communications	8,041	6,755	3,217	(3,538)
Vehicles & Equipment	4,277	3,965	3,018	(947)
Capital Contribution to NERSOU	53	53	51	(2)
Total Capital Programme	**15,177**	**12,608**	**6,953**	**(5,655)**
Funded capital schemes	-	152	201	49
Total Capital Spend	**15,177**	**12,760**	**7,154**	**(5,606)**
Investment in NERCPC	-	-	197	197
Total Capital Investment	**15,177**	**12,760**	**7,351**	**(5,409)**

Investment in the North East Regional Crime Prevention Centre (NERCPC) represents the Northumbria share of capital investment in the building owned jointly with the Durham and Cleveland Police and Crime Commissioners. This investment was funded through capital grants and contributions, primarily from the Home Office.

Capital Financing

The following table sets out how the total capital investment for 2018/19 is financed:

Capital Expenditure	2018/19 Estimate £000	2018/19 Revised Estimate £000	2018/19 Outturn £000
Building Schemes	2,806	1,836	695
Information Technology	8,041	6,755	3,554
Vehicles & Equipment	4,330	4,169	3,102
	15,177	**12,760**	**7,351**

During 2018/19 capital receipts of £7.944 million were generated from the sale of buildings and other assets, which are held in reserve to fund the capital programme over the Medium Term Financial Strategy (MTFS) period 2019/20 to 2022/23.

Governance

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

Value for Money

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

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Police and Crime Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the Joint Independent Audit Committee (JIAC) on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the Commissioner and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2018/19.

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Commissioner conducts 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 Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring the Police and Crime Commissioner 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 Commissioner 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 annual revenue budget provides an estimate of the annual income and expenditure requirements for the Office of the Police and Crime Commissioner and police service, and sets out the financial implications of the Commissioner's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the Commissioner.

- The Commissioner is required to present Precept proposals to the Police and Crime Panel for their consideration prior to finalising the budget and Precept.

- Capital expenditure is an important element in the development of the Commissioner's service since it represents major investment in new and improved assets. The Commissioner approves a four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.

- The Commissioner approved a balanced budget for 2018/19 with a 12.2% 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 2018/19 there was an underspend on the overall Group revenue budget. This was primarily as a result of additional income being secured by successfully claiming a one-off special grant; undertaking rates reviews on specific Force buildings with the Valuation Office; and additional external funding being secured for specialised police posts.

- Financial performance reports are presented to each of the Office of the Police and Crime Commissioner and the Chief Constable on a monthly basis. A combined Group financial monitoring report is presented to the Commissioner and Chief Constable's Joint Business Meeting on a quarterly basis, 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 Commissioner regularly.

- The Commissioner receives reports from HMICFRS and will act on recommendations as required.

The Commissioner's external auditors Mazars LLP are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to determine whether the Police and Crime Commissioner Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money opinion). A review is undertaken on an annual basis having regard to the guidance on specified criterion as to whether the Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for tax payers and local people.

On 27 July 2018 Mazars LLP issued an unqualified value for money opinion on the basis of their audit work for the 2017/18 Statement of Accounts.

Complaints

Policing and crime reduction relies upon all sections of the community having trust and confidence in the police service and those who they elect to oversee it. The Police and Crime Commissioner (PCC) for Northumbria is committed to delivering high standards of professionalism and behaviour at all times and ensuring that the Office of the Police and Crime Commissioner for Northumbria is an organisation that:

- Complies with the statutory requirements to oversee complaints against the police and deal appropriately with complaints against the Chief Constable.

- Works with the Independent Office for Police Conduct (IOPC) and Police and Crime Panel (PCP) in Northumbria, where required, to ensure an efficient and effective response to complaints, to ensure the public receive the highest standard of public service.

The Policing Protocol Order 2011 sets out respective roles of the PCC and of the Chief Constable, highlighting the PCC's responsibility for the totality of policing in the local area and a mandate to hold the Chief Constable to account.

The PCC is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well as complying with the requirements of the Independent Office for Police Conduct (IOPC).

As part of her scrutiny role, the PCC carries out an annual exercise to review IOPC 'upheld complaints'; these are complaints to Northumbria Police, where the complainant has subsequently appealed or disagreed with the outcome and the IOPC have upheld this complaint.

Performance Information – Delivery of the Police and Crime Plan

Police and Crime Priorities

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

Domestic and Sexual Abuse

The number of sexual offences reported has increased from 12 per day to 14 per day for the year to April 2019. The increase in reporting can be attributed to improved crime recording practices, an increase in proactive complex investigations involving numerous victims and perpetrators, as well as an increase in confidence of victims to report both recent and non-recent abuse.

The percentage of victims of sexual abuse who have suffered a subsequent crime has increased by 1.0%, this equates to 34 victims. All victims reporting two or more sexual offences are reviewed by a specialist officer to ensure they are risk assessed and all safeguarding interventions and referrals to support agencies have taken place.

The percentage of domestic abuse victims satisfied with the policing response provided was 92.0% for 12 months to April 2019. In addition the percentage of victims who were confident to report further abuse to the police was 96.0% during the same period.

Northumbria Police's approach to domestic abuse and sexual offences is managed within two action plans which are scrutinised at Chief Officer and PCC level. The Domestic Abuse Improvement Plan and the Rape and Serious Sexual Offence Improvement Plan have been continually improved in 2018/19 to improve both the victim experience and improve outcomes.

In April 2018, the new MASH model went live across all six local authority areas providing a holistic response to vulnerable children and adults based on their individual needs and needs of the family. MASHs now also manage Operation Encompass notifications and Clare and Sarah's Law applications. The have a performance framework in place to highlight areas of best practice, including areas for development. The 'one-call' approach in Northumberland, incorporating Northumberland MASH, has been nationally recognised by HMICFRS as best practice. In 2019, The MASHs will pilot of a daily multi-agency risk assessment of domestic abuse cases.

Police and Crime Priorities

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

Putting Victims First

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

- 96.0% Ease of contact
- 88.0% Time of arrival
- 81.0% Action taken
- 69.0% Follow-up
- 94.0% Treatment
- 84.0% Whole experience

In April 2019, the Force-wide Co-ordination Centre (FCC) was launched to oversee daily demand and resourcing seven days a week. The FCC will ensure a dynamic, planned and forward looking assessment of demand is made to flex resources to meet demand.

The aim of the FCC is to:

- Ensure the appropriate and prioritised deployment of people during the period of peak demand in the spring and summer.
- To ensure resources are flexed dynamically to meet peak demand and mitigate critical resource levels.

To ensure Northumbria Police can meet its mobilisation commitments and continue to operate effectively.

In order to improve call performance, Northumbria Police have completed a range of actions. This has included managing the increased demand differently by introducing a Customer Service Centre in September 2018. The Customer Service Centre (CSC) are an initial call triage team, who aim to manage other secondary calls (not calls for service), so specialist emergency contact handlers can focus on 999 and 101 calls for service. An evaluation of the CSC has shown they have reduced secondary demand and provide high levels of customer service to the community.

Answer rates for 999 calls are now at 99.4% for 2018/19, with average waiting times of 11 seconds. While 101 Non-Emergency calls answer rate is 93.0% (an improvement from 81.0% in 2017/18) with average waiting times of 50 Seconds.

The Force has developed a comprehensive training programme, 'Raising Investigative Standards'. A significant portion of the programme is dedicated to improving the identification of vulnerable victims and to improve the standards of victim care, including full compliance with the Victims' Code of Practice.

Police and Crime Priorities

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

Effective Criminal Justice System

In order to improve victim satisfaction and to rehabilitate offenders to change their behaviour and reduce re-offending Northumbria Police piloted a new programme of work aimed at first time or low level offenders. Intervening early is key to reducing the risk of future offending, by changing attitudes and increasing understanding of the impact their actions have on victims. Currently, of the cases that are charged and go to court, many first time or low level offender cases do not access interventions which address the causes of offending. These conditional caution pathways are unique; nowhere else in the country are there this range of options which can be used without a prosecution and subsequent court order. By adopting these outcomes for appropriate offences, it places the victim at the heart of the conversation, addressing offending behaviour and improving victim satisfaction.

The conviction rates for rape and other sexual offences have improved since last year; however, the conviction rate for rape is below the national average of 63.0%. For the year to February 2019 conviction rates for rape, sexual offences and domestic abuse are:

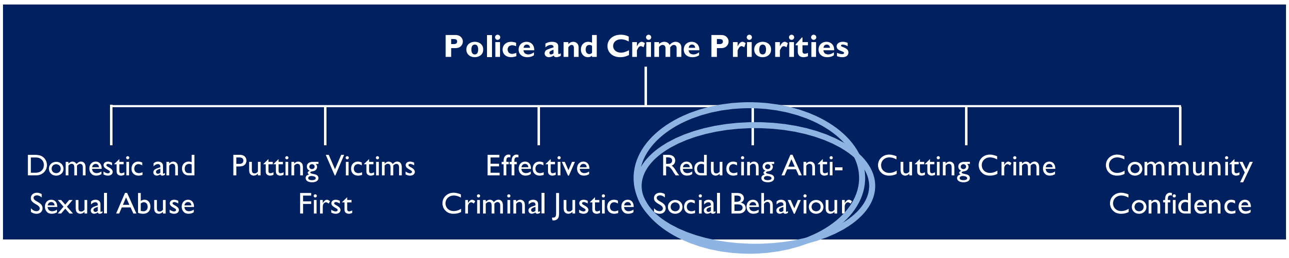
- 58.0% Rape.
- 85.0% Other sexual offences.
- 70.0% Domestic abuse.

As stated in the Domestic and Sexual Abuse section, Northumbria Police's approach to domestic abuse and sexual offences is managed within two action plans which are scrutinised at Chief Officer and PCC level. The Domestic Abuse Improvement Plan and the Rape and Serious Sexual Offence Improvement Plan have been continually improved in 2018/19 to improve both the victim experience and improve outcomes.

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

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

- Promote public reassurance.



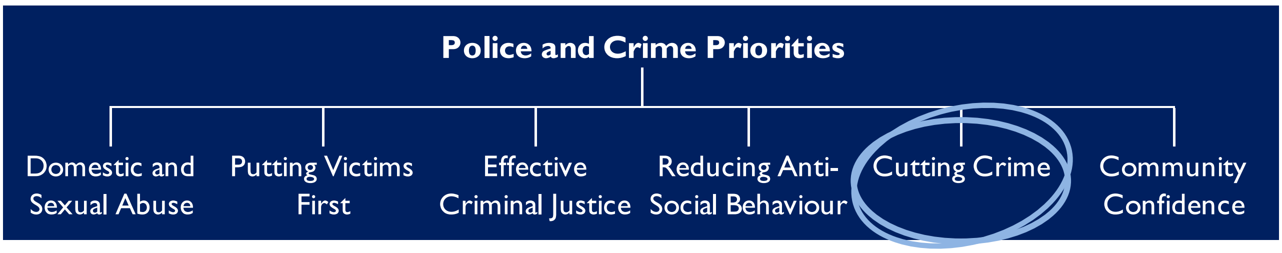
Reducing Anti-social Behaviour

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

- 94.0% Ease of contact.
- 88.0% Time of arrival.
- 81.0% Action taken.
- 62.0% Follow-up.
- 95.0% Treatment.
- 81.0% Whole experience.

Northumbria Police have reviewed the Neighbourhood Policing Model, the core principles have been discussed with the College of Policing and future plans are in line with their current work around 'Modernising Neighbourhood Policing'. Neighbourhood Policing is focused on protecting vulnerable people within communities and embedding a problem solving culture supported through effective safeguarding, crime prevention and community engagement.

Northumbria Police continue to work in partnership to address issues important to local communities. Northumbria Police is also re-developing its ASB Improvement Plan which will seek to address the performance challenges



Cutting Crime

The number of recorded crimes increased from 152,376 in 2017/18 to 161,314 in 2018/19. This is in part, as a result of improvements with national crime recording standards, which is currently 96.0%.

There are a number of offence types which have been influenced to a lesser extent, albeit not entirely, by improvements in crime recording standards. Within Northumbria, there have been actual increases in certain crime types; for example, theft and handling, including aspects of vehicle crime, burglaries that occur within dwellings and crimes as a result of the impact of social media and emergence of cyber-crime. In addition, there remains an element of unknown demand arising from the significant under-reporting of some crime types, such as sexual offences, hate crime, modern slavery, domestic abuse and stalking and harassment.

As we continue to raise investigative standards and put the victim at the heart of the service, we wanted to create a new practical tool to allow better assessment of crimes and improve the recording of rationale. The Investigative Assessment Framework (IAF) was developed with officer feedback – with colleagues shaping it based on their experience and needs. The tool will also provide guidance where supervision is needed or specialist support should be considered.

The Quality Standards Delivery Team (QSDT) was introduced in February 2019. The QSDT use the Investigative Assessment Framework (IAF) to allocate crimes. The aims of IAF include:

- Improve identification of vulnerability to ensure safeguarding and support is based on victim need.
- Improvements to investigative plans and therefore overall investigations.
- Improvements to supervisory oversight.
- Proportionate investigation of crimes which are not solvable.
- Ensuring the right resource with the right skills are allocated to the appropriate investigation.

The Crime Survey for England and Wales reports the Force is the lowest in the country (4.9%) for risk of personal crime, and the risk of household crime in Northumbria is the second lowest nationally at 5.7%.

Within the night time economy (NTE) environment Northumbria Police are working with a range of agencies and volunteers to ensure a safe environment. Partners include the North East Ambulance Service, street pastors and street and taxi marshals. Vulnerability training is delivered to takeaways, promoters, security staff, licensee and taxi drivers in key areas and the force works closely with universities and student event organisers to deliver crime prevention and safety messages to students. The Force provided vulnerability, crime prevention, and sexual consent sessions for all first year students as part of Fresher's 2018.

The complex abuse investigation unit is the force's dedicated response to investigating, disrupting and prosecuting offences of sexual exploitation (child and adult) and modern slavery. It comprises of a team of detectives and a dedicated multi-agency team embedded within the unit which provides bespoke support from skilled and experienced statutory and voluntary sector workers.

This unit seeks to build the trust of victims and provide support; the team are also involved in educational work across the community by raising awareness of CSE among young people, parents, carers and potential perpetrators.

Northumbria Police's dedicated response to tackling CSE and modern slavery is considered as national best practice and has resulted in many years of convictions being handed down at court.

In September 2018, Northumbria received UCAS ISO 17025 accreditation for the Imaging of Hard Disk Drives and other media. The Digital Forensic Unit are preparing to extend the scope of their capabilities to cover Mobile Devices and Computers along with CCTV enhancement. Digital Evidence Suites usage has been significant throughout the year with 8,200 mobile devices interrogated over the last 12 months and hundreds of hours of court ready video evidence produced.

It has now been two years since the commencement of the Banking Protocol. Since its inception Northumbria Police have responded to 236 incidents; 130 victims who might not have come to our attention earlier were subject to adult concern reports and the value of transactions halted is £1,596,077.

Police and Crime Priorities

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

Community Confidence

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

- 81.0% Think the Police do a good or excellent job in their neighbourhood.
- 96.0% Feel safe in their local area.
- 47.0% People who believe the level of visibility in their local area is about right.

Northumbria Police is placed first of the 43 forces in England and Wales for "police do a good job" and "can be relied upon to be there when needed" (measured September 2018) and has the highest results compared to most similar forces for six of the eight national measures of public confidence.

During the last 12 months there has been a real focus on how Northumbria Police adapts to better engage with the public it serves. A campaign calendar has been delivered in conjunction with the OPCC which develops, executes and evaluates campaigns which can demonstrate the impact on the community.

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

- Following feedback received from our communities, the Force has re-structured its social media presence (including reducing and renaming the corporate Twitter accounts from 72 to 6 main accounts). The feedback we received was that there were too many accounts and communities found it difficult to know which to follow.
- Northumbria Police have launched a new-look website which supports a variety of digital services including detailed advice and information and providing online forms, such as reporting a crime, supplying us with information or sending us dashcam footage. As part of this, Web Chat is available through the website and allows members of the public to speak directly with an operator at a time and place that is convenient for them. We have had positive feedback from users, particularly sexual abuse or domestic violence victims, who had previously not felt able to contact us through the traditional methods.

Collaboration

During 2018/19 Northumbria Police and the Police and Crime Commissioner were parties to a number of collaboration agreements, details of which can be found on the Police and Crime Commissioners' website at the following link: http://www.northumbria-pcc.gov.uk/Collaboration_Agreements. The North East Regional Special Operations Unit (NERSOU) is the principal collaboration arrangement between Northumbria, Durham and Cleveland and is accounted for as a Joint Operation in the financial statements. A summary of the financial performance is included below and further detail is provided in Note 15 to the financial statements.

North East Regional Special Operations Unit (NERSOU)

The North East Regional Special Operations Unit (NERSOU) was established in October 2013 and is collaboration between the three Forces of Northumbria, Cleveland and Durham.

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

The unit works with embedded partners from Her Majesty's Revenue and Customs (HMRC), UK Border Force and the National Crime Agency (NCA) to make the region a place hostile to serious and organised crime.

NERSOU is categorised as a Joint Operation in line with the Accounting for Collaboration guidance issued by CIPFA. The NERSOU revenue outturn position for 2018/19 and the share attributable to Northumbria is set out in the following table:

NERSOU Outturn 2018/19		
NERSOU Revenue Budget	NERSOU £000	Northumbria £000
Expenditure	10,226	5,357
Income	(3,459)	(1,812)
Net Expenditure	**6,767**	**3,545**
Funded by:		
Force Contributions	7,246	3,796
Transfer to NERSOU Reserve	(479)	(251)
Total	**6,767**	**3,545**

The Chief Constable made a revenue contribution of £3.796 million to NERSOU for 2018/19. This contribution is included within the Crime heading in the Chief Constable's revenue budget outturn. The transfer to the NERSOU reserve reflects income and force contributions during 2018/19 which are held in reserves to be used in 2019/20.

In addition to the revenue position set out above the NERSOU Joint Committee agreed the use of £0.069 million of the NERSOU reserve balance brought forward from 2017/18 to fund capital expenditure. The Northumbria share of reserves used for capital purposes was £0.036 million.

The net transfer to the NERSOU reserve held by the Northumbria Police and Crime Commissioner was therefore £0.215 million (£0.251 million less £0.036 million used for capital purposes).

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 2019/20. The employee remuneration provision in the Group accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a small number of claims and costs outstanding which are expected to be finalised in 2019/20. The balance on the provision at 31 March 2019 reflects a prudent estimate to cover the expected costs.

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 officers and staff as part of the terms and conditions of employment. Employees can choose to opt out of the scheme at any time. Although benefits will not be payable until employees retire, the 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[5]. The Chief Constable has a Police Pensions Board, established in 2015 under Section 5 of the Public Services Pension Act, which provides local administration and governance for the Scheme.

[5] Public Service Pension Act 2013 (section 4)

The Chief Constable makes contributions to the Pension Fund based on a percentage of officers' pensionable salaries and additional contributions for officers retiring due to ill health. The regulations[6] 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. The top-up grant paid by the Home Office in 2018/19 is £65.737 million.

Police staff and OPCC staff can be members of the Tyne and Wear Pension Fund, 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 and Police and Crime Commissioner also have to meet the pension costs of employees who have left employment due to ill health or where early retirements have been agreed, and also make additional contributions to make good the shortfall in the pension fund, known as deficiency payments.

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 Group have committed to provide in the future, for service completed up to the Balance Sheet date. The pension liability is valued using an actuarial valuation and can fluctuate dependent on external factors and changes in actuarial assumptions.

The pension liability on the Group Balance Sheet shows the underlying commitment that the Commissioner and Chief Constable have in the long run to pay post-retirement benefits. The total liability of £4.461 billion (£4.098 billion in 2017/18) 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.

Assets Held For Sale

At the start of the year the Commissioner had a number of assets classified as 'held for sale' on the Balance Sheet (£21.825 million as at 31 March 2018). The balance was primarily attributed to the previous Northumbria Police Headquarters site at Ponteland. The sale of this asset has completed successfully in 2018/19 and therefore only a small number of properties totalling £1.695 million remain 'held for sale' on the balance sheet as at 31 March 2019.

The movements against assets held for sale during 2018/19 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 Police and Crime Commissioner, investing surplus balances and managing the loans portfolio. Specialist treasury management advisers (Link Asset Services, Treasury Solutions) are retained to provide advice on borrowing and investment strategies and other treasury related matters.

Treasury Management services are delivered by Northumbria Police Finance Department.

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 2018/19 neither the indicators of the Authorised Limit for External Debt of £170.000 million, nor the Operational Boundary for External Debt of £145.000 million were breached and the profile of debt maturity was maintained within the agreed limits.

[6] Police Pension Fund Regulations 2007 (SI 2007/1932)

The total borrowing at 31 March 2019 was £102.969 million, which was within the operational borrowing limit of £145.000 million. This is a net reduction of £3.916 million from the opening figure of £106.885 million, represented by £84.000 million new borrowing and repayments of £87.916 million.

The borrowing strategy during 2018/19 was to:

- Consider the use of short term borrowing as a bridge until receipts are received.
- Consider the use of market loans and Public Works Loans Board (PWLB) loans as specified in the Treasury Strategy 2018/19 to 2021/22.
- Utilise reserve and fund balances to limit the requirement for new borrowing, reducing investment balances rather than increasing external borrowing in order to minimise interest costs.
- Maintain a flexible strategy 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 Statements of Account 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 37) - 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 39) - 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 intragroup charge from the Chief Constable for the cost of policing.
- Balance Sheet for the Police and Crime Commissioner (Page 40) - 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 41) - 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 42) - 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 Statements of Account:

- Police Officer Pension Fund Statements (Page 127) - This shows the Police Pension Fund Account for the year for which the Chief Constable is Scheme Manager[7].

- Annual Governance Statement (Page 129) - This statement, required by regulations[8] to accompany the Statements of Account, outlines the Commissioner's approach to corporate governance and internal control[9].

- Independent Auditor's Report to the Police and Crime Commissioner (Page 138) - This report details the basis of the external auditor's opinion on the Statements of Account.

- Glossary of Terms (Page 141) - This section includes a description of the key terms used in the Statements of Account, along with explanations of any technical terminology.

Significant Changes since 2017/18

There have been no significant changes to the financial statements since 2017/18.

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

Outlook for 2019/20 and Beyond

The Medium Term Financial Strategy (MTFS) sets out the key financial issues facing the Police and Crime Commissioner (PCC) and Chief Constable over the period 2019/20 to 2022/23, 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 government continue to provide no certainty or assurance on funding over the medium term.

The Police Grant Report for 2019/20 was published on 24 January 2019 and confirmed that general police grant allocations to PCCs were to be increased by £161.000 million equivalent to 2.1%, an increase for Northumbria of £4.504 million.

The settlement includes a one-off Special Pension Grant from the government of £3.423 million for Northumbria to manage part of the increased costs of employer contributions for police officer pensions from 2019/20.

As part of the 2016 Pension Valuation, Treasury (HMT) announced Public Sector Pension Valuation 'Directions' which serve to increase the Employer's Contribution rate from 2019/20 for unfunded public sector pension schemes, impacting on the Police Pension Scheme. The impact for Northumbria is an increase in the annual cost of employer pension contributions of £7.700 million.

The net increase in grant funding for 2019/20 is therefore barely sufficient to cover the additional cost of police pensions and does not provide any real terms protection for police budgets to manage pay increases and other inflationary pressures. The Special Pension Grant of £3.403 million is for one year only therefore the government has failed to commit to protecting police budgets against the revaluation of the pension scheme beyond 2019/20.

In calculating the settlement for 2019/20 the government assumed that each PCC would increase the police Precept by £24 for a Band D property (£16 for a Band A property). If the increase did not go ahead the total funding settlement would have been reduced by £9.400 million. The increase in Precept income for 2019/20 will be used to invest in policing including new officers and staff and the retention of roles that had originally planned to be lost.

The MTFS includes changes in the reserves strategy which are necessary to protect police budgets from the impact of funding uncertainty over the medium term. New earmarked reserves are being established to manage specific risks associated with the national implementation of the Emergency Services Network (ESN) and the significant cost pressure identified from 2020/21 as a result of the government's failure to commit to protecting police budgets against the revaluation of the police pension fund.

The approach set out within the MTFS intends to deliver a balanced budget. It sets out how all four years will be financed and general reserves can be maintained at or above 3.0% of the revenue budget, estimated at £9.400m at March 2023, and this is greater than the minimum set out in the reserve strategy. The management of this position has been achieved as far as possible but there remains a £3.4m cost in the event that that the government do not fund the full cost of the police pensions increase from 2020/21 onwards. Whilst the new Police Pension Scheme Funding Reserve described in the previous paragraph will be available to provide one-off funding for 2020/21, savings of £3.4m would be required from 2021/22 and are not yet identified.

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

The successful delivery of the Strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources. Both the Police and Crime Commissioner and Chief Constable are fully committed to taking the necessary decisions to achieve this outcome.

Underpinning the MTFS is a workforce plan which includes recruitment, training and development of officers and police staff, aligning resources with changing demand.

The MTFS can be found on the Commissioners website at the following link: http://www.northumbria-pcc.gov.uk/MTFS 2019/20 to 2022/23

Funding Formula

The Home Office failed to implement its proposed new funding formula for 2016/17 after a fundamental error was found in the data it was using for its calculations. The 2018/19 settlement announcement in December 2017 stated that the formula review would be deferred to the next Comprehensive Spending Review (CSR); this is still to be formally confirmed. Therefore the MTFS 2019/20 to 2022/23 does not anticipate any change to the formula used to distribute core grant funding over the medium term.

Northumbria Police Strategy 2025

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

https://www.northumbria.police.uk/about_us/policies_plans_and_strategy/plans/

Events after the reporting period

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 December 2018 the Court of Appeal (McCloud/Sargeant) ruled that the transitional protection offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. At the time the Police and Crime Commissioner was producing draft Statements of Account the government intended to appeal to the Supreme Court and the outcome was uncertain.

This matter was therefore reported in the draft Statements of Account as a contingent liability which reflected the conditions at the balance sheet date and at the date of publication. However, on 27 June the Supreme Court denied the government permission to appeal on the McCloud case. On 15 July the Treasury published a written statement (HCWS1725) on Public Service Pensions which states that the government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. The Statement also estimates that remedying the discrimination for all public service pension schemes nationally will add around £4.000 billion per annum to scheme liabilities from 2015.

Given the events described above, the Police and Crime Commissioner's financial statements have been adjusted to reflect a revised pension liability for both the Police Pension Scheme and the Tyne and Wear Pension Fund. Whilst this issue does not impact on the bottom-line in 2018/19 for the Police and Crime Commissioner in terms of the General Fund balance, it will place an upward pressure on employers' pension contributions reflecting an increased pension liability to recover over the life of the schemes. This matter is covered in further detail at Note 21 to the accounts.

On 13 May 2019, it was announced that the Police and Crime Commissioner for Northumbria, Dame Vera Baird, would be leaving her post following appointment as the new national commissioner for victims and witnesses (Victims' Commissioner). An election was held on 18 July 2019 to appoint a new Police and Crime Commissioner and the successful candidate Kim McGuiness commenced in post on 22 July 2019.

Further Information

This publication provides a review of the financial performance of the Group for 2018/19, a summary of which will be included in the Annual Report for 2018/19 available on the Commissioner's website www.northumbria-pcc.gov.uk.

Signed: MJ Tait Dated: 30/7/19

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 Statements of Account.

I approve this statement

Signed: Dated: 30.7.19

Commissioner Kim McGuinness
Police and Crime Commissioner for Northumbria

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Commissioner's Statements of Account 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 Statements of Account, 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 Statements of Account for the year ended 31 March 2019, required by the Accounts and Audit Regulations, are set out in the following pages.

I further certify that the Statements of Account gives a true and fair view of the financial position of the Commissioner at 31 March 2019 and of her income and expenditure for the year ended 31 March 2019.

Signed: Date: 30/7/19

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 2018/19

	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 Reserves £000
Balance as at 31 March 2018		**9,436**	**4,022**	**-**	**301**	**13,759**	**15,634**	**29,393**
<u>Movement in reserves during 2018/19</u>								
Total Comprehensive Income and Expenditure		**(930)**	**-**	**-**	**-**	**(930)**	**8,444**	**7,514**
Adjustments between Accounting Basis & Funding Basis under regulations		4,617	(36)	7,944	(21)	**12,504**	(12,504)	**-**
Net Increase/(Decrease) before Transfers To/From Earmarked Reserves		**3,687**	**(36)**	**7,944**	**(21)**	**11,574**	**(4,060)**	**7,514**
Transfers To/From Earmarked Reserves		(3,395)	3,395	-	-		-	-
Increase or (Decrease) in Year		292	3,359	7,944	(21)	11,574	(4,060)	7,514
Balance as at 31 March 2019		**9,728**	**7,381**	**7,944**	**280**	**25,333**	**11,574**	**36,907**

Movement in Reserves Statement 2017/18

	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 Reserves £000
Balance as at 31 March 2017		**11,865**	**5,051**	**3,290**	**679**	**20,885**	**10,357**	**31,242**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure		**(7,934)**	**-**	**-**	**-**	**(7,934)**	**6,085**	**(1,849)**
Adjustments between Accounting Basis & Funding Basis under regulations	9(b)	4,819	(343)	(3,290)	(378)	808	(808)	-
Net Increase/(Decrease) before Transfers To/From Earmarked Reserves		**(3,115)**	**(343)**	**(3,290)**	**(378)**	**(7,126)**	**5,277**	**(1,849)**
Transfers To/From Earmarked Reserves	9(c)	686	(686)	-	-	-	-	-
Increase/(Decrease) in Year		(2,429)	(1,029)	(3,290)	(378)	(7,126)	5,277	(1,849)
Balance as at 31 March 2018		**9,436**	**4,022**	**-**	**301**	**13,759**	**15,634**	**29,393**

Comprehensive Income and Expenditure Statement

2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000	Service Expenditure Analysis	2018/19 Gross Expenditure £000	2018/19 Income £000	2018/19 Net Expenditure £000	Notes
-	(16,390)	(16,390)	Police Services	-	(17,822)	(17,822)	
-	(2,648)	(2,648)	Policing Funds (managed by the PCC)	-	(4,790)	(4,790)	
1,768	-	1,768	Office of the Police and Crime Commissioner	1,914	(33)	1,881	
-	(138)	(138)	Capital Financing	-	(133)	(133)	
1,685	(1,685)	-	PCC Commissioning of Victim Services	1,679	(1,679)	-	
285,099	-	285,099	PCC Financing of Police Services	286,360	-	286,360	
288,552	**(20,861)**	**267,691**	**Net Cost of Services**	**289,953**	**(24,457)**	**265,496**	
		(41)	Other Operating Expenditure			31	10
		2,952	Financing and Investment Income and Expenditure			2,681	10
		(262,668)	Taxation and Non-Specific Grant Income			(267,278)	10
		7,934	**(Surplus)/Deficit on Provision of Services**			**930**	10
		(6,046)	(Surplus)/Deficit on revaluation of non-current assets			(8,367)	9(a)
		(39)	Re-measurements of the net defined pension benefit liability			(77)	9(a)
		(6,085)	**Other Comprehensive Income and Expenditure**			**(8,444)**	9(a)
		1,849	**Total Comprehensive Income and Expenditure**			**(7,514)**	

Balance Sheet

31 March 2018 £000		31 March 2019 £000	Notes
90,492	Property, plant & equipment	95,267	17(a)
1,100	Investment property	1,100	17(a)
1,981	Intangible assets	1,842	17(a)
127	Long-term debtors	7,074	18
93,700	**Long-Term Assets**	**105,283**	
21,825	Assets held for sale	1,695	17(b)
551	Inventories	551	
28,271	Short-term debtors	38,032	18
8,993	Cash and cash equivalents	14,581	19
59,640	**Current Assets**	**54,859**	
(684)	Bank overdraft	(1,515)	19
(36,614)	Short-term borrowing	(21,703)	22
(14,186)	Short-term creditors	(16,144)	20
(51,484)	**Current Liabilities**	**(39,362)**	
(1,022)	Long-term provisions	(1,339)	21
(70,969)	Long-term borrowing	(81,969)	22
(472)	Other long-term liabilities (pensions)	(565)	23
(72,463)	**Long-Term Liabilities**	**(83,873)**	
29,393	**Net Assets**	**36,907**	
13,759	**Total Usable Reserves**	**25,333**	9(c)
15,634	**Total Unusable Reserves**	**11,574**	9(c)
29,393	**Total Reserves**	**36,907**	

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Commissioner at 31 March 2019.

Signed: MJ Tait Date: 30/7/19

Mike Tait BSc (Econ) CPFA
Treasurer

Cash Flow Statement

2017/18 £000		2018/19 £000
7,934	**(Surplus)/Deficit on the provision of services**	**930**
	Adjustments to (Surplus)/Deficit on the provision of service for non-cash movements:	
(7,196)	Depreciation of non-current assets	(8,614)
(2,619)	Revaluation/Impairment of non-current assets	(267)
(724)	Amortisation of intangible fixed assets	(851)
(83)	Pension Fund adjustments	(170)
(52)	(Increase)/Decrease in provision for bad debts	(350)
659	Contributions To/(From) provisions	(317)
(2,086)	Carrying amount of PP&E, investment property and intangible assets sold	(21,278)
(447)	Other non-cash movement	(645)
(12,548)		**(32,492)**
	Accruals Adjustments:	
-	Increase/(Decrease) in inventories	-
3,928	Increase/(Decrease) in debtors	16,702
(1)	Increase/(Decrease) in interest debtors	6
(526)	(Increase)/Decrease in creditors	(1,166)
106	(Increase)/Decrease in interest creditors	(5)
3,507		**15,537**
	Adjustments for items included in the net (Surplus)/Deficit on the provision of service that are investing or financing activities:	
2,491	Proceeds from the disposal of PP&E, investment property and intangible assets	21,345
1,781	Capital Grants credited to surplus or deficit on the provision of services	1,603
-	Other adjustments for items included in the net (Surplus)/Deficit on the provision of service that are investing or financing activities	-
4,272		**22,948**
	Reversal of operating activity items included in the net (Surplus)/Deficit on the provision of service that are shown	
(2,943)	Reversal of amounts disclosed separately below	(2,670)
	Cash Flows from Operating Activities includes the following	
3,097	Interest paid	2,779
(49)	Interest received	(108)
3,048		**2,671**
3,270	**Net cash flows from Operating Activities**	**6,924**
	Net Cash Flows from Investing Activities:	
9,007	Purchase of PP&E, investment property and intangible assets	6,953
13,000	Purchase of short-term and long-term investments	11,000
260	Other payments for investing activities	202
(2,491)	Proceeds from the sale of PP&E, investment property and intangible assets	(21,345)
(13,000)	Proceeds from the sale of short-term and long-term investments	(11,000)
(1,379)	Capital grants received (Government)	(1,328)
(114)	Capital grants received (Non-Government)	(79)
5,283	**Net cash flows from Investing Activities**	**(15,597)**
	Net Cash Flows from Financing Activities:	
(82,000)	Cash receipts of short-term and long-term borrowing	(84,000)
74,580	Repayments of short-term and long-term borrowing	87,916
(7,420)	**Net cash flows from Financing Activities**	**3,916**
1,133	**Net (Increase)/Decrease in Cash and Cash Equivalents**	**(4,757)**
9,442	Cash and Cash Equivalents at the beginning of the period	8,309
8,309	Cash and Cash Equivalents at the end of the period	13,066

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

Expenditure and Funding Analysis						
2017/18				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	**Service Expenditure Analysis**	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
-	(16,390)	(16,390)	Police Services	-	(17,822)	(17,822)
(2,648)	-	(2,648)	Policing Funds (managed by the PCC)	(4,790)	-	(4,790)
1,892	(124)	1,768	Office of the Police and Crime Commissioner	1,904	(23)	1,881
7,173	(7,311)	(138)	Capital Financing	7,022	(7,155)	(133)
-	-	-	PCC Commissioning of Victim Services	-	-	-
258,055	27,044	285,099	PCC Financing of Police Services	258,458	27,902	286,360
264,472	**3,219**	**267,691**	**Net Cost of Services**	**262,594**	**2,902**	**265,496**
(261,014)	1,257	(259,757)	Other Income and Expenditure	(266,245)	1,679	(264,566)
3,458	**4,476**	**7,934**	**(Surplus)/Deficit on Provision of Services**	**(3,651)**	**4,581**	**930**
16,916			**Opening General Fund Balance at 31 March**	**13,458**		
(3,458)			Surplus/(Deficit) on General Fund in Year	3,651		
13,458			**Closing General Fund as 31 March**	**17,109**		

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

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

2018/19
Adjustments between Funding and Accounting Basis

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	-	-	-	(17,822)	(17,822)
Policing Funds (managed by the PCC)	-	-	-	-	-
Office of the Police and Crime Commissioner	9,934	159	-	(10,116)	(23)
Capital Financing	(4,485)	-	-	(2,670)	(7,155)
PCC Commissioning of Victim Services	-	-	-		-
PCC Financing of Police Services	(36)	-	-	27,938	27,902
Net Cost of Services	**5,413**	**159**	**-**	**(2,670)**	**2,902**
Other Income and Expenditure	(1,572)	11	570	2,670	1,679
(Surplus)/Deficit on Provision of Services	**3,841**	**170**	**570**	**-**	**4,581**

2017/18
Adjustments between Funding and Accounting Basis

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	-	-	-	(16,390)	(16,390)
Policing Funds (managed by the PCC)	-	-	-	-	-
Office of the Police and Crime Commissioner	10,799	74	-	(10,997)	(124)
Capital Financing	(4,368)	-	-	(2,943)	(7,311)
PCC Commissioning of Victim Services	-	-	-		-
PCC Financing of Police Services	(343)	-	-	27,387	27,044
Net Cost of Services	**6,088**	**74**	**-**	**(2,943)**	**3,219**
Other Income and Expenditure	(1,822)	9	127	2,943	1,257
(Surplus)/Deficit on Provision of Services	**4,266**	**83**	**127**	**-**	**4,476**

b) Note to the EFA – Segmental Income

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

Segmental Income		
	Income from Services	Income from Services
	2017/18	2018/19
Income received on a segmental basis is analysed below:	£000	£000
Capital Financing	(48)	(114)
Total income analysed on a segmental basis	**(48)**	**(114)**

2. Expenditure and Income Analysis by Nature

The Code of Practice requires the Commissioner to disclose information on the nature of expenses. The Commissioner's expenditure and income for 2018/19 (and 2017/18 comparative) is analysed as follows:

Expenditure and Income Analysed by Nature		
	2017/18	2018/19
Expenditure/Income	£000	£000
Expenditure		
Employee benefits expenses	740	841
Other employee expenses	-	-
Premises	112	114
Transport	2	2
Supplies and services	225	228
Third party payments	2,374	2,408
Depreciation, amortisation and impairment	10,539	9,732
Other capital charges	260	202
Less: amounts charged to Chief Constable for use of assets	(10,799)	(9,934)
Financing of Police Services	285,099	286,360
Loss on disposal of property, plant and equipment	-	31
Interest payments	2,991	2,784
Police pension fund deficit - payment to pension fund	64,669	65,737
Interest on the net defined benefit pension liability	9	11
Total Expenditure	**356,221**	**358,516**
Income		
Fees, charges and other service income	(4,578)	(4,099)
Recharge receipts	(3,434)	(3,414)
Other operating Income	(2,521)	(2,953)
Revenue grants and contributions	(10,328)	(13,991)
Gain on disposal of property, plant and equipment	(41)	-
Interest and investment income	(48)	(114)
Dividends receivable	-	-
Income from Council Tax	(38,263)	(43,051)
Police Grant income	(222,624)	(222,624)
Police pension fund deficit - grant income	(64,669)	(65,737)
Capital Grants and Contributions	(1,781)	(1,603)
Total Income	**(348,287)**	**(357,586)**
(Surplus)/Deficit on the Provision of Services	**7,934**	**930**

3. Statement of Accounting Policies

Introduction

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

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

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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:

a) Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 (the Act) established both the Police and Crime Commissioner for Northumbria 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. These Statements of Account present expenditure on policing following appropriate accounting practice.

b) Accruals of expenditure and income

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

- 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 receivables 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.

c) 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 either the revalued amount or 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

d) 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.

e) 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.

f) 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.

g) Employee benefits

Benefits payable during employment

Short-term employee benefits, such as 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 services 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 Fund, all of which offer defined benefits related to pay and service:

The Police Pension Schemes are unfunded defined benefit schemes, for which contributions are paid into a Pension Fund and pensions paid from the Fund. The deficit 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 Tyne & Wear Pension Fund is a Local Government Pension Scheme administered by South Tyneside Council. It is classified as a funded defined benefit scheme, meaning that the 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 notes to the accounts.

h) Events after the Balance Sheet date

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

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

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

i) Prior period adjustments

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

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

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

There are no prior period adjustments required for the 2018/19 financial statements.

j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes both the most straightforward financial instruments (e.g. trade payables and receivables) and the most complex such as equity instruments.

Typical financial instruments are trade payables and trade receivables, borrowings, bank deposits and investments.

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 o), 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.

k) 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 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.

l) 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.

m) 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.

n) 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.

o) 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 (e.g. 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 Northumbria Police Estates Surveyor, 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; 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.

p) 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 21 to the single entity accounts and Note 9 to the group accounts.

q) 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.

r) 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.

s) 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.

t) 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 2018/19 is shown at 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 2018/19.

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 2018/19 the following standards have been issued but not yet adopted:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property.
- Annual Improvements to IFRS Standards 2014-2016 cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with negative Compensation.

It is not expected that any of these amendments will have a material impact on the information provided in 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 2019 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 are assessed on an actuarial basis which results in an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, rates of inflation and discount rates.

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

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

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

Further details are included within the notes to the accounts.

Fixed Asset Valuations

Asset valuations are carried out on a rolling programme basis with one third 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 three years which is within statutory requirements. The 2018/19 valuations were carried out internally by Northumbria Police Asset Manager, Tim Rodgers BSc (Hons), MRICS Registered Valuer, supported by Northumbria Police Estates Surveyor, 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, Global Standards 2017 plus the RICS Valuation – UK Professional Standards 2014 (revised 2015) supplement.

Accumulated Absence

These are the costs of holiday entitlements and lieu time earned by police officers and police staff but not taken by the year-end. As balances at 31 March each year do not differ with materiality, the estimated liability is calculated on a three year rolling basis using data from resource management systems, and adjusted to reflect changes in workforce numbers, pay inflation and employers contribution rates for pensions and national insurance. The latest detailed valuation was carried out as at 31 March 2019. Further details are included within Note 10 to the Group 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 sixth 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 2019, all assets, liabilities and reserves were the responsibility of the Commissioner. The Commissioner owns and controls all non-current assets, loans, investments and borrowing. All contracts are in the Commissioners name. The Commissioner controls the bank account, is responsible for all liabilities, and controls all usable reserves. The Commissioner is the recipient of all income including government grants, Precepts and other sources of income which is paid into the Police Fund, and all expenditure of the Chief Constable is funded by the Commissioner from the Police Fund. There are no cash transactions between the two bodies.

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

All income, as well as expenditure directly controlled by the Commissioner, in relation to her Office 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 - £9.934 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 - £0.205 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 2018/19.

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 following tables set 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

2017/18 £000		2018/19 £000
(285,099)	Chief Constable	(286,360)
285,099	Commissioner	286,360
-	**Group**	**-**

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.

2017/18 £000		2018/19 £000
(8,279)	Chief Constable	(8,746)
8,279	Commissioner	8,746
-	**Group**	**-**

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 2017/18 and 2018/19:

	Other Comprehensive Income & Expenditure	
2017/18 Unusable Reserves £000		2018/19 Unusable Reserves £000
(6,046)	(Surplus)/Deficit on revaluation of non-current assets	(8,367)
(39)	Re-measurements of the net defined benefit pension liability	(77)
(6,085)	**Total Other Comprehensive Income and Expenditure**	**(8,444)**

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 2018/19 and 2017/18 are set out in the following tables:

Adjustments between Accounting Basis & Funding Basis under regulations 2018/19	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(8,881)	-	-	-	8,881
Amortisation of intangible assets	(851)	-	-	-	851
Revenue Expenditure Funded from Capital under Statute	(202)	-	-	-	202
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,603	-	-	21	(1,624)
Capital Expenditure charged in the year to the General Fund	-	36	-	-	(36)
Net Gain/Loss on sale of non-current assets	(31)	-	(7,944)	-	7,975
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	-	-	-
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(570)	-	-	-	570
Reversal of IAS 19 Pension Charges	(251)	-	-	-	251
Contributions due under the pension scheme regulations	81	-	-	-	(81)
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	-	-	-	-	-
Revenue provision for the repayment of debt	4,485	-	-	-	(4,485)
Total adjustments between Accounting Basis & Funding Basis under regulations	**(4,617)**	**36**	**(7,944)**	**21**	**12,504**

Adjustments between Accounting Basis & Funding Basis under regulations 2017/18	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(9,815)	-	-	-	9,815
Amortisation of intangible assets	(724)	-	-	-	724
Revenue Expenditure Funded from Capital under Statute	(260)	-	-	-	260
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,781	-	-	378	(2,159)
Capital Expenditure charged in the year to the General Fund	-	343	-	-	(343)
Net Gain/Loss on sale of non-current assets	41	-	(2,127)	-	2,086
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	5,417	-	(5,417)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(127)	-	-	-	127
Reversal of IAS 19 Pension Charges	(201)	-	-	-	201
Contributions due under the pension scheme regulations	118	-	-	-	(118)
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	-	-	-	-	-
Revenue provision for the repayment of debt	4,368	-	-	-	(4,368)
Total adjustments between Accounting Basis & Funding Basis under regulations	**(4,819)**	**343**	**3,290**	**378**	**808**

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 Workforce Management Reserve is maintained to smooth the cost impact of workforce changes. The Commissioner's MTFS 2019/20 to 2022/23 highlighted a requirement to increase the reserve in 2018/19 by £1.000 million through a transfer from the general reserve. As the government continue to provide no certainty or assurance on funding over the medium term, this will provide additional resilience to manage any workforce change required over that period.

- The Police Pension Scheme Funding Reserve has been created from the underspend against the Chief Constable's budget in 2018/19. This reserve will provide essential funding for one year only, to cover the increased cost of police pension contributions in 2020/21 if the government fail to meet the full cost of the increase within the police settlement.

- 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 Domestic Violence Reserve was created from an underspend against the Commissioner's Community Fund budget in 2016/17, to support work undertaken jointly with local National Health Services and Local Authority partners (Health Advocates), over a planned period, aimed at tackling domestic abuse.

- The Partnership Working Reserve has been created from underspends against the Commissioner's Community Fund budget in both 2017/18 and 2018/19. This reserve will be used in future years to support projects with partners in the public and voluntary sector, to deliver against priorities in the Police and Crime Plan.

- The Local Criminal Justice Board (LCJB) Project Support Reserve was created from an underspend against the Commissioner's Community Fund budget in 2017/18, to be used to pilot additional project support for the LCJB.

- The External Funding Reserve has been created from unspent non-conditional revenue grant income and other funding received during 2018/19 which is to be used for specific purposes in future years.

- The NERSOU Reserve represents Northumbria's share of the North East Regional Special Operations Unit (NERSOU) 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. A deferred capital receipt of £0.088 million relates to a rebate payment (Airframe Credit) that will be received over the two years 2019/20 to 2020/21, under the terms of the transfer agreement. In addition, there is a deferred receipt of £14.062 million which relates to a contract for disposal of property in 2018/19 which will be received over the two years 2019/20 to 2020/21.

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.

Balance as at 31 March 2018 £000	Analysis of the transfers To/From reserves	Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2019 £000
	Usable Reserves				
9,436	**General Reserve**	**3,292**	**(3,000)**	**292**	**9,728**
	Earmarked Reserves:				
320	Workforce Management Reserve	1,000	-	**1,000**	**1,320**
-	Police Pension Scheme Funding Reserve	2,000		**2,000**	**2,000**
3,000	Insurance Reserve	-	-	**-**	**3,000**
225	Domestic Violence Reserve	-	(100)	**(100)**	**125**
208	Partnership Working Reserve	145	-	**145**	**353**
50	LCJB Project Support Reserve	-	(40)	**(40)**	**10**
106	External Funding Reserve	245	(106)	**139**	**245**
113	NERSOU Reserve	278	(63)	**215**	**328**
4,022	**Total Earmarked reserves**	**3,668**	**(309)**	**3,359**	**7,381**
-	Capital Receipts Reserve	7,944	-	**7,944**	**7,944**
301	Capital Grants Unapplied	-	(21)	**(21)**	**280**
13,759	**Total Usable Reserves**	**14,904**	**(3,330)**	**11,574**	**25,333**
	Unusable Reserves				
40,450	Revaluation Reserve	8,367	(20,598)	**(12,231)**	**28,219**
(26,437)	Capital Adjustment Account	6,633	(11,102)	**(4,469)**	**(30,906)**
1,246	Collection Fund Adjustment	-	(570)	**(570)**	**676**
847	Deferred Capital Receipts	14,062	(759)	**13,303**	**14,150**
(472)	Pension Reserve	77	(170)	**(93)**	**(565)**
15,634	**Total Unusable Reserves**	**29,139**	**(33,199)**	**(4,060)**	**11,574**
29,393	**Total Reserves**	**44,043**	**(36,529)**	**7,514**	**36,907**

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				
2017/18		2018/19		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(41)	(Gains)/Losses on Disposal of Property Plant & Equipment	31	-	31
(41)	**Total Other Operating Expenditure**	**31**	**-**	**31**

Financing and Investment Income and Expenditure				
2017/18		2018/19		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,991	Interest Payable and similar charges	2,784		2,784
(48)	Interest and Investment Income		(114)	(114)
9	Pensions interest costs and expected return on assets	11		11
2,952	**Total Financing and Investment Income and Expenditure**	**2,795**	**(114)**	**2,681**

Taxation and Non Specific Grant income				
2017/18		2018/19		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(108,588)	Home Office Grant	-	(108,588)	(108,588)
(105,868)	Ex - DCLG Formula Grant	-	(105,868)	(105,868)
(6,867)	Council Tax Support Grant	-	(6,867)	(6,867)
(912)	Council Tax Freeze Grant 11/12	-	(912)	(912)
(389)	Council Tax Freeze Grant 14/15	-	(389)	(389)
(38,263)	Proceeds of PCC Precepts	-	(43,051)	(43,051)
-	Receipts/payments to Police Pension Fund	65,737	(65,737)	-
(1,781)	Capital grants and contributions	-	(1,603)	(1,603)
(262,668)	**Total Taxation and Non Specific Grant Income**	**65,737**	**(333,015)**	**(267,278)**

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		
2017/18 £000		2018/19 £000
37	External Audit Services	29
37	**Net Cost**	**29**

13. Government and non-government grants and contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement in 2018/19:

Government and non-government grants				
2017/18 Revenue £000	2017/18 Capital £000		2018/19 Revenue £000	2018/19 Capital £000
		General Government Grant not attributable to Services		
108,588	-	Home Office Grant	108,588	-
105,868	-	Ex - DCLG Formula Grant	105,868	-
6,867	-	Council Tax Support Grant	6,867	-
912	-	Council Tax Freeze Grant 11/12	912	-
389	-	Council Tax Freeze Grant 14/15	389	-
64,669	-	Pension top-up grant	65,737	-
-	1,263	Capital Grant	-	1,263
287,293	**1,263**	**Total**	**288,361**	**1,263**
		Specific Government Grant attributable to Services		
3,433	87	Counter Terrorism Grants (including Dedicated Security Posts & Prevent)	3,484	-
138	-	Loan Charges Grant	133	-
1,685	-	Victim Services Grant	1,679	-
30	-	ISVA Grant	-	-
-	-	SOC Prevent Local Pilot	30	
2,463	-	Transformation Funding	4,535	-
-	-	Police Special Grant	912	-
-	-	Apprenticeship Income	50	-
1,138	30	Home Office ROCU Funding	1,516	246
8,887	**117**	**Total**	**12,339**	**246**
		Non-Government grant and contributions attributable to Services		
1,442	401	Other contributions	1,652	94
1,442	**401**	**Total**	**1,652**	**94**
297,622	**1,781**	**Total Government and Non-Government contributions recognised in the Comprehensive Income & Expenditure Statement**	**302,352**	**1,603**

14. Officer Remuneration

The following tables set out the remuneration for senior employees whose salary, including voluntary redundancy payments, is more than £50,000 per year in 2018/19 and the equivalent disclosure for 2017/18.

Numbers of Employees receiving over £50,000		
	Number of Employees	
Remuneration Band	2017/18	2018/19
£50,000 - £54,999	2	2

Exit Packages

There were no exit packages for the PCC Single Entity employees during 2018/19. For comparative purposes the table below sets out the exit packages disclosure for 2017/18:

Exit packages 2017/18				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£60,001 - £80,000	1	-	1	71,191
Total	**1**	**-**	**1**	**71,191**

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

Remuneration of Senior Employees 2018/19

Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Relocation Expenses £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2018/19 £
Police and Crime Commissioner		86,558	-	-	-	86,558	14,282	100,840
Chief of Staff and Monitoring Officer		68,312	-	-	-	68,312	11,272	79,584
Total		**154,870**	**-**	**-**	**-**	**154,870**	**25,554**	**180,424**

Remuneration of Senior Employees 2017/18

Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in Kind £	Relocation Expenses £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration 2017/18 £
Police and Crime Commissioner		85,000	-	-	-	85,000	14,025	99,025
Chief Executive and Monitoring Officer	1	63,897	-	-	32,071	95,968	49,197	145,165
Interim Chief of Staff and Monitoring Officer	2	22,023	-	-	-	22,023	3,634	25,657
Total		**170,920**	**-**	**-**	**32,071**	**202,991**	**66,856**	**269,847**

Note 1: Chief Executive and Monitoring Officer - in post to 31 December 2017. the pension contributions include a £39,120 cost for the early release of pension benefits.
Note 2: Interim Chief of Staff and Monitoring Officer - started in post 01 December 2017

Chief Finance Officer

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

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 2018/19, no related party transaction was entered into with any senior officers of the Office of the Police and Crime Commissioner (OPCC) or their close family members.

Victims First Northumbria

Victims First Northumbria (VFN) is a Charitable Company (Charity Number 1164578). VFN is governed by a Board of Trustees which includes both the Police and Crime Commissioner and Chief Constable.

VFN 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 2018/19 the OPCC made a grant payment of £0.777 million to VFN under a Ministry of Justice Grant and a payment of £0.044 million from the Police Property Act Fund. In addition the Commissioner received Home Office funding during the year from the Police Transformation Fund (PTF) for the delivery of certain multi-agency projects. Some elements were delivered by VFN and payments totalling £0.192 million were made to VFN primarily in relation to the delivery of those elements. The OPCC invoiced Victims First Northumbria for services provided during 2018/19 in relation to staff costs and IT costs totalling £0.044 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

During 2018/19 Gateshead Council provided Internal Audit services to the Commissioner. The necessary power for this exists within section 113 of the Local Government Act 1972. The cost of Internal Audit services to the Commissioner and Group amounted to £0.097 million in 2018/19 and (£0.097 million in 2017/18).

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 2017/18 £000	Precept (in accordance with regulation) 2018/19 £000	Share of Surplus/(Deficit) at 31 March 2019 £000	Total 2018/19 £000
Gateshead Council	5,147	5,863	(72)	5,791
Newcastle City Council	6,522	7,517	(452)	7,065
North Tyneside Council	5,790	6,540	77	6,617
South Tyneside Council	3,816	4,294	27	4,321
Sunderland City Council	6,831	7,862	(111)	7,751
Northumberland County Council	10,157	11,544	(39)	11,505
	38,263	**43,620**	**(570)**	**43,050**

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.

Financing and Reserves

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

(NRE) after the use of reserves. NRE is equivalent to total funding from Home Office grants plus Council Tax income.

The contribution proportions made for 2018/19 are set out in the table below:

Force	Contribution
Northumbria	52.39%
Durham	22.86%
Cleveland	24.75%

The final outturn position for NERSOU was £6.767 million with Northumbria's share of the net cost being £3.545 million as set out below:

	NERSOU Outturn		Northumbria	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Employee Pay and Pensions	7,522	8,788	3,942	4,604
Premises Costs	557	403	292	211
Vehicles and Fuel	257	222	134	116
Travel and Accomodation	80	110	42	58
Communications and Computing	86	119	45	62
Training and Conference Fees	152	148	80	78
Supplies and Services	380	300	199	157
Other Expenses	108	136	57	71
Total Expenditure	**9,142**	**10,226**	**4,791**	**5,357**
Home Office Grant	2,172	2,894	1,138	1,516
Other Income	408	565	214	296
Total Income	**2,580**	**3,459**	**1,352**	**1,812**
Net Expenditure	**6,562**	**6,767**	**3,439**	**3,545**

The accounting treatment for NERSOU is that expenditure is shown as £5.357 million (£4.791 million 2017/18) in the Chief Constable's accounts with income of £1.812 million (£1.352 million 2017/18) being accounted for in the Police and Crime Commissioners Single Entity accounts. The net cost to the Commissioner and Group is therefore £3.545 million (£3.439 million 2017/18).

All three Forces have equal representation and rights to control under the Section 22A collaboration agreement. Under this Agreement assets purchased by a Force and provided for the use of NERSOU are held on the Balance Sheet of that Force. In addition assets funded through Home Office grants and other contributions are purchased by Northumbria and held for the exclusive benefit of NERSOU. The share of NERSOU assets attributable to Northumbria are held as Property, Plant and equipment (PPE) on the Balance Sheet of the Police and Crime Commissioner Single Entity and Group accounts in line with the relevant Northumbria contribution rate.

In 2016/17 the three Forces jointly purchased new premises for NERSOU, the North East Regional Crime Prevention Centre (NERCPC). The property asset is held under a Trust Agreement signed by the three Police and Crime Commissioners. The agreed capital contributions for each Force were used to determine the respective share of ownership under the Trust Agreement and form the basis of asset value held on the Commissioners' Balance Sheets.

The relative share of ownership for the NERCPC is as follows:

Northumbria	37.5%
Durham	37.5%
Cleveland	25.0%

Reserves attributable to NERSOU are also held on the Balance Sheet of the Police and Crime Commissioner with the share of overall reserves for Northumbria being determined on the basis of revenue contributions equating to £0.215 million as at 31 March 2019. The reserve balance relates to income received through the Asset Recovery Incentivisation Scheme (ARIS) which will be carried forward to be utilised in 2019/20, and an amount set aside from the revenue underspend in 2018/19 which the NERSOU Joint Committee have agreed will be carried forward to be used in 2019/20.

16. Capital Expenditure and Contributions

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/decrease 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		
2017/18 £000		2018/19 £000
104,122	**Opening Capital Financing Requirement**	**101,387**
	Capital investment	
7,899	Property, Plant and Equipment	6,439
1,394	Intangible Assets	710
260	Revenue Funded from Capital Under Statute	202
	Sources of finance	
(5,417)	Capital receipts	-
(2,160)	Government grants and other contributions	(1,624)
(343)	Use of General Fund Earmarked Reserves (NERSOU)	(36)
(4,368)	Minimum Revenue Provision	(4,485)
101,387	**Closing Capital Financing Requirement**	**102,593**

Capital Commitments

At 31 March 2019, the Commissioner has no material capital commitment outstanding.

17.

a) Non-current Assets

Non-current assets movements								
Cost or Valuation	Land & Buildings £000	Vehicles, Plant & Equipment £000	Non Operational & Surplus £000	Assets Under Construction at Cost £000	**Total Property, Plant & Equipment £000**	Investment Property £000	Intangible Assets £000	**Total Non-Current Asset £000**
Balance as at 1 April 2017	**78,269**	**46,022**	**-**	**1,094**	**125,385**	**300**	**2,970**	**128,655**
Reclassifications	(384)	-	-	(1,094)	**(1,478)**	995	-	**(483)**
Additions	1,331	6,559	-	-	**7,890**	-	1,393	**9,283**
Disposals	-	(7,833)	-	-	**(7,833)**	-	-	**(7,833)**
Revaluation Increase / (Decrease) to:								
Revalution Reserve	4,588	-	-	-	**4,588**	(195)	-	**4,393**
Comprehensive I&E	(2,463)	-	-	-	**(2,463)**	-	-	**(2,463)**
Balance as at 1 April 2018	**81,341**	**44,748**	**-**	**-**	**126,089**	**1,100**	**4,363**	**131,552**
Reclassifications	(3)	-	-	-	**(3)**	-	3	**-**
Additions	603	5,837	-	-	**6,440**	-	709	**7,149**
Disposals	-	(3,430)	-	-	**(3,430)**	-	-	**(3,430)**
Revaluation Increase / (Decrease) to:								
Revalution Reserve	5,985	-	-	-	**5,985**	-	-	**5,985**
Comprehensive I&E	(329)	-	-	-	**(329)**	-	-	**(329)**
Balance at 31 March 2019	**87,597**	**47,155**	**-**	**-**	**134,752**	**1,100**	**5,075**	**140,927**

Non-current assets movements (continued)

Accumulated depreciation and impairment	Land & Buildings £000	Vehicles, Plant & Equipment £000	Non Operational & Surplus £000	Assets Under Construction at Cost £000	**Total Property, Plant & Equipment £000**	Investment Property £000	Intangible Assets £000	**Total Non-Current Asset £000**
Balance as at 1 April 2017	(2,036)	(35,322)	-	-	**(37,358)**	-	(1,658)	**(39,016)**
Reclassifications	6	-	-	-	**6**	-	-	**6**
Eliminated on disposals of assets	-	7,713	-	-	**7,713**	-	-	**7,713**
Eliminated on revaluation:								
Depreciation written out to Revaluation Reserve	1,099	-	-	-	**1,099**	-	-	**1,099**
Depreciation written out to Comprehensive I&E	139	-	-	-	**139**	-	-	**139**
Depreciation	(1,485)	(5,711)	-	-	**(7,196)**	-	(724)	**(7,920)**
Balance as at 1 April 2018	(2,277)	(33,320)	-	-	**(35,597)**	-	(2,382)	**(37,979)**
Reclassifications	-	-	-	-	**-**	-	-	**-**
Eliminated on disposals of assets	-	3,389	-	-	**3,389**	-	-	**3,389**
Eliminated on revaluation:								
Depreciation written out to Revaluation Reserve	1,275	-	-	-	**1,275**	-	-	**1,275**
Depreciation written out to Comprehensive I&E	62	-	-	-	**62**	-	-	**62**
Depreciation	(1,628)	(6,986)	-	-	**(8,614)**	-	(851)	**(9,465)**
Balance at 31 March 2019	**(2,568)**	**(36,917)**	**-**	**-**	**(39,485)**	**-**	**(3,233)**	**(42,718)**

Non-current assets movements - Net Book Value

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Non Operational & Surplus £000	Assets Under Construction at Cost £000	**Total Property, Plant & Equipment £000**	Investment Property £000	Intangible Assets £000	**Total Non-Current Asset £000**
Net Book Value at 31/03/2018	79,064	11,428	-	-	**90,492**	1,100	1,981	**93,573**
Net Book Value at 31/03/2019	85,029	10,238	-	-	**95,267**	1,100	1,842	**98,209**

Valuations

Valuations are carried out on a three year rolling programme basis, with approximately one third of assets valued each year. This provides a full revaluation every three years, which is within statutory requirements. In addition those categorised as significant assets, investment assets and assets held for sale are valued annually.

Investment properties 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, Global Standards 2017 plus the RICS Valuation – UK Professional Standards 2014 (revised 2015) supplement 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.

The valuations completed each year as part of the rolling programme (since 2010/11) are summarised in the following table:

	Valuations					
	Land and Buildings £000	Vehicles & Equipment £000	Surplus Assets £000	Assets Held For Sale £000	Investment Property £000	**Total Valuation £000**
Valued at 1 April 2018	74,656	-	-	1,695	1,100	77,451
Valued at 1 April 2017	69,551	-	-	21,825	1,100	92,476
Valued at 1 April 2016	63,379	-	-	23,045	300	86,724
Valued at 1 April 2015	56,533	-	-	32,422	1,440	90,395
Valued at 1 April 2014	68,577	-	300	3,640	2,075	74,592
Valued at 1 April 2013	38,421	-	-	1,246	1,640	41,307
Valued at 1 April 2012	30,911	-	-	259	653	31,823
Valued at 1 April 2011	45,501	-	360	1,707	-	47,568
Valued at 1 April 2010	40,464	-	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 2019 is £1.695 million (£21.825 million at 31 March 2018). These are properties (Land and Buildings) owned by the Police and Crime Commissioner for Northumbria which 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 £1.695 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		
	2017/18	2018/19
Net Book Value	£000	£000
Balance as at 1 April	**23,045**	**21,825**
Reclassification of Property, Plant & Equipment	477	-
Additions	8	-
Disposals	(1,965)	(21,236)
Revaluation	260	1,106
Balance as at 31 March	**21,825**	**1,695**

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 £2.155 million (2017/18 £1.826 million) in relation to the Commissioner's share of the local collection authorities' Council Tax provisions for bad debts.

Short–Term Debtors		
31 March 2018 £000		31 March 2019 £000
20,102	Central government bodies	22,019
10	NHS bodies	75
8,174	Other local authorities	9,487
-	Public corporations and trading funds	-
1,847	Bodies external to general government	8,663
(1,862)	- Less bad debt provision	(2,212)
28,271		**38,032**

Long–Term Debtors		
31 March 2018 £000		31 March 2019 £000
87	Sale of assets - deferred receipts	7,054
40	Other long-term debtor	20
127		**7,074**

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 2018 £000		31 March 2019 £000
170	Cash held by the Commissioner	170
(684)	Bank current accounts	(1,515)
8,823	Short-term deposits with building societies	14,411
8,309	**Total cash and cash equivalents**	13,066

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 2018 £000		31 March 2019 £000
(1,379)	Central government bodies	(23)
(82)	NHS bodies	-
(2,735)	Other local authorities	(3,484)
-	Public corporations and trading funds	(1)
(1,711)	Bodies external to general government	(3,889)
(5,907)		**(7,397)**
(8,279)	Chief Constable	(8,747)
(14,186)		**(16,144)**

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 2018 £000		Additional Provisions Made £000	Provisions Used £000	Reversals £000	31 March 2019 £000
	Long-term provisions				
(1,022)	Insurance	(596)	279	-	(1,339)
(1,022)	**Total**	**(596)**	**279**	**-**	**(1,339)**

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 increase in the provision reflects the estimate of outstanding claims at 31 March 2019.

Contingent Liabilities

At 31 March 2019, 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 2018/19 Statements of Account.

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 Northumbria Police Finance Department. 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 Link 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 2019, none of the Commissioner's deposits were held with a financial institution domiciled outside of the UK. This position has been the same throughout 2018/19.

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 £000	Impairment Value £000	Net Value £000
Deposits with Financial Institutions	14,447	(44)	14,403
Trade Debtors	19,229	(57)	19,172

The debtors' balance represents the amount due to the Commissioner from customers. A bad debt provision of £0.056 million on trade debtors, (£0.036 million in 2017/18) is held on the Balance Sheet to provide against the risk of default on debt outstanding.

The trade debtor value of £19.172 million disclosed in the table above represents the group position. The PCC single entity element of trade debtors due is £17.438 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, Link 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		
	2017/2018	2018/2019
Rating	£000	£000
AAA	7,664	14,402
AA	-	-
AA-	-	-
A+	-	-
A	1,157	1
Total (Excluding Impaired Investments)	8,821	14,403

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 2019, all of the Commissioner's £14.403 million deposits were due to mature within 364 days.

Refinancing and Maturity Risk

The Commissioner maintains a debt portfolio of £102.969 million and investment portfolio of £14.447 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				
		As at 31 March		As at 31 March
	Approved Limits	2018	Approved Limits	2019
Maturity Period	%	%	%	%
< 1 Year	70.00	33.60	70.00	20.39
1 - 2 Years	60.00	4.68	60.00	0.00
2 - 5 Years	60.00	4.68	60.00	9.71
5 - 10 Years	65.00	9.36	65.00	10.20
>10 Years	80.00	47.68	90.00	59.70

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 2019, 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	-
Increase in interest receivable on variable rate investments	(16)
Impact on the (Surplus)/Deficit	**(16)**
Decrease in the fair value of fixed rate investments	-
Decrease in the fair value of fixed rate borrowing	16,072

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 favourable, 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 Instruments Balances				
	Long Term		Current	
	As at 31 March 2018 £000	As at 31 March 2019 £000	As at 31 March 2018 £000	As at 31 March 2019 £000
Financial Liabilities at Amortised Cost	(70,969)	(81,969)	(36,614)	(21,703)
Total Borrowing *	**(70,969)**	**(81,969)**	**(36,614)**	**(21,703)**
Financial Assets at Amortised Cost **	-	-	8,823	14,411
Total Investments *	**-**	**-**	**8,823**	**14,411**

* On 01 April 2018, changes were made to IFRS 9 (Financial Instruments). This has resulted in new classification categories for financial assets and liabilities. All investments and loans have been assessed at the year-end and as all investments are made solely for payments of principal and accrued interest, a judgement has been made that they should be held at amortised cost. ** The Loans & Receivables classification shown in the 2017-18 accounts has changed under IFRS 9 and those Financial Assets are now shown as being held at Amortised cost.

c) Analysis of Financial Liabilities at Amortised Cost

Analysis of Financial Liabilities			
	Range of Interest rates payable %	Total Outstanding at 31 March 2018 £000	Total Outstanding at 31 March 2019 £000
Source of Loan			
Public Works Loan Board	1.86%-7.125%	(72,516)	(82,633)
Other Loan Instruments	0.95%-3.52%	(35,067)	(21,039)
An Analysis of loans by maturity:			
Marturing within 1 year		(36,614)	(21,703)
Maturing within 1 - 2 years		(5,000)	-
Maturing within 2 - 5 years		(5,000)	(10,000)
Maturing within 5 - 10 years		(10,000)	(10,500)
Maturing in more than 10 years		(50,969)	(61,469)
Total Borrowing		**(107,583)**	**(103,672)**
Trade Creditors		(14,167)	(13,128)
Total Financial Liabilities		**(121,750)**	**(116,800)**

The trade creditor value of £13.128 million disclosed in the table above represents the group position. The PCC single entity element of trade creditors due is £4.229 million.

d) Loans and Receivables

No loans and receivables over 364 days were outstanding as at 31 March 2019 (there were none in 2017/18).

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:

Financial Instruments Gains and Losses		
	2017/18 £000	2018/19 £000
Interest and Investment Income	(48)	(114)
Interest Payable and Similar Charges	2,991	2,784
Total	**2,943**	**2,670**

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; and
- 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 Link 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 March 2018		As at March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	(72,516)	(90,037)	82,633	101,673
Non PWLB Debt	(35,067)	(35,940)	21,039	22,071
Total Financial Liability	**(107,583)**	**(125,977)**	**103,672**	**123,744**
Market loans < 1 year	-	-	-	-
Market Loans > 1 year	-	-	-	-
Total Investment	**-**	**-**	**-**	**-**

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 2019) arising from a commitment to pay interest to lenders above current market rates.

There were no investments outstanding at 31 March 2019.

g) Reconciliation of Loans and Receivables to Balance Sheet

Loans and Recievables				
	Principal £000	Impairment £000	Accrued Interest £000	Toal £000
Short Term Investments				
Fixed Term Deposits	-	-	-	-
Impaired Investments	44	(44)	-	-
Total Short Term Investments	**44**	**(44)**	**-**	**-**
Short Term Deposits - (Cash Equivalents)	14,402	-	9	14,411
Total	**14,446**	**(44)**	**9**	**14,411**

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 2018/19, the Commissioner paid £0.081 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.5% of pensionable pay compared to £0.118 million in 2017/18 (16.5% 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 2018	31 March 2019
	£m	£m
Within Cost of Service		
Current Service Cost	0.152	0.150
Past service cost (incl. curtailments)	0.040	0.090
Financing, Investment Income & Expenditure		
Interest on net defined benefit Liability/(Asset)	0.009	0.011
Pension expense recognised in CIES	**0.201**	**0.251**
Remeasurements in OCI		
Return on plan assets (in excess of)/below that recognised in net interest	(0.024)	(0.398)
Actuarial (Gains)/Losses due to change in financial assumptions	(0.040)	0.091
Actuarial (Gains)/Losses due to change in demographic assumptions	-	(0.080)
Actuarial (Gains)/Losses due to liability experience	0.025	0.310
Total Amount recognised in OCI	**(0.039)**	**(0.077)**
Total Amount charged to CIES	**0.162**	**0.174**

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 2018	31 March 2019
	£m	£m
Opening defined benefit obligation	**1.382**	**1.621**
Current service cost	0.152	0.150
Interest expense on defined benefit obligation	0.035	0.042
Contributions by participants	0.032	0.038
Actuarial (Gains)/Losses on liabilities - financial assumptions	(0.040)	0.091
Actuarial (Gains)/Losses on liabilities - demographic assumptions	-	(0.080)
Actuarial (Gains)/Losses on liabilities - experience	0.025	0.310
Net benefits paid out	(0.005)	(0.027)
Past service cost (incl. curtailments)	0.040	0.090
Closing defined benefit obligation	**1.621**	**2.235**

Changes to the fair value of assets during the period		
	Funded Liabilities as at	
	31 March 2018	31 March 2019
	£m	£m
Opening fair value of assets	**0.954**	**1.149**
Interest income on assets	0.026	0.031
Remeasurement Gains/(Losses) on assets	0.024	0.398
Contributions by the employer	0.118	0.081
Contributions by participants	0.032	0.038
Net benefits paid out	(0.005)	(0.027)
Closing fair value of assets	**1.149**	**1.670**

Reconciliation of the present value of the defined benefit obligation and the fair value of fund assets to the assets and liabilities recognised in the balance sheet		
	31 March 2018	31 March 2019
	£m	£m
Present value of defined benefit obligation (funded)	1.621	2.235
Asset/(liability) recognised on the balance sheet (funded)	(0.472)	(0.565)
Fair value of assets	**1.149**	**1.670**

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 £0.429 million (£0.050 million in 2017/18).

Analysis of Scheme Assets				
	Asset split at 31 March 2018	Quoted At 31 March 2019	Unquoted At 31 March 2019	Asset split at 31 March 2019
Asset	(%)	(%)	(%)	(%)
Equities	67.0	58.0	7.0	65.0
Property	8.5	0.0	8.8	8.8
Government bonds	4.0	4.1	0.0	4.1
Corporate bonds	11.7	11.7	0.0	11.7
Cash	3.7	2.7	0.0	2.7
Other*	5.1	3.5	4.2	7.7
	100.0	**80.0**	**20.0**	**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 £0.565 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)					
	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Present value of the defined benefit obligation					
- Funded liabilities	(0.196)	(0.310)	(1.382)	(1.621)	(2.235)
- Unfunded liabilities	-	-	-	-	-
Fair value of fund assets	0.133	0.211	0.954	1.149	1.670
Surplus/(Deficit) in the scheme	**(0.063)**	**(0.099)**	**(0.428)**	**(0.472)**	**(0.565)**

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 to provide an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and discount rates. AON Hewitt Limited, an independent firm of actuaries, has valued the Tyne and Wear Pension Fund's assets and liabilities in accordance with IAS 19 by using the latest actuarial valuation of the fund as at 31 March 2016.

The 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 2019.

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

Principal financial and actuarial assumptions		
	Funded Liabilities	
	2017/18	2018/19
Financial assumptions (% per annum)		
Discount Rate	2.6	2.5
Rate of Inflation (CPI)	2.0	2.1
Rate of Inflation (RPI)	3.1	3.2
Rate of increase in salaries	3.5	3.6
Rate of increase to pensions in payment	2.0	2.1
Pension accounts revaluation rate	2.0	2.1
Mortality assumptions		
Future lifetime from age 65		
(Member aged 65 at accounting date)		
Men	22.9	22.2
Women	26.4	25.3
Future lifetime from age 65		
(Member aged 45 at accounting date)		
Men	25.1	23.9
Women	28.7	27.2

Commutations	
Year end 31 March 2018	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.
Year end 31 March 2019	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

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

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2019 and the projected service cost for the year ending 31 March 2019. 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)	2.176	2.235	2.296
Change in present value of total obligation	-2.6%		2.7%
Projected service cost (£M)	0.167	0.173	0.179
Approximate change in projected service cost	-3.3%		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)	2.259	2.235	2.211
Change in present value of total obligation	1.1%		-1.1%
Projected service cost (£M)	0.173	0.173	0.173
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)	2.271	2.235	2.199
Change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M)	0.179	0.173	0.167
Approximate change in projected service cost	3.3%		-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)	2.304	2.235	2.166
Change in present value of total obligation	3.1%		-3.1%
Projected service cost (£M)	0.180	0.173	0.166
Approximate change in projected service cost	3.9%		-3.9%

* 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 2020 are estimated to be £0.084 million.

24. Trust Funds

These funds represent cash held by the Police and Crime Commissioner which do not represent the assets of the Commissioner. These balances are therefore excluded from cash and cash equivalents as recorded in the Balance Sheet.

Trust Funds		
2017/18 £000		2018/19 £000
(36)	Northumbria Police Charities Fund	(29)
(557)	Proceeds of Crime Act 2002	(1,415)
(593)		**(1,444)**

25. Transformation Funds Grant

Transformation Fund

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 Police and Crime Commissioner has been successful in securing one-off grant funding from the PTF fund totalling £4.535 million for 2018/19. The funding received has been used to support a number of multi-force projects with Northumbria receiving £1.415 million as an allocation of this funding. The key projects supported through the PTF fund in 2018/19 are described below:

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.

Violence Against Women and Girls – to deliver the Northumbria Building Capacity Project to improve individual, organisational and systematic responses to the victims and perpetrators of all forms of violence against women and girls. In particular, to address a number of specific areas where increased capability in specialist and/or non-specialist services would help to address areas of need highlighted by partner agencies.

Early Intervention Youth Fund: The Serious Organised Crime (SOC) project aims to target young people who are at risk of associating/joining Organised Crime Groups (OCGs). The pilot utilises the expertise and skills of the third sector to deliver diversionary activities to those identified by Northumbria Police.

Using a collaborative approach with partners in the six local authority areas the project provides purposeful intervention to young people who are identified as being on the periphery of becoming involved in serious violent crime. Identification of these young individuals is achieved using multi-agency forums, partners in Education and Neighbourhood policing teams.

Operation Encompass - The Next Step, to provide a whole systems approach to tackling domestic abuse and provide early intervention and support for vulnerable children in a safe environment. This approach supports the Governments National VAWG strategy objective to deliver appropriate PHSE and will act as a pilot for a national rollout if successful.

It builds on the extremely successful and valuable work of Operation Encompass and takes the next step in seeking out early intervention with children living with domestic abuse and giving them the best possible chance to cope and recover from being exposed to this harmful and damaging behaviour.

26. Ministry of Justice Grant

In 2018/19 the Police and Crime Commissioner received a grant from the Ministry of Justice (MOJ) to be used for local commissioning of Victims' Support Services. The total grant allocated to the Commissioner for 2018/19 was £1.679 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 2018/19 financial year:

Organisation / Project	Grant 2018/19 £000
Barnados	65
Advocacy Centre North	50
Changing Lives (modern slavery)	30
Changing Lives (sexual exploitation)	40
Children North East	56
Childrens Society	50
Community Counselling Cooperative	17
Cygnus Support	13
Cygnus Support (DV Counselling)	30
Newcastle Law Centre	40
Newcastle Women's Aid	31
Oasis Aquila Housing	48
Rape Crisis Tyneside and Northumberland	97
Someone Cares	66
Streetwise Young Peoples Project	49
The Angelou Centre	73
Tyneside & Northumberland Mind	81
Tyneside Women's Health	22
Victim Support DVSA Car Contribution 2018/19	3
Victims First Northumbria	777
Women's Health in South Tyneside (WHiST)	41
	1,679

27. Events after the Reporting Period

National Legal Challenge to Transitional Arrangements for Public Service Pensions

This issue impacts on both the Police and Crime Commissioner Single-Entity and Group accounts. The relevant events are described within the narrative statement and disclosed in further detail at Note 11 to the Group accounts.

The impact on the financial statements for the Police and Crime Commissioner Single-Entity is an increase of £0.090 million in the pension liability held on the balance sheet in respect of the Tyne and Wear Pension Fund (TWPF). The adjustment has been provided through an estimated past service cost of £0.090 million charged to net cost of services in the Comprehensive Income and Expenditure Statement (CIES). The charge to the CIES is reversed out in the Movement in Reserves Statement through unusable reserves ensuring no impact on the General Fund.

New Police and Crime Commissioner

On 13 May 2019, it was announced that the Police and Crime Commissioner for Northumbria, Dame Vera Baird, would be leaving her post following appointment as the new national commissioner for victims and witnesses (Victims' Commissioner). An election was held on 18 July 2019 to appoint a new Police and Crime Commissioner and the successful candidate Kim McGuinness commenced in post on 22 July 2019.

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 Reserves 2018/19

	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 Reserves £000
Balance as at 31 March 2018		**9,436**	**4,022**	**-**	**301**	**13,759**	**(4,094,280)**	**(4,080,521)**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure		**(330,537)**	**-**	**-**	**-**	**(330,537)**	**(22,721)**	**(353,258)**
Adjustments between Accounting Basis & Funding Basis under regulations	4(b)	334,224	(36)	7,944	(21)	342,111	(342,111)	-
Net Increase/(Decrease) before Transfers To/From Earmarked Reserves		**3,687**	**(36)**	**7,944**	**(21)**	**11,574**	**(364,832)**	**(353,258)**
Transfers To/From Earmarked Reserves	4(c)	(3,395)	3,395	-	-	-	-	-
Increase/(Decrease) in Year		**292**	**3,359**	**7,944**	**(21)**	**11,574**	**(364,832)**	**(353,258)**
Balance at 31 March 2019		**9,728**	**7,381**	**7,944**	**280**	**25,333**	**(4,459,112)**	**(4,433,779)**

Movement in Reserves 2017/18

	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 Reserves £000
Balance as at 31 March 2017		**11,865**	**5,051**	**3,290**	**679**	**20,885**	**(3,927,141)**	**(3,906,256)**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure		**(148,322)**	**-**	**-**	**-**	**(148,322)**	**(25,943)**	**(174,265)**
Adjustments between Accounting Basis & Funding Basis under regulations	4(b)	145,207	(343)	(3,290)	(378)	141,196	(141,196)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(3,115)**	**(343)**	**(3,290)**	**(378)**	**(7,126)**	**(167,139)**	**(174,265)**
Transfers To/From Earmarked Reserves	4(c)	686	(686)	-	-	-	-	-
Increase/(Decrease) in Year		**(2,429)**	**(1,029)**	**(3,290)**	**(378)**	**(7,126)**	**(167,139)**	**(174,265)**
Balance at 31 March 2018		**9,436**	**4,022**	**-**	**301**	**13,759**	**(4,094,280)**	**(4,080,521)**

Comprehensive Income and Expenditure Statement

2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000	**Service Expenditure Analysis**	2018/19 Gross Expenditure £000	2018/19 Income £000	2018/19 Net Expenditure £000	Notes
319,369	(16,390)	302,979	Police Services	507,187	(17,822)	489,365	
2,648	(2,648)	-	Policing Funds (managed by the PCC)	4,770	(4,790)	(20)	
1,768	-	1,768	Office of the Police and Crime Commissioner	1,914	(33)	1,881	
-	(138)	(138)	Capital Financing	-	(133)	(133)	
1,685	(1,685)	-	PCC Commissioning of Victim Services	1,679	(1,679)	-	
325,470	**(20,861)**	**304,609**	**Net Cost of Services**	**515,550**	**(24,457)**	**491,093**	
		(41)	Other Operating Expenditure			31	
		106,422	Financing and Investment Income and Expenditure			106,691	
		(262,668)	Taxation and Non-Specific Grant Income			(267,278)	
		148,322	**(Surplus)/Deficit on Provision of Services**			**330,537**	
		(6,046)	(Surplus)/Deficit on revaluation of non-current assets			(8,367)	4(a)
		31,989	Re-measurements of the net defined pension benefit liability			31,088	4(a)
		25,943	**Other Comprehensive Income and Expenditure**			**22,721**	4(a)
		174,265	**Total Comprehensive Income and Expenditure**			**353,258**	

Balance Sheet

31 March 2018 £000		31 March 2019 £000	Notes
90,492	Property, plant & equipment	95,267	
1,100	Investment property	1,100	
1,981	Intangible assets	1,842	
127	Long-term debtors	7,074	
93,700	**Long-Term Assets**	**105,283**	
21,825	Assets held for sale	1,695	
551	Inventories	551	
37,063	Short-term debtors	39,791	7
8,993	Cash and cash equivalents	14,581	
68,432	**Current Assets**	**56,618**	
(684)	Bank overdraft	(1,515)	
(36,614)	Short-term borrowing	(21,703)	
(2,150)	Short-term provision	(962)	9
(33,042)	Short-term creditors	(27,197)	8
(72,490)	**Current Liabilities**	**(51,377)**	
(1,022)	Long-term provisions	(1,339)	9
(70,969)	Long-term borrowing	(81,969)	
(4,098,172)	Other long-term liabilities (pensions)	(4,460,995)	
(4,170,163)	**Long-Term Liabilities**	**(4,544,303)**	
(4,080,521)	**Net Assets**	**(4,433,779)**	
13,759	**Total Usable Reserves**	**25,333**	4(c)
(4,094,280)	**Total Unusable Reserves**	**(4,459,112)**	4(c)
(4,080,521)	**Total Reserves**	**(4,433,779)**	

I certify that the Balance Sheet position gives a true and fair view of the financial position of the Group at 31 March 2019.

Signed: MD Tait Date: 30/7/19

Mike Tait BSc (Econ) CPFA
Treasurer

Cash Flow Statement

2017/18 £000		2018/19 £000
148,322	**(Surplus)/Deficit on the provision of services**	**330,537**
	Adjustments to (Surplus)/Deficit on the provision of service for non-cash movements:	
(7,196)	Depreciation of non-current assets	(8,614)
(2,619)	Revaluation/Impairment of non-current assets	(267)
(724)	Amortisation of intangible fixed assets	(851)
(140,588)	Pension Fund adjustments	(330,305)
(52)	(Increase)/Decrease in provision for bad debts	(350)
659	Contributions To/(From) provisions	871
(2,086)	Carrying amount of PP&E, investment property and intangible assets sold	(21,278)
(330)	Other non-cash movement	(117)
(152,936)		**(360,911)**
	Accruals Adjustments:	
-	Increase/(Decrease) in inventories	-
6,266	Increase/(Decrease) in debtors	8,239
(1)	Increase/(Decrease) in interest debtors	6
(2,864)	(Increase)/Decrease in creditors	6,109
106	(Increase)/Decrease in interest creditors	(5)
3,507		**14,349**
	Adjustments for items included in the net (Surplus)/Deficit on the provision of service that are investing or financing activities:	
2,491	Proceeds from the disposal of PP&E, investment property and intangible assets	21,345
1,781	Capital Grants credited to surplus or deficit on the provision of services	1,603
-	Other adjustments for items included in the net (Surplus)/Deficit on the provision of service that are investing or financing activities	-
4,272		**22,948**
	Reversal of operating activity items included in the net (Surplus)/Deficit on the provision of service that are shown separately below:	
(2,943)	Reversal of amounts disclosed separately below	(2,670)
	Cash Flows from Operating Activities includes the following items:	
3,097	Interest paid	2,779
(49)	Interest received	(108)
3,048		**2,671**
3,270	**Net cash flows from Operating Activities**	**6,924**
	Net Cash Flows from Investing Activities:	
9,007	Purchase of PP&E, investment property and intangible assets	6,953
13,000	Purchase of short-term and long-term investments	11,000
260	Other payments for investing activities	202
(2,491)	Proceeds from the sale of PP&E, investment property and intangible assets	(21,345)
(13,000)	Proceeds from the sale of short-term and long-term investments	(11,000)
(1,379)	Capital grants received (Government)	(1,328)
(114)	Capital grants received (Non-Government)	(79)
5,283	**Net cash flows from Investing Activities**	**(15,597)**
	Net Cash Flows from Financing Activities:	
(82,000)	Cash receipts of short-term and long-term borrowing	(84,000)
74,580	Repayments of short-term and long-term borrowing	87,916
(7,420)	**Net cash flows from Financing Activities**	**3,916**
1,133	**Net (Increase)/Decrease in Cash and Cash Equivalents**	**(4,757)**
9,442	Cash and Cash Equivalents at the beginning of the period	8,309
8,309	Cash and Cash Equivalents at the end of the period	13,066

Notes to the Group's Financial Statements

Notes for the Commissioner's Accounts are set out on pages 42 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

2017/18 Net Expenditure Chargeable to the General Fund £000	2017/18 Adjustments between Funding and Accounting Basis £000	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement £000	**Service Expenditure Analysis**	2018/19 Net Expenditure Chargeable to the General Fund £000	2018/19 Adjustments between Funding and Accounting Basis £000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
255,407	47,572	302,979	Police Services	253,688	235,677	489,365
-	-	-	Policing Funds (managed by the PCC)	(20)	-	(20)
1,892	(124)	1,768	Office of the Police and Crime Commissioner	1,904	(23)	1,881
7,173	(7,311)	(138)	Capital Financing	7,022	(7,155)	(133)
-	-	-	Commissioning of Victim Services	-	-	-
264,472	**40,137**	**304,609**	**Net Cost of Services**	**262,594**	**228,499**	**491,093**
(261,014)	104,727	(156,287)	Other Income and Expenditure	(266,245)	105,689	(160,556)
3,458	**144,864**	**148,322**	**(Surplus)/Deficit on Provision of Services**	**(3,651)**	**334,188**	**330,537**
16,916			**Opening General Fund Balance at 31 March**	**13,458**		
(3,458)			Surplus/(Deficit) on General Fund in Year	3,651		
13,458			**Closing General Fund as 31 March**	**17,109**		

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

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

2018/19
Adjustments between Funding and Accounting Basis

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	(36)	226,125	(528)	-	10,116	235,677
Policing Funds (managed by the PCC)	-	-	-	-	-	-
Office of the Police and Crime Commissioner	9,934	159	-	-	(10,116)	(23)
Capital Financing	(4,485)	-	-	-	(2,670)	(7,155)
Commissioning of Victim Services	-	-	-	-	-	-
Net Cost of Services	**5,413**	**226,284**	**(528)**	**-**	**(2,670)**	**228,499**
Other Income and Expenditure	(1,572)	104,021	-	570	2,670	105,689
(Surplus)/Deficit on Provision of Services	**3,841**	**330,305**	**(528)**	**570**	**-**	**334,188**

2017/18
Adjustments between Funding and Accounting Basis

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	(343)	37,035	(117)	-	10,997	47,572
Policing Funds (managed by the PCC)	-	-	-	-	-	-
Office of the Police and Crime Commissioner	10,799	74	-	-	(10,997)	(124)
Capital Financing	(4,368)	-	-	-	(2,943)	(7,311)
Commissioning of Victim Services	-	-	-	-	-	-
Net Cost of Services	**6,088**	**37,109**	**(117)**	**-**	**(2,943)**	**40,137**
Other Income and Expenditure	(1,822)	103,479	-	127	2,943	104,727
(Surplus)/Deficit on Provision of Services	**4,266**	**140,588**	**(117)**	**127**	**-**	**144,864**

b) Note to the EFA – Segmental Income

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

Segmental Income		
	Income from Services 2017/18	Income from Services 2018/19
Income received on a segmental basis is analysed below:	£000	£000
Police Services	(8,012)	(7,513)
Capital Financing	(48)	(114)
Total income analysed on a segmental basis	**(8,060)**	**(7,627)**

2. Expenditure and Income Analysis by Nature

The Code of Practice requires the Group to disclose information on the nature of expenses. The Group's expenditure and income for 2018/19 (and 2017/18 comparative) is analysed as follows:

Expenditure and Income Analysed by Nature		
	2017/18	2018/19
Expenditure/Income	£000	£000
Expenditure		
Employee benefits expenses	274,759	461,090
Other employee expenses	1,874	2,547
Premises	9,232	9,358
Transport	3,968	4,171
Supplies and services	19,668	19,327
Third party payments	5,170	9,123
Depreciation, amortisation and impairment	10,539	9,732
Other capital charges	260	202
Loss on disposal of property, plant and equipment	-	31
Interest payments	2,991	2,784
Police pension fund deficit - payment to pension fund	64,669	65,737
Interest on the net defined benefit pension liability	103,479	104,021
Total Expenditure	**496,609**	**688,123**
Income		
Fees, charges and other service income	(4,578)	(4,099)
Recharge receipts	(3,434)	(3,414)
Other operating Income	(2,521)	(2,953)
Revenue grants and contributions	(10,328)	(13,991)
Gain on disposal of property, plant and equipment	(41)	-
Interest and investment income	(48)	(114)
Dividends receivable	-	-
Income from Council Tax	(38,263)	(43,051)
Police Grant income	(222,624)	(222,624)
Police pension fund deficit - grant income	(64,669)	(65,737)
Capital Grants and Contributions	(1,781)	(1,603)
Total Income	**(348,287)**	**(357,586)**
(Surplus)/Deficit on the Provision of Services	**148,322**	**330,537**

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 2017/18 and 2018/19:

	Other Comprehensive Income & Expenditure	
2017/18 Unusable Reserves £000		2018/19 Unusable Reserves £000
(6,046)	(Surplus)/Deficit on revaluation of non-current assets	(8,367)
31,989	Re-measurements of the net defined benefit pension liability	31,088
25,943	**Total Other Comprehensive Income and Expenditure**	**22,721**

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 2018/19	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(8,881)	-	-	-	8,881
Amortisation of intangible assets	(851)	-	-	-	851
Revenue Expenditure Funded from Capital under Statute	(202)	-	-	-	202
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,603	-	-	21	(1,624)
Capital Expenditure charged in the year to the General Fund		36	-	-	(36)
Net Gain/Loss on sale of non-current assets	(31)	-	(7,944)	-	7,975
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	-	-	-
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(570)	-	-	-	570
Reversal of IAS 19 Pension Charges	(372,861)	-	-	-	372,861
Contributions due under the pension scheme regulations	42,556	-	-	-	(42,556)
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	528	-	-	-	(528)
Revenue provision for the repayment of debt	4,485	-	-	-	(4,485)
Total adjustments between Accounting Basis & Funding Basis under regulations	**(334,224)**	**36**	**(7,944)**	**21**	**342,111**

Adjustments between Accounting Basis & Funding Basis under regulations 2017/18	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Depreciation, amortisation & impairment of non-current assets and assets held for sale	(9,815)	-	-	-	9,815
Amortisation of intangible assets	(724)	-	-	-	724
Revenue Expenditure Funded from Capital under Statute	(260)	-	-	-	260
Application of Capital Grants and Contributions to capital financing transferred to the Capital Adjustment Account	1,781	-	-	378	(2,159)
Capital Expenditure charged in the year to the General Fund	-	343	-	-	(343)
Net Gain/Loss on sale of non-current assets	41	-	(2,127)	-	2,086
Capital Expenditure Financed from Unapplied Capital Receipts	-	-	5,417	-	(5,417)
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(127)	-	-	-	127
Reversal of IAS 19 Pension Charges	(183,211)	-	-	-	183,211
Contributions due under the pension scheme regulations	42,623	-	-	-	(42,623)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	117	-	-	-	(117)
Revenue provision for the repayment of debt	4,368	-	-	-	(4,368)
Total adjustments between Accounting Basis & Funding Basis under regulations	**(145,207)**	**343**	**3,290**	**378**	**141,196**

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 March 2018 £000		Transfers to reserve £000	Transfers from reserve £000	Total movement on reserve £000	Balance as at 31 March 2019 £000
	Usable Reserves				
9,436	**General Reserve**	**3,292**	**(3,000)**	**292**	**9,728**
	Earmarked Reserves:				
320	Workforce Management Reserve	1,000	-	**1,000**	**1,320**
-	Police Pension Scheme Funding Reserve	2,000		**2,000**	**2,000**
3,000	Insurance Reserve	-	-	**-**	**3,000**
225	Domestic Violence Reserve	-	(100)	**(100)**	**125**
208	Partnership Working Reserve	145	-	**145**	**353**
50	LCJB Project Support Reserve	-	(40)	**(40)**	**10**
106	External Funding Reserve	245	(106)	**139**	**245**
113	NERSOU Reserve	278	(63)	**215**	**328**
4,022	**Total Earmarked reserves**	**3,668**	**(309)**	**3,359**	**7,381**
-	Capital Receipts Reserve	7,944	-	**7,944**	**7,944**
301	Capital Grants Unapplied	-	(21)	**(21)**	**280**
13,759	**Total Usable Reserves**	**14,904**	**(3,330)**	**11,574**	**25,333**
	Unusable Reserves				
40,450	Revaluation Reserve	8,367	(20,598)	**(12,231)**	**28,219**
(26,437)	Capital Adjustment Account	6,633	(11,102)	**(4,469)**	**(30,906)**
1,246	Collection Fund Adjustment Account	-	(570)	**(570)**	**676**
847	Deferred Capital Receipts	14,062	(759)	**13,303**	**14,150**
(9,354)	Accumulated Absences Account	528	-	**528**	**(8,826)**
(4,101,032)	Pensions Reserve	16,547	(377,940)	**(361,393)**	**(4,462,425)**
(4,094,280)	**Total Unusable Reserves**	**46,137**	**(410,969)**	**(364,832)**	**(4,459,112)**
(4,080,521)	**Total Reserves**	**61,041**	**(414,299)**	**(353,258)**	**(4,433,779)**

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		
2017/18 £000		2018/19 £000
56	External Audit Services	43
56	**Net Cost**	**43**

6. Officers' Remuneration

The following tables set out the remuneration for police staff and police officers whose total remuneration is more than £50,000 per year in 2018/19 and the equivalent disclosure for 2017/18.

Total remuneration for the purposes of the banding note requires the disclosure of all payments paid to or receivable by an individual during the year. This includes salary, overtime, fees and allowances, holiday pay, exit payments and any other payments. Payments made in relation to remuneration claims in respect of past service as described in the Narrative Statement and Note 9 to the Group accounts have therefore impacted on values within the banding note for 2018/19, in particular the addition of the £120,000 to £124,999 banding category.

Numbers of Employees receiving over £50,000		
Remuneration Band	Number of Employees	
	2017/18	2018/19
£50,000 - £54,999	103	119
£55,000 - £59,999	96	68
£60,000 - £64,999	8	11
£65,000 - £69,999	4	13
£70,000 - £74,999	7	7
£75,000 - £79,999	8	9
£80,000 - £84,999	4	5
£85,000 - £89,999	3	3
£120,000-£124,999	-	1

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

The following table shows the total number and cost of exit packages for which the Police and Crime Commissioner Group became demonstrably committed to during the year ending 31 March 2019. The disclosure for exit packages is set out in-line with the CIPFA Code of Practice which requires an analysis between compulsory and other departures. The number of other departures includes voluntary redundancies and early retirements.

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

There are no exit packages included for the Office of the Police and Crime Commissioner in 2018/19. The exit packages disclosed for the Group in 2018/19 are attributed to the Chief Constable single-entity accounts.

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. The comparative disclosure for the Group in 2017/18 is set out in the following table:

Exit packages 2017/18				
	Number of other departures	Number of compulsory redundancies	Total number of departures	Total cost of exit packages in each band £
£0 - £20,000	11	3	14	134,484
£20,001 - £40,000	3	-	3	98,932
£40,001 - £60,000	6	-	6	279,431
£60,001 - £80,000	4	-	4	297,532
£80,001 - £100,000	2	-	2	161,093
Total	**26**	**3**	**29**	**971,472**

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

Remuneration of Senior Employees 2018/19									
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2018/19 £
Police and Crime Commissioner		86,558	-	-	-	86,558	14,282	100,840
Chief of Staff and Monitoring Officer		68,312	-	-	-	68,312	11,272	79,584
Chief Constable - Winton Keenen		172,280	6,788	-	-	179,068	-	179,068
Deputy Chief Constable		141,427	7,464	-	-	148,891	32,898	181,789
Assistant Chief Constable - A	1	38,504	1,185	-	-	39,689	8,949	48,638
Assistant Chief Constable - B		107,404	7,423	38,880	-	153,707	25,393	179,100
Assistant Chief Constable - C	2	63,301	6,949	-	-	70,250	14,613	84,863
Temporary Assistant Chief Constable - D	3	38,513	715	-	-	39,228	7,920	47,148
Temporary Assistant Chief Constable - E	4	77,719	1,143	-	-	78,862	18,480	97,342
Director of Finance and IT (Chief Finance		99,081	-	-	-	99,081	16,348	115,429
Director of People and Development		99,081	-	-	-	99,081	16,348	115,429
Total		**992,180**	**31,667**	**38,880**	**-**	**1,062,727**	**166,503**	**1,229,230**

Note 1: Assistant Chief Constable A - started inpost on 03 December 2018
Note 2: Assistant Chief Constable C - in post to 28 October 2018
Note 3: Temporary Assistant Chief Constable - D started inpost on 12 November 2018
Note 4: Temporary Assistant Chief Constable - E in post to 03 January 2019

Remuneration of Senior Employees 2017/18								
Post holder information	Notes	Salary (Including fees & allowances) £	Benefits in kind £	Relocation Expenses £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration 2017/18 £
Police and Crime Commissioner		85,000	-	-	-	85,000	14,025	99,025
Chief Executive and Monitoring Officer	1	63,897	-	-	32,071	95,968	49,197	145,165
Interim Chief of Staff and Monitoring	2	22,023	-	-	-	22,023	3,634	25,657
Chief Constable - Steve Ashman	3	102,004	2,288	-	-	104,292	23,931	128,223
Chief Constable - Winton Keenen	4	74,537	3,616	-	-	78,153	-	78,153
Deputy Chief Constable - A	5	70,596	3,676	-	-	74,272	6,353	80,625
Temporary Deputy Chief Constable - B	6	62,118	3,701	-	-	65,819	14,392	80,211
Assistant Chief Constable - C	7	57,754	3,846	-	-	61,600	13,325	74,925
Assistant Chief Constable - E	8	82,550	57,212	-	-	139,762	19,534	159,296
Assistant Chief Constable - F	9	92,840	5,425	-	-	98,265	21,667	119,932
Temporary Assistant Chief Constable - G	10	19,312	-	-	-	19,312	3,419	22,731
Temporary Assistant Chief Constable - H	11	34,655	1,427	-	-	36,082	8,136	44,218
Director of Finance and IT (Chief Finance	12	95,493	-	-	-	95,493	15,756	111,249
Director of People and Development	13	95,493	-	-	-	95,493	15,756	111,249
Director of Asset Management	14	67,644	-	-	25,533	93,177	60,216	153,393
Total		**1,025,916**	**81,191**	**-**	**57,604**	**1,164,711**	**269,341**	**1,434,052**

Note 1: Chief Executive and Monitoring Officer - in post to 31 December 2017. The pension contributions include a £39,120 cost for the early release of pension benefits.
Note 2: Interim Chief of Staff and Monitoring Officer - started in post on 01 December 2017
Note 3: Chief Constable - Steve Ashman in post to 06 November 2017
Note 4: Chief Constable - Winton Keenan started in post on 02 October 2017
Note 5: Deputy Chief Constable - A in post to 01 October 2017
Note 6: Temporary Deputy Chief Constable - B started in post on 04 October 2017
Note 7: Assistant Chief Constable - C in post to 03 October 2017
Note 8: Assistant Chief Constable - E started in post on 05 June 2017
Note 9: Assistant Chief Constable - F started in post on 03 May 2017
Note 10: Temporary Assistant Chief Constable - G in post to 31 May 2017
Note 11 Temporary Assistant Chief Constable - H started in post on 27 November 2017
Note 12: Director of Finance and IT is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner.
Note 13: Director of People and Development - post title changed on 05 June 2017 from the original Director of Human Resources
Note 14: Director of Asset Management - in post to 31 December 2017. The pension contributions include a £49,708 cost for the early release of pension benefits.

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 £14.346m in 2018/19 (£14.506m in 2017/18).

The bad debt provision includes £2.155 million (2017/18 £1.826 million) in relation to the Group's share of the local collection authorities' Council Tax provisions for bad debts.

	Short–Term Debtors	
31 March 2018 £000		31 March 2019 £000
20,136	Central government bodies	22,044
10	NHS bodies	75
8,174	Other local authorities	9,487
-	Public corporations and trading funds	-
10,605	Bodies external to general government	10,397
(1,862)	- Less bad debt provision	(2,212)
37,063		**39,791**

	Long–Term Debtors	
31 March 2018 £000		31 March 2019 £000
87	Sale of assets - deferred receipts	7,054
40	Other long-term debtor	20
127		**7,074**

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 2018 £000		31 March 2019 £000
(5,486)	Central government bodies	(1,972)
(90)	NHS bodies	-
(6,187)	Other local authorities	(7,372)
-	Public corporations and trading funds	(4)
(21,279)	Bodies external to general government	(17,849)
(33,042)		**(27,197)**

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

Provisions					
31 March 2018		Additional Provisions Made	Provisions Used	Reversals	31 March 2019
£000		£000	£000	£000	£000
	Long-term provisions				
(1,022)	Insurance	(596)	279	-	(1,339)
	Short-term provisions				
(2,150)	Employee remuneration	-	1,188	-	(962)
(3,172)	**Total**	**(596)**	**1,467**	**-**	**(2,301)**

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 increase in the provision reflects the estimate of outstanding claims at 31 March 2019.

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 2019/20.

The employee remuneration provision in the Group accounts was established in 2016/17 and set at a prudent level estimated to settle all such claims. Whilst the majority of cases have been settled as at the balance sheet date, there remain a small number of claims and costs outstanding which are expected to be finalised in 2019/20. The balance on the provision at 31 March 2019 reflects a prudent estimate to cover the expected costs.

Contingent Liabilities

At 31 March 2019, 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 2018/19 Statements of Account.

- **Employee remuneration** - A provision has been made in relation to a number of claims that have been received from serving and retired officers in relation to past service under police regulations. The claims are in relation to a number of officers that worked in a specialist area and at this time each case is subject to legal review. A contingent liability is also disclosed here in relation to other remuneration issues and in particular the potential for further claims to be submitted over and above those included within the provision calculated at 31 March 2018.

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	
2017/18 £000		2018/19 £000
9,354	Police Services	8,825
9,354	**Total employee benefits accrued at the Balance Sheet date**	**8,825**

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 2018/19, the Group paid £7.490 million to the Pension Fund in respect of pension contributions, with standard contributions representing 16.5% of pensionable pay compared to £11.720 million in 2017/18 (16.5% of pensionable pay).

The pension 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 increased from 13.6% to 16.5% as a result of the latest valuation. The next actuarial valuation of the Fund will be carried out at 31 March 2019 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2020. The Fund Administering Authority, South Tyneside Council, is responsible for the governance of the Fund.

Assets

The assets allocated to the 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		Unfunded Liabilities as at	
	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m
Within Cost of Service				
Current Service Cost	12.94	14.16	-	-
Past service cost (incl. curtailments)	0.58	8.24	-	-
Financing, Investment Income & Expenditure				
Interest on net defined benefit Liability/(Asset)	2.89	3.03	0.10	0.09
Pension expense recognised in CIES	**16.41**	**25.43**	**0.10**	**0.09**
Remeasurements in OCI				
Return on plan assets (in excess of)/below that recognised in net interest	(3.76)	(17.82)	-	-
Actuarial (Gains)/Losses due to change in financial assumptions	(0.04)	18.99	-	0.09
Actuarial (Gains)/Losses due to change in demographic assumptions	-	(18.74)	-	(0.15)
Actuarial (Gains)/Losses due to liability experience	2.38	1.07	0.03	0.01
Total Amount recognised in OCI	**(1.42)**	**(16.50)**	**0.03**	**(0.05)**
Total Amount charged to CIES	**14.99**	**8.93**	**0.13**	**0.04**

Assets and Liabilities in Relation to Post-Employment Benefits

Changes to the present value of the defined benefit obligation				
	Funded Liabilities as at		Unfunded Liabilities as at	
	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m
Opening defined benefit obligation	**412.70**	**432.64**	**3.83**	**3.73**
Current service cost	12.94	14.16	-	-
Interest expense on defined benefit obligati	10.65	11.15	0.10	0.09
Contributions by participants	2.58	2.75	-	-
Actuarial (Gains)/Losses on liabilities - financial assumptions	(0.04)	18.99	-	0.09
Actuarial (Gains)/Losses on liabilities - demographic assumptions	-	(18.74)	-	(0.15)
Actuarial (Gains)/Losses on liabilities - experience	2.38	1.07	0.03	0.01
Net benefits paid out	(9.15)	(10.16)	(0.23)	(0.23)
Past service cost (incl. curtailments)	0.58	8.24	-	-
Closing defined benefit obligation	**432.64**	**460.11**	**3.73**	**3.54**

Changes to the fair value of assets during the period				
	Funded Liabilities as at		**Unfunded Liabilities as at**	
	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m
Opening fair value of assets	**295.88**	**312.33**	**-**	**-**
Interest income on assets	7.76	8.12	-	-
Remeasurement Gains/(Losses) on assets	3.76	17.82	-	-
Contributions by the employer	11.49	7.26	0.23	0.23
Contributions by participants	2.58	2.75	-	-
Net benefits paid out	(9.15)	(10.16)	(0.23)	(0.23)
Closing fair value of assets	**312.33**	**338.12**	**-**	**-**

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 2018 £m	31 March 2019 £m
Present value of defined benefit obligation (funded)	432.64	460.11
Present value of defined benefit obligation (unfunded)	3.73	3.54
Asset/(liability) recognised on the balance sheet (funded)	(120.31)	(121.99)
Asset/(liability) recognised on the balance sheet (unfunded)	(3.73)	(3.54)
Fair value of assets	**312.33**	**338.12**

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 £25.940 million (£11.520 million gain in 2017/18).

Analysis of Scheme Assets				
	Asset split at 31 March 2018	Quoted At 31 March 2019	Unquoted At 31 March 2019	Asset split at 31 March 2019
Asset	(%)	(%)	(%)	(%)
Equities	67.0	58.0	7.0	65.0
Property	8.5	0.0	8.8	8.8
Government bonds	4.0	4.1	0.0	4.1
Corporate bonds	11.7	11.7	0.0	11.7
Cash	3.7	2.7	0.0	2.7
Other*	5.1	3.5	4.2	7.7
	100.0	**80.0**	**20.0**	**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 £125.525 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)					
	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Present value of the defined benefit obligation					
- Funded liabilities	(326.32)	(317.01)	(412.70)	(432.64)	(460.11)
- Unfunded liabilities	(3.75)	(3.42)	(3.83)	(3.73)	(3.54)
Fair value of fund assets	233.75	239.53	295.88	312.33	338.12
Surplus/(Deficit) in the scheme	**(96.31)**	**(80.90)**	**(120.65)**	**(124.04)**	**(125.53)**

In April 2017 the Chief Constable made a one-off payment to the Pension Fund of £4.290 million to cover future deficit liabilities for the period from 01 April 2017 to 31 March 2020. In line with the Group's accounting policies £1.430 million has been accounted for in 2017/18 and a further £1.430 million in 2018/19, with the remainder (£1.430 million) being offset against the pension liability on the Balance Sheet. The pension reserve of £126.955 million and the net pension liability of £125.525 million will be brought into line by 31 March 2020 as the prepayment arrangements are accounted for over the 2019/20 financial year.

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

Members	**%**
Actives	45
Deferred Pensioners	17
Pensioners	38

Actuarial Assumptions

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

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 2019.

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

Principal financial and actuarial assumptions				
	Funded Liabilities		Unfunded Liabilities	
	2017/18	2018/19	2017/18	2018/19
Financial assumptions (% per annum)				
Discount Rate	2.6	2.5	2.6	2.5
Rate of Inflation (CPI)	2.0	2.1	2.0	2.1
Rate of Inflation (RPI)	3.1	3.2	3.1	3.2
Rate of increase in salaries	3.5	3.6	n/a	n/a
Rate of increase to pensions in payment	2.0	2.1	2.0	2.1
Pension accounts revaluation rate	2.0	2.1	n/a	n/a
Mortality assumptions				
Future lifetime from age 65				
(Member aged 65 at accounting date)				
Men	22.9	22.2	22.9	22.2
Women	26.4	25.3	26.4	25.3
Future lifetime from age 65				
(Member aged 45 at accounting date)				
Men	25.1	23.9	n/a	n/a
Women	28.7	27.2	n/a	n/a

Commutations	
Year end 31 March 2018	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.
Year end 31 March 2019	Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

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

Sensitivity to main assumptions

The following table shows the approximate impact of changing the key assumptions on the present value of the funded benefit obligations as at 31 March 2019 and the projected service cost for the year ending 31 March 2019. 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)	449.996	460.105	470.436
Change in present value of total obligation	-2.2%		2.2%
Projected service cost (£M)	15.207	15.723	16.249
Approximate change in projected service cost	-3.3%		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)	463.119	460.105	457.131
Change in present value of total obligation	0.7%		-0.6%
Projected service cost (£M)	15.723	15.723	15.723
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)	467.391	460.105	452.949
Change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M)	16.249	15.723	15.207
Approximate change in projected service cost	3.3%		-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)	474.314	460.105	445.986
Change in present value of total obligation	3.1%		-3.1%
Projected service cost (£M)	16.310	15.723	15.146
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 Group for the accounting period to 31 March 2019 are estimated to be £9.770 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 2016, for the latest funding valuation. This has then been rolled forward to reflect the position as at March 2019, allowing for additional service accrued between 1 April 2016 and 31 March 2019, 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 2018 £m	31 March 2019 £m
Net Cost of Service		
Current service cost	63.74	63.72
Past service cost	2.47	182.72
Financing and investment income and expenditure		
Pension interest cost	100.49	100.90
Total charge to Provision of Services	**166.70**	**347.34**
Remeasurement of the net Defined Liability/(Asset)	33.39	47.64
Total IAS 19 charge to Comprehensive Income and Expenditure	**200.09**	**394.98**

A past service cost estimated at £182.720m has been included to reflect the potential increase in pension scheme liabilities as a result of the McCloud/Sargeant judgement. Further information on this matter is included at Note 11 to the Group accounts.

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	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Present value of the defined benefit obligation	(3,602.47)	(3,100.36)	(3,807.81)	(3,974.13)	(4,335.47)
Surplus/(Deficit) in the Scheme	(3,602.47)	(3,100.36)	(3,807.81)	(3,974.13)	(4,335.47)

Reconciliation of the present value

Analysis of the movement in scheme liability	31 March 2018 £m	31 March 2019 £m
Net Surplus/(Deficit) at the beginning of year	**(3,807.81)**	**(3,974.13)**
Current service cost	(63.74)	(63.72)
Cost covered by employee contributions	(15.92)	(15.66)
Past service cost	(2.47)	(182.72)
Pension transfers in	(0.49)	(0.90)
Net interest on the net defined benefit Liability/(Asset)	(100.49)	(100.90)
Net benefits paid	114.85	115.40
Remeasurements of the net defined Liability/(Asset)	(98.06)	(112.84)
Net Surplus/(Deficit) at the end of year	**(3,974.13)**	**(4,335.47)**

The weighted average duration of the defined benefit obligation for the Police Pension Scheme 2015 is around 38 years, the New Police Pension Scheme 2006 is around 40 years, and for the Police Pension Scheme 1987 it is around 21 years.

The weighted average duration of the defined benefit obligation for all police officer Pension Schemes, on a consolidated basis are around 22 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 2018	31 March 2019
	£m	£m
Opening fair value of assets	-	-
Actuarial Gains and (Losses) on assets	64.67	65.20
Contributions by employer	33.77	33.64
Contributions by participants	15.92	15.66
Transfers in	0.49	0.90
Net benefits paid	(114.85)	(115.40)
Closing fair value of assets	**-**	**-**

Expected Future Contributions

The expected contributions to be made to the Police Pension Scheme by the Police and Crime Commissioner Group for the accounting period to 31 March 2020 are estimated to be £41.005 million compared to £33.640 million paid in 2018/19.

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 2018	31 March 2019
	£m	£m
Discount rate (Rate of Return)	2.55%	2.45%
Rate of inflation - pension increases (CPI)	2.30%	2.35%
Rate of inflation (RPI)	3.45%	3.50%
Rate of increase in salaries (long-term)	4.30%	4.35%
Rate of increase in salaries (short-term)	1.00%	1.00%
Rate of revaluation for CARE pensions	3.55%	3.60%
Rate of return in excess of:		
Earning increases (long-term)	-1.75%	-1.90%
Earning increases (short-term)	1.55%	1.45%
Pension increases	0.25%	0.10%

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

Mortality Assumptions				
	Normal Health		Ill Health	
	2017/18 (years)	2018/19 (years)	2017/18 (years)	2018/19 (years)
Future Lifetime at 65 for current pensioners				
Men	22.60	22.70	20.20	20.30
Women	24.20	24.30	21.90	22.00
Future Lifetime at 65 for future pensioners (currently aged 45)				
Men	24.50	24.60	21.80	21.90
Women	26.10	26.20	24.40	24.50

The results of any actuarial calculations are inherently uncertain because of the assumptions which must be made under IAS19 to reflect market conditions at the valuation date. The increase in the scheme liability attributed to the re-measurement of the net defined benefit pension liability is primarily caused by the change in the discount rate assumption from 2.55% last year to 2.45% this year. The following table sets out the sensitivity to the main assumptions:

Sensitivity to main assumptions			
Change in assumption*		Approximate effect on scheme liability (excluding past service cost due to McCloud/Sargeant ruling)	
		%	£m
Rate of discounting scheme liabilities	+ 0.5% a year	(10.00)	(419.00)
Rate of increase in salaries	+ 0.5% a year	1.00	51.00
Rate of increase in pensions / deferred revaluation	+ 0.5% a year	8.00	334.00
Life expectancy - each pensioner subject to longevity of an individual 1 year younger than assumed		2.50	107.00

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

In addition, the past service cost in respect of the McCloud/Sargeant judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long term salary growth assumptions were 1.0% pa lower, then the impact on the past service cost is expected to be a change of around -10% on the provision. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

11. Events after the reporting period

National Legal Challenge to Transitional Arrangements for Public Service Pensions

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 December 2018 the Court of Appeal (McCloud/Sargeant) ruled that the transitional protection offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. At the time the Chief Constable was producing draft

Statements of Account the government intended to appeal to the Supreme Court and the outcome was uncertain.

This matter was therefore reported in the draft Statements of Account as a contingent liability which reflected the conditions at the balance sheet date and at the date of publication. However, on 27 June the Supreme Court denied the government permission to appeal on the McCloud case. On 15 July the Treasury published a written statement (HCWS1725) on Public Service Pensions which states that the government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. The Statement also estimates that remedying the discrimination for all public service pension schemes nationally will add around £4.000 billion per annum to scheme liabilities from 2015. This statement can be found at the following link:

https://www.parliament.uk/WrittenStatementPublicServicePensions

Given the events described above, the Police and Crime Commissioner Group financial statements have been adjusted to reflect a revised pension liability for both the Police Pension Scheme and the Tyne and Wear Pension Fund.

The increase in pension scheme liabilities have been calculated by the Group's actuaries (GAD - Government Actuary Department and AON Hewitt). The actuaries have highlighted that these estimates: are based on one potential remedy; are highly sensitive to assumptions around short term earnings growth; and for the Police Pension Scheme there may be additional impact as a result of differences in the profile of the force's membership compared with the scheme as a whole.

The pension scheme liability on the Group balance sheet has been increased by a total of £190.780 million comprising £182.720 million in respect of the Police Pension Scheme and £8.060 million for the Tyne and Wear Pension Fund (TWPF). The adjustment has been provided through an estimated past service cost of £190.780 million charged to net cost of services in the Comprehensive Income and Expenditure Statement (CIES). The charge to the CIES is reversed out in the Movement in Reserves Statement through unusable reserves ensuring no impact on the General Fund.

The actual increase in scheme liabilities will depend on the remedy determined by the Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant will be measured through the pension valuation process, which determines both employer and employee contribution rates. The next police pension valuation is due to take place in 2020 with implementation of results from 2023/24. Forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process. The next TWPF valuation is being carried out for 2019 with implementation from 2020/21.

The impact of an increase in annual pension payments arising from McCloud/Sargeant for the Police Pension Scheme is determined under The Police Pension Regulations 2007 which require each force to maintain a police pension fund. All officer employer and employee contributions are paid into the fund and all pension payments to retired officers and lump sums on retirement are paid out of the fund. If the pension fund does not have enough funds to meet the net cost of pensions in-year, the amount required to meet the deficit is paid by the Secretary of State to the pension fund through a central government top-up grant.

Supplementary Financial Statements

Comprising;

- Police Pension Fund

- Notes to the Supplementary Financial Statements

Police Pension Fund

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2018/19 and shows comparative figures for 2017/18:

Police Pension Fund		
2017/18 £000	**FUND ACCOUNT**	**2018/19 £000**
(24,937)	Normal	(24,586)
(3,380)	Additional funding payable by the local policing body to meet the deficit for the year	(3,347)
(702)	Other (Ill Health Retirements)	(786)
(29,019)	**Contribution Receivable from Employer**	**(28,719)**
(15,914)	Contribution Receivable from Members	(15,663)
(15,914)	**Contribution Receivable from Members**	**(15,663)**
(44,933)	**Contributions Receivable**	**(44,382)**
(493)	Individual Transfers in from other schemes	(1,033)
(493)	**Transfers in**	**(1,033)**
83,055	Pensions	87,534
26,327	Commutations and Lump Sum Retirement Benefits	22,839
101	Lump Sum Death Benefits	203
553	Other (Inter Authority Adjustments / LTA Payments)	333
110,036	**Benefits Payable**	**110,909**
25	Refunds of Contributions	17
34	Individual Transfers Out To Other Schemes	226
59	**Payments To and On Account of Leavers**	**243**
110,095	**Total Benefits Payable**	**111,152**
64,669	**Net amount payable for the year before contribution from the Police Fund**	**65,737**
(64,669)	**Contributions from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account**	**(65,737)**
-	**Net Amount (Receivable)/Payable In Year**	**-**

There is an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes being reflected in a reduction in Her Majesty's Treasury pensions top up funding. The cost is being met by an additional employer contribution from the Chief Constable to the Fund as required by the Home Office.

Notes to the Supplementary Financial Statements

1. Scheme description

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

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

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

2. Administration of the Fund

The Chief Constable is Scheme Manager[10] for the Police Pension Fund. The Chief Constable has a Police Pensions Board, established in 2015 under Section 5 of the Public Services Pension Act, which provides local administration and governance for the Scheme.

3. Accounting Policies

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

4. Future liabilities

The Funds' financial statements do not take account of liabilities to pay pensions and other benefits after the period end, which are the responsibility of the Chief Constable. Details of the long-term pension obligations can be found in the Notes to the Group Financial Statements, Employee benefits (Note10.b).

[10] Public Service Pension Act 2013 (section 4)

Annual Governance Statement

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

This statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) *'Good Governance: Framework'* and explains how the Commissioner for Northumbria has complied with this framework and meets the statutory requirements of regulations.

Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011 sets out the accountability and governance arrangements for policing and crime matters. The Act establishes both the Police and Crime Commissioner (the 'Commissioner') and the Chief Constable as the '*Corporation Sole'* for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the Commissioner. Both the Commissioner and Chief Constable are subject to the Accounts and Audit Regulations 2015; as such, both must prepare their Statements of Account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual AGS, both of which are subject to external audit.

This statement covers the Commissioner's own office and the group position of the Commissioner and the Chief Constable. The Commissioner 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 Commissioner'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 Commissioner 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 is accountable to the Commissioner 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 Commissioner therefore places reliance and requirement 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 Commissioner's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is maintained throughout the year, and that appropriate arrangements are in place for the management of risk.

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

The PRSR Act 2011 requires the Commissioner and Chief Constable to each appoint a Chief Finance Officer (CFO) with defined responsibilities and powers. The CIPFA Statement on the Role of the CFO appointed by the Commissioner, and the CFO appointed by the Chief Constable, gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 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 Commissioner and the Chief Constable agreed to appoint a joint CFO for both corporate bodies. The reasoning was that a joint CFO role would provide both the Commissioner and Chief Constable with a single efficient, effective and economic financial management lead. The appointment to the joint role was approved by the independent Northumbria Police and Crime Panel at their confirmation meeting held on 23 July 2013. However, the panel raised concerns at the potential for a conflict of interest to arise with the joint role and stressed the need, especially with the Section 151 responsibilities, to advise the Commissioner and Chief Constable of any such conflicts at an early stage. The panel also stated that they expect the CFO to act in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

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

The Governance Framework

The governance framework in place throughout the 2018/19 financial year covers the period from 1 April 2018 to 31 March 2019 and any issues which arise up to the date of approval of the annual Statements of Account.

The framework is known as the Commissioner's Scheme of Governance and it comprises the systems, processes, culture and values by which the Commissioner operates. It enables the Commissioner 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 Commissioner's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the Office of the Commissioner's website at Governance Framework. (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 Commissioner is required to hold the post holder to account for the exercise of those functions. The Commissioner must therefore satisfy herself that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the Commissioner's Governance Framework. It is informed by internal assurances on the 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 Commissioner's six principles of good governance are:

1. Focusing on the purpose of the Commissioner, on the outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring the Commissioner, officers of the Commissioner 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 Commissioner and officers to the Commissioner 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 Commissioner has published a Police and Crime Plan for the period 2017 to 2021. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area:

- Reducing anti-social behaviour.
- Putting victims first.
- Effective criminal justice system.
- Domestic and sexual abuse.
- Cutting 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 Plan is the responsibility of the Chief Constable. Performance is monitored at the Strategic Management Board (SMB), underpinned by a number of Operational Delivery Groups (ODGs), and other boards. The Commissioner and Chief of Staff scrutinise progress, along with performance, and hold the Chief Constable and his team to account at a monthly Scrutiny meeting.

Regular Joint Business Meetings manage progress on specific business issues. At these meetings the Commissioner and Chief Constable challenge performance where there are concerns, seek further information and analysis to understand where changes should be made, and/or direction given, to improve service delivery. A quarterly update on the financial position is presented by the CFO.

The performance management framework supports delivery of the plan and is refreshed annually to ensure it focuses on emerging priority area needs and, in particular, the needs of victims of crime and the vulnerable within our communities. Performance thresholds support this monitoring and scrutiny process

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carry out an annual PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) Assessment of Police Forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year. The findings for Northumbria Police for 2018 are expected to be published in autumn 2019.

The Commissioner and the Chief Constable will ensure that the resources available to Northumbria Police are used in the most effective manner that meet the needs of local communities. Funding remains a pressure, the Commissioner and Chief Constable continue to lobby the Government to ensure a fair and appropriate funding formula. Every effort is made to access additional funding to support service delivery; this includes specific grants made available by the Home Office and Ministry of Justice.

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

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

The Commissioner works closely with all six local authorities in the Force area, and understands the policing needs in each area from our city centres to the rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including Community Safety Partnerships. They are also members of local children's and adult safeguarding boards that work to ensure the safety and wellbeing of vulnerable children and adults in the Force area.

The Commissioner is now the Chair of the Local Criminal Justice Board, working with partners to deliver an effective and efficient local criminal justice system. Providing the best support possible for victims and witnesses, and bringing offenders to justice and addressing the causes of their offending.

A Service Level Agreement between the Commissioner and the Chief Constable exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way. 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 Commissioner 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 Office of the Commissioner (OPCC) website. Section 22a of the Police Act 1996 (which itself comes from section 5 the Policing and Crime Act 2009) places on the 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 Office of the Commissioner has a comprehensive website that includes:

- Information about the Commissioner and office, required by the Specified information Order 2011.
- Code of Conduct based on the Seven Principles of Public Life published by the Nolan Committee, signed by the Commissioner.
- The Commissioner's disclosure of interest document which is updated annually.

- An 'Ethical Checklist' signed by the Commissioner committing to standards required by the Committee for Standards in Public in Life.
- A register of the Commissioner's and the OPCC gifts, hospitality and business expenses.

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (the 'Panel') make provision regarding the Panel's powers and duties in regard to complaints made about the conduct of the Commissioner. A procedure for dealing with complaints against the Commissioner was approved by panel members in February 2013, appointing the Chief Executive (now Chief of Staff) of the Office of the Commissioner as the Monitoring Officer. A quarterly report is provided to the Panel by the Monitoring Officer; since November 2012 there have been no complaints against the Commissioner that have been upheld.

The Commissioner is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well as complying with the requirements of the Independent Office of Police Complaints. Professional Standards Department (PSD) provides a report to the Scrutiny Meeting on a quarterly basis outlining information including the volume and nature of complaints, appeal rates and other current issues.

The Commissioner is responsible for ensuring proper and effective investigation into complaints against the Chief Constable, while the Chief Constable is responsible for ensuring proper and effective investigation of complaints against all other officers and staff employed by Northumbria Police. Information relating to the management of complaints is included within quarterly 'Police and Crime Plan Performance Reports'; copies of these reports can be viewed at Commissioner's Quarterly Performance Reports.

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 Commissioner 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 Office of the Commissioner 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, decisions are discussed at weekly management meetings.

Over the last few years a number of significant decisions have been made regarding the estate of Northumbria Police which have resulted in significant savings. Each decision is subject to formal agreement by the Commissioner based on an options appraisal and taking into account value for money considerations.

The Police Reform & Social Responsibility Act 2011 led to the formation of the Police and Crime Panel (the 'Panel') to oversee the work of, and support, the Commissioner 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 Commissioner, Chief Constable and the Panel 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 Commissioner 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 Office of the Commissioner 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 Commissioner and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned to a Chief Officer and Office of the Commissioner owner, who has responsibility for the management of controls and the implementation of new controls where necessary. The register is reported at the Force's Executive Board and managed by the Joint Business Meeting on a quarterly basis. The JIAC are a major contributor to the Strategic Risk Register and the register is monitored quarterly at both the Commissioner and Chief Constable's Joint Governance Monitoring Group and the JIAC. All meetings of the JIAC are public and agendas and minutes are published on the Office of the Commissioner 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

There is a Performance Development Review (PDR) process and through this process corporate values are reinforced and promoted. The Chief Constable and members of the Commissioner's staff have objectives which underpin and support the performance of the local policing area, their work and their own personal development.

Objectives are aligned to the Commissioner's Police and Crime Plan, supported by the Northumbria Police Strategy 2025, which in turn is supported by the Force mission, vision and values.

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

The Force has embedded leadership and development programmes, and has restructured the people services function to enable a more coherent approach to talent identification and management, all focused on sustained improvement in a supportive environment. These form a key part of the Strategy 2025.

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

The Commissioner has operated a comprehensive engagement program during 2018/19 with local, regional and national representation and engagement via the press and through active social media channels and advisory groups that represent local communities and groups.

An annual report provides an overview of the Commissioner's activity over the year and is published on the Office of the Commissioner website.

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

Since April 2015, the Commissioner has been 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 six key victims groups:

- Young victims of crime.
- Victims of hate crime.

- Victims with mental health needs.
- Victims with other vulnerabilities.
- Victims of domestic abuse.
- Victims of sexual assault and abuse.

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

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the Commissioner and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2018/19.

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Commissioner conducts 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 Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring the Commissioner 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 Commissioner 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 annual revenue budget provides an estimate of the annual income and expenditure requirements for the Office of the Commissioner and police service, and sets out the financial implications of the Commissioner's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the Commissioner.
- The Commissioner is required to present precept proposals to the Police and Crime Panel for their consideration prior to finalising the budget and precept.

- Capital expenditure is an important element in the development of the Commissioner's service since it represents major investment in new and improved assets. The Commissioner approves a four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The Commissioner approved a balanced budget for 2018/19 with a 12.2% 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 2018/19 there was an underspend on the overall Group revenue budget. This was primarily as a result of additional income being secured by successfully claiming a one off special grant; undertaking rates reviews on specific Force buildings with the Valuation Office; and additional external funding being secured for specialised police posts.
- Financial performance reports are presented to each of the Commissioner and Chief Constable on a monthly basis. A combined Group financial monitoring report is presented to the Commissioner and Chief Constable's Joint Business Meeting on a quarterly basis, 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 Commissioner regularly.
- The Commissioner receives reports from HMICFRS and will act on recommendations as required.

Review of Effectiveness

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

For 2018/19 the review process has been led by the Commissioner and Chief Constable's Joint Governance Monitoring Group and considered by the JIAC and has taken account of:

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

From the review of effectiveness no issues were identified as governance issues, which required disclosure within this AGS. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire. All areas returned compliant to each of the questions, with one exception relating to data quality and performance management processes, this related to the adequacy of the current ICT system. It was noted that plans existed to enhance the ICT system and existing controls were assessed as effective.

Internal Audit Overall Assessment & Independent Opinion

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

During 2018/19, 27 internal audit reports were issued. Of those issued, 23 audits concluded that systems and procedures were operating well and 4 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2018/19, including advice on governance arrangements, the Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

Actions from the 2017/18 Statement

There were no actions identified in the 2017/18 Annual Governance Statement.

2018/19 Governance Issues

The review has identified no issues that need to be included within the 2018/19 Annual Governance Statement as actions.

Conclusion

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

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

SIGNED MJ Tait

Chief Finance Officer

DATE 30/7/19

Independent Auditors Report

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (PCC) and Group for the year ended 31 March 2019, which comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- Give a true and fair view of the financial position of the PCC and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2018/19, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the PCC and Group is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the PCC and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- We make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- We exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the PCC and Group's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, the PCC and Group has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2018, as to whether the PCC and Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the PCC and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the PCC and Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the PCC and Group

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the PCC and Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the PCC and Group's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of the PCC and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the PCC and Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the PCC and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the PCC and Group's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the PCC and Group's arrangements for securing economy, efficiency and effectiveness in its use of resources

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

30 July 2019

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 Statements of Account are authorised for issue.

Exceptional items: are material items which derive from events or transactions that fall within the ordinary activities of the 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.

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

General Fund: holds the police fund and is the main reserve into which Council Tax Precept, government grant and other income is paid into and from which meets the day-today 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. A person or a close member of that person's family is related to a reporting entity if that person:
    1. Has control or joint control over the reporting entity;
    2. Has significant influence over the reporting entity; or
    3. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b. An entity is related to a reporting entity if any of the following conditions apply:
    1. 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).
    2. 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).
    3. Both entities are joint ventures of the same third party
    4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    5. 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.
    6. The entity is controlled or jointly controlled by a person identified in (a).
    7. A person identified in (a) (1) 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).
c. Examples of related parties of an authority include:
    1. Central Government.
    2. Local authorities and other bodies Precepting or levying demands on the Council Tax.
    3. Its subsidiary and associated companies.

4. Its joint ventures and joint venture partners.
5. Its members.
6. Its chief officers.
7. 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: are those enabling services that support the delivery of front line services. Support services include finance, administration, ICT, legal, human resources 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. Further information on the individual reserves in this category is provided within the notes to the accounts.

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'. Further information on the individual reserves in this category is provided within the notes to the accounts.

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

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Contacts

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

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Image sources

Northumbria Police and Crime Commissioner

National Audit Office - Financial sustainability of police Forces in England and Wales

http://www.nao.org.uk/report/financial-sustainability-of-police-forces-in-england-and-wales/