

**CHIEF CONSTABLE FOR DERBYSHIRE  
STATEMENT OF ACCOUNTS 2019/20**

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STATEMENT OF ACCOUNTS  
YEAR END 31 March 2020**

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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 2020.

### 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 and resolution 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 1,835 police officers, 179 PCSOs and 266 Specials/Volunteers and 1,389 staff in full-time and part-time positions (excluding staff of the Commissioner). Active recruitment plans 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 2019/20 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 2019/20 and provide an overview of the most significant matters reported in the accounts.

The 2019/20 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 2019/20. 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 & Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
- 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 2019/20 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 2020, (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 2019/20, 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 2020 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 2019/20 annual accounts are consistent with last year, no major changes have been necessary.

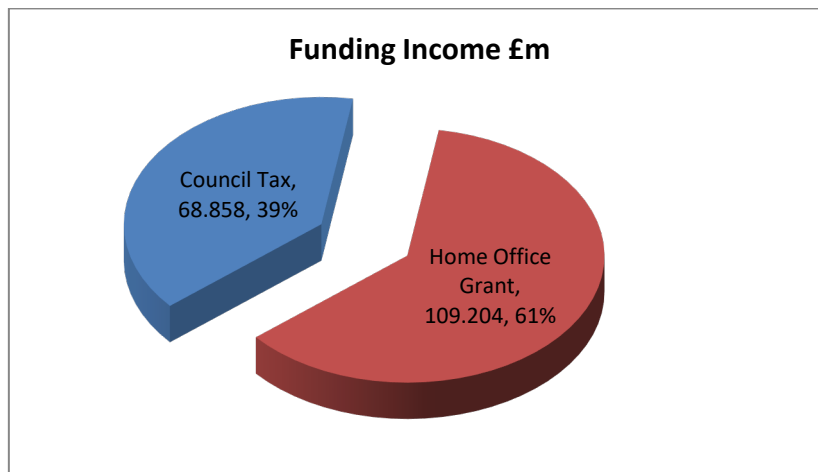
### **Other Contents**

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**

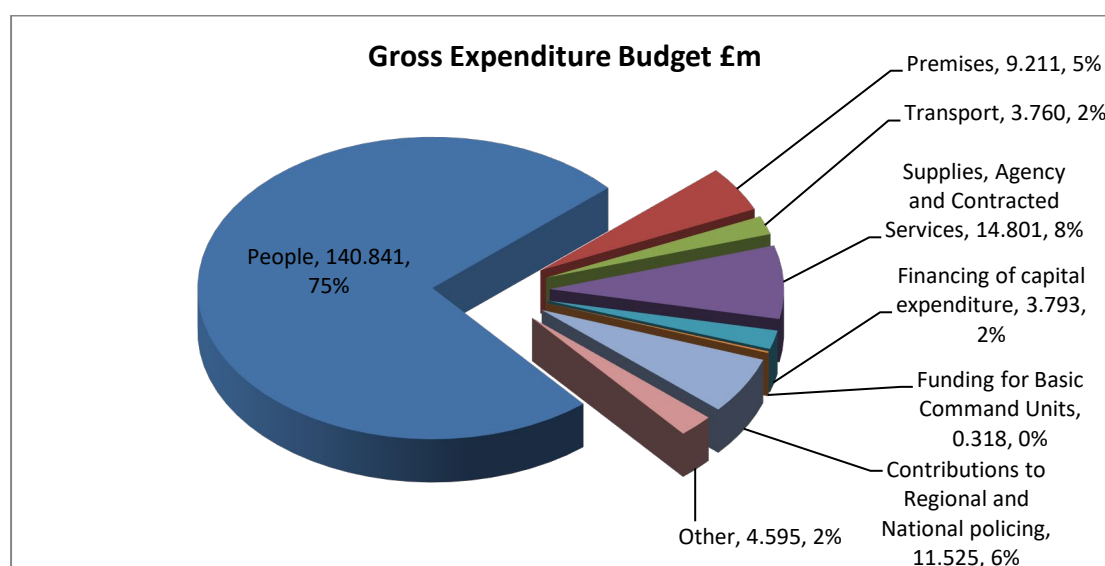
A revenue budget for 2019/20 was set at £178.062 million, an increase of 6.2% over 2018/19. The funding of the £178.062 million comprised central government formula funding (Police Specific Grant, Localising Council Tax Support Grant and Revenue Support Grant (RSG)) of £109.204m, and Council Tax of £68.858m. In addition, the budget includes £1.856 million pension support grant funding.



A total of £29.558m funding was also received from the Home Office to cover the police pension fund deficit for the year.

The consequent Council Tax for an average band D dwelling was £216.60, as the Commissioner increased the Council Tax Precept for 2019/20 by the maximum permitted of £24 (12.5% for a Derbyshire band D dwelling).

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. However, this investment has meant that by 31 March 2020 reserves have fallen to their lowest level since 2004, so that any further investment – which will undoubtedly be needed – will have to be funded by alternative means.

This year 2019/20 and the following year 2020/21 have seen a more pronounced increase in funding for the police. Whilst the government are providing the resources to implement its target of increasing police officer numbers by 20,000 over 3 years, most of this additional funding has 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 and the consequences on public finances of the Covid-19 pandemic has meant that the Government's 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 police forces are seeing rising crime levels and many crimes are becoming more complex and expensive to investigate.

### Revenue

The financial position for 2019/20, as set out in the table below shows a small under-spend of some £0.314m. However, this included planned use of reserves of some £3.124m 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. Indeed, during 2019/20 police officer numbers have begun to increase with funding awarded through the Home Office's Officer Uplift strategy.

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 now at their lowest level since 2004. This means that the Constabulary cannot readily 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 Expenditure Heading 2019/20</b>	<b>Revised Budget £000's</b>	<b>Actual £000's</b>	<b>Variance £000's</b>
Police Officer Pay & On Costs	96,102	96,655	553
Police Staff Pay & On Costs	43,667	43,146	(521)
Other Employee Expenses	1,120	1,069	(51)
Police Pensions	2,742	2,455	(287)
Premises	9,531	10,215	684
Transport	3,657	3,648	(9)
Supplies & Services	16,302	17,493	1,191
Agency	182	354	172
Pay & Price Contingency	0	0	0
Debt Charges	288	26	(262)
Revenue Contribution to Capital	2,056	2,056	0
Government Grants	(2,902)	(3,228)	(326)
General Income	(3,529)	(4,603)	(1,074)
Regional Units	11,048	10,935	(113)
Interest Receipts	(130)	(143)	(13)
Contributions to/from Reserves	(1,012)	(1,253)	(241)
BCU Fund	357	308	(49)
Regional and National Policing	115	(63)	(178)
Other Specific Grants	62	139	77
Partnerships	604	546	(58)
<b>Total for Derbyshire Constabulary</b>	<b>180,260</b>	<b>179,755</b>	<b>(505)</b>
Office of the Police and Crime Commissioner	2,782	2,973	191
<b>Total for Office of the Police and Crime Commissioner</b>	<b>183,042</b>	<b>182,728</b>	<b>(314)</b>
Contribution from Op Funding & Investment Reserve	(3,124)	(3,124)	0
<b>Total for Derbyshire Constabulary</b>	<b>179,918</b>	<b>179,604</b>	<b>(314)</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 £0.013m, bringing the total **underspend to £0.327m**.

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

**Police Officer Pay & Oncosts – £0.553m overspend.** This overspend can be broken down between:

Salaries, allowances and other oncosts	£0.170m
Overtime costs	£0.383m

Police officer recruitment was enhanced during the latter part of the year in line with the Home Office's Officer Uplift strategy. The force's agreed target was to increase its strength by 50 new officers by 31 March 2020, which was achieved. The overspend on salaries and oncosts was offset by government grant (see below).

The main variances against overtime budgets were as follows:

Crime Support	£0.117m
Major Crimes	£0.298m
Operational Support	£0.096m
Criminal Justice	£0.049m
Force provisions	(£0.192m)

These overspends reflect in particular a busy year in terms of the serious major crimes and major incidents that the force was required to investigate.

**Police Staff Pay & Oncosts – (£0.521m) underspend.** This underspend represents just over 1% of the annual budget for police staff pay costs, and reflects a higher level of vacancies in some areas than anticipated in the budget. This was partly a result of the focus on police officer recruitment as part of the Home Office's Officer Uplift strategy.

**Police Pensions – (£0.287m) underspend.** The force has to meet the additional cost of police officer retirement through ill-health compared to normal 'service' or 'age' retirement. Fewer officers retired on the grounds of ill health during the year than had been allowed for. The number 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.

**Premises – £0.684m overspend.** The main areas of overspending on Premises costs during the year were as follows:-

Repair and Maintenance work	£0.187m
Utility costs	£0.121m
PFI Fees	£0.261m

The annual charge for the South Division headquarters at St Mary's Wharf, which is leased under a PFI arrangement, included provision for backdated charges going back to 2015. These charges, estimated at £0.267m, relate to a regular exercise to 'benchmark' fees payable against those for similar schemes. The exercise can be initiated at specified intervals by either party, in this case the exercise being requested by the PFI provider.

**Supplies and Services – £1.191m 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 are: -

Equipment and related items	£0.130m
Uniforms	£0.234m
Appropriate Adult Service	£0.200m
Legal Fees and costs	£0.229m
Fees related to the investigation of crimes / suspicious deaths	£0.196m

- The additional expenditure on uniforms was influenced by the uplift in police officer numbers already referred to in other headings.



- The force has a statutory responsibility to provide 'Appropriate Adult' support to certain witness categories and this expenditure is partly met by contributions from Derbyshire County Council and Derby City Council (see 'General Income' below)
- Legal Fees expenditure includes a provision of £0.156m for expected costs arising from a service-wide claim against forces in relation to entitlement to overtime payments. This concerns the requirement for officers to return-to-duty at short notice in specific operational circumstances for which the court has made a ruling in favour of the claimants.

**Agency - £0.172m overspend.** £0.102m of this total relates to recharges from other forces for support to Derbyshire major crime investigations. Other forces also provided support to the major operation to protect the residents and properties of Whaley Bridge from a potential breaching of a reservoir dam during the summer of 2019.

**Debt Charge – (£0.262m) underspend.** This is mainly due to the Constabulary receiving a share of profits from the joint venture undertaken with Derbyshire Fire and Rescue Service.

**Government Grants – (£0.326m) additional received.** This includes £0.407m received as Derbyshire's share of the first tranche of Officer Uplift funding. The Home Office awarded a total of £28.8m to forces in 2019/20 with a target of recruiting 2,000 additional officers by March 2020. Derbyshire's share of this target, 50 officers, was achieved by the end of the financial year.

**Income – (£1.074m) additional generated.** Income generation is very difficult to forecast, 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: -

Local Authority Contributions	(£0.248m)
Proceeds of Crime Income	(£0.307m)
Vehicle Recovery Contract	(£0.077m)
Cost Recovery Income	(£0.305m)
Mast Rental Income	(£0.080m)

- Of the additional Local Authority Contributions £0.192m relates to the Appropriate Adults scheme referred to above
- Proceeds of Crime Income is distributed by the Home Office via a formula and is dependent on the level of activity occurring across the country. This can vary widely. For example, Derbyshire's quarterly re-imbursement in 2019/20 ranged from £5k to £115k.
- Much of the additional cost recovery income was earned by the Human Resources department (£0.108m) for services provided to Leicestershire Police and Derby University. A further £0.053m came from a recharge to Derbyshire Fire and Rescue Service for the shared implementation of a new fleet management system.

**Regional Units – (£0.113m) underspend.** This underspend was spread across a range of regional units and activities.

**Devolved Budgets to Local Command Teams (BCU Fund) – (£0.049m) underspend.** The underspend reflects the timing of the delivery of projects for which orders have been placed but will be not spent until the following year.

**Contributions to National Policing – (£0.178m) underspend.** This is mainly the result of an underspend of £0.098m occurring against the funding held behalf of the NPCC's Financial Crime portfolio-holder. A further £0.069m of the total underspend relates to activities towards enforcing football-banning orders.

**Recharged – £0.077m overspend.** The surplus on the CREST Partnership's accounts for 2018/19 was £0.108m and this was be paid over to Derbyshire County Council during 2019/20.

**Partnerships – (£0.058m) underspend.** The underspend reflects the timing of the delivery of specific partnership projects.

**Office of the Police and Crime Commissioner – £0.191m overspend.** The outturn position was mainly a consequence of additional allocations of grant made by the PCC to bodies promoting community safety, the welfare of victims and restorative justice.

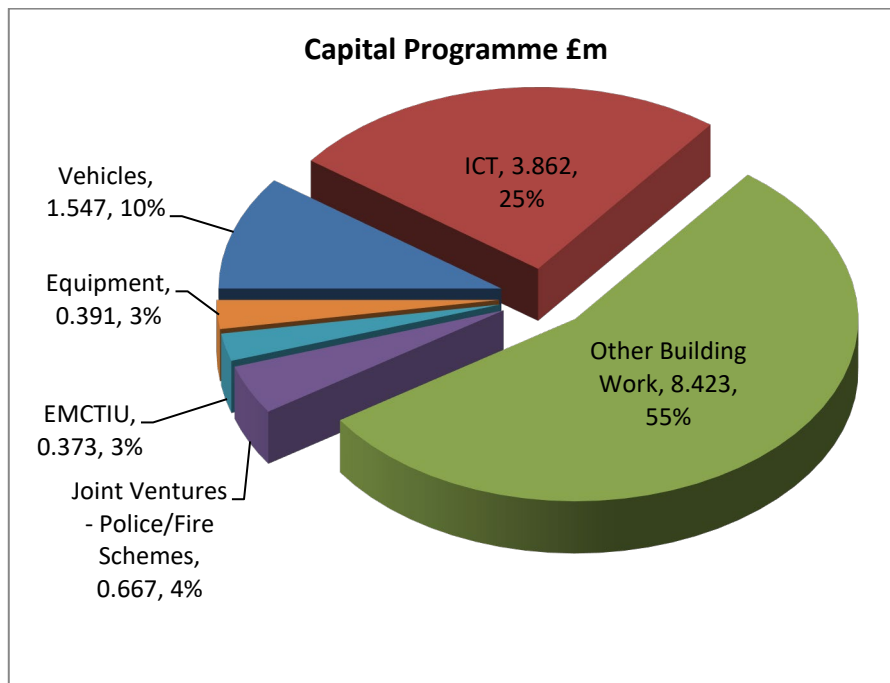
### **Capital Programme**

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 2019/20 was £15.263m and was allocated as follows:-



Actual expenditure against the programme totalled £10.158m, which was made up of the following: -

	£m
Co-Locations with Fire	0.653
Major Building Schemes	1.925
Other Building Schemes	2.084
Equipment and Vehicles	1.838
IT and Communications	2.345
East Midlands Counter-Terrorism Intelligence Unit	0.325
National Cyber Crime Project	0.988
<b>Total</b>	<b>10.158</b>

This expenditure was funded by: Borrowing (£4.229m), External Grant and Contributions (£3.215m), Revenue Contributions (£2.461m) and Capital Receipts (£0.253m).

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 £0.191m, increasing total capital expenditure to £10.349m. This was funded from Reserve/Revenue Contributions.

#### Main Capital Variances to Budget

**Major Building Schemes (£2.575m) underspend** – There are two major schemes in the Capital Programme, Derby East Local Policing Unit (LPU) and North East Division Accommodation. Both schemes were delayed. The land for Derby East LPU was purchased in December 2019 and enabling works commenced thereafter. Work is continuing with legal and land agents for the North East Division Accommodation to ensure that these works progress.

**Other Building Schemes (£1.861m) underspend** – Various schemes have been delayed but will be completed in 2020/21 such as Locker Rooms at Wyatt's Way, St Mary's Wharf Custody works, Contact management and resolution Centre extension, Refurbishment for Taser Training and other minor schemes.

**Equipment and Vehicles (£0.588m) underspend** – Orders have been raised for vehicles but the cars were not delivered until 2020/21. The replacement of Body Armour has been delayed. Budget was also included for a replacement Tannoy System at Headquarters and for the purchase of Drones, the purchase of these were delayed.

**IS Schemes (£1.431m) underspend** – Phase one of the Call Centre Telephony System was completed in 2018/19, phase 2 regarding the control works upgrade has commenced and will continue into 2020/21. Other schemes are progressing and will be completed in 2020/21 such as the purchase of Body Worn Video and Digital Interview Recording Units.

**National Cyber Crime Project £0.988m overspend** – This is spend on the National Cyber Crime Project, the expenditure was matched by grant from the Home Office. No capital budget was included for this project as spend could be either revenue or capital. The Chief Constable is the National Police Chiefs Council (NPCC) lead for Cyber Grant.

## Non-Financial Performance

2019/20 saw an increase in recorded crime of over 30 per cent, recording an additional 19,000 offences compared to the previous year. This followed a number of years of smaller increases in recorded crime. The increase this year however was predominantly due to a change in recording practice in the force. Following the Crime Data Integrity (CDI) audit by Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS), it was identified that there were a number of areas where recording required improvement. Following this audit, recording practices were amended and this resulted in a significant increase across the force area.

Not all areas were impacted to the same extent by the changes in recording practices. Acquisitive crime saw reductions in reporting across the majority of the different crime types. Residential Burglary saw a fall of over nine per cent and shoplifting fell by nearly seven percent. Vehicle crime and theft from the person saw small falls of three and two per cent respectively.

Categories of recorded crime that saw the majority of the increases in relation to the impact from the CDI audit were – Public Order, Violence Against the Person, Sexual Offences and Robbery. Public Order recorded a 180 per cent increase in recording and Violence Against the Person saw an increase of over 70%. Both of these areas are large volume areas for the force.

Domestic Abuse recorded crime, which is a subset of recorded crime as it sits across a number of the crime types, was also substantially impacted by the improvements in recording seeing a 94 per cent increase on the previous year. There was a fall in Domestic Abuse recorded non-crime however of nearly 3,500 offences which were recorded as crime following the changes.

Anti-social behaviour incidents have also fallen by nearly a third in the latest fiscal year as a proportion of these would have also been converted into recorded crimes following the changes.

A large proportion of the demand for Derbyshire sits outside of the areas covered above. Whilst the above references our recorded crime changes, there has been significant uplifts in demand in the Safeguarding arena too. There has been uplifting in demand for Safeguarding Adults, Safeguarding Children, Domestic Abuse, Cyber and Online crime to name just a few growing areas of demand.

Whilst these areas may only factor in a small amount of the recorded crime figures, they account for a large amount of the complex demand on the force. In addition to this, a large proportion of the investigation and prevention work in these areas is not visible to the public on a day to day basis. The complexity of these types of demand is growing all the time, with new and emerging areas being identified.

## Outlook for 2020/21 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: -

Priority Areas	
<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>

## Cost of Policing

'Cost of Policing' is Derbyshire Constabulary's approach to ensuring we clearly define and maintain our understanding of the forces operating model and its costs, whilst proactively considering and detailing options for change.

Through understanding our structures, resourcing levels and associated costs, aligning these to the services we provide, it provides an ability to understand demand in terms of allocation of resources. Moving to a position where we assess and map options for change as business as usual based on this understanding enhances our approach to budget management and business change, reducing the scale and need for 'one-off' savings projects.

Finally, through adopting a decentralised approach to better understand the cost of our services and planning for the future, it supports our commitment to develop our workforce in terms of financial management and strategic workforce planning skills.

## Brexit

The United Kingdom exited the European Union on 31 January 2020. Whilst transitional arrangements remain in place, the eventual position on Brexit (including whether the UK exits the EU with or without a trade deal) post 31 December 2020 does mean that the longer term economic and political impact is still uncertain. It is too early to predict the impact on the financial statements and there is likely to be significant ongoing uncertainty for some time. The PCC and Chief Constable will continue to review the impact in the coming months and plan for all eventualities.

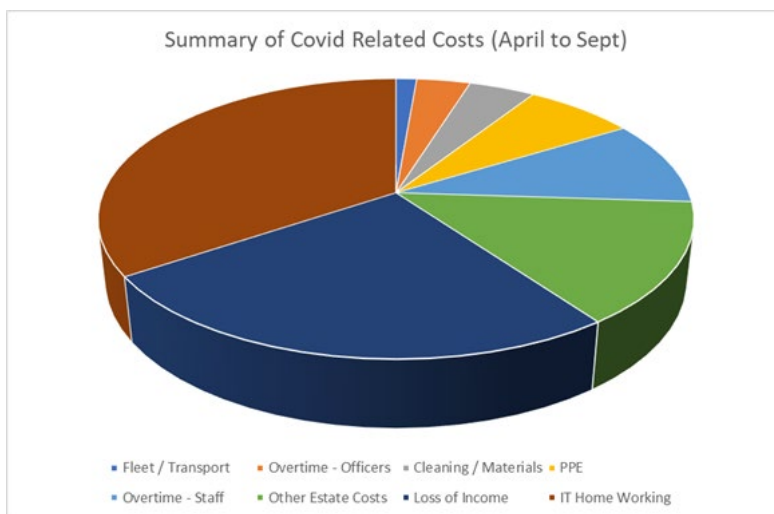
## COVID 19

The World Health Organisation declared the outbreak of the Novel Coronavirus (Covid-19) as a Global Pandemic on 11<sup>th</sup> March 2020. Subsequent measures that were put in place by the UK Government have had a significant impact on the economy, our communities and our Police Officers and staff.

It is not clear what the medium to longer term implications will be for the Constabulary, but at the time of publishing the accounts, the provision of key services has remained strong whilst policing activity and performance remains efficient and effective. Some projects have been put on hold and capital schemes will be reviewed for any future financial and resourcing impacts.

The financial impact of COVID-19 has been tracked since March 2020 and is estimated to be to £3.3m at the end of September 2020, including £1.2m of opportunity costs. The recorded cost for 2019/20 was £594,862 which included £338,792 of opportunity costs.

The majority of costs relate to IT purchases (laptops) to enable more agile and home working where practical and possible, PPE supplies and estate changes to make our buildings Covid-19 secure. We have also seen a considerable drop in fee income and investment income as a direct result of the pandemic.



To date, the Government has reimbursed the cost of medical grade PPE (£221k) and announced the Income Loss Recovery Scheme to cover up to 75% of lost income from fees and charges. A claim of £99k has been submitted for loss of income for the period April to July.

Whilst it is still difficult to predict the longer term social and financial impact from the pandemic we can now start to analyse our Covid-19 related costs to consider the real term financial impact on our budgets.

The net additional cost is estimated to be £2.1m when we exclude the opportunity costs and Covid-19 related savings. If we consider the Capital costs of IT and Estates as enhancing the assets or increasing the value of assets held and net off the Government subsidies, together with direct savings from not policing major events which attract fee income, the net cost to the force is reduced to £0.3m or 9% of the total additional costs. Whilst this is not an exercise to minimise the level of Covid-19 related costs, it does provide a level of assurance as to the financial impact in real terms on our budgets.

<b>The Real Financial Impact from Covid Related Costs</b>	
	£
<b>Total Additional Costs</b>	<b>3,468,978</b>
Less: Productivity / Opportunity Costs	- 1,230,043
Less: Covid Savings (reduced expenditure)	- 131,521
<b>Net Costs:</b>	<b>2,107,414</b>
Less: Capital costs (IT / Estates)	1,083,961
Income loss Recovery	194,525
Income loss Savings	280,345
PPE Reimbursement	221,192
<b>Net Financial Impact on Budget</b>	<b>327,391</b> 9%

The Government has recently announced additional measures to mitigate the future financial impact of any reduction in Council Tax collection levels, with any deficits being spread evenly over a three-year period (2021/22 to 2023/24). Engagement and modelling is taking place with the local authorities to understand the effect on collection rates and the gauge the future financial impact.

The continued impact of Covid-19 will be considered as part of our financial assumptions being made within the Medium-Term Financial Plan as we develop the best, worst and likely case scenarios.

### **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 £2,142m in 2019/20 (2018/19 £2,320m). 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.

An effective governance and performance framework exist to ensure that the collaborations continue to operate efficiently and effectively and to demonstrate value for money.

#### *(ii) Joint Venture and collaboration – 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 developed.

Derbyshire Constabulary has embraced the benefits brought by closer collaboration with the Fire and Rescue Service with a Collaboration Board to manage the projects with PCC, Chair and Chief Officer representation.

The Force has a joint headquarters building and Training Centre with Derbyshire Fire and Rescue Service. There is a single director for finance shared between the police and fire service, a joint Head of Strategic Assets and now a joint Property team. The property asset management plan sets out the service's vision for expanding the number of shared stations over the next three years. The sharing of estates with Derbyshire Fire and Rescue Service has saved the significant costs in refurbishing or re building existing police stations and is captured in the Asset Management Plan. A further £200,000 of savings has been achieved by collaborating with the Fire and Rescue Service in other areas, such as shared roles and systems. There are three co-locations with more planned which reduces the property costs for both and provides better value for money to the public. It also increases the familiarity between emergency personnel, which helps them work better together when needed. Finally, co-location enables better information sharing, which improves the service to the local community.

The Force also works closely with the Fire and Rescue Service on procurement and they consider jointly seeking bids for all contracts where there are joint needs. Examples of savings made due to these arrangements include alignment of waste management, saving approximately £9,000 per year, and shared photocopying arrangements, saving approximately £30,000 over the length of the contract and significant joint procurement of a new transport system, Travel and Accommodation system, banking arrangements, insurance arrangements, tax advice, employee reward system and asset management system.



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

**26<sup>th</sup> February 2021**



## 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

**Rachel Swann**  
**Chief Constable**

Date: 26<sup>th</sup> February 2021

### 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 2020 and of its income and expenditure for the year ended 31 March 2020.



Signed

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

Date: 26<sup>th</sup> February 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR DERBYSHIRE**

### **Opinion**

We have audited the financial statements of the Chief Constable for Derbyshire for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable for Derbyshire Comprehensive Income and Expenditure Statement;
- Chief Constable for Derbyshire Balance Sheet;
- Chief Constable for Derbyshire Movement in Reserves Statement;
- Chief Constable for Derbyshire Cash Flow Statement;
- and the related notes 1 to 19;
- Statement of Accounting Policies; and
- Chief Constable for 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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Derbyshire as at 31 March 2020 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 2019/20.

### **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 Chief Constable'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 and annual governance statement, 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 April 2020, we are satisfied that, in all significant respects, the Chief Constable for Derbyshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **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 16, 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 2019/20, 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 April 2020, 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 2020.

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 for 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.

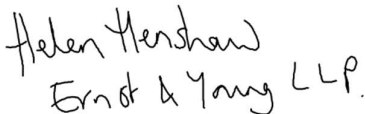
We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects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



Helen Henshaw  
Ernst & Young LLP.

Helen Henshaw (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Birmingham  
1 March 2021

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# 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.

In constructing the Going Concern position, the PCC Group considered the Covid-19 position as follows:

The concept of a going concern assumes that the functions of the Constabulary will continue in operational existence for the foreseeable future. The provisions in the Code (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which policing services operate. These provisions confirm that, as policing services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Policing services carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a police authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a police authority and service will continue to operate for the foreseeable future.

As at the end of October 2020, the net cost of COVID-19 stood at £2.2m which includes £0.25m falling in 2019/20 which was offset by in-year underspends. Until an effective vaccine is in place, additional costs are expected to be incurred, albeit at much lower levels than those incurred at beginning of the pandemic. There are no significant unexpected contract costs being incurred by the Constabulary or as a result of supplier failure. All additional PPE requirements are now funded through Central Government.

To date, the Government has reimbursed the cost of medical grade PPE (£221k) and announced the Income Loss Recovery Scheme to cover up to 75% of lost income from fees and charges. Government Surge funding of £424k is now expected to cover any additional policing costs relating to enforcing the Covid-19 restrictions.

The cost projections have been reviewed on a weekly basis throughout the crisis and will continue to be monitored closely. Whilst costs continue to be incurred there is no expectation that these will cause concerns with regard to the ongoing financial viability of Derbyshire Constabulary. Councils are anticipating a potential deficit on the Collection Fund for Council Tax due to reduced collection rates and a decrease to the taxbase (number of properties paying council tax). However, this will not affect the PCC's income in 2020/21. Under normal circumstances, any deficit arising on the Collection Fund would be declared during 2020/21 and distributed in 2021/22. However, the Ministry of Housing, Communities and Local Government (MHCLG) has announced a phasing scheme that allows deficits arising in 2020/21 to be repaid over 3 years rather than 1, smoothing the impact across 2021/22, 2022/23 and 2023/24.

We recognise that there remains uncertainty over the longer-term impact of Covid-19 resulting from additional costs incurred, loss of fee income and a reduction in Council Tax funding. A number of financial scenarios have been explored and will continue to be evaluated during 2020/21 to consider the financial impact on the Medium-Term Financial Plan. With forward planning and cost mitigation there is expected to be minimal impact on the general reserve balance as a result of Covid-19 related costs.

Based upon the latest assumptions cash flow forecasts have been prepared out to the end of March 2022, which indicate that the Constabulary does not expect to borrow for cash flow purposes. The assumptions used in the Medium-Term Financial Plan (MTFP) and Reserves Strategy will be revised as necessary ahead of the next budget-setting round and reported to the Strategic Priorities Assurance Board. The forecast level of usable reserves as at 31 March 2022 is £12.861m.

Based on our assessment of the financial and liquidity position of the PCC Group following the Covid-19 outbreak, there are no material uncertainties or concerns on the basis of preparing the 2019/2020 financial statements or on the ability to continue to operate as a going concern for a period of 12 months from the date of approval of these financial statements.

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 2020.

### **Cost and income intra-group recognition**

All external income is received by the Commissioner (PCC), the PCC holds the Police Fund and all related financial reserves and cash balances. The PCC provides an annual budget to the Chief Constable. All resources consumed at the request of the Chief Constable are funded by the PCC, including the wages of police officers and staff, and no actual cash transactions take place between the two entities.

From an accounting perspective costs and income are recognised in the accounts of the Chief Constable to reflect the financial resources consumed and economic benefit derived in the direction and control of day to day policing at the request of the Chief Constable to deliver the Police and Crime plan. For example, an economic benefit is recognised to reflect the utilisation of PCC owned fixed assets which mirrors depreciation of property.

Any costs and income relating to the Office of the PCC and the commissioning activities of the PCC remain in the Comprehensive Income and Expenditure Statement (CIES) of the PCC.

An intra-group funding adjustment is recognised in the CIES of the accounts of the Chief Constable to represent a recharge from the PCC for the costs and income consumed by the Chief Constable. This is cancelled out with a corresponding entry in the CIES of the PCC when the Group accounts are consolidated.

In addition the accounts for the Chief Constable reflect the employment and post-employment liabilities in accordance with IAS19 which states that liabilities relating to these benefits should follow the cost of employment.

The Chief Constable's Total CIES reflects the movement in the Chief Constable's unusable reserves as all other net expenditure is met by a transfer of resources from the PCC and no usable reserves are held by the Chief Constable.

### **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 asset 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 31% 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 Unitised 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 rata 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 2019/20 the new standards that need to be reported relates to amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures, Annual Improvements to IFRS Standards 2015-2017 Cycle and amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. 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 2019/20 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 2020 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 £199m. If pension increases were to be 0.5% higher per year this would increase the liability by 8.0% (£159m). However, the assumptions interact in complex ways. For example, during 2019/20 the Police Pension Scheme liability decreased by £42.8m as a result of experience changes, decreased by £67.4m as a result of the updating of actuarial assumptions for financial reasons and decreased by £65.8m 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 year. Recent reviews of public sector pensions have led to changes in benefits payable, employee contribution

	<p>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 £0.014m of the figure of £1.846m.</p>	<p>If the amount of flexi leave for police staff increased by 10% this would increase the balance by £0.001m. 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.

2018/19				2019/20		
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	194,269	194,269	Policing Services	0	221,613	221,613
0	333	333	Corporate and Democratic Core (Chief Constable)	0	317	317
0	89,959	89,959	Non Distributed Costs	0	(10,938)	(10,938)
<b>0</b>	<b>284,561</b>	<b>284,561</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>0</b>	<b>210,992</b>	<b>210,992</b>
0	(170,773)	(170,773)	Intra-group Funding	0	(181,456)	(181,456)
<b>0</b>	<b>113,788</b>	<b>113,788</b>	<b>Cost of Policing Services</b>	<b>0</b>	<b>29,536</b>	<b>29,536</b>
0	21,594	21,594	Other Income and Expenditure	0	27,680	27,680
<b>0</b>	<b>135,382</b>	<b>135,382</b>	<b>Surplus or Deficit</b>	<b>0</b>	<b>57,216</b>	<b>57,216</b>
0	85,078	85,078	Other Comprehensive Income and Expenditure	0	(233,549)	(233,549)
<b>0</b>	<b>220,460</b>	<b>220,460</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(176,333)</b>	<b>(176,333)</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 31.

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

This statement shows the accounting cost in the year of the resources consumed by the Chief Constable in delivering the Police and Crime plan for Derbyshire. It is prepared using generally accepted accounting principles. In practice all the respective costs and income are paid for/received by the Commissioner (PCC) other than those reversed through the Movement in Reserves Statement. The CIES includes the intra-group funding adjustment from the PCC. This is cancelled out with a corresponding entry in the CIES of the PCC when the Group accounts are consolidated.

Chief Constable For the year ended 31 March 2019				Chief Constable For the year ended 31 March 2020		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
222,657	(28,388)	194,269	Policing Services	258,386	(36,773)	221,613
333	0	333	Corporate and Democratic Core	317	0	317
89,959	0	89,959	Non Distributed Costs	(10,938)	0	(10,938)
<b>312,949</b>	<b>(28,388)</b>	<b>284,561</b>	<b>Cost of Policing Services before revaluations/funding</b>	<b>247,765</b>	<b>(36,773)</b>	<b>210,992</b>
(199,161)	28,388	(170,773)	Intra-group funding	(218,229)	36,773	(181,456)
<b>113,788</b>	<b>0</b>	<b>113,788</b>	<b>Cost of Policing Services</b>	<b>29,536</b>	<b>0</b>	<b>29,536</b>
0	438	438	(Gains) or Losses on the Disposal of Non-Current Assets	0	245	245
949	0	949	Levies to national police services	1,130	0	1,130
(949)	0	(949)	Intra-group Fund adjustment (Levies to national police services)	(1,130)	0	(1,130)
			<b>Financing and Investment Income and Expenditure</b>			
53,594	0	53,594	Police Pensions Interest Cost	56,993	0	56,993
			<b>Taxation and Non-Specific Grant Income</b>			
0	(32,438)	(32,438)	Police Officer Pension Grant	0	(29,558)	(29,558)
<b>167,382</b>	<b>(32,000)</b>	<b>135,382</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>86,529</b>	<b>(29,313)</b>	<b>57,216</b>
		0	(Surplus) or Deficit on Revaluation of Non-Current Assets			0
		85,078	Actuarial (Gains) or Losses on Police Pension			(233,549)
		0	Effects of Business Combinations			0
		<b>85,078</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(233,549)</b>
		<b>220,460</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(176,333)</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-19		Note	31-Mar-20
£000			£000
14,508	Plant and Equipment	11	14,316
6,004	Intangible Assets	12	5,264
<u>20,512</u>	<b>Long-Term Assets</b>		<u>19,580</u>
6,236	Short-Term Debtors - Intra group Debtor		5,347
0	Cash and Cash Equivalents		0
0	Assets Held for Sale (< 1 yr)		0
<u>6,236</u>	<b>Current Assets</b>		<u>5,347</u>
0	Short-Term Borrowing		0
(6,236)	Short-Term Creditors - Intra group creditor		(5,347)
(1,307)	Short-Term Creditors - Accumulated Absences		(1,846)
<u>(7,543)</u>	<b>Current Liabilities</b>		<u>(7,193)</u>
0	Long-Term Provisions		0
0	Long-Term Borrowing		0
(2,319,897)	Other Long-Term Liabilities - Pension Scheme	10a	(2,142,093)
0	Donated Assets Account		0
0	Capital Grants Receipts in Advance		0
<u>(2,319,897)</u>	<b>Long-Term Liabilities</b>		<u>(2,142,093)</u>
<u>(2,300,692)</u>	<b>Net Assets/(Liabilities)</b>		<u>(2,124,359)</u>
0	Usable Reserves		0
1	Unusable Reserves - Revaluation Reserve	16	1
20,511	Unusable Reserves - Capital Adjustment Account	16	19,579
(2,319,897)	Unusable Reserves - Pension reserve	16	(2,142,093)
(1,307)	Unusable Reserves - Accumulated Absences Reserve	16	(1,846)
<u>(2,300,692)</u>	<b>Total Reserves</b>		<u>(2,124,359)</u>

### Certification

The financial statements were authorised for issue on the 26th February 2021.



26th February 2021

## MOVEMENT IN RESERVES STATEMENT 2019/20 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.

	General Reserve Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000
			16	
<b>Note</b>				
<b>Balance as at 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>(2,300,692)</b>	<b>(2,300,692)</b>
<b>Total Comprehensive Income and Expenditure</b>	176,333	176,333	0	176,333
Adjustments between accounting basis and funding basis under regulations				
- Depreciation and Impairment of non-current assets	6,034	6,034	(6,034)	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	245	245	(245)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme	(177,804)	(177,804)	177,804	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	(5,347)	(5,347)	5,347	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	539	539	(539)	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>(176,333)</b>	<b>(176,333)</b>	<b>176,333</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>0</b>	<b>0</b>	<b>176,333</b>	<b>176,333</b>
<b>Balance as at 31 March 2020 carried forward</b>	<b>0</b>	<b>0</b>	<b>(2,124,359)</b>	<b>(2,124,359)</b>

## 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.

	General Reserve Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000
			16	
<b>Note</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>

## 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-19 £'000		31-Mar-20 £'000
135,382	Net (Surplus) or Deficit on the Provision of Services	57,216
	<b>Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements</b>	
(3,906)	Depreciation of Non-Current Assets	(4,283)
(1,264)	Amortisation of Intangible Assets	(1,751)
6,236	Capital expenditure funded by PCC Intra-group funding	5,347
224	(Increase)/Decrease in Creditors - accumulated absences	(539)
(136,234)	Pension Liability	(55,745)
(438)	Carrying Amount of Non-Current Assets Sold	(245)
<u>(135,382)</u>		<u>(57,216)</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

The Cashflow Statement has been presented using the Indirect Method.

## 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 30) takes net expenditure that is funded from resources and reconciles it to the Comprehensive Income and Expenditure Statement (CIES page 31). 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 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>

<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 2019/20</b>	<b>Net Change for the Pensions Adjustments 2019/20</b>	<b>Other Differences 2019/20</b>	<b>Total Adjustments 2019/20</b>
<b>2019/20</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	688	39,247	181,678	221,613
Corporate and Democratic Core Chief Constable	-	-	317	317
Commissioning Activities by the PCC	-	-	-	-
Non Distributed Costs	-	(10,938)	-	(10,938)
<b>Net Cost of Services before revaluations/funding</b>	<b>688</b>	<b>28,309</b>	<b>181,995</b>	<b>210,992</b>
Intra-group funding	-	-	(181,456)	(181,456)
<b>Net Cost of Services</b>	<b>688</b>	<b>28,309</b>	<b>539</b>	<b>29,536</b>
Other operating expenditure	245	-	-	245
Financing and Investment income & expenditure	-	56,993	-	56,993
Profit & Loss on Joint Ventures	-	-	-	-
Taxation & Non-specific grant income & expenditure	-	(29,558)	-	(29,558)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>933</b>	<b>55,744</b>	<b>539</b>	<b>57,216</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 Expenditure and Income Analysed by Nature

This note provides an alternative breakdown of the cost of services based on how expenditure is allocated for decision making purposes. 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.

It should be noted that this analysis includes some items within cost of services that are not required to be charged against the general fund for council tax purposes.

Chief Constable 2018/19		Chief Constable 2019/20
£'000	Financial Resources of the Commissioner consumed at the request of the Chief Constable	£'000
78,941	Police Pay & Allowances	82,421
58,069	Police Staff Pay & Allowances	65,934
1,425	Other Employee Expenses	2,118
34,470	Police Pensions (Current Cost) -see note 9	49,820
8,182	Premises	8,960
4,193	Transport	4,211
24,906	Supplies & Services	29,880
6,314	Agency & Contracted Services	6,946
6,407	Depreciation & Cost of using Commissioner's Property	7,537
83	Revenue Expenditure Funded from Capital under Statute	876
89,959	Non Distributed Costs	(10,938)
<b>312,949</b> (28,388)	Income from fees/charges and Special Government Grant	<b>247,765</b> (36,773)
<b>284,561</b>	<b>Net Cost of Policing Services</b>	<b>210,992</b>

In 2019/20 the Police and Crime Commissioner increased his band D council tax by £24 for Derbyshire households. This increase in funding was primarily used to recruit to 58 new police officer posts and 62 new police staff posts. A further 50 new officers were recruited under the Home Office's Officer Uplift strategy. The costs of these initiatives are reflected in the above table. Police Staff Pay & Allowances also include the Current Service Cost of pension benefits which increased by £4.1m over 2018/19 (see note 9).

The Chief Constable is National Police Chiefs Council (NPCC) lead for Cyber Crime. 2019/20 was the second year in which Derbyshire was able to access funding from the Home Office to build Cyber Crime capabilities in all forces. £12.6m in revenue grant and £1.0m in capital grant was received compared to £7.6m revenue and £1.9m capital in 2018/19. The increase in grant is reflected in the Income line of the above table while most of the corresponding expenditure is within Supplies and Services.

#### 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 2019/20, £119,669 was spent on rental payments for Hired Photocopiers (£117,933 in 2018/19). £170,510 was spent in 2019/20 on rental payments for Livescan units (an electronic system for taking fingerprints). £147,767 was spent in 2018/19. This reflects the increase in costs of the national contract.

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

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

	£'000	
	2018/19	2019/20
Within 12 Months	687	696
Later than 1 year and not later than 5 years	1,559	1,198

##### Land and Buildings

A number of buildings are leased and are accounted for as an operating lease. In 2019/20, £891,885 was paid for the lease of land and buildings (£844,992 in 2018/19).

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

	£'000	
	2018/19	2019/20
Within 12 Months	803	918
Later than 1 year and not later than 5 years	2,570	3,562
More than 5 years	10,551	11,227

##### 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 2019/20 was £5,013 (£5,016 in 2018/19). A further £322,364 was received for mast rental in 2019/20 (£123,903 in 2018/19). The 2019/20 figure includes backdated income from the mast operator.

#### 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.

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.

2019/20							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration 2019/20 £
Chief Constable (CC)	1,2,3	151,317	4,935	15,539	9,755		181,546
Deputy CC Derbyshire	4	124,830	2,910	94	7,305	38,697	173,836
Deputy CC Collaboration	5	124,830	3,376	500	5,323	38,697	172,726
ACC Crime & Territorial Policing	6	115,131		660	6,520	35,690	158,001
Temporary ACC Operational Support		104,885	3,667		4,950	27,466	140,968
Director of Finance	7	21,656	1,750	45,014		2,794	71,214
Director of Finance	8	74,165			4,912	9,567	88,644

Note 1 - As the total remuneration for 2019/20 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 – As the total remuneration for 2019/20 has exceeded £150k the regulations require Ms R Swann be named.

Note 5 - As the total remuneration for 2019/20 has exceeded £150k the regulations require Mr C Haward be named. Mr Haward works for the East Midlands Special Operations Unit (EMSOU) and is funded regionally.

Note 6- As the total remuneration for 2019/20 has exceeded £150k the regulations require that Mr P Gibson be named.

Note 7 – The Director of Finance for Derbyshire Constabulary took voluntary redundancy on the 30/6/19. The other payments figure includes his redundancy package.

Note 8 – A permanent Joint Director of Finance for Police & Fire was appointed on the 1/7/19. The salary costs are shared between Police (2/3 share) and Fire (1/3 share). This recognises that the scope of the Finance Director role within the Police is wider than within 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 2018/19	No. Of Employees 2019/20
£50,000 - £54,999		16	18
£55,000 - £59,999		14	11
£60,000 - £64,999		4	6
£65,000 - £69,999		3	5
£70,000 - £74,999		4	1
£75,000 - £79,999		6	3
£80,000 - £84,999		2	5
£85,000 - £89,999		1	3
£90,000 - £94,999		2	1
£95,000 - £99,999		1	-
£100,000 - £104,999		1	2
£115,000 - £119,999		1	1
<b>TOTAL</b>		<b>55</b>	<b>56</b>

### Exit Packages

The total cost of exit packages in the current year is £369,272.

2018/19					2019/20			
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	3	3	35,403	£0 - £20,000	0	3	3	47,763
0	0	0	0	£20,001-£40,000	0	0	0	0
0	1	1	53,950	£50,001-£60,000	0	0	0	0
0	1	1	168,939	£160,001-£180,000	0	0	0	0
				£320,001 - £340,000	0	1	1	321,509
<b>0</b>	<b>5</b>	<b>5</b>	<b>258,292</b>	<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>369,272</b>

The £321,509 payment in the above table is split between a redundancy payment of £44,858 and pension strain of £276,651.

### Note 6 External Audit Fees

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

	2018/19 £'000	2019/20 £'000
Scale fees payable	11	11
Extra fees payable for audit previous year	-	3
<b>TOTAL</b>	<b>11</b>	<b>14</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.

2018/19			2019/20	
Jointly Controlled Operations	Derbyshire Police	Comprehensive Income and Expenditure Statement	Jointly Controlled Operations	Derbyshire Police
£'000	£'000		£'000	£'000
25,190	5,892	Employees' Expenses	26,299	6,167
578	126	Premises	763	167
896	199	Transport	862	192
3,886	942	Supplies and Services	3,842	977
3,582	808	Agency and Contracted Services	4,022	906
1,270	280	Capital Charges	1,376	303
0	0	Revenue Funded from Capital under Statute	-	-
1,148	250	Revaluation (Losses)/Gains	-	-
<b>36,550</b>	<b>8,497</b>	<b>Gross Operating Expenditure</b>	<b>37,164</b>	<b>8,712</b>
(1,467)	(204)	Other Income	(1,801)	(460)
(14)	(3)	Profit/(Loss) on Disposal of Fixed Assets	33	7
<b>35,069</b>	<b>8,290</b>	<b>Net Operating Expenditure</b>	<b>35,396</b>	<b>8,259</b>
		<b>Financed by:-</b>		
(29,641)	(7,108)	Contributions from Partners	(31,708)	(7,436)
(4,096)	(893)	External Grants	(3,613)	(787)
(315)	(69)	Capital Grants & Contributions	-	-
<b>1,017</b>	<b>220</b>	<b>(Surplus) / Deficit for the year</b>	<b>75</b>	<b>36</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	4,067	(4,062)	5
EMSOU Major Crime – Command Team	Co-ordination of Major Crime investigations	All 5 forces	Sept 2011	21.8	169	(169)	-
EMSOU Forensics	Forensic analysis and identification	All 5 forces	April 2014	21.8	2,074	(2,025)	49
EM Legal Services	Specialist Legal advice and services, incl Insurance	All 5 forces	April 2014	21.8	402	(398)	4
EM CHRS – Learning & Development	Co-ordination of regional training provision	Derbys, Leics, Northants, Notts	April 2012	25.11	690	(677)	13
EM CHRS – Occupational Health	Occupational Health Services	All 5 forces	April 2012	21.8	383	(382)	1
HR Service Centre	Transactional HR services	Derbys, Leics	June 2014	50.0	818	(780)	38
Emergency Services Network (ESN)	Communications Network	All 5 forces	July 2017	22.6	107	(181)	(74)
<b>Totals</b>					<b>8,710</b>	<b>(8,674)</b>	<b>36</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 (see Note 7) and partnership arrangements with Derbyshire Fire and Rescue Service.

## 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 as at 31 March 2016 for the 3-year period commencing 1 April 2017 and a further valuation as at 31 March 2019 has set new rates for the 3-year period commencing 1 April 2020.

The 2019/20 total employer contribution of £7.476m consisted of £7.474m in 'regular' contributions and £0.002m 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 2016 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 (£1.465m paid in 2019/20)

In total these 2 elements equated to a contribution rate of 16.2% of pensionable pay for 2019/20.

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 2019/20 these amounted to £0.031m.

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.

The constabulary is required to operate a separate Pensions Account for all transactions related to the Police Pension Scheme. 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 2019/20 a Top up grant of £29.558m was received from the Home Office and the employer’s contributions to the account amounted to £20.677m representing 31.0% of pensionable salary. The contribution rate of 31.0% was set following a revaluation of the scheme’s total liabilities by the Government Actuary’s Department as at 31 March 2016. For the four-year period prior to this, beginning 1 April 2015, the actuarially-determined rate had been 21.3%. However forces had been required to pay an ‘additional’ Employer contribution of 2.9% to ensure the ‘actual’ rate remained at 24.2% which had been the previous rate.

In addition to the regular contributions, payments were made into the Pensions Fund Account totalling £0.237m to reimburse the costs of benefits becoming payable early due to ill-health retirement. Injury-related payments amounted to £2.218m and these were paid from the Comprehensive Income and Expenditure Account. The Pensions Fund Account is shown on page 56.

#### **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	2018/19	2019/20
Comprehensive I&E Statement	£'000	£'000
<b>Cost of Services</b>		
• Current service cost *	15,975	20,067
• Non Distributed Costs - past service cost/(gain)	1,959	(1,208)
• Non Distributed Costs - curtailments	-	-
<b>Financing and Investment Income and Expenditure</b>		
• Net Interest cost	2,704	3,423
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>20,638</b>	<b>22,282</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)	(7,192)	16,616
- Actuarial losses/(gains) arising from changes in demographic assumptions	-	(14,690)
- Actuarial losses/(gains) arising from changes in financial assumptions	34,699	(37,194)
- Other experience changes	(69)	(22,261)
<b>Total Re-measurements</b>	<b>27,438</b>	<b>(57,529)</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>48,076</b>	<b>(35,247)</b>
<b>Movement in Reserves Statement Expenditure</b>		
• Reversal of net charges for post employment benefits in accordance with the code	(48,076)	35,247
<b>Actual amount charged against the General Reserve Balance for pensions in the year</b>		
• Employers' contributions payable to scheme plus added years	6,754	7,507
• Retirement benefits payable to pensioners	-	-

Police Pension Scheme	2018/19	2019/20
Comprehensive I&E Statement	£'000	£'000
<b>Cost of Services</b>		
• Current service cost	34,470	49,820
• Non Distributed Costs - past service cost/(gain)	88,000	(9,730)
<b>Financing and Investment Income and Expenditure</b>		
• Net Interest cost	50,890	53,570
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>173,360</b>	<b>93,660</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	-	(65,810)
• Actuarial losses/(gains) arising from changes in financial assumptions	61,800	(67,390)
• Other experience changes	(4,160)	(42,820)
<b>Total Re-measurements</b>	<b>57,640</b>	<b>(176,020)</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>231,000</b>	<b>(82,360)</b>
<b>Movement in Reserves Statement Expenditure</b>		
• Reversal of net charges for post employment benefits in accordance with the code	(231,000)	82,360
<b>Actual amount charged against the General Reserve Balance for pensions in the year</b>		
• Employers' contributions payable to scheme	18,572	23,132
• Retirement benefits payable to pensioners	-	-

\*For the LGPS the current service cost is within the Police Staff Pay and Allowances figure in note 2.

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.

## **Background**

Following a review of public sector pensions in 2012 the Government passed the Public Service Pensions Act 2013. This legislation changed the basis on which public service pensions were earned, so that existing 'final salary' schemes were replaced with Career Average Revalued Earnings (CARE) schemes. A new CARE-based scheme was introduced for the Local Government Pension Scheme as from April 2014 and for the Police Pension Scheme as from April 2015.

The introduction of both schemes included arrangements whereby members who were within a specified number of years of their scheme retirement age were given either 'full' or 'tapered' transitional protection. This meant they were either allowed to remain in their current final salary scheme until their retirement or remain for a graduated length of time before joining the relevant CARE scheme.

After the implementation of the public service CARE schemes, two cases were brought to Employment Tribunal, one by High Court judges (McCloud) and the other by firefighters (Sargeant). In October 2015 a claim was also brought on behalf of a group of police officers (the Aarons case) which was stayed pending the outcome of the judges and firefighters cases.

In December 2018 the Court of Appeal, hearing the McCloud and Sargeant cases together, ruled that the transitional protection offered to some members constituted direct age discrimination. Effectively, the arrangements unlawfully favoured older members of schemes at the expense of younger members.

On 27 June 2019 the Supreme Court refused leave to appeal in both cases. They were therefore referred back to their respective Employment Tribunals to determine what remedies should be applied. Also as a result of the Supreme Court decision, on 15 July 2019 the Treasury announced that the rulings would apply to all of the main public service pension schemes. In addition the Government has subsequently stated that any remedial action implemented for claimants will be extended to all non-claimants who are in the same legal and factual position.

On 28 October 2019 the Employment Tribunal in the Aarons case issued a draft interim declaration to the effect that all members subject to the discrimination were entitled to be treated as if they had qualified for full transitional protection and had remained in their existing pension schemes.

On 16 July 2020 HM Treasury published for consultation its proposals for implementing the age discrimination remedy across all the public sector schemes affected by the Court of Appeal ruling. A key element of the Treasury's proposals is the determination of which members should be eligible for remedy, namely: those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015. The period of remedy is proposed as April 2015 to March 2022. After 31 March 2022 all active members will be put into their respective CARE schemes.

## **Impact on the 2019/20 Accounts**

Under the Code of Practice on Local Authority Accounting, authorities are required to account for post-employment benefits for Defined Benefit schemes where there is either a legal or a constructive obligation. Whilst the regulations underpinning the LGPS and police pension schemes have not yet been revised, the rulings made to date clarify that a liability was owed under age-discrimination legislation giving rise to a legal obligation. Therefore as required under the Code, the valuation of post-employment benefit liabilities need to take into account the impact of the McCloud/Sargeant judgement.

For both the LGPS and the Police Pension Scheme allowance was made in the 2018/19 accounts for additional liabilities arising from McCloud based on the rulings made at that point and a best interpretation of the likely remedies expected to follow. The impact on the 2019/20 accounts is affected by the allowance previously made and any further rulings and government announcements which have provided clarification on the expected outcome.

In particular, the Treasury's proposal that the remedy should apply to members who were in a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015 is more restrictive than the criteria for eligibility assumed in calculating liabilities within the 2018/19 accounts.

## LGPS

The March 2019 funding valuation of the scheme, which is the starting point for valuing the liabilities at 31 March 2020, did not include any estimated allowance for the impact of McCloud. This was because the Scheme Advisory Board instructed actuaries to value the liabilities in line with the current LGPS Regulations benefit structure. Therefore to prevent the estimated McCloud obligations 'dropping out' of the valuation of liabilities at 31 March 2020 made under IAS19 requirements, an allowance for these obligations have been put back into the valuation and appear as part of 'other experience changes within the Comprehensive Income and Expenditure Statement.

The allowance is based on HM Treasury's remedy proposals and therefore includes a Past Service gain to reflect the restricted eligibility criteria compared to those assumed for the 2018/19 disclosures.

### Police Pension Scheme

GAD included the potential impact of remedy within the IAS19 disclosures for 2018/19 as a past service cost. This was done by calculating the costs for an average member for each age under the 2015 scheme or relevant pre-2015 scheme over the four years to 31 March 2019 and taking the higher value; then comparing this to the liability that had been calculated for the disclosures based on the current scheme allocation. This was done for all members as at 31 March 2016.

GAD's valuation of liabilities for the 2019/20 disclosures are based on the Treasury's remedy proposals. These are different from those assumed for the 2018/19 disclosures in that:

- All members joining after 31 March 2015 will not be eligible for remedy.
- It is estimated that approximately 1/3 of 2006 scheme members will also not be eligible (assuming a constant rate of joiners between 2006 and 2015) because they were not members as at 1 April 2012.

The main result of these revised assumptions is the creation of a past service gain for the years 2015 to 2019 compared to the previous disclosures. They also reduce the current service cost for 2019/20.

The 2019/20 liabilities include an additional amount, within the Current Service Cost, to take account of potential 'better off' benefits for affected members during 2019/20. This additional liability reflects a calculation as to whether each member would be better off overall at retirement from being put in the 2015 scheme or the relevant pre-2015 scheme. Giving eligible members the option as to which scheme they wish to be in between 1 April 2015 and 31 March 2022 is also part of HM Treasury's remedy proposals.

### GMP equalisation and indexation

#### **Background**

Guaranteed minimum pension (GMP) was accrued by pension scheme members between 6 April 1978 and 5 April 1997. The value of GMP was 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 led to increased costs for schemes and hence scheme employers.

In October 2018 the High Court published its judgement in the Lloyds Banking Group case on the equalisation of GMP. It ruled that pension schemes must amend scheme benefits so that gender inequalities caused by GMP provisions are removed. The Government subsequently committed to addressing GMP equalisation.

#### **Impact on the 2019/20 Accounts**

Our actuaries for the LGPS allowed for the impact of full GMP indexation in the triennial valuation of the fund as at 31 March 2019. This valuation position is the basis for the calculation of total liabilities as at 31 March 2020 which therefore reflects any increase in obligations due to GMP indexation.

The impact of GMP equalisation for the Police Pension Scheme was considered in 2017/18 and a past service cost of £1.330m was recognised in that year. This reflected the extension of HM Treasury's interim solution to GMP indexation announced in January 2018. Members of public service pension schemes with GMP entitlements who reach State Pension Age on or after 6 December 2018 and before 6 April 2021 are covered by this previous extension of the interim solution

Following the Lloyds Banking ruling it is considered appropriate to recognise a further past service cost in 2019/20 in respect of members reaching State Pension Age after 6 April 2021. This is included in the Comprehensive Income & Expenditure Statement.

## 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>2018/19</b>	<b>2019/20</b>
Opening Balance at 1 April	(334,295)	(393,032)
Current Service Cost	(15,975)	(20,067)
Interest on pension liabilities	(9,219)	(9,652)
Contributions from scheme participants	(2,645)	(2,882)
Past Service (Cost) / Gain	(1,959)	1,208
Curtailments	-	-
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	-	14,690
• Actuarial gains/(losses) arising from changes in financial assumptions	(34,699)	37,194
• Other experience changes	69	22,261
Benefits paid	5,691	6,398
Effects of business combinations & disposals	-	-
<b>Deficit as at 31 March</b>	<b>(393,032)</b>	<b>(343,882)</b>

	<b>Police Pension Scheme £'000</b>	
	<b>2018/19</b>	<b>2019/20</b>
Opening Balance	(2,003,902)	(2,183,892)
Current Service cost	(34,470)	(49,820)
Interest on pension liabilities	(50,890)	(53,570)
Contributions from scheme participants	51,010	52,690
Past Service (Cost) / Gain	(88,000)	9,730
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	-	65,810
• Actuarial gains/(losses) arising from changes in financial assumptions	(61,800)	67,390
• Other – experience gains and (losses)	4,160	42,820
<b>Deficit as at 31 March</b>	<b>(2,183,892)</b>	<b>(2,048,842)</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:

	2018/19 £'000	2019/20 £'000
<u>Present value of the defined benefit obligation</u>		
Local Government Pension Scheme	(393,032)	(343,882)
Police Pension Schemes	(2,183,892)	(2,048,842)
<u>Fair value of scheme assets</u>		
Local Government Pension Scheme	257,027	250,631
<u>Net liability arising from defined benefit obligation</u>		
Local Government pension scheme	(136,005)	(93,251)
Police Pension Schemes	(2,183,892)	(2,048,842)
<b>Total</b>	<b>(2,319,897)</b>	<b>(2,142,093)</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 £2,142.093m has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet. Some £2,048.842m 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 2021 are £7.622m. Expected contributions for the Police Pension Scheme in the year to 31 March 2021 are £51.422m.

The weighted average duration of the defined benefit obligation for members of the Local Government Pension Scheme is 22 years. The weighted average duration of the defined benefit obligation for the Police Pension Schemes is 21 years.

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

	Local Government Pension Scheme £'000 2018/19	Local Government Pension Scheme £'000 2019/20
Opening fair value at 1 April	239,612	257,027
Interest Income	6,515	6,229
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	7,192	(16,616)
Contributions from employer	6,754	7,507
Contributions from employees into the scheme	2,645	2,882
Benefits/transfers paid	(5,691)	(6,398)
Effects of business combinations and disposals	-	-
<b>Closing fair value of scheme assets at 31 March</b>	<b>257,027</b>	<b>250,631</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 loss of £10.387m (2018/19 a gain of £13.707m).

Local Government Pension Scheme assets comprised: -

	2018/19				2019/20			
	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>		<b>20,418</b>	<b>20,418</b>	<b>8%</b>		<b>15,976</b>	<b>15,976</b>	<b>6%</b>
<b>Equity Securities</b>								
Consumer	15,614	-	15,614	6%	6,834	-	6,834	3%
Manufacturing	16,221	-	16,221	6%	3,909	-	3,909	2%
Energy and Utilities	11,361	-	11,361	4%	1,835	-	1,835	1%
Financial Institutions	12,516	-	12,516	5%	2,759	-	2,759	1%
Health and Care	8,143	-	8,143	3%	3,943	-	3,943	2%
Information Technology	6,140	-	6,140	2%	5,872	-	5,872	2%
Other	27,472	-	27,472	11%	20,778	-	20,778	8%
<b>Equities sub-total</b>	<b>97,467</b>	<b>-</b>	<b>97,467</b>	<b>37%</b>	<b>45,930</b>	<b>-</b>	<b>45,930</b>	<b>19%</b>
<b>Debt Securities</b>								
Corporate Bonds	-	27,108	27,108	11%	-	31,717	31,717	13%
UK Government Bonds	23,946	-	23,946	9%	24,901	-	24,901	10%
Other Bonds	5,004	-	5,004	2%	6,271	-	6,271	2%
<b>Debt Securities sub-total</b>	<b>28,950</b>	<b>27,108</b>	<b>56,058</b>	<b>22%</b>	<b>31,172</b>	<b>31,717</b>	<b>62,889</b>	<b>25%</b>
<b>Property</b>								
UK Property	-	<b>20,503</b>	<b>20,503</b>	<b>8%</b>	-	<b>22,027</b>	<b>22,027</b>	<b>9%</b>
<b>Private Equity</b>	<b>3,584</b>	<b>3,433</b>	<b>7,017</b>	<b>3%</b>	<b>2,967</b>	<b>5,392</b>	<b>8,359</b>	<b>3%</b>
<b>Other Investment Funds</b>								
Equities	45,273	-	45,273	18%	76,878	-	76,878	31%
Bonds	-	-	-	-	-	-	-	-
Infrastructure	4,052	6,239	10,291	4%	4,192	14,380	18,572	7%
<b>Other Investment Funds sub-total</b>	<b>49,325</b>	<b>6,239</b>	<b>55,564</b>	<b>22%</b>	<b>81,070</b>	<b>14,380</b>	<b>95,450</b>	<b>38%</b>
<b>Total Assets</b>	<b>179,326</b>	<b>77,701</b>	<b>257,027</b>	<b>100%</b>	<b>161,139</b>	<b>89,492</b>	<b>250,631</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	
	2018/19	2019/20	2018/19	2019/20
<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	21.6	22.7	21.9
Women	24.4	23.7	24.3	23.6
Longevity at 65 for future pensioners				
Men	23.9	22.6	24.6	23.6
Women	26.5	25.1	26.2	25.2
<b>Financial Assumptions</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of CPI inflation	2.5	1.9	2.35	2.00
Rate of increase in salaries (Long Term)	3.0	2.6	4.35	4.00
Rate of increase in pensions	2.5	1.9	2.35	2.00
Rate of CARE revaluation	-	-	3.60	3.25
Rate for discounting scheme liabilities	2.4	2.3	2.45	2.25
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 31/03/20					
		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	11.0	3.0 to 5.0	2.0	10.0
	Approximate monetary amount - £'000	39,291	Not Available	5,714	33,096
Police Pension Schemes	Approximate % increase to Employer Liability	10.0	3.0	1.0	8.0
	Approximate monetary amount - £'000	199,000	61,000	22,000	159,000

## Note 11 Plant and Equipment

### Movements in 2019/20

	Operational	Non-Operational	
	Vehicles, Plant, Furniture Equipment	Assets Under Construction-Equipment	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1 April 2019	36,774	414	37,188
Additions	3,801	577	4,378
Derecognition – Disposals	(1,122)	0	(1,122)
Derecognition – Other	(506)	0	(506)
Reclassifications – other	0	(53)	(53)
<b>At 31 March 2020</b>	<b>38,947</b>	<b>938</b>	<b>39,885</b>
<b>Depreciation and Impairments</b>			
At 1 April 2019	(22,680)	0	(22,680)
Depreciation charge	(4,283)	0	(4,283)
Derecognition – Disposals	888	0	888
Derecognition – Other	506	0	506
<b>At 31 March 2020</b>	<b>(25,569)</b>	<b>0</b>	<b>(25,569)</b>
<b>Net Book Value at 31 March 2020</b>	<b>13,378</b>	<b>938</b>	<b>14,316</b>
<b>Net Book Value at 31 March 2019</b>	<b>14,094</b>	<b>414</b>	<b>14,508</b>

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

### 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
Derecognition – Disposals	(1,070)	0	(1,070)
Derecognition – Other	(1,431)	0	(1,431)
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)
Derecognition – Disposals	882	0	882
Derecognition – Other	1,297	0	1,297
<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

## 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 2020 is 635). 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 26).

## 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 2019/20 is for Software Licences for cyber crime £0.8m purchased on behalf of all Forces and funded from Home Office grant.

	Purchased Software Licences £'000	
	2018/19	2019/20
<b>Balance at 1 April</b>		
Gross carrying amount	8,107	9,256
Accumulated amortisation	(2,875)	(3,252)
<b>Net carrying amount 1 April</b>	<b>5,232</b>	<b>6,004</b>
Additions	2,138	969
Reclassifications	14	53
Derecognitions	(116)	(11)
Amortisation in year	(1,264)	(1,751)
<b>Balance at 31 March</b>	<b>6,004</b>	<b>5,264</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.

2018/19 £'000		2019/20 £'000
	<b>Capital Financing Requirement</b>	
	Capital investment	
4,098	<i>Plant and Equipment</i>	4,378
2,138	<i>Intangible assets</i>	969
<b>6,236</b>	<b>Total Capital Investment</b>	<b>5,347</b>
	Sources of Finance	
(6,236)	<i>Intra Group funding</i>	(5,347)
<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 2020, together with an estimate for further claims relating to 2019/20. On this basis a provision of £0.913m 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 2020, together with an estimate for further claims relating to 2019/20. On this basis a provision of £0.375m is required.

**Backdated Overtime Provision** – This is a provision for the costs of settling 13 claims outstanding against Derbyshire Police arising from the ruling in Allard v Devon and Cornwall Police. This related to entitlement to overtime payments following recalls to duty to meet specific operational requirements.

Provisions	Liability Insurance £'000	Vehicle Insurance £'000	Backdated Overtime £'000	Total Provisions £'000
<b>Balance at 1 April 2019</b>	<b>1,401</b>	<b>316</b>	<b>0</b>	<b>1,717</b>
Provision in Year	182	203	325	710
Expenditure in year	(313)	(97)	0	(410)
Transfer to/from Insurance Reserve	(357)	(47)	0	(404)
<b>Balance at 31 March 2020</b>	<b>913</b>	<b>375</b>	<b>325</b>	<b>1,613</b>

Provisions are split between short term (£0.796m) and long term (£0.817m) 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

The Chief Constable has no contingent liabilities as at 31 March 2020.

#### Contingent Assets

The Chief Constable has no contingent assets as at 31 March 2020.

### Note 16 Unusable Reserves

Unusable Reserves	31 March 2019 £'000	31 March 2020 £'000
Revaluation Reserve	1	1
Capital Adjustment Reserve	20,511	19,579
Pensions Reserve	(2,319,897)	(2,142,093)
Accumulated Absences Account	(1,307)	(1,846)
<b>Total Unusable Reserves</b>	<b>(2,300,692)</b>	<b>(2,124,359)</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.

<b>Capital Adjustment Account</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Balance as at 1 April</b>	<b>19,882</b>	<b>20,511</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	(3,906)	(4,283)
• Revaluation losses on Plant & Equipment	1	-
• Amortisation of Intangible Assets	(1,264)	(1,751)
• 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	(438)	(245)
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>(5,607)</b>	<b>(6,279)</b>
Intra Group Funding	<b>6,236</b>	<b>5,347</b>
<b>Balance at 31 March</b>	<b>20,511</b>	<b>19,579</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>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Balance as at 1 April</b>	<b>(2,098,585)</b>	<b>(2,319,897)</b>
Transfer of Police Staff 1 April		
Actuarial gains or losses on pensions assets and liabilities	(85,078)	233,549
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.	(193,998)	(115,942)
Employer's pensions contributions and direct payments to pensioners payable in the year	57,764	60,197
<b>Balance at 31 March</b>	<b>(2,319,897)</b>	<b>(2,142,093)</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>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Balance as at 1 April</b>	<b>(1,531)</b>	<b>(1,307)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,531	1,307
Amounts accrued at the end of the current year	(1,307)	(1,846)
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>224</b>	<b>(539)</b>
<b>Balance at 31 March</b>	<b>(1,307)</b>	<b>(1,846)</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 28 Investments in Associates and Joint Ventures: *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- Amendments to IAS 19 Employee Benefits: *Plan Amendment, Curtailment or Settlement*

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

#### **IFRS16 Leasing Standard**

The IASB issued IFRS 16 Leases in January 2016. The standard has an effective date of 01 January 2019 and was due to be adopted in the Code in the 2019-20 financial year. Following decisions taken at the meeting of the government's Financial Reporting Advisory Board (FRAB) on 22 November 2018 to defer implementation for the majority of rest of the public sector, the Local Authority accounting Code Board has agreed to delay implementation until 1 April 2020. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) agreed in April 2020 to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

The standard establishes a new accounting model for lessees in which all leases for assets above \$5k for more than 12 months will be accounted for by recognising a 'right to use' asset on the Balance Sheet, together with a liability for the present value of the lease payments. This means that leases currently accounted for as operating leases would be treated similarly to finance leases but recognising only a proportion of the assets value.

### **Note 18 Authorisation of Accounts for issue**

The 2019/20 Statement of Accounts were authorised for issue by the Joint Director of Finance and Business Services on 26<sup>th</sup> February 2021. 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**

2018/19 £'000		2019/20 £'000
	<b>Contributions Receivable :</b>	
( 13,579)	Employer's actuarial rate	( 20,562)
( 1,849)	Employer's additional contribution rate	0
( 857)	Employer's ill health retirement capital charges	( 237)
( 2,319)	Active members - 1987 Scheme	( 1,663)
( 63)	Active members - 2006 Scheme	( 49)
( 6,201)	Active members - 2015 Scheme	( 7,144)
	<b>Transfers In :</b>	
( 551)	Transfer values receivable	( 629)
	<b>Benefits Payable :</b>	
44,740	Pensions	47,020
12,808	Commutations and lump sum retirement benefits	12,577
303	Lump sum death benefits	0
	<b>Payments to and on account of leavers :</b>	
6	Refunds of contributions	0
0	Transfer values payable	245
32,438	<b>Sub-total : Net amount payable for the year</b>	29,558
( 32,438)	<b>Additional contribution from the Police and Crime Commissioner to fund the deficit for the year</b>	( 29,558)
0	<b>Net amount payable/receivable for the year</b>	0
	<b><u>Net Assets Statement</u></b>	
	<b>Current assets</b>	
3,832	Pensions paid in advance	3,981
	<b>Current Liabilities</b>	
( 272)	Unpaid pension benefits	( 231)
( 3,560)	Surplus for year payable to Police and Crime Commissioner	( 3,750)
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, firefighters and civilian staff working in local government. 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 and Sargeant (judges and firefighters) cases in respect of age discrimination and pension protection.

As a result of the Supreme Court decision the Treasury announced on 15 July 2019 that the rulings would apply to all of the main public service pension schemes and the Government has subsequently stated that any remedial action implemented for claimants will be extended to all non-claimants who are in the same legal and factual position.

On 28 October 2019 the Employment Tribunal in the Aarons case (Police Officers) issued a draft interim declaration to the effect that all members subject to the discrimination were entitled to be treated as if they had qualified for full transitional protection and had remained in their existing pension schemes.

On 16 July 2020 HM Treasury published for consultation its proposals for implementing the age discrimination remedy across all the public sector schemes affected by the ruling. A key element of the Treasury's proposals is the determination of which members should be eligible for remedy, namely: those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015. The period of remedy is proposed as April 2015 to March 2022. After 31 March 2022 all active members will be put into their respective CARE schemes.

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).

Credits to the Pension Fund Account include a fixed employer's contribution, 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 revaluation of total scheme liabilities every 4 years by the Government Actuary's Department. The latest re-valuation took place as at 31 March 2016 and this was used to set a revised employer contribution rate from April 2019 of 31.0% of pensionable pay. Prior to this the actuarially-assessed employer contribution rate had been 21.3% for the 4-year period from 1 April 2015. However, during this period Commissioners were also required to pay an 'additional' Employer's contribution of 2.9% so that the 'actual' rate payable was 24.2% of pensionable payroll. This was to allow the Exchequer to keep centrally the savings which would have accrued to Commissioners from the actuarial rate reducing from 24.2% (the previous rate) to 21.3%. The requirement to pay an additional 2.9% was removed from April 2019.

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 2019/20 a contribution of £29.558m 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.

Costs of 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 21 to 29).

# 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. 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 2020 and is expected to be up to the date of the approval of the Statement of Accounts 2019/20.
- 3.3. This statement has been prepared for the 2019/20 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. The Design Board, consisting of the Strategic Leadership Team, also review business cases and priorities with further scrutiny from the Finance Futures Board, to assess funding decisions. This is made up of key representatives of the Constabulary and Police and Crime Commissioners Office
- 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 including a Health and Safety Committee.

## **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 Organisational Learning, Culture and Ethics (OLCE) 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. Constabulary also has 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 OLCE 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 2019/20 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 2018/19, 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*)

Derbyshire Constabulary was inspected in tranche three and we found:



the extent to which the force is effective at reducing crime and keeping people safe requires improvement.



the extent to which the force operates efficiently and sustainably requires improvement.



the extent to which the force treats the public and its workforce legitimately is good.

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

I have concerns about the performance of Derbyshire Constabulary in keeping people safe and reducing crime. I have seen some deterioration in performance in important areas, including operational effectiveness and efficiency.

Last year I reported on the force's poor performance in accurately recording crime. I have been monitoring this closely, and am encouraged by the results of a more recent audit which indicates that improvements are being made.

The constabulary tackles serious and organised crime well, but more thorough supervision and management of suspects is needed in other, more commonly occurring types of crime.

Derbyshire Constabulary needs to improve how it keeps vulnerable people safe; some people at risk are not being adequately protected. More consistency is needed when responding to them in a timely manner, along with closer co-operation with local partners to support them.

Derbyshire Constabulary needs to improve how well it understands current and future demand. It also needs to gain a better understanding of the skills its workforce currently has and those it

is likely to need in years to come. I am encouraged that there has been recent meaningful investment in new IT systems and specialist staff to achieve this.

The force continues to uphold an ethical culture and promote well the standards of professional behaviour it expects.

My overall assessment is that Derbyshire Constabulary's performance has declined since our last inspection. I am reassured however that the force has taken a range of immediate steps to address the matters highlighted in our inspection, and I will monitor improvements closely

- 18.6. In response to the inspection, the Constabulary have established a 'GOLD' group to focus on the actions needed to improve performance and the arrangements in place. A comprehensive performance framework is now in place and significant improvements are already being seen in the areas of demand management, investigations, outcomes and resolution. This is monitored through the Performance Assurance Board and also the PCC's Strategic Priorities Assurance Board (SPAB) with further scrutiny through the JARAC.
- 18.7. HMICFRS also 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 and in the follow up inspection the Inspectorate recognised the progress made in both areas. Again, this is monitored through the Performance Assurance Board and SPAB.
- 18.8. 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.

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 scenarios modelled in the Medium Term Financial Plan range from £9.258m to £1.221m by 2023/24 depending primarily on funding assumptions. However, this will be updated in the autumn through a revised strategy and to reflect the challenges of COVID 19. The Force balanced its budget in 2020/21 without the need to use its reserves and has developed 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 joint management board is in place, 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 PEEL 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 with a specific 'GOLD group' aimed at addressing the issues identified within the recent HMICFRS inspection</p>
<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 now in place 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 Design board chaired by the Deputy Chief Constable (DCC) is in place supported by a Finance Futures Board to consider funding options and challenges and programme management arrangements have been thoroughly reviewed.</p> <p>There is now 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. 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>

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.

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.

## 19. Coronavirus impact on Governance Arrangements

- 19.1 Provisions have been put in place through the Coronavirus Act which allow the Constabulary and the Office of the Police and Crime Commissioner to allow on line meetings and decisions. As a result, the Annual Governance Statement and the Statement of Accounts can be approved even if a physical meeting cannot be held. The Constabulary has continued to ensure services continue and policing activities continue. However, challenges remain in the criminal justice sector with continued monitoring of the impact. An emergency command structure is in place and sickness and the impact on services to the community has been limited through swift action to protect staff and introduce new ways of working. Comprehensive risk assessments have been carried out for the Force in agreement with representative bodies and continue to be assessed as new guidance is issued. The SPAB and JARAC continue to receive updates on the arrangements that are in place.

## 20. Declaration

- 20.1. 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:



**Chief Constable of Derbyshire  
Constabulary**

Date: 26<sup>th</sup> February 2021

Signed:



**Joint Director of Finance and Business  
Services**

Date: 26<sup>th</sup> February 2021

## **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.