

**CHIEF CONSTABLE FOR DERBYSHIRE  
DRAFT STATEMENT OF ACCOUNTS 2021/22**

**SUBJECT TO AUDIT AND SUBJECT TO CHANGE**

**CHIEF CONSTABLE FOR DERBYSHIRE  
STATEMENT OF ACCOUNTS  
YEAR END 31 March 2022**

**CONTENTS**

	<b>Page</b>
<b>Narrative Report</b>	<b>2</b>
<b>Statement of Responsibilities for the Statement of Accounts</b>	<b>16</b>
<b>Independent auditor’s report to the Chief Constable</b>	<b>17</b>
<b>Statement of Accounting Policies and Changes in Accounting Estimates</b>	<b>20</b>
<b>Expenditure and Funding Analysis</b>	<b>28</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>29</b>
<b>Balance Sheet</b>	<b>30</b>
<b>Movement in Reserves Statement</b>	<b>31</b>
<b>Cash Flow Statement</b>	<b>33</b>
<b>Notes to Financial Statements for the Chief Constable</b>	<b>34</b>
<b>Police Pension Fund Account and notes</b>	<b>55</b>
<b>Annual Governance Statement</b>	<b>58</b>
<b>Definitions</b>	<b>68</b>

# 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 2022.

## 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.

A new Commissioner was elected in May 2021. The Commissioner published their Police and Crime Plan in November 2021.

During 2021/22 the Chief Constable put in place a new Governance structure and launched new force priorities. These Priorities reflect our core business and allow us to focus on the things that Policing really should be about.

- We will fight crime, proactively bring offenders to justice, and protect the most vulnerable from harm (Fight crime).
- We will challenge each other to deliver a consistently good service to the public (Good service to the public).
- We will be more responsive to the public by building our neighbourhood teams, the most visible area of policing in Derbyshire (Responsive and Visible Policing).
- We will look to the long term, working with the PCC and other partners, to prevent crime and tackle the root causes of harm, all of which place demands upon our services (Partnerships and Prevention).
- Equality, fairness, transparency and inclusivity – internally and externally – will drive everything that we do to ensure trust and legitimacy (Trust and Legitimacy).
- We will provide better support for each other, paying special attention to our own mental health (Our People).

Vulnerability runs through each and every one of these Priorities and is at the heart of the work that we do.

## 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 2,000 police officers, 200 PCSOs and 266 Specials/Volunteers and 1,428 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 2021/22 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 2021/22 and provide an overview of the most significant matters reported in the accounts.

The 2021/22 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 2021/22. 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 (Amendment) Regulations 2021.
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2018.
- 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 their 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 how business is undertaken.

## Financial Statements

The financial statements for the Chief Constable required under the 2021/22 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 2022, (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 2021/22, 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 as at the 31 March 2022 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 for the Chief Constable applied in preparing the 2021/22 annual accounts are consistent with last year, no changes have been necessary.

## ***Other Contents***

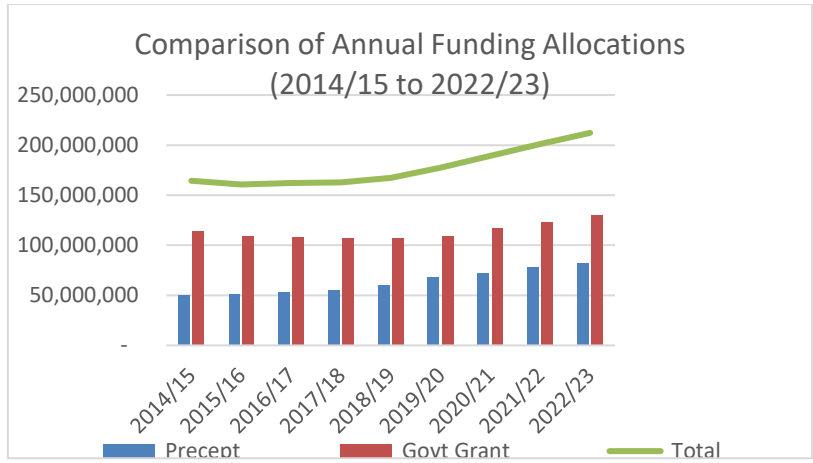
In addition to the financial statements, the annual accounts include a: -

- 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 2021/22 was set at £202.630 million, an increase of 6.7% over 2020/21. The funding of the £202.630 million comprised central government formula funding (Police Specific Grant, Localising Council Tax Support Grant and Revenue Support Grant (RSG)) of £124.846m, and Council Tax of £77.784m.

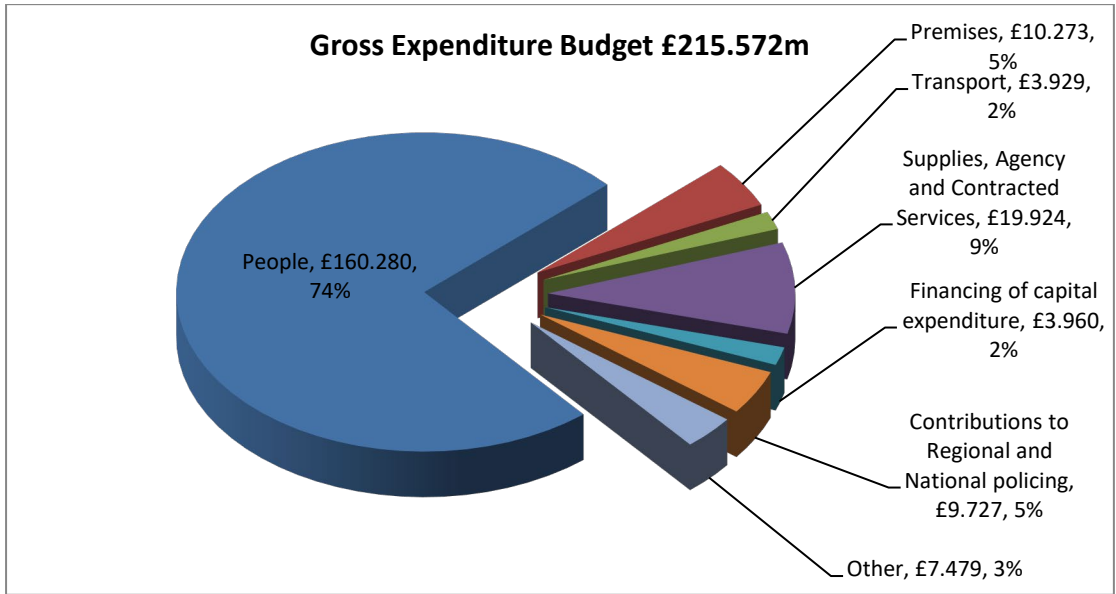
A year on year comparison of our funding sources shows how Government Grant has increased by 13% from 2014/15 to 2022/23. During the same period, the Net Revenue Budget for the Force has increased by 29% (an average of 3.6% per annum) from £164.7m to £212.3m.



In addition to the £124,846m funding for the revenue budget, a grant of £26.327m was also received from the Home Office to cover the deficit on the police pension fund for the year.

The policing element of Council Tax for an average band D dwelling in Derbyshire was £241.60. This was an increase of £15 (6.6%) over the previous year as approved by the previous Commissioner, being the maximum permitted under the government's Precept Limitation regulations for 2021/22.

After taking into account all income sources, Derbyshire Police's gross expenditure budget was £215,572m which was allocated across major budget headings as follows: -



### Financial Performance Report

The force continues to face a continued challenge of managing its financial resources whilst maintaining and improving the services it delivers to the communities and businesses across Derbyshire. Following a period of austerity, the past three years have seen a more pronounced increase in funding for the police, which includes the government pledge to recruit an additional 20,000 police officers by 2023. The force has made good progress in recruiting its allocation of extra officers and putting in place the infrastructure required to support them.

The Covid-19 pandemic was less impactful in terms of operational policing than in the previous year. However, new working practices necessitated by the pandemic have become embedded and this entails some financial commitments which didn't previously exist. In addition, the Constabulary started to feel the effects of the re-opening of the world economy following the worst of the pandemic which, together with other events such as the war in the Ukraine, is creating challenges for many organisations. These include increased vehicle fuel and utility costs and a difficult labour market in which to recruit and retain the best employees.

The continued impact of Covid-19 and other external factors 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.

### **Revenue**

The financial position for 2021/22, as set out in the table below shows an under-spend against budget of some £7.434m. However, the underspend includes a number of items which may be considered outside of the day-to-day policing of Derbyshire:-

- **£1.000m Design Board funding.** This money is allocated for investment in new equipment and technology and will be spent in future years.
- **£1.330m Debt Charges.** This mainly relates to the implementation of a review of the Constabulary's MRP policy, which determines how the repayment of debt is charged over a number of years.
- **£0.551m Revenue Contribution to Capital Outlay.** Some planned capital expenditure was moved forward into 2022/23 meaning a reduced contribution was needed in 2021/22.
- **£0.819m Contributions to National Policing.** This is additional re-imburement for resources provided to policing operations such as the COP26 in Glasgow and the G7 summit in Cornwall.

Excluding these items the underspend was £3.734m. 2021/22 was the second year of the Home Office's 3-year Officer Uplift strategy which aims to increase police officer numbers across the country by 20,000 by March 2023. For Derbyshire the Year 2 target was to increase officers policing the county from 1,835 to 1,920 by March 2022. Numbers fell slightly short of this but the recruitment planned for 2022/23 should see the total 3-year target of 283 additional officers reached early, by December 2022.

The Constabulary continues to invest in new technology as part of the National Enabling Programme to enhance and improve processes, reporting and performance. Future success in tackling crime and understanding demand will rely on managing information effectively and the use of powerful analytics. The Constabulary's vision is to be a data driven organisation, where advanced analytical capability is embedded and the workforce are enabled to draw insights to inform operational and strategic decision making.

Force Reserves remain slightly below the national average for all police forces, which supports our investment and funding strategies that look to make the best use of internal resources first, so to minimise increases in precept levels. This does however mean 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:-

Budget Expenditure Heading 2021/22	Revised Budget £000's	Actual £000's	Variance £000's
Police Officer Pay & On Costs	105,869	105,137	(732)
Police Staff Pay & On Costs	50,885	48,731	(2,154)
Other Employee Expenses	813	949	136
Police Pensions	3,092	2,771	(321)
Premises	8,409	8,953	544
Transport	3,874	3,747	(127)
Supplies & Services	19,352	19,675	323
Operational Priorities Fund	322	-	(322)
Agency	212	392	180
Debt Charges	2,562	1,232	(1,330)
Revenue Contribution to Capital	3,809	3,258	(551)
Government Grants	(6,096)	(6,314)	(218)
General Income	(3,824)	(5,200)	(1,376)
Regional Units	9,608	9,386	(222)
Interest Receipts	(10)	(30)	(20)
Contributions to/from Reserves	(620)	(574)	46
BCU Fund	321	277	(44)
Expenditure on National Policing	54	(765)	(819)
Other Specific Grants	62	(39)	(101)
Partnerships	619	460	(159)
<b>Total for Derbyshire Constabulary</b>	<b>199,313</b>	<b>192,046</b>	<b>(7,267)</b>
Office of the Police and Crime Commissioner	3,317	3,265	(52)
<b>Total 2021/22 Approved Budget</b>	<b>202,630</b>	<b>195,311</b>	<b>(7,319)</b>
Council Tax Deficits	-	123	123
Tax Income Compensation Grant	-	(238)	(238)
<b>Total for Derbyshire Constabulary</b>	<b>202,630</b>	<b>195,196</b>	<b>(7,434)</b>

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

- Police Officer Pay & Oncosts – (£0.732m) underspend.** The breakdown of the total overspend was as follows

Salaries, allowances and other oncosts	(£1.550m)
Overtime costs	£0.818m

The outturn for salaries and oncosts is a reflection of the very high turnover of police officers experienced during the year, combined with the fact that the recruitment of new officers was heavily weighted towards the end of the year.

The number of Major Crimes requiring investigation was a major factor in the overspend against the overtime budget (£0.256m). Operational Support (£0.201m), Crime Support (£0.162m) and South Division (£0.125m) also incurred significant additional overtime costs.

- Police Staff Pay & Oncosts – (£2.154m) underspend.** The Constabulary experienced high vacancy levels throughout the year and at 31<sup>st</sup> March 2022 the number of overall vacant posts equated to 12% of the total police staff establishment. This situation partly reflects recruitment and retention challenges being seen across the wider economy. Nearly all formations were affected, but particularly Information Services (£0.519m), South Division (£0.362m), Corporate Services (£0.316m) and Assets (£0.213m).



In addition, £0.405m of a £0.500m provision to employ additional staff to assist with the implementation of the Police Uplift Programme was not utilised.

3. **Other Employee Expenses - £0.136m overspend.** The Constabulary's expenditure on external training was higher than that budgeted for by £0.143m. Attendance on courses in the previous year was heavily curtailed due to the pandemic and a catching-up process occurred as a consequence.
4. **Police Pensions – (£0.321m) 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, resulting in a £0.482m saving. This was partially offset by higher Injury-related payments made in the year (£0.162m).
5. **Premises – £0.544m overspend.** The main areas of overspending on Premises costs during the year were as follows:-

Repair and Maintenance work	£0.284m
Utility costs	£0.218m
Cleaning Contract / Specialist Cleaning	£0.283m

These overspends were partially offset because a £0.250m provision within the budget for expected additional costs from the transfer from Cotton Lane police station to Ascot Drive was in the event not needed. The overspend on the Cleaning Contract reflects the enhanced service implemented during the year and which has been built into the budget from 2022/23.

6. **Transport - (£0.127m) underspend.** Reduced insurance excess costs (£0.206m) helped offset increases in other vehicle-related expenditure, notably fuel (£0.089m).
7. **Supplies and Services – £0.323m overspend.** This budget heading includes two provisions set aside to fund new investment – £1.000m for Design Board (technological innovation) and £0.285m for implementation of the Police Officer Uplift - which were both unspent during the year. When these provisions are excluded the overspend against ongoing Supplies and Services was £1.609m which occurred across a range of budget headings. The largest variances were:

Tasers	£0.294m
Recovery of Vehicles	£0.354m
Professional Fees	£0.302m
Misc IT costs	£0.216m
Dangerous Dogs	£0.115m
Insurance costs	£0.281m

- The overspend on Tasers reflects the decision to pre-buy some equipment near the end of the year to support the enhancement of the Constabulary's firearms capability during 2022/23.
  - £0.281m of the overspend against Vehicle Recovery costs was offset by fees received from companies which participate in the constabulary's vehicle recovery scheme (see section on 'General Income').
  - The Assets Department incurred significant levels of professional fees during the year in acquiring and developing land as part of its ongoing strategy to modernise the Constabulary's estate.
  - The overspend on Insurance costs arose from the assessment of future liabilities which the Constabulary may need to meet through its self-insurance arrangements. It is required to review such liabilities on a regular basis which can result in annual costs going up or down as claims are either settled or dismissed.
8. **Debt Charges – (£1.330m) underspend.** £1.101m of this underspend arose because the Constabulary chose to implement a review of its MRP policy during the year in consultation with its Treasury Management advisors. 'MRP' (Minimum Revenue Provision) refers to how the cost of

borrowing for capital investment is paid for from the revenue budget over a period of years. Government guidelines give flexibility to PCC's around how this is done, as long as it is 'prudent'. Effectively the Constabulary will be paying for its existing debt over a longer period than previously planned, thus reducing the cost in earlier years.

A further £0.201m was due to the receipt of an increased share of profits from the joint venture undertaken with Derbyshire Fire and Rescue Service.

**9. Revenue Contribution to Capital – (0.551m) underspend.** The Constabulary makes a direct contribution to its capital programme from its revenue budget to supplement other funding sources such as borrowing and capital grants and receipts. Some re-profiling of the 2021/22 programme to future years meant that not all of the budgeted contribution was required.

**10. Government Grants – (£0.218m) additional received.** This is due to the Home Office making additional in-year allocations of grant to support specific activities such as enhancements to the Police Uplift Programme (£0.086m) and implementation of the remedy to a national pensions issue (£0.052m).

**11. General Income – (£1.376m) additional generated.** £0.347m of this figure arises from a change in how the Constabulary accounts for the recharges it makes to the Derbyshire Fire & Rescue Service in relation to joint-working arrangements. The remaining £1.029m of additional income has been earned across a wide range of the Constabulary's income generation activities which can fluctuate from year to year. The main areas include: -

Local Authority Contributions	(£0.150m)
Proceeds of Crime Act	(£0.196m)
Vehicle Recovery Charges	(£0.281m)
Cost Recovery Income	(£0.153m)
Court Compensation awards	(£0.149m)

**12. Regional Units – (£0.222m) underspend.** The biggest area of underspend (£0.091m) was the unit dealing with Serious and Organised Crime where not all posts were filled during the year.

**13. Interest Receipts – (£0.020m) underspend.** The Constabulary's treasury management activities benefited from the upward trend in Interest rates which occurred during the latter part of the year.

**14. Devolved Budgets to Local Command Teams (BCU Fund) – (£0.044m) underspend.** The outturn reflects the delivery of specific projects and operations which neighbourhood policing units undertake in conjunction with their respective local authorities.

**15. Contributions to National Policing – (£0.819m) underspend.** The Constabulary is required from time to time to contribute resources towards the policing of national events and operations. It receives re-imburement for the full cost of employing these resources according to nationally agreed rates. This can generate additional income for the Constabulary depending on how it meets its resource commitments.

2021/22 saw several major operations which Derbyshire contributed to, including COP26 in Glasgow and the G7 summit in Cornwall, for which full cost recovery occurred.

**16. Partnerships – (£0.159m) underspend.** The underspend reflects the timing of the delivery of specific partnership projects.

### **Capital Programme**

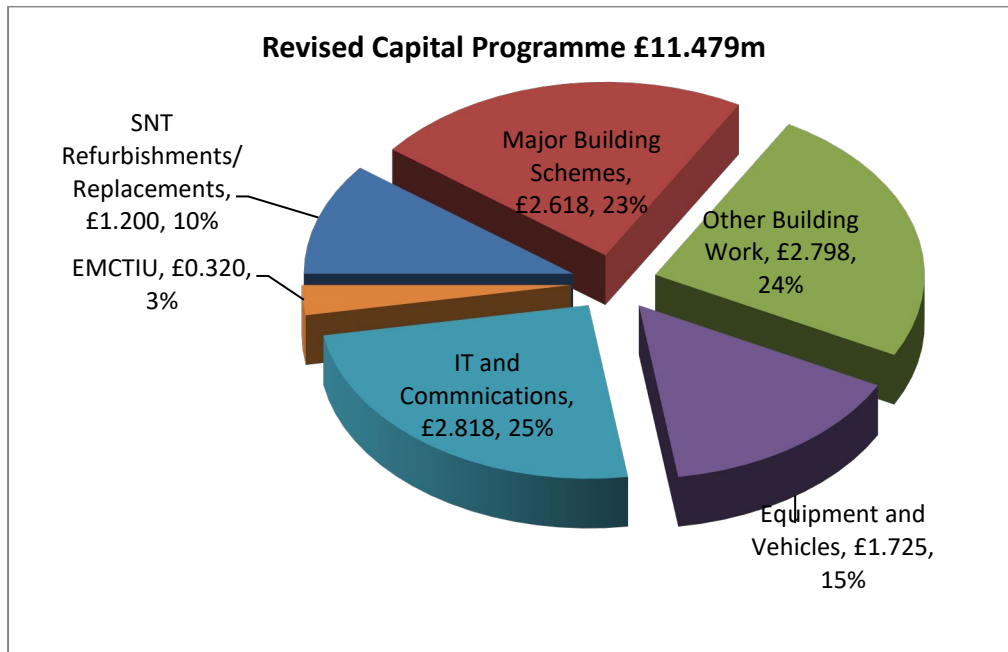
The Commissioner controls all land and buildings and Derbyshire Constabulary has use of all these assets. The Commissioner receives all the funding to finance the total Capital Programme.

This is used :-

- To replace police vehicles.
- To maintain its buildings.
- To ensure its IT systems are supported.
- To replace key items of equipment.

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

The Capital Programme for 2021/22 was originally set at £15.208m and as a consequence of scheme delays, was revised to £11.479m in January 2022. The Revised Capital Programme was allocated as follows: -



Actual expenditure against the programme totalled £9.083m, which was made up of the following: -

	£m
SNT Refurbishment/replacements	0.912
Major Building Schemes	2.360
Other Building Schemes	2.181
Equipment and Vehicles	1.204
IT and Communications	2.127
East Midlands Counter-Terrorism Intelligence Unit	0.282
National Cyber Crime Project	0.017
<b>Total</b>	<b>9.083</b>

This expenditure was funded by: Borrowing (£5.192m), External Grant and Contributions (£0.448m), Revenue Contributions (£3.433m) and Capital Receipts (£0.010m).

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 £0.323m, increasing total capital expenditure to £9.406m. This was funded from Reserve/Revenue Contributions (£0.245m) and grant (£0.078m).

### **Main Capital Underspends Compared to Budget**

**SNT Refurbishments/Replacements** – A property in Alfreton was purchased in February 2022 for a SNT at Alfreton. Refurbishment works are to be carried out in 2022/23 for the building to be occupied.

**Major Building Schemes** – The Derby East Local Policing Unit (LPU) was completed during 2021/22 and was occupied in March 2022. Some internal works are still to be completed in 2022/23 and some furniture to be delivered. The suitability of alternative sites in the Chesterfield area for a new Divisional HQ and Custody Suite are being assessed.

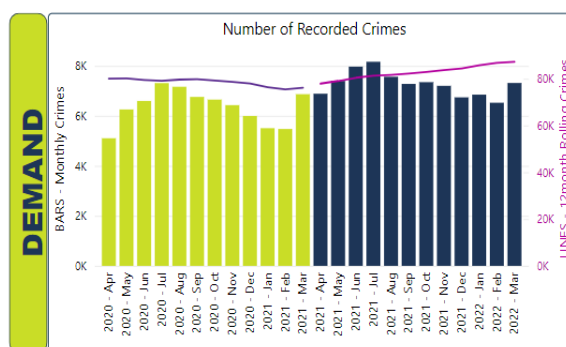
**Other Building Schemes** - This relates to various schemes including the Training Rig at Headquarters which is awaiting planning approval, refurbishment works at Chesterfield which are being completed in conjunction with the Multi Purpose Hall air conditioning works in 2022/23 and Custody CCTV works at Ripley Police Station and Derby Divisional Headquarters. Also, the main extension works at the Contact Management and Resolution Centre extension were completed in March 2022 but some internal refurbishment works remains to be completed.

**Equipment and Vehicles** – Orders have been raised for vehicles and various equipment but the goods will not be delivered until 2022/23. The main delay for vehicles is due to the worldwide microchip shortage which has resulted in manufacturing/delivery delays.

**IS Schemes** – Major IS Schemes take more than one financial year to implement, furthermore several schemes have experienced supply chain issues and delays in delivery.

## Non-Financial Performance

2021/22 saw an increase in recorded crime of 15 percent, recording 87,261 crimes in total for the year, some 11,122 more offences compared to the previous year. This was mainly due to the reductions seen in acquisitive crime the previous year when Covid lockdown restrictions were in place, meaning more people stayed at home, making them less vulnerable to burglary, vehicle crime and other types of theft. Similarly, offenders became more visible when moving around in lockdown.



In 2021/22 Residential Burglary saw a fall of over 9 percent and shoplifting increased by 22 percent, whilst thefts from vehicles increased 1 percent and thefts of vehicles increased by 13 percent. Theft from person saw an even greater increase of 36 percent, with personal robbery and business robbery increasing by 12 percent and 69% respectively, though it should be noted the latter occurs in very small numbers in Derbyshire magnifying the percentage increase. All the increases in acquisitive crime were due to the major reductions seen in these crime types in lockdown.

Behavioural crimes all increased, criminal damage, one of the largest volume crime types, increased by 7 percent, Stalking and Harassment 16 percent, Public Order 24 percent, Violence without injury 31 percent and violence with injury 7 percent. In general, sexual offences increased by 36 percent and rape increased by 31 percent.

Domestic Abuse recorded crime, which is a subset of recorded crime as it sits across several crime types, increased by nine percent, some 1,486 additional crimes.

Anti-social behaviour incidents decreased by 34 percent during the latest fiscal year, this was mainly due to the high volume of incidents seen in the previous year relating to Covid restrictions. Covid related incidents reduced gradually through 2021/22 with the relaxation of restrictions, there were 1,606 covid incidents last year compared with 16,431 in 2020/21. Transport incidents have now increased compared to last year.

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. Modern slavery and human trafficking is one area where fewer victims have been identified in the past year, this is due to victims

being less visible during lockdown, making it harder for police and partners to identify possible victims in the community.

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.

## Future Outlook

### Force Priorities

In April 2021 a new set of Priorities was launched to sit alongside the existing Purpose and Principles of the force. The Priorities reflect our core values and allow us to focus on the things that are important to the public and communities of Derbyshire. Vulnerability runs through all of the Priorities and is at the heart of the work we do. Strategic objectives are to be developed against each of the priorities, that will aid the budget setting process, and ensure that resources are appropriately allocated against our force and operational priorities.



### Cost of Policing

The Constabulary has initiated the Cost of Policing programme to help define the force's operating model and its costs, whilst considering options for change. The model is designed to align resources against services based upon its understanding of risks, demand and force priorities. It uses key metrics taken from the Organisational Risk Assessments and other relevant information to help assess each business area and to ensure a level of consistency in our approach to how resources are allocated.

Cost of Policing has identified a number of options which include a combination of reduced and increased investments across frontline and back-office services. This programme will ensure that our resources are directed to tackle risk, threat and vulnerability and to focus new investment to meet operational and strategic priorities. It is designed to help the force meet future budget shortfalls, enabling the reinvestment of any identified savings where appropriate

However, the CoP programme alone will not resolve all financial challenges and a robust savings and efficiency plan will be required to address the significant budget gaps from 2023/24 onwards.

### War in Ukraine and Cost of Living Increases

Since the Russian invasion of Ukraine on 24 February, the world has responded in many ways to assist Ukraine and to hold the Russian government accountable for their actions. This response has taken many forms including aids aimed at assisting the Ukrainian people during the humanitarian crisis and also penalties in the form of sanctions against Russia and some individuals and entities deemed to be closely linked to government officials. These sanctions have been levied by many countries and, in addition to this, companies trading with, or associated with Russia have engaged in boycotts and trade embargos. Given the global nature of businesses, many entities across Europe and the UK may be directly or indirectly impacted by the invasion. This is expected to create shortages in key components and supplies, cause supply chain issues, and force an increase in the cost of materials and services. The impact on prices and supply chains are being closely monitored to identify the financial and operational impact to the force. With over 80% of our budgeted costs employment related, the biggest impact is likely to be on fuel and utility costs and computer related products.

Cost pressures have been apparent in the economy since mid-2021, when many advanced countries reopened their economies from coronavirus lockdowns. A rapid increase in energy costs, particularly the wholesale price of gas and oil, has been a key driver of the recent increases in inflation. The latest Bank of England forecast has inflation peaking at 10.2% in the fourth quarter of 2022 and is expected to remain high for the next two years and will not reach its 2% target until the third quarter of 2024. Although the force allowed for an increase in inflation and utility costs within the 2022/23 Budget, it cannot be shielded from the wider impact of higher inflation and the increased costs of commodities. This is likely to result in higher than anticipated construction costs for our capital programme combined with increased pay and non-pay costs across all our services. With inflation likely to remain higher than previously forecast, these cost pressures could further increase the budget requirement for 2023/24 and without further funding, will create significant challenges to balance the budget.

### **Medium Term Financial Plan**

2022/23 saw a substantial increase in revenue funding for the Police Service for the third year running. Together with continued precept flexibility, this enabled a balanced budget to be set with some additional investment made in the PCC's and Constabulary's priorities. However, the 3-year Spending Review published in October 2021 signalled that from 2023/34 onwards, increases in funding for the police service will be much more modest than in the previous 3 years – 2.8% for 2023/24 for example compared to 6.6% in 2022/23.

The Constabulary's medium-term planning indicates that this will create a major challenge for its continued ability to maintain balanced budgets. The increase in police officer numbers achieved over the last 3 years will need to be sustained at the same time as the Constabulary plans to continue to invest in its estate and its technological capability. The economic consequences of the global recovery from Covid-19, the war in Ukraine and the government's likely response to the current period of inflationary pressures only adds to the uncertainty of what the financial position will look like going forward.

The Medium Term Financial Plan continues to be modelled against a number of scenarios and assumptions around resource levels and financial commitments. Briefings with the Chief Constable and PCC will continue as we await further updates in relation to Spending Review announcements and as we begin to build the budget requirement for the next financial year.

### **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 £2,483m in 2021/22 (2020/21 £2,493m). Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

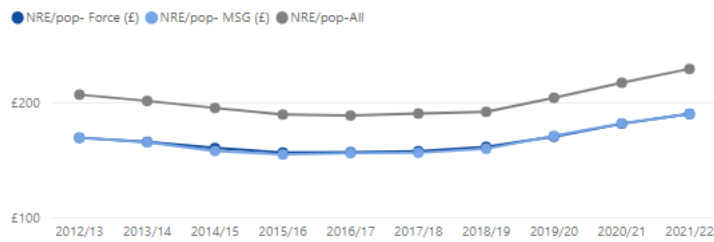
### **Value for Money**

The Constabulary continues to be one of the lowest spending forces per head of population in the country, in part due to savings secured through working nationally, regionally, and locally with our partners, helping to deliver value for money (VFM) to taxpayers through:

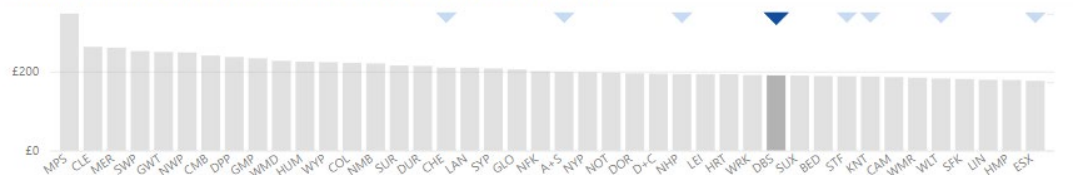
- Average council tax charges
- Lower than average net spend per head of population
- Lower than average reserves
- A strong track record of delivering savings
- Outcomes from officers, communities and technology investment.

Our Net Revenue Expenditure per Head of Population for 2021/22 was £190.03, considerably lower than the national average for all forces of £229.16.

### How has spending changed (net revenue expenditure per population)



### How does spending compare? (net revenue expenditure per population)



Source: HMICFRS Value for Money Profiles 2021

National procurement frameworks are used to help identify the right supplier and to achieve the best possible value. Partnering with Blue Light Commercial and joint procurement with other forces is explored to increase financial savings, improve value for more and to drive out further efficiency. The Constabulary also plays a significant role in supporting the Police Digital Service to exploit technology and improve our commercial, technical and digital opportunities.

## 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 continues to demonstrate value for money, whilst enhancing the way the police service in the region does business.

Our regional 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 their 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 exists to ensure that the collaborations continue to operate efficiently and effectively and continues 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 rebuilding existing police stations and is captured in the Asset Management Plan. There are four co-locations with further reviews in the future of other opportunities. 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 continues to work closely with the Fire and Rescue Service on procurement, transport and a number of specialist financial advisory services and they consider jointly seeking bids for all contracts where there are joint needs. Joint contracts have been awarded totalling over £1.816m. These arrangements include alignment of waste management, shared photocopying arrangements, joint procurement of a new transport system, Travel and Accommodation system, banking arrangements, insurance arrangements, tax advice, employee reward system and asset management system. Further opportunities will continue to be exploited for the benefit of both organisations.



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

**29<sup>th</sup> July 2022**



## 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:

### 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 the 31 March 2022 and of its income and expenditure for the year ended the 31 March 2022.



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

Date: 29<sup>th</sup> July 2022

# EXTERNAL AUDIT REPORT

PAGES 17-19  
TO BE ISSUED  
AFTER APPROVED

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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 a historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities.

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 2021/22) 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.

The accounts are therefore prepared on a going concern basis, on the assumption that the functions of the PCC and Chief Constable will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

### **Consolidation**

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 2022.

### **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 Unquoted Securities – Current Bid Price.
- Unquoted Securities – Professional Estimate.
- Property – Market Value.

The changes in the net pensions' liability are 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 accrual's 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 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.

### Impairments

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

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

### 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. An exception is made for assets that are not yet available for use (i.e. assets under construction).

Vehicles	Over the life of the asset (3-10 years)
Equipment/furniture	Over the life of the asset (3-20 years)
IT/Communications Equipment	Over the life of the asset (2-10 years) - Majority of assets are 5 years

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 2021/22 the new standards that need to be reported relates to Annual Improvements to IFRS Standards 2018-2020 - amendments to IFRS 1 (First-time adoption), IAS 37 (Onerous Contracts), IFRS 16 (Leases) and IAS 41 (Agriculture). Also, amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use. 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 2021/22 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 take 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 as at the 31 March 2022 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 9.5% (£228m). If pension increases were to be 0.5% higher per year this would increase the liability by 9.0% (£207m). However, the assumptions interact in complex ways. For example, during 2021/22 the Police Pension Scheme liability increased by £9.4m as a result of experience changes and decreased by £30.8m as a result of the updating of actuarial assumptions for financial reasons (In 2020/21 the equivalent decreased by £26.3m and increased by £249.9m respectively). 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 rates and retirement ages. These will have an impact on the level of future liabilities. 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.
<b>Accumulated Absences Account</b>	
The Accumulated Absences Account for compensated absences earned but not taken in the year (e.g. 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. The latter represents £0.019m of the figure of £2.810m.	If the amount of flexi leave for police staff increased by 10% this would increase the balance by £0.002m. 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.

## 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.

2020/21				2021/22		
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	217,514	217,514	Policing Services	0	239,163	239,163
0	380	380	Corporate and Democratic Core (Chief Constable)	0	476	476
<b>0</b>	<b>217,894</b>	<b>217,894</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>0</b>	<b>239,639</b>	<b>239,639</b>
0	(186,328)	(186,328)	Intra-group Funding	0	(191,664)	(191,664)
<b>0</b>	<b>31,566</b>	<b>31,566</b>	<b>Cost of Policing Services</b>	<b>0</b>	<b>47,975</b>	<b>47,975</b>
0	27,422	27,422	Other Income and Expenditure	0	23,991	23,991
<b>0</b>	<b>58,988</b>	<b>58,988</b>	<b>Deficit on the Provision of Services</b>	<b>0</b>	<b>71,966</b>	<b>71,966</b>
0	295,300	295,300	Other Comprehensive Income and Expenditure	0	(80,854)	(80,854)
<b>0</b>	<b>354,288</b>	<b>354,288</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(8,888)</b>	<b>(8,888)</b>
		0	<b>Opening General Reserve and Earmarked Reserve Balance</b>			0
		0	Surplus on General Reserve/Earmarked Reserves in Year			0
		0	<b>Closing General Reserve and Earmarked Reserve Balance</b>			0

(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 29.

**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 2021				Chief Constable For the year ended 31 March 2022		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
260,412	(42,898)	217,514	Policing Services	268,511	(29,348)	239,163
380	0	380	Corporate and Democratic Core	476	0	476
<b>260,792</b>	<b>(42,898)</b>	<b>217,894</b>	<b>Cost of Policing Services before revaluations/funding</b>	<b>268,987</b>	<b>(29,348)</b>	<b>239,639</b>
(229,226)	42,898	(186,328)	Intra-group funding	(221,012)	29,348	(191,664)
<b>31,566</b>	<b>0</b>	<b>31,566</b>	<b>Cost of Policing Services</b>	<b>47,975</b>	<b>0</b>	<b>47,975</b>
1,495	0	1,495	Losses on the Disposal of Non-Current Assets	263	0	263
1,351	0	1,351	Levies to national police services	1,662	0	1,662
(1,351)	0	(1,351)	Intra-group Fund adjustment (Levies to national police services)	(1,662)	0	(1,662)
			<b>Financing and Investment Income and Expenditure</b>			
48,336	0	48,336	Police Pensions Interest Cost	50,055	0	50,055
			<b>Taxation and Non-Specific Grant Income</b>			
0	(22,409)	(22,409)	Police Officer Pension Grant	0	(26,327)	(26,327)
<b>81,397</b>	<b>(22,409)</b>	<b>58,988</b>	<b>Deficit on the Provision of Services</b>	<b>98,293</b>	<b>(26,327)</b>	<b>71,966</b>
		295,300	Actuarial (Gains) or Losses on Police Pension			(80,854)
		<b>295,300</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(80,854)</b>
		<b>354,288</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(8,888)</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-21		Note	31-Mar-22
£000			£000
15,056	Plant and Equipment	11	14,581
1,847	Intangible Assets	12	1,077
<u>16,903</u>	<b>Long-Term Assets</b>		<u>15,658</u>
4,602	Short-Term Debtors - Intra group Debtor		3,875
0	Cash and Cash Equivalents		0
<u>4,602</u>	<b>Current Assets</b>		<u>3,875</u>
(4,602)	Short-Term Creditors - Intra group creditor		(3,875)
(2,318)	Short-Term Creditors - Accumulated Absences		(2,810)
<u>(6,920)</u>	<b>Current Liabilities</b>		<u>(6,685)</u>
(2,493,232)	Other Long-Term Liabilities - Pension Scheme	10a	(2,482,607)
<u>(2,493,232)</u>	<b>Long-Term Liabilities</b>		<u>(2,482,607)</u>
<u>(2,478,647)</u>	<b>Net Assets/(Liabilities)</b>		<u>(2,469,759)</u>
1	Unusable Reserves - Revaluation Reserve	16	1
16,902	Unusable Reserves - Capital Adjustment Account	16	15,657
(2,493,232)	Unusable Reserves - Pension reserve	16	(2,482,607)
(2,318)	Unusable Reserves - Accumulated Absences Reserve	16	(2,810)
<u>(2,478,647)</u>	<b>Total Reserves</b>		<u>(2,469,759)</u>

### Certification

The financial statements were authorised for issue on the 29th July 2022.



## MOVEMENT IN RESERVES STATEMENT 2021/22 OF THE CHIEF CONSTABLE

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

		<b>General Reserve Balance</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Note</b>			<b>16</b>	
<b>Balance as at the 1 April 2021</b>		<b>0</b>	<b>0</b>	<b>(2,478,647)</b>	<b>(2,478,647)</b>
<b>Total Comprehensive Income and Expenditure</b>		8,888	8,888	0	8,888
<b>Adjustments between accounting basis and funding basis under regulations</b>					
- Depreciation and Impairment of non-current assets		4,857	4,857	(4,857)	0
- Net gain or loss on sale of non-current assets		263	263	(263)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme		(10,625)	(10,625)	10,625	0
- Capital expenditure funded by PCC Intra-group funding		(3,875)	(3,875)	3,875	0
- Charges for employee benefits		492	492	(492)	0
<b>Total Adjustments between accounting basis and funding basis</b>		<b>(8,888)</b>	<b>(8,888)</b>	<b>8,888</b>	<b>0</b>
<b>Increase in Year</b>		<b>0</b>	<b>0</b>	<b>8,888</b>	<b>8,888</b>
<b>Balance as at the 31 March 2022 carried forward</b>		<b>0</b>	<b>0</b>	<b>(2,469,759)</b>	<b>(2,469,759)</b>



## MOVEMENT IN RESERVES STATEMENT 2020/21 OF THE CHIEF CONSTABLE

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

		<b>General Reserve Balance</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		£000	£000	£000	£000
	<b>Note</b>			16	
<b>Balance as at the 1 April 2020</b>		0	0	(2,124,359)	(2,124,359)
<b>Total Comprehensive Income and Expenditure</b>		(354,288)	(354,288)	0	(354,288)
<b>Adjustments between accounting basis and funding basis under regulations</b>					
- Depreciation and Impairment of non-current assets		5,784	5,784	(5,784)	0
- Net gain or loss on sale of non-current assets		1,495	1,495	(1,495)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme		351,139	351,139	(351,139)	0
- Capital expenditure funded by PCC Intra-group funding		(4,602)	(4,602)	4,602	0
- Charges for employee benefits		472	472	(472)	0
<b>Total Adjustments between accounting basis and funding basis</b>		<b>354,288</b>	<b>354,288</b>	<b>(354,288)</b>	<b>0</b>
<b>Decrease in Year</b>		<b>0</b>	<b>0</b>	<b>(354,288)</b>	<b>(354,288)</b>
<b>Balance as at the 31 March 2021 carried forward</b>		<b>0</b>	<b>0</b>	<b>(2,478,647)</b>	<b>(2,478,647)</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-21 £'000		31-Mar-22 £'000
58,988	Net Deficit on the Provision of Services	71,966
	<b>Adjust Net Deficit on the Provision of Services for Non-cash Movements</b>	
(3,682)	Depreciation of Non-Current Assets	(3,824)
(2,102)	Amortisation of Intangible Assets	(1,033)
4,602	Capital expenditure funded by PCC Intra-group funding	3,875
(472)	Increase in Creditors - accumulated absences	(492)
(55,839)	Pension Liability	(70,229)
(1,495)	Carrying Amount of Non-Current Assets Sold	(263)
<u>(58,988)</u>		<u>(71,966)</u>
	<b>Adjust for Items Included in the Net Deficit on the Provision of Services that are</b>	
0	<b>Investing and Financing Activities</b>	0
0	<b>Net Cash Flows (used in)/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 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 their 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) except for 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 28) takes net expenditure that is funded from resources and reconciles it to the Comprehensive Income and Expenditure Statement (CIES page 29). 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 2020/21</b>	<b>Net Change for the Pensions Adjustments 2020/21</b>	<b>Other Differences 2020/21</b>	<b>Total Adjustments 2020/21</b>
<b>2020/21</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	1,182	29,912	186,420	217,514
Corporate and Democratic Core Chief Constable	-	-	380	380
<b>Net Cost of Services before revaluations/funding</b>	<b>1,182</b>	<b>29,912</b>	<b>186,800</b>	<b>217,894</b>
Intra-group funding	-	-	(186,328)	(186,328)
<b>Net Cost of Services</b>	<b>1,182</b>	<b>29,912</b>	<b>472</b>	<b>31,566</b>
Other operating expenditure	1,495	-	-	1,495
Financing and Investment income & expenditure	-	48,336	-	48,336
Taxation & Non-specific grant income & expenditure	-	(22,409)	-	(22,409)
<b>Net Deficit on General Reserve Balance</b>	<b>2,677</b>	<b>55,839</b>	<b>472</b>	<b>58,988</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 2021/22</b>	<b>Net Change for the Pensions Adjustments 2021/22</b>	<b>Other Differences 2021/22</b>	<b>Total Adjustments 2021/22</b>
<b>2021/22</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	982	46,501	191,680	239,163
Corporate and Democratic Core Chief Constable	-	-	476	476
<b>Net Cost of Services before revaluations/funding</b>	<b>982</b>	<b>46,501</b>	<b>192,156</b>	<b>239,639</b>
Intra-group funding	-	-	(191,664)	(191,664)
<b>Net Cost of Services</b>	<b>982</b>	<b>46,501</b>	<b>492</b>	<b>47,975</b>
Other operating expenditure	263	-	-	263
Financing and Investment income & expenditure	-	50,055	-	50,055
Taxation & Non-specific grant income & expenditure	-	(26,327)	-	(26,327)
<b>Net Deficit on General Reserve Balance</b>	<b>1,245</b>	<b>70,229</b>	<b>492</b>	<b>71,966</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 Pension Adjustments

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 e.g. 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 2020/21		Chief Constable 2021/22
£'000	Financial Resources of the Commissioner consumed at the request of the Chief Constable	£'000
84,795	Police Pay & Allowances	88,895
66,077	Police Staff Pay & Allowances	77,147
2,078	Other Employee Expenses	1,725
46,410	Police Pensions (Current Cost) -see note 9	52,920
9,267	Premises	9,414
4,070	Transport	4,233
26,335	Supplies & Services	20,981
13,783	Agency & Contracted Services	7,417
7,282	Depreciation & Cost of using Commissioner's Property	6,237
695	Revenue Expenditure Funded from Capital under Statute	18
<b>260,792</b> (42,898)	Income from fees/charges and Special Government Grant	<b>268,987</b> (29,348)
<b>217,894</b>	<b>Net Cost of Policing Services</b>	<b>239,639</b>

In 2021/22 the Police and Crime Commissioner increased the band D council tax by £15 for Derbyshire households. This increase in funding was primarily used to continue to invest in services to the public and a 'fit-for-purpose' estate across the county to enable the delivery of a modern policing service. Our police officer establishment increased as part of the National Officer Uplift strategy. Police Staff Pay & Allowances include the Current Service Cost of pension benefits which increased by £10m over 2020/21 (see note 9).

The Chief Constable was National Police Chiefs Council (NPCC) lead for Cyber Crime. 2020/21 was the last year in which Derbyshire was able to access funding from the Home Office to build Cyber Crime capabilities on behalf of all forces. The 2020/21 Income from specific grants includes £15.2m from the Home Office for Cyber Grant for all forces, the expenditure for all Forces is mainly included in Other Employee Expenses, Supplies and Services and Agency & Contracted Services in 2020/21. In 2021/22 the responsibility for Cyber transferred to the City of London so the figures have reduced and only reflect the expenditure and income for Derbyshire for Cyber (£0.220m).

## 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 and Vehicles

In 2021/22, £121,958 was spent on rental payments for Hired Photocopiers (£121,359 in 2020/21). £144,649 was spent in 2021/22 on rental payments for Livescan units (an electronic system for taking fingerprints). £179,796 was spent in 2020/21. There is also a lease for a Chief Officer vehicle which commenced in 2020/21 for 4 years (£3,391 per annum).

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

	£'000	
	2020/21	2021/22
Within 12 Months	267	306
Later than 1 year and not later than 5 years	1,068	1,214

### Land and Buildings

A number of buildings are leased and are accounted for as an operating lease. In 2021/22, £1,029,964 was paid for the lease of land and buildings (£977,066 in 2020/21).

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

	£'000	
	2020/21	2021/22
Within 12 Months	1,013	1,101
Later than 1 year and not later than 5 years	4,100	4,375
More than 5 years	11,385	11,326

### 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 2021/22 was £18,909 (£5,016 in 2020/21). A further £104,739 was received for mast rental in 2021/22 (£172,733 in 2020/21).

## 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 chief officer 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.

2020/21							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration 2020/21 £
Chief Constable (CC)	1,2	50,957	3,978	5,180	-	-	60,115
Deputy CC Derbyshire/ Chief Constable (CC)	3,4	146,181	2,910	223	8,436	45,316	203,066
Deputy Chief Constable	5	28,841	2,187	-	-	8,941	39,969
Deputy CC Collaboration	6	91,117	4,019	357	2,991	28,246	126,730
ACC Crime & Territorial Policing/ Deputy CC / Deputy CC Collab	7,8	124,684	-	660	8,371	36,583	170,298
Temp ACC Crime & Territorial Policing	9	90,790	1,970	1,800	-	28,145	122,705
Temporary ACC Operational Support	10	108,119	3,771	-	5,430	28,153	145,473
Temporary ACC Operational Support	11	99,424	4,580	1,000	-	27,809	132,813
Joint Director of Finance and Business Services	12	100,877	-	-	9,730	14,022	124,629

**Note 1 - The Chief Constable retired on the 31/07/2020.**

**Note 2- The Chief Constable has opted out of the Police Officers Pension scheme.**

**Note 3 - As the total remuneration for 2020/21 has exceeded £150k the regulations require that Ms R Swann be named.**

**Note 4 - The Deputy Chief Constable left this role on 13/08/2020 and became the Chief Constable on the 14/08/2020.**

**Note 5 - A new Deputy Chief Constable was appointed on the 11/01/2021.**

**Note 6 - The Deputy Chief Constable for Collaboration left this role on 19/12/2020 to take up a new position as Chief Constable for Lincolnshire Police.**

**Note 7 - As the total remuneration for 2020/21 has exceeded £150k the regulations require that Mr P Gibson be named.**

**Note 8 - The ACC Crime and Territorial Policing left this role on 31/07/2020. He became Temporary Deputy Chief Constable on the 1/08/2020 till the 11/01/2021 when he was appointed Temporary Deputy Chief Constable Collaboration.**

**Note 9 - A Temporary ACC Crime & Territorial Policing was appointed on 8/2/2021. The costs above include their previous role as Chief Superintendent in EMSOU Collaboration.**

**Note 10 - The Temporary ACC Operational Support left this role on 11/01/2021. The costs above include their role as Chief Superintendent Head of Crime Support.**

**Note 11 - A Temporary ACC Operational Support was appointed on 1/08/2020. The costs above include their previous role as Chief Superintendent Head of Operations.**

**Note 12 - This shows the full remuneration costs, these 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 with Fire.**

2021/22							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £ (6)	Employer pension £	Total Remuneration 2021/22 £
Chief Constable (CC)	1	156,693	2,910	739	-	48,575	208,917
Deputy CC Derbyshire	2	129,264	5,369	50	-	40,072	174,755
Deputy CC Collaboration	3,4	129,264	-	660	-	39,143	169,067
Temp ACC Crime & Territorial Policing		106,592	6,250	-	-	33,044	145,886
Temporary ACC Operational Support		110,136	6,250	-	-	28,442	144,828
Joint Director of Finance and Business Services	5	101,913	-	-	9,937	14,166	126,016

**Note 1 - As the total remuneration for 2021/22 has exceeded £150k the regulations require that Ms R Swann be named.**

**Note 2 - As the total remuneration for 2021/22 has exceeded £150k the regulations require that Ms K Meynell be named.**

**Note 3 - As the total remuneration for 2021/22 has exceeded £150k the regulations require that Mr P Gibson be named.**

**Note 4 - The Temp Deputy Chief Constable Collaboration was appointed on the 15/07/2021 as Permanent Deputy**

### Chief Constable Collaboration.

**Note 5 – This shows the full remuneration costs, these 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 in Fire.**

**Note 6 – In 2021/22 an agreement was reached with HMRC that benefits in kind did not apply to Police Officers.**

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	No. Of Employees 2020/21	No. Of Employees 2021/22
£50,000 - £54,999	33	31
£55,000 - £59,999	18	22
£60,000 - £64,999	4	9
£65,000 - £69,999	7	5
£70,000 - £74,999	-	2
£75,000 - £79,999	5	3
£80,000 - £84,999	1	3
£85,000 - £89,999	4	2
£90,000 - £94,999	2	3
£95,000 - £99,999	-	2
£105,000 -£109,999	1	-
£110,000 - £114,999	-	1
£115,000-£119,999	-	-
£125,000-£129,999	1	1
<b>TOTAL</b>	<b>76</b>	<b>84</b>

### Exit Packages

The total cost of exit packages in the current year is £43,045. The cost in the table below shows the full extent of these redundancies.

2020/21					2021/22			
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 £
-	1	1	18,079	£0 - £20,000	-	1	1	9,936
-	1	1	38,271	£20,001-£40,000	-	1	1	33,109
-	2	2	56,350	TOTAL	-	2	2	43,045

### Note 6 External Audit Fees

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

	2020/21 £'000	2021/22 £'000
Scale fees payable	11	11
Extra fees payable for audit previous year	10	6
Reduction in fees following PSAA referral (relating to 2019/20)	-	(5)
<b>TOTAL</b>	<b>21</b>	<b>12</b>

Also in 2021/22 £6,000 grant was received from the Department of Levelling Up, Housing and Communities (DLUHC) following the Redmond review, this was to support increased audit fees driven by new requirements on auditors.

### 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 of Forces partaking in the JCO.

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

2020/21			2021/22	
Jointly Controlled Operations	Derbyshire Police	Comprehensive Income and Expenditure Statement	Jointly Controlled Operations	Derbyshire Police
£'000	£'000		£'000	£'000
33,948	7,844	Employees' Expenses	34,419	7,941
567	124	Premises	555	121
554	122	Transport	665	146
4,499	1,101	Supplies and Services	4,899	1,207
3,683	832	Agency and Contracted Services	3,759	849
1,464	322	Capital Charges	1,783	392
<b>44,715</b>	<b>10,345</b>	<b>Gross Operating Expenditure</b>	<b>46,080</b>	<b>10,656</b>
(1,137)	(258)	Other Income	(1,337)	(300)
-	-	Profit/(Loss) on Disposal of Fixed Assets	(11)	(1)
<b>43,578</b>	<b>10,087</b>	<b>Net Operating Expenditure Financed by:-</b>	<b>44,732</b>	<b>10,355</b>
(38,839)	(9,057)	Contributions from Partners	(38,724)	(9,076)
(4,353)	(949)	External Grants	(4,870)	(1,062)
(422)	(92)	Capital Grants & Contributions	(357)	(78)
<b>(36)</b>	<b>(11)</b>	<b>(Surplus) / Deficit for the year</b>	<b>781</b>	<b>139</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	6,181	(6,151)	30
EMSOU Major Crime – Command Team	Co-ordination of Major Crime investigations	All 5 forces	Sept 2011	21.8	166	(165)	1
EMSOU Forensics	Forensic analysis and identification	All 5 forces	April 2014	21.8	2,154	(2,125)	29
EM Legal Services	Specialist Legal advice and services, incl Insurance	All 5 forces	April 2014	21.8	408	(406)	2
EM CHRS – Learning & Development	Co-ordination of regional training provision	Derbys, Leics, Northants, Notts	April 2012	25.11	348	(345)	3
EM CHRS – Occupational Health	Occupational Health Services	All 5 forces	April 2012	21.8	452	(457)	(5)
HR Service Centre	Transactional HR services	Derbys, Leics	June 2014	50.0	849	(866)	(17)
Emergency Services Network (ESN)	Communications Network	All 5 forces	July 2017	22.6	97	(1)	96
<b>Totals</b>					<b>10,655</b>	<b>(10,516)</b>	<b>139</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 their 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 their 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 current commitment to make future 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.

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 the 31 March 2019 which set contribution rates for the 3-year period commencing on the 1 April 2020.

The 2021/22 total employer contribution of £8.406m consisted of £8.371m in 'regular' contributions and £0.035m 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 13.9% of pensionable pay at the latest 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 2021/22).

In total these 2 elements equated to a contribution rate of 16.9% of pensionable pay for 2021/22.

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 2021/22 these amounted to £0.029m.

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 structure of benefits payable to members under the LGPS was reformed from April 2014 as part of a policy to make all pension schemes across the public sector more affordable. In summary, retirements benefits earned from service after this date became based on 'career average' salaries rather than final salaries. For Police Officers (see below) a similar change was implemented from April 2015.

The implementation of all the new career-average schemes across the public sector was subsequently found to be discriminatory – on grounds of age – in a series of court rulings. This was because members nearer to retirement were treated more favourably than younger members with less service. Following a consultation process HM Treasury has determined a mechanism and process for removing the discrimination, which is referred to collectively as the 'Pensions Remedy'. This process is due to begin from October 2023, when all the technical details of implementation have been worked out and will mean that individual members will have a choice regarding the benefits they receive for service between the 1 April 2015 and 31 March 2022. More details can be found under the 'McCloud Judgement' section below.

- **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 2021/22:
  - The 1987 Police Pension Scheme - based on officers' final salaries and a maximum pensionable service of 30 years.
  - The 2006 Police Pension Scheme (effective for police officers commencing from April 2006 onwards) - based on officers' final salaries and a maximum pensionable service of 35 years.
  - The 2015 Police Pension Scheme – based on 'career average' salaries with no maximum pensionable service but a Normal Pension Age of 60.

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 / Pension Remedy (see page 43).

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 2021/22 a Top up grant of £26.327m was received from the Home Office to supplement the employer's contributions paid into the account which amounted to £21.742m (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 the 31 March 2016. A further revaluation as at the 31 March 2020 is due to determine a revised employer's contribution rate with effect from the 1 April 2023.

In addition to the standard contribution, individual payments totalling £0.339m were made into the Pensions Fund Account to reimburse the extra cost of benefits becoming payable early due to ill-health retirement. Injury-related payments amounted to £2.432m and these were paid from the Comprehensive Income and Expenditure Account. The Pensions Fund Account is shown on page 55.

#### **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	2020/21	2021/22
<b>Comprehensive I&amp;E Statement</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services</b>		
• Current service cost *	16,409	26,463
<b>Financing and Investment Income and Expenditure</b>		
• Net Interest cost	2,236	3,685
<b>Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,645</b>	<b>30,148</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)	(47,057)	(17,207)
- Actuarial losses/(gains) arising from changes in demographic assumptions	6,834	(2,891)
- Actuarial losses/(gains) arising from changes in financial assumptions	115,406	(40,248)
- Other experience changes	(3,443)	862
<b>Total Re-measurements</b>	<b>71,740</b>	<b>(59,484)</b>
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>90,385</b>	<b>(29,336)</b>
<b>Movement in Reserves Statement Expenditure</b>		
• Reversal of net charges for post-employment benefits in accordance with the code	(90,385)	29,336
<b>Actual amount charged against the General Reserve Balance for pensions in the year</b>		
• Employers' contributions payable to scheme plus added years	8,266	8,435
• Retirement benefits payable to pensioners	-	-

Police Pension Scheme	2020/21	2021/22
<b>Comprehensive I&amp;E Statement</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services</b>		
• Current service cost	46,410	52,920
<b>Financing and Investment Income and Expenditure</b>		
• Net Interest cost	46,100	46,370
<b>Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>92,510</b>	<b>99,290</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	-	-
• Actuarial losses/(gains) arising from changes in financial assumptions	249,910	(30,810)
• Other experience changes	(26,350)	9,440
<b>Total Re-measurements</b>	<b>223,560</b>	<b>(21,370)</b>
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>316,070</b>	<b>77,920</b>
<b>Movement in Reserves Statement Expenditure</b>		
• Reversal of net charges for post-employment benefits in accordance with the code	(316,070)	(77,920)
<b>Actual amount charged against the General Reserve Balance for pensions in the year</b>		
• Employers' contributions payable to scheme	24,641	24,513
• 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.

## **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 the 27 June 2019 the Supreme Court refused leave to appeal in both cases. They were therefore referred to their respective Employment Tribunals to determine what remedies should be applied. Also, because of the Supreme Court decision, on 15 July 2019 the Treasury announced that the rulings would apply to all 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 the 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 the 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. The arrangements were confirmed on the 4 February 2021 when HM Treasury issued its response to the consultation, with the main elements being:

- 1) Members in scope of the remedy include those who were members, or eligible to be a member of a public service 'legacy' scheme on the 31 March 2012 and were members of a public service pension scheme between the 1 April 2015 and 31 March 2022, and the two periods were continuous (or treated as continuous under the scheme regulations).
- 2) At the point of retirement, eligible members will be able to choose to receive legacy pension scheme benefits or benefits equivalent to those available under the reformed CARE scheme for service between the 1 April 2015 to 31 March 2022. This approach is referred to as the 'Deferred Choice Underpin'.
- 3) From the 1 April 2022, at the end of the remedy period, all those who are eligible and continue in service will do so as members of the reformed CARE scheme, irrespective of age.

The Public Service Pensions and Judicial Offices Act 2022 got royal assent on the 10 March 2022 and came into force from the 1 April 2022. The Act formally closed all public service legacy schemes from the 31 March 2022 and brings the retrospective remedy, as outlined above, into force by the 1 October 2023. The Home Office is expected to consult in January 2023 on the secondary regulations needed to bring the provisions of the Act into force for the Police Pension Scheme by the 1 October 2023 deadline.

## **Impact on the 2021/22 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 Remedy as determined by HM Treasury will impact on the level of liabilities created for the seven-year period to which it applies.

For both the LGPS and the Police Pension Scheme allowance a Past Service cost was charged to the 2018/19 accounts for additional liabilities arising from McCloud based on the rulings made to date and a best interpretation of the likely remedies expected to follow at the point that the accounts were prepared. These additional liabilities were partially reduced by a Past Service Gain in 2019/20 to reflect the reduced eligibility criteria within HM Treasury's remedy proposals.

As HM Treasury's response to its consultation on implementing the age discrimination remedy largely confirms the proposals on which the liabilities in the 2019/20 accounts were estimated, no further adjustment has been made in estimating liabilities as at the 31 March 2022. The 2021/22 Current Service Cost, however, does take account of the potential ongoing 'better off' benefits earned by affected members during the year.

Part of the challenge to the implementation of the new CARE scheme for police officers involved claims for compensation for a) injury to feelings, and b) pecuniary loss. There are two active sets of litigation in progress: Aarons & Ors and Penningtons.

#### *Aarons & Ors*

The Government Legal Department settled the injury to feelings claims on behalf of police Chief Officers without seeking any financial contributions. The pecuniary loss claims are due to be heard by the Employment Tribunal in December 2022. As the settlement of the injury to feelings claims sets a helpful precedent no liability in respect of the pecuniary loss has been included in the accounts.

#### *Penningtons*

As at the 31 March 2022 it is not possible to reliably estimate the extent or likelihood of these claims being successful and therefore no liability has been recognised.

### GMP equalisation and indexation

#### **Background**

Guaranteed minimum pension (GMP) was accrued by pension scheme members between the 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 the 6 April 2016 and 5 April 2021. This new responsibility led to increased costs for schemes and hence scheme employers. Following a consultation process in October 2020, the interim solution has been extended to members reaching State Pension age after the 5 April 2021.

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.

In November 2020 there was a further High Court judgement which ruled that pension schemes will need to revisit past Cash-Equivalent Transfer Values (CETV's) to ensure they met the requirement for GMP equalisation.

#### **Impact on the 2021/22 Accounts**

Our actuaries for the LGPS allowed for the impact of full GMP indexation in the triennial valuation of the fund as at the 31 March 2019. This valuation position is the basis for the calculation of total liabilities as at the 31 March 2020 which therefore reflects any increase in obligations due to GMP indexation. No allowance has been made for the impact of the additional ruling on CETV's, which is not expected to be significant for this scheme.

The impact of GMP equalisation for the Police Pension Scheme was first 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 the 6 December 2018 and before the 6 April 2021 are covered by this previous extension of the interim solution.

Following the 2018 Lloyds Banking ruling a further past service cost was recognised in 2019/20 in respect of members reaching State Pension Age after the 6 April 2021. This was included in the Comprehensive Income & Expenditure Statement. This means that the outcome of the October 2020 consultation was effectively addressed in the 2019/20 accounts.

The November 2020 ruling on CETV's may result in additional top-ups to transfer values for members with State Pension Age after the 5 April 2016 and who took a CETV from the scheme before they were equalised. However, the scope of any costs is yet to be determined and we do not have data on historic CETV's to estimate the potential impact. The actuaries for the Police Pension Scheme have assessed that any uplifts will be relatively small for a relatively small subset of members.

### Survivor benefits legal challenges

Two recent court cases have addressed the issue of equality in benefits payable to the survivors of pension scheme members: The Supreme Court ruling in Walker vs Innospec (July 2017) and the Employment Tribunal ruling in Mrs Goodwin vs Department for Education (concluded June 2020).

As a result of Walker, public service pension schemes have been required to amend their regulations to provide equal survivor benefits for same-sex couples (whether married or in civil partnerships) to that provided for widows, based on a member's full length of service. Following the Goodwin case the Chief Secretary to the Treasury issued a statement on the 20 July 2020 that public service pension schemes would be amended so that *surviving male same-sex and female same-sex spouses and civil partners will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages.*

### Impact on the 2021/22 Accounts

No allowance has been made for the impact of the above judgements in the liabilities calculated as at the 31 March 2022 for either the LGPS or the Police Pension Scheme. Actuaries for both schemes have assessed that the impact is as yet uncertain but is not likely to be significant. For example, the actuary for the LGPS assess the approximate impact of the Goodwin ruling to be 'very small' for a typical fund, between 0.1% - 0.2% of existing obligations.

## 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:

	Funded liabilities: Local Government Pension Scheme £'000	
	2020/21	2021/22
Opening Balance as at the 1 April	(343,882)	(483,620)
Current Service Cost	(16,409)	(26,463)
Interest on pension liabilities	(8,051)	(9,888)
Contributions from scheme participants	(3,173)	(3,253)
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	(6,834)	2,891
• Actuarial gains/(losses) arising from changes in financial assumptions	(115,406)	40,248
• Other experience changes	3,443	(862)
Benefits paid	6,692	7,329
<b>Deficit as at the 31 March</b>	<b>(483,620)</b>	<b>(473,618)</b>

	Police Pension Scheme £'000	
	2020/21	2021/22
Opening Balance as at the 1 April	(2,048,842)	(2,317,862)
Current Service cost	(46,410)	(52,920)
Interest on pension liabilities	(46,100)	(46,370)
Contributions from scheme participants	47,050	50,840
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
• Actuarial gains/(losses) arising from changes in financial assumptions	(249,910)	30,810
• Other – experience gains and (losses)	26,350	(9,440)
<b>Deficit as at the 31 March</b>	<b>(2,317,862)</b>	<b>(2,344,942)</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:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Present value of the defined benefit obligation	(483,620)	(473,618)	(2,317,862)	(2,344,942)	(2,801,482)	(2,818,560)
Fair Value of Scheme Assets	308,250	335,953	-	-	308,250	335,953
<b>Net liability arising from defined benefit obligation</b>	<b>(175,370)</b>	<b>(137,665)</b>	<b>(2,317,862)</b>	<b>(2,344,942)</b>	<b>(2,493,232)</b>	<b>(2,482,607)</b>

The liabilities show the underlying long-term commitments that the Chief Constable must pay for post-employment (retirement) benefits. The total liability of £2,482.607m has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet. Some £2,344.942m 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 (i.e. before payments fall due), as assessed by the scheme actuary.
- Also, due to national changes under the Public Pensions Services Act 2013, as from the 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. Prior to this date, all pension costs were charged to the Constabulary's operational account and funded by general revenue funding along with all other operational expenses. This created wide fluctuations in the cost of pensions from year to year.
- Employers now pay a fixed contribution (i.e. an actuarially determined % of pensionable pay) into a separate pension account. Any net cost of pensions paid to members in excess of this contribution is offset by a Home Office top-up grant.
- This change to the method of financing police officer pensions, and the fact that the employer contribution rate is assessed on a regular basis creates a more stable environment for Police Officer pensions.
- In addition, the introduction of a new Police Pension Scheme from April 2015 means that benefits accrued in this scheme 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 the 31 March 2023 are £8.340m. Expected contributions for the Police Pension Scheme in the year to the 31 March 2023 are £55.359m.

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 2020/21	Local Government Pension Scheme £'000 2021/22
Opening fair value as at the 1 April	250,631	308,250
Interest Income	5,815	6,203
The return on plan assets, excluding the amount included in the net interest expense	47,057	17,207
Contributions from employer	8,266	8,369
Contributions from employees into the scheme	3,173	3,253
Benefits/transfers paid	(6,692)	(7,329)
<b>Closing fair value of scheme assets at the 31 March</b>	<b>308,250</b>	<b>335,953</b>

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

The actual return on scheme assets including expected return on plan assets in the year was a gain of £23.410m (2020/21 a gain of £52.872m).

Local Government Pension Scheme assets comprised: -

	2020/21				2021/22			
	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>	-	19,593	19,593	6%	-	15,097	15,097	4%
<b>Equity Securities</b>								
Consumer	5,222	-	5,222	2%	1,330	-	1,330	1%
Manufacturing	3,037	-	3,037	1%	855	-	855	0%
Energy and Utilities	1,108	-	1,108	0%	423	-	423	0%
Financial Institutions	2,330	-	2,330	1%	640	-	640	0%
Health and Care	2,733	-	2,733	1%	881	-	881	0%
Information Technology	4,230	-	4,230	1%	1,203	-	1,203	0%
Other	61,982	-	61,982	20%	11,759	-	11,759	4%
<b>Equities sub-total</b>	<b>80,642</b>	-	<b>80,642</b>	<b>26%</b>	<b>17,091</b>	-	<b>17,091</b>	<b>5%</b>
<b>Debt Securities</b>								
Corporate Bonds	-	40,096	40,096	13%	20,804	22,920	43,724	13%
UK Government Bonds	25,987	-	25,987	8%	28,194	-	28,194	8%
Other Bonds	5,516	-	5,516	2%	5,964	-	5,964	2%
<b>Debt Securities sub-total</b>	<b>31,503</b>	<b>40,096</b>	<b>71,599</b>	<b>23%</b>	<b>54,962</b>	<b>22,920</b>	<b>77,882</b>	<b>23%</b>
<b>Property</b>								
UK Property	-	23,409	23,409	8%	1,804	24,678	26,482	8%
<b>Private Equity</b>	<b>4,656</b>	<b>6,793</b>	<b>11,449</b>	<b>4%</b>	<b>6,278</b>	<b>9,848</b>	<b>16,126</b>	<b>5%</b>
<b>Other Investment Funds</b>								
Equities	82,441	-	82,441	27%	99,950	55,643	155,593	46%
Infrastructure	4,490	14,627	19,117	6%	7,020	20,662	27,682	9%
<b>Other Investment Funds sub-total</b>	<b>86,931</b>	<b>14,627</b>	<b>101,558</b>	<b>33%</b>	<b>106,970</b>	<b>76,305</b>	<b>183,275</b>	<b>55%</b>
<b>Total Assets</b>	<b>203,732</b>	<b>104,518</b>	<b>308,250</b>	<b>100%</b>	<b>187,105</b>	<b>148,848</b>	<b>335,953</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), estimates are based on the latest full valuation of the scheme as at 31 March 2020. The Local Government scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries - estimates are based on the latest full valuation of the scheme as at the 31 March 2019.

### The main assumptions used in their calculations have been: -

	Local Government Pension Scheme		Police Pension Schemes	
	2020/21	2021/22	2020/21	2021/22
<b>Mortality assumptions:</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
Longevity at 65 for current pensioners:				
Men	21.3	21.1	22.0	22.1
Women	23.9	23.8	23.7	23.8
Longevity at 65 for future pensioners				
Men	22.5	22.2	23.7	23.8
Women	25.8	25.6	25.3	25.4
<b>Financial Assumptions</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of CPI inflation	2.85	3.20	2.40	3.00
Rate of increase in salaries (Long Term)	3.55	3.90	4.15	4.75
Rate of increase in pensions	2.85	3.20	2.40	3.00
Rate of CARE revaluation	-	-	3.65	4.25
Rate for discounting scheme liabilities	2.00	2.70	2.00	2.65
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

### Covid-19 implications

The current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemic. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. It is assessed that it is too early to determine whether Covid-19 changes the long-term view of life expectancy in the UK and therefore it is reasonable to retain existing mortality assumptions.

### Ukraine War implications

The effect of the Ukraine war on the accounting position is quite small. In summary, in the immediate aftermath of the invasion the Fund's asset values fell significantly however they have broadly recovered to pre-invasion levels. Some LGPS Funds had direct Russian investment exposure however these account for very small proportions (<0.2%) of a Fund's overall assets. The accounting assumptions are based on market expectations as at the 31 March 2022 and were shaped by global events, therefore affecting the value placed on the obligations.

### Sensitivity of assumptions

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

The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It 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 the 31/03/22					
		0.1% decrease in Real Discount Rate	1 year increase in member life expectancy	0.1% increase in the salary increase rate	0.1% increase in the pension increase rate
Local Government Pension Scheme	Approximate % increase to Employer Liability	2.0	4.0	0.0	2.0
	Approximate monetary amount - £'000	10,946	18,945	1,399	9,454
		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
Police Pension Schemes	Approximate % increase to Employer Liability	9.5	3.5	1.0	9.0
	Approximate monetary amount - £'000	228,000	79,000	23,000	207,000

## Note 11 Plant and Equipment

### Movements in 2021/22

	Operational	Non-Operational	
	Vehicles, Plant, Furniture Equipment	Assets Under Construction-Equipment	TOTAL
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At the 1 April 2021	36,350	874	37,224
Additions	3,522	353	3,875
Derecognition – Disposals	(1,032)	-	(1,032)
Derecognition – Other	(3,471)	-	(3,471)
Reclassifications – other	-	(263)	(263)
<b>At the 31 March 2022</b>	<b>35,369</b>	<b>964</b>	<b>36,333</b>
<b>Depreciation and Impairments</b>			
At the 1 April 2021	(22,168)	-	(22,168)
Depreciation charge	(3,824)	-	(3,824)
Derecognition – Disposals	825	-	825
Derecognition – Other	3,415	-	3,415
<b>At the 31 March 2022</b>	<b>(21,752)</b>	<b>-</b>	<b>(21,752)</b>
<b>Net Book Value as at the 31 March 2022</b>	<b>13,617</b>	<b>964</b>	<b>14,581</b>
<b>Net Book Value as at the 31 March 2021</b>	<b>14,182</b>	<b>874</b>	<b>15,056</b>

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

## Movements in 2020/21

	Operational	Non-Operational	
	Vehicles, Plant, Furniture Equipment	Assets Under Construction-Equipment	<u>TOTAL</u>
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At the 1 April 2020	38,947	938	39,885
Additions	4,531	71	4,602
Derecognition – Disposals	(962)	-	(962)
Derecognition – Other	(6,301)	-	(6,301)
Reclassifications – other	135	(135)	-
<b>At the 31 March 2021</b>	<b>36,350</b>	<b>874</b>	<b>37,224</b>
<b>Depreciation and Impairments</b>			
At the 1 April 2020	(25,569)	-	(25,569)
Depreciation charge	(3,682)	-	(3,682)
Derecognition – Disposals	802	-	802
Derecognition – Other	6,281	-	6,281
<b>At the 31 March 2021</b>	<b>(22,168)</b>	<b>-</b>	<b>(22,168)</b>
<b>Net Book Value as at the 31 March 2021</b>	<b>14,182</b>	<b>874</b>	<b>15,056</b>
<b>Net Book Value as at the 31 March 2020</b>	<b>13,378</b>	<b>938</b>	<b>14,316</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 the 31 March 2022 is 650. 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 24).

## 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.

	Purchased Software Licences £'000	
	2020/21	2021/22
<b>Balance as at the 1 April</b>		
Gross carrying amount	10,203	7,251
Accumulated amortisation	(4,939)	(5,404)
<b>Net carrying amount as at the 1 April</b>	<b>5,264</b>	<b>1,847</b>
Additions	-	-
Reclassifications	-	263
Derecognitions	(1,315)	-
Amortisation in year	(2,102)	(1,033)
<b>Balance as at the 31 March</b>	<b>1,847</b>	<b>1,077</b>

The derecognition figure in 2020/21 relates to the Cyber Crime project and the novation of software contracts to the City of London Police as at the 31 March 2021. The City of London Police took over the responsibility of the National Cyber Crime Project in 2021/22. The decrease in the amortisation figure in 2021/22 is mainly due to this.

## 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.

2020/21 £'000		2021/22 £'000
	<b>Capital Financing Requirement</b>	
	Capital investment	
4,602	<i>Plant and Equipment</i>	3,875
-	<i>Intangible assets</i>	-
<b>4,602</b>	<b>Total Capital Investment</b>	<b>3,875</b>
	Sources of Finance	
(4,602)	<i>Intra Group funding</i>	(3,875)
-	<b>Closing Capital Financing Requirement</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 the 31 March 2022, together with an estimate for further claims relating to 2021/22. On this basis a provision of £2.302m 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 the 31 March 2022, together with an estimate for further claims relating to 2021/22. On this basis a provision of £0.505m is required.

**Backdated Overtime Provision** – This is a provision for the costs of settling 14 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 as at the 1 April 2021</b>	<b>1,569</b>	<b>411</b>	<b>325</b>	<b>2,305</b>
Provision in Year	838	335	25	1,198
Expenditure in year	(105)	(241)	-	(346)
Transfer to/from Insurance Reserve	-	-	-	-
<b>Balance as at the 31 March 2022</b>	<b>2,302</b>	<b>505</b>	<b>350</b>	<b>3,157</b>

Provisions are split between short term (£1.129m) and long term (£2.028m) 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 occurred 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 2022.

### Contingent Assets

The Chief Constable has no contingent assets as at 31 March 2022.

## Note 16 Unusable Reserves

Unusable Reserves	31 March 2021 £'000	31 March 2022 £'000
Revaluation Reserve	1	1
Capital Adjustment Reserve	16,902	15,657
Pensions Reserve	(2,493,232)	(2,482,607)
Accumulated Absences Account	(2,318)	(2,810)
<b>Total Unusable Reserves</b>	<b>(2,478,647)</b>	<b>(2,469,759)</b>

### Capital Adjustment Account

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

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

Capital Adjustment Account	2020/21 £'000	2021/22 £'000
<b>Balance as at the 1 April</b>	<b>19,579</b>	<b>16,902</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
<ul style="list-style-type: none"> <li>• Charges for depreciation and impairment of non-current assets</li> <li>• Amortisation of Intangible Assets</li> <li>• 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</li> </ul>	(3,682)	(3,824)
	(2,102)	(1,033)
	(1,495)	(263)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(7,279)</b>	<b>(5,120)</b>
Intra Group Funding	4,602	3,875
<b>Balance as at the 31 March</b>	<b>16,902</b>	<b>15,657</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>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at the 1 April</b>	<b>(2,142,093)</b>	<b>(2,493,232)</b>
Transfer of Police Staff 1 April		
Actuarial gains or losses on pensions assets and liabilities	(295,300)	80,854
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.	(111,155)	(129,438)
Employer's pensions contributions and direct payments to pensioners payable in the year	55,316	59,209
<b>Balance as at the 31 March</b>	<b>(2,493,232)</b>	<b>(2,482,607)</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, e.g. annual leave, time off in lieu entitlement carried forward at the 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>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at the 1 April</b>	<b>(1,846)</b>	<b>(2,318)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,846	2,318
Amounts accrued at the end of the current year	(2,318)	(2,810)
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>(472)</b>	<b>(492)</b>
<b>Balance as at the 31 March</b>	<b>(2,318)</b>	<b>(2,810)</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

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (Onerous contracts)– clarifies the intention of the standard.
- IFRS 16 (Leases) - amendments removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- IAS16 Property, Plant and Equipment – amendments to proceeds before intended use.

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 CIPFA/LASAAC Local Authority Accounting Code Board has agreed to further defer the implementation of IFRS 16 Leases in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) until the 2024/25 financial year. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of the 1 April 2024 for the implementation of IFRS16.

**Note 18 Authorisation of Accounts for issue**

The 2021/22 Statement of Accounts were authorised for issue by the Joint Director of Finance and Business Services on the 29 July 2022. 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**

2020/21 £'000		2021/22 £'000
	<b>Contributions Receivable :</b>	
( 21,527)	Employer's actuarial rate	( 21,998)
( 563)	Employer's ill health retirement capital charges	( 339)
( 1,178)	Active members - 1987 Scheme	( 642)
( 44)	Active members - 2006 Scheme	( 35)
( 8,030)	Active members - 2015 Scheme	( 8,794)
	<b>Transfers In :</b>	
( 896)	Transfer values receivable	( 370)
	<b>Benefits Payable :</b>	
48,351	Pensions	49,102
6,218	Commutations and lump sum retirement benefits	9,135
	<b>Payments to and on account of leavers :</b>	
0	Refunds of contributions	13
78	Transfer values payable	255
22,409	<b>Sub-total : Net amount payable for the year</b>	26,327
( 22,409)	<b>Additional contribution from the Police and Crime Commissioner to fund the deficit for the year</b>	( 26,327)
0	<b>Net amount payable/receivable for the year</b>	0
	<b><u>Net Assets Statement</u></b>	
	<b>Current assets</b>	
4,038	Pensions paid in advance	4,180
	<b>Current Liabilities</b>	
( 223)	Unpaid pension benefits	( 845)
( 3,815)	Surplus for year payable to Police and Crime Commissioner	( 3,335)
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, meaning 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 the 1 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 the 6 April 2015 were also automatically transferred into the 2015 Scheme from that date, except those subject to protection arrangements. Protection arrangements were either 'full' or 'tapered' depending on the service and age of each officer. Tapered protection meant that an officer was to be transferred into the 2015 Scheme at a specified future date, but by 2022 at the latest. Retirement benefits for service up to the 6 April 2015 continue to be based on final salary.

At about the same period as the new Police Officer scheme, new career average pension schemes were also introduced for various other professions within the public sector, such as those for court judges, firefighters and civilian staff working in local government. Subsequently, Individual members in these schemes brought 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 afterwards 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 16 July 2020 HM Treasury published proposals for implementing a remedy to the age discrimination across all the public sector schemes affected by the ruling. 2 key elements of the Treasury's proposals were:

- determination of which members should be eligible for remedy, namely: those who were members of a public sector pension scheme on or before the 31 March 2012 and on or after the 1 April 2015.
- determination of the period of remedy, namely: April 2015 to March 2022, with all active members being put into their respective CARE schemes from the 1 April 2022.

Following a consultation process, on the 4 February 2021 HM Treasury confirmed the above criteria for eligibility for remedy and for its period of application. It also announced that the fundamental mechanism for achieving remedy would be a 'Deferred Choice Underpin'. This means that at the point they retire each eligible member will be able to choose to have been in either their legacy pension scheme or their new scheme for the seven-year period of the remedy.

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 determined by a 4-yearly re-valuation of total scheme liabilities by the Government Actuary's Department. The last re-valuation took place as of the 31 March 2016 and this was used to set an employer contribution rate from April 2019 of 31.0% (previously 24.2%) of pensionable pay.

The impact of implementing the age-discrimination remedy will be measured through the next re-valuation process which is due to determine employer contribution rates from the 1 April 2023. However, this timetable may be subject to change.

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 2021/22 a contribution of £26.327m 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 20 to 27).

# 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.

## 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 her affairs and facilitating the exercise of her 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, her officers and staff remain operationally independent in the service of the public. In discharging her 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. The arrangements in place are in line with the expectations set out in the CIPFA Financial Management Code 2019 and the CIPFA Statement on the Role of the Chief Financial Officer of the Chief Constable (March 2021).

- 2.7. Under s.35 of the 2011 Act in exercising her functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under their 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. The Force Management Statement also provides a source of assurance in respect of governance and performance and a high level review of the CIPFA Code of Financial Management has not highlighted any significant areas of non compliance.
- 3.2. The Constabulary's governance framework was in place at the year-end 31<sup>st</sup> March 2022 and is expected to be up to the date of the approval of the Statement of Accounts 2021/22.
- 3.3. This statement has been prepared for the 2021/22 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 Priorities Boards, building on the Performance Assurance Board to provide additional focus on overall policing performance, a Design 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. There is also a Productivity and Efficiency Board to look at investment and savings decisions including ensuring the Force's resources are targeted appropriately and it functions efficiently and effectively. These boards are 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 through the Force priorities which are monitored at the seven Priorities Boards.
- 5.3. The Commissioner approves an annual budget for the Constabulary activity which is aligned to the Police and Crime Plan and the Constabulary's priorities.

#### **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 and meets in year to consider changes in risk and mitigation.

- 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 is captured in a 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 and experience through the pandemic 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,**

- 10.1. The Financial Handbook is reviewed and updated regularly to ensure it remains fit for purpose. This clearly defines how decisions are taken and the processes and controls required for managing risk. Following the decision to appoint a Joint CFO for the Constabulary and DFRS, some financial rules have been reviewed to ensure close alignment between the two organisations. The Financial Handbook will be reviewed to ensure that it continues to be aligned to the OPCC structure. 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 Services 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 visits across Derbyshire.
- 14.2. The 'Safer Together' Campaign has 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 Financial Management code.

## **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 Professional Standards 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 2021/22 the Commissioner has placed reliance on this review and the Annual Governance Statement of Derbyshire Constabulary.
- 18.2. The Head of Internal Audit Opinion has reported that **“on the basis of our internal audit work, our opinion on the framework of governance, risk management and control is Moderate in its adequacy and effectiveness. This opinion is provided on the basis that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Certain weaknesses and exceptions were highlighted by our internal audit work, in particular limited assurance opinions during the period in respect of Transport, Stock Control and Procurement & Contract Management”** and this is as detailed in the Internal Audit Annual Report 2021/22. The Constabulary has already put in place actions and plans to address these weaknesses and implement the recommendations made by Internal Audit.
- 18.3. In their Audit Results Report for 2020/21, the External Auditor reported that they expect to issue 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. They also reported that they 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 in 2019, 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 maintains a Force Improvement Team and Force Improvement Group to focus on the actions needed to improve performance and the arrangements in place. A further inspection is currently underway and the report will be issued in the Autumn. 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 Performance Scrutiny Meetings with further scrutiny through the JARAC.

18.7. We have been advised on the implications of the results of the review of the effectiveness of the governance framework by JARAC and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. With the exception of noted weaknesses and improvements that are required within the Transport, Stock Control and Procurement & Contract Management areas of business there were no significant control issues identified during the year and the system of Internal Control is considered to have operated effectively in 2021/22. However, 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 and Risk 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>Our current modelling for 2023/24 shows a reasonable worst case projection of a £2m deficit, depending primarily on funding assumptions. However, this will be updated in the autumn through a revised strategy. The Force balanced its budget in 2020/21 and 2021/22 without the need to use its reserves and has developed savings options to sustain the current investment and meet the funding gap.</p>
<p>The Constabulary has close 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 ensures alignment between Police and Fire management boards.</p> <p>Both organisations have agreed a set of core principles which are included in a collaboration agreement that formalises collaborative arrangements for Police and Fire</p>

<p>The PEEL inspection highlighted the need to make significant changes to the way crime is recorded and improve its focus on vulnerability.</p>	<p>Improvements have been made in crime recording. A project team has been established to implement a detailed HMICFRS improvement plan with a specific improvement aimed at addressing the issues identified within the recent HMICFRS inspection. Regular updates on progress are provided to the HMICFRS.</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>Strategic and operational estates boards are in place to assess priorities for estates investment and oversee Estates projects.</p> <p>The joint Property team with Derbyshire Fire and Rescue Service includes the Joint Head of Strategic Estates and Team for the two organisations and a joint Asset Management Plan and contracts have been agreed.</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>Information management and the effective use of data is key to effective policing in the future. It is essential that the Constabulary has sound arrangement to analyse data and effective and appropriate data sharing protocols to protect against inappropriate disclosure.</p>	<p>The Constabulary has a governance structure in place to oversee this the effective use, sharing and storing of data through the DCC and Head of Information Management.</p>

## 19. 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 PCC and JARAC continue to receive updates on the arrangements that are in place.

## 20. Environmental Sustainability

20.1. The Constabulary has issued a Joint 'Net Zero and Sustainable Development Strategy' with Derbyshire Fire and Rescue Service. The strategy aims to ensure that the Force achieves its ambition for Net Zero emissions by 2050.

## 21. Declaration

21.1. 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: 29<sup>th</sup> July 2022

Signed:



**Joint Director of Finance and Business  
Services**

Date: 29<sup>th</sup> July 2022

## **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.