

# Chief Constable for Northumbria

Statement of Accounts 2012/13





# Contents Page

<b>Contents Page</b> .....	<b>1</b>
<b>Part 1:</b> .....	<b>2</b>
Explanatory Foreword .....	2
Statement of Responsibilities .....	8
<b>Part 2: Core Financial Statements</b> .....	<b>9</b>
Movement in Reserves Statement.....	10
Comprehensive Income and Expenditure Statement .....	11
Balance Sheet .....	12
Cash Flow Statement .....	13
Notes to the Core Financial Statements .....	14
<b>Part 3: Supplementary Financial Statements</b> .....	<b>25</b>
Police Pension Fund.....	26
Notes to the Supplementary Financial Statements.....	27
<b>Annual Governance Statement</b> .....	<b>28</b>
<b>Independent Auditor's Report</b> .....	<b>34</b>
<b>Glossary of Terms</b> .....	<b>36</b>
<b>Contacts</b> .....	<b>42</b>

# Part 1:

## Explanatory Foreword

### Introduction

These accounts set out the overall financial performance of the Chief Constable for Northumbria, who is responsible for the Northumbria Police Force, for the year ended 31 March 2013.

Northumbria Police serves a population of 1.5 million people and covers an area of more than 2,000 square miles in the North East of England, from the Scottish border down to County Durham and from the Pennines across to the North East coast. It is one of the largest forces in the country and is recognised as one of the top performing in England and Wales<sup>1</sup>.

At 31 March 2013, the force had 3,705 police officers, 1,403 police staff, 323 Special Constables and 390 Police Community Support Officers (PCSOs), who work together to prevent, detect and reduce crime in the Northumbria area.

2012/13 was a significant year for policing in Northumbria. The Police Reform and Social Responsibility Act 2011 (the Act) changed the way policing in England and Wales was governed and held accountable. On the 22 November 2012, Northumbria Police Authority was replaced by the Police and Crime Commissioner for Northumbria (the Commissioner). At the same time, the Chief Constable for Northumbria, who has responsibility for direction and control over Northumbria Police Force's officers and staff, was established as a separate legal entity. The primary statutory duty and electoral mandate of the Commissioner is to ensure an efficient and effective police force in Northumbria, and to hold the Chief Constable to account on behalf of the public for the exercise of operational policing duties under the Police Act 1996.

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

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. A separate set of statutory accounts has been prepared for the Commissioner's Group (the Commissioner and the Chief Constable) including the Commissioner's single-entity accounts for the year ended 31 March 2013, which can be found on the Commissioner's website<sup>4</sup>.

The foreword and financial summary provides an overview of the new accounting arrangements and a guide to the most significant matters in the financial statements.

---

<sup>1</sup> HMIC Policing in Austerity: Rising to the Challenge July 2013

<sup>2</sup> CIPFA's Local Authority (Scotland) Accounts Advisory Committee

<sup>3</sup> Financial Reporting Advisory Board, an independent board within HM Treasury

<sup>4</sup> <http://www.northumbria-pcc.gov.uk>

## The Statement of Accounts

The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act)<sup>5</sup>;
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012<sup>6</sup>;
- The Commissioner's Governance Arrangements including Financial and Contract Regulations<sup>7</sup>

The Statement of Accounts reflects the Government's intention to phase the reforms over more than one year. The first phase of transition, Stage 1, began on 22 November 2012, when all assets, liabilities, reserves, contracts and staff transferred from Northumbria Police Authority to the Commissioner. The Commissioner is responsible for the finances of the whole Group; she receives all income and funding, including all government grants and council tax precept, into the Police Fund and makes all the payments for the Group from the Police Fund. In turn, the Chief Constable fulfils her function under the Act within an annual budget set by the Commissioner in consultation with the Chief Constable. A scheme of delegation<sup>8</sup> is in operation between the two bodies determining their respective responsibilities during the first phase. The accounting arrangements between the Commissioner and Chief Constable during the first phase of the transition are detailed in Note 5 to the accounts.

The Statement of Accounts is set out on pages 9 to 27. It consists of the following financial statements that are required to be prepared under the Code.

### Explanatory Foreword (Page 2)

The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the Chief Constable's financial position, and assists in the interpretation of the accounting statements. It also contains a commentary on the major influences affecting the Chief Constable's financial position going forwards.

### Statement of Responsibilities (Page 8)

This explains the respective responsibilities of both the Chief Constable and the Director of Finance in respect of the Statement of Accounts.

### Core Financial Statements:

#### Movement in Reserves Statement for the Chief Constable (Page 10)

The Chief Constable does not hold any reserves. Reserves are the responsibility of the Commissioner and the level of reserves is determined by her and disclosed within her accounts.

#### Comprehensive Income and Expenditure Statement for the Chief Constable (Page 11)

The purpose of this statement is to report expenditure relating to services under the direction and control of the Chief Constable in accordance with generally accepted accounting practices. The Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in CIPFA's Service Reporting Code of Practice (SeRCOP).

---

<sup>5</sup> <http://www.legislation.gov.uk/ukpga/2011/13/contents/enacted>

<sup>6</sup> <http://www.official-documents.gov.uk/document/other/9780108511332/9780108511332.pdf>

<sup>7</sup> Available at: <http://www.northumbria-pcc.gov.uk/transparency/decisions>

<sup>8</sup> Available at: <http://www.northumbria-pcc.gov.uk/transparency/decisions>

### **Balance Sheet for the Chief Constable (Page 12)**

This shows the Chief Constable's financial position and net assets at the financial year-end. The Chief Constable does not own any assets or liabilities, nor holds any reserves at the year-end. However, the accounts are prepared on an accruals basis and reflect the substance of transactions as opposed to their legal form. As such, the Balance Sheet reflects current liabilities and current assets that are in substance the Chief Constable's at the Balance Sheet date, offset by a corresponding debtor from the Commissioner to reflect the fact that all payments are made in the name of the Commissioner.

### **Cash Flow Statement for the Chief Constable (Page 13)**

The Chief Constable does not hold any cash but to reflect creditors and debtors movement within the Chief Constable's Balance Sheet, the necessary adjustments are shown within a Cash Flow Statement.

### **Notes to the Core Financial Statements (Page 14)**

The notes provide additional information to support the core statements above including a statement of accounting policies, which explains the basis for the recognition, measurement and disclosure of transactions in the accounts. The accounts can only be properly appreciated if the policies, which have been followed in dealing with material items, are explained.

### **Supplementary Financial Statements:**

#### **Police Officer Pension Fund Statements (Page 26)**

This shows the Police Pension Fund Account for the year as the Chief Constable is the police pensions' authority in accordance with the amended Police Pensions Act 1976.

### **Documents Supporting the Statement of Accounts:**

**Annual Governance Statement (Page 28)** - This statement, required by regulations<sup>9</sup> to accompany the Statement of Accounts, outlines the Chief Constable's approach to corporate governance and internal control.<sup>10</sup>

**Independent Auditor's Report to the Police and Crime Commissioner (Page 34)** - This report details the basis of the external auditor's opinion on the Statement of Accounts.

**Glossary of Terms (Page 36)** - This section includes a description of the key terms used in the Statement of Accounts, along with explanations of any technical terminology.

### **Financial Performance**

The financial year ending 31 March 2013 was the second year of the Government's 2010 Spending Review. The Commissioner faced a reduction in revenue grant funding from government of 6.7% for 2012/13. A Programme of Change was initiated by the Chief Constable in 2011/12 in response to the economic challenges to ensure that the high quality service expected of the organisation continued to be provided.

### **Revenue Expenditure and Income Summary**

Revenue expenditure is the day-to-day running costs of providing policing services and includes expenses such as salaries and wages, premises-related expenditure and the costs of borrowing. This expenditure is financed from council tax, grants and other income such as fees and charges.

Budget monitoring is carried out regularly throughout the year. Each quarter, budget monitoring reports were considered by the former Police Authority's Resource Management

---

<sup>9</sup> Paragraph 4(4)(a) of Accounts and Audit (England) Regulations 2011 (available from [www.legislation.gov.uk](http://www.legislation.gov.uk))

<sup>10</sup> In line with Regulation 4 of the Accounts and Audit (England) Regulations 2011

Committee, and since transition by the Commissioner. The revenue budget has been managed as a Group with the Chief Constable's Chief Officer Team considering revenue monitoring reports on a monthly basis.

### Chief Constable's performance

The management of an element of the Commissioner's Group's budget is delegated to the Chief Constable for activities under her direction and control; in 2012/13, this totalled £277.141m. A report to the Police and Crime Commissioner on 27 June 2013<sup>11</sup> reported that the provisional revenue outturn for the Chief Constable was £4.445m (1,6%) less than the revised estimate. This was also reported to the Chief Constable's Executive Board on 21 June 2013. Details are set out in the table below:

<b>Revenue Outturn 2012/13</b>			
	<b>Revised Estimate 2012/13 £000</b>	<b>Final Outturn 2012/13 £000</b>	<b>Variance 2012/13 £000</b>
Employees	212,852	213,965	1,113
Pensions	45,257	47,164	1,907
Premises	11,825	11,612	(213)
Supplies & Services	8,328	7,468	(860)
Transport	6,068	5,979	(89)
Establishment Expenses	1,318	1,386	68
Agency Services	4,418	3,717	(701)
Miscellaneous Expenses	6,745	6,695	(50)
Capital Charges	0	16	16
<b>Total Expenditure</b>	<b>296,811</b>	<b>298,002</b>	<b>1,191</b>
Income	(19,670)	(25,306)	(5,636)
<b>Net Expenditure</b>	<b>277,141</b>	<b>272,696</b>	<b>(4,445)</b>

All income is the Commissioner's; that shown in the table above is the element managed and monitored throughout the year by the Chief Constable on behalf of the Commissioner.

Close monitoring and management of the budget and the continuous challenge of all non-pay expenditure has contributed to the underspend, whilst the Chief Constable's Programme of Change has enabled earlier than planned delivery of future-year savings. The main areas contributing to this position are on-going underspends including the forensic science service, medical fees, training and other supplies and services, together with additional income from special services and fees for services to external organisations; rate rebates following a review of rateable values of the Commissioner's estate; and funding received from providing assistance to other forces.

The Comprehensive Income and Expenditure Statement, shown on page 11, is a statutory account reflecting proper accounting practice and the accounting policies adopted by the Chief Constable, which differs from the revenue outturn position reported internally to management, shown above. All income is recognised in the Commissioner's Comprehensive Income and Expenditure Statement. Note 5 to the Core Financial Statements sets out the additional accounting charges not reported to management but included in the Chief Constable's Comprehensive Income and Expenditure Statement.

<sup>11</sup> Available at: <http://www.northumbria-pcc.gov.uk/transparency/decisions>

## Performance Information

Northumbria has consistently been a high performing Force with 2012/13 being no exception. During the financial year there were 7,692 fewer crimes compared to the previous year, a 10.2% reduction<sup>12</sup>. Detection rates were the 2nd highest of any Force in England and Wales standing at 41.6%<sup>13</sup>.

The Force also continued to maintain high levels of satisfaction being placed 1st nationally in all satisfaction measures including for example ease of contact, action taken and the overall contact experience<sup>14</sup>. Levels of public confidence also remained high with 67.3% of people agreeing that the Force deals with things that matter to them in their community<sup>15</sup>.

## Significant Changes since 2011/12

There has been no significant accounting change in the 2012/13 Code of Practice on Local Authority Accounting.

The approach taken to presenting the financial statements was as if the Chief Constable had always existed and no new body had been created at 22 November 2012. Merger accounting is applied from 1 April 2012 providing previous year's comparators.

## Accounting for Pensions

Police officers are members of either the Police Pension Scheme or the New Police Pension Scheme, collectively known as the Police Pension Scheme, which is a wholly unfunded scheme administered by the Chief Constable<sup>16</sup>. The police officers' Pension Fund is set out in the Supplementary Financial Statements. Police staff are members of the Tyne and Wear Pension Scheme, administered by South Tyneside Council. However, all pensions' liabilities are the responsibility of the Commissioner at the first stage of transition so sit on the Commissioner's Balance Sheet. Pensions are accounted for under International Accounting Standard 19 (IAS19). An explanation for the pensions' accounting arrangements can be found in the Foreword to the Commissioner's Statement.

## Outlook for 2013/14 and Beyond

### Revenue Budget 2013/14

The Commissioner approved a net revenue budget (before use of reserves) of £287.381m, of which £276.189m related to services under the direction and control of the Chief Constable. The Chief Constable has identified £16m of budget savings for 2013/14, with further budget savings of over £19m built into the MTFS<sup>17</sup> for 2014/15 and 2015/16 to meet the challenging financial position and to ensure the impact on frontline policing is minimised.

Further detail on the agreed revenue budget can be found in the Police and Crime Commissioner Key Decision report PCC/12/2013, Approval of the Revenue and Capital Budgets for Council Tax for 2013/14<sup>18</sup>.

## Police Funding

The Commissioner's statement sets out the assumptions for police funding over the medium term, which will impact on the resources available to the Chief Constable. The Chief Constable is fully committed to continue delivering savings as set out in the MTFS to help meet

---

<sup>12</sup> [www.ons.gov.uk/ons/rel/crime-stats/crime-statistics/index.html](http://www.ons.gov.uk/ons/rel/crime-stats/crime-statistics/index.html), PFA tables

<sup>13</sup> [www.gov.uk/government/publications/crimes-detected-in-england-and-wales-2012-to-2013](http://www.gov.uk/government/publications/crimes-detected-in-england-and-wales-2012-to-2013), Data tables

<sup>14</sup> HMIC Policing in Austerity: Rising to the Challenge July 2013.

<sup>15</sup> [www.ons.gov.uk/ons/rel/crime-stats/crime-statistics/index.html](http://www.ons.gov.uk/ons/rel/crime-stats/crime-statistics/index.html), Table p4q

<sup>16</sup> Police Reform & Social Responsibility Act 2011 (Schedule 16 Part 3)

<sup>17</sup> Available at: <http://www.northumbria-pcc.gov.uk/transparency/decisions>

<sup>18</sup> Available at: <http://www.northumbria-pcc.gov.uk/transparency/decisions>



the challenge of future budget pressures whilst ensuring the continued delivery of high quality services and high performance.

### **Events after the reporting period**

#### **Police Reform and Social Responsibility Act**

The Police Reform and Social Responsibility Act (the Act) which created Commissioners also sets out a second 'Stage 2' transfer which refers to the subsequent movement of certain staff, property, rights and liabilities from the Commissioner to the Chief Constable. The Stage 2 transfer is designed to allow elected Commissioners the freedom to make their own local arrangements about how their functions and those of the police force will be discharged in future. In establishing these local arrangements, the Commissioner will need to discuss with the Chief Constable who will employ which staff and hold which properties, liabilities and assets.

Once agreed, the Commissioner must submit her proposals for a Stage 2 transfer scheme to the Home Secretary who will decide whether or not to approve it, with or without modifications, in accordance with her statutory powers. The timing of the Stage 2 transfer occurs will be at the discretion of the Commissioner; however the government has stated transfers must be complete by 1 April 2014. The Chief Constable will continue to work with the Commissioner to agree the proposed Stage 2 arrangements for submission to the Home Secretary.

#### **National Police Air Service (NPAS)**

The National Police Air Service, a national collaboration of operational air support for police forces, was introduced nationally from October 2012, with Northumbria joining on 1 April 2013. This will replace the local arrangements delivered through the North East Air Support Unit and will be fully reflected in the 2013/14 Statement of Accounts.

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

**Mike Tait BSc (Econ) CPFA**  
**Director of Finance**

**Dated:** 12.9.2013

# Statement of Responsibilities

## The Chief Constable's Responsibilities

The Chief Constable is required to:

- appoint a person (Chief Finance Officer) to be responsible for the proper administration of her financial affairs;
- manage her affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts

I approve this statement.

Signed:



Date: 17. 09. 13.

## The Chief Finance Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Chief Finance Officer has also:

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

## Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2013, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable at 31 March 2013 and of her income and expenditure for the year ended 31 March 2013.

Signed:



Date: 12. 9. 2013.

**Mike Tait BSc (Econ) CPFA**  
**Director of Finance**

# Part 2: Core Financial Statements

## Comprising:

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

## Movement in Reserves Statement 2012/13

The Chief Constable does not hold any reserves. Reserves are the responsibility of the Commissioner and the level of reserves is determined by her and disclosed within her accounts.

## Comprehensive Income and Expenditure Statement

2011/12			2012/13			
Gross Expenditure £000s	Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Income £000s	Net Expenditure £000s
193,681	0	193,681	Local Policing	192,922	0	192,922
18,603	0	18,603	Dealing with the public	18,237	0	18,237
22,564	0	22,564	Criminal Justice Arrangements	19,951	0	19,951
12,733	0	12,733	Roads Policing	12,032	0	12,032
21,740	0	21,740	Specialist Operations	18,789	0	18,789
18,896	0	18,896	Intelligence	17,854	0	17,854
48,551	0	48,551	Specialist Investigations	46,084	0	46,084
6,363	0	6,363	Investigative Support	5,460	0	5,460
3,152	0	3,152	National Policing	4,397	0	4,397
29	0	29	Corporate and Democratic Core	25	0	25
0	(346,312)	(346,312)	Commissioner's resources consumed by the Chief Constable	0	(335,751)	(335,751)
<b>346,283</b>	<b>(346,312)</b>	<b>0</b>	<b>Net Cost of Services</b>	<b>335,751</b>	<b>(335,751)</b>	<b>0</b>

## Balance Sheet

31/03/12		31/03/13	
<u>£000s</u>		<u>£000s</u>	Notes
21,601	Short-term debtors	20,596	10
<b>21,601</b>	<b>Current Assets</b>	<b>20,596</b>	
<u>(21,601)</u>	Short-term creditors	<u>(20,596)</u>	11
<b>(21,601)</b>	<b>Current Liabilities</b>	<b>(20,596)</b>	
<u><b>0</b></u>	<b>Net Assets</b>	<u><b>0</b></u>	
<u><b>0</b></u>	<b>Total Reserves</b>	<u><b>0</b></u>	

## Cash Flow Statement

2011/12 £000s		2012/13 £000s
0	<b>(Surplus) or deficit on the provision of services</b>	0
	<b>Adjustments to surplus or deficit on the provision of service for non-cash movements:</b>	
	<b>Accruals Adjustments:</b>	
(4,791)	(Decrease)/increase in debtors	(1,005)
4,791	Decrease/(increase) in creditors	1,005
0	<b>Net cash flows from operating activities</b>	<u>0</u>
0	<b>Net (increase)/ decrease in cash and cash equivalents</b>	<u><u>0</u></u>
0	<b>Cash and cash equivalents at the beginning of the period</b>	0
0	<b>Cash and cash equivalents at the end of the period</b>	0

# Notes to the Core Financial Statements

## 1. Statement of Accounting Policies

### a) Introduction

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

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

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

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

### b) Transfer of functions from Northumbria Police Authority

The Police Reform and Social Responsibility Act 2011 (the Act) abolished Northumbria Police Authority on 22 November 2012 replacing it with two corporations sole; the Police and Crime Commissioner for Northumbria and the Chief Constable for Northumbria. The Act provided for a statutory transfer of all assets, liabilities, contracts and reserves from the Police Authority to the Commissioner at 22 November 2012 (Stage 1). The reforms of the Act will be phased over a number of years in a two-stage transition process. At the Balance Sheet date of 31 March 2013, all assets, liabilities, contracts and reserves remain under the control of the Commissioner.

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

The transfer from the Police Authority has been accounted for using merger accounting in line with the Code. The financial statements are prepared as if the functions had always been performed by the Group. The balances and cash flows of the Police Authority at 1 April 2012 are brought into the financial statements of the Group. The results of the former Police Authority for the previous accounting period ending 31 March 2012 are provided as comparatives, with minor restatement of the comparatives being made to ensure consistency of presentation.

All expenditure for the Group is paid for by the Commissioner from the Police Fund. All income and funding is paid into the Police Fund and recognised in the Commissioner's



accounts. The Group financial statements consolidate all income, expenditure, assets, liabilities, reserves and cash flows of the Group.

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

**c) Accruals of expenditure and income**

The financial statements, other than the cash flow, are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular where expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

**d) Charges to revenue for non-current assets**

The Commissioner owns and controls all non-current assets but makes them available to the Chief Constable to deliver her policing function. The Commissioner's accounts must be debited with the cost of holding non-current assets during the year. The Chief Constable's accounts include a proxy charge for the use of those assets equivalent to depreciation, impairment and amortisation of non-current assets.

**e) Employee Benefits**

**Benefits payable during employment**

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

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision 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 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.

**Post-employment benefits (pensions)**

As part of the terms and conditions of employment of police officers and other employees, retirement benefits are offered by participating in two different types of pension scheme. These are the Police Pension Scheme, including the New Police Pension Scheme, for police officers and the Tyne and Wear Pension Fund for police staff, both of which offer defined benefits related to pay and service:

Although retirement benefits will not actually be payable until employees retire, there is a requirement under IAS19 to recognise liabilities at the point at which employees earn their future entitlement. The Commissioner is responsible for the pension liability so the true liability of a defined benefit pension scheme is recognised in the Commissioner's Balance Sheet, and the in-year movement on the liability reflected in the Comprehensive Income and Expenditure Statement. The Chief Constable's Income and Expenditure Statement includes a proxy charge for the current service pension cost of employees in service to reflect the total cost of policing.

**f) Events after the Balance Sheet date**

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any new information about that adjusting event.

Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but are disclosed as a separate note to the accounts.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

**g) Prior period adjustments**

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified, and are accounted for accordingly. Material adjustments applicable to prior years arising from changes on accounting policies and to ensure consistency of presentation, that would otherwise misrepresent the accounts to the reader, are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

**h) Overheads**

The costs of overheads and support services, including those controlled by the Commissioner but in support of the Force, are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services (with the exception of Corporate and Democratic Core) are shared between users in proportion to the benefits received,.

**i) Provisions and contingent liabilities**

**Provisions**

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

**Contingent liabilities**

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

**j) Value Added Tax (VAT)**

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable from HM Revenue and Customs.

**2. Critical judgements in applying accounting policies**

In applying its accounting policies, certain judgements have been made about the complex transactions or those involving uncertainty about future events. The most significant area where judgements have been necessary is in the accounting recognition of assets, liabilities, reserves, revenue and expenditure in the two entities' accounts

following the introduction of new governance arrangements under the Police Reform and Social Responsibility Act, see Note 6.

**3. Impact of changes in accounting policies and prior period adjustments**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable's financial position or financial performance. When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

A number of amendments to accounting standards may affect the Statement of Accounts from 1 April 2013 and may require retrospective application. They will only apply to the Chief Constable's accounts if the Stage 2 transition has taken place before 31 March 2014:

- IAS19 *Employee Benefits*: the adoption of the June 2011 amendments to the Code will result in a change of accounting policy that will require additional disclosures;
- IAS1 *Presentation of Financial Statements* (Other Comprehensive Income): the adoption of the June 2011 amendments to the Code has a number of presentational implications; and
- Clarifications have been issued that relate to recognition criteria for assets under construction and intangible assets.

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

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There are no items in the Chief Constable's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming year.

**6. Effects of the Police Reform and Social Responsibility Act**

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

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**

The Group balance sheet will recognise all assets, liabilities and reserves of the Group. The accounting recognition of the Group's assets, liabilities and reserves during the first period of transition reflects the powers and responsibilities of the Commissioner and the Chief Constable as designated by the Act, the Home Office Financial Management Code of

Practice and local governance arrangements. At 31 March 2013, 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 her name. She holds the bank account, is responsible for all liabilities, including the pensions' liabilities, and she holds all 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 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 Commissioner and the Chief Constable 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 her 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 an equal and opposite credit from the Commissioner for resources consumed. All income, as well as expenditure directly controlled by the Commissioner, in relation to her Office and Community Safety Funding, is recognised in the financial statements of the Commissioner, together with the intra-group charge from the Chief Constable for resources consumed in respect of policing.

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

- The use of non-current assets equivalent to the depreciation, impairment, amortisation and revaluation of the assets charged to the Commissioner £13.582m;
- The current service cost of providing retirement benefits to employees £67.16m; and
- The cost of insurance and support services expended by the Commissioner but provided to support the Chief Constable in her provision of policing £2.4m.

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

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

## **7. Prior period adjustments**

An adjustment has been made to the classification of expenditure of £2.990m relating to Serious and Organised Crime to enable meaningful comparisons to be made between financial years. In 2011/12 this expenditure was classified under 'Intelligence' but has since been allocated to 'Special Investigations'. This has no impact on total Police Services or Net Cost of Services.

An adjustment has been made in relation to expenditure classified as Corporate and Democratic Core within the Commissioner's accounts of £0.765m. The change has no impact on the Net Cost of Services but has reduced the gross cost of policing shown within Comprehensive Income and Expenditure Statement.

**8. Segmental analysis**

There is a requirement within the Code to present income and expenditure in segments as reported for internal management purposes and provide a reconciliation with the Comprehensive Income and Expenditure Statement. As segments are not used for internal management reporting, no segmental analysis is disclosed.

**9. Audit fees**

The Chief Constable has incurred the following costs in relation to work carried out by the Group's external auditors, Mazars, in 2012/13 (Audit Commission in 2011/12).

<b>Auditors' Fees</b>	
<b>2011/12</b>	<b>2012/13</b>
<b>£000s</b>	<b>£000s</b>
29	25
<b>29 Total</b>	<b>25</b>

**10. Officer Remuneration**

The following tables set out the remuneration for senior police staff and relevant police officers whose salary, including voluntary redundancy payments, is more than £50,000 per year in 2012/13 and the equivalent disclosure for 2011/12.

<b>Numbers of Employees earning over £50,000</b>		
<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2011/12</b>	<b>2012/13</b>
£50,000 - £54,999	136	110
£55,000 - £59,999	95	85
£60,000 - £64,999	13	11
£65,000 - £69,999	4	2
£70,000 - £74,999	5	3
£75,000 - £79,999	11	9
£80,000 - £84,999	13	14
£85,000 - £89,999	9	6
£90,000 - £94,999	0	3
£95,000 - £99,999	1	0

Remuneration of the officers in the Chief Officer Team and in statutory roles are disclosed in the following tables.

<b>Remuneration of Senior Employees 2012/13</b>						
<b>Post holder information</b>	<b>Notes</b>	<b>Salary (Including fees &amp; allowances) £</b>	<b>Benefits in Kind £</b>	<b>Total remuneration excluding pension contributions £</b>	<b>Pension contributions £</b>	<b>Total Remuneration 2012/13 £</b>
Chief Constable – Sue Sim		159,514	4,762	<b>164,276</b>	37,935	<b>202,211</b>
Deputy Chief Constable – A		127,354	14,950	<b>142,304</b>	29,580	<b>171,884</b>
Deputy Chief Constable – B	<b>1</b>	8,300	524	<b>8,824</b>	1,964	<b>10,788</b>
Assistant Chief Constable – A	<b>2</b>	109,092	6,287	<b>115,379</b>	25,525	<b>140,904</b>
Assistant Chief Constable – B		108,523	8,089	<b>116,612</b>	0	<b>116,612</b>
Assistant Chief Constable – C		106,604	3,927	<b>110,531</b>	24,805	<b>135,336</b>
Assistant Chief Officer, Corporate Services		91,339	7,363	<b>98,702</b>	11,874	<b>110,576</b>
Assistant Chief Officer, Finance & Resources	<b>3</b>	48,430	4,749	<b>53,179</b>	125,991	<b>179,170</b>
Director of Finance (Chief Finance Officer)	<b>4</b>	26,142	35	<b>26,177</b>	3,399	<b>29,576</b>
<b>Total</b>		<b>785,298</b>	<b>50,686</b>	<b>835,984</b>	<b>261,073</b>	<b>1,097,057</b>

Note 1: Deputy Chief Constable B started in post 25 March 2013

Note 2: Assistant Chief Constable was in post until 24 March 2013 when he filled the Deputy Chief Constable's post

Note 3: Assistant Chief Officer, Finance & Resources took early retirement on 31 October 2012. The pension contributions include £119,695 strain on fund payment to the Pension Fund.

Note 4: Director of Finance became the statutory post of Chief Finance Officer for the Chief Constable on 22 November 2012. He became Treasurer to the Police and Crime Commissioner on 29 March 2013. He received no remuneration for this role.

<b>Remuneration of Senior Employees 2011/12</b>						
<b>Post holder information</b>	<b>Notes</b>	<b>Salary (Including fees &amp; allowances) £</b>	<b>Benefits in Kind £</b>	<b>Total remuneration excluding pension contributions £</b>	<b>Pension contributions £</b>	<b>Total Remuneration 2012/13 £</b>
Chief Constable – Sue Sim		159,484	4,105	<b>163,589</b>	37,942	<b>201,531</b>
Deputy Chief Constable	<b>1</b>	76,999	4,549	<b>81,548</b>	17,884	<b>99,432</b>
Temporary Deputy Chief Constable	<b>2</b>	57,351	2,219	<b>59,570</b>	13,241	<b>72,811</b>
Assistant Chief Constable - A	<b>3</b>	60,677	2,219	<b>62,896</b>	14,346	<b>77,242</b>
Temporary Assistant Chief Constable - B	<b>4</b>	47,212	1,975	<b>49,187</b>	10,765	<b>59,952</b>
Assistant Chief Constable – C		108,468	5,822	<b>114,290</b>	25,534	<b>139,824</b>
Assistant Chief Constable – D		98,315	5,042	<b>103,357</b>	23,214	<b>126,571</b>
Assistant Chief Officer, Finance & Resources		91,339	7,776	<b>99,115</b>	11,874	<b>110,989</b>
Assistant Chief Officer, Corporate Services		91,339	8,347	<b>99,686</b>	11,874	<b>111,560</b>
<b>Total</b>		<b>791,184</b>	<b>42,054</b>	<b>833,238</b>	<b>166,674</b>	<b>999,912</b>

Note 1: Deputy Chief Constable started in post 30 August 2011

Note 2: Temporary Deputy Chief Constable in post until 29 August 2011

Note 3: Assistant Chief Constable in post from 30 August 2011

Note 4: Temporary Assistant Chief Constable left post 13 September 2011

<b>Exit packages 2012/13</b>				
	<b>Number of other departures</b>	<b>Number of compulsory redundancies</b>	<b>Total number of departures</b>	<b>Total cost of exit packages in each band</b>
				<b>£000s</b>
£0 - £20,000	47	11	58	425
£20,001 - £40,000	8	1	9	221
£40,001 - £60,000	1	0	1	45
£60,001 - £80,000	3	0	3	203
£80,001 - £100,000	2	0	2	177
£100,001 - £150,000	1	0	1	120
<b>Total</b>	<b>62</b>	<b>12</b>	<b>74</b>	<b>1,191</b>

The table above shows the total number and cost of exit packages during the year ending 31 March 2013.

In 2010/11, the former Police Authority agreed a voluntary redundancy programme and became demonstrably committed to a reduction of police staff posts. The 2011/12 Statement of Accounts noted 491 staff (448fte) leaving the Authority with an exit package between February 2011 and April 2012 at a total cost of £11.4m.

## 11. Related Party Transactions

The Chief Constable is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by her. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable 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 Chief Constable.

### Senior Officers

During 2012/13, no related party transaction was entered into with the Chief Constable or any senior officers within the Force or their close family members.

### Police and Crime Commissioner for Northumbria

The Commissioner has control over the general operations of the Chief Constable: she governs the financial and operational policy framework within which the Chief Constable operates; and she funds the expenditure on operational policing incurred by the Chief Constable, which is disclosed in the Comprehensive Income and Expenditure Statement.

### UK Government

Central government has control over the general operations of the Chief Constable – it is responsible for providing the statutory framework, within which the Chief Constable delivers operational policing.

### Joint Arrangements

The Chief Constable is involved with a number of entities to aid joint working between organisations. Any expenditure is accounted for within the Comprehensive Income and Expenditure Statement. The main joint arrangements identified during 2012/13 were:

- North East Air Support Unit (NEASU)
- North East Regional Organised Crime Unit



**12. Debtors**

These amounts represent payments in advance, such as invoices spanning financial periods and the amount due from the Commissioner for resources consumed by the Chief Constable for which cash payments were not made by the 31 March 2013.

<b>Short-term Debtors</b>		
<b>31 March 2012</b>		<b>31 March 2013</b>
<b>£000s</b>		<b>£000s</b>
0	Other public bodies	2
316	Bodies external to general government	217
21,285	Commissioner (intra-group adjustment)	20,377
<b>21,601</b>		<b>20,596</b>

**13. Creditors**

These amounts represent sums owed to a number of sources, such as other local authorities and government departments, in relation to policing expenditure.

<b>Creditors</b>		
<b>31 March 2012</b>		<b>31 March 2013</b>
<b>£000s</b>		<b>£000s</b>
(410)	Central government bodies	(812)
(7)	NHS bodies	(119)
(763)	Other local authorities	(811)
(7)	Public corporations and trading funds	(4)
(20,414)	Bodies external to central government	(18,850)
<b>(21,601)</b>		<b>(20,596)</b>

**14. Provisions and contingent liabilities**

The Chief Constable has none. Provisions are the responsibility of the Commissioner and the level of required provisions is determined by her and disclosed within her accounts.

**15. 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 under the direction and control of the Chief Constable but not taken by the year-end:

<b>Benefits payable during employment</b>		
<b>2011/12</b>		<b>2012/13</b>
<b>£000s</b>		<b>£000s</b>
5,075	Local Policing	5,744
181	Dealing with the Public	428
245	Criminal Justice Arrangements	465
360	Roads Policing	341
548	Specialist Operations	498
591	Intelligence	522
1,213	Specialist Investigations	1,385
12	Investigative Support	61
79	National Policing	111
<b>8,304</b>	<b>Total employee benefits accrued at the Balance Sheet date</b>	<b>9,555</b>

### **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 Commissioner is responsible for the pension liability which is recognised in the Commissioner's Balance Sheet and the in-year movement in the liability recognised in her Comprehensive Income and Expenditure Statement, details of which can be found in the Notes to the Commissioner's financial statements.

### **16. Events after the Balance Sheet date**

#### **National Police Air Service (NPAS)**

The National Police Air Service, a national collaboration of operational air support for police forces, was introduced nationally from October 2012, with Northumbria joining on 1 April 2013. This will replace the local arrangements delivered through the North East Air Support Unit and will be fully reflected in the 2013/14 statement of accounts. Assets transferred to the Police and Crime Commissioner for West Yorkshire, who is hosting NPAS, on 1 April 2013. An annual contribution is made by Northumbria for the provision of an agreed air support service.

### **17. Authorisation of accounts for issue**

The Chief Constable's Statement of Accounts for the financial year ended 31 March 2013 was approved by the Chief Constable and authorised for issue on 17 September 2013.

# Part 3: Supplementary Financial Statements

## Comprising:

- Police Pension Fund

## Police Pension Fund

This statement shows the details of the Pension Fund Account for the Police Pension Scheme for 2012/13 and shows comparative figures for 2011/12.

2011/12 £000s	FUND ACCOUNT	2012/13 £000s
(35,358)	Normal	(33,803)
(696)	Other	(1,465)
<b>(36,054)</b>	<b>Contribution Receivable from Employer</b>	<b>(35,268)</b>
(15,732)	Contribution Receivable from Members	(16,670)
<b>(15,732)</b>	<b>Contribution Receivable from Members</b>	<b>(16,670)</b>
<b>(51,786)</b>	<b>Total Contributions Receivable</b>	<b>(51,938)</b>
(1,092)	Individual Transfers in from other schemes	(493)
<b>(1,092)</b>	<b>Transfers in</b>	<b>(493)</b>
59,949	Pensions	65,103
18,233	Commutations and Lump Sum Retirement Benefits	21,414
73	Lump Sum Death Benefits	146
330	Payments to the Police and Crime Commissioner for Northumbria	243
<b>78,585</b>	<b>Benefits Payable</b>	<b>86,906</b>
21	Refunds of Contributions	8
1,066	Individual Transfers Out To Other Schemes	884
<b>1,087</b>	<b>Payments To and On Account of Leavers</b>	<b>892</b>
<b>79,672</b>	<b>Total Benefits Payable</b>	<b>87,798</b>
<b>26,794</b>	<b>Net amount payable for the year before Top-Up Grant</b>	<b>35,367</b>
<b>(26,794)</b>	<b>Contribution from Police Fund Income and Expenditure Account in respect of Deficit on the Police Pension Fund Account</b>	<b>(35,367)</b>
<b>0</b>	<b>Net Amount (Receivable) / Payable In Year</b>	<b>0</b>

There were no current assets or liabilities in 2011/12 or 2012/13.

## Notes to the Supplementary Financial Statements

### 1. Scheme description

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

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

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

### 2. Administration of the Fund

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

### 3. Accounting Policies

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

### 4. Future liabilities

The Funds' financial statements do not take account of liabilities to pay pensions and other benefits after the period end, which are the responsibility of the Commissioner. Details of the Commissioner's long-term pension obligations can be found in the Notes to the Group Financial Statement, Employee benefits<sup>19</sup>.

---

<sup>19</sup> Available at <http://www.northumbria-pcc.gov.uk>

# Annual Governance Statement

## Scope of Responsibility

1. The Chief Constable of Northumbria Police Force is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Chief Constable also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of the Force's affairs facilitating the effective exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
3. The Chief Constable has carried out an annual review of her governance arrangements which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
4. This statement explains how the Chief Constable has complied with these principles and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011.

## The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes, and culture and values, by which the Force is directed and controlled and its activities through which it accounts to, engages with and responds to the needs of local communities. It enables the Chief Constable to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, within agreed financial targets, including achieving value for money.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Northumbria Police's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.
7. The governance framework has been in place at the Force for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

## The Governance Framework

8. The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. Northumbria Police Authority was required to hold the Chief Constable to account for the exercise of those functions and those of the persons under their direction and control. Following the introduction of the Police Reform & Social Responsibility Act 2011, Northumbria Police Authority was replaced by the Police and Crime Commissioner for Northumbria on 22<sup>nd</sup> November 2012 and therefore this statement makes reference to governance arrangements under both the Northumbria Police Authority and the Police and Crime Commissioner (PCC) for Northumbria. Since November 2012 the Chief Constable has been a legal entity in her own right.
9. Public opinion, national priorities, force performance and information on crime and future trends are reviewed together as part of a Strategic Assessment, which identifies priority areas for Northumbria Police. The findings of the Strategic Assessment contributed directly to the development of the Force Objectives and Actions as set out in the Local Policing Plan 2012-2013 which was agreed by Members of the Authority on 14<sup>th</sup> March 2012.
10. The Scrutiny Committee monitored performance against the 2012/13 Local Policing Plan on a quarterly basis up until 22<sup>nd</sup> November 2012. After this date, performance was monitored through a robust framework and discussed at the Force's Strategic Management board which is also attended by the PCC.
11. Following the election of the PCC for Northumbria a Police and Crime Plan for 2013-18 was developed and agreed with the Police and Crime Panel. This includes the Chief Constable's Delivery Plan which sets out how the Force will achieve and measure performance against the PCC's five local Police and Crime Objectives, as well as supporting national priorities as outlined in the Strategic Policing Requirement. Performance is monitored through a robust framework and discussed at the Force's Strategic Management Board which is also attended by the PCC.
12. The behaviour of Police Officers is governed through a range of Human Resource policies and by a combination of statute and statutory regulations.
13. The Chief Constable operates a complaints policy in accordance with the provisions of the Police (Complaints and Misconduct) Regulations 2012. Northumbria Police also provides a facility where police officers and police staff can confidentially report suspected wrongdoing through a Professional Standards Reporting Policy to ensure issues of integrity are fully investigated and to uphold public confidence in the Force.
14. The Chief Constable has a range of policies in place to mitigate against the risks of fraud and corruption. This includes guidance on Inappropriate Associations, Unmanageable Debt, Business Interests and Gifts and Hospitality.
15. Policy and decision making arrangements prior to November 2012 were facilitated by a framework of delegation as set out in the Standing Orders and the Financial Regulations of the Authority. These arrangements continued to operate up to and including 31<sup>st</sup> March 2013. These have now been reviewed to reflect the new arrangements and an updated framework, including the Commissioner's Delegations to Officers, Financial and Contract Regulations, Consents and Governance Structures and Procedures has been formally adopted by the Chief Constable.

16. Strategic risk management is being reviewed and addressed from the perspective of both the PCC and Force, with an emphasis on shared objectives, risks and an integrated approach across the Police Service. Operational risk management is embedded into the culture of the Force through a Corporate Risk Management Policy which aims to ensure foreseeable risks to the business of the force are identified, planned for and mitigated effectively.
17. The Authority's Audit and Improvement Committee received quarterly reports on risk management and looking forward this responsibility is included within the terms of reference of the new Joint Independent Audit Committee of the PCC and Chief Constable.
18. The Director of Finance to the Chief Constable is designated as the responsible officer for the administration of the Chief Constable's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues and giving financial information. It also extends to ensuring the financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
19. The Authority's Audit and Improvement Committee carried out the functions of an Audit Committee up to November 2012; its terms of reference included it to consider both the external and internal audit plan and activity with a specific brief to independently contribute to the overall process of ensuring that an effective internal control environment was in place in the Authority. The new Joint Independent Audit Committee of the PCC and Chief Constable was established during 2012/13 in line with the requirements of the Home Office's Financial Management Code of Practice and monitors internal control, risk and governance issues relating to both the PCC and Force.
20. The Authority maintained an independent Internal Audit Service and the same provider was engaged to continue delivery of the 2012/13 Internal Audit Plan since November 2012. The Internal Audit Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the Joint Independent Audit Committee on a quarterly basis. The Chief Internal Auditor also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the control environment of the Authority, PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2012/13.
21. The Chief Constable is pro-active in her approach to community engagement with all stakeholders. The aim is to ensure all local people are well informed, actively involved in influencing what happens in their local area and ensuring delivery of the policing services that meet the needs of local people. The Force continues to consult the public regularly through User Satisfaction Surveys, Neighbourhood Meetings and a residents' Safer Communities Survey. The Force are also one of the 'responsible authorities' on the six Community Safety Partnerships across Northumbria.



## Review of Effectiveness

22. The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review for 2012/13 was undertaken by the Joint PCC and Chief Constable Monitoring Group meeting on 3<sup>rd</sup> June 2013.
23. The review has been primarily completed and informed by the work of Authority Members, the Chief Executive & Solicitor, the Chief Constable, the Director of Finance, the Head of Legal Services, the Chief Internal Auditor and senior managers within the Force who have the responsibility for the development and maintenance of the governance environment. In addition comments made by external auditors and other review agencies and inspectorates have informed this review.
24. The review of the effectiveness of governance arrangements has been and will be informed by:
- The work of Senior Managers;
  - The effectiveness and work of Internal Audit, incorporating the Internal Audit Provider and the Joint Independent Audit Committee.
  - Corporate Risk Management arrangements;
  - Performance Management and Data Quality information;
  - The external auditors in their annual audit letter and other inspectorate reports;
  - Assurance from the Assistant Chief Officer (Corporate Services) on the operation of the Regulatory Framework;
  - Assurance from the Director of Finance on the operation of the Chief Constable's financial controls, and
  - Partnerships arrangements with third party organisations.
25. The Authority's Code of Governance set out the role of Northumbria Police Authority as follows:
- Listen to local people, and deal with issues that matter to them and their community;
  - Make sure that performance improves each year and tell local people about it;
  - Provide a police service that reflects the communities it serves and treats everyone fairly, regardless of who they are;
  - Talk to local people, and deal with the issues that matter to them and their community; and
  - Be open and honest in all that we do.
26. The Authority's Code of Governance is reviewed annually and was last approved by Members on 14th March 2012. The Chief Constable in conjunction with the PCC is currently reviewing the need for a Local Code of Governance to draw together all relevant policies and procedures and to reflect the new governance arrangements since November 2012.
27. The Chief Internal Auditor reports on an operational basis to the Chief Constable's Director of Finance, but in order to ensure independence has direct access to the Chief Constable, Chair of Joint Independent Committee and Head of Legal Services. A review of the effectiveness of Internal Audit, incorporating the Internal Audit provider and the Joint Independent Audit Committee, has been undertaken and was reported to the Joint Independent Audit Committee of 10th June 2013. This review included ensuring compliance with the CIPFA Statement on the Role of the Head of Internal Audit. This

concluded that the Chief Constable's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor to be relied upon.

28. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control and governance arrangements, which is incorporated in the Annual Internal Audit Report to the Joint Independent Audit Committee. The Annual Internal Audit Report for 2012/2013, which was presented to the Committee on 10th June 2013 concluded that, based on the work undertaken, the Chief Constable's internal control systems and governance arrangements are considered to have worked effectively in practice but with some actions for improvement as set out below.
29. The Annual Corporate Risk Management Report was presented to the Joint Independent Audit Committee on 10th June 2013, in which it was concluded that risk management arrangements are effective.
30. Area Commanders and Heads of Departments have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. A report was submitted to the Joint Independent Audit Committee on 10th June 2013, which concluded that based on their self-assessments Area Commanders and Heads of Department, agreed that effective controls and governance arrangements were in place.
31. Regular reports on performance management information and data quality have been considered by the Scrutiny Committee up until 22<sup>nd</sup> November 2012 and have been subsequently monitored by the Chief Constable's Strategic Management Board.
32. Assurance on the effectiveness of the former Authority's financial controls has been provided by the Treasurer. Since November 2012 assurance on the effectiveness of the Chief Constable's financial controls has been provided by the Director of Finance who is designated as the responsible officer for the administration of financial affairs under section 151 of the Local Government Act 1972. Systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role. The financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
33. Area Commanders and Heads of Departments have been required to provide assurance on partnership governance arrangements through self-assessments. All Community Safety Partnerships carry out regular self assessments against the Home Office 'Hallmarks of Effective Practice' guidance which includes governance, communications and strategic planning. From this work it was concluded that governance arrangements for partnerships were operating effectively.
34. The results of the review of the Chief Constable's governance arrangements, including the internal control environment, have concluded that arrangements operated effectively throughout 2012/13.
35. The Joint Independent Audit Committee have advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed jointly by the Chief Constable and the PCC are outlined below.

- A review of compliance by the Chief Constable of governance arrangements in place against the requirements as set out in CIPFA's "Delivering Good Governance – A Guidance Note for Police Authorities".
- Continue to review the current Financial and Contract Regulations to ensure they remain appropriate and fully reflective of the different governance regimes that are in place.
- Finalise the Joint Strategic Risk Register covering both the PCC and Chief Constable and arrangements for its reporting to both senior officers and the Joint Independent Audit Committee.
- Identify the training and development requirements of members of the Joint Independent Audit Committee and arrange an appropriate programme to be delivered during 2013/14.

36. By November 2013 the above matters will have been reviewed to further enhance our governance arrangements and address the need for improvements that were identified in our review of effectiveness. The implementation and operation of changes will be monitored as part of our next annual review.

Signed 


Chief Constable

Date: 28 June 2013

Signed 

Assistant Chief Officer

Date: 28 June 2013

Signed 

Director of Finance

Date: 28 June 2013

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHUMBRIA

### Opinion on the Chief Constable financial statements

We have audited the financial statements of The Chief Constable for Northumbria for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Police Pension Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the Chief Constable for Northumbria in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### Respective responsibilities of the Chief Finance Officer and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Northumbria as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### Opinion on other matters

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

### **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

### **Other matters on which we are required to conclude**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities;
- our locally determined risk-based work on transition from the police authority.

As a result, we have concluded that there are no matters to report.

### **Certificate**

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin  
For and on behalf of Mazars LLP, Appointed Auditors  
The Rivergreen Centre  
Aykley Heads  
Durham, DH1 5TS

23 September 2013

# Glossary of Terms

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

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

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

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

**Best Value** provides a framework for the planning, delivery and continuous improvement of the Chief Constable’s services. The overriding purpose is to establish a culture of good management for the delivery of efficient, effective and economic services that meet the users’ needs.

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

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

**Cash** comprises cash in hand and demand deposits.

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

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

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

**Contingent liabilities** are either:

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

**Corporate & Democratic Core** comprises those activities and costs that provide the infrastructure that allows the information that is required for public accountability of the Chief Constable, for example, freedom of information and external audit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**General Reserve** is the main fund into which council tax precept, government grant and other income is paid into and from which meets the day-to-day cost of providing services.

**Government grant** is assistance by government, inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an entity in return for past or future compliance with certain conditions relating to the activities of the entity.

**Gross expenditure** is the total cost of providing the Chief Constable's services before taking into account income.

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

**IFRSs (International Financial Reporting Standards)** are accounting pronouncements issued by the IASB. They have been adopted (or, in some cases, interpreted or adapted)



by the UK public sector in an attempt to make it more comparable with both the private sector and the international community as a whole.

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

**Local Government Pension Scheme** is a nationwide public sector pension scheme for employees working in local government. It is administered locally for participating employers through many regional pension funds. The Tyne and Wear Pension Fund manages the Council's pension assets and liabilities.

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

**Non-current assets** are those that yield benefits for a period of more than one year.

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

**Police and Crime Commissioner (Commissioner / PCC):** A person elected who is accountable to the public for ensuring an effective and efficient police force. Commissioners were elected for the first time on 15 November 2012 and took on their roles from 22 November 2012 in 41 force areas across England and Wales. They replaced the former police authorities.

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

**Police Pension Scheme** is the collective term used for pension schemes available to police officers which includes the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and the Police Injury Benefit Scheme. The schemes are final salary defined benefit schemes, the rules of which are set out in The Police Pension Regulations 1987, The Police Pension Regulations 2006 and The Police (Injury Benefit) Regulations 2006, and subsequent amendments.

**Police staff** include staff employed in the Commissioner's office and those under the direction and control of the Chief Constable.

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

**Precepts** are the demands made by the Commissioner on councils to finance her expenditure.

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

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

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

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

Examples of related parties of a Chief Constable could include:

- (i) Central government
- (ii) The Police and Crime Commissioner
- (iii) Her chief officers, and
- (iv) Her pension fund.

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

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

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

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

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

- (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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

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

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

**Support services**, or overheads, are those services that support the delivery of front line services. Support services include finance, administration, ICT, legal and other central services.

# Contacts

**For copies, please contact the Chief Constable on 01661 864123 or email [accountancy.services@northumbria.pnn.police.uk](mailto:accountancy.services@northumbria.pnn.police.uk)**

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

**For queries / feedback, please contact Shaun Wayman on 01661 864137**

**Primary contacts:**

**Director of Finance:**

**Mike Tait**

**Accountancy Manager (Northumbria Police):**

**Shaun Wayman**

**Web links:**

[accountancy.services@northumbria.pnn.police.uk](mailto:accountancy.services@northumbria.pnn.police.uk)

[www.northumbria.police.uk](http://www.northumbria.police.uk)

[www.northumbria-pcc.gov.uk](http://www.northumbria-pcc.gov.uk)