

**OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR  
DERBYSHIRE**

**DRAFT STATEMENT OF ACCOUNTS 2021/22**

**SUBJECT TO AUDIT AND SUBJECT TO CHANGE**

Please note that the Draft Statement of Accounts for 2020/21 are still being audited, so figures for both years are subject to change until an audit opinion is issued for 2020/21.

**OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE  
STATEMENT OF ACCOUNTS  
YEAR END 31 March 2022**

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# NARRATIVE REPORT

## Introduction

These accounts set out the overall financial position of Derbyshire Police for the year ended 31 March 2022.

## Organisational Overview and External Environment

Derbyshire Police 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.

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

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 Commissioner's Statement of Accounts.

The Derbyshire Police and Crime Plan is an overview of the areas of policing that will take precedence during the Commissioner's term of office. It sets out a series of goals to improve confidence and public satisfaction and includes the Constabulary's current risks and threats, as well as the Constabulary's priorities. All newly elected commissioners are legally obliged to publish a plan as soon as possible to inform the public how they intend to fulfil their election pledges. A new Commissioner was elected in May 2021. The Police and Crime Plan 2021-2025 was presented to the Police and Crime Panel in November 2021. A copy of the Police and Crime Plan can be obtained from the Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website at [Police and Crime Plan | Office of the Derbyshire Police and Crime Commissioner \(derbyshire-pcc.gov.uk\)](https://www.derbyshire-pcc.gov.uk)

## Organisational Model

The Commissioner may choose to employ a Deputy and employs staff to assist them in discharging their core functions. Further details on the current Office structure for the Police and Crime Commissioner in Derbyshire are available on the Commissioner's website at: [Office of the Police and Crime Commissioner for Derbyshire \(derbyshire-pcc.gov.uk\)](https://www.derbyshire-pcc.gov.uk)

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 force area. 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 1,450 staff in full-time and part-time positions. 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 Chief Constable to recognise the financial transactions incurred during 2021/22 for the delivery of policing services by Derbyshire Constabulary.

The purpose of the Narrative Report is to outline the financial performance, financial position and cash flows of the Commissioner and PCC Group 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 Commissioner and PCC Group 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 Summary (CIES)***

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Commissioner raises taxation to cover expenditure in accordance with statute and regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

This Statement shows the movement in the year on the different reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves, which have been set aside for specific purposes to meet known commitments. The Statement shows how the movements in year of the Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The 'Net Increase/Decrease' line shows the statutory General Reserve Balance movements in the year following those adjustments.

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that 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), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

### ***The Cash Flow Statement***

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the cash and cash equivalents are generated and used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

### ***Accounting Policies***

Accounting policies are the specific principles, conventions, rules and practices that are applied in preparing and presenting the annual accounts. The accounting policies applied in preparing the 2021/22 annual accounts are consistent with last year, except for a change to the Minimum Revenue Provision policy following a review by our Treasury Management advisors.

### ***Other Contents***

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

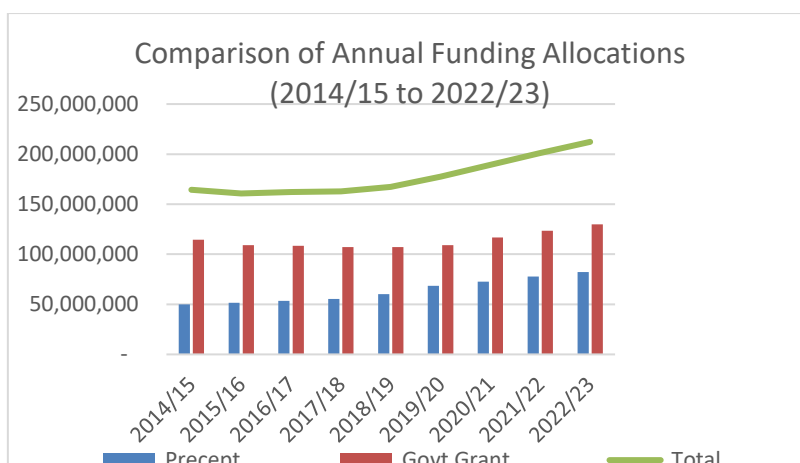
- A Statement of Responsibilities for the Accounts and information on the Police Officer Pension Fund (providing statements for pension fund income and expenditure, assets and liabilities).
- An Annual Governance Statement (AGS) is included within this Statement of Accounts. The statement is a statutory document which explains the governance processes and procedures in place to enable Derbyshire Police to carry out its functions effectively.

## **Strategy and Resource Allocation**

### ***Revenue Budget***

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) of £124.846m, and Council Tax of £77.784m.

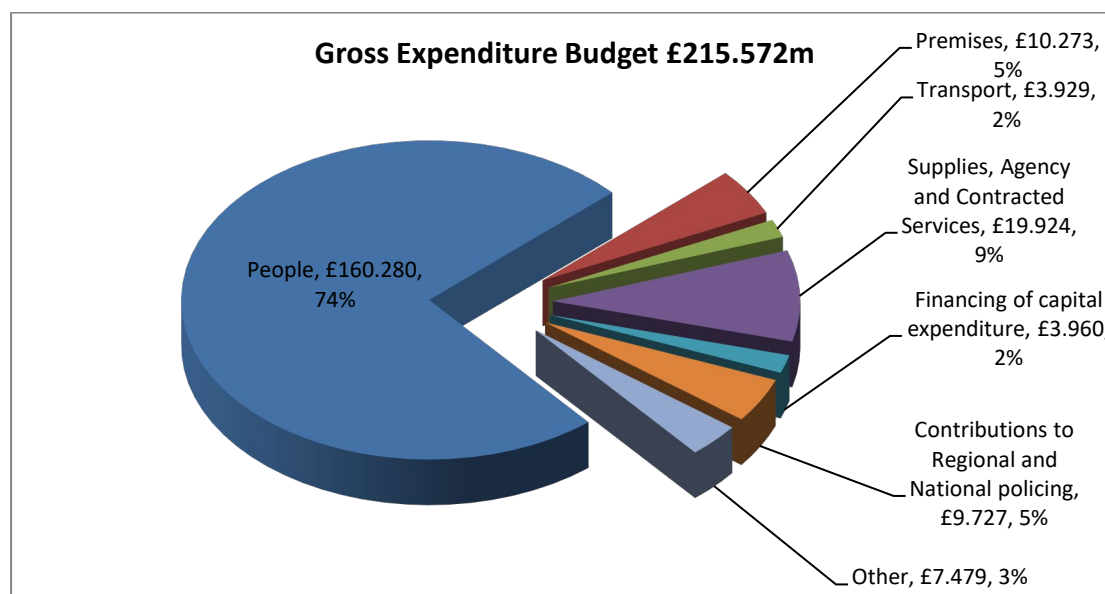
A year on year comparison of our funding sources shows how Government Grant has increased by 13% from 2014/15 to 2022/23. During the same period, the Net Revenue Budget for the Force has increased by 29% (an average of 3.6% per annum) from £164.7m to £212.3m.



A total of £26.327m funding 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

This section provides an introduction and a broad analysis of the Group's performance and position for 2021/22.

### Deficit on the Provision of Services

The Comprehensive Income and Expenditure Statement for 2021/22 shows a deficit on the provision of services of £72.825m. However, this outcome reflects the 'full accounting costs' attributable to the year as required by the Code of Practice on Local Authority Accounting. This is mainly due to a number of technical adjustments relating to pensions and capital charges e.g. depreciation. These technical adjustments are reversed in the Movements in Reserve Statement to give a more realistic measure of performance in the year of the amount funded from local taxation.

### **Net Expenditure against Revenue Funding Income (2021/22 Revenue Budget) - Performance against budget**

A more significant measure of financial performance in the year is the level of net expenditure incurred against the principal streams of revenue funding that make up the Group's Revenue Budget.

Net expenditure was incurred against the Revenue Budget for the Group of some £195.311m, which represented a 3.61% underspending against budget. After earmarking £5.314 to reserves earmarked for specific purposes, £1.120m was able to be added to the reserve for Operational Funding and Investment and £1.000m to the General Fund. A more detailed breakdown of the outcome against the revenue budget for 2021/22 is available in the Chief Constable's Statement of Accounts. [Statement of Accounts | Office of the Derbyshire Police and Crime Commissioner \(derbyshire-pcc.gov.uk\)](#)

### **Covid-19**

Following the outbreak of the Covid-19 pandemic in March 2020 the Force responded to protect the public and to effectively engage, explain, encourage and where appropriate to use enforcement to help defeat the Coronavirus. New working practices were implemented to ensure that our workforce had the necessary equipment and support to perform their roles safely, whilst continuing to tackle crime and keeping communities safe.

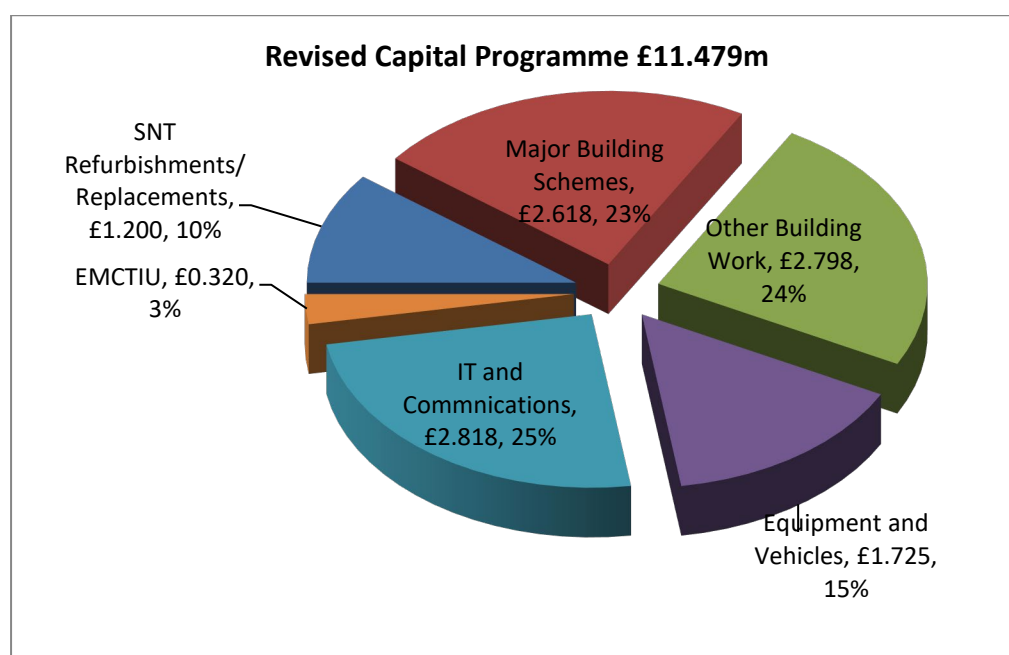
During 2020/21 over £2.073m was spent on policing the pandemic with a further impact of £0.613m in expected income being lost. These costs were offset by government funding of £0.80m. £0.757m of further funding received in March 2021 for enforcement and wider pressures was brought forward into 2021/22. However, the impact of Covid-19 considerably reduced both in terms of financial and operational impact, compared to the previous year, meaning that only £0.458m of this was utilised. The remainder is available to support the policing response to any further major Covid-19 outbreaks.

In 2021/22 two further amounts of grants were received to offset the impact of Covid-19 on levels of Council Tax income. £0.238m was received under the Tax Income Guarantee Scheme which was to compensate authorities for 75% of irrecoverable losses of Council Tax and Business Rates in 2020/21. £1.312m was also received as part of the £670m Local Council Tax Support Grant Fund, designed to help meet the additional costs associated with increases in local council tax support caseloads in 2021/22. Both grants were un-ringfenced.

### **Capital Expenditure in 2021/22**

As well as revenue expenditure the Group incurs capital expenditure, which is expenditure on assets which have a life beyond one year, mainly building improvement works, IT and vehicles.

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



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

Capital Programme	£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, however some internal refurbishment works remain 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.

#### **Treasury Management**

- Cash Flow Management - During 2021/22 the Group continued to be a net lender of funds, which means that it lent out more than it borrowed to manage its cashflow.
- Investment of Surplus Funds - The bank rate dropped to 0.10% in an emergency response to the coronavirus pandemic in March 2020. It remained at this rate until 17 December 2021 when it increased to 0.25%. It then increased to 0.50% on the 3 February 2022 and 0.75% on the 17 March 2022. It is predicted to continue to rise during 2022/23. This reflects 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 has affected the economy. Derbyshire achieved a 7-day average rate of 0.084% in 2021/22 (0.121% 2020/21). The low interest rates up to December 2021 limited the amount of interest earned on short-term investments and bank deposits. This improved marginally in the last quarter.
- Borrowing for capital purposes – Borrowing of £20m was taken out on the 9 December 2021 to help fund some of the major schemes in the Capital Programme in 2021/22 and 2022/23.
- Prudential Indicators - In undertaking its treasury management functions during the year, the Group managed its activities within the prudential indicators and approved Treasury Management policy.



## 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: -

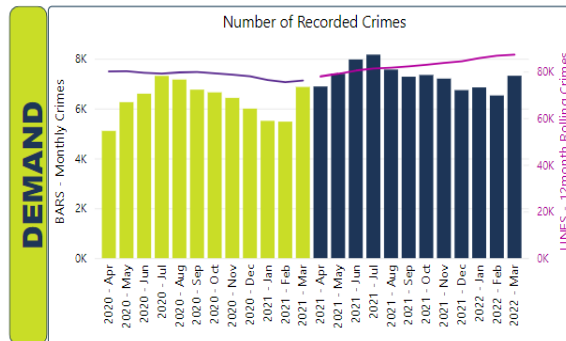
- Reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations.
- Contain related funding and operating costs of providing retirement benefits to employees that are recognised in the accounting period in which the benefits are earned.
- Contain adequate disclosure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

## Non-Financial Performance

The Office of the Police and Crime Commissioner reviews Derbyshire Constabulary's performance through the statistics and reports published by national bodies such as Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the Office of National Statistics, the Ministry of Justice, and through Derbyshire Constabulary's own performance management and monitoring tools. Regular governance meetings are held with the Chief Officer Team to discuss performance and to ensure that any new patterns in crime and offending within the county are being addressed.

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.

## **Outlook for 2022/23**

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

The budget settlement for 2022/23 was generally in line with what had been expected following publication of the Chancellor of the Exchequer's Spending Review in October 2021. A 6.6% increase in the Police Grant (including historic police officer uplift funding), £1.9m staged payments to fund 113 additional officers in Derbyshire (as part of the Police Uplift Programme) and £10 maximum precept increase ensured that a balanced budget could be set for the year.

The 3-year Spending Review published in October 2021 signalled that from 2023/24 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.

The PCC continues to invest in the Estate to support the Chief Constable's desire to improve the infrastructure and reduce the reliance on costly and obsolete older buildings.

Further information concerning the 2022/23 budget can be found on our website: [Budget and Precept Information | Office of the Derbyshire Police and Crime Commissioner \(derbyshire-pcc.gov.uk\)](https://www.derbyshire-pcc.gov.uk/budget-and-precept-information)

## **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.

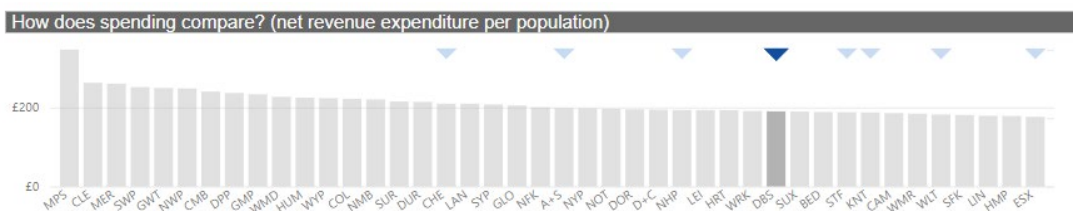
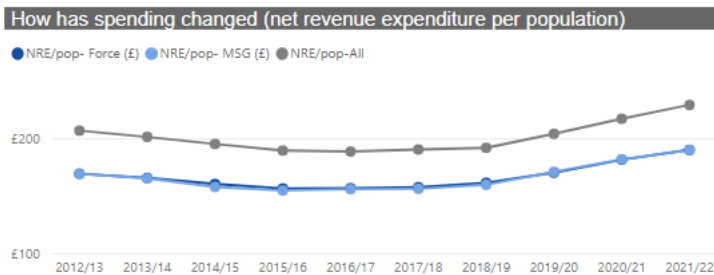
Cost pressures have been apparent in the economy since mid-2021 when many advanced countries reopened their economies from coronavirus lockdowns. A rapid increase in energy costs, particularly the wholesale price of gas and oil, has been a key driver of the recent increases in inflation. The latest Bank 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.

### 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.



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.

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

**Andrew Dale**  
**Chief Operating Officer & s151 Officer**  
**29<sup>th</sup> July 2022**

## STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

### The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required: -

- to make arrangements for the proper administration of the Office of the Police and Crime Commissioner's financial affairs and to secure that one of its officers (Chief Operating Officer & s151 Officer) 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  
**Angelique Foster**  
**Police and Crime Commissioner**  
Date:

### The Chief Operating Officer & s151 Officer's Responsibilities

The Chief Operating Officer & s151 Officer is responsible for the preparation of the Statement of Accounts for the Office of the Police and Crime Commissioner (and therefore the Group) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts the Chief Operating Officer & s151 Officer 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 Chief Operating Officer & s151 Officer 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.

### CHIEF OPERATING OFFICER & s151 OFFICER'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Derbyshire and the Office of the Police and Crime Commissioner Group as at the 31 March 2022 and of its income and expenditure for the year ended the 31 March 2022.



Signed  
**Andrew Dale FCCA**  
**Chief Operating Officer & s151 Officer**  
Date: 29<sup>th</sup> July 2022

# EXTERNAL AUDIT REPORT

PAGES 14-16  
TO BE ISSUED  
AFTER APPROVED

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# **POLICE AND CRIME COMMISSIONER AND GROUP 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**

With the introduction of the Police Reform and Social Responsibility Act 2011 on 22 November 2012 two 'corporation sole' bodies, the Police and Crime Commissioner for Derbyshire and the Chief Constable for Derbyshire were formed. Both bodies are required to prepare separate Statements of Accounts.

The Financial Statements included here represent the accounts for the Commissioner and also those for the Group. The financial statements cover the 12 months to 31 March 2022. The term 'Group' is used to indicate individual transactions and policies of the Commissioner and Chief Constable for the year ended 31 March 2022. The identification of the Commissioner as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the Commissioner under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below: -

### **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made and received. Whilst all expenditure is paid for by the Group including the pay costs of police officers and staff, the actual recognition in the respective Commissioner and Chief Constable Accounts is based on economic benefit.

Debtors – these are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Group in the financial year but the income has not yet been received. Income has only been included in the accounts when it can be realised with reasonable certainty. Where there is evidence that the Group may not be able to collect all amounts due to it, a provision for bad debts is established. The provision made is the difference between the current carrying value of the debt and the amount likely to be collected. These amounts are set on an individual debtor basis. The provision for bad debts is recognised as a charge to the Comprehensive Income and Expenditure Statement for the income that might not be collected.

Creditors – these are recorded where goods or services have been supplied to the Group by 31 March but payment is not made until the following financial 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 prices 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.

### **Accounting for Local Taxes**

The collection of council tax is, in substance, an agency arrangement with the Derbyshire District and Derby City Authorities (billing authorities) collecting council tax on behalf of the Commissioner (the Police Precept).

The council tax income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus a share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year-end Balance Sheet includes the share of year end debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits) attributable to the Group

### **Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment or other purposes. The following have been classed as cash and cash equivalents:

- Cash on hand.
- Cash in bank (Current Account, Call Account and Business Premium Account).
- Temporary investments with instant access and no penalties.

### **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 Group'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 Group'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 Group. 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 but have no impact on the level of council tax.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Group 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 Group 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 (Pensions)**

The main effect of IAS19 in relation to post-employment benefits is the recognition of the net liability in the Balance Sheet (offset by an unusable Pension Reserve) for benefits earned but not yet paid, and entries in the Comprehensive Income and Expenditure Statement for in-year movements in the liability. Reconciling entries in the Movement in Reserves Statement bring back the cost of pensions to the amount chargeable to the General Fund for the purposes of grant and local taxation).

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

The Group 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 pensionable 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 Group 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. The account is topped up as necessary by a grant from the Home Office if the contributions are insufficient to meet the cost of pension’s payments. Any surplus is recouped by the Home Office. Injury awards and the capital costs associated with ill health retirements are paid from the Group’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 net pension liability in the Balance Sheet at their fair value: -

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

The changes in the net pensions’ liability 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

Remeasurements 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.

#### **Discretionary Benefits**

The Group 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 Group will report these in the following way if it is determined that the event has had a material effect on the Group'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.

#### **Financial Instruments - Liabilities and Assets**

**Financial liabilities** are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The Group has not undertaken any repurchasing or early settlement of borrowing.

**Financial assets** are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The group only holds financial assets measured at amortised cost (loans and receivables)

Loans and receivables are recognised on the Balance Sheet when the Group becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

#### **Government Grants & Contributions**

Whether paid on account, by instalments or in arrears, Government Grants and third-party contributions and donations are recognised as due to the Group when there is reasonable assurance that: -

- The Group will comply with the conditions attached to the payments.
- The grants or contributions will be received

Amounts recognised as due to the Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefit or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Net Cost of Services (attributable revenue grants and contributions) or Taxation and Non-Specific Grant

Income (non ring-fenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserve Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Non-Current Assets - Property, Plant and Equipment**

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 Property, Plant 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 to the Group 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 are then carried in the Balance Sheet using the following measurement bases:

- Land, property and other operational assets are included in the Balance Sheet at fair value (existing use value). Operational assets can either be specialised or non-specialised. Specialised Assets, where there is no market-based evidence of current value because of their specialist nature, are valued at Depreciated Replacement Cost (DRC) as an estimate for fair value. The only assets to be classified as specialised property relate to the operational custody suites situated within the various properties. In cases where there is only a small number of cells, or where cells are now out of use, these have not been treated as specialised properties.
- Surplus assets are included at the current value measurement base (fair value), estimated at highest and best use from a market participant's perspective.
- Assets under construction are held in the Balance Sheet at historical cost until completed, whereupon they will be valued and included in the Balance Sheet as operational assets.

Where non-property 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 and other equipment.

#### Revaluation

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that the carrying amount is not materially different from their fair value but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Occasionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to the account.

Where decreases in value are identified, they are accounted for by: -

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### 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, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

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

#### Depreciation

Depreciation is provided on a straight-line basis for all Property, Plant, Vehicles and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, as advised by a suitably qualified advisor. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and 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
All Buildings	Over the life of the asset (10-50 years)

Component Accounting – where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The component is judged to be significant where the replacement value is above £0.5m or 25% of the asset.

It is the Group's 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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Disposals and Assets held for sale

When a non-current asset is planned to be disposed of, it is reclassified as an Asset held for sale. To be reclassified it must meet the following criteria: -

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable (with management commitment to sell and active marketing of the asset initiated).
- It must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses in the Comprehensive Income and Expenditure Statement.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.



Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used to finance new capital investment or set aside to reduce the Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Reserve Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Reserve Balance in the Movement in Reserves Statement.

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

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Group 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 Group.

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 by the Group can be determined by reference to an active market. In practice, no intangible asset held by the Group 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.
- Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets.

The Group is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (Minimum Revenue Provision (MRP)). An annual statement for the policy on making MRP is required in accordance with statutory guidance; this should be calculated on a prudent basis. The policy for Derbyshire is: -

- For Supported Capital Expenditure, the MRP Policy will be based on the remaining life of the Capital Financing Requirement (CFR) using the annuity method (PWLB annuity rates)
- For unsupported borrowing the MRP policy will be based on the estimated life of the assets using the annuity method (PWLB annuity rates)
- For PFI contracts that are deemed to be on Balance Sheet, the MRP will be based on the estimated life of the PFI assets using the annuity method (PWLB annuity rates)
- For leases the MRP requirement would be regarded as met by a charge equal to the element of the charge that goes to write down the Balance Sheet liability.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year. Where the Group has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Reserve Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

## **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 property, vehicles, plant or equipment from the lessor (landlord) to the lessee (tenant). All other leases are classified as operating leases.

The Group has looked at material property leases over £10,000 and for more than 10 years. IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Material leases have been judged against these indicators.

### **a) Finance Leases**

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

An asset identified as a finance lease and where the Group 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 property, plant and equipment owned by the Group. Depreciation to be charged over the lease term if this is shorter than the asset's estimated useful life.

#### **ii) Lessor – Property, Vehicles, Plant & Equipment**

Where an asset is identified as a finance lease, and where the Group 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 the 1 April 2010 should be treated as a capital receipt.

### **b) Operating Leases**

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

An asset identified as an operating lease and where the Group 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 – Property, Vehicles, Plant & Equipment**

An asset identified as an operating lease, and where the Group 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.

### **Private Finance Initiative (PFI) and Similar Contracts**

The Group has entered into two PFI arrangements, Ilkeston Police Station and St Mary's Wharf DHQ at Derby. The first affected the accounts from 1998/99, the second from 2000/01. Both have a continuing commitment by the Group for 30 years. PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under its PFI schemes and has control over the residual interest in the property at the end of the arrangement (if exercised), the Group carries the non-current assets under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investments.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

The amounts payable to the PFI operators each year should be analysed into five elements: -

- Fair value of the services received during the year – debited to the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 9.114% for Ilkeston PFI and 7.917% for Derby PFI on the outstanding Balance Sheet Liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract. For both the Group’s PFI schemes there is no contingent rent as the property element of the fee paid to the PFI operator is not indexed.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator. This is also the MRP charge for PFI schemes.
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet if the costs are of a capital nature or if the costs are revenue debited to the Comprehensive Income and Expenditure Statement.

### **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 Group 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 Group 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 Group 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 Group. 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 Group 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 Group.

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**

**Usable Reserves** - the Group’s General Revenue Balances are held in the General Reserve. The Group also maintains a number of specific ‘earmarked’ reserves for future expenditure on either policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Reserve Balance. When revenue expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement. The relevant reserve is then debited with an

equivalent amount which is appropriated back into the General Reserve Balance so that the expenditure is not charged against Council Tax.

Also held under usable reserves are those that support the financing of capital (Capital receipts reserve and Capital Grants unapplied).

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

#### **Value Added Tax (VAT)**

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

#### **Jointly Controlled Operations**

Jointly controlled operations are activities undertaken by the Group 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 Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

#### **Joint Ventures**

Joint Ventures are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint ventures have rights to the net assets of the arrangement. Joint Ventures have their own legal entity. They are accounted for using the equity method in the Group Accounts.

The Joint Venture between Derbyshire Police and Derbyshire Fire and Rescue Service was formed under a Limited Liability Partnership (LLP). The Joint Venture operates an Income and Expenditure Account, the LLP Board can re-distribute 75% of any profits back to partners (Police and Fire), they also have discretion to re-distribute a further 25%.

#### **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 29 in the accounts discloses information relating to the impact of the accounting changes.

#### **Changes in Accounting Estimates**

#### **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, the Group 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 Group 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 Group's Balance Sheet at the 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Uncertainties</b>	<b>Effect if Actual Results differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings (excluding PFI buildings which are contracted

current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	to be maintained) would increase by £0.045m for every year that useful lives had to be reduced.
The valuation of property depends on a number of complex judgements and a firm of Valuers is engaged to provide expert advice about the assumptions to be applied. This is in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. Most of the PCC's land and buildings are valued based on the open market value in their use (EUV) i.e. office accommodation.	The Net Book Value (NBV) of all Operational Land and Buildings as at the 31 March 2022 was £26.7m. Should this value increase or decrease by 10% it would have an impact of +/- £2.67m. To reduce the risk of material differences, property valuations are prepared on a five year rolling basis so a proportion of assets are valued each year.
Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The indices used in the calculation can fluctuate year on year based on local market conditions.	DRC has been applied to the specialist elements (custody) of 3 properties. This represents a small proportion of the total operational land and buildings NBV.
Surplus land and buildings are valued at fair value which could fluctuate year on year based on local market conditions.	As at the 31 March 2022 there was 4 surplus properties. Surplus properties are valued every year to ensure that the values are up to date.
<b>Provisions</b>	
The Group has made a provision of £3.157m for the settlement of claims for insurance and backdated overtime. This has been based on the claims handlers' assessment of claims outstanding and an estimate of future claims for 2021/22. The number and value of claims may be different to the assessment.	An increase over the forthcoming year of 10% in the total number of claims would have the effect of adding £0.316m to the provision needed. However, this amount will be covered from the Insurance Reserve if necessary.
<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 Group 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.
<b>Arrears – Bad debt provision</b>	
As at the 31 March 2022, the Group had a balance of sundry debtors for £2.560m. A review of these debtors suggested that an impairment of doubtful debts of £0.009m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the amount of the impairment of doubtful debts would require an additional £0.009m to set aside as an allowance.

## GROUP EXPENDITURE AND FUNDING ANALYSIS FOR THE PCC GROUP

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
186,306	31,208	217,514	Policing Services	192,703	46,460	239,163
1,206	362	1,568	Corporate and Democratic Core (Includes PCC plus Chief Constable)	1,069	456	1,525
1,764	0	1,764	Commissioning Activities by the Police and Crime Commissioner	2,197	0	2,197
<b>189,276</b>	<b>31,570</b>	<b>220,846</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>195,969</b>	<b>46,916</b>	<b>242,885</b>
0	520	520	Revaluation losses not charged to Chief Constable	0	8,628	8,628
<b>189,276</b>	<b>32,090</b>	<b>221,366</b>	<b>Cost of Policing Services</b>	<b>195,969</b>	<b>55,544</b>	<b>251,513</b>
(189,879)	28,902	(160,977)	Other Income and Expenditure	(202,746)	24,058	(178,688)
<b>(603)</b>	<b>60,992</b>	<b>60,389</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(6,777)</b>	<b>79,602</b>	<b>72,825</b>
0	295,180	295,180	Other Comprehensive Income and Expenditure	0	(83,671)	(83,671)
<b>(603)</b>	<b>356,172</b>	<b>355,569</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(6,777)</b>	<b>(4,069)</b>	<b>(10,846)</b>
		(14,858)	Opening General Reserve and Earmarked Reserve Balance			(15,461)
		(603)	Surplus on General Reserve/Earmarked Reserves in Year			(6,777)
		<b>(15,461)</b>	<b>Closing General Reserve and Earmarked Reserve Balance (3)</b>			<b>(22,238)</b>

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

(2) Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page 31.

(3) Further detail of the General Reserve and Earmarked Reserves can be found in Note 25 of the Accounts.

## EXPENDITURE AND FUNDING ANALYSIS FOR THE COMMISSIONER

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
186,306	(186,306)	0	Policing Services	192,696	(192,696)	0
1,206	(18)	1,188	Corporate and Democratic Core (PCC)	1,069	(20)	1,049
1,764	0	1,764	Commissioning Activities by the Police and Crime Commissioner	2,197	0	2,197
<b>189,276</b>	<b>(186,324)</b>	<b>2,952</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>195,962</b>	<b>(192,716)</b>	<b>3,246</b>
0	520	520	Revaluation Losses not charged to Chief Constable	0	8,628	8,628
0	186,328	186,328	Intra-group Funding	0	191,664	191,664
<b>189,276</b>	<b>524</b>	<b>189,800</b>	<b>Cost of Policing Services</b>	<b>195,962</b>	<b>7,576</b>	<b>203,538</b>
(189,879)	1,480	(188,399)	Other Income and Expenditure	(202,746)	60	(202,686)
<b>(603)</b>	<b>2,004</b>	<b>1,401</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(6,784)</b>	<b>7,636</b>	<b>852</b>
0	(120)	(120)	Other Comprehensive Income and Expenditure	0	(388)	(388)
<b>(603)</b>	<b>1,884</b>	<b>1,281</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(6,784)</b>	<b>7,248</b>	<b>464</b>
		(14,809)	Opening General Reserve and Earmarked Reserve Balance			(15,412)
		(603)	Surplus on General Reserve/Earmarked Reserves in Year			(6,784)
		<b>(15,412)</b>	<b>Closing General Reserve and Earmarked Reserve Balance (3)</b>			<b>(22,196)</b>

(1) Details of adjustments are shown in Note 1 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 32.

(3) Further detail of the General Reserve and Earmarked Reserves can be found in Note 25 of the Accounts.

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC GROUP**

This statement shows the accounting cost in the year of providing services for the Group, in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.

For the year ended 31 March 2021					For the year ended 31 March 2022		
Gross Expenditure	Gross Income	Net Expenditure		Note	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
1,572	(4)	1,568	Corporate and Democratic Core (Includes PCC plus Chief Constable)		1,537	(12)	1,525
5,175	(3,411)	1,764	Commissioning Activities by the Police and Crime Commissioner		5,970	(3,773)	2,197
<b>267,159</b>	<b>(46,313)</b>	<b>220,846</b>	<b>Cost of Policing Services before revaluations/funding</b>		<b>276,018</b>	<b>(33,133)</b>	<b>242,885</b>
520	0	520	Revaluation losses not charged to Chief Constable		8,628	0	8,628
<b>267,679</b>	<b>(46,313)</b>	<b>221,366</b>	<b>Cost of Policing Services</b>	<b>2</b>	<b>284,646</b>	<b>(33,133)</b>	<b>251,513</b>
			<b>Other Operating Expenditure</b>				
1,298	0	1,298	Losses on the Disposal of Non-Current Assets		40	0	40
1,351	0	1,351	Levies to national police services		1,662	0	1,662
			<b>Financing and Investment Income and Expenditure</b>				
403	0	403	Interest Payable on Debt	<b>19</b>	458	0	458
691	0	691	Interest Element of Finance Leases (PFI)	<b>19</b>	620	0	620
48,336	0	48,336	Pensions Interest Cost and Expected Return on Pensions Assets	<b>9b</b>	50,055	0	50,055
0	(20)	(20)	Investment Interest Income	<b>19</b>	0	(30)	(30)
0	(533)	(533)	<b>Profit on Joint Ventures Distributed</b>	<b>13</b>	0	(501)	(501)
0	0	0	<b>Loss on Joint Ventures LLP available to distribute</b>		7	0	7
			<b>Taxation and Non-Specific Grant Income</b>				
0	(1,369)	(1,369)	Recognised Capital Grants and Contributions		0	(1,209)	(1,209)
0	(67,499)	(67,499)	General Government Grants		0	(72,122)	(72,122)
0	(41,881)	(41,881)	Revenue Support Grant		0	(44,067)	(44,067)
0	(7,346)	(7,346)	Localising Council Tax Support Grant		0	(8,896)	(8,896)
0	(71,999)	(71,999)	Council Tax Income		0	(78,378)	(78,378)
0	(22,409)	(22,409)	Home Office Grant Payable towards the Cost of Retirement Benefits	<b>9a</b>	0	(26,327)	(26,327)
<b>319,758</b>	<b>(259,369)</b>	<b>60,389</b>	<b>Deficit on the Provision of Services</b>	<b>2</b>	<b>337,488</b>	<b>(264,663)</b>	<b>72,825</b>
		0	Surplus on Revaluation of Non-Current Assets LLP				(2,429)
		(120)	Surplus on Revaluation of Non-Current Assets				(388)
		295,300	Actuarial (Gains) or Losses on Pension Assets and Liabilities	<b>9b</b>			(80,854)
		<b>295,180</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(83,671)</b>
		<b>355,569</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(10,846)</b>



**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE COMMISSIONER**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles for the Commissioner (PCC). The consolidated accounting cost and funding for the Group is shown in the Group CIES. This statement differs from the Group statement in that it shows the intra-group funding adjustment between the PCC and the Chief Constable. This transfer represents a recharge of the costs and income of providing policing services to the Chief Constable who has consumed the resources.

Commissioner For the year ended 31 March 2021				Commissioner 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
1,192	(4)	1,188	Corporate and Democratic Core (PCC)	1,061	(12)	1,049
5,175	(3,411)	1,764	Commissioning Activities by the PCC	5,970	(3,773)	2,197
<b>6,367</b>	<b>(3,415)</b>	<b>2,952</b>	<b>Cost of Policing Services before revaluations/funding</b>	<b>7,031</b>	<b>(3,785)</b>	<b>3,246</b>
520	0	520	Revaluation losses not charged to Chief Constable	8,628	0	8,628
229,226	(42,898)	186,328	Intra-group Funding	221,012	(29,348)	191,664
<b>236,113</b>	<b>(46,313)</b>	<b>189,800</b>	<b>Cost of Policing Services</b>	<b>236,671</b>	<b>(33,133)</b>	<b>203,538</b>
			<b>Other Operating Expenditure</b>			
(197)	0	(197)	Gains on the Disposal of Non-Current Assets	(223)	0	(223)
1,351	0	1,351	Intra-group funding Levies to national police services	1,662	0	1,662
			<b>Financing and Investment Income and Expenditure</b>			
403	0	403	Interest Payable on Debt	458	0	458
691	0	691	Interest Element of Finance Leases (PFI)	620	0	620
0	(20)	(20)	Investment Interest Income	0	(30)	(30)
0	(533)	(533)	<b>Profit on Joint Ventures</b>	0	(501)	(501)
			<b>Taxation and Non-Specific Grant Income</b>			
0	(1,369)	(1,369)	Recognised Capital Grants and Contributions	0	(1,209)	(1,209)
0	(67,499)	(67,499)	General Government Grants	0	(72,122)	(72,122)
0	(41,881)	(41,881)	Revenue Support Grant	0	(44,067)	(44,067)
0	(7,346)	(7,346)	Localising Council Tax Support Grant	0	(8,896)	(8,896)
0	(71,999)	(71,999)	Council Tax Income	0	(78,378)	(78,378)
<b>238,361</b>	<b>(236,960)</b>	<b>1,401</b>	<b>Deficit on the Provision of Services</b>	<b>239,188</b>	<b>(238,336)</b>	<b>852</b>
		(120)	Surplus on Revaluation of Non-Current Assets			(388)
		<b>(120)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(388)</b>
		<b>1,281</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>464</b>

## BALANCE SHEET FOR THE PCC GROUP

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that 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), where amounts would only become available to provide services if the assets are sold; 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 £000		Note	31-Mar-22 £000
57,070	Property, Plant and Equipment	11	52,505
1,872	Intangible Assets	12	1,088
16,115	Investments in Joint Venture	13	18,537
<b>75,057</b>	<b>Long-Term Assets</b>		<b>72,130</b>
0	Short-Term Investments	18	18,015
35,270	Short-Term Debtors	15	30,695
10,494	Cash and Cash Equivalents	16	10,588
<b>45,764</b>	<b>Current Assets</b>		<b>59,298</b>
(895)	Short-Term Borrowing	18	(957)
(1,254)	Other Short-Term Liabilities	22	(1,335)
(39,359)	Short-Term Creditors	17	(30,905)
(935)	Short-Term Provisions	23	(1,129)
<b>(42,443)</b>	<b>Current Liabilities</b>		<b>(34,326)</b>
(1,370)	Long-Term Provisions	23	(2,028)
(12,082)	Long-Term Borrowing	18	(31,262)
(2,499,596)	Other Long-Term Liabilities	10/22	(2,487,636)
<b>(2,513,048)</b>	<b>Long-Term Liabilities</b>		<b>(2,520,926)</b>
<b>(2,434,670)</b>	<b>Net Liabilities</b>		<b>(2,423,824)</b>
19,120	Usable Reserves	25	26,579
(2,453,790)	Unusable Reserves	26	(2,450,403)
<b>(2,434,670)</b>	<b>Total Reserves</b>		<b>(2,423,824)</b>

### Certification

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



## BALANCE SHEET FOR THE COMMISSIONER

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Commissioner. The net assets are matched by the reserves held by the Commissioner. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that 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), where amounts would only become available to provide services if the assets are sold; 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 £000		Note	31-Mar-22 £000
42,014	Property	11c	37,924
25	Intangible Assets	12	11
16,815	Investments in Joint Venture	13	16,815
<b>58,854</b>	<b>Long-Term Assets</b>		<b>54,750</b>
0	Short-Term Investments	18	18,015
(4,602)	Short Term Debtors - Intra group funding		(3,875)
35,270	Short-Term Debtors	15	30,695
10,494	Cash and Cash Equivalents	16	10,588
<b>41,162</b>	<b>Current Assets</b>		<b>55,423</b>
(895)	Short-Term Borrowing	18	(957)
4,602	Short Term Creditors - Intra group funding		3,875
(1,254)	Other Short-Term Liabilities	22	(1,335)
(37,041)	Short-Term Creditors	17	(28,095)
(935)	Short-Term Provisions	23	(1,129)
<b>(35,523)</b>	<b>Current Liabilities</b>		<b>(27,641)</b>
(1,370)	Long-Term Provisions	23	(2,028)
(12,082)	Long-Term Borrowing	18	(31,262)
(6,364)	Other Long-Term Liabilities	22	(5,029)
<b>(19,816)</b>	<b>Long-Term Liabilities</b>		<b>(38,319)</b>
<b>44,677</b>	<b>Net Liabilities</b>		<b>44,213</b>
19,071	Usable Reserves	25	26,537
25,606	Unusable Reserves	26	17,676
<b>44,677</b>	<b>Total Reserves</b>		<b>44,213</b>

### Certification

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



**MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP 2021/22**

This Statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Statement shows how the movements in year of the Group's reserves are broken down between gains and losses incurred in accordance with generally accepted practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The 'Net increase /Decrease' line shows the statutory General Reserve Balance movements in the year following those adjustments.

		<b>General Reserve and Earmarked Reserves</b>	<b>Usable Capital Receipts Reserve</b>	<b>Capital Grant Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Note</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>26</b>	
<b>Balance as at the 1 April 2021</b>		<b>15,461</b>	<b>0</b>	<b>3,659</b>	<b>19,120</b>	<b>(2,453,790)</b>	<b>(2,434,670)</b>
<b>Total Comprehensive Income and Expenditure</b>		10,846	0	0	10,846	0	10,846
<b>Adjustments between accounting basis and funding basis under regulations</b>							
- Depreciation and Impairment of non-current assets		6,230			6,230	(6,230)	0
- Revaluation of non-current assets		8,628			8,628	(8,628)	0
- Capital grants and contributions credited to the CIES		(1,208)		1,208	0	0	0
- Revenue Expenditure funded from capital under statute		18			18	(18)	0
- Net gain or loss on sale of non-current assets		256			256	(256)	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
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation		(717)			(717)	717	0
- Statutory provision for repayment of debt		(648)			(648)	648	0
- Capital expenditure charged to the General Reserve Balance		(3,678)			(3,678)	3,678	0
- Application of grants to capital financing transferred to Capital Adjustment Account		0		(526)	(526)	526	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve		(2,817)			(2,817)	2,817	0
- Charges for employee benefits		492			492	(492)	0
<b>Total Adjustments between accounting basis and funding basis</b>		<b>(4,069)</b>	<b>0</b>	<b>682</b>	<b>(3,387)</b>	<b>3,387</b>	<b>0</b>
<b>Increase in Year</b>		<b>6,777</b>	<b>0</b>	<b>682</b>	<b>7,459</b>	<b>3,387</b>	<b>10,846</b>
<b>Balance as at the 31 March 2022 carried forward</b>		<b>22,238</b>	<b>0</b>	<b>4,341</b>	<b>26,579</b>	<b>(2,450,403)</b>	<b>(2,423,824)</b>

**MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP 2020/21**

This Statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Statement shows how the movements in year of the Group's reserves are broken down between gains and losses incurred in accordance with generally accepted practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The 'Net increase /Decrease' line shows the statutory General Reserve Balance movements in the year following those adjustments.

	General Reserve and Earmarked Reserves	Usable Capital Receipts Reserve	Capital Grant Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Note	25	25	25	25	26	
<b>Balance as at the 1 April 2020</b>	<b>14,858</b>	<b>0</b>	<b>4,056</b>	<b>18,914</b>	<b>(2,098,015)</b>	<b>(2,079,101)</b>
<b>Total Comprehensive Income and Expenditure</b>	(355,569)	0	0	(355,569)	0	(355,569)
Adjustments between accounting basis and funding basis under regulations						
- Depreciation and Impairment of non-current assets	7,282			7,282	(7,282)	0
- Revaluation of non-current assets	520			520	(520)	0
- Capital grants and contributions credited to the CIES	(1,369)		1,369	0	0	0
- Revenue Expenditure funded from capital under statute	695			695	(695)	0
- Net gain or loss on sale of non-current assets	1,497			1,497	(1,497)	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
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	1,154			1,154	(1,154)	0
- Statutory provision for repayment of debt	(1,279)			(1,279)	1,279	0
- Capital expenditure charged to the General Reserve Balance	(3,819)			(3,819)	3,819	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(1,766)	(1,766)	1,766	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(120)			(120)	120	0
- Charges for employee benefits	472			472	(472)	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>356,172</b>	<b>0</b>	<b>(397)</b>	<b>355,775</b>	<b>(355,775)</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>603</b>	<b>0</b>	<b>(397)</b>	<b>206</b>	<b>(355,775)</b>	<b>(355,569)</b>
<b>Balance as at the 31 March 2021 carried forward</b>	<b>15,461</b>	<b>0</b>	<b>3,659</b>	<b>19,120</b>	<b>(2,453,790)</b>	<b>(2,434,670)</b>

**MOVEMENT IN RESERVES STATEMENT 2021/22 FOR THE COMMISSIONER**

This Statement shows the movement in the year on the different reserves held by the Commissioner, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

	<b>General Reserve and Earmarked Reserves</b>	<b>Usable Capital Receipts Reserve</b>	<b>Capital Grant Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Commissioner Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Note</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>26</b>	
<b>Balance as at the 1 April 2021</b>	<b>15,412</b>	<b>0</b>	<b>3,659</b>	<b>19,071</b>	<b>25,606</b>	<b>44,677</b>
<b>Total Comprehensive Income and Expenditure</b>	(464)	0	0	(464)	0	(464)
<b>Adjustments between accounting basis and funding basis under regulations</b>						
- Depreciation and Impairment of non-current assets	1,373			1,373	(1,373)	0
- Revaluation of non-current assets	8,628			8,628	(8,628)	0
- Capital grants and contributions credited to the CIES	(1,208)		1,208	0	0	0
- Revenue Expenditure funded from capital under statute	18			18	(18)	0
- Net gain or loss on sale of non-current assets	(7)			(7)	7	0
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	(717)			(717)	717	0
- Statutory provision for repayment of debt	(648)			(648)	648	0
- Capital expenditure funded by PCC Intra-group funding	3,875			3,875	(3,875)	0
- Capital expenditure charged to the General Reserve Balance	(3,678)			(3,678)	3,678	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(526)	(526)	526	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(388)			(388)	388	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>7,248</b>	<b>0</b>	<b>682</b>	<b>7,930</b>	<b>(7,930)</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>6,784</b>	<b>0</b>	<b>682</b>	<b>7,466</b>	<b>(7,930)</b>	<b>(464)</b>
<b>Balance as at the 31 March 2022 carried forward</b>	<b>22,196</b>	<b>0</b>	<b>4,341</b>	<b>26,537</b>	<b>17,676</b>	<b>44,213</b>

**MOVEMENT IN RESERVES STATEMENT 2020/21 FOR THE COMMISSIONER**

This Statement shows the movement in the year on the different reserves held by the Commissioner, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

	<b>General Reserve and Earmarked Reserves</b>	<b>Usable Capital Receipts Reserve</b>	<b>Capital Grant Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Commissioner Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Note</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>26</b>	
<b>Balance as at the 1 April 2020</b>	<b>14,809</b>	<b>0</b>	<b>4,056</b>	<b>18,865</b>	<b>27,093</b>	<b>45,958</b>
<b>Total Comprehensive Income and Expenditure</b>	(1,281)	0	0	(1,281)	0	(1,281)
<b>Adjustments between accounting basis and funding basis under regulations</b>						
- Depreciation and Impairment of non-current assets	1,498			1,498	(1,498)	0
- Revaluation of non-current assets	520			520	(520)	0
- Capital grants and contributions credited to the CIES	(1,369)		1,369	0	0	0
- Revenue Expenditure funded from capital under statute	695			695	(695)	0
- Net gain or loss on sale of non-current assets	2			2	(2)	0
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	1,154			1,154	(1,154)	0
- Statutory provision for repayment of debt	(1,279)			(1,279)	1,279	0
- Capital expenditure funded by PCC Intra-group funding	4,602			4,602	(4,602)	0
- Capital expenditure charged to the General Reserve Balance	(3,819)			(3,819)	3,819	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(1,766)	(1,766)	1,766	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(120)			(120)	120	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>1,884</b>	<b>0</b>	<b>(397)</b>	<b>1,487</b>	<b>(1,487)</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>603</b>	<b>0</b>	<b>(397)</b>	<b>206</b>	<b>(1,487)</b>	<b>(1,281)</b>
<b>Balance as at the 31 March 2021 carried forward</b>	<b>15,412</b>	<b>0</b>	<b>3,659</b>	<b>19,071</b>	<b>25,606</b>	<b>44,677</b>

## CASHFLOW FOR THE PCC GROUP

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Group.

31-Mar-21 £'000		Note	31-Mar-22 £'000
60,389	Net Deficit on the Provision of Services		72,825
	<b>Adjust Net Deficit on the Provision of Services for Non-cash Movements</b>		
(5,130)	Depreciation of Non-Current Assets		(5,178)
(520)	Impairment and Downward Valuations of Non-Current Assets		(8,628)
(2,152)	Amortisation of Intangible Assets		(1,052)
(7,123)	(Increase)/Decrease in Creditors		7,853
773	Increase/(Decrease) in Debtors		(5,301)
(55,839)	Pension Liability		(70,229)
(1,497)	Carrying Amount of Non-Current Assets Sold		(256)
(692)	Contributions to Provisions		(852)
0	Adjustments for Loss Share		(7)
<b>(72,180)</b>			<b>(83,650)</b>
	<b>Adjust for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing activities</b>		
1,369	Proceeds from the Sale of Property, Plant and Equipment, Investment Property. Capital Grants.		1,209
1,369			1,209
<b>(10,422)</b>	<b>Net Cash Flows used in Operating Activities</b>		<b>(9,616)</b>
	<b>Investing Activities</b>		
12,882	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		9,988
(7,002)	Purchase/(redemption) of Short-Term and Long-Term Investments		18,015
(96)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(1)
(946)	Capital Grants and contributions		(492)
<b>4,838</b>	<b>Net Cash Flows from Investing Activities</b>		<b>27,510</b>
	<b>Financing Activities</b>		
0	Cash Receipts of Short and Long-Term Borrowing		(20,000)
871	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		1,254
871	Repayments of Short and Long-Term Borrowing		758
<b>1,742</b>	<b>Net Cash Flows (used in)/from Financing Activities</b>		<b>(17,988)</b>
<b>(3,842)</b>	<b>Net Increase in Cash and Cash Equivalents</b>		<b>(94)</b>
6,652	Cash and Cash Equivalents at the Beginning of the Reporting Period	<b>16</b>	10,494
<b>10,494</b>	Cash and Cash Equivalents at the End of the Reporting Period	<b>16</b>	<b>10,588</b>

The Cashflow Statement has been presented using the Indirect Method.



**CASHFLOW FOR THE COMMISSIONER**

The Cash Flow Statement shows the changes in cash and cash equivalents for the Commissioner during the reporting period. The statement shows how the Commissioner generates and uses cash equivalents by classifying cashflows as operating, investing and financing activities.

31-Mar-21 £'000		Note	31-Mar-22 £'000
1,401	Net Deficit on the Provision of Services		852
	<b>Adjust Net Deficit on the Provision of Services for Non-cash Movements</b>		
(1,448)	Depreciation of Non-Current Assets		(1,354)
(520)	Impairment and Downward Valuations of Non-Current Assets		(8,628)
(50)	Amortisation of Intangible Assets		(19)
(4,602)	Capital expenditure funded by PCC Intra-group funding		(3,875)
(6,651)	(Increase)/Decrease in Creditors		8,345
773	Increase/(Decrease) in Debtors		(5,301)
(2)	Carrying Amount of Non-Current Assets Sold		7
(692)	Contributions to Provisions		(852)
<b>(13,192)</b>			<b>(11,677)</b>
	<b>Adjust for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing activities</b>		
1,369	Proceeds from the Sale of Property, Plant and Equipment, Investment Property. Capital Grants.		1,209
1,369			1,209
<b>(10,422)</b>	<b>Net Cash Flows used in Operating Activities</b>		<b>(9,616)</b>
	<b>Investing Activities</b>		
12,882	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		9,988
(7,002)	Purchase/(redemption) of Short-Term and Long-Term Investments		18,015
(96)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(1)
(946)	Capital Grants and contributions		(492)
<b>4,838</b>	<b>Net Cash Flows from Investing Activities</b>		<b>27,510</b>
	<b>Financing Activities</b>		
0	Cash Receipts of Short and Long-Term Borrowing		(20,000)
871	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		1,254
871	Repayments of Short and Long-Term Borrowing		758
<b>1,742</b>	<b>Net Cash Flows (used in)/from Financing Activities</b>		<b>(17,988)</b>
<b>(3,842)</b>	<b>Net Increase in Cash and Cash Equivalents</b>		<b>(94)</b>
6,652	Cash and Cash Equivalents at the Beginning of the Reporting Period	<b>16</b>	10,494
<b>10,494</b>	Cash and Cash Equivalents at the End of the Reporting Period	<b>16</b>	<b>10,588</b>

The Cashflow Statement has been presented using the Indirect Method.

## Notes to the Financial Statements for the Commissioner and PCC Group

The Notes to the Financial Statements show the PCC Group, the notes for the Commissioner are not materially different. Any exception to this is mentioned in the appropriate note.

### Note 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (page 29) takes net expenditure that is funded from resources and reconciles it to the Comprehensive Income and Expenditure Statement (CIES page 31). The Revenue Budget Surplus reported to committee is adjusted for budgeted/other contributions to/from reserves and Derbyshire's share of movements in the LLP Reserves.

	2020/21 £'000	2021/22 £'000
Revenue Budget surplus reported to Committee	(2,428)	(7,434)
Budgeted/Other Contributions to/from Reserves	1,825	650
<b>Net Surplus on General Reserve Balance for PCC</b>	<b>(603)</b>	<b>(6,784)</b>
Share of Movement in LLP Reserves	-	7
<b>Net Surplus on General Reserve Balance for PCC Group</b>	<b>(603)</b>	<b>(6,777)</b>

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

Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute	Adjustments for Capital Purposes 2020/21 £'000	Net Change for the Pensions Adjustments 2020/21 £'000	Other Differences 2020/21 £'000	Total Adjustments 2020/21 £'000
<b>2020/21</b>				
Policing Services – Chief Constable	3,078	29,912	(1,782)	31,208
Office of the Police and Crime Commissioner			362	362
<b>Net Cost of Services before revaluations/funding</b>	<b>3,078</b>	<b>29,912</b>	<b>(1,420)</b>	<b>31,570</b>
Revaluation losses	520	-	-	520
<b>Net Cost of Services</b>	<b>3,598</b>	<b>29,912</b>	<b>(1,420)</b>	<b>32,090</b>
Other operating expenditure	1,298	-	1,351	2,649
Financing and Investment income & expenditure	-	48,336	1,074	49,410
Profit & Loss on Joint Ventures	-	-	(533)	(533)
Taxation & Non-specific grant income & expenditure	(1,369)	(22,409)	1,154	(22,624)
<b>Net Deficit on General Reserve Balance</b>	<b>3,527</b>	<b>55,839</b>	<b>1,626</b>	<b>60,992</b>

Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute	Adjustments for Capital Purposes 2021/22 £'000	Net Change for the Pensions Adjustments 2021/22 £'000	Other Differences 2021/22 £'000	Total Adjustments 2021/22 £'000
<b>2021/22</b>				
Policing Services – Chief Constable	2,139	46,501	(2,180)	46,460
Office of the Police and Crime Commissioner			456	456
<b>Net Cost of Services before revaluations/funding</b>	<b>2,139</b>	<b>46,501</b>	<b>(1,724)</b>	<b>46,916</b>
Revaluation losses	8,628	-	-	8,628
<b>Net Cost of Services</b>	<b>10,767</b>	<b>46,501</b>	<b>(1,724)</b>	<b>55,544</b>
Other operating expenditure	40	-	1,662	1,702
Financing and Investment income & expenditure	-	50,055	1,048	51,103
Profit & Loss on Joint Ventures	-	-	(494)	(494)
Taxation & Non-specific grant income & expenditure	(1,209)	(26,327)	(717)	(28,253)
<b>Net Deficit on General Reserve Balance</b>	<b>9,598</b>	<b>70,229</b>	<b>(225)</b>	<b>79,602</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 and impairment and revaluation gains and losses to the Net Cost of Services line. The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from this line also as these are not chargeable under generally accepted accounting practices.

**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.

Taxation and Non-Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue Grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year. It also includes the movement of the pension support grant to specific grants.

#### **Net change for the Pensions 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.

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.

Taxation and Non-Specific Grant Income and Expenditure - is charged with the difference between what is chargeable under statutory regulations for Council Tax that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

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

The Commissioners Expenditure and Funding Analysis is the same as the Group above but excludes Pensions adjustments, adjustment for compensated absences, depreciation and gains/losses on Chief Constables assets which are included in the Chief Constables Expenditure and Funding Analysis. It is also adjusted for Capital Expenditure intra-group funding.

	2020/21 £'000	2021/22 £'000
Adjustments above	60,992	79,602
Pensions Adjustment	(55,839)	(70,229)
Compensated Absences Adjustment	(472)	(492)
Depreciation and Gains/Losses	(7,279)	(5,120)
Capital Expenditure funded by PCC intra-group funding	4,602	3,875
<b>Commissioners adjustments on the Net Deficit</b>	<b>2,004</b>	<b>7,636</b>

#### **Note 2 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 – this analysis does not constitute the revenue budget of the Group.

Group 2020/21		Group 2021/22
<b>£'000</b>	<b>Expenditure</b>	<b>£'000</b>
84,795	Police Pay & Allowances	88,894
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
1,192	Office of PCC	1,062
5,175	Commissioning Activities by PCC	5,970
7,282	Depreciation & Debt Financing	6,237
520	Impairments/Revaluations	8,628
695	Revenue Expenditure Funded from Capital under Statute	18
<b>267,679</b>	<b>Gross Operating Expenditure</b>	<b>284,646</b>
(4,889)	Income from fees/charges	(6,010)
(41,424)	Income from specific grants and contributions (incl PCC)	(27,123)
<b>221,366</b>	<b>Cost of Policing Services</b>	<b>251,513</b>
2,649	Other Operating Expenditure	1,702
49,410	Financing and investment income and expenditure	51,103
(533)	Profit and Loss on Joint Venture	(494)
(190,094)	Taxation & non-specific grant income	(204,672)
(22,409)	Home office grant payable towards the cost of retirement benefits	(26,327)
<b>60,389</b>	<b>Deficit on provision of services</b>	<b>72,825</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 and contributions 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 3 Leases

#### Commissioner as Lessee – Operating Leases

##### Equipment and Vehicles

The Commissioner has a contract for Hired Photocopiers. In 2021/22, £121,958 was spent on rental payments (£121,359 in 2020/21). The Commissioner also makes rental payments for Livescan units (an electronic system for taking fingerprints). In 2021/22 £144,649 was spent on rental payments (£179,796 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

The Commissioner leases a number of buildings, which have been 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

#### Commissioner as Lessor – Operating Leases

The Commissioner acts as lessor for a number of offices and 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).

#### Commissioner as Lessee and Lessor – Finance Leases

The Commissioner entered into a Finance Lease with the DPFP LLP for the land occupied by the Joint Police and Fire Headquarters in March 2015 and a lease for land occupied by the Joint Training Centre/Firearms Range in August 2016. In entering into these leases, a lump sum payment was made to the Commissioner which negated the need to make further payments over the 999 years of the lease. This lump sum payment of £518,000 for the Headquarters site was treated as a capital receipt in 2014/15, the lump sum payment of £563,000 for the Training Centre/Firearms Range site was treated as a capital receipt in 2016/17.

## **Note 4 Officers Remuneration**

The table below provides disclosure of the remuneration of Senior Officers and relevant Police Officers including staff of the Commissioner, whose salary is £50,000 or more per year. During the year there were a number of changes in the Chief Officer team of the Chief Constable and the Commissioner, 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.

Post Holder Information	Note	2020/21					Total Remuneration 2020/21 £
		Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	
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 CC Collaboration	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
Chief Finance Officer to PCC		81,162	-	-	-	11,282	92,444
Chief Executive		82,885	-	-	-	11,521	94,406
PCC Commissioner		76,500	-	-	-	10,634	87,134
PCC Deputy Commissioner		57,375	-	-	-	7,975	65,350

**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 Temp Deputy Chief Constable on the 1/08/2020 till the 11/01/2021 when he was appointed Temp Deputy Chief Constable Collaboration.

Note 9 – A Temporary ACC Crime & Territorial Policing was appointed on 8/2/2021. The costs above include his previous role as a Supt.

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

Note 11 – A Temporary ACC Operational Support was appointed on 1/08/2020. The costs above include her previous role as Chief Supt 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 in Fire.

2021/22							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £ (11)	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
Chief Finance Officer to PCC/Chief Operating Officer & s151 Officer	6	86,331	-	-	-	12,000	98,331
Chief Executive	7	62,802	-	-	-	8,729	71,531
PCC Commissioner	8	12,580	-	-	-	1,229	13,809
PCC Commissioner	9	67,657	-	-	-	-	67,657
PCC Deputy Commissioner	10	9,004	-	-	-	922	9,926

Note 1 - As the total remuneration for 2021/22 has exceeded £150k the regulations require that Ms R Swan 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 - The Chief Finance Officer moved to a new role as Interim Chief Operating Officer & s151 Officer on the 1/12/2021.

Note 7 - The Chief Executive left the OPCC on the 31/12/2021.

Note 8 – The Police & Crime Commissioner left office on the 12/05/2021.

Note 9 – A new Police & Crime Commissioner took office on the 13/05/2021.

Note 10– The Deputy Police & Crime Commissioner left office on the 12/05/2021. Currently this post has not been recruited to.

Note 11 – 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 cost 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	£20,000 - £40,000	-	1	1	33,109
-	2	2	56,350	<b>TOTAL</b>	-	2	2	<b>43,045</b>

#### Note 5 External Audit Fees

Fees in relation to external audit are as follows: -

	2020/21 £'000	2021/22 £'000
<b>Commissioner</b>		
Scale fees payable	24	24
Extra fees payable for audit previous year	12	12
Reduction in fees following PSAA referral (relating to 2019/20)	-	(2)
<b>Total fees Commissioner</b>	<b>36</b>	<b>34</b>
<b>Chief Constable</b>		
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 fees Chief Constable</b>	<b>21</b>	<b>12</b>
<b>Total fees PCC Group</b>	<b>57</b>	<b>46</b>

Also, in 2021/22 £18,000 grant income (£12,000 Commissioner, £6,000 Chief Constable) 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 (see Note 6).

## Note 6 Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

<b>GRANTS, CONTRIBUTIONS AND DONATIONS</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>DLUHC Grants</b>		
Private Finance Initiative – Ilkeston & Derby	2,735	2,735
Redmond Review – Local Audit Fees Grant	-	18
	<b>2,735</b>	<b>2,753</b>
<b>Home Office Grants</b>		
East Midlands Counter-Terrorism Intelligence Unit	9,599	10,196
Grant towards specific operations	192	1,117
Football Policing Initiative	2	48
Criminal Record Bureau – Disclosure and Barring Service	865	856
Emergency Services Network Grant	42	75
Perpetrator Grant – PCC	-	582
Cyber Grant	15,245	220
Police Pension Support Grant	1,856	1,856
Police Uplift Grant (ringfenced element)	2,375	1,529
Police Covid-19 Grant and Surge Fund	1,619	12
LEDS Early Adopter Grant	-	95
Other Home Office Grants	5	85
	<b>31,800</b>	<b>16,671</b>
<b>Other Grants</b>		
Criminal Justice Board & No Witness No Justice	5	-
Safety Camera Project and Road Safety	351	340
Office of Gas and Electricity Markets (OFGEM)	27	19
Ministry of Justice – PCC – for local commissioning of victim support services (including restorative justice services)	1,875	2,008
Apprenticeship Levy Grant	271	547
	<b>2,529</b>	<b>2,914</b>
Regional Grants – EMSOU	949	1,062
<b>Total Grants</b>	<b>38,013</b>	<b>23,400</b>
Contributions and Donations	3,411	3,723
<b>Total Grants, Contributions and donations</b>	<b>41,424</b>	<b>27,123</b>

The main variances in grant were for

- Grant towards specific operations – this grant was mainly received towards specific operations around badger culling and COP26
- Cyber grant – The Chief Constable was National Police Chiefs Council (NPCC) lead for Cyber Grant for 3 years up to 2020/21. The City of London took over responsibility of the National Cyber Crime Project from 2021/22. The 2020/21 figure above shows the grant received on behalf of all Forces whereas the 2021/22 represents Derbyshire's share of the National grant.
- Uplift Grant – The Home Office provided additional funding to forces in 2020/21 and 2021/22 to meet the costs of recruiting, training and deploying 12,000 additional police officers (towards its target of 20,000 additional officers by the end of 2022/23). Total national funding in each year was £700m and £415m respectively, with £168m and £100m being ringfenced, to be paid according to progress in recruiting the additional officers. The amount of ringfenced grant paid to Derbyshire reflected its share of the overall recruitment target, which was 85 police officers in each year.
- Covid-19 related grant of £1.619m for reimbursement of PPE costs, Loss on income compensation and for enforcement/wider pressures was received in 2020/21. Only £0.012m was received in 2021/22 (this was for a belated claim for Income Loss recovery).
- Perpetrator Grant – This grant was received in 2021/22 to be used towards initiatives around Domestic Abuse, general stalking and adolescent crime.

In addition to the above grants and contributions, Derbyshire also act as agents for the Sensitive Equities. Grant and contributions of £6.1m were paid to Derbyshire by the Home Office and the monies were distributed to various forces. The purpose of this grant is to bolster the national critical Serious Organised Crime law-enforcement capability. Derbyshire also act as agent and receive grant on behalf of the East Midland Cyber Resilience Centre, this amounted £0.170m in 2021/22.



The Police & Magistrates Court Act 1994 permits the Commissioner to accept gifts of money, and gifts or loans of other property. This can supplement Policing Activities. In accordance with the Financial Management Code of Practice a Register of such items is maintained. In 2021/22 the amount 'gifted' under this scheme was £3,870 compared to £920 for 2020/21.

## Note 7 Jointly Controlled Operations

### East Midlands Jointly Controlled Operations

The Commissioner has entered into Jointly Controlled Operations (JCO) or collaborations with other East Midlands Commissioners. The share of cost to Derbyshire is different depending on the number of Commissioners partaking in the JCO.

The following table show the accounts for all the JCO'S and the Income and Expenditure 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 Commissioner is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Commissioner or to be controlled or influenced by the Commissioner.

Disclosure of these transactions allows readers to assess the extent to which the Commissioner 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 Commissioner.

### Central Government

Central Government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Commissioner has with other parties (e.g. council tax bills). Grants received from government departments are summarised below:

Central Government	Receipts £'000	
	2020/21	2021/22
Revenue Support Grant	41,881	44,067
Localising Council Tax Support Grant	7,346	8,896
Police Grant	67,499	72,122
Pensions Grant	22,409	26,327
Other Government Grant (see note 6)	38,013	23,400

### Commissioner and officers

The Commissioner and their office have direct control over the financial and operating policies of the Force.

Certain senior officers might also be in a position to significantly influence the policies.

No related party transactions have been identified following the consultation with relevant officers.

Angelique Foster was elected as Police and Crime Commissioner for Derbyshire on the 6 May 2021. She assumed office on the 13 May 2021 shortly after. The previous Police and Crime Commissioner for Derbyshire, Hardyal Dhindsa, concluded his term of office on the 12 May 2021.

The Commissioner undertakes commissioning activities that result in payments made to a variety of large and small partner organisations (particularly in the public and voluntary/charitable sectors) to commission outcomes against their Police & Crime Plan. In the case of the smallest organisations, these funds may form a significant proportion of their total funding requirement.

In addition to this the Commissioner is an elected Derbyshire County Councillor and North East Derbyshire District Councillor and serves as Leader of Dronfield Town Council. Derbyshire County Council and North East Derbyshire District Council are in receipt of funding from the Commissioner, and they also make contributions to joint initiatives. All transactions to/from Derbyshire County Council are shown in the figures below.

The Police ICT Company (PICTCO) is a company limited by guarantee, owned and funded by policing. Police & Crime Commissioners (PCCs) are the majority owners of PICTCO and pay an annual subscription towards the running costs (£60k each). The role of the PICTCO is to provide technical insight, negotiate and manage ICT contracts and support major policing technology programmes.

The PCC for Derbyshire is a shareholder of the PICTCO. The PCC therefore has influence over national police ICT strategy and procurement.

In order for the PICTCO to have sufficient financial scale to operate in the largest ICT markets, a decision was taken by the Association of Police & Crime Commissioners (APCC) and ratified by individual PCCs to provide a financial guarantee to the PICTCO from local resources. This guarantee would only be called upon in exceptional circumstances (for example where financial resources are insufficient to manage large national contracts or to support the stability of the PICTCO) and, for Derbyshire, amounts to £70k. This amount is not directly provided for in these financial statements and would be funded from reserves in the unlikely event it is called upon.

The PCC for Derbyshire is a member of the Association of Police and Crime Commissioners and pays an annual subscription of £31,200.

### Other Public Bodies

The Commissioner participates in Jointly Controlled Operations with other East Midlands Commissioners. The Commissioner also entered into a Joint Venture with Derbyshire Fire to build a new joint Headquarters and to build a joint training centre/firearms range. The transactions have been disclosed elsewhere within the notes to the accounts.

In addition to the above, the Commissioner also has transactions during the year with other Local Authorities and Public Bodies. The material transactions are shown below:

	2020/21		2021/22	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
<b>Local Authority Precepts</b>				
Precepts and surpluses (including accruals)		71,999		78,378
<b>Local Authorities</b>				
Derbyshire County Council	2,718	404	2,325	476
Derby City Council	894	218	564	202

### Note 9 Accounting for Pension Costs (a)

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

The PCC Group 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 PCC Group 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 52).

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 75.

#### **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
• 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.

#### McCloud judgement - Police Pension Challenge

#### **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, which 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 PCC Group'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 PCC Group'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 PCC Group must pay for post-employment (retirement) benefits. The total liability of £2,482.607m has a substantial impact on the net worth of the PCC Group 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 PCC Group 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 Commissioner 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 as 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 the 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
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 Property, Plant and Equipment

### Movements in 2021/22 (a)

	Operational				Non-operational		<u>TOTAL</u>
	Operational Land & Buildings	Vehicles, Plant, Furniture Equipment	PFI Schemes	Jointly Controlled Operations	Surplus Assets Not Held for Sale	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At the 1 April 2021	25,914	36,350	8,607	3,762	350	8,349	83,332
Additions	4,336	3,522	19	318	899	289	9,383
Revaluation Increases/(decreases) to RR	437	-	-	-	(74)	-	363
Revaluation decreases to SDPS	(9,336)	-	-	-	-	-	(9,336)
Derecognition – Disposals	-	(1,032)	-	(95)	-	-	(1,127)
Derecognition – Other	-	(3,471)	-	-	-	-	(3,471)
Reclassified to/from surplus	(485)	-	-	-	485	-	-
Reclassifications – other	7,321	-	-	-	-	(7,584)	(263)
<b>At the 31 March 2022</b>	<b>28,187</b>	<b>35,369</b>	<b>8,626</b>	<b>3,985</b>	<b>1,660</b>	<b>1,054</b>	<b>78,881</b>
<b>Depreciation and Impairments</b>							
At the 1 April 2021	(1,506)	(22,168)	(1,212)	(1,376)	-	-	(26,262)
Depreciation charge	(681)	(3,824)	(291)	(372)	(10)	-	(5,178)
Depreciation written out to RR	15	-	-	-	10	-	25
Depreciation written out to SDPS	708	-	-	-	-	-	708
Derecognition – Disposals	-	825	-	91	-	-	916
Derecognition – Other	-	3,415	-	-	-	-	3,415
<b>At the 31 March 2022</b>	<b>(1,464)</b>	<b>(21,752)</b>	<b>(1,503)</b>	<b>(1,657)</b>	<b>-</b>	<b>-</b>	<b>(26,376)</b>
<b>Net Book Value</b>							
<b>At the 31 March 2022</b>	<b>26,723</b>	<b>13,617</b>	<b>7,123</b>	<b>2,328</b>	<b>1,660</b>	<b>1,054</b>	<b>52,505</b>
<b>At the 31 March 2021</b>	<b>24,408</b>	<b>14,182</b>	<b>7,395</b>	<b>2,386</b>	<b>350</b>	<b>8,349</b>	<b>57,070</b>

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

### Movements in 2020/21 (a)

	Operational				Non-operational		<u>TOTAL</u>
	Operational Land & Buildings	Vehicles, Plant, Furniture Equipment	PFI Schemes	Jointly Controlled Operations	Surplus Assets Not Held for Sale	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At the 1 April 2020	25,722	38,947	8,557	3,381	-	2,296	78,903
Additions	680	4,531	50	388	-	6,621	12,270
Revaluation Increases/(decreases) to RR	108	-	-	-	-	-	108
Revaluation Increases/(decreases) to SDPS	(528)	-	-	-	-	-	(528)
Derecognition – Disposals	-	(962)	-	(7)	-	-	(969)
Derecognition – Other	(161)	(6,301)	-	-	-	-	(6,462)
Reclassified to/from surplus	(350)	-	-	-	350	-	-
Reclassifications – other	443	135	-	-	-	(568)	10
<b>At the 31 March 2021</b>	<b>25,914</b>	<b>36,350</b>	<b>8,607</b>	<b>3,762</b>	<b>350</b>	<b>8,349</b>	<b>83,332</b>
<b>Depreciation and Impairments</b>							
At the 1 April 2020	(942)	(25,569)	(702)	(1,109)	-	-	(28,322)
Depreciation charge	(665)	(3,682)	(510)	(273)	-	-	(5,130)
Depreciation written out to RR	12	-	-	-	-	-	12
Depreciation written out to SDPS	8	-	-	-	-	-	8
Derecognition – Disposals	-	802	-	6	-	-	808
Derecognition – Other	81	6,281	-	-	-	-	6,362
<b>At the 31 March 2021</b>	<b>(1,506)</b>	<b>(22,168)</b>	<b>(1,212)</b>	<b>(1,376)</b>	<b>-</b>	<b>-</b>	<b>(26,262)</b>
<b>Net Book Value</b>							
<b>At the 31 March 2021</b>	<b>24,408</b>	<b>14,182</b>	<b>7,395</b>	<b>2,386</b>	<b>350</b>	<b>8,349</b>	<b>57,070</b>
<b>At the 31 March 2020</b>	<b>24,780</b>	<b>13,378</b>	<b>7,855</b>	<b>2,272</b>	<b>-</b>	<b>2,296</b>	<b>50,581</b>

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

### Split of Assets between Commissioner and Chief Constable (c)

Under the Stage 2 transfer as at the 1 April 2014, all vehicles, plant, and equipment transferred to the Chief Constable (including Plant and Equipment held within Assets Under Construction). Land and Buildings and Jointly Controlled assets remained with the Commissioner. The split is as follows:-

Assets – Net Book Value	Chief Constable 31 March 2022 £'000	Commissioner 31 March 2022 £'000	PCC Group 31 March 2022 £'000
Operational Land & Buildings	-	26,723	26,723
Surplus Assets	-	1,660	1,660
Vehicles, Plant, Furniture & Equipment	13,617	-	13,617
PFI Schemes	-	7,123	7,123
Jointly Controlled Operations	-	2,328	2,328
Assets Under Construction	964	90	1,054
<b>Total Assets Net Book Value</b>	<b>14,581</b>	<b>37,924</b>	<b>52,505</b>

### Valuation of Assets (d)

Previously, all land and building assets were re-valued every five years, the last valuation of all land and buildings being the 1 April 2019. In 2021/22 a rolling programme of valuations started, a proportion of our land and buildings will be re-valued every year ensuring each building is re-valued at least once every five years. 10 properties were valued as at the 31 March 2022.

The valuations for land and buildings were made in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. Valuations were carried out by Andrew Martin BSc MRICS and Roger Smalley BSc MRICS, Valuers, Lambert Smith Hampton. The basis of valuation is shown in the Statement of Accounting Policies (page 22).

Vehicle information has been taken from the Vehicle Fleet Information System and IT and Communications information has been provided by the Information Services Department.

The Balance Sheet shows a share of all the Jointly Controlled Operation assets. These are jointly controlled operations with the other East Midland Commissioners (see note 7). Derbyshire's share of the assets is dependant on the collaboration agreement between the Commissioners and how many of them are within the agreement. The assets represent buildings, vehicle, equipment and IT assets.

31 March 2021		Jointly Controlled Operations	31 March 2022	
Total £'000	Derbyshire Share £'000		Total £'000	Derbyshire Share £'000
10,886	2,411	Fixed Assets –Tangible/intangible	10,569	2,339
3,484	789	Net Current Assets	3,135	722
<b>14,370</b>	<b>3,200</b>	<b>Total Net Assets</b>	<b>13,704</b>	<b>3,061</b>
		<b>Represented by</b>		
4,162	944	Usable Reserves	3,768	868
10,208	2,256	Unusable Reserves	9,936	2,193
<b>14,370</b>	<b>3,200</b>		<b>13,704</b>	<b>3,061</b>

The above information has been included in the PCC Group's Balance Sheet.

### Additions in Year (e)

This relates to capital expenditure in the year excluding intangible assets which is shown in Note 12.

### Assets Held by the PCC Group (f)

A brief analysis of the PCC Group's principal assets is set out below:

	31/03/21	31/03/22
Main & Divisional Headquarters	2	2
Section Stations	14	13
Child Protection unit & Victim Suite	3	3
Community Offices & Others	9	9
Surplus Properties	1	4
Radio Masts	3	3
Vehicles	661	650
EMSOU & EMFSS & EM Legal	21.8% of assets	21.8% of assets
EM Learning & development	25.11% of assets	25.11% of assets
HR Service Centre	50% of assets	50% of assets
PFI Buildings	2	2

### Depreciation (g)

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

### Capital Commitments (h)

Significant capital contracts which have been entered into by the Commissioner as at the 31 March 2022 are: -

Command and Control Hardware refresh – A contract was signed for a refresh of the Command and Control hardware. There is a budget of £0.919m in the capital programme of which £0.216m has been spent to date.

Despatch Communication Server – A contract was signed for the upgrade of the Despatch Communication Server. The budget for the project is £0.129m of which £0.064m has been spent to date.

Airwave Terminals – Due to the delay in the National Emergency Services Network project, an order was placed for 900 Airwave terminals. 220 terminals were delivered by the 31<sup>st</sup> March 2022, the rest to be delivered in 2022/23. The budget for the project is £0.431m of which £0.130m has been spent to date.

### Note 12 Intangible Assets

The PCC Group 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 Property, Plant and Equipment.

	2020/21			2021/22		
	Purchased Software Licences	Purchased Software Licences – JCO	Total PCC Group	Purchased Software Licences	Purchased Software Licences – JCO	Total PCC Group
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net carrying amount 1 April</b>	<b>5,264</b>	<b>73</b>	<b>5,337</b>	<b>1,847</b>	<b>25</b>	<b>1,872</b>
Additions	-	2	2	-	5	5
Reclassifications	-	-	-	263	-	263
Derecognitions	(1,315)	-	(1,315)	-	-	-
Amortisation in year	(2,102)	(50)	(2,152)	(1,033)	(19)	(1,052)
<b>Balance as at the 31 March</b>	<b>1,847</b>	<b>25</b>	<b>1,872</b>	<b>1,077</b>	<b>11</b>	<b>1,088</b>

From 2014/15 Software Licences are shown on the Chief Constable's Balance Sheet, except for Jointly Controlled Operations (JCO) software which is shown on the Commissioner's Balance sheet.

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 Investments in Associates and Joint Ventures

In 2014/15 Derbyshire Police and Derbyshire Fire and Rescue Service formed a Joint Venture under a Limited Liability Partnership (LLP). It will be operated by both organisations to strengthen transparency, accountability and governance for the construction and operation of joint buildings with an aim of working towards a more economic, effective and lower carbon estate. There are currently 2 buildings, a Joint Headquarters and a Joint Training Centre/Firearms Range. Derbyshire Police's investment in the joint venture to date is shown below, this represents Derbyshire Police's 66% share of the Joint Headquarters and 40% share of the Joint Training Centre/Firearms Range.

Investment in Joint Venture	31 March 2021 £'000	31 March 2022 £'000
<b>Balance as at the 1 April</b>	16,815	16,815
Spend in year	-	-
<b>Total Investment in Joint Venture PCC Accounts (Historic Cost)</b>	<b>16,815</b>	<b>16,815</b>
<b>Representing</b>		
-Joint Headquarters	12,211	12,211
-Joint Training Centre/Firearms Range	4,604	4,604
<b>Total Investment in Joint Venture PCC Group Accounts (Net Share of Assets)</b>	<b>16,115</b>	<b>18,537</b>

Under Equity accounting, the PCC Group Accounts show Derbyshire's share of the Net Assets of the LLP Accounts whilst the single entity accounts show the historic cost. The increase in the PCC Group is due to a revaluation of the Joint Buildings as at the 31 March 2022.

The Joint Venture operates an Income and Expenditure Account, the LLP Board agreed to redistribute 100% of profits to members (Police and Fire). The profit share for 2021/22 was £0.501m (£0.533m in 2020/21). This is reflected in the CIES.

## Note 14 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Commissioner, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the Commissioner that has yet to be financed. The CFR is analysed in the second part of this note.

2020/21 £'000		2021/22 £'000
<b>26,719</b>	<b>Capital Financing Requirement</b>	<b>32,742</b>
12,270	Capital investment	9,383
2	<i>Property, Plant and Equipment</i>	5
	<i>Intangible assets</i>	
<b>12,272</b>	<b>Total asset related expenditure</b>	<b>9,388</b>
695	Revenue Expenditure Funded from Capital under Statute	18
<b>12,967</b>	<b>Total Capital Investment</b>	<b>9,406</b>
	Sources of Finance	
(80)	<i>Capital receipts</i>	(10)
(1,766)	<i>Government Grants and Contributions</i>	(526)
(5,098)	<i>Revenue Provision (NB: includes MRP)</i>	(4,326)
<b>32,742</b>	<b>Closing Capital Financing Requirement</b>	<b>37,286</b>
	<b>Explanation of movements in the year</b>	
(1,051)	Decrease in underlying need to borrow (supported by Government financial assistance)	(444)
7,074	Increase in underlying need to borrow (unsupported by Government financial assistance)	4,988
<b>6,023</b>	<b>Increase in Capital Financing Requirement</b>	<b>4,544</b>

The above represents any increase in the need to borrow, less any Minimum Revenue Payments (MRP).

The Local Authorities (Capital Finance and Accounting) Regulations 2003 requires the Commissioner to set aside an amount from revenue each year to provide for the repayment of loans. This amount is the MRP. Commissioners are required to prepare an annual statement of their policy on making MRP, in accordance with statutory guidance this should be calculated on a prudent basis. Following a review by our Treasury management advisors our MRP policy was changed in 2021/22 to

- For Supported Capital Expenditure, the MRP Policy will be based on the remaining life of the Capital Financing Requirement (CFR) using the annuity method (PWLB annuity rates)
- For unsupported borrowing the MRP policy will be based on the estimated life of the assets using the annuity method (PWLB annuity rates)
- For PFI contracts that are deemed to be on Balance Sheet, the MRP will be based on the estimated life of the PFI assets using the annuity method (PWLB annuity rates)
- For leases the MRP requirement would be regarded as met by a charge equal to the element of the charge that goes to write down the Balance Sheet liability.

In 2021/22 the MRP is £0.648m (£1.279m MRP in 2020/21).

## Note 15 Debtors

The level of debt outstanding during 2021/22 was analysed and it was decided that it would be prudent to provide a bad debt provision of £0.009m after taking account of the current year's write-offs.

Debtors are analysed as follows and include Derbyshire's share of jointly controlled operations debtors: -

<b>Debtors</b>	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
Government Departments and Agencies	19,120	14,537
Local and Police Authorities	5,655	4,927
Share of Council Tax Debtors	4,309	5,293
Other Entities and Individuals	6,194	5,947
Less: Provision for Bad debts	(8)	(9)
<b>Total Debtors</b>	<b>35,270</b>	<b>30,695</b>

## Note 16 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>Cash and Cash Equivalents</b>	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
Cash held by the Commissioner	113	92
Bank current accounts	9,709	9,625
Proceeds of Crime Cash	672	871
<b>Total Cash and Cash equivalents</b>	<b>10,494</b>	<b>10,588</b>

## Note 17 Creditors

Creditors are analysed as follows and include Derbyshire's share of jointly controlled operations creditors: -

<b>Creditors</b>	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
Government Departments and Agencies	5,060	4,703
Local and Police Authorities	21,300	11,112
Share of Council Tax Creditors	4,818	5,085
Other Entities and Individuals	5,863	7,195
<b>Total Creditors – Commissioner</b>	<b>37,041</b>	<b>28,095</b>
Employee Benefits – Chief Constable	2,318	2,810
<b>Total Creditors</b>	<b>39,359</b>	<b>30,905</b>



## Note 18 Borrowing and Investments

The borrowing and investments disclosed in the Balance Sheet are

	31 March 2021			31 March 2022		
	Long Term £'000	Current £'000	Total £'000	Long Term £'000	Current £'000	Total £'000
PWLB	12,082	895	12,977	31,262	957	32,219
<b>Total borrowing</b>	<b>12,082</b>	<b>895</b>	<b>12,977</b>	<b>31,262</b>	<b>957</b>	<b>32,219</b>
Loans and receivables – Temporary Investments	-	-	-	-	18,015	18,015
<b>Total investments</b>	-	-	-	-	<b>18,015</b>	<b>18,015</b>

'Current' is investments and borrowing less than one year. Interest earned is charged to the Income and Expenditure Account on an accrual's basis and hence Temporary investments and Short term borrowing figures on the Balance Sheet also includes interest earned but not yet paid as at the 31 March 2022.

PWLB is borrowing with the Public Works Loan Board. A new loan for £20m has been raised during 2021/22 to finance the Capital Programme in 2021/22 and 2022/23. The total PWLB outstanding at the 31 March 2022 is £32.082m plus interest of £0.137m

The repayment schedule for PWLB is shown in Note 21c.

Loans and receivables are surplus cash that the Commissioner invests in short-term deposits and temporary investments with a range of banks and financial institutions. Total temporary investments outstanding as at the 31 March 2022 is £18m plus interest of £0.015m. PFI finance lease liabilities are shown in Note 22.

## Note 19 Interest from borrowing and investments

Interest payable on external borrowings and interest receivable on short term investments fall on the Comprehensive Income and Expenditure Statement as shown below: -

	Total 31 March 2021 £'000	Borrowings £'000	Investments £'000	Total 31 March 2022 £'000
Interest Payable and similar charges	403	458		458
Interest Payable on PFI Schemes	691	620		620
Interest and investment Income	(20)		(30)	(30)

## Note 20 Financial Instruments - Assets and Liabilities

A financial instrument is any contract that results in a financial asset on the Balance Sheet of one entity (for example the Commissioner) and a financial liability or equity instrument on the Balance Sheet of another entity. The term "financial instrument" covers both financial assets and financial liabilities ranging from the most straightforward (i.e. temporary investments, debtors and creditors) to the most complex (i.e. derivatives). Financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The fair value of each class of financial asset and liabilities is as follows: -

	31 March 2021		31 March 2022	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Assets</b>				
Temporary Investments (excl interest)	-	-	18,000	18,000
Cash and Cash Equivalents	10,494	10,494	10,588	10,588
Debtors (contractual only)	29,825	29,825	23,746	23,746
<b>Financial Liabilities</b>				
<b>Borrowing</b>				
PWLB (excl interest)	(12,923)	(15,089)	(32,082)	(32,853)
PFI Liabilities	(7,618)	(7,618)	(6,364)	(6,364)
Creditors (contractual only)	(30,655)	(30,655)	(21,845)	(21,845)

### Financial Assets

The fair value of investments has been assessed as being the same as the carrying value due to the investments being short term (less than one year). Cash is assumed to have a fair value which is equivalent to the carrying amount due to the short-term nature of the asset. In the case of debtors, the carrying amount (the invoiced amount) as shown in the balance sheet is assumed to approximate to fair value. These are likely to mature in the next 12 months.

### Financial Liabilities

The fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at the 31 March 2022. The fair value of PWLB is more than the carrying amount because the Commissioner's portfolio of loans is based on fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at the 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

In the case of creditors, the carrying amount (the billed amount) as shown in the balance sheet is assumed to approximate to fair value. These are likely to mature in the next 12 months.

## **Note 21 Financial Instruments - Risk Exposure**

The Commissioner's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Commissioner to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Commissioner to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice
- By approving annually in advance prudential indicators for the following three years limiting
  - The Commissioner's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum for exposures of the maturity structure of debt
  - Its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The Commissioner's Treasury Management Strategy is approved annually in January before the start of the year to which it relates which outlines the detailed approach to managing risk in relation to the Commissioner's financial instrument exposure. Actual performance is also monitored at least annually. The key risks are:

### a) Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Commissioner's Treasury Management Strategy. The Commissioner only invests in approved institutions who meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services.

The policy for 2021/22 was to limit investment to the following categories

- UK Banks
- UK Building Societies
- Guaranteed Banks with suitable sovereign support
- Local Authorities
- Debt Management Office
- Money Market Funds

The Commissioner does not make deposits with the above unless they meet the minimum requirements of the investment criteria at that time. There are also limits in place to how much can be invested with counterparties and for how long.

No breaches of the Commissioner's counterparty criteria occurred during the reporting period and the Commissioner does not expect any losses from non-performance by any of the counterparties in relation to deposits.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Commissioner maintains strict credit criteria for investment counterparties and seeks security of capital over maximising interest.

The risk of customers failing to pay the Commissioner for goods/services provided is low as this income is only a small proportion of total income. The risk is managed via the Commissioner's Credit Control Procedures. These procedures set out the framework within which financial relationships with the Commissioner's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Director of Finance and Business Services can write off bad debts up to a limit of £10,000 in each case. Larger sums are referred to the Commissioner. To further mitigate the risk of Customer credit default, the Commissioner makes a bad debt provision each year.

**b) Liquidity Risk Exposure**

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. The Commissioner manages its liquidity position through the risk management procedures above as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed to meet payment obligations (for example payments to creditors and payments to and in respect of the Commissioner's employees). If unexpected movements happen, the Commissioner has access to borrowings from both the money markets and PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

**c) Refinancing and Maturity Risk**

This is the risk that the Commissioner might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms. The risk relates to the maturing of longer-term financial liabilities and the fact that the Commissioner will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows

	<b>PWLB</b>
	<b>£'000</b>
Less than one year interest	137
Less than one year principal	820
Between one and two years	758
Between two and five years	2,579
Between five and ten years	2,705
Between ten and fifteen years	2,020
More than fifteen years	23,200
<b>Total</b>	<b>32,219</b>

This excludes trade and other payables which are due to be paid in less than one year and PFI Liabilities which are repaid over the life of the contract.

**d) Market Risk Exposure**

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates. The Commissioner has limited risk. PWLB interest rates are fixed and investments are only temporarily invested (less than a year). The risk therefore arises from the uncertainty of what level interest rates will be at when the Commissioner either makes a temporary investment or enters into a new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the Income and Expenditure Statement. For instance, a rise in interest rates may have the following effects:

- Future borrowings may be more costly and result in a higher interest expense charged to the Comprehensive Income and Expenditure Statement
- The fair value of existing borrowings may alter
- Future temporary investments may realise a greater return and result in a higher interest receipt credited to the Comprehensive Income and Expenditure Statement

Borrowings are not carried at fair value in the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Reserve Balance.

The Commissioner sets a Prudential Indicator regarding the percentage of borrowings held at variable rate loans. This limit is 30% and has not been breached during the financial year.

The Commissioner will consider, where economic conditions allow, the viability of repaying loans early to limit the exposure to interest rate risk.

With regard to market prices, the Commissioner does not invest in equity shares and hence has no exposure to the gains or losses arising from a movement in the price of shares. The Commissioner has no financial assets or liabilities in foreign currencies and hence has no exposure to loss arising from movements in exchange rates.

## Note 22 Private Finance Initiatives

The Commissioner has two Private Finance Initiative (PFI) project agreements: -

On the 23 December 1997 an agreement for the provision of a new serviced police station at Ilkeston was signed. The arrangement is for 30 years from October 1998 until September 2028. The building was occupied from October 1998 when payments commenced.

On the 26 February 1999 an agreement for the provision of a new fully serviced Divisional Headquarters and City Section Station at Derby was signed. The arrangement is for 30 years from the 18 December 2000 until 17 December 2030. The building was occupied from the 18 December 2000 when payments commenced.

### Property, Plant and Equipment

The assets used to provide services at the police station and divisional headquarters are recognised on the Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, plant and equipment balance in Note 11.

### Payments

The Commissioner makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. The amount of Unitary charge paid in 2021/22 was £0.521m for Ilkeston and £3.558m for Derby (the equivalent unitary charge paid in 2020/21 was £0.511m for Ilkeston and £3.424m for Derby). The total charge for each scheme can be analysed as follows

	2020/21			2021/22		
	Ilkeston £'000	Derby £'000	Total £'000	Ilkeston £'000	Derby £'000	Total £'000
Service Payment	229	2,094	2,323	239	1,966	2,205
Interest on liability	142	549	691	128	492	620
Lifecycle Payments	-	50	50	-	-	-
Repayments of Principal	140	731	871	154	1,100	1,254
<b>Total Unitary Charge</b>	<b>511</b>	<b>3,424</b>	<b>3,935</b>	<b>521</b>	<b>3,558</b>	<b>4,079</b>

Projected remaining payments to be made under the 2 PFI contracts at the 31 March 2022 are as follows:

	Ilkeston PFI				
	Service Payments £'000	Interest on Liability £'000	Lifecycle Payments £'000	Principal Payments £'000	Total Payments £'000
2023/23	216	114	53	148	531
2023/24 to 2026/27	1,100	298	-	830	2,228
2027/28 to September 2028	197	29	381	277	884

For Ilkeston the expected costs include estimated inflation of 4% on service payments and lifecycle as per the operators' model. They exclude future availability/performance deductions.

	Derby PFI				
	Service Payments £'000	Interest on Liability £'000	Lifecycle Payments £'000	Principal Payments £'000	Total Payments £'000
2022/23	2,013	405	-	1,187	3,605
2023/24 to 2026/27	7,675	759	1,732	3,065	13,231
2027/28 to December 2030	8,739	163	-	857	9,759

For Derby the expected costs include estimated inflation of 3% on service payments and lifecycle as per the operators' model. Elements of the fee can also be benchmarked every five years if either of the parties instigate the benchmarking exercise. This involves comparing the charge for individual items within the overall fee against charges within similar contracts. The third benchmarking exercise with effect from December 2015 was instigated by the service provider and the outcome was formally agreed in October 2020. Projected future payments exclude future availability/performance deductions.

The Commissioner receives a Special Grant towards the financing of the PFI schemes as follows:

	Ilkeston PFI £'000	Derby PFI £'000	Total PFI £'000
2021/22	348	2,387	2,735

The payment of grant is on an annuity basis, the same amount of grant is paid each year over the life of the contract.

The difference in grants received and actual payments plus current value of savings on the original station, plus a contribution plus interest in the year has been transferred to or from the PFI Reserves. This reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period. For Ilkeston the movement from reserves in 2021/22 was £0.102m and for Derby the movement from reserves was £0.295m.

#### Liability

The PFI liability is written down by the repayment of principal each year as shown below:

	Ilkeston PFI £'000	Derby PFI £'000	Total PFI £'000
<b>Balance as at the 31 March 2021</b>	<b>1,408</b>	<b>6,210</b>	<b>7,618</b>
Principal Paid 2021/22	(154)	(1,100)	(1,254)
<b>Balance as at the 31 March 2022</b>	<b>1,254</b>	<b>5,110</b>	<b>6,364</b>

In the balance sheet this is shown as short term (£1,335k) which is repayable within a year and long term PFI Finance lease liabilities (£5,029k).

### **Note 23 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.

**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 (£2.028) in the balance sheet. Short-term provisions cover liabilities that are expected to be settled within 12 months of the balance sheet date.

### **Note 24 Contingent liabilities / Contingent assets**

Contingent liabilities/assets arise where the Commissioner 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 Commissioner's control.

#### **Contingent Liabilities**

The Commissioner has no contingent liabilities as at the 31 March 2022.

#### **Contingent Assets**

The Commissioner has no contingent assets as at the 31 March 2022.

## Note 25 Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement. The balance as at the 31 March was made up of the following:

Usable Reserves	31 March 2021 £'000	31 March 2022 £'000
General Reserve Balance	5,500	6,500
Earmarked Reserves	9,912	15,696
Usable Capital Receipts Reserve	-	-
Capital Grants Unapplied	3,659	4,341
<b>Total Usable Reserves PCC</b>	<b>19,071</b>	<b>26,537</b>
Share of LLP Retained Profit Reserve	49	42
<b>Total Usable Reserves PCC Group</b>	<b>19,120</b>	<b>26,579</b>

### Earmarked Reserves

This note sets out Transfers to/from Earmarked Reserves.

Earmarked Reserve	Balance 31 March 2021 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2022 £'000
<b>Reserves</b>				
Devolved Budget Commitments	840	956	(674)	1,122
Operational Funding & Investment Reserve	2,883	1,450	(590)	3,743
PFI Reserve – Ilkeston	924	-	(102)	822
PFI Reserve – Derby	1,754	2	(295)	1,461
Insurance Reserves	147	1	-	148
PCC Grants & Commissioning Reserve	1,166	52	(100)	1,118
Covid-19 Funding Reserve	757	-	(458)	299
Workforce Resilience & Well-Being Reserve	497	500	-	997
Capital Reserve	-	551	-	551
IT Equipment Reserve	-	500	-	500
Local Council Tax Support Reserve	-	1,312	-	1,312
Design Board Reserve	-	1,000	-	1,000
Planning Day Initiatives Reserve	-	1,255	-	1,255
Productivity & Efficiency Reserve	-	500	-	500
<b>Total Reserves</b>	<b>8,968</b>	<b>8,079</b>	<b>(2,219)</b>	<b>14,828</b>
Jointly Controlled Operations Reserves	944	-	(76)	868
<b>Total Earmarked Reserves PCC</b>	<b>9,912</b>	<b>8,079</b>	<b>(2,295)</b>	<b>15,696</b>
Share of LLP Retained Profit Reserve	49	-	(7)	42
<b>Total Earmarked Reserves PCC Group</b>	<b>9,961</b>	<b>8,079</b>	<b>(2,302)</b>	<b>15,738</b>

#### *Devolved Budget Commitments*

This balance represents the underspending on devolved budgets for 2021/22 which have been earmarked to carry forward to meet commitments in 2022/23.

#### *Operational Funding and Investment Reserve*

This reserve is to assist with the 'funding gap' in the revenue budget for 2022/23 and beyond and for investment in new and emerging and growing risk and threats.

#### *PFI Reserve – Ilkeston*

This reserve represents the difference in grants received and actual payments for Ilkeston PFI plus savings on the original station plus a contribution of £0.002m plus interest in the year. This reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.

#### *PFI Reserve – Derby DHQ*

This reserve represents the difference in grants received and actual payments for the Derby DHQ PFI, plus savings on the original Full Street headquarters, plus a contribution of £0.458m plus interest in the year. The reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.

#### *Insurance Reserve*

This reserve is for future insurance liabilities that are not covered by the insurance provision. No transfer to the provision from the reserve was required in 2021/22 as the increase in the provision was funded directly from the revenue budget. The insurance excess on liability claims is £0.100m.

#### *PCC Grants and Commissioning Reserve*

This reserve has been set aside for crime prevention measures and other emerging priorities over the term of the Commissioners' office.

#### *Covid-19 Funding Reserve*

This reserve was created from grant funding provided by the Home Office in 2020/21 for 'enforcement and wider pressures' arising from the Covid-19 pandemic. As the impact of the pandemic receded during 2021/22 this was not fully spent at year end. The remaining balance is available should the emergence of new variants create increased demands on policing.

#### *Workforce Resilience & Well-Being Reserve (previously Officer Uplift Support Costs Reserve)*

As part of the government's Police Uplift Programme, the Constabulary has received funding to support the recruitment of 283 additional police officers over a 3-year period to 31 March 2023. This reserve was created out of part of this funding to support the non-direct 'infrastructure' costs associated with recruiting and deploying these new officers. Such costs include recruitment and training, additional vehicles and accommodation, and uniforms and other equipment. The reserve has been increased from underspendings in 2021/22 and will be used to address wider strategies for the attraction, recruitment and retention of all staff types.

#### *Capital Reserve*

The balance on this reserve is from funding set aside within the 2021/22 revenue budget to help fund the Constabulary's programme of capital investment. It will be utilised as and when the relevant expenditure is incurred.

#### *IT Equipment Reserve*

The Constabulary has a strategy to increase the productivity and efficiency of its officers through agile / remote working practices. This reserve will be used to buy additional equipment to support the roll-out of this strategy.

#### *Local Council Tax Support Reserve*

This reserve holds the Constabulary's allocation from the £670m grant distributed to all local authorities in 2021/22 to help offset the potential impact of reduced council tax revenue arising from the Covid-19 pandemic. As the grant was un-ringfenced, it is available to support the general costs of providing policing services in future years.

#### *Design Board Reserve*

The Constabulary's Design Board is chaired by the Deputy Chief Constable and has a brief to co-ordinate the implementation of design recommendations to improve processes and practices, especially through technological innovation. The reserve is to fund associated implementation costs of approved projects.

#### *Planning Day Initiatives Reserve*

This reserve will fund the Year 1 costs of initiatives which were approved following the Constabulary's annual strategic planning conference in March 2022. This annual process ensures that resources are continually aligned with areas of the greatest policing risk and threat.

#### *Productivity & Efficiency Reserve*

The Constabulary's Productivity & Efficiency Board is chaired by the Deputy Chief Constable and has a brief to manage the deployment of staff across the whole organisation so that resources are allocated to the most appropriate areas. The Reserve is to fund the implementation costs of any improvements to the allocation of staffing resources approved by the Board.

#### *Jointly Controlled Operations Earmarked Reserves*

This represents Derbyshire's share of Jointly Controlled Operations reserves these are mainly to be used for future capital purchases and asset replacement.

#### *Share of Retained Profit Reserve LLP*

Under PCC Group Accounts a share of LLP reserves has to be shown, this represents Derbyshire's share of the retained profit of the LLP (in previous years this is the 25% of the profit the LLP have agreed to retain, in 2020/21 and 2021/22 the LLP agreed to redistribute 100% of the profit share not 75%). In 2021/22 the LLP used £0.007m of its retained profit reducing the balance to £0.042m.

## Usable Capital receipts Reserves

The usable capital receipts reserve represents the capital receipts available to support additional capital expenditure in future years.

Capital Receipts Reserve	£'000
Balance as at the 1 April 2021	-
Receipts in year:	10
	10
Less:	
Capital receipts used	(10)
<b>Balance as at the 31 March 2022</b>	<b>-</b>

## Note 26 Unusable Reserves

Chief Constable 31 March 2021 £'000	Commissioner 31 March 2021 £'000	Restated PCC Group 31 March 2021 £'000	Unusable Reserves	Chief Constable 31 March 2022 £'000	Commissioner 31 March 2022 £'000	PCC Group 31 March 2022 £'000
1	4,810	4,811	Revaluation Reserve	1	5,045	5,046
16,902	21,305	38,207	Capital Adjustment Reserve	15,657	12,423	28,080
(2,493,232)	-	(2,493,232)	Pensions Reserve	(2,482,607)	-	(2,482,607)
-	(509)	(509)	Collection Fund Adjustment Account	-	208	208
(2,318)	-	(2,318)	Accumulated Absences Account	(2,810)	-	(2,810)
<b>(2,478,647)</b>	<b>25,606</b>	<b>(2,453,041)</b>	<b>Total Unusable Reserves PCC</b>	<b>(2,469,759)</b>	<b>17,676</b>	<b>(2,452,083)</b>
		(749)	Share of Revaluation Reserve LLP			1,680
		<b>(2,453,790)</b>	<b>Total Unusable Reserves PCC Group</b>			<b>(2,452,403)</b>

### Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Under Equity accounting the PCC Group Accounts includes a share of the Revaluation Reserve of the LLP.

Revaluation Reserve	2020/21 £'000	2021/22 £'000
<b>Balance as at the 1 April</b>	<b>4,841</b>	<b>4,811</b>
Upward revaluation of assets	123	388
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3)	-
<b>Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>120</b>	<b>388</b>
Difference between fair value depreciation and historical cost depreciation	(150)	(153)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(150)</b>	<b>(153)</b>
<b>Balance as at the 31 March</b>	<b>4,811</b>	<b>5,046</b>
Share of Revaluation Reserve LLP	(749)	1,680
<b>Balance as at the 31 March PCC Group</b>	<b>4,062</b>	<b>6,726</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 as finance for the costs of acquisition, construction and enhancement.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

<b>Capital Adjustment Account</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at the 1 April</b>	<b>41,187</b>	<b>38,207</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(5,130)	(5,178)
• Revaluation losses on Property, Plant & Equipment	(520)	(8,628)
• Amortisation of Intangible Assets	(2,152)	(1,052)
• Revenue Expenditure funded from capital under statute	(695)	(18)
• 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	(1,577)	(266)
	<b>(10,074)</b>	<b>(15,142)</b>
Adjusting amounts written out of revaluation Reserve	150	153
Net written out amount of the cost of non current assets consumed in the year	<b>(9,924)</b>	<b>(14,989)</b>
Capital Financing applied in the year		
• Capital Receipts	80	10
• Capital Grants and Contributions	1,766	526
• Statutory Provision for financing capital investment (MRP)	1,279	648
• Capital Expenditure charged against the General Reserve	3,819	3,678
	<b>6,944</b>	<b>4,862</b>
<b>Balance as at the 31 March</b>	<b>38,207</b>	<b>28,080</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 PCC Group 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 PCC Group 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 PCC Group 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>
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>

### Collection Fund Adjustment Account

The Collection Fund adjustment account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the Statutory arrangements for paying across amounts to the General Reserve from the Collection Fund.

<b>Collection Fund Adjustment Account</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at the 1 April</b>	<b>645</b>	<b>(509)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(1,154)	717
<b>Balance as at the 31 March</b>	<b>(509)</b>	<b>208</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 27 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Interest received including accruals	(20)	(30)
Interest received accruals	(2)	14
<b>Interest received on a cash basis</b>	<b>(22)</b>	<b>(16)</b>
Interest paid including accruals	1,094	1,078
Interest paid accruals	6	(83)
<b>Interest paid on a cash basis</b>	<b>1,100</b>	<b>995</b>

### **Note 28 Police Property Act Fund**

Commissioners are required under the Police Property Act 1997 to set aside any money received from the sale of property which has come into their possession in connection with a criminal charge. The net proceeds from this fund are subsequently either repaid to the individual, used to defray expenses incurred in the storage and safe custody of property, or distributed to local charities. The balance on the fund as at the 31 March 2022 was £39,621 (£16,286 as at the 31 March 2021). No monies were distributed in 2021/22. The new Commissioner will nominate a charity. This balance has not been included in the PCC Group Balance sheet, as it does not represent monies owned by the Group.

## **Note 29 Accounting Standards that have been issued but have not yet been adopted**

The PCC Group 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 PCC Group 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 30 Authorisation of Accounts for issue**

The 2021/22 Statement of Accounts were authorised for issue by the Chief Operating Officer & s151 Officer 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 31 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>	<b>26,327</b>
( 22,409)	<b>Additional contribution from the Police and Crime Commissioner to fund the deficit for the year</b>	<b>( 26,327)</b>
0	<b>Net amount payable/receivable for the year</b>	<b>0</b>
	<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 the 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 as 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 the 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 the 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 17 to 28).

**POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**  
**STATEMENT OF ACCOUNTS 2021/22**  
**COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2021/22**

**Position as at 31 March 2022 including plans for the financial year 2022/23**

**1 INTRODUCTION**

1.1 This Annual Governance Statement (AGS) explains how the Police and Crime Commissioner (Commissioner) 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. Note that the wider regulations were also amended in 2021.
- The Police Reform and Social Responsibility Act 2011 (the Act).

1.2 The Commissioner and the Chief Constable have approved and adopted a Derbyshire Joint Code of Corporate Governance which is consistent with the seven principles of the CIPFA Framework: *Delivering Good Governance in Local Government: Guidance note for Policing in England & Wales 2016*. A self-assessment matrix demonstrates how the Police and Crime Commissioner complies with those principles. A copy of the Joint Code of Corporate Governance can be obtained from the Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website.

1.3 The Chief Constable produces a separate AGS which covers in more detail the activities of Derbyshire Constabulary together with any action plans produced to address governance or control issues. The Police and Crime Commissioner has reference to the Chief Constable's AGS (particularly the action-plan) and will monitor delivery against any actions as part of holding the Chief Constable to account. It is recommended that this AGS is therefore read in conjunction with the Chief Constable's version.

- 1.4 The current Commissioner (and signatory on this Annual Governance Statement) was elected in May 2021. It should be noted that this AGS refers to the financial year ending 31<sup>st</sup> March 2022 and the governance arrangements in place during that year. Whilst the current Commissioner was not in office for the entire financial year, it is common practice for the incumbent Commissioner to approve the AGS.

## **2 SCOPE AND RESPONSIBILITY**

- 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.
- 2.2 The Commissioner is responsible under the Police Reform and Social Responsibility Act 2011 for securing, amongst other things, an efficient and effective police service for Derbyshire and to deliver value for money, and continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.3 In discharging this overall responsibility, the Commissioner is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. The Chief Constable may do this through delegation to officers.

## **3 THE POLICE AND CRIME PANEL**

- 3.1 The Police and Crime Panel has been established under legislation to hold the Commissioner to account by scrutinising the Commissioner's decisions and also has a role to play in overseeing the police and crime plan, on the setting of the precept, the appointment of the Commissioner's statutory



officers and in the appointment of a Chief Constable. The panel is politically and geographically balanced with representatives from the local authorities in the policing area (including co-opted political members to maintain balance). For further information visit:

<https://www.derbyshire.gov.uk/community/community-safety/derbyshire-police-and-crime-panel/derbyshire-police-and-crime-panel.aspx>

## **4 THE PURPOSE OF A GOVERNANCE FRAMEWORK**

4.1 The Police Reform and Social Responsibility Act 2011 changed the way policing was governed by introducing one directly elected Commissioner. The Commissioner is a corporation sole, as is the Chief Constable, and this required a new governance framework to be adopted.

4.2 Governance is about the systems, processes, culture and values which companies and other organisations are directed and controlled. Good governance enables the Commissioner to:

- Deliver on their vision and priorities for policing and crime
- Performance manage the Chief Constable and other partners
- Hold the Chief Constable and other partners to account for delivery
- Make decisions in an open, transparent way
- Engage with the public and victims to achieve better outcomes
- Provide good stewardship over public funds and achieve value for money

Importantly, it also provides an appropriate level of control and flexibility to enable the Chief Constable to make timely, efficient and effective operational decisions.

4.3 The Policing Protocol Order 2011 requires the Commissioner to abide by the seven Nolan Principles as defined by the Committee on Standards in 'Public Life' published in May 1995. These principles include: selflessness, integrity, objectiveness, accountability, openness, honesty and impartiality. The protocol also defines the Chief Constable's operational independence from interference by the Commissioner.

- 4.4 The Commissioner has sworn an oath of impartiality. This has committed the Commissioner to serve local people without fear or favour and it sets out her public commitment to performing her role with integrity, impartiality and fairness.
- 4.5 The Commissioner's governance framework has been in place since 22 November 2012 when the first Commissioner for Derbyshire was elected. The framework was in place at the year-end 31 March 2022. The original frame work was amended with effect from 1 April 2014 to reflect the transfer of all police staff (except those under the direct control of the Commissioner) to the employment of the Chief Constable (called the Stage 2 transfer). The Police and Crime Commissioner's governance framework applies up to and including the date that the 2021/22 Statement of Accounts are approved for publication.
- 4.6 The Commissioner is able to confirm that the financial management arrangements conform to the Financial Management Protocol issued under the Police Reform and Social Responsibility Act 2011 and the CIPFA Statement on the Role of the Chief Finance Officer (CFO) of the Police & Crime Commissioner and the Role of the CFO of the Chief Constable. The arrangements in place are in line with the expectations set out in the CIPFA Financial Management Code 2019.

## **5 THE POLICE AND CRIME PLAN**

- 5.1 Each Commissioner is required to set out their vision, priorities and objectives for policing and crime within the Police and Crime Plan which has effect (subject to review) until the end of the financial year following a normal PCC election. The production and publication of the Police and Crime Plan is a core statutory planning requirement as defined by the Police Reform and Social Responsibility Act 2011. The Plan sets out the resources and assets that the Commissioner will make available to the Chief Constable for policing and the mechanisms by which the Chief Constable will report on performance and be held to account.

- 5.2 In developing the plan the Commissioner is required to consider a number of duties. These include:
- Working and co-operating with partner organisations in developing and implementing local crime and disorder strategies.
  - Engaging and consulting with the public, victims of crime and businesses.
  - Resources to support the strategic policing requirements to address national risks, harm and threats.
  - Have regard to the safeguarding of children, promoting the welfare of children and equality and diversity
  - Co – operation with local criminal justice bodies to provide efficient and effective criminal justice services.
- 5.3 Developing the Police and Crime plan is part of the Commissioner’s annual business planning and commissioning cycle process. The Commissioner may review the Police and Crime plan to take account of public and victim consultation and findings from the partnership risk and threat assessment, subject to consultation with the Chief Constable and approval by the Police and Crime Panel.
- 5.4 Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel and for putting in place proper arrangements for the governance of the Constabulary, the Commissioner is required to hold the Chief Constable to account for the exercise of those functions and those of the persons under their direction and control. It therefore follows that the Commissioner must satisfy themselves that the Constabulary has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice. To this end and because of the Chief Constable being a corporation sole with separate accounts, the Commissioner has had regard to the Chief Constable’s AGS when producing this AGS.

## **6 THE INTERNAL CONTROL ENVIRONMENT**

- 6.1 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it 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 Commissioner's policing objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 6.2 The following documents and strategies establish the policies, aims and objectives at a high level:
- The Police and Crime Plan reflecting local and national priorities
  - The Office of the Police and Crime Commissioner Business Plan
  - The Medium Term Financial Plan
  - Strategic Risk Registers (Constabulary and Commissioner)
  - The Joint Scheme of Corporate Governance
  - The Code of Corporate Governance
  - The Scheme of Delegation and Consent
  - The Financial Regulations and Contract Regulations
  - Meetings protocol
  - Terms of reference for the Joint Audit Risk and Assurance Committee (JARAC)
- 6.3 These documents and other strategies and policies, which incorporate best practice, demonstrate that the Commissioner operates a good system of internal control and is detailed further in the following key elements of the Internal Control environment.
- 6.4 The Internal Control environment supports the Commissioner in establishing, implementing and monitoring policies and objectives. The Commissioner, in consultation with the Chief Constable, published the Police and Crime Plan 2021-2025 based on public consultation, the assessment of risk and threat in the County and the Commissioner's manifesto commitments. The plan has to

have regard to the national Strategic Policing Requirement and the Policing Protocol, as well as the community safety priorities of the responsible authorities. The Police & Crime Plan is available to view on the website: <https://www.derbyshire-pcc.gov.uk/commissioner/police-and-crime-plan/>

- 6.5 The Medium Term Financial Plan and the Risk Registers are informed by the policing objectives identified in the Commissioner's Police and Crime Plan. These objectives are used to direct resources and manage activity and risk.
- 6.6 The activities of the Constabulary are further governed by the vision, corporate values, principles and behaviours that have been agreed by the Commissioner and the Chief Constable.
- 6.7 Through the mechanism of a regular Performance Scrutiny Meeting (PSM), the Commissioner receives reports from the Chief Constable and senior officers covering how the Force is delivering against the priorities set out in the Police & Crime Plan. In addition to the PSM, the Commissioner established a Financial Assurance Board (FAB) which is jointly chaired with the Chief Constable and attended by senior officers from both the OPCC and Force. The FAB allows for detailed discussion and scrutiny of the Force's financial affairs and is pivotal in delivering against the Commissioner's Police & Crime Plan objective "Driving Efficiencies". This is supplemented by a range of policies and processes to support the operation of the Commissioner's office, including a scheme of delegation to officers, standing orders relating to the business of the Commissioner, and codes of conduct for the Commissioner and a Deputy (if relevant) as well as the staff of the OPCC.

## **7 DERBYSHIRE POLICE AND FIRE PARTNERSHIP (LLP)**

- 7.1 The LLP was established by Derbyshire Fire Authority (through the Chair) and the Police and Crime Commissioner as a vehicle by which joint estates projects such as the Joint Headquarters and Joint Training Centre buildings could be built and maintained. The LLP leases space to the respective

operational services (Derbyshire Police and Derbyshire Fire & Rescue Service).

- 7.2 The LLP has its own corporate governance framework, based on the Nolan Principles, which reflects the desire of both parties to work together in the interests of the local community that they serve.
- 7.3 The LLP Management Board (co-chaired by the Police and Crime Commissioner and Chair of the Fire Authority) meets quarterly to (a) have oversight of how the two buildings are being operated/utilised (b) consider any proposals from officers and (c) to discuss any future opportunities that the LLP may be considered the right vehicle for. Both Chairs are supported by director-level officers from their respective organisations as well as subject matter experts as required.

## **8 RISK MANAGEMENT**

- 8.1 The Chief Operating Officer leads on risk management for the Commissioner. This encompasses both risks specific to the Commissioner's responsibilities but also a broader oversight over the Force's risk management system.
- 8.2 The Commissioner's risk register contains strategic risks linked to the Police & Crime Plan objectives as well as more operational risks that emerge from the work the office undertakes on the Commissioner's behalf.
- 8.3 The Commissioner utilises the same risk management system and methodology as the Force and reports twice yearly to the JARAC. The Chief Finance Officer attends the Force's Risk Board as do, on occasion, members of the JARAC.
- 8.4 Risk management is a standing item on the agenda of the key management and team meetings within the Commissioner's office and most notably features heavily in the Commissioner's OPCC Management Board (OMB) that features the OPCC's Senior Leadership Team, Communications Adviser and is chaired by the Commissioner.

- 8.5 Risk is discussed regularly between the Commissioner, the office, the Chief Constable and the Force – particularly strategic risks that have relevance to the broader policing and crime portfolio.
- 8.6 Both the Commissioner and the Force’s risk management systems are subject to regular internal audit review, the most recent of which recognised that the systems and controls gave significant assurance.

## **9 TRANSPARENCY**

- 9.1 The Commissioner has adopted and is following a wide ranging and robust transparency agenda which, whilst it is based on the secondary legislation of the two Specified Information orders and the requirements of the Information Commissioner’s Office, is nevertheless one of the Commissioner’s key tenets. Meetings are publicised in advance and published along with any supporting reports that are not subject to a restrictive marking.
- 9.2 The financial management of the Commissioner’s business is integrated with, and influenced by, many of the above processes, and includes processes for forward planning of expenditure and resources; budget consultation, setting and monitoring; and completion of final accounts, all aimed to be accurate, informative and timely. The Commissioner also has in place financial regulations designed to support sound financial management policies and procedures, and adherence thereto, and to reflect the Commissioner’s current management structure and business activities.
- 9.3 In order to ensure compliance with policies, procedures and statutory requirements, the Commissioner has a range of controls and processes in place, as set out below. These processes also assist the Commissioner to ensure the economical, effective and efficient use of resources, and to secure continuous improvement in exercising their functions, providing for an effective performance management and reporting process.

- 9.4 The Commissioner or their representatives sit on Governance boards at all levels within the Constabulary and the Constabulary regularly provides the Commissioner with information on performance, finance and risk management, in accordance with an agreed forward plan. Furthermore the FAB (see para 6.7) provides a further forum at which the Commissioner can scrutinise and be assured on key financial planning and management information.
- 9.5 Collaborative functions are overseen by the East Midlands Police and Crime Commissioners Board (EMPCCB). The Board provides oversight of all collaboration activities in the region and is a forum for all Police and Crime Commissioners and Chief Constables to share and demonstrate their experiences of partnership work. All forces can discuss governance, performance and financial issues at the regular EMPCCB meetings. The EMPCCB is supported by the Regional Resources Board (currently chaired by the Commissioner) which has oversight of financial and internal audit matters for collaborative activity. In addition, there is a Regional CFO/FD Board where both the Commissioner and Chief Constable's respective Chief Finance Officers discuss financial, audit and risk matters and advise the Regional Resources Board. The collaboration approach builds on best practice from across the region and nationally to improve performance and enhance resilience as well as delivering a cost saving agenda.
- 9.6 There are 5 forces in the East Midlands region –Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire. These continue to review collaborative arrangements through the East Midlands Police Collaboration Programme (EMPCP) which is led by the Deputy Chief Constable East Midlands. All the projects aim to save money, increase capacity and capability, maintain or improve customer service standards, use officer and staff time in the best way possible, deliver the best service with the resources available, improve performance or make better use of technology. The EMPCP focuses on delivering joint regional work in both operational and non-operational support services. Not all collaboration initiatives are shared



by all five forces. Further information on the collaborations which Derbyshire is a participant in can be found within the main Statement of Accounts.

- 9.7 A regional AGS has been produced by the Deputy Chief Constable East Midlands covering performance monitoring, arrangements for compliance with relevant laws, policies and procedures, and that appropriate controls are in place for the management of resources. A management structure is in place, with clear lines of accountability for both operational issues and use of resources. Budgets for each service are approved each year at EMPCCB which defines the expenditure targets for each area of policing within regional collaboration.
- 9.8 Each force actively supports the budget allocation and sets its own precept accordingly. Management reports showing costs against budget are produced monthly and unexpected variances are investigated and explained, ready for reporting to EMPCCB quarterly (having been reviewed at the Regional CFO/FD Board and the Regional Resources Board. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.
- 9.9 Whilst the EMPCCB provides joint oversight, Commissioners remain individually responsible for their decisions and Chief Constables are held to account locally for activities they carry out regionally.
- 9.10 The Joint Audit Risk and Assurance Committee (JARAC) for the Chief Constable and the Commissioner is charged with overseeing the corporate governance process, management of risk and financial reporting arrangements. It carries out the role similar to that of an audit committee but acts in an advisory and assurance capacity. It will review the Annual Governance Statement and approve its inclusion in the annual Statement of Accounts.

## **10 REVIEW OF THE JOINT CODE OF CORPORATE GOVERNANCE 2021/22**

10.1 In adopting the Joint Code the Commissioner must comply with the principles of corporate governance in each of the six dimensions of the Commissioner's business:

- Focusing on the purpose of the Commissioner and the Constabulary, and on outcomes for the community, and creating and implementing a vision for the local area
- Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of the Commissioner and the Officer of the Police and Crime Commissioner to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Commissioner is satisfied that these requires are being met through a combination of:

- The Police & Crime Plan and its supporting delivery plans
- The Financial Assurance Board (FAB)
- Governance & Delegation policies
- Formal decision notices covering the Commissioner's decisions
- Ongoing engagement with communities, stakeholders and the wider public through digital and physical means

## **11 DELIVERING THE GOVERNANCE FRAMEWORK**

11.1 The Commissioner is committed to maintaining an effective governance framework. Alongside this it should be noted that the Commissioner has implemented a revised structure within the OPCC to support delivery against the Police & Crime Plan. This structure has led to the removal of the vacant

Chief Executive post with the statutory and leadership duties being absorbed by the Chief Operating Officer (in terms of leadership and the designated Head of Paid Staff role) and Head of Governance & Compliance (in terms of the Monitoring Officer role). The Governance framework and Scheme of Delegation will be reviewed during 2022/23 to fully support the new structure.

- 11.2 The JARAC has oversight over the full range of audit and inspection activity undertaken (excluding ethics dip testing). This provides effective assurance that governance arrangements are working effectively. The JARAC has developed its role in providing assurance on the Chief Constable and Commissioner's financial management arrangements during 2021/22.
- 11.3 External audit is carried out by Ernst & Young LLP, whilst Mazars provides the internal audit service. HMICFRS (Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services) have no remit to inspect the Commissioner but can inspect activities on request and for a fee. In addition, changes to either Fire governance and/or complaints handling may see elements of the Commissioner's activities inspected.
- 11.4 The designated Monitoring Officer (the Commissioner's Head of Governance & Compliance) is responsible for promoting and maintaining high standards of conduct of the Commissioner and a deputy (if relevant) by monitoring compliance with the law, Commissioner's Code of Conduct and the Register of Interests and Hospitality. The Head of Delivery, Policy & Strategy acts as the Deputy Monitoring Officer and both are supported by the Chief Operating Officer in discharging their roles.
- 11.5 Collaboration is overseen by Management Boards together with the work of the Regional Resources Board and Regional CFO/FD Board which inform the agendas of the East Midlands Police and Crime Commissioners Board.

## **12 REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL**

- 12.1 The Commissioner has responsibility for conducting, at least annually, the review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within both the Constabulary and the Commissioner's Office who have responsibility for the development and maintenance of the internal control environment. It is also informed by the comments received from external auditors, and other agencies.
- 12.2 There are a number of ongoing processes, which review effectiveness from several different perspectives, and these are explained further within the Review of Effectiveness of Internal Control (a copy of which is available on the PCC's website).
- 12.3 Internal Audit also provides assurance statements for each audit they carry out during the year, categories being Significant, Satisfactory, Limited or No Assurance.
- 12.4 Management Assurance statements were provided to the Chief Operating Officer by individual Senior Officers in the OPCC to provide confirmation on the status of the internal control environment within their areas of responsibility.
- 12.5 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.

- 12.6 In addition to the above formal review, assurance is provided throughout the year through:
- The framework of regular management information.
  - Internal audit reviews, advisory reports and progress and follow-up reports.
  - Performance monitoring arrangements.
  - The role of the Professional Standards Department (PSD) where their work impacts on the activities of the Commissioner's office.
  - Reviews by other external agencies.
- 12.7 Having undertaken the review of the effectiveness of the governance framework by the JARAC, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework although it does require update for the revised OPCC staffing structure. The areas of work or development and new actions planned in 2021/22 by the OPCC are outlined below:
- Review the Corporate Governance Framework and self-assessment approach in light of the new OPCC structure;
  - Continue to review the Police and Crime Plan alongside the Chief Constable's operational plans to ensure alignment;
  - Review the Financial Handbook (and associated regulations/procedures) particularly in light of the new OPCC structure;
  - Develop a secure electronic document-signing solution to enhance controls and better support the agile way of working;
  - Undertake thematic internal audit work (with regional partners) across regional collaborations.

### **13 SIGNIFICANT INTERNAL CONTROL ISSUES**

- 13.1 **Significant Internal Control Issues 2021/22** – 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. There are no known post balance sheet events.

- 13.2 There were no significant control issues identified and reported in the Statement of Accounts for 2020/21.

## **14 COVID-19**

- 14.1 COVID-19 continues to be a challenge for the Commissioner and Chief Constable despite the situation being markedly improved from 2020 and the early stages of 2021 thanks to the impact of vaccines and other treatments/interventions.
- 14.2 Staff absences due to infection remain an ongoing concern but there are not currently any operational issues for the Chief Constable or Commissioner to note.
- 14.3 The well-established agile-working approach that was, to some extent, forced on the majority of the working population of this country due to the pandemic has been embraced by both the Commissioner and the Chief Constable and is expected to remain permanently. This sees a hybrid blend of working that allows staff to work partly at home and partly in the office wherever possible. Whilst this does present greater challenges for IT security and internal controls we are well versed in those challenges now and have mitigations in place.

## **15 LOOKING FORWARD**

- 15.1 2022/23's financial settlement saw an approximately 6% increase in funding to the Commissioner for policing and crime. This included a £10 precept increase which itself generated an additional £4.5m of income and helped ensure that a balanced budget could be set in 2022/23. The Commissioner received £7.5m within the Core Grant and a further £1.9m of ringfenced support to invest in delivery of the Government's pledge to recruit 20,000 police officers nationally by 31<sup>st</sup> March 2023. That will see a further 113 officers recruited during 2023/23.

- 15.2 The Medium Term Financial Strategy (MTFS) shows a forecasted worst-case scenario of a £2m funding deficit for 2023/24, although that is driven largely by funding assumptions which will require refinement as time progresses. A revised MTFS will be produced in Autumn 2023 to further refine what we believe the financial challenge looks like. This will be scrutinised by the Commissioner at the FAB.
- 15.3 The potential funding deficit may place a greater emphasis on the Constabulary's efficiency and value-for-money arrangements in order to ensure a balanced budget can be presented for 2023/24.
- 15.4 The PCC continues to invest in the Estate to support the Chief Constable's desire to improve the infrastructure and reduce the reliance on costly and obsolete older buildings. Significant work is being undertaken on a new divisional headquarters and custody facility in Chesterfield, a response hub in the North-West of Derbyshire as well as much needed improvements to a number of police stations used by our Safer Neighbourhood Teams.
- 15.5 2022/23 will see the revised OPCC structure embedded and continually reviewed to ensure it supports the Commissioner in delivery of the Police & Crime Plan. Alongside that, the main governance documents (Scheme of Delegation, Corporate Governance Framework and the Financial Handbook) will be reviewed to ensure they align with the OPCC structure changes.
- 15.6 The Commissioner's officers (under the leadership of the Chief Operating Officer) will continue to work closely with the Chief Constable, Chief Officer Team and wider Constabulary to scrutinise and have oversight of the challenges facing the Force as laid out in the Chief Constable's own Annual Governance Statement. Officers either attend or are represented at key governance boards and meetings within the Force and are regularly consulted with as work progresses.

## **16 CONCLUSION**

- 16.1 During 2021/22 the internal and external auditors continued to work with the organisation and have provided both opportunities and challenges. The Commissioner welcomes the challenge and the support proved by our auditors; we will continue to meet the financial, economic and governance

challenges of ensuring there is an efficient and effective policing service in Derbyshire.

- 16.2 This Annual Governance Statement demonstrates that a sound governance framework exists in Derbyshire and is subject to regular review. Where significant governance or control issues are identified, an action plan is produced to address them. Whilst no issues have been identified by the Police and Crime Commissioner in 2021/22 (beyond those identified by internal audit), the Chief Constable's own action plan is referred to and is kept under review as part of holding the Chief Constable to account.
- 16.3 Funding challenges continue for the police service at a national level and that is no different within Derbyshire. The MTFP is kept under review and regular dialogue held with the Chief Constable and the senior officers to ensure that adequate savings plans are put in place (if required) to ensure a balanced budget can be produced for 2022/23 and beyond.

Further Information:

- Regional AGS 2021/22 (included below)



**Police and Crime Commissioner for Derbyshire**  
**Annual Governance Statement 2021/22**



**Angelique Foster**

Police and Crime Commissioner for Derbyshire

Date: 29 July 2022



**Andrew Dale**

Chief Operating Officer & s151 Officer

Office of the Police and Crime Commissioner for Derbyshire

Date: 29 July 2022



## **ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2021/22**

I confirm that the relevant controls and procedures are in place to manage the following issues within the East Midlands Special Operations Unit, which includes the Regional Organised Crime Unit, Major Crime, Forensic Services, Counter Terrorism Policing East Midlands, and Legal Services.

### **1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.**

DCC (East Midlands) monitors performance. Exceptions are reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis, with full performance reports reported twice a year.

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

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to. Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

### **3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration**

A management structure is in place, with clear lines of accountability for both operational issues and use of resources. A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within EMSOU. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC/CC's Board. Quarterly monitoring reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

### **4. Incorporating good governance arrangements in respect of partnerships.**

The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.

**Signed**

**Date 23/06/2022**



Paul Gibson  
**Deputy Chief Constable (East Midlands)**

## **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.

### **Capital Receipts**

Proceeds from the sale of an asset which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

### **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 by the Commissioner 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 to the Commissioner for work done or services supplied but not received at the end of the financial year.

**Deferred Liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

**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.

**Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset – Cash, equity instrument of another entity or a contractual right to receive cash or the right to exchange a financial instrument with another entity on potentially favourable terms. For example bank deposits, loans receivable, trade receivables and investments.

Financial Liability – a contractual obligation to deliver cash or another financial asset to another entity or to exchange a financial instrument with another entity on potentially unfavourable terms. For example trade payables, borrowings and financial guarantees.

**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.

**Minimum Revenue Provision**

The minimum amount which must be charged to the revenue account each year and set aside for provision for credit liabilities.

**Net Book Value**

The amount at which Property, 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 Comprehensive Income and Expenditure 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.

**Precept**

The method by which the Commissioner obtains the income it requires from council tax via the appropriate authorities.

**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.

**Prudential code**

The Code developed by CIPFA that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable. The code came into force from 1 April 2004 and is incorporated into the Local Government Act 2003 and associated regulations.

**Receipts and payments**

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

**Reserves**

Earmarked reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. General reserves are accumulated balances generally available to support revenue or capital spending.

**Revaluation Reserve**

This reserve records the net gain (if any) from revaluations made after 1 April 2007.

**Revenue Expenditure funded from Capital by Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets, for example, expenditure on property not owned by the Commissioner.