

**CHIEF CONSTABLE FOR DERBYSHIRE  
STATEMENT OF ACCOUNTS 2018/19**

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STATEMENT OF ACCOUNTS  
YEAR END 31 March 2019**

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## NARRATIVE REPORT

### Introduction

These accounts set out the overall financial position of the Chief Constable for Derbyshire, who is responsible for Derbyshire Constabulary, for the year ended 31 March 2019.

### Organisational Overview and External Environment

Derbyshire Constabulary serves an area of more than 1,000 square miles, and a population around one million. Derbyshire is renowned for being hugely diverse. It encompasses the rural areas of the High Peak, Derbyshire Dales and the Derwent Valley, a World Heritage Site. These areas attract a significant amount of tourism throughout the year. In addition, there are old mining communities, modern towns and business centres. It is also home to the vibrant and culturally diverse city of Derby, a cosmopolitan city with a fantastic heritage. There are more than 70 different languages spoken in Derbyshire.



### Governance

The Police and Crime Commissioner and the Chief Constable are established as separate legal entities under the Police Reform and Social Responsibility Act 2011. This Act created a Police and Crime Commissioner for Derbyshire (PCC), known as the 'Commissioner' and at the same time the Chief Constable was established as a separate body with responsibility for Derbyshire Constabulary.

The primary function of the body headed by the Chief Constable is the exercise of operational policing duties under the Police Act 1996. The Commissioner's function is to hold the Chief Constable to account for the exercise of these duties, thereby securing the maintenance of an efficient and effective police service in Derbyshire.

More detail on the governance framework comprising the systems and processes, culture and values by which Derbyshire Police is directed and controlled is contained within the Annual Governance Statement, which accompanies the Chief Constable's Statement of Accounts.

In response to the Police and Crime Plan, the Chief Constable has produced its own plan to show how the Constabulary will meet the objectives within the PCC's document. This delivery document explains how we will work to protect the public, deal with the high-level risks and threats, and in doing so also deliver the commitments made in the Police and Crime Plan. You can download the delivery plan at [Derbyshire Constabulary - Chief Constable's Delivery Plan](#)

### Organisational Model

Policing in Derbyshire is divided into two geographic areas known as divisions. Each division is headed by a chief superintendent, known as the divisional commander who is responsible for the overall policing of the area. Divisions are divided further into a series of local policing units, led by an inspector. Within each policing unit sit our Safer Neighbourhood teams. Safer Neighbourhoods is about police and partners working with the public to identify and deal with issues of concern in their neighbourhood. These areas are patrolled by police officers, special constables and police community support officers (PCSOs). Local policing is complemented by a range of support units and departments that operate across the Constabulary. These include the contact management centre that answers 999 and non-emergency telephone calls, our roads policing section, dog section, National Police Air Service (NPAS), criminal justice, crime investigation and the forensic officers who work in our scientific support unit.

Derbyshire Constabulary employs approximately 1,758 police officers, 178 PCSOs and 284 Specials/Volunteers and 1,338 staff in full-time and part-time positions (excluding staff of the Commissioner). Active recruitment plans for 2019-20 include positive action to improve the diversity and reflect more closely that of the County.

## **Basis for Preparation**

For accounting purposes the Commissioner and Chief Constable together are known as the PCC Group. A separate set of statutory accounts has been published for the Commissioner and PCC Group to recognise all the financial transactions incurred during 2018/19 for policing in Derbyshire.

The purpose of the Narrative Report is to outline the financial performance, financial position and cash flows of the Chief Constable during 2018/19 and provide an overview of the most significant matters reported in the accounts.

The 2018/19 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2018/19. 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).
- Accounts and Audit (England and Wales) Regulations 2015
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013.
- Scheme of Consent between the Commissioner and Chief Constable.
- The Financial Handbook of the Commissioner and Chief Constable.

The Accounts reflect that the Commissioner has responsibility for the finances of the whole Group and control of all land and buildings, liabilities and reserves. The Commissioner receives all income and funding and makes all the payments for the Group from the Police Fund. In turn the Chief Constable fulfils his functions under the Act within an annual budget (set by the Commissioner in consultation with the Chief Constable). A scheme of consent is in operation between the two bodies to give clarity to the way the two organisations are governed and ensure business is undertaken by doing the right thing, making a difference and shaping the future.

## **Financial Statements**

The financial statements for the Chief Constable required under the 2018/19 Code consist of: -

### ***Expenditure and Funding Analysis***

The Expenditure and Funding Analysis is a note to the primary statements. It shows how the annual expenditure is used and funded from the annual budget set by the Commissioner, in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### ***Comprehensive Income and Expenditure Statement (CIES)***

This statement shows the accounting cost in the year of providing policing services under the direction of the Chief Constable for the 12 months to 31 March 2019, (as opposed to the overall cost of policing Derbyshire, which includes the cost of administering the Office of the Police and Crime Commissioner (OPCC) and OPCC expenditure on commissioning activities in relation to community safety, crime prevention and victim support, as shown in the Group Accounts). The CIES has been prepared by applying the accounting principles set out in the CIPFA Accounting Code of Practice. The headings replicate those used for the Constabulary's internal performance reports.

### ***Movement in Reserves Statement***

This summarises the movements to and from unusable reserves for the financial year 2018/19, which relate to post-employment benefits (pensions), benefits payable during employment (untaken leave at the financial year end) and financing of vehicles and equipment from capital resources. All usable reserves are held by the Commissioner as shown in the Group Accounts.

### ***The Balance Sheet***

This summarises the financial position of the Chief Constable at 31 March 2019 and sets out any assets, liabilities and reserves. The net assets of the Chief Constable (assets less liabilities) are matched by the unusable reserves held by the Chief Constable. These reserves are a product of the

application of the Code, it should be noted that the Chief Constable does not hold usable reserves – they are all held by the Commissioner as shown in the Group Accounts.

### **The Cash Flow Statement**

This shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. As all of the Group's cash flows are presented in the Commissioner's Accounts this statement simply shows the net surplus on provision of services adjusted for non-cash movements.

### **Accounting Policies**

Accounting policies are the specific principals, conventions, rules and practices that are applied in preparing and presenting the annual accounts. The accounting policies applied in preparing the 2018/19 annual accounts are consistent with last year, no major changes have been necessary.

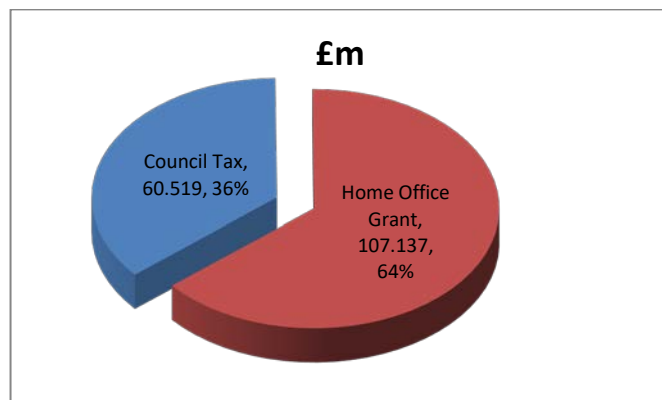
### **Other Contents**

In addition to the financial statements, the annual accounts include a: -

- Statement of Responsibilities for the Accounts and information on the Police Officer Pension Fund (providing statements for pension fund income and expenditure, assets and liabilities).
- An Annual Governance Statement (AGS). The statement is a statutory document which explains the governance processes and procedures in place to enable Derbyshire Constabulary to carry out its functions effectively. Following the Police Reform and Social Responsibility Act 2011 the Chief Constable is required to produce his own AGS each year which must accompany the Chief Constable's Statement of Accounts.

## **Strategy and Resource Allocation**

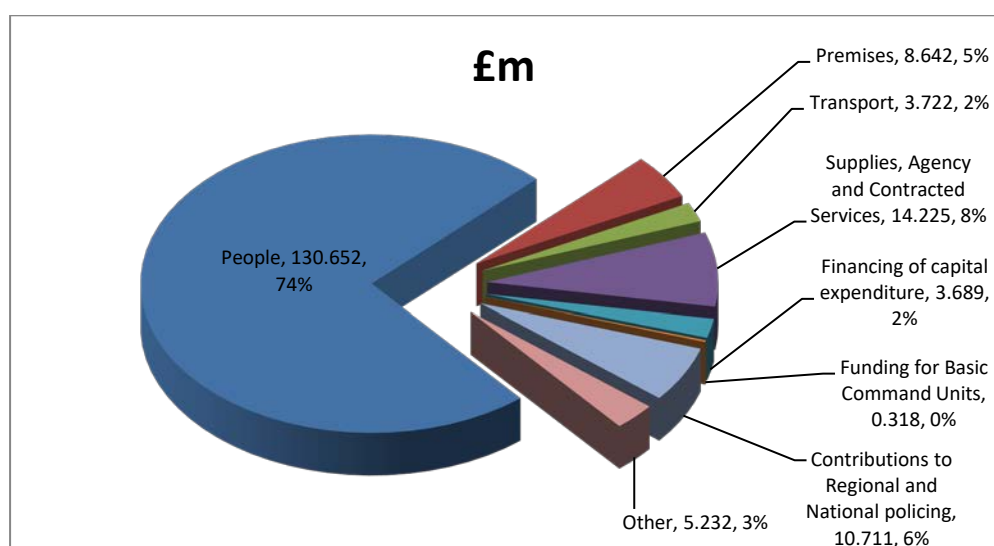
A revenue budget for 2018/19 was set at £167.656 million, an increase of 2.7% over 2017/18. The funding of the £167.656 million comprised central government formula funding (Police Specific Grant, Localising Council Tax Support Grant and Revenue Support Grant (RSG)) of £107.137m, and Council Tax of £60.519m.



A total of £32.438m funding was also received from the Home Office to cover the police pension fund deficit for the year.

The consequential Council Tax for an average band D dwelling was £192.60, as the Commissioner increased the Council Tax Precept for 2018/19 by 6.64% (£12.00).

The Derbyshire Police's gross expenditure budget was allocated as follows: -



## Financial Performance Report

Derbyshire Police is emerging from a prolonged period of austerity, which has dominated financial plans since 2010. Without doubt the Constabulary had to make many tough financial decisions in order to maintain sound finances during a period of unprecedented budget reductions. Grant was cut by some £25m, equivalent to £40m in real terms, which required the Constabulary to deliver some £38m in savings to balance its budget.

This impacted on both police officer and police staff numbers and the Constabulary has largely risen to the challenge of delivering more for less, against a backdrop of widening policing demand. At the outset of austerity, crime continued to fall but in more recent years Crime in Derbyshire, along with the rest of the country has started to increase.

Derbyshire Constabulary was able to build up significant reserves during austerity as it took prompt action to deliver savings. It also had to build reserves to protect itself against the unprecedented uncertainty over police funding and further substantial budget cuts. This threat subsided in 2015 after the horrific events in Paris. This has meant that the Constabulary has been able to use reserves to help invest for the future, in particular to invest in information technology and to improve its reduced estate, which lacked investment during the austerity years.

This year 2018/19 and the following year 2019/20 have seen a more pronounced increase in funding for the police. This funded has largely come from increasing police precepts. While the public of Derbyshire have supported this increase, there is a limit to how much more they will be prepared to pay without any corresponding government support.

The uncertainty around Brexit delivery has meant that the Governments plans for a more comprehensive spending review have been delayed and are more uncertain. This means that there is continued uncertainty around future funding for Police, which may not be fully resolved in the near future. This comes at a time when all police forces are seeing rising crime levels and many crimes are becoming more complex and expensive to investigate.

### Revenue

The financial position for 2018/19, as set out in the table below shows an over-spend of some £600,000, which is less than 1% of the revenue budget and can be covered by reserves that have been established in part for this purpose.

The Constabulary has faced a challenging year and it has sought to be proactive in adjusting its resources to deal with new and emerging crimes. At the same time it has recognised the need to continue to build confidence in our communities and maintain and improve its visibility to local people.

This has meant that the Constabulary has put a lot of emphasis in maintaining police officer numbers, where in previous years it has tended to carry more vacancies in the year, which have helped balance the budget. The Constabulary has also invested heavily in the safer together initiative, partly funded

through overtime to improve visibility in local communities. The extra flexibility to increase precept in 2019/20 means that these initiatives have now been mainstreamed and will not have the same impact on the revenue budget next year.

The Constabulary continues to invest in new technology. Future success in tackling crime will rely on managing information effectively and the use of powerful analytics. The Constabulary is making progress in understanding how it can harness new technology to enable it to deal with new and more complex crimes in a more innovative and cost effective way.

Reserves are not infinite and are set to continue to reduce during 2019/20. They are now at their lowest level since 2005. This means that the Constabulary cannot rely on reserves to support the revenue budget or indeed its future capital investment plans in the future.

### **Revenue Outturn Position**

The table below is presented in a subjective analysis format, which is used for internal reporting purposes: -

<b>Budget Heading</b>	<b>Revised Budget £000's</b>	<b>Actual £000's</b>	<b>Variance £000's</b>
Police Officer Pay & On Costs	87,402	88,860	1,458
Police Staff Pay & On Costs	40,594	39,502	(1,092)
Other Employee Expenses	688	987	299
Police Pensions	2,530	3,080	550
Premises	8,784	9,663	879
Transport	3,714	3,502	(212)
Supplies & Services	14,214	14,970	756
Agency	88	164	76
Pay & Pay Contingency	823	0	(823)
Debt Charges (including Joint Venture Profit Share)	456	248	(208)
Revenue Contribution to Capital	3,199	3,199	0
Government Grants	(2,789)	(2,814)	(25)
General Income	(3,043)	(3,621)	(578)
Regional Units	10,394	10,588	194
Interest Receipts	(95)	(160)	(65)
Contributions to/from Reserves	(1,918)	(1,732)	186
BCU Fund	370	292	(78)
Regional and National Policing	230	45	(185)
Other Specific Grants	84	(21)	(105)
Partnerships	725	493	(232)
<b>Total for Derbyshire Constabulary</b>	<b>166,450</b>	<b>167,245</b>	<b>795</b>
Office of the Police and Crime Commissioner	2,720	2,590	(130)
<b>Total for Office of the Police and Crime Commissioner</b>	<b>169,170</b>	<b>169,835</b>	<b>665</b>
Contribution from Op Funding & Investment Reserve	(1,514)	(1,514)	0
<b>Total for Derbyshire Police</b>	<b>167,656</b>	<b>168,321</b>	<b>665</b>

In addition to the above, the pay over of Precept income by billing authorities to the Constabulary was higher than the estimates on which the budget was set by some £0.061m, bringing the total **overspend to £0.604m**.

Key points to note in respect of individual variations in the table above include: -

**Police Officer Pay – £1.458m overspend.** This overspend can be broken down as follows:

Salaries, allowances and other oncosts	£0.787m
Overtime	£0.671m

The profile of police officer recruitment meant that numbers were maintained at very near 100% of the full establishment for most of the year, and towards the end of the year numbers went above the funded level in anticipation of the budget growth approved for 2019/20. The main areas of overspending against overtime budgets were as follows:

Operational Support	£0.194m
South Division	£0.130m
Criminal Justice	£0.114m
Force – Special Duty operations	£0.050m

These overspends reflected a need to maintain or, in some areas, enhance operational performance to meet public expectations and/or national standards of service.

**Police Staff Pay & Oncosts – (£1.092m) underspend.** Of this total underspend £0.890m was against a central provision held for possible additional pay awards and for new posts approved within the 2018/19 budget. In particular, plans to set up a dedicated Analytics team were delayed pending a scoping exercise for the project. Savings also occurred against amounts included for 6 new IS posts.

**Other Employee Expenses – £0.299m overspend.** The majority of this overspend is due to additional specialised training and accreditation required for new officers. £0.092m was incurred on redundancy and other costs related to the termination of contracts.

**Police Pensions – £0.550m overspend.** A budget was set to cover the cost of 6 officers retiring on the grounds of ill health during the year, whereas 11 actually retired. This figure can fluctuate from year to year depending on the number of applications that are made and more importantly whether they meet the strict criteria for ill health retirement. In addition, there were significant back-dating costs arising from the awards of Injury pensions.

**Premises – £0.879m overspend.** Approximately £0.400m of this overspend reflects the urgent focus placed on carrying out high-priority remedial work across the estate during the year. A further £0.305m is due to an increased service charge from the Police / Fire LLP coming on stream in 2018/19 which is offset, in part, by a share of joint profits. £0.180m was spent on replacements and enhancements to accommodation at the PFI building at St Mary's Wharf.

**Transport – (£0.212m) underspend.** Fewer high-specification vehicles were commissioned during the year, and spend on repairs and maintenance was not as high as originally anticipated.

**Supplies and Services – £0.756m overspend.** This variance has occurred across a range of budget headings, which contain both under and over spends. The demands on these budgets vary throughout the year and therefore are difficult to predict. The largest variances include: -

	£000's
• General Equipment / Furniture	(537)
• Photocopiers, printing and stationery	(141)
• Firearms	157
• Uniforms	154
• Recruitment and selection	60
• Vehicle recovery (off-set by increased income)	237
• Professional, consultants and other fees	535
• IT costs	116
• Subscriptions to national services	126

**Agency - £0.076m overspend.** The costs of interim arrangements for having a joint Director of Finance with DFRS are included within this heading. Also within this heading are recharges from other forces for support provided to Derbyshire major crime investigations.



**Pay & Price Contingency – (£0.823m) underspend.** This provision was unused during the year and so has offset overspends occurring elsewhere.

**Debt Charge – (£0.208m) underspend.** This is mainly due to the Constabulary receiving a share of profits from the Joint Venture undertaken with Derbyshire Fire and Rescue Service. This includes the 2017/18 and 2018/19 Profit share. The profit share offsets the additional costs under premises.

**Income – (£0.578m) additional generated.** Income generation is very difficult to estimate, being dependent on requests for services from outside parties and levels of activity outside the Constabulary's direct control. Therefore budgets are set on a prudent basis. The main areas where more income has been generated than anticipated were: -

	<b>£000's</b>
• Recovery of Vehicles (especially auctioned)	317
• Costs Recovered	223

Much of the additional cost recovery income was earned by the Human Resources department (£0.116m) for services provided to Leicestershire Police and Derby University.

**Regional Units – £0.194m overspend.** This position was mainly a result of vacancy rates in SOC 'officer in kind' posts being a lot lower than in previous years (£0.109m). Arrangements to share the costs of a regional Intelligence Co-ordination Centre were also agreed upon during the year (£0.041m).

**Interest Rates – (£0.065m) underspend.** Interest rates obtainable on invested cash balances were more favourable than had been forecasted when the budget was set.

**Devolved Budgets to Local Command Teams (BCU Fund) – (£0.078m) underspend.** The underspend reflects the timing of the delivery of projects for which orders have been placed but will be not spent until next year.

**Regional and National Policing – (£0.185m) underspend.** As in previous years, the force received significant income from various Mutual Aid deployments (£0.120m), notably in relation to the investigation of the Salisbury poisoning and the visit of President Trump to the UK. An underspend of £0.030m also occurred on the service's national RART development activities, for which Derbyshire remains the fund-holder.

**Partnerships – (£0.232m) underspend.** The underspend reflects the timing of the delivery of projects for which orders have been placed but will be not spent until next year.

**Office of the Police and Crime Commissioner – (£0.130m) underspend.** The outturn position was underpinned by £0.107m of income received from outside agencies to support the PCC's community initiatives.

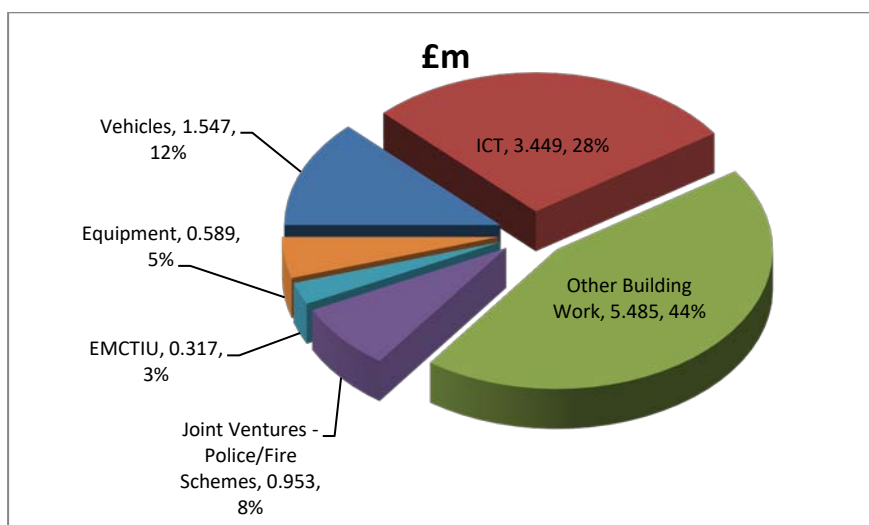
### **Capital Programme**

Each year Derbyshire Constabulary has a number of core capital spending requirements in order to replace and maintain its assets and therefore maintaining its capabilities e.g.: -

- To replace police vehicles.
- To maintain its buildings.
- To ensure its IT systems are supported.
- To replace key items of equipment e.g. body armour, IT equipment.

In addition to the ongoing capital commitments, there are several major projects which need to be progressed.

The Capital Programme for 2018/19 was £12.340m and was allocated as follows:-



Actual expenditure against the programme totalled £8.437m, which was made up of the following: -

	£m
Joint Venture – Police and Fire Schemes	0.278
Buildings	2.100
Equipment and Vehicles	1.422
IT and Communications	2.443
East Midlands Counter-Terrorism Intelligence Unit	0.256
National Cyber Crime Project	1.938
<b>Total</b>	<b>8.437</b>

This expenditure was funded by: Reserves (£3.738m), External Grant and Contributions (£2.589m), Revenue Contributions (£1.464m) and Capital Receipts (£0.646m).

In addition Derbyshire's share of capital expenditure for the East Midlands Special Operations Unit (including East Midlands Technical Support Unit) and East Midlands Forensics was £0.507m, increasing total capital expenditure to £8.944m. This was funded from Grants/Contributions (£0.068m) and Reserve/Revenue Contributions (£0.439m).

#### Main Capital Variances to Budget

**Police and Fire Building Schemes (£0.675m) underspend** – Three co-location schemes were due to be completed in 2018/19. Only one of these schemes was completed, the other two schemes will commence in 2019/20. The Final Accounts for the Joint Headquarters and the Joint Training Centre/Firearms range were agreed in 2018/19, the remaining budget will be used on other capital schemes.

**Building Schemes (£3.385m) underspend** – Various schemes have been delayed but will be completed in 2019/20 such as the Sexual Assault Referral Centre scheme, Contact Management Centre extension, Kitchen refurbishments at various locations and Custody works. Provision was included for land to be purchased for the Derby East Local Policing Unit (LPU) accommodation but the scheme has been delayed. Heads of Terms have been agreed, planning permission has been awarded and contracts are being progressed.

**Equipment and Vehicles (£0.714m) underspend** – Orders have been raised for vehicles but the cars were not delivered until 2019/20. The replacement of Body Armour has been delayed, Forces are still awaiting the tender to be published by DHL which is due in October 2019.

**IS Schemes (£1.006m) underspend** – Phase one of the Call Centre Telephony System has been completed, phase 2 regarding the control works upgrade has been delayed. Discussions continue with the supplier and are being monitored through the Force's Change Board. Other schemes are progressing but will be completed in 2019/20 such as the Strategic Analytics project and the purchase of a new vehicle fleet system.

**National Cyber Crime Project £1.938m overspend** – This is spend on the National Cyber Crime Project, the expenditure was matched by grant from the Home Office. No budget was included for this project as Derbyshire only received notification of the grant in February 2019. The Chief Constable is the National Police Chiefs Council (NPCC) lead for Cyber Grant.

## Non-Financial Performance

In 2018/19, Derbyshire Constabulary received one 'outstanding' and three good ratings in the three pillars of effectiveness, efficiency and legitimacy in HM Inspectorate of Constabulary and Fire and Rescue Service's (HMICFRS) annual PEEL assessments of the Constabulary's performance. However, the Force did receive an 'inadequate' rating for its Crime Data recording. The Force reported back to the PCC's Strategic Priorities Assurance Board (SPA) on the action it was taking with a detailed action plan including significant training and a communications plan to ensure compliance with crime recording standards. This work continues and there will be a follow up inspection in October 2019.

Recorded crime in Derbyshire increased by 10.6% in the 2018/19 year compared to the previous year. The increase is driven by a significant increase in recorded violence offences. Increases in both firearms offences and knife crime are apparent and further analysis is being carried out to better understand these trends. The force is recording positive performance in respect of vehicle crime, shoplifting and burglary, where a downward trend in recorded offences is noted. Drug offences have increased in 2018/19. This offence group which can be used as an indicator of positive police activity, particularly when an increase is seen in offences of trafficking and supply of drugs. Increased recording of Child Sexual Exploitation offences is believed to reflect the improved identification and recording of this emerging crime type and sexual offences are increasing in line with the national trend. Domestic Abuse continues to increase, with an increase in line with the overall increase in violence offences as well as recorded hate crime continues to increase, with 265 additional offences compared to last year.

## Outlook for 2019/20 Key Risks and Opportunities

Derbyshire Constabulary in partnership with the Office of the Police and Crime Commissioner reviews and update its key policy risks on an annual basis. This review is carried out with a wide range of community safety partners across the County. In turn this is used to guide the allocation of resources and match them against new and emerging risks.

### ***Delivery Plan***

A three-year delivery plan has been published and this is based on 14 priority themes, which are centred on the top ten threats we face. The top ten threats contained in the delivery plan are detailed in the table below: -

Threats	
<ul style="list-style-type: none"> <li>• Child Abuse and Child Sexual Exploitation</li> <li>• Modern Slavery and Organised Immigration Crime, Human Trafficking and Exploitation (OICHTE)</li> <li>• Domestic Abuse</li> <li>• Sexual Violence</li> </ul>	<ul style="list-style-type: none"> <li>• Organised Crime</li> <li>• Cyber Crime</li> <li>• Domestic Extremism</li> <li>• Substance Misuse</li> <li>• Anti-Social Behaviour</li> <li>• Fraud</li> </ul>

Based on the above threats, the priority areas are: -

<b>Priority Areas</b>	
<ul style="list-style-type: none"> <li>• Caring for the vulnerable and victims</li> <li>• Uncovering and attacking new threats and criminality</li> <li>• Providing caring, thoughtful and intelligent response</li> <li>• Interacting digitally with the public</li> <li>• Preventing, fighting and investigating crime</li> <li>• Working in partnership with a purpose</li> <li>• Collaborating for the benefit of Derbyshire</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing the use of analytics and science</li> <li>• Putting innovation at the forefront of our approach</li> <li>• Promoting a learning culture</li> <li>• Creating a capable and diverse workforce</li> <li>• Supporting our people and giving them a voice</li> <li>• Shaping the future to be more efficient</li> <li>• Working in a quality estate that meets operational needs</li> </ul>

### ***Reshaping the Future***

Policing risks are changing all the time and it is essential for us to continue to adapt and respond to these new risks. This can require considerable investment for the future in both our estate and new technology. Equally, there is a need to move resources around to meet new areas of risk. All of this means that the force embarked on a further efficiency review, 'Reshaping the Future', to better direct resources to areas of greatest risk as well as investing for the future. There are 6 strands to this review:

1. Risk Based Decisions
2. Investment for the Future
3. Local Savings
4. Cross Departmental Reviews
5. Process Change
6. Collaboration

Prior to the commencement of the review in January 2018 a considerable amount of groundwork was done to: -

- Gain a clear understanding of the policing and business risks that we face and set clear priorities for the key risks that we need to focus on.
- Establish clear investment plans for the future setting out our priorities for investment in our people, Estate and Information Technology.
- Decide on areas that are no longer a clear priority for us that can release resources to tackle new risks.
- A series of local reviews are now underway across all of our activities. This is based on a simplified Priority Based Budget methodology and is more streamlined than the approach that we adopted in our previous efficiency review.
- It is anticipated that this work will also highlight further work that can be carried out to generate efficiency by undertaking cross-cutting reviews of certain areas that span more than one department and looking at how more cumbersome processes can be streamlined, even if this means taking more risk.
- Finally further work is being done to explore with DFRS how our two organisations can work more closely together. The current plans to further share our estate is now part of a much larger programme of joint working between that will both deliver cost savings and improved resilience for both organisations.

It is thought that there is scope to examine the possibilities around commercial income. Nationally the police service has asked the Government to consider extending police powers and the flexibility to charge for services and recover the realistic cost of delivering certain services.

The headquarters site still has surplus land and we are looking at the potential return for this. Such proceeds however, will be dictated by the national and local economy and indeed there are already a number of building plots that have not yet been developed.

It is felt that a more realistic area for income generation in the new state of the art Joint Firearms Range and Training Centre which could be used by neighbouring forces.

## **Brexit**

The impact of the United Kingdom's decision to leave the European Union still remains uncertain, although the Force continues to plan for all eventualities.

## **Pensions**

Pension costs are accounted for in accordance with the accounting standard IAS 19. The objectives of IAS 19 are to ensure that the financial statements: -

- Reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations.
- Contain related funding and operating costs of providing retirement benefits to employees that are recognised in the accounting period in which the benefits are earned.
- Contain adequate disclosure of the cost of providing retirement benefits.

IAS 19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS 19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown derived through the Statement of Movement on the General Reserve Balance. The Pensions Liability in the Balance Sheet reflects the underlying long-term commitments to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £2,320m in 2018/19 (2017/18 £2,099m). Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

## **Collaboration**

### *(i) East Midlands Police*

The five police forces in the East Midlands region have been working together for over a decade in many different areas of operational and non-operational policing.

The five Forces are facing considerable new risks in respect of the changing nature of crime, the breadth of demand on policing services and for some the fact that significant financial challenges still remain. There is a strong belief in the East Midlands that collaboration is not only pragmatic but will achieve real results that will enhance the way the police service in the region does business.

Collaboration is based on three key principles:

- Local policing will remain local.
- Collaboration in operational and non-operational support services should be sought.
- The benefits and costs of working collaboratively will be shared between the five forces.

The vision for collaboration in its most recent three-year plan states:

- Productivity will be improved through working together and sharing best practice, increased interoperability and shared delivery of services. Also through making better use of resources.
- Public safety will be improved through the shared delivery of protective services where appropriate, reducing threat, risk and harm.
- Public confidence in the police will be improved through successful delivery and communication of the productivity and public safety improvements, together with local policing delivery by local police forces.

Police collaboration in the East Midlands is the most substantial of its kind in the country and has a number of significant benefits to police officers, staff and residents right across the region:

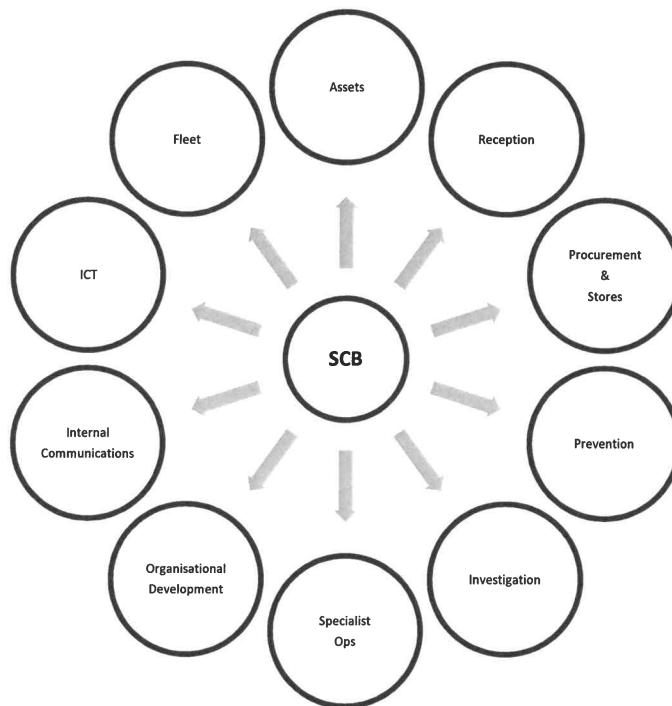
- Greater resilience.
- Increased capability.
- Reduced bureaucracy.
- Reduced cost.

Derbyshire Police has always engaged actively in a range of collaborative initiatives. It has adopted a prudent approach to collaboration based on a set of collaboration principles agreed by the Police and Crime Commissioner and Chief Constable. This includes the two key principles that:-

1. The Derbyshire Constabulary and the Commissioner will ensure we maximise local savings to address our immediate and future financial pressures. We are already very efficient and will focus greater efficiency on delivering savings at a local level prior to entering into collaborative ventures.
2. Any future collaboration will be tested against the priorities of the Constabulary and the objectives and manifesto pledges set by the Commissioner within his Police and Crime Plan. Any current and future collaborative models will be commensurate with risk and not expose Derbyshire to any greater risk or cost than a local solution.

*(ii) Joint Venture – Derbyshire Fire and Rescue Service*

Following the successful launch of the Joint HQ building for fire and police and the Joint Training Centre/Firearms range, other areas of collaboration are being considered. This would be where our goals are similar, but we are currently working separately. The main areas for scoping potential collaboration are displayed in the following diagram: -



**Simon Allsop**  
**Joint Director of Finance and Business Services**

31/7/19

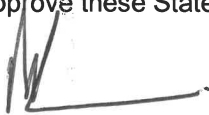
## STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

### The Chief Constable's Responsibilities

The Chief Constable is required: -

- to make arrangements for the proper administration of the Derbyshire Constabulary's financial affairs and to secure that one of its officers (Joint Director of Finance and Business Services) has the responsibility for the administration of these affairs;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the statement of accounts

I approve these Statements of Accounts



Signed  
**Peter Goodman QPM**  
**Chief Constable**  
Date: 31/7/19

### The Joint Director of Finance and Business Services's Responsibilities

The Joint Director of Finance and Business Services is responsible for the preparation of the Statement of Accounts for the Chief Constable 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 Joint Director of Finance and Business Services has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the local authority code.

The Joint Director of Finance and Business Services has also: -

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

### JOINT DIRECTOR OF FINANCE AND BUSINESS SERVICES CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable for Derbyshire as at 31 March 2019 and of its income and expenditure for the year ended 31 March 2019.

Signed   
**Simon Allsop CPFA**  
**Joint Director of Finance and Business Services**  
Date: 31/7/19

## INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF DERBYSHIRE

### Opinion

We have audited the financial statements of the Chief Constable of Derbyshire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Derbyshire Comprehensive Income and Expenditure Statement;
- Chief Constable of Derbyshire Balance Sheet;
- Chief Constable of Derbyshire Movement in Reserves Statement;
- Chief Constable of Derbyshire Cash Flow Statement;
- Related notes 1 to 19; and
- Chief Constable of Derbyshire Pension Fund Account and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Derbyshire as at 31 March 2019 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 2018/19.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Derbyshire in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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



## **Other information**

The other information comprises the information included in the Narrative Report set out on pages 2 to 13, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

### **Arrangements to secure economy, efficiency and effectiveness in the use of resources**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Chief Constable of Derbyshire Constabulary put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

### **Responsibilities of the Joint Director of Finance and Business Services**

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 14, the Joint Director of Finance and Business Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Joint Director of Finance and Business Services is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable of Derbyshire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

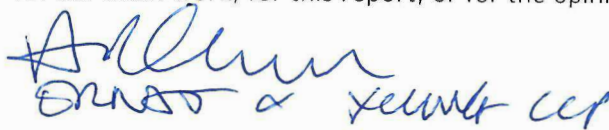
We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects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

#### Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Derbyshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the Chief Constable of Derbyshire in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Derbyshire for our audit work, for this report, or for the opinions we have formed.



Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester

Date 9 August 2019

The maintenance and integrity of the Chief Constable of Derbyshire's web site is the responsibility of the Chief Constable; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# CHIEF CONSTABLE STATEMENT OF ACCOUNTING POLICIES

## Accounting Policies

### **General Principles**

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015. The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

The accounts have been prepared on a going concern basis using an historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities.

The Accounting Policies below also reflect the powers and responsibilities of the Chief Constable as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2013. The Accounting policies defined here are consistent with local regulations, local agreement and practice as well as the PCC Group policies.

The Accounts cover the 12 months to 31 March 2019.

### **Cost Recognition**

All expenditure is paid for by the Commissioner including the wages of police officers and staff and no actual cash transactions or events take place between the two entities. Costs are however recognised within the Chief Constable's Accounts to reflect the financial resources consumed at the request of the Commissioner and the economic benefit this brings about. For instance an economic benefit is recognised to reflect the utilisation of the Commissioner owned Estate, which mirrors depreciation of property.

### **Accruals of Expenditure**

Activity is accounted for in the year it takes place, not simply when cash payments are made: -

- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Short term compensated absences are recognised in the Income and Expenditure Statement in the period in which officers or staff render the service which entitles them to the benefit, not necessarily when they receive the benefit. The cost of leave earned, but not taken at the end of the financial year is recognised in the financial statements of the Chief Constable to the extent that staff are entitled to carry forward a limited amount of leave into the following year.

### **Fair Value Measurement**

Some of the non-financial assets, such as surplus assets and some financial instruments are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: -

- In the principal market for the assets or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest.

When measuring the fair value of a non-financial asset, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

Valuation techniques used are those appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows: -

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 – inputs other than quoted process included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the assets or liability.

### **Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Chief Constable's financial performance.

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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 position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **Employee Benefits**

The Accounts are prepared in accordance with IAS19 *Employee Benefits*. This is a complex accounting standard but it is based on a simple principle that:

"An organisation should account for employment and post-employment benefits when employees earn them and the authority is committed to give them, even if the actual giving will be many years into the future".

IAS 19 applies to all types of employee benefits paid including benefits payable during employment, termination benefits and post-employment benefits.

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, expenses, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to Comprehensive Income and Expenditure Statement (as a surplus/deficit on Provision of Services), but then reversed out through the Movement in Reserves Statement to the Short Term Accumulating Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them

with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-employment benefits**

The main effect of IAS19 in relation to post-employment benefits is the recognition of the net liability and a pensions reserve in the Balance Sheet and entries in the Comprehensive Income and Expenditure Statement for movements in the liability relating to the employee pension schemes in which the Chief Constable participates (with reconciling entries in the Movement in Reserves Statement back to the true cost of pensions).

IAS19 relies on the recognition of pension's liabilities (being the retirement benefits promised measured on an actuarial basis) and assets (being the Chief Constable's share of investments (if any)).

The Chief Constable participates in two different pension schemes both of which are "defined benefit schemes" as they are both based on employees earning benefits from years of service.

#### **a) Police Officers**

This scheme is unfunded. This means it provides pensions and other retirement benefits for police officers based on final salaries but there are no investment assets built up to meet the pensions liabilities.

The funding arrangements for the police officers pension scheme changed on 1 April 2006. Before April 2006 each Police Authority was responsible for paying the pensions of its former officers on a "pay as you go" basis. From April 2006 there is now an employer's contribution instead (currently the equivalent of 24.2% of pensionable salary) which is charged to the Comprehensive Income and Expenditure Statement.

The Chief Constable is required by legislation to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Officer's contributions and the employer's contribution are paid into the pension's account from which pension payments are then made. This will be topped up as necessary by the Home Office if the contributions are insufficient to meet the cost of pension's payments. Any surplus will be recouped by the Home Office. Injury awards and ill health retirements will continue to be paid from the Chief Constable's Comprehensive Income and Expenditure Statement.

The pension fund account does not take account of the obligation to pay pensions and benefits which fall due after the end of the financial year.

#### **b) Police Staff and PCSO's**

Police staff and PCSO's, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme administered by Derbyshire County Council. It is a defined benefit occupational pension scheme. Pensions and other retirement benefits earned prior to 1 April 2014 are based on final salaries, benefits earned after that date are calculated on earnings accrued in a scheme year. Employers and employees make regular contributions into the fund, which are invested in various types of assets, so that the liabilities are paid for evenly over the employment period. Actuarial valuations of the fund are undertaken every three years to determine the contributions rates needed to meet its liabilities.

For both schemes the liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method (an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees). Liabilities are discounted to their value at current prices, using a discount rate. The Discount Rate used is based on the 'current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities', which is often referred to as AA Corporate Bond Rate.

Assets in the Local Government Pension scheme are included in the Balance Sheet at their fair value: -

- Quoted and Unquoted Securities – Current Bid Price.
- Unquoted Securities – Professional Estimate.
- Property – Market Value.

The changes in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of one additional year of service earned this year – allocated to the Comprehensive Income and Expenditure Statement.
- Past service cost – the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- Net interest expense – the change during the period in the net defined liability (asset) arising from the passage of time charged to Financing & Investment Income & Expenditure line, taking into account changes in net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurement comprising:

- Return on plan assets – excluding amounts included above in net interest, charged to Pensions Reserve as Other Comprehensive Income & Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income & Expenditure.
- Contributions paid to the pension fund.

The Chief Constable's accounts include the pension costs, assets and liabilities for all staff, including those employed directly by the Commissioner. The scheme assets and liabilities for the two corporation soles are pooled, any pro rota would not be accurate as valuing the fund is based on various assumptions. The effect of including all of the pension figures in the Chief Constable's accounts has no material effect on the accounts.

#### **Discretionary Benefits**

The Chief Constable also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award.

#### **Events after the Balance Sheet Date**

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The Chief Constable will report these in the following way if it is determined that the event has had a material effect on the Chief Constable's financial position: -

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts.
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

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

#### **Non-Current Assets – Vehicles, Plant, Furniture, Equipment and Assets under Construction**

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Vehicles, Plant, Furniture and Equipment.

##### Recognition and Measurement

Expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis, provided that it yields benefits and the services it provides for more than one financial year and that the cost of the item can be measured reliably.

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction are held in the Balance Sheet at historical cost until completed, whereupon they will be valued and included in the Balance Sheet as operational assets.

Where assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value e.g. vehicles, IT and communications equipment.

#### Depreciation

Depreciation is provided for on all Vehicles, Plant, Furniture and Equipment assets on a straight line basis by the systematic allocation of their depreciable amounts over their useful lives, as advised by a suitable qualified advisor.

It is policy not to charge depreciation in the year of acquisition but a full year's charge is made in the year of disposal. Depreciation is charged to the Comprehensive Income and Expenditure Statement and is reversed out through the Movement in Reserves Statement.

#### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

#### **Non-Current Assets - Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Chief Constable as a result of past events (e.g. software licences), are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Chief Constable.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to provide information on policing matters.

Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. In practice, no intangible asset held meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised to the Comprehensive Income and Expenditure Statement over its useful life. Amortisation, as with depreciation, commences in the financial year following that in which they are received. Amortisation is not permitted to have any impact on the General Reserve Balance; it is therefore reversed through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

#### **Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used.
- Amortisation of intangible fixed assets.

The Chief Constable is not required to raise council tax to cover depreciation or amortisations.

#### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the vehicles, plant or equipment from the lessor (landlord) to the lessee (tenant). All other leases are classified as operating leases.

##### **a) Finance Leases**

###### **i) Lessee – Vehicles, Plant & Equipment**

An asset identified as a finance lease and where the Chief Constable is the lessee will be recognised on the Balance Sheet at an amount equal to the fair value of the asset, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability for the obligation to pay the lessor. This liability is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (interest) and the reduction of the deferred liability.

The finance charge (interest) will be charged to the Comprehensive Income and Expenditure Statement (Financing and Investment Income and Expenditure line).

Finance lease assets recognised on the Balance Sheet are revalued and depreciated in the same way as vehicle, plant and equipment owned by the Chief Constable. Depreciation to be charged over the lease term if this is shorter than the asset's estimated useful life.



ii) Lessor – Vehicles, Plant & Equipment

Where an asset is identified as a finance lease, and where the Chief Constable is the lessor, it will be written out of the Balance Sheet as a disposal. The carrying amount is written off to Other Operating Expenditure as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line, matched by a lease (long-term debtor) asset in the Balance Sheet. The lease rentals received write-down the lease debtor and the finance income is credited to the Financing & Investment Income & Expenditure line.

Rental income from finance leases entered into after 1 April 2010 should be treated as a capital receipt and recognised in the accounts of the Commissioner and Group.

**b) Operating Leases**

i) Lessee – Vehicles, Plant & Equipment

An asset identified as an operating lease and where the Chief Constable is the lessee, the rentals will be charged to the Comprehensive Income and Expenditure Statement. Charges are made on a straight line basis over the term of the lease.

ii) Lessor – Vehicles, Plant & Equipment

An asset identified as an operating lease, and where the Chief Constable is the lessor, shall be retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the term of the lease.

**Provisions, Contingent Liabilities and Contingent Assets**

**Provisions** – these are required for liabilities that have been incurred, but are of uncertain timing or amount. There are three criteria:

- The Chief Constable has a present obligation (legal or constructive) as a result of a past event.
- It is more likely than not that money will be needed to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

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

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

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

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Asset** – this arises where an event has taken place that gives the Chief Constable a possible asset 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 assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## Reserves

**Unusable Reserves** - certain reserves/accounts are kept to manage the accounting processes for non-current assets (Capital Adjustment Account and Revaluation Reserve), retirement and employee benefits (Pensions Reserve, Short term Accumulating Compensated Absences Account. These do not represent usable resources for the Chief Constable.

## Value Added Tax (VAT)

The Chief Constable does not submit a VAT return as the Commissioner submits a single VAT return on behalf of the Group. Expenditure in the Chief Constable's Income and Expenditure Statement excludes any amounts relating to VAT as all VAT is remitted to/from HM Revenue and Customs.

## Jointly Controlled Operations

Jointly controlled operations are activities undertaken in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Balance Sheet of the Group recognises the assets that it controls and the liabilities that it incurs. The Chief Constable Accounts include Derbyshire's share of running these operations as part of the Income and Expenditure Statement.

## Accounting standards that have been issued but not yet been adopted

For 2018/19 the new standards that need to be reported relates to amendments to IAS 40 Investment Property: Transfers of Investment Property, Annual Improvements to IFRS Standards 2014-2016 Cycle, IFRIC 22 Foreign Currency Transactions and Advance Consideration, IFRIC 23 Uncertainty over Income Tax Treatments and amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation. Note 17 in the accounts discloses information relating to the impact of the accounting changes.

## Changes in Accounting Estimates

### Significant estimates and judgements in applying Accounting Policies

In applying the accounting policies set out above, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no significant judgements in the 2018/19 Statement of Accounts.

### Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Chief Constable's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results differ from Assumptions
<b>Pensions Liability</b>	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Chief Constable with expert advice about the assumptions to be applied. For both the Police Officer and Police Staff schemes full data on individual scheme members is collected only once every 3 years. In the intervening period, the actuaries are required to estimate relevant changes in the membership profile.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance for the largest scheme, the Police Pension scheme, it is estimated that a 0.5% reduction in the discount rate's excess over pension increases would result in an increase in the pensions liability of 10%. This equates to £213m. If pension increases were to be 0.5% higher per year this would increase the liability by 8.0% (£171m). However, the assumptions interact in complex ways. For example, during 2018/19 the Police Pension Scheme liability decreased by £4.2m as a result of experience changes, increased by £61.8m as a result of the updating of actuarial assumptions for financial reasons and there was no change as a result of the updating of actuarial assumptions for demographic reasons. Experience changes are those that arise from specific occurrences relating to scheme membership during the

	<p>year.</p> <p>Recent reviews of public sector pensions have led to changes in benefits payable, employee contribution rates and retirement ages. These will have an impact on the level of future liabilities.</p> <p>As from 1 April 2014 for Police Staff and April 2015 for Police Officers, scheme members now accrue benefit entitlements based on their career-average salaries instead of on their final salary at the point of retirement.</p>
<b>Accumulated Absences Account</b>	
<p>The Accumulated Absences Account for compensated absences earned but not taken in the year (eg annual leave, Time off in lieu) was based on actual data from the HR system. The police staff flexi leave figure is estimated based on a sample of police staff in 2016/17. This represents £0.061m of the figure of £1.307m.</p>	<p>If the amount of flexi leave for police staff increased by 10% this would increase the balance by £0.006m. This figure is included in the Comprehensive Income and Expenditure Account as a cost to the police service but is neutralised by transfers to the Accumulated Absences Account.</p>

*The Accounting Policies and Changes in Accounting Estimates can sometimes be found as a note to the Financial Statements.*

## EXPENDITURE AND FUNDING ANALYSIS FOR THE CHIEF CONSTABLE

This is a note to the Primary Statements

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants and precepts) by authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000		Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000
0	188,505	188,505	Policing Services	0	194,269	194,269
0	367	367	Corporate and Democratic Core (Chief Constable)	0	333	333
0	1,331	1,331	Non Distributed Costs	0	89,959	89,959
<b>0</b>	<b>190,203</b>	<b>190,203</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>0</b>	<b>284,561</b>	<b>284,561</b>
0	(162,929)	(162,929)	Intra-group Funding	0	(170,773)	(170,773)
<b>0</b>	<b>27,274</b>	<b>27,274</b>	<b>Cost of Policing Services</b>	<b>0</b>	<b>113,788</b>	<b>113,788</b>
0	27,357	27,357	Other Income and Expenditure	0	21,594	21,594
<b>0</b>	<b>54,631</b>	<b>54,631</b>	<b>Surplus or Deficit</b>	<b>0</b>	<b>135,382</b>	<b>135,382</b>
0	(68,137)	(68,137)	Other Comprehensive Income and Expenditure	0	85,078	85,078
<b>0</b>	<b>(13,506)</b>	<b>(13,506)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>220,460</b>	<b>220,460</b>
		0	Opening General Reserve and Earmarked Reserve Balance			0
		0	Deficit on General Reserve/Earmarked Reserves in Year			0
		<b>0</b>	<b>Closing General Reserve and Earmarked Reserve Balance</b>			<b>0</b>

(1) Details of adjustments are shown in Note 2 of the Accounts.

(2) Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page 28.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE CHIEF CONSTABLE**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles for the Chief Constable. In practice all the respective costs are paid for by the Commissioner other than those reversed through the Movement in Reserves Statement. The CIES includes the intra-group funding adjustment from the PCC.

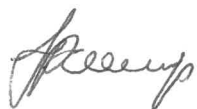
Chief Constable For the year ended 31 March 2018				Chief Constable For the year ended 31 March 2019		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
209,305	(20,800)	188,505	Policing Services	222,657	(28,388)	194,269
367	0	367	Corporate and Democratic Core	333	0	333
1,331	0	1,331	Non Distributed Costs	89,959	0	89,959
<b>211,003</b>	<b>(20,800)</b>	<b>190,203</b>	<b>Cost of Policing Services before revaluations/funding</b>	<b>312,949</b>	<b>(28,388)</b>	<b>284,561</b>
(183,729)	20,800	(162,929)	Intra-group funding	(199,161)	28,388	(170,773)
<b>27,274</b>	<b>0</b>	<b>27,274</b>	<b>Cost of Policing Services</b>	<b>113,788</b>	<b>0</b>	<b>113,788</b>
0	493	493	(Gains) or Losses on the Disposal of Non-Current Assets	0	438	438
974	0	974	Levies to national police services	949	0	949
(974)	0	(974)	Intra-group Fund adjustment (Levies to national police services)	(949)	0	(949)
			<b>Financing and Investment Income and Expenditure</b>			
55,917	0	55,917	Police Pensions Interest Cost	53,594	0	53,594
			<b>Taxation and Non-Specific Grant Income</b>			
0	(29,053)	(29,053)	Police Officer Pension Grant	0	(32,438)	(32,438)
<b>83,191</b>	<b>(28,560)</b>	<b>54,631</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>167,382</b>	<b>(32,000)</b>	<b>135,382</b>
		4	(Surplus) or Deficit on Revaluation of Non-Current Assets			0
		(68,141)	Actuarial (Gains) or Losses on Police Pension			85,078
		0	Effects of Business Combinations			0
		<b>(68,137)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>85,078</b>
		<b>(13,506)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>220,460</b>

## BALANCE SHEET FOR THE CHIEF CONSTABLE

The balance sheet shows the value of the Chief Constables assets and liabilities at the balance sheet date. The net assets or liabilities are matched by the Chief Constable's reserves. The Chief Constable only holds unusable reserves, these are not able to be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31-Mar-18		Note	31-Mar-19
£000			£000
14,652	Plant and Equipment	11	14,508
<u>5,232</u>	Intangible Assets	12	<u>6,004</u>
<b>19,884</b>	<b>Long-Term Assets</b>		<b>20,512</b>
4,527	Short-Term Debtors - Intra group Debtor		6,236
0	Cash and Cash Equivalents		0
<u>0</u>	Assets Held for Sale (< 1 yr)		<u>0</u>
<b>4,527</b>	<b>Current Assets</b>		<b>6,236</b>
0	Short-Term Borrowing		0
(4,527)	Short-Term Creditors - Intra group creditor		(6,236)
(1,531)	Short-Term Creditors - Accumulated Absences		(1,307)
<u>(6,058)</u>	<b>Current Liabilities</b>		<u>(7,543)</u>
0	Long-Term Provisions		0
0	Long-Term Borrowing		0
(2,098,585)	Other Long-Term Liabilities - Pension Scheme	10a	(2,319,897)
0	Donated Assets Account		0
0	Capital Grants Receipts in Advance		0
<u>(2,098,585)</u>	<b>Long-Term Liabilities</b>		<u>(2,319,897)</u>
<u>(2,080,232)</u>	<b>Net Assets/(Liabilities)</b>		<u>(2,300,692)</u>
0	Usable Reserves		0
2	Unusable Reserves - Revaluation Reserve	16	1
19,882	Unusable Reserves - Capital Adjustment Account	16	20,511
(2,098,585)	Unusable Reserves - Pension reserve	16	(2,319,897)
(1,531)	Unusable Reserves - Accumulated Absences Reserve	16	(1,307)
<u>(2,080,232)</u>	<b>Total Reserves</b>		<u>(2,300,692)</u>

The financial statements replace the unaudited financial statements certified by Simon Allsop on the 30th May 2019.

  
31/07/19

**MOVEMENT IN RESERVES STATEMENT 2018/19 OF THE CHIEF CONSTABLE**

This Statement shows the movement in the year on the different reserves. The Chief Constable does not hold any usable reserves but does hold unusable reserves as a result of its application of both the code and IFRS.

	<b>General Reserve Balance</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Note</b>			<b>16</b>	
<b>Balance as at 1 April 2018</b>	<b>0</b>	<b>0</b>	<b>(2,080,232)</b>	<b>(2,080,232)</b>
<b>Total Comprehensive Income and Expenditure</b>	(220,460)	(220,460)	0	(220,460)
Adjustments between accounting basis and funding basis under regulations				
- Depreciation and Impairment of non-current assets	5,170	5,170	(5,170)	0
- Revaluation of non-current assets	0	0	0	0
- Capital grants and contributions credited to the CIES	0	0	0	0
- Revenue Expenditure funded from capital under statute	0	0	0	0
- Net gain or loss on sale of non-current assets	438	438	(438)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme	221,312	221,312	(221,312)	0
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	0	0	0	0
- Statutory provision for repayment of debt	0	0	0	0
- Capital expenditure funded by PCC Intra-group funding	(6,236)	(6,236)	6,236	0
- Any voluntary provision for repayment of debt	0	0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0	0	0	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	0	0	0	0
- Charges for employee benefits	(224)	(224)	224	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>220,460</b>	<b>220,460</b>	<b>(220,460)</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>0</b>	<b>0</b>	<b>(220,460)</b>	<b>(220,460)</b>
<b>Balance as at 31 March 2019 carried forward</b>	<b>0</b>	<b>0</b>	<b>(2,300,692)</b>	<b>(2,300,692)</b>

**MOVEMENT IN RESERVES STATEMENT 2017/18 OF THE CHIEF CONSTABLE**

This Statement shows the movement in the year on the different reserves. The Chief Constable does not hold any usable reserves but does hold unusable reserves as a result of its application of both the code and IFRS.

	<b>General Reserve Balance</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Note</b>			<b>16</b>	
<b>Balance as at 1 April 2017</b>	<b>0</b>	<b>0</b>	<b>(2,093,738)</b>	<b>(2,093,738)</b>
<b>Total Comprehensive Income and Expenditure</b>	13,506	13,506	0	13,506
Adjustments between accounting basis and funding basis under regulations				
- Depreciation and Impairment of non-current assets	5,074	5,074	(5,074)	0
- Revaluation of non-current assets	0	0	0	0
- Capital grants and contributions credited to the CIES	0	0	0	0
- Revenue Expenditure funded from capital under statute	0	0	0	0
- Net gain or loss on sale of non-current assets	493	493	(493)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme	(14,630)	(14,630)	14,630	0
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	0	0	0	0
- Statutory provision for repayment of debt	0	0	0	0
- Capital expenditure funded by PCC Intra-group funding	(4,527)	(4,527)	4,527	0
- Any voluntary provision for repayment of debt	0	0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0	0	0	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	4	4	(4)	0
- Charges for employee benefits	80	80	(80)	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>(13,506)</b>	<b>(13,506)</b>	<b>13,506</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>0</b>	<b>0</b>	<b>13,506</b>	<b>13,506</b>
<b>Balance as at 31 March 2018 carried forward</b>	<b>0</b>	<b>0</b>	<b>(2,080,232)</b>	<b>(2,080,232)</b>



## CASHFLOW OF THE CHIEF CONSTABLE

This statement does not show any cash-flows for the year ending 31 March as all payments were made from the Police Fund which is held by the Commissioner and similarly all income and funding is received by the Commissioner during the year. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement.

31-Mar-18 £'000		31-Mar-19 £'000
54,631	Net (Surplus) or Deficit on the Provision of Services	135,382
	<b>Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements</b>	
(3,799)	Depreciation of Non-Current Assets	(3,906)
(1,275)	Amortisation of Intangible Assets	(1,264)
4,527	Capital expenditure funded by PCC Intra-group funding	6,236
(80)	(Increase)/Decrease in Creditors - accumulated absences	224
(53,511)	Pension Liability	(136,234)
(493)	Carrying Amount of Non-Current Assets Sold	(438)
<u>(54,631)</u>		<u>(135,382)</u>
	<b>Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities</b>	
0		0
0	<b>Net Cash Flows from Operating Activities</b>	0
0	Investing Activities	0
0	Financing Activities	0
<u>0</u>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<u>0</u>
0	Cash and Cash Equivalents at the Beginning of the Reporting Period	0
0	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	0

## Notes to the Financial Statements for the Chief Constable

### Note 1 Derbyshire Police Group

The Accounts reflect the second stage of the reforms within the Police Reform and Social Responsibility Act 2011, which were introduced in April 2014. The Commissioner is responsible for the finances of the whole Group and he controls all land and buildings, liabilities and reserves. The Commissioner receives all income and funding and makes all the payments for the Group from the Police Fund. In turn the Chief Constable fulfils his functions under the Act within an annual budget (set by the Commissioner in consultation with the Chief Constable). The main changes to the Accounts from 1 April 2014 are

- All employees (Police officers and staff) with the exception of the staff of the Commissioner come under Chief Constable
- Long term Assets other than land & buildings and Jointly controlled assets come under the Chief Constable

### Note 2 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (page 27) takes net expenditure that is funded from resources and reconciles it to the Comprehensive Income and Expenditure Statement (CIES page 28). The first column is blank because the Chief Constable holds no reserves. A summary of the Adjustment between the Funding and Accounting basis is shown in the Expenditure and Funding Analysis, a breakdown of these adjustments is shown below

<b>Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute</b>	<b>Adjustments for Capital Purposes 2017/18</b>	<b>Net Change for the Pensions Adjustments 2017/18</b>	<b>Other Differences 2017/18</b>	<b>Total Adjustments 2017/18</b>
<b>2017/18</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	547	25,316	162,642	188,505
Corporate and Democratic Core Chief Constable	-	-	367	367
Commissioning Activities by the PCC	-	-	-	-
Non Distributed Costs	-	1,331	-	1,331
<b>Net Cost of Services before revaluations/funding</b>	<b>547</b>	<b>26,647</b>	<b>163,009</b>	<b>190,203</b>
Intra-group funding	-	-	(162,929)	(162,929)
<b>Net Cost of Services</b>	<b>547</b>	<b>26,647</b>	<b>80</b>	<b>27,274</b>
Other operating expenditure	493	-	-	493
Financing and Investment income & expenditure	-	55,917	-	55,917
Profit & Loss on Joint Ventures	-	-	-	-
Taxation & Non-specific grant income & expenditure	-	(29,053)	-	(29,053)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>1,040</b>	<b>53,511</b>	<b>80</b>	<b>54,631</b>

<b>Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute</b>	<b>Adjustments for Capital Purposes 2018/19</b>	<b>Net Change for the Pensions Adjustments 2018/19</b>	<b>Other Differences 2018/19</b>	<b>Total Adjustments 2018/19</b>
<b>2018/19</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	(1,066)	25,119	170,216	194,269
Corporate and Democratic Core Chief Constable	-	-	333	333
Commissioning Activities by the PCC	-	-	-	-
Non Distributed Costs	-	89,959	-	89,959
<b>Net Cost of Services before revaluations/funding</b>	<b>(1,066)</b>	<b>115,078</b>	<b>170,549</b>	<b>284,561</b>
Intra-group funding	-	-	(170,773)	(170,773)
<b>Net Cost of Services</b>	<b>(1,066)</b>	<b>115,078</b>	<b>(224)</b>	<b>113,788</b>
Other operating expenditure	438	-	-	438
Financing and Investment income & expenditure	-	53,594	-	53,594
Profit & Loss on Joint Ventures	-	-	-	-
Taxation & Non-specific grant income & expenditure	-	(32,438)	-	(32,438)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>(628)</b>	<b>136,234</b>	<b>(224)</b>	<b>135,382</b>

## Adjustments for Capital Funding and Expenditure Purposes

Net Cost of Services - Adjustments to the General Reserve to meet the requirements of generally accepted accounting practices, this column adds in depreciation relating to Chief Constable assets to the Net Cost of Services line. It is also adjusted for Capital Expenditure funded by PCC intra-group funding.

Other operating Expenditure – Adjusts for capital disposals with a transfer of income on disposal of assets and the amounts to be written off for those assets.

### Net change for the removal of pension contributions and the addition of pension (IAS 19) related expenditure and income

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

Net Cost of Services - this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with the current services costs and past service costs.

Financing and Investment Income and Expenditure – The net interest on the defined benefit liability is charged to the CIES.

Taxation and Non Specific Grant Income and Expenditure – Pension Grant received from the Home Office is credited to the CIES.

### Other Differences

This is generally the movement of income and expenditure to the right heading in the CIES (Corporate and Democratic Core for the Chief Constable and Intra-group revenue funding).

Also the Net Cost of Services includes an adjustment for compensated absences earned but not taken in the year eg annual leave, flexi leave and time off in lieu entitlement.

## Note 3 Subjective Expenditure Analysis

The Comprehensive Income and Expenditure Statement has been prepared based on how expenditure is allocated for decision making purposes.

The following table shows the subjective expenditure analysis; it is intended to aid the reader in understanding where the money is spent and in making comparisons between Forces in terms of the type of expenditure incurred.

Chief Constable 2017/18		Chief Constable 2018/19
£'000	Financial Resources of the Commissioner consumed at the request of the Chief Constable	£'000
79,435	Police Pay & Allowances	78,941
55,896	Police Staff Pay & Allowances	57,839
256	Other Pay and allowances	230
981	Other Employee Expenses	1,425
34,080	Police Pensions (Current Cost)	34,470
6,838	Premises	8,182
4,098	Transport	4,193
15,046	Supplies & Services	24,906
6,806	Agency & Contracted Services	6,314
6,236	Depreciation & Cost of using Commissioner's Property	6,407
-	Revenue Expenditure Funded from Capital under Statute	83
1,331	Non Distributed Costs	89,959
<b>211,003</b> (20,800)	Income from fees/charges and Special Government Grant	<b>312,949</b> (28,388)
<b>190,203</b>	<b>Net Cost of Policing Services</b>	<b>284,561</b>

The Chief Constable is National Police Chiefs Council (NPCC) lead for Cyber Crime. Derbyshire were able to access funding from the Home Office of £9.5m (£7.6m Revenue and £1.9m capital grant) to build Cyber Crime Units in all Forces. The increase in Supplies and Services in 2018/19 reflects the revenue expenditure of £7.6m, there is also a corresponding increase in the income figure for the Home Office grant.

The Non-Distributed Costs shows the 'Past Service cost' for the police officers' pension scheme and the Local Government Pension Scheme. This reflects the implications of the McCloud judgement and the impact of the Guaranteed Minimum Pension (GMP) equalisation (see Note 9 for further explanation).

#### Note 4 Leases

##### As Lessee – Operating Leases

The financial consequences of leases, where the Constabulary have used the asset are recognised in the accounts of the Chief Constable and are detailed as follows:-

##### Equipment

In 2018/19, £117,933 was spent on rental payments for Hired Photocopiers (£151,772 in 2017/18). £147,767 was spent in 2018/19 on rental payments for Livescan units (an electronic system for taking fingerprints). £149,309 was spent in 2017/18.

On the 27<sup>th</sup> March 2019, a contract was also signed by the Commissioner to lease mobile phones. This is a two year contact starting in 2019/20.

As at 31<sup>st</sup> March 2019, outstanding commitments in respect of Equipment leases were: -

	£'000	
	2017/18	2018/19
Within 12 Months	261	687
Later than 1 year and not later than 5 years	1,043	1,559

##### Land and Buildings

A number of buildings are leased and are accounted for as an operating lease. In 2018/19, £844,992 was paid for the lease of land and buildings (£715,788 in 2017/18). The main reason for the increase is the new Joint Training Centre/Firearms range with DPFP LLP. This was occupied from November 2017 and the lease will be for 25 years.

As at 31<sup>st</sup> March, outstanding commitments in respect of property leases were: -

	£'000	
	2017/18	2018/19
Within 12 Months	823	803
Later than 1 year and not later than 5 years	2,554	2,570
More than 5 years	10,828	10,551

##### As Lessor – Operating Leases

As lessor the financial consequences of a number of offices leased is shown in the accounts of the Chief Constable to recognise the income generated. Rent received for these properties in 2018/19 was £5,016 (£5,013 in 2017/18). A further £123,903 was received for mast rental in 2018/19 (£134,180 in 2017/18).

#### Note 5 Officers Remuneration

The table below provides disclosure of the remuneration of Senior Officers and relevant Police Officers whose salary is £50,000 or more per year. During the year there were a number of changes in the senior leadership team, further information is shown in the notes to the table below.

Remuneration is all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

2017/18							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration £
Chief Constable (CC)	1,2,3	24,128	12,089	2,999	1,612	-	40,828
Chief Constable (CC) /Deputy CC Derbyshire	3,4,5	141,390	4,935	625	8,859	30,116	185,925
Deputy CC Derbyshire	6	91,928	3,250	-	3,400	19,580	118,158
Deputy CC Collaboration	7	110,593	6,505	-	5,041	2,735	124,874
ACC Crime & Territorial Policing	8	103,916	2,474	7,832	5,786	23,802	143,810
Assistant CC Operational Support/Deputy CC Collaboration	9,3	103,575	3,376	500	5,329	22,061	134,841
Director of Finance	3	84,083	7,625	-	-	11,610	103,318

Note 1 – The Chief Constable retired on the 31/5/17.

Note 2 – The Chief Constable opted out of the Police Officers Pension scheme.

Note 3 – The Other Payments figure relates to a special retention payment and payments for a medical scheme

Note 4 - As the total remuneration for 2017/18 has exceeded £150k the regulations require that Mr P Goodman be named.

Note 5- The Deputy DCC For Derbyshire left this role on the 31/5/17 and became the Chief Constable for Derbyshire on the 1/6/17.

Note 6 – The Deputy Chief Constable for Derbyshire was appointed on the 26/6/17.

Note 7 – The Deputy CC for Collaboration retired on the 23/2/18.

Note 8 – The other payment figure relates to a discretionary payment made for a contribution towards accommodation costs.

Note 9 – The ACC Operational Support was appointed Deputy CC Collaboration on the 26/3/18.

2018/19							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration 2018/19 £
Chief Constable (CC)	1,2,3	147,923	4,935	4,353	9,211	6,056	172,478
Deputy CC Derbyshire	4	113,432	3,957	765	5,164	24,161	147,479
Deputy CC Derbyshire	5	19,407	459	-	1,013	4,134	25,013
Deputy CC Collaboration	6	122,031	3,376	500	4,524	25,992	156,423
ACC Crime & Territorial Policing	7	62,279	1,390	-	3,385	13,265	80,319
ACC Crime & Territorial Policing/ ACC Operational Support	8	114,680	343	165	3,687	23,791	142,666
Temporary ACC Operational Support	9	49,331	1,834	-	1,619	9,234	62,018
Director of Finance	10	87,250	7,000	624	-	10,492	105,366

Note 1 – As the total remuneration for 2018/19 has exceeded £150k the regulations require that Mr P Goodman be named.

Note 2 – The Chief Constable opted out of the Police Officers Pension scheme.

Note 3 – The Other Payments figure relates to a special retention payment and payments for a medical scheme.

Note 4 – The Deputy Chief Constable retired on the 5/3/19.

Note 5 - A new Deputy Chief Constable was appointed on the 04/02/19.

Note 6 - As the total remuneration for 2018/19 has exceeded £150k the regulations require that Mr C Haward be named. Mr Haward works for the East Midlands Special Operations Unit (EMSOU) and is funded regionally. He was appointed to this role on the 26/3/18, before this he was the ACC Operational Support.

Note 7 – The ACC Crime and Territorial Policing retired on the 24/10/18.

Note 8 – The ACC Operational Support left the role on the 14/10/18 and became the ACC Crime and Territorial Policing.

Note 9 – A Temporary ACC Operational Support was appointed on 14/10/18.

Note 10 – In addition to the above a Joint Director of Finance was seconded from October 2018 based on a FTE salary of £95,000. This is shared 50/50 between Police and Fire.

The disclosure below details salary of Police Staff and Senior Police Officers (over and above the rank of Superintendent) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions). This excludes the officers shown in the above table.

Remuneration Band	Note	No. Of Employees 2017/18	No. Of Employees 2018/19
£50,000 - £54,999		14	16
£55,000 - £59,999		7	14
£60,000 - £64,999		10	4
£65,000 - £69,999		1	3
£70,000 - £74,999		3	4
£75,000 - £79,999		1	6
£80,000 - £84,999		2	2
£85,000 - £89,999		3	1
£90,000 - £94,999		1	2
£95,000 - £99,999		1	1
£100,000 - £104,999		1	1
£115,000 - £119,999		1	1
<b>TOTAL</b>		<b>45</b>	<b>55</b>

#### Exit Packages

The total cost of exit packages in the current year is £258,292.

2017/18					2018/19			
Number of compulsory redundancies	Number of other departures agreed	Total Number of Exit Packages Agreed	Total cost of exit packages in each band £	Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total Number of Exit Packages Agreed	Total cost of exit packages in each band £
0	1	1	7,687	£0 - £20,000	0	3	3	35,403
0	1	1	37,846	£20,001-£40,000	0	0	0	0
				£50,001-£60,000	0	1	1	53,950
0	0	0	0	£160,001-£180,000	0	1	1	168,939
<b>0</b>	<b>2</b>	<b>2</b>	<b>45,533</b>	<b>Sub Total</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>258,292</b>
0	0	0	8,941	Less Amount met from previous year		0	0	0
<b>0</b>	<b>2</b>	<b>2</b>	<b>36,592</b>	<b>TOTAL</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>258,292</b>

#### Note 6 External Audit Fees

Fees in relation to external audit for the Chief Constable are as follows: -

	2017/18 £'000	2018/19 £'000
Fees payable with regard to external audit services	15	11
<b>TOTAL</b>	<b>15</b>	<b>11</b>

#### Note 7 Jointly Controlled Operations

##### East Midlands Jointly Controlled Operations

Jointly Controlled Operations (JCO) or Collaborations with other East Midlands Forces are used to deliver services within the Force. The share of cost to Derbyshire is different depending on the number partaking in the JCO.

The following table show the accounts for all the JCO'S and the balances attributable to Derbyshire.

2017/18			2018/19	
Jointly Controlled Operations	Derbyshire Police	Comprehensive Income and Expenditure Statement	Jointly Controlled Operations	Derbyshire Police
£'000	£'000		£'000	£'000
24,304	5,689	Employees' Expenses	25,190	5,892
507	111	Premises	578	126
1,085	241	Transport	896	199
3,763	925	Supplies and Services	3,886	942
3,723	840	Agency and Contracted Services	3,582	808
1,182	261	Capital Charges	1,270	280
0	0	Revenue Funded from Capital under Statute	0	0
(84)	(18)	Revaluation (Losses)/Gains	1,148	250
<b>34,480</b>	<b>8,049</b>	<b>Gross Operating Expenditure</b>	<b>36,550</b>	<b>8,497</b>
(1,527)	(349)	Other Income	(1,467)	(204)
5	1	Profit/(Loss) on Disposal of Fixed Assets	(14)	(3)
<b>32,958</b>	<b>7,701</b>	<b>Net Operating Expenditure Financed by:-</b>	<b>35,069</b>	<b>8,290</b>
(28,206)	(6,661)	Contributions from Partners	(29,641)	(7,108)
(5,324)	(1,161)	External Grants	(4,096)	(893)
(1,490)	(325)	Capital Grants & Contributions	(315)	(69)
<b>(2,062)</b>	<b>(446)</b>	<b>(Surplus) / Deficit for the year</b>	<b>1,017</b>	<b>220</b>

The JCO's to which the Commissioner contributes cover a number of operational and support areas. Details of these are set out in the table below (Where reference is made to 'all 5 forces' this means Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire)

Jointly Controlled Operation	Activity	Participants	Commenced	Derbys %	Gross Exp £'000	Total Income £'000	(Surplus) / Deficit £'000
EM SOU – SOC (incl. EMSOU TSU)	Specialist Operations	All 5 forces	Jan 2003	21.8	4,186	(3,904)	282
EMSOU Major Crime – Command Team	Co-ordination of Major Crime investigations	All 5 forces	Sept 2011	21.8	169	(176)	(7)
EMSOU Forensics	Forensic analysis and identification	All 5 forces	April 2014	21.8	1,889	(1,855)	34
EM Legal Services	Specialist Legal advice and services, incl Insurance	All 5 forces	April 2014	21.8	393	(382)	11
EM CHRS – Learning & Development	Co-ordination of regional training provision	Derbys, Leics, Northants, Notts	April 2012	25.11	642	(625)	17
EM CHRS – Occupational Health	Occupational Health Services	All 5 forces	April 2012	21.8	366	(365)	1
HR Service Centre	Transactional HR services	Derbys, Leics	June 2014	50.0	728	(732)	(4)
Emergency Services Network (ESN)	Communications Network	All 5 forces	July 2017	22.6	124	(238)	(114)
<b>Totals</b>					<b>8,497</b>	<b>(8,277)</b>	<b>220</b>

EMSOU TSU was incorporated into EMSOU-SOC accounts from April 2018 but it actually commenced operations in July 2011.

In addition to the above, Derbyshire Police has a joint arrangement with Leicestershire Police for the provision of Payroll and Risk Management software.

## Note 8 Related Party Transactions

The Chief Constable is required to disclose all 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 the Chief Constable.

Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have been constrained in his ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

### Central Government

Central Government has significant influence over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates.

### Officers

Certain senior officers might be in a position to influence significantly the policies, no related party transactions have been identified following the consultation with relevant officers.

### Commissioner

The Commissioner holds the Chief Constable to account, a scheme of consent is in place that gives clarity to how the two organisations operate and are governed. The Chief Constable fulfils his function within a budget set by the Commissioner.

### Other Public Bodies

The Chief Constable participates in Jointly Controlled Operations with other East Midlands Forces. The transactions have been disclosed in Note 7.

## Note 9 Accounting for Pension Costs (a)

As part of the terms and conditions of employment of its officers and other employees, the Chief Constable offers post-employment (retirement) benefits. Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make payments which need to be disclosed at the time that employees earn their future entitlement.

The Chief Constable participates in two post-employment schemes: -

- **The Local Government Pension Scheme (LGPS)** for police staff is a defined benefit scheme. It is a funded scheme which is administered by Derbyshire County Council. Pensions and other retirement benefits are paid from the fund. Employers and employees make regular contributions into the fund so that the liabilities are paid for evenly over the employment period.

The structure of benefits payable under the LGPS was reformed from April 2014 as part of government moves to make all pension schemes across the public sector more affordable. In summary, retirements benefits earned from service after this date are based on 'career average' rather than final salaries. The changes implemented involved transitional protections applied to certain older members close to normal retirement age. As such, the reforms to the LGPS are expected to be subject to change arising from a legal process known as 'the McCloud judgement'. The expected implications of McCloud are set out in this note.

Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities. A valuation was undertaken during 2016/17 for the period commencing 1 April 2017 and the next valuation will be in 2019/20 for the period commencing 1 April 2020.

The 2018/19 total employer contribution of £6.722m consisted of £6.512m in 'regular' contributions and £0.210m in additional one-off contributions towards early retirements. This is in line with pension costs necessary to be provided in accordance with IAS19 "Employee Benefits". The regular contributions consist of 2 elements:

- a 'future service rate' to meet the estimated cost of benefits that will be earned in future (set at 12.9% of pensionable pay at the last valuation)
- a 'deficit recovery repayment' lump sum to enable the difference between the value of benefits earned to date and the assets that have been built up to be recovered over a specified period (£1.451m paid in 2018/19)

In total these 2 elements equated to a contribution rate of 16.4% of pensionable pay for 2018/19.



In addition to contributions to the Pension fund the Chief Constable is responsible for compensation payments in the form of “added years” awarded on premature retirement. In 2018/19 these amounted to £0.032m.

Further information can be found in the County Council’s Pension Fund Statement of Accounts, which is available upon request from Derbyshire County Council.

- **The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means it provides pensions and other retirement benefits for police officers but there are no investment assets built up to meet the pensions liabilities. Three schemes were in operation in 2018/19. The 1987 Police Pension Scheme is based on a maximum pensionable service of 30 years, whilst the 2006 Police Pension Scheme (effective for police officers commencing from April 2006 onwards) is based on a maximum pensionable service of 35 years.

Both the 1987 and 2006 Schemes provide pensions based on officers’ final salaries. From 6 April 2015 a new Police Officer pension scheme came into existence (the Police Pension Scheme 2015) which provides pensions based on career average salaries. All new officers and existing officers not subject to protection arrangements are now members of the 2015 scheme.

As with the Local Government Pension Scheme, because the changes to the Police Officer pension scheme from 2015 involved transitional protections for older members close to retirement age they come within the ambit of the McCloud Judgement.

From April 2006 the method of financing Police Officers pensions changed, a Pensions Account was set up from this date. Officers’ contributions and an employer’s contribution are paid into the pensions account from which pension payments are made. The account is topped up each year by the Home Office if the contributions in that year are insufficient to meet the cost of pensions paid. Any surplus is repaid to the Home Office.

For 2018/19 a Top up grant of £32.438m was received from the Home Office and the employer’s contributions to the account amounted to £15.492m representing 24.2% of pensionable salary. This includes an ‘additional’ Employer contribution required to ensure the ‘actual’ rate remains at 24.2%. The rate from 1 April 2015 was 21.3% following a re-valuation of scheme liabilities by the Government Actuary’s Department during 2014/15. In addition, payments were made into the Pensions Fund Account totalling £0.857m to reimburse the costs of benefits becoming payable early due to ill-health retirement. Injury-related payments amounted to £2.223m and these were paid from the Comprehensive Income and Expenditure Account. The Pensions Fund Account is shown on page 53.

#### **Transactions relating to post-employment benefits (b)**

Under IAS 19 we recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Reserve Balance via the Movement in Reserves Statements during the year: -

Local Government Pension Scheme	2017/18	2018/19
Comprehensive I&E Statement	£'000	£'000
<b>Cost of Services</b>		
• Current service cost *	15,413	15,975
• Non Distributed Costs - past service cost/(gain)	1	1,959
• Non Distributed Costs - curtailments	-	-
<b>Financing and Investment Income and Expenditure</b>		
• Net Interest cost	2,527	2,704
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>17,941</b>	<b>20,638</b>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
• Re-measurements of surpluses/deficits		
- Return on scheme assets (excluding the amount included in the net interest expense)	(1,981)	(7,192)
- Actuarial losses/(gains) arising from changes in demographic assumptions	-	-
- Actuarial losses/(gains) arising from changes in financial assumptions	(7,682)	34,699
- Other experience changes	6	(69)
<b>Total Re-measurements</b>	<b>(9,657)</b>	<b>27,438</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>8,284</b>	<b>48,076</b>
<b>Movement in Reserves Statement Expenditure</b>		
• Reversal of net charges for post employment benefits in accordance with the code	(8,284)	(48,076)
<b>Actual amount charged against the General Reserve Balance for pensions in the year</b>		
• Employers' contributions payable to scheme plus added years	6,384	6,754
• Retirement benefits payable to pensioners	-	-

Police Pension Scheme	2017/18	2018/19
Comprehensive I&E Statement	£'000	£'000
<b>Cost of Services</b>		
• Current service cost	34,080	34,470
• Non Distributed Costs - past service cost/(gain)	1,330	88,000
<b>Financing and Investment Income and Expenditure</b>		
• Net Interest cost	53,390	50,890
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>88,800</b>	<b>173,360</b>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of surpluses /deficits		
• Actuarial losses/(gains) arising from changes in demographic assumptions	(67,034)	-
• Actuarial losses/(gains) arising from changes in financial assumptions	61,750	61,800
• Other experience changes	(53,200)	(4,160)
<b>Total Re-measurements</b>	<b>(58,484)</b>	<b>57,640</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>30,316</b>	<b>231,000</b>
<b>Movement in Reserves Statement Expenditure</b>		
• Reversal of net charges for post employment benefits in accordance with the code	(30,316)	(231,000)
<b>Actual amount charged against the General Reserve Balance for pensions in the year</b>		
• Employers' contributions payable to scheme	17,793	18,572
• Retirement benefits payable to pensioners	-	-

\*For the LGPS the current service cost is within the Police Staff Pay and Allowances figure in note 3.

The Current Service Cost – which is the total increase in entitlements earned by existing employees during the year - and the other gains and losses are affected by changes in the key actuarial and financial assumptions used in projecting future pension entitlements. Note 10b details the key demographic and financial assumptions which have been used in calculating these figures. It also quantifies the potential impact if different assumptions are used.

The Past Service costs in 2018/19 for both schemes have mainly arisen because of the McCloud judgement. For the LGPS a small Past Service cost has also been estimated for the impact of GMP equalisation.

## McCloud judgement - Police Pension Challenge

The Chief Constable of Derbyshire, along with other Chief Constables and the Home Office, currently has 88 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in Derbyshire's scheme liabilities as a result of the judgement to be approximately 4.2% of liabilities as at March 2019, which equates to £88m. This increase is reflected as a Past Service Cost in the Net Cost of Services. The estimate is based on one potential remedy to McCloud and is also highly sensitive to assumptions around short-term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

A similar Past Service cost has been included in the accounts for the impact of McCloud on Local Government Pension Scheme liabilities. As with the police officer scheme, quantifying the impact of the judgement on LGPS liabilities is very difficult as it will depend on the compensation awarded, future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service.

The Derbyshire Fund's actuary has adjusted GAD's national-level assumptions to better reflect local assumptions, particularly around salary increases and withdrawal rates. Using these assumptions, scheme liabilities at 31 March 2019 are estimated as increasing by 0.5% or £1.790m. The impact of an increase in scheme liabilities arising from the McCloud judgement will be measured through the pension valuation process, which determines employer and employee contribution rates.

## Impact of GMP equalisation

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Derbyshire Pension Fund for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to Derbyshire Pension Fund is that total liabilities could be 0.1% higher as at 31 March 2019, an increase of approximately £0.19m.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

The impact of GMP equalisation for Police Pensions was considered in 2017/18, £1.330m was included under past service cost in that year. This reflected the extension of HM Treasury's interim solution to GMP indexation to April 2021. Our actuaries have recommended no further allowance is necessary for GMP equalisation in the 2018/19 disclosures due to the uncertainty around unfunded schemes.

## Note 10 Assets and Liabilities in relation to Post employment benefits (a)

Note 9 contains details of the Chief Constable's participation in the Local Government Pensions Scheme (administered by Derbyshire County Council) and the Police Pension Scheme in providing Police staff and police officers with retirement benefits.

Reconciliation of the present value of the schemes' liabilities is as follows:

	<b>Funded liabilities: Local Government Pension Scheme £'000</b>	
	<b>2017/18</b>	<b>2018/19</b>
Opening Balance at 1 April	(321,178)	(334,295)
Current Service Cost	(15,413)	(15,975)
Interest on pension liabilities	(8,503)	(9,219)
Contributions from scheme participants	(2,473)	(2,645)
Past Service (Cost) / Gain	(1)	(1,959)
Curtailments	-	-
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
• Actuarial gains/(losses) arising from changes in financial assumptions	7,682	(34,699)
• Other	(6)	69
Benefits paid	5,597	5,691
Effects of business combinations & disposals	-	-
<b>Deficit as at 31 March</b>	<b>(334,295)</b>	<b>(393,032)</b>

	<b>Police Pension Scheme £'000</b>	
	<b>2017/18</b>	<b>2018/19</b>
Opening Balance	(2,020,432)	(2,003,902)
Current Service cost	(34,080)	(34,470)
Interest on pension liabilities	(53,390)	(50,890)
Contributions from scheme participants	46,846	51,010
Past Service (Cost) / Gain	(1,330)	(88,000)
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in financial and demographic assumptions	5,284	(61,800)
• Other – experience gains and (losses)	53,200	4,160
<b>Deficit as at 31 March</b>	<b>(2,003,902)</b>	<b>(2,183,892)</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Chief Constable's obligation in respect of its defined benefit plans is as follows:

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<u>Present value of the defined benefit obligation</u>		
Local Government Pension Scheme	(334,295)	(393,032)
Police Pension Schemes	(2,003,902)	(2,183,892)
<u>Fair value of scheme assets</u>		
Local Government Pension Scheme	239,612	257,027
<u>Net liability arising from defined benefit obligation</u>		
Local Government pension scheme	(94,683)	(136,005)
Police Pension Schemes	(2,003,902)	(2,183,892)
<b>Total</b>	<b>(2,098,585)</b>	<b>(2,319,897)</b>

The liabilities show the underlying long-term commitments that the Chief Constable has to pay for post-employment (retirement) benefits. The total liability of £2,319.897m has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet. Some £2,183.892m of this overall deficit relates to the Police Pension Scheme, which is a centrally funded scheme administered and underwritten by HM Government. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains stable:-

#### The Local Government Pension Scheme

- The current deficit on the local government scheme will be made good by contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.
- Also, due to national changes under the Public Pensions Services Act 2013, as from 1 April 2014 scheme members accrue pension entitlements based on career-average salaries instead of the salary being paid at the point of retirement as previously.

#### The Police Pension Scheme

- The method of financing Police Officers pensions changed from April 2006. These changes, and the fact that the employer contribution rate will be assessed on a regular basis to ensure that it accurately reflects the cost of the scheme, creates a more stable environment for Police Officer pensions.
- An actuarial valuation in 2014/15 has resulted in a reduction in the employer contribution rate from 24.2% to 21.3% from April. However, the Constabulary will still need to make a total contribution equivalent to 24.2% of pensionable pay as the reduction of 2.9% will be retained by the government. From April 2019 the rate will increase from 21.3% to 31.0%.
- In addition, the introduction of a new Police Pension Scheme from April 2015 means that benefits accrued from this date are based on a retirement age of 60, which is later than previously, and on average salaries over the whole period of employment.

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2020 are £6.736m. Expected contributions for the Police Pension Scheme in the year to 31 March 2020 are £48.670m.

The weighted average duration of the defined benefit obligation for members of the Local Government Pension Scheme is:

	<b>2017/18 Years</b>	<b>2018/19 Years</b>
Active Members	24.2	24.2
Deferred Members	25.8	25.8
Pensioner Members	12.2	12.2

The weighted average duration of the defined benefit obligation for the Police Pension Schemes is 22 years.

Reconciliation of the Movements in the Fair Value of the assets of the Local Government Pension Scheme: -

	<b>Local Government Pension Scheme £'000 2017/18</b>	<b>Local Government Pension Scheme £'000 2018/19</b>
Opening fair value at 1 April	228,395	239,612
Interest Income	5,976	6,515
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	1,981	7,192
Contributions from employer	6,384	6,754
Contributions from employees into the scheme	2,473	2,645
Benefits/transfers paid	(5,597)	(5,691)
Effects of business combinations and disposals	-	-
<b>Closing fair value of scheme assets at 31 March</b>	<b>239,612</b>	<b>257,027</b>

The expected return on Scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets including expected return on plan assets in the year was a gain of £13.707m (2017/18 a gain of £7.957m).

Local Government Pension Scheme assets comprised: -

	2017/18				2018/19			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
<b>Cash and cash equivalents</b>		11,512	11,512	5%		20,418	20,418	8%
<b>Equity Securities</b>								
Consumer	15,403	-	15,403	6%	15,614	-	15,614	6%
Manufacturing	21,042	-	21,042	9%	16,221	-	16,221	6%
Energy and Utilities	13,112	-	13,112	5%	11,361	-	11,361	4%
Financial Institutions	16,588	-	16,588	7%	12,516	-	12,516	5%
Health and Care	8,265	-	8,265	3%	8,143	-	8,143	3%
Information Technology	7,122	-	7,122	3%	6,140	-	6,140	2%
Other	27,303	-	27,303	12%	27,472	-	27,472	11%
<b>Equities sub-total</b>	<b>108,835</b>	<b>-</b>	<b>108,835</b>	<b>45%</b>	<b>97,467</b>	<b>-</b>	<b>97,467</b>	<b>37%</b>
<b>Debt Securities</b>								
Corporate Bonds	-	18,876	18,876	8%	-	27,108	27,108	11%
UK Government Bonds	22,652	-	22,652	9%	23,946	-	23,946	9%
Other Bonds	3,734	-	3,734	2%	5,004	-	5,004	2%
<b>Debt Securities sub-total</b>	<b>26,386</b>	<b>18,876</b>	<b>45,262</b>	<b>19%</b>	<b>28,950</b>	<b>27,108</b>	<b>56,058</b>	<b>22%</b>
<b>Property</b>								
UK Property	-	15,764	15,764	7%	-	20,503	20,503	8%
<b>Private Equity</b>	<b>3,256</b>	<b>1,588</b>	<b>4,844</b>	<b>2%</b>	<b>3,584</b>	<b>3,433</b>	<b>7,017</b>	<b>3%</b>
<b>Other Investment Funds</b>								
Equities	45,600	-	45,600	19%	45,273	-	45,273	18%
Bonds	-	-	-	-	-	-	-	-
Infrastructure	3,678	4,117	7,795	3%	4,052	6,239	10,291	4%
<b>Other Investment Funds sub-total</b>	<b>49,278</b>	<b>4,117</b>	<b>53,395</b>	<b>22%</b>	<b>49,325</b>	<b>6,239</b>	<b>55,564</b>	<b>22%</b>
<b>Total Assets</b>	<b>187,755</b>	<b>51,857</b>	<b>239,612</b>	<b>100%</b>	<b>179,326</b>	<b>77,701</b>	<b>257,027</b>	<b>100%</b>

#### Basis for estimating assets and liabilities (b)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary rates etc. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement for the local government and police pension schemes.

The Police Officer scheme has been assessed by the Government Actuary Department (GAD) and the Local Government scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries - estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The main assumptions used in their calculations have been: -

	Local Government Pension Scheme		Police Pension Schemes	
	2017/18	2018/19	2017/18	2018/19
<b>Mortality assumptions:</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
Longevity at 65 for current pensioners:				
Men	21.9	21.9	22.6	22.7
Women	24.4	24.4	24.2	24.3
Longevity at 65 for future pensioners				
Men	23.9	23.9	24.5	24.6
Women	26.5	26.5	26.1	26.2
<b>Financial Assumptions</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of CPI inflation	2.4	2.5	2.30	2.35
Rate of increase in salaries (Long Term)	2.9	3.0	4.30	4.35
Rate of increase in pensions	2.4	2.5	2.30	2.35
Rate of CARE revaluation	-	-	3.55	3.60
Rate for discounting scheme liabilities	2.7	2.4	2.55	2.45
Take up option to convert annual pension into retirement grant :pre-April 2008 service	50	50	n/a	n/a
post-April 2008 service	75	75	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projection unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change In Assumption as at 31/03/19					
		0.5% decrease in Real Discount Rate	1 year increase in member life expectancy	0.5% increase in the salary increase rate	0.5% increase in the pension increase rate
Local Government Pension Scheme	Approximate % increase to Employer Liability	12.0	3.0 to 5.0	2.0	10.0
	Approximate monetary amount - £'000	48,678	Not Available	8,516	39,192
Police Pension Schemes	Approximate % increase to Employer Liability	10.0	2.5	1.5	8.0
	Approximate monetary amount - £'000	213,000	53,000	27,000	171,000

## Note 11 Plant and Equipment

### Movements in 2018/19

	Operational	Non-Operational	
	Vehicles, Plant, Furniture Equipment	Assets Under Construction-Equipment	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2018	35,411	194	35,605
Additions	3,864	234	4,098
Revaluation Increases/(decreases) to RR	0	0	0
Revaluation Increases/(decreases) to SDPS	0	0	0
Derecognition – Disposals	(1,070)	0	(1,070)
Derecognition – Other	(1,431)	0	(1,431)
Reclassifications to/from Assets held for sale	0	0	0
Reclassifications – other	0	(14)	(14)
<b>At 31 March 2019</b>	<b>36,774</b>	<b>414</b>	<b>37,188</b>
<b>Depreciation and Impairments</b>			
At 1 April 2018	(20,953)	0	(20,953)
Depreciation charge	(3,906)	0	(3,906)
Depreciation written out to RR	0	0	0
Depreciation written out to SDPS	0	0	0
Derecognition – Disposals	882	0	882
Derecognition – Other	1,297	0	1,297
Reclassifications to/from Assets held for sale	0	0	0
Reclassifications – other	0	0	0
<b>At 31 March 2019</b>	<b>(22,680)</b>	<b>0</b>	<b>(22,680)</b>
<b>Net Book Value at 31 March 2019</b>	<b>14,094</b>	<b>414</b>	<b>14,508</b>
<b>Net Book Value at 31 March 2018</b>	<b>14,458</b>	<b>194</b>	<b>14,652</b>

RR = Revaluation Reserve SDPS = Surplus or Deficit on the Provision of Services

### Movements in 2017/18

	Operational	Non-Operational	
	Vehicles, Plant, Furniture Equipment	Assets Under Construction-Equipment	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2017	33,936	358	34,294
Additions	3,823	194	4,017
Revaluation Increases/(decreases) to RR	0	0	0
Revaluation Increases/(decreases) to SDPS	0	0	0
Derecognition – Disposals	(1,934)	0	(1,934)
Derecognition – Other	(758)	0	(758)
Reclassifications to/from Assets held for sale	0	0	0
Reclassifications – other	344	(358)	(14)
<b>At 31 March 2018</b>	<b>35,411</b>	<b>194</b>	<b>35,605</b>
<b>Depreciation and Impairments</b>			
At 1 April 2017	(19,426)	0	(19,426)
Depreciation charge	(3,799)	0	(3,799)
Depreciation written out to RR	0	0	0
Depreciation written out to SDPS	0	0	0
Derecognition – Disposals	1,546	0	1,546
Derecognition – Other	726	0	726
Reclassifications to/from Assets held for sale	0	0	0
Reclassifications – other	0	0	0
<b>At 31 March 2018</b>	<b>(20,953)</b>	<b>0</b>	<b>(20,953)</b>
<b>Net Book Value at 31 March 2018</b>	<b>14,458</b>	<b>194</b>	<b>14,652</b>
<b>Net Book Value at 31 March 2017</b>	<b>14,510</b>	<b>358</b>	<b>14,868</b>

RR = Revaluation Reserve SDPS = Surplus or Deficit on the Provision of Services



## Valuation of Assets

All Plant and Equipment is valued at historic cost.

Vehicle information has been taken from the Vehicle Fleet Information System (the total number of vehicles as at 31 March 2019 is 624). IT and Communications information has been provided by the Information Services Department.

## Depreciation

The basis of depreciation is shown in the Statement of Accounting Policies (page 23).

## Note 12 Intangible Assets

The Chief Constable accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Plant and Equipment. The main purchase in 2018/19 is for Software Licences for cyber crime £1.9m purchased on behalf of all Forces and funded from Home Office grant.

	Purchased Software Licences £'000	
	2017/18	2018/19
<b>Balance at 1 April</b>		
Gross carrying amount	8,245	8,107
Accumulated amortisation	(2,185)	(2,875)
<b>Net carrying amount 1 April</b>	<b>6,060</b>	<b>5,232</b>
Additions	510	2,138
Reclassifications	14	14
Derecognitions	(77)	(116)
Amortisation in year	(1,275)	(1,264)
<b>Balance at 31 March</b>	<b>5,232</b>	<b>6,004</b>

## Note 13 Capital Expenditure and Capital Financing Statement

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The Chief Constable does not hold funding so the assets are funded by Intra group funding from the Commissioner. The Chief Constable does not have a capital financing requirement.

2017/18 £'000		2018/19 £'000
	<b>Capital Financing Requirement</b>	
	Capital investment	
4,017	<i>Plant and Equipment</i>	4,098
510	<i>Intangible assets</i>	2,138
<b>4,527</b>	<b>Total Capital Investment</b>	<b>6,236</b>
	Sources of Finance	
(4,527)	<i>Intra Group funding</i>	(6,236)
<b>0</b>	<b>Closing Capital Financing Requirement</b>	<b>0</b>

## Note 14 Provisions

A provision should be made for any liabilities of uncertain timing or amount that have been incurred and should cover costs that are more likely than not to occur.

Provisions are shown on the Commissioner's balance sheet. The provision for the year goes through the Chief Constable's CIES.

**Liability Insurance Provision** -This provision is to meet liability claims which are not covered by external insurers. The balance reflects the claims handlers' assessment of probable liabilities on claims outstanding as at 31 March 2019, together with an estimate for further claims relating to 2018/19. On this basis a provision of £1.401m is required.

**Vehicle Insurance Provision** – This provision is to meet Third Party claims which are not covered by external insurers. The balance reflects the claims handlers' assessment of probable liabilities on claims outstanding as at 31 March 2019, together with an estimate for further claims relating to 2018/19. On this basis a provision of £0.316m is required.

Provisions	Liability Insurance £'000	Vehicle Insurance £'000	Total Provisions £'000
<b>Balance at 1 April 2018</b>	<b>593</b>	<b>263</b>	<b>856</b>
Provision in Year	182	203	385
Expenditure in year	(237)	(214)	(451)
Transfer to/from Insurance Reserve	863	64	927
<b>Balance at 31 March 2019</b>	<b>1,401</b>	<b>316</b>	<b>1,717</b>

Provisions are split between short term (£0.606m) and long term (£1.111m) in the balance sheet. Short-term provisions cover liabilities that are expected to be settled within 12 months of the balance sheet date.

## Note 15 Contingent liabilities / Contingent assets

Contingent liabilities/assets arise where the Chief Constable is aware of a possible obligation that has arisen because of events prior to the Balance Sheet date, but where the existence will only be confirmed by future events which are not in the Chief Constable's control.

### Contingent Liabilities

#### Unpaid overtime following recalls to duty

Following successful claims in Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty, in excess of 1500 claims have been made nationally. All issued claims have been transferred to the High Court in London to await the outcome of test cases. 450 cases have been settled to date. Derbyshire Police has received 6 claims. These are still to be valued.

#### Forensics Contract

The police forces in the East Midlands Region in common with police forces across England and Wales require forensic services to help them identify perpetrators and eliminate people from their enquiries. An element of this work is done internally but a significant proportion is procured from a small number of specialist external service providers. In January 2018, one of the suppliers, Key Forensic Services, fell into receivership. At the time it was servicing the needs of 30 forces (albeit not the East Midlands Region). Although the company subsequently secured new private-sector ownership, it raised questions around the sustainability of the external forensics market. Suppliers across the national landscape have claimed their contracts with forces are not profitable and some have indicated concern about the viability of the forensic marketplace and the possibility that one or more may have to exit the forensics market completely or exit specific loss-making services. Suppliers gave evidence along the same lines to the House of Lords Review of Forensics and work is ongoing at a national level led by NPCC portfolio owner Chief Constable Vaughan, of Dorset Police. The Forensic contract has been realigned for 2019/20 at an additional cost to the region.

#### Joint Director of Finance

On 1 October 2018 the Chief Constable appointed a temporary Joint Chief Finance Officer (CFO) along with Derbyshire Fire and Rescue Service, pending a review to establish whether there was benefit in a permanent joint role. In March 2019 both the Chief Constable and Derbyshire Fire and Rescue Service approved the creation of a permanent Joint CFO role to cover both organisations. The current Director of Finance for Derbyshire Police has agreed to take voluntary redundancy. The cost of the redundancy and pension shortfall will fall in 2019/20.

### Contingent Assets

The Chief Constable has no contingent assets at 31 March 2019.

## Note 16 Unusable Reserves

Unusable Reserves	31 March 2018 £'000	31 March 2019 £'000
Revaluation Reserve	2	1
Capital Adjustment Reserve	19,882	20,511
Pensions Reserve	(2,098,585)	(2,319,897)
Accumulated Absences Account	(1,531)	(1,307)
<b>Total Unusable Reserves</b>	<b>(2,080,232)</b>	<b>(2,300,692)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of its Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

Revaluation Reserve	2017/18 £'000	2018/19 £'000
<b>Balance as at 1 April</b>	<b>6</b>	<b>2</b>
Upward revaluation of assets	0	0
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>
Difference between fair value depreciation and historical cost depreciation	0	(1)
Accumulated gains on assets sold or scrapped	(4)	0
<b>Amount written off to the Capital Adjustment Account</b>	<b>(4)</b>	<b>(1)</b>
<b>Balance at 31 March</b>	<b>2</b>	<b>1</b>

### Capital Adjustment Account

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

The Movement on Reserves Statement details the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2017/18 £'000	2018/19 £'000
<b>Balance as at 1 April</b>	<b>20,922</b>	<b>19,882</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(3,799)	(3,906)
• Revaluation losses on Plant & Equipment	-	1
• Amortisation of Intangible Assets	(1,275)	(1,264)
• Revenue Expenditure funded from capital under statute	-	-
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(493)	(438)
Adjusting amounts written out of revaluation Reserve	-	-
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(5,567)</b>	<b>(5,607)</b>
Intra Group Funding	<b>4,527</b>	<b>6,236</b>
<b>Balance at 31 March</b>	<b>19,882</b>	<b>20,511</b>

### Pension Reserve

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

<b>Pensions Reserve</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>(2,113,215)</b>	<b>(2,098,585)</b>
Transfer of Police Staff 1 April		
Actuarial gains or losses on pensions assets and liabilities	68,141	(85,078)
Effect of business Combinations	-	-
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(106,741)	(193,998)
Employer's pensions contributions and direct payments to pensioners payable in the year	53,230	57,764
<b>Balance at 31 March</b>	<b>(2,098,585)</b>	<b>(2,319,897)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserve Balance from accruing for compensated absences earned but not taken in the year, eg annual leave, time off in lieu entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Reserve Balance is neutralised by transfers to or from the Account.

<b>Accumulated Absences Account</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>(1,451)</b>	<b>(1,531)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,451	1,531
Amounts accrued at the end of the current year	(1,531)	(1,307)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(80)</b>	<b>224</b>
<b>Balance at 31 March</b>	<b>(1,531)</b>	<b>(1,307)</b>

### **Note 17 Accounting Standards that have been issued but have not yet been adopted**

The Chief Constable shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. These are detailed below

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

The impact of these standards on the financial statements of the Chief Constable is either not applicable or not expected to be material.

**Note 18 Authorisation of Accounts for issue**

The 2018/19 Statement of Accounts were authorised for issue by the Joint Director of Finance and Business Services on 31 July 2019. All events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date.

**Note 19 Post Balance sheet events**

There are no post balance sheet events.

**POLICE PENSION FUND ACCOUNT**

2017/18 £'000		2018/19 £'000
	<b>Contributions Receivable :</b>	
( 13,423)	Employer's actuarial rate	( 13,579)
( 1,827)	Employer's additional contribution rate	( 1,849)
( 746)	Employer's ill health retirement capital charges	( 857)
( 2,927)	Active members - 1987 Scheme	( 2,319)
( 86)	Active members - 2006 Scheme	( 63)
( 5,530)	Active members - 2015 Scheme	( 6,201)
	<b>Transfers In :</b>	
( 500)	Transfer values receivable	( 551)
	<b>Benefits Payable :</b>	
42,107	Pensions	44,740
11,822	Commutations and lump sum retirement benefits	12,808
322	Lump sum death benefits	303
( 164)	Payments arising from Pensions Ombudsman's judgement of May 2015	0
	<b>Payments to and on account of leavers :</b>	
5	Refunds of contributions	6
0	Transfer values payable	0
29,053	<b>Sub-total : Net amount payable for the year</b>	32,438
( 29,053)	<b>Additional contribution from the Police and Crime Commissioner to fund the deficit for the year</b>	( 32,438)
0	<b>Net amount payable/receivable for the year</b>	0
	<b><u>Net Assets Statement</u></b>	
	<b>Current assets</b>	
3,622	Pensions paid in advance	3,832
	<b>Current Liabilities</b>	
( 459)	Unpaid pension benefits	( 272)
0	Unpaid pension benefits - previous years	0
0	Interest due on unpaid pension benefits	0
( 3,163)	Surplus for year payable to Police and Crime Commissioner	( 3,560)
0	Other current liabilities	0
0		0

## **Notes to the Pension Fund Account**

### **Note 1 Police Pensions Fund Account**

The Police pension scheme is an unfunded single employer defined benefit scheme. This means that it provides pensions and other retirement benefits for police officers based on pensionable pay, but there are no investment assets built up to meet the pensions liabilities as they fall due. Up until 2014/15 two police pension schemes were in operation, both of which gave retirement benefits based on 'final' salaries:

- The 1987 Police Pension Scheme - based on a maximum pensionable service of 30 years
- The 2006 Police Pension Scheme (effective for police officers commencing from April 2006 onwards) - based on a maximum pensionable service of 35 years.

From 6 April 2015 a new Police Officer pension scheme came into existence (the Police Pension Scheme 2015) which provides retirements based on 'career average' salaries. This means that the benefits receivable are based on a proportion of pensionable pay earned in each year of scheme membership.

All new officers joining the service on or after 1<sup>st</sup> April 2015 are automatically entered into the Police Pension Scheme 2015. They may opt out of this scheme but are not eligible to join either the 1987 or 2006 scheme. Existing officers at 6 April 2015 were also automatically transferred into the 2015 Scheme from that date, except those subject to protection arrangements. Protection arrangements are either 'full' or 'tapered' depending on the service and age of each officer, tapered protection meaning that the officer will be transferred into the 2015 Scheme at a specified future date. Retirement benefits for service up to 6 April 2015 will continue to be based on final salary.

A number of other public sector areas have also introduced new career average pension schemes, such as those for court judges and firefighters. Individual members in these schemes have fought successful court cases against the arrangements for transferring individuals from previous schemes on the basis that they discriminate on age. The Supreme Court on the 27 June 2019 denied the Government's request for an appeal in the McCloud case in respect of age discrimination and pension protection. The outcome of this is very likely to impact on the Police Pension Scheme 2015 and may affect the level of benefits payable to members and therefore the cost to employers.

Each individual Commissioner is required by legislation to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation (Police Pensions Regulations 2007 Statutory Instrument 1932/2007).

Before April 2006 each former Police Authority was responsible for paying the pensions of its retired officers on a "pay as you go" basis. From April 2006 a fixed employer's contribution rate was introduced instead, being an actuarially-assessed % of pensionable salary. This employer's contribution is charged to the Comprehensive Income and Expenditure Statement and, along with officers' contributions, is paid into the Pensions Fund Account from which pension payments are made.

Employer and employee contribution rates are set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. A re-valuation of scheme liabilities was carried out during 2014/15 and the Employer rate reduced from 24.2% to 21.3% as from 1 April 2015. However, it was determined that the resulting cost reduction should be retained centrally by the Exchequer. This required an 'additional' Employer's contribution so that Commissioners continued to pay an 'actual' rate of 24.2% of the pensionable payroll for the period from 1 April 2015. For the period commencing 1 April 2019 the Employer rate has increased from 21.3% to 31.0% following the most recent revaluation in 2017/18. However the requirement to pay an additional 2.9% has been removed.

Under these funding arrangements the Pension Fund Account balances to nil at the year end by either receiving a contribution from the Commissioner to meet a deficit or making a payment to him equivalent to any surplus achieved. In 2018/19 a contribution of £32.438m was received, this being equivalent to the pension top-up grant receivable from the Home Office for that year.

The pension fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund, these expenses are borne by the Group Comprehensive Income and Expenditure Statement.

Injury awards and ill health retirements are not part of the Pensions Fund Account and will continue to be paid from the Group Comprehensive Income and Expenditure Statement.

## **Note 2 Pension Fund Liabilities**

The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the accounting period.

## **Note 3 Accounting Policies**

Accounting policies conform to those set out in the Statement of Accounts (page 19 to 26).



# Annual Governance Statement

## 1. Introduction

- 1.1. This Annual Governance Statement explains how the Chief Constable has complied with: -
- The Derbyshire Joint Code of Corporate Governance.
  - Requirements of Regulation 6[1] (a) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the review of the effectiveness of the system of internal control.
  - The Police Reform and Social Responsibility Act 2011 (the Act).
- 1.2. The Police and Crime Commissioner (Commissioner) and the Chief Constable have approved and adopted a Derbyshire Joint Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government: Guidance note for Police. A copy of the Joint Code of Corporate Governance can be obtained from the Chief Executive, Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website at <https://www.derbyshire-pcc.gov.uk/Document-Library/Transparency/Public-Information/Policies-Procedures-and-Protocols/Code-of-Corporate-Governance---June-2013-FV.pdf>

## 2. Scope of responsibilities

- 2.1. The Commissioner and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner and Chief Constable are responsible under the Police Reform and Social Responsibility Act 2011 (the Act) for securing, inter alia, efficient and effective policing for Derbyshire and to deliver value for money, being continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2. In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his 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.
- 2.3. The Chief Constable for Derbyshire is responsible for maintaining the Queen's peace and has direction and control over the officers and staff operating within Derbyshire Constabulary. The Chief Constable holds office under the Crown and is appointed by the Commissioner.
- 2.4. The Chief Constable is accountable in law for the exercise of policing powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by Derbyshire Constabulary. At all times the Chief Constable, his officers and staff remain operationally independent in the service of the public. In discharging his overall responsibilities, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.
- 2.5. The Chief Constable appointed a professionally qualified Chief Financial Officer (CFO) for Derbyshire Constabulary with effect from 22 November 2012. On 1 October 2018 the Chief Constable appointed a temporary Joint Chief Finance Officer (CFO) along with Derbyshire Fire and Rescue Service, pending a review to establish whether there was benefit in a permanent joint role. In March 2019 both the Chief Constable and Derbyshire Fire and Rescue Service approved the creation of a permanent Joint CFO role to cover both organisations.

- 2.6. Under the Police Reform and Social Responsibility Act 2011 the Chief Constable's CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the proper financial administration of Derbyshire Constabulary. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social responsibility Act 2011 ("2011 Act")). The Chief Constable's CFO is a key member of Derbyshire Constabulary's Chief Officer Team, helping it to develop and implement strategy and to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered. The CFO leads the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO ensures the finance function is resourced to be fit for purpose and oversees that appropriate management accounting systems, functions and internal controls are in place so that finances are kept under review on a regular basis.
- 2.7. Under s.35 of the 2011 Act in exercising his functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under his direction and control obtain good value for money in exercising their functions.
- 2.8. Derbyshire Constabulary (as a standalone entity) is legally required to produce an Annual Governance Statement. This statement helps the Commissioner to hold the Chief Constable to account for efficient and effective policing. This statement sits alongside the Statutory Accounts for the Chief Constable and gives assurance to the Commissioner of Derbyshire Constabulary's governance arrangements.

### **3. The Governance Framework**

- 3.1. The governance framework comprises the systems and processes, culture and values by which the Chief Constable is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Chief Constable to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 3.2. The Constabulary's governance framework was in place at the year-end 31<sup>st</sup> March 2019 and is expected to be up to the date of the approval of the Statement of Accounts 2018/19.
- 3.3. This statement has been prepared for the 2018/19 financial year to state Derbyshire Constabulary's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.
- 3.4. Derbyshire Constabulary has adopted a joint code of corporate governance with the Commissioner, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Section 6 of the Accounts and Audit Regulations (England and Wales) 2015 in relation to the publication of a statement on internal control. This is underpinned by the governance framework as follows.
- 3.5. A Joint Audit Risk and Assurance Committee (JARAC) is in place providing independent assurance to both the Commissioner and the Chief Constable on the adequacy (excluding Professional Standards) of:-
  - Risk Management and the internal control framework of the Commissioner and Chief Constable.
  - Governance arrangements including providing for value for money.
  - Support and review work of audit providing assurance on risk management, internal controls and the annual accounts.
  - Appointment of internal audit & recommendations on external audit provision.

- Appropriate scrutiny of annual accounts, with advice from External Audit, especially the financial reporting process.

#### **4. Corporate Governance Reporting and Processes**

- 4.1. Derbyshire Constabulary's Chief Officer Team, led by the Chief Constable, is responsible for ensuring Derbyshire Police has a corporate governance framework that reflects the principles of openness, integrity, accountability and equality, and supports the delivery of quality policing.
- 4.2. The governance framework enables Derbyshire Constabulary to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money. An annual review of this framework takes place and appropriate improvements are made to ensure that it remains fit for purpose. The Constabulary also carries out regular performance reviews, where each Chief Officer holds the Division or Department to account for their performance. This has been further augmented by the introduction of a Performance Assurance Board to provide additional focus on overall policing performance and a Change Board to approve and oversee significant projects.
- 4.3. 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 the Constabulary's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

#### **5. Organisational Structures and Processes**

- 5.1. Decision making structures are well established and are regularly reviewed to ensure they are fit for purpose. The Commissioner's Police and Crime Plan sets out policing priorities and the resourcing of those priorities. It reflects the areas of greatest importance locally, identified through consultation with the public, or where performance improvement is required. Our plan and our planning process are complementary to other partnership plans such as Community Safety Partnerships, Local Criminal Justice Board, Safeguarding Boards and Local Strategic Partnerships.
- 5.2. We work closely with our partners in order to ensure consistency and alignment where possible. The Chief Constable holds regular meetings, which are attended by the Constabulary's Chief Officer Team, Divisional Commanders and Heads of Departments and senior members of staff. These meetings are used to consult on and develop policy and ensure the engagement of the senior managers of the organisation in change. The Police and Crime Plan objectives are cascaded throughout the Constabulary via Divisional and Departmental briefings and included as appropriate in individual learning and development plans.
- 5.3. The Commissioner approves an annual budget for the Constabulary activity which is aligned to the Police and Crime Plan.

#### **6. The risk management process by which Derbyshire Constabulary identifies and seeks to prevent and mitigate key risks**

- 6.1. An infrastructure has been established to support the effective management of risk and ensure that information on risks is gathered and acted on in a consistent and efficient manner. The Risk Management Group annually reviews the Risk Management Policy Statement and policy guidance.

- 6.2. The Constabulary recognises exposure to a wide and diverse range of risks and opportunities in securing the delivery of priorities and objectives. All employees, volunteers, contractors and partners are responsible for identifying and managing risks as part of their role and the Director of Finance and Business Services, as corporate sponsor, ensures that risk management is supported and championed at Chief Officer Team level and throughout the Constabulary.
- 6.3. The Risk Management Policy provides clear guidance by which the Constabulary manages uncertainty in a structured and effective way. The risk management framework and infrastructure provide a solid foundation for risk management and standard for consistency ensuring that information on risks is gathered and acted upon in an efficient manner. This has been further augmented by the introduction of a new replacement computerised system to manage risks and enable greater analytical information of risks.
- 6.4. Risk management is fully embedded into the business planning process in order to identify the threat, harm and risk facing the Constabulary in order to prioritise and identify areas which need resourcing. The Constabulary maintains a hierarchy of risk registers for strategic, operational, project and programme risks. The strategic risks are subject to scrutiny by the JARAC.
- 6.5. The Risk Management Board, chaired by the Director of Finance and Business Services, meets quarterly to monitor changes to the Constabulary risk profile and process. The Commissioner has a risk champion who attends the meeting to maintain a strategic overview of risk management issues in the Constabulary. This is attended annually by a member of the JARAC.

## **7. Business Continuity**

- 7.1. Derbyshire Constabulary has robust plans in place to ensure business continuity following incidents. The Business Continuity Steering Group, comprising of relevant departmental representatives assist the Business Continuity Manager in developing the business continuity management process and respond to any business continuity crisis, as required.
- 7.2. Business Continuity arrangements involve close liaison with other partners and business continuity links have been strengthened with Derbyshire Fire & Rescue Service. Recent planning for Brexit also involved working with a wide range of partners across Derbyshire.

## **8. Insurance**

- 8.1. The Commissioner continues to maintain, develop and renew its insurance programme in order to minimise financial risks.

## **9. Health and Safety**

- 9.1. Derbyshire Constabulary takes very seriously its responsibility for the health and safety of all who attend the premises where the business of Derbyshire Constabulary is conducted or are affected by our undertaking. The overall responsibility for health and safety matters rests with the Chief Constable, who ensures that effective procedures and processes are in place.

## **10. Reviewing and updating standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required managing risks**

- 10.1. The Financial Handbook is reviewed and updated regularly to ensure it remains fit for purpose. Following the decision to appoint a Joint CFO for the Constabulary and DFRS, the financial rules will be further reviewed to ensure close alignment between the two organisations. Procedure notes and manuals are in place for all key systems and are also reviewed regularly. A Scheme of Delegation sets out financial authorisation levels for police officers and staff throughout the organisation. A Medium Term Financial Strategy is in place and is fully linked to the organisation's strategic objectives. At an operational level, rigorous and regular budget

monitoring takes place and a well-established fraud assurance programme is in place. Robust management of income collection and debt recovery continues.

## **11. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

- 11.1. Processes for ensuring compliance with relevant law and regulations are well established and work effectively. The Director of Finance and Business Support has statutory responsibilities in this regard, and Internal Audit provides an assurance function and an annual independent objective opinion on the control environment, comprising risk management, internal control and governance.
- 11.2. All reports to the Chief Officer Team and Project Boards together with all reports presented to the Commissioner must consider legal implications.

## **12. Determining the conditions of employment and remuneration of officers and staff, within appropriate national frameworks**

- 12.1. Processes for determining the conditions of employment and remuneration of officers and staff within appropriate national frameworks are well established. Modernisation of police pay reports go to the Chief Officer Team detailing financial impacts, risks and progress to date.
- 12.2. Regular equal pay reviews are undertaken and there is a focus on maintaining market competitive pay and benefits. The Constabulary operates an approved job evaluation scheme based upon role profiles for each post. Regular strategic and local consultation is undertaken with staff associations and trades unions.

## **13. Identifying the development needs of senior officers and staff in relation to their strategic roles, supported by appropriate training**

- 13.1. The Constabulary has an Annual Development Audit, which has been designed to take a more proactive approach to identifying, managing and monitoring work related and personal development objectives for all Police Officers and Police Staff.
- 13.2. Training programmes are available through the regional learning and development structure, the College of Policing, other professional bodies and external suppliers where appropriate.

## **14. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- 14.1. Derbyshire Constabulary is committed to ensuring our service meets the needs of the people of Derbyshire. Due regard has been taken of emerging stakeholder processes such as the Commissioner's Police and Crime Plan and the development of the 'Listening to You' campaign.
- 14.2. Over the last year this Communication has been further supported by an "Engage" initiative designed to promote greater visibility and interaction with citizens and communities across Derbyshire. This has recently morphed into the 'Safer Together' Campaign. A central theme of this is the development of a comprehensive engagement strategy, facilitated by the use of the 'Derbyshire Alert' communications system as a means of consulting and sharing information with our communities.

## **15. Whistleblowing and receiving and investigating complaints from the public and handling citizen and other redress**

- 15.1. A confidential reporting policy is in place to enable officers and staff to report any concerns about malpractice or unlawful actions without fear of recrimination.

- 15.2. The Commissioner has made a commitment to putting things right and has a range of policies in order to deal with public complaints. Complaints against the Chief Constable are dealt with by the Commissioner; complaints against police officers or police staff that are under the direction of the Chief Constable are dealt with by the Chief Constable.
- 15.3. Complaint handling in Derbyshire Constabulary is monitored in regular meetings between the Head of Professional Standards Department and the Chief Executive of the OPCC or the Independent Police Complaints Commissioner.
- 15.4. The Constabulary recognises that it does not always get things right. It is essential that we are open and willing to learn from our mistakes and encourage people to come forward to learn from failures. The Chief Constable has renamed the former "Professional Standards Department" to "Organisational Learning, Culture and Ehtics". This signals a renewed emphasis on the need to learn from mistakes. The Constabulary has also established an Ethics and Culture Group, which aims to provide support to decision makers and leaders on ethical issues.

## **16. Role of the Chief Finance Officer**

- 16.1. CIPFA have published a 'Statement of the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable', which describes the role and responsibilities of the CFO and sets out the five key principles that define the core activities and behaviours that underpin the role and the organisational requirements required to support them. There is an expectation that organisations will comply with the statement or explain their reasons for not doing so.
- 16.2. The five key principles are that the CFO: -
- Is a key member of the leadership team, helping it to deliver and implement strategy and to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest.
  - Must be actively involved in and able to bring influence to bear on all material business decisions (subject to the operational responsibilities of the Chief Constable) to ensure immediate and longer term implications, opportunities and risks are fully considered and align with the overall financial strategy.
  - Must lead and encourage the promotion and delivery of good financial management, so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
  - Must lead and direct a finance function that is resourced to be fit for purpose.
  - Must be professionally qualified and suitably experienced.
- 16.3. The Chief Finance officer undertakes the role in accordance with the arrangements detailed in the Home Office Financial Management Code and compliance with the CIPFA statement.

## **17. Standards of Behaviour**

- 17.1. Codes of conduct are in place for police officers and police staff. Relevant officers in the Constabulary are also subject to professional codes of conduct for their particular profession. For example the Chief Constable's Chief Financial Officer is bound by the code of the Chartered Institute of Public Finance and Accountancy (CIPFA), of which he is a member.
- 17.2. At least once a year, the Constabulary's policy on professional standards is reviewed by the Professional Standards Department and assessed based on its effectiveness and discrepancies over that period. Derbyshire Constabulary expects all members of staff to always be honest, truthful and sincere. We will uphold, administer and enforce all laws without bias or prejudice in a just, consistent and reasonable manner.

## 18. Review of Effectiveness and Conclusion

- 18.1. The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within Derbyshire Constabulary at least annually. This review is informed by the work of the Director of Finance and Business Services and managers within Derbyshire Constabulary who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2018/19 the Commissioner has placed reliance on this review and the Annual Governance Statement of Derbyshire Constabulary.
- 18.2. Internal Audit provided an independent opinion on the adequacy and effectiveness of the system of internal control and concluded that reasonable assurance can be given regarding the overall internal control environment, with no areas of concern identified by Internal Audit during 2018/19. The overall opinion is that 'adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisations objectives.
- 18.3. In the Annual Audit Letter for 2017/18, the External Auditor reported that he had issued an unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Constabulary's arrangements for securing economy, efficiency and effectiveness in use of resources. He also reported that he had not identified any significant weaknesses in the Constabulary's internal control arrangements.
- 18.4. The annual inspections of police effectiveness, efficiency and legitimacy (PEEL) undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) looked at three key areas. (*The assessment for Derbyshire Police is show in italics*)
- The extent to which the Constabulary is **effective** at keeping people safe and reducing crime (*GOOD*)
  - The extent to which the Constabulary is **efficient** at keeping people safe and reducing crime (*GOOD*)
  - The extent to which the Constabulary is **legitimate** at keeping people safe and reducing crime (*GOOD*)

A further review will be undertaken in 2019/20.

- 18.5. Following the last PEEL assessment, HM Inspector of Constabulary stated

'I am very pleased with the performance of Derbyshire Constabulary in keeping people safe and reducing crime. The force has sustained strong relationships with other public sector organisations and charities. They work well together to provide effective long-term safeguarding for vulnerable adults and children, including those experiencing mental ill-health. Specialist teams provide a good service to people affected by domestic abuse. The force is also successfully tackling complex issues such as modern slavery. It has capitalised on changes it made in late 2016 to how its workforce is organised and to the infrastructure supporting its services. It is in a stable financial position and has robust plans. The force understands and meets the expectations of the public. It has a strong ethical culture, and its values inform an innovative workforce appraisal system and the selection of its leaders. I commend Derbyshire Constabulary for another strong performance this year and am confident that this is set to continue.

- 18.6. HMICFRS subsequently carried out a Custody inspection and Crime Data integrity inspection for Derbyshire Police as part of a rolling programme of inspections across police forces over recent years. There were some immediate remedial actions required in respect of custody facilities which have now been actioned. However, the Crime Data integrity inspection highlighted serious shortcomings in the way crime data is recorded in many forces. The inspection for Derbyshire Constabulary, published in March 2019 concluded that its arrangements were inadequate. Derbyshire Constabulary has accepted the findings of the

report and is now taking rigorous steps to address them with a separate project team established to embed the change that is required.

18.7. We have been advised on the implications of the results of the review of the effectiveness of the governance framework by JARAC and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Having undertaken the review of governance, the following areas have been identified that are considered important in maintaining and strengthening the internal control environment. These areas will be tracked by the Constabulary and the JARAC over the next 12 months through its Assurance Map to ensure continuous improvement.

Governance Areas	Action
<p>The Constabulary is modelling the financial challenges in its Medium Term Financial Plan, considering the balance between investment, borrowing, reserves and savings</p>	<p>The 'worst case' scenario modelled in the Medium Term Financial Plan is a £6.3m deficit at 2022/23. However, this assumes an above average pay award and other standstill assumptions so this will be updated in the autumn through a revised strategy. The Force plans to use a further £6.5m from its reserves to 2022/23 but is developing a savings strategy to sustain the current investment and meet the funding gap.</p>
<p>The Constabulary is building closer links with Derbyshire Fire and Rescue Service with the decision to create a permanent joint CFO role as well as closer integration of Assets, Procurement and Fleet teams.</p> <p>As part of this closer working the Constabulary and Derbyshire Fire and Rescue Service will look at how they align their financial regulation and contract procedure rules, along with the potential to create more joint contracts for both organisations.</p>	<p>A management board has been formed, which is responsible for the management and control of the business and affairs of the LLP and oversees other opportunities to work together.</p> <p>The Joint CFO role will promote greater alignment and forge even stronger links between Police and Fire management boards.</p> <p>Both organisations have agreed a set of core principles which will be enshrined in a collaboration agreement that will formalise collaborative arrangements for Police and Fire</p>
<p>The Home Office's replacement of the Airwave network, titled the Emergency Services Mobile Communications Programme ESMCP, has a number of significant risks, including continued delays to implementation, failure to meet operational needs and unknown financial implications. It is important that robust programme management is in place to ensure major risks such as these are fully understood, so that appropriate action can be taken to minimise any potential impact on the Constabulary's ability to provide efficient and effective policing in Derbyshire.</p>	<p>The Constabulary has a robust Board structure in place to support the implementation of critical systems, which includes representatives from the regional project team.</p> <p>The Constabulary is also working with all other forces in the East Midlands Region to adopt a more consistent approach to this project and ensure that it has close links with the national project.</p>
<p>The Crime Data Integrity inspection highlighted the need to make significant changes to the way crime is recorded.</p>	<p>A project team has been established to implement a detailed improvement plan aimed at addressing the issues identified within the recent HMICFRS inspection</p>



Governance Areas	Action
<p>Constabulary is undertaking a wide range of projects to improve and develop the police estate so that it meets the future needs for policing across Derbyshire. It is essential that these programmes are co-ordinated and managed effectively.</p>	<p>A strategic estates board has been established to assess priorities for estates investment and oversee Estates projects.</p> <p>A new joint Estates team is being created with Derbyshire Fire and rescue service following the appointment of the Joint Head of Strategic Estates for the two organisations.</p>
<p>The Constabulary has an ambitious change management programme aimed at transforming the way that the Constabulary does business.</p>	<p>A change board has been established and programme management arrangements have been thoroughly reviewed.</p> <p>The Business Futures Department now has a stand-alone Business Change and Innovation Team. Investment has been made to ensure that there are the right resources with the right skills to deliver change across the organisation. This is supported by the creation of a Design Board chaired by the DCC. At this board, all change will be viewed, mapped and directed to ensure it is all developing the force in the right direction, improving services provided, co-ordinating effort, providing value for money and realising business benefits</p>
<p>The impact of the United Kingdom leaving the European Union remains uncertain and this will take some considerable time to assess at a national, regional and local level. At this stage the impact on Derbyshire Constabulary cannot be assessed with any accuracy.</p>	<p>The Constabulary will review the impact of BREXIT as more information becomes available and ensure that it is featured in its Business Continuity Assessments and Risk Management Plans.</p>
<p>Information management and the effective use of data is key to effective policing in the future. It is essential that the Constabulary has sound arrangement to analyse data and effective and appropriate data sharing protocols to protect against inappropriate disclosure.</p>	<p>The Constabulary has a governance structure in place to oversee this the effective use, sharing and storing of data through the DCC and Head of Information Management.</p>

**19. Declaration**

19.1. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will ensure that Derbyshire Constabulary's governance processes will remain effective in a changing environment. We will continue to monitor their implementation and operation.

Signed:

Signed:



**Chief Constable of Derbyshire  
Constabulary**

**Joint Director of Finance and Business  
Services**

Date: 31/7/19

Date: 31/7/19

## **DEFINITIONS**

### **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Agency and Contracted Services**

Services which are performed by, or for, another Authority or public body where the agent or contractor is reimbursed for the cost of work done.

### **Budget**

A statement of the Group's (financial) plans for a specific period of time. A budget is prepared and approved by the Commissioner prior to the start of the financial year. The Commissioner's budget is prepared on an out-turn basis which means that increases for pay and prices during the financial year are contained within the total budget figure.

### **Capital Adjustment Account**

The capital adjustment account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. It provides a mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

### **Capital Financing Requirement**

The Capital Financing Requirement represents capital expenditure financed by borrowing and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the Commissioner's underlying need to borrow for a capital purpose.

### **Chief Constable**

The Chief Constable is a separate corporation sole which was established on 22 November 2012 under the Police Reform and Social Responsibility Act 2011.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

### **Commutations and lump sum retirement benefits**

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

### **Contingent Assets/Liabilities**

A potential asset/liability at the balance sheet date when the accounts are submitted for approval. The asset/liability will be included in the balance sheet if it can be estimated with reasonable accuracy otherwise the asset/ liability will be disclosed as a note to the accounts.

### **Corporate and Democratic Core**

This represents the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

### **Creditors**

Amounts owed for work done, goods received or services rendered which have not been paid for by the end of the financial year.

### **Debtors**

Sums of money due for work done or services supplied but not received at the end of the financial year.

**Defined Benefit Scheme**

A pension or other retirement benefit scheme, with rules that usually define the benefits independently of the contributions payable and where the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passing of time or obsolescence through technological or other changes.

**Fixed Assets - Intangible**

Intangible assets are defined as 'non financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights', for example, software licences.

**Formula Grant Distribution System**

A mechanism by which Central Government determines how much Revenue Support Grant, Home Office Police Grant and Business Rates each local authority should receive in a given year to provide a common level of service. For the police service it is principally based on the resident and daytime populations, plus relevant socio-economic characteristics, for the area covered by an authority.

**Group**

The term Group refers to the Commissioner and the Chief Constable.

**Impairment**

A reduction in the value of a fixed asset below the amount shown on the balance sheet.

**Leasing**

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

- (a) finance leases which transfer all of the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.
- (b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the revenue account.

**Net Book Value**

The amount at which Plant and Equipment are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation.

**Non Distributed Costs**

The cost of discretionary benefits awarded to employees retiring early. These are overheads which are not charged or apportioned to activities within the service expenditure analysis in the Operating Cost Statement.

**Police and Crime Commissioner (PCC)**

The Police and Crime Commissioner (PCC), known as the 'Commissioner', is a separate corporation sole which was established on 22 November 2012 under the Police Reform and Social Responsibility Act 2011.

**Provision**

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

**Receipts and payments**

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

**Revaluation Reserve**

This reserve records the net gain (if any) from revaluations.