



Protecting Communities,  
Fighting Crime



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## JOINT AUDIT RISK ASSURANCE COMMITTEE

### AGENDA

<b>DATE OF MEETING</b>	21 July 2022
<b>TIME OF MEETING</b>	1300– 1700
<b>LOCATION</b>	Teams Meeting
<b>PCC CONTACT OFFICER</b>	Mrs Dawn Brown (0300 1227399)
<b>CONSTABULARY CONTACT OFFICER</b>	C/Supt. Wilson(101)
<b>DISTRIBUTION</b>	Commissioner A Foster Chief Constable R Swann Mr A Dale Mr S Allsop Mr J Peatling Mr M Lunn (Mazars) Ms H Clark (EY) Mr M Faizan (EY) Members of the JARAC: Ms S Sunderland (Chair) Ms J Charlton Ms L Gelderd Mr L Harrold Mr A Jenkinson Mr B Mellor

*Meeting of the Joint, Audit, Risk and Assurance Committee on 21 July 2022*

**AGENDA: Reports attached**

<b>ITEM</b>	<b>SUBJECT</b>	<b>Presented by</b>
<b>1</b>	<b>APOLOGIES FOR ABSENCE</b>	<b>CHAIR</b>
<b>2</b>	<b>DECLARATIONS OF INTEREST (IF ANY)</b>	<b>ALL</b>
<b>3</b>	<b>MINUTES OF THE MEETING OF THE JARAC HELD ON 31 March 2022</b>  <b>NOTES OF EXTRAORDINARY MEETING HELD ON 12 MAY</b>	<b>CHAIR</b>
<b>4</b>	<b>REVIEW OF ACTIONS</b>	<b>CHAIR</b>
<b>5</b>	<b>JARAC BUSINESS ITEMS</b>	
	<b>FORWARD PLAN</b>	<b>CHAIR</b>
	<b>TERMS OF REFERENCE (to follow)</b>	<b>AD</b>
	<b>JARAC FUTURE MEETING DATES</b>	<b>All</b>
<b>6</b>	<b>EXTERNAL AUDIT</b>	
<b>6A</b>	Update from EY (paper)	<b>EY</b>
<b>7</b>	<b>FINANCIAL ASSURANCE</b>	
<b>7A</b>	Draft PCC and CC Financial Statements 2021/22 – (paper attached)	<b>JP</b>
<b>7B</b>	Financial Outlook what MTFP looks like – verbal update	<b>SA/JP</b>
<b>7C</b>	PUP Target – verbal update	<b>SA/JP</b>
<b>8</b>	<b>INTERNAL AUDIT</b>	
<b>8A</b>	Progress Report 2021/22 and 2022/23 (Paper Attached)	<b>MAZARS</b>
<b>8B</b>	Internal Audit Recommendation Monitoring (paper attached)	<b>CHAIR</b>
<b>8C</b>	Internal Audit Annual Report 2021/22 (paper attached)	<b>MAZARS</b>

<b>9</b>	<b>INTERNAL CONTROL AND GOVERNANCE</b>	
<b>9A</b>	Complaints Performance – Update on Meetings with IOPC Rep (verbal update)	<b>M Romano</b>
<b>9B</b>	Force Annual Governance Statement (papers attached)	<b>SA</b>
<b>9C</b>	OPCC Annual Governance Statement (papers attached)	<b>AD</b>
<b>9D</b>	Policies Update – presentation – Karen Waldram attending (paper attached)	<b>MR/KW</b>
	<b>CLOSED SESSION</b>	
	HMIC Activity	
	Financial Update	

**MINUTES** of a meeting of the **JOINT AUDIT, RISK ASSURANCE COMMITTEE** held remotely via Microsoft Teams on **Thursday 31 MARCH 2022****P R E S E N T**

Ms S Sunderland – in the Chair  
 Commissioner Angelique Foster  
 Mr A Jenkinson  
 Ms J Charlton  
 Ms L Gelderd  
 Mr L Harrold

**OPCC Present:** Mr A Dale, Ms M Romano, Ms D Brown  
**Constabulary Present:** Ms K Meynell, Mr S Allsop, Mr J Peatling  
**Internal Audit:** Mr M Lunn  
**External Audit:** Mr F Mohammed

9/22	<p><b><u>APOLOGIES</u></b></p> <p>Apologies were received from Barry Mellor and Hayley Clark</p>	
10/22	<p><b><u>DECLARATIONS OF INTEREST</u></b></p> <p>None noted</p>	
11/22	<p><b><u>MINUTES OF THE MEETING OF THE JARAC HELD ON 20 January 2022</u></b></p>	
12/22	<p><b>REVIEW OF ACTIONS</b></p> <p>See above</p>	
13/22	<p><b>FORWARD PLAN</b></p> <p>It was agreed that this would take the form of a rolling forward programme to cover the following year. This will be discussed at the next agenda planning meeting.</p> <p>To be added to the forward plan:</p> <p>Single Source Tender Waivers</p> <p>2021-22 account sign off</p> <p><b>Action: Ms Brown to add to forward programme</b></p>	

<b>CORE BUSINESS</b>		
<b>14/22</b>	<b>EXTERNAL AUDIT</b>	
<b>1</b>	<p><b>Update from EY</b></p> <p>Mr Faizan Mohammed gave a verbal update. He informed the Committee that they were on track to deliver the report but unforeseen circumstances had caused a delay. Ms Clark will review the report once she returns to work. Ms Sunderland outlined that a clear timetable for completion of the audit is needed. Whilst the Committee appreciated that the circumstances of the delay a written report was needed. Mr Mohammed explained that the report had been drafted but that Ms Clark was unable to check it prior to her taking unexpected leave. Ms Sunderland confirmed that an approach will now be made to the PSAA to lodge a formal complaint but hoped in the meantime the audit could be completed quickly upon Ms Clark's return. An extraordinary meeting will be arranged to sign the audit off and it is critical the timeframe is agreed as soon as Ms Clark returns to work.</p> <p><b>Action: Ms Brown to arrange extraordinary meeting</b></p>	
<b>6B</b>	<b>External Audit ISA 260 Report on 2020/21 Accounts</b>	
<b>6C</b>	<p><b>Update PSAA Opt In</b></p> <p>Mr Dale confirmed that the Police and Crime Commissioner and the Chief Constable opted back into the PSAA for the forthcoming procurement period.</p>	
<b>7</b>	<b>FINANCIAL ASSURANCE</b>	
<b>7a</b>	<p><b>Financial Accounts including Annual Governance Statement 2020/21 and Auditors Report</b></p> <p>No papers were received. Mr Allsop confirmed that he had discussed with Mr Mohammed who outlined that the work was due to be completed within a week.</p>	
<b>7b</b>	<p><b>Financial Monitoring and Planning</b></p> <p>Financial monitoring – Mr Peatling confirmed an underspend increase of approximately £6M by the end of January due to vacancies across operational and support roles. A conversation is due to take place with PCC and CC to discuss further.</p>	

	<p>Ms Gelderd raised a question regarding the wellbeing of staff considering the amount of overtime. Mr Peatling explained that mechanisms are in place to support staff. Not aware of any increase in referrals to occupational health. Exit interviews are taking place with leavers to identify any causes and no wider issues have been identified. Officers were deferring retirement dates but these are now taking place after covid. Training of new officers is still taking place prior to them being posted into the substantive roles.</p> <p>Ms Meynell outlined that during the exit interviews no particular themes were emerging. Changes in the pension scheme has caused some staff to retire earlier than they intended. Staff survey shows concerns from staff regarding impact of covid. Work has started around staff morale under operation Resolve a lot of work is ongoing around welfare of staff and support is offered to all staff.</p> <p>Ms Sunderland asked whether the Force were confident in recruitment targets. Ms Meynell confirmed that meetings are taking place with the Chief Constable regarding recruit including PCSOs. Issues had been encountered recruiting police staff due to the buoyant external employment market. Work ongoing to address lack of progression within the organisation. Mr Allsop confirmed that since the last meeting the Force have been able to offer bonus payments and have recruited 3 surveyors and are looking at succession planning with IS. Mr Mason will update at a future meeting.</p> <p><b>Action: Ms Brown to liaise with Mr Mason re his attendance</b></p> <p>Ms Gelderd – question re income from COP26 – what was this for and why has it not been spent? Mr Peatling confirmed that it relates to mutual aid so we can recover all of costs and associated overheads for the operation. Mr Allsop confirmed that the underspend will be discussed with the PCC. Anticipated increase of 102% in gas costs and 52% in electricity costs from 1 April.</p>	
7c	<p><b><u>HMIC Value for Money</u></b></p> <p>Mr Peatling will send through to Ms Brown to distribute</p> <p>The presentation gave national oversight around costs and performance. Mr Allsop confirmed that the report will be considered at Cost of Policing, Force Priorities and Productivity and Efficiency Boards. Mr Harrold asked whether the Force feel that the IS service is fit for purpose to deliver the</p>	

	<p>agenda? Mr Allsop discussed at Force Improvement Board – challenges in requirement through planning days different ways of looking at how we prioritise projects better. Mr Peatling added that when VfM and savings are considered IS contributes highly. Ms Meynell added that the situation is being assessed both through planning days and the productivity and efficiency board, ensuring that the situation is assessed constantly and actively trying to make this regular daily business, challenging ourselves on whether resources are in the right place.</p> <p>Ms Sunderland thanked Ms Meynell for the helpful overview.</p> <p><b>Action: Ms D Brown to circulate the document to the Committee</b></p>	
<b>7d</b>	<p><b><u>Year End Accounting Arrangements and Accounting Policies 2021/22</u></b></p> <p>Mr Peatling presented the timetable and invited questions from the Committee. Ms Sunderland – update for changed MRP policy which has been discussed and agreed with auditors. All assets are with the Commissioner.</p>	
<b>7e</b>	<p><b><u>HMIC Activity Update</u></b></p> <p>Commenced in February and is running alongside revisit regarding child protection. Briefed around approach of Force work already done changing governance structure, and then about priority workstreams and some other initiatives. They have attended governance meetings. Weekly debrief regarding issues they have found. Nothing been raised immediately. Positive. Acceptance from both parties that in a transition period. One area considered is recording crimes – compliance improved significant upturn – 90% compliant now. Child protection – good progress made and they are pleased with work we have done. Next phase to talk to focus groups in various areas – can update at a later meeting.</p> <p>Ms Sunderland thanked for the update – some good positive initial feedback on changes being made.</p>	
<b>8</b>	<b>INTERNAL AUDIT</b>	
<b>8a</b>	<p><b><u>Progress Report 2021/22</u></b></p> <p>Pleased to get 2020-21 final stage on the report today.</p> <p>Final report for transport included and draft reports been</p>	

issued. Payroll update is going through final review and stock contract in draft too. Head of IS finalising the report in the next couple of weeks.

Collaboration audit plan – two main changes. MSOT unit disbanding. Focus on projects taking place over 2022-23 will change scope of original audit.

Rescheduled for May to take place as soon as possible. Subsequently three auditors have completed vetting process.

Mr Harrold – need to understand prior to meeting where pinch points are. If we could have a clearer picture and explanation when original target dates are not delivered would be helpful. Mr Lunn confirmed that he working with force to get these finished. Mr Harrold asked – for next year's plan will it be more evenly distributed through the year? Mr Lunn confirmed that work will be carried out in accordance with what is best for the Force. Ms Sunderland asked why procurement and contract management was not here – Mr Allsop confirmed that there was no formal in person debrief on that one.

No impact on annual opinion due to three being delayed.

4.1 – OHU Cohort Requirements it was noted that this was related to a change of head of OHU at that time. Mr Mellor had submitted a comment regarding 4.2 - access to job descriptions and person specifications – would this be addressed by the stated timescales of April 2022. Mr Peatling agreed to contact Andrew Price at Region to obtain an update. Mr Allsop outlined that clarification on how to deal with level 2 and 3 recommendations is needed. Mr Dale explained that an agenda item regarding vetting and timeliness of internal audits will be raised with colleagues.

Fleet Management – Ms Sunderland indicated that she has flagged up routine matters and hopefully they will be tackled quickly. Mr Allsop provided assurance that there is regional information going back to all departments and regional meetings taking place between technical officers and heads of department. A teams site has been set up to share information when it is received. Regional reports to be put on recommendation tracker. Mr Allsop explained that wider standards programme across force – see report – gone out on connect and via email through heads of departments. Will get further reassurance in follow up audit. Re strategies and policies. Not been updated and had to prioritise other resources – recognise need policies updating but does not mean day to day work is not robust. Will make sure they are in place. Ms Sunderland outlined that this needs to be addressed



	<p>as it is a potential risk.</p> <p><b>Action: Ms Brown to add to recommendation monitoring</b></p>	
<b>8B</b>	<p><b><u>Strategy for IA and IA Plan 2022/23</u></b></p> <p>Ms Sunderland – wanted to clarify that the force risk management paper that was attached – was not intended to be item 9B – full paper will go to a future meeting.</p> <p>Mr Lunn – highlight page 5 detailed meetings with Mr Dale, Mr Allsop and Mr Peatling to go through risk registers. Also look at wider client base in terms of themes and areas. Also attend police audit group national group for head of internal audit and do horizon scanning issues then put plan together. Timing of audits subject to change and agreement with force. Indicative dates only. Lee – comprehensive plan. Typo. Business continuity – clarity on date. Great seeing dates and estimates. Jo – comprehensive plan – don't get sense of where we have gaps over strategic risk register. In terms of strategic risks overall and where we do not have coverage is what is missing. Would like to see that in the plan too.</p> <p>Ms Sunderland happy with the plan overall. Page 18 onwards – can the colour font be changed. Thank you for making clearer how everything is risk based. Collaboration audits – deferred audit from last year – will there be any others or are you just trying to complete these and get things back on track. ML – speaking with elaine to go through risk register of forces and bring 2022-23 CFO meeting. Get them done earlier in the year and this has been factored into the auditor schedule. Provide dates for them to be done. Reg discussion with CFOs. Lee – delivery of collab audits.</p>	
<b>8C</b>	<p><b><u>Internal Audit Recommendation Monitoring</u></b></p> <p>Policy and Procedures Review – Ms Romano updated that policies are reviewed regularly and will be updated according to any changes in legislation. Outstanding Force policies are being chased and assurance was given that these are on track. It was confirmed that under ICO legislation there is a process for an annual review of policies. Internal policies are checked annually and if they contain personal data, more regularly. Ms Meynell confirmed that dedicated resources are in place to enable the Force to manage and review the policies and more there has been engagement within the organisation to raise awareness of them.</p> <p>The Committee thanked Ms Romano for the helpful update.</p>	

	<p>It was agreed that the recommendation could be marked as complete.</p> <p><b>Action: Ms Brown to mark as complete</b></p>	
<b>9</b>	<b>INTERNAL CONTROL AND GOVERNANCE</b>	
<b>9a</b>	<p><b><u>Complaints Performance – Update on Meetings with IOPC Rep</u></b></p> <p>Ms Romano provided an update for the Committee. Ms Sunderland asked how frequently complaints were received against the Chief Constable. It was confirmed that most complaints were about a particular police officer and these are passed to PSD for processing. Fourteen were received last year.</p>	
<b>9b</b>	<p><b><u>Force Risk Management</u></b></p> <p>The paper was presented outlining what is produced routinely to the force. An updated risk management strategy will be presented at the next meeting. Ms Sunderland – when that report comes back the Committee need to see that risks are being actively managed and controls identified promptly.</p>	
<b>9c</b>	<p><b><u>OPCC Risk Management</u></b></p> <p>Mr Dale apologised for the delay in sending this out. A considerable amount of effort had been made regarding delivery against the police and crime plan. Ms Connolly-Thompson is working on systems and processes to provide early sight in gaps where intervention might be needed for both OPCC and Force and jointly. Progression of the delivery plan will enable assessment of overall impact of that risk. A paper on the interim structure will be submitted to the Commissioner to propose a number of options. If the structure remains the same, member of Senior Leadership Team will take ownership of some of these risks.</p> <p>Ms Gelderd enquired why sustainability planning was not included. Mr Dale confirmed that the environmental strategy not yet been signed off and does not overtly appear due to it not been a strategic priority of the commissioner, but it is a broader priority. The strategy demonstrates what is being done in terms of the estate, fleet management etc. An action plan will be developed setting out clear targets to measure delivery. It was suggested that the item be added to a future agenda.</p>	

	<p>Ms Sunderland requested that clarity on timescales was provided for taking this forward and that it is resolved as soon as possible.</p> <p><b>Action: Ms Brown to add to future agenda</b></p>	
	<p><b><u>Any Other Business</u></b></p> <p>Next meeting 21 July with an extraordinary meeting in May to discuss last year's accounts.</p> <p><b>Action: Ms Brown to arrange extraordinary meeting</b></p> <p>A joint decision on whether the meeting will be in person will be made closer to the time.</p> <p><b>Action: Ms Brown to arrange meeting to discuss Risk Report to include Mr Dale, Mr Allsop, Ms Charlton and Mr Harrold.</b></p>	

## **JARAC Extraordinary Meeting 12 May 2022**

Apologies received from Ms Charlton

Ms Clark presented the report

### **Questions**

Ms Sunderland asked whether when considering a report, factors are taken into account that have an impact on key financial positions of the authority. Ms Clark confirmed that they are taken into account when assessment is made. It was confirmed that the position will be rolled forward to avoid an accumulative effect. Mr Allsop asked will actuaries get together to produce an overall figure and whether there is anything firms can do to try to harmonise the expectations to avoid differences. Ms Clark commented that a national push could be made if necessary.

Ms Clark confirmed that they need to confirm going concern period. Mr Allsop confirmed that the projected outturn position will run to May 2024.

Prepayments – happy to remain uncorrected. Mr Allsop expressed concern about how much extra work was involved in doing this.

Accruals – it was confirmed that Faizan was considering these and they will be produced soon.

### **Appendix B**

Ms Clark confirmed that they were working to get this signed off, which is anticipated to be end of May/start of June. Ms Sunderland stated that the Committee would prefer to be involved in the updated final report prior to it being submitted to the Chief Constable and Commissioner for sign off. Agreed that this will take place virtually. Letter of representation will be the standard letter.

Mr Allsop expressed thanks to the finance and accountancy teams for all their hard work. For the next audit there will be more options to look at more of a hybrid approach particularly the verification work taking into account existing workloads. Ms Clark echoed thanks to all acknowledging the delay and confirmed that in terms of hybrid working there was no reason why there could not be visits to site for a couple days a week to facilitate the audit work.

Mr Harrold asked how the risk of delays will be managed going forward. Ms Clark confirmed that this is a work in progress and there was no easy answer considering the backlog and it will have to be critically assess every month to prioritise workloads and have conversation with all concerned so they are aware of the situation.

Mr Dale expressed thanks to Mr Allsop and his team for their hard work.

Ms Sunderland – there were no recommendations in the report – anything that could be done to relieve the pressure on some of these to make it easier. Ms Clark commented that the areas which generate a lot of work are PPE and pension and unless something fundamentally changes in the code, it is quite difficult to recommend anything as an organisation to release the burden.

Ms Sunderland – by end May/beginning June the accounts need to be circulated, with final sample testing to be completed prior to that. Mr Allsop will circulate revised accounts with flagged changes.

The Committee extended thanks to Ms Clark for going through the report. It was requested that there was a written report at the next meeting.

**Action: Ms Clark to produce a written report for the next meeting**

**JOINT AUDIT, RISK AND ASSURANCE COMMITTEE**

**REVIEW OF ACTIONS**

<b>Agenda Item</b>	<b>Report Title and Action Required</b>	<b>Responsible Officer</b>	<b>Progress</b>
<b>ACTIONS FROM MEETING ON 11 NOVEMBER 2021</b>			
6B	Internal Audit Progress Report regarding complaints management - action plan – Mr Allsop to check on the process with Force and report to the next meeting	SA	Update now received from Jed Keen and added to recommendation monitoring
<b>ACTIONS FROM MEETING ON 20 JANUARY 2022</b>			
6/21	Ms Clark to produce written update for future meetings	HC	
<b>ACTIONS FROM MEETING ON 31 MARCH 2022</b>			
13/22	Forward Plan – add Single Source Tender Waivers and 2021-22 account sign off to forward plan	DB	
7C	HMIC Value for Money – J Peatling document – D Brown to circulate to the committee	DB	To be circulated with July meeting papers.
8A	Mr Peatling to contact Andrew Price for an update on OHU Cohort Requirements	JP	
9C	OPCC Risk Management – clarity on timescales for restructuring requested – to be added to a future agenda	DB	

**FORWARD PLAN 2021/22**

<b>JULY 2022</b>		
	IA Progress Report	
	EA Annual Audit Letter 2020/21	
	EA Plan 2021/22	
	PCC Annual Governance Statement 2021/22	
	CC Annual Governance Statement 2021/22	
	Draft PCC and CC Financial Statements 2021/22	
	Financial Monitoring and Planning	
	HMIC Activity	
	JARAC Terms of Reference	
	JARAC Meeting dates	
<b>SEPTEMBER 2022</b>		
	IA Progress Report	
	JARAC Annual Report	
	HMIC Activity	
	Financial Monitoring and Planning	
	Update on the Complaints Procedure	
	Work Force and Planning	
	Fraud and Corruption Condensed version of the performance pack	
	JARAC Member Self-Assessment (CIPFA Checklist)	
<b>NOVEMBER 2022</b>		
	EA Report ISA 260	
	Draft Letters of Representation	
	Final PCC & CC Financial Statements	
	IA Progress Report	

	Force Risk Management	
	OPCC Risk Management	
	HMIC Activity	
	Financial Monitoring and Planning	
	Accounts sign off	
	Single Tender Waivers	
<b>JANUARY 2023</b>		
	Budget Setting Process and Assumptions	
	HMIC Value for Money	
<b>MARCH 2023</b>		
	Internal Audit Progress Report and Confirmation of Internal Audit Opinion 2022/23	
	Strategy for IA and IA Plan 2022/24	
	HMIC Value for Money	
	Year End Accounting Arrangements & Accounting Policies 2022/23	
	Financial Monitoring and Planning	
	HMIC Activity	
	Complaints Performance – Update on meetings with IOPC Rep	
	Force Risk Management	
	OPCC Risk Management	



## **Derbyshire Police and Crime Commissioner**

### **JARAC**

**14 July 2022**

### **Audit Progress update**

#### **Overview**

This brief paper seeks to update members of the JARAC on the progress of the audit of the 2020/21 Statement of Accounts.

As reported to the last JARAC we were anticipating being able to sign the financial statements towards the end of May/June. Unfortunately, due to a number of factors we were unable to achieve this and alerted this to the management in June.

#### **Financial statements audit**

As part of our reporting to the Committee in May 2022, our ISA260 report explained that subject to the outstanding items listed in the report, we have substantially completed our audit fieldwork. Since then, progress has been made to resolve as many of these outstanding items as we can.

One of the outstanding matters in our ISA 260 report related to the estimation uncertainty related to the liability roll forward procedures for the Police Pension Fund and LGPS. We have assessed the results of the procedures, alongside a review of the disclosures in the financial statements and have concluded that no further audit work is required.

We have also concluded other areas of audit testing such as procedures on journals.

As a result, we are now at the stage where the conclusion of our audit is pending the resolution of file review procedures by the Engagement Manager and Partner. These are expected to be substantially concluded prior to the meeting on 21 July 2022. Our procedures on going concern, also require updating prior to sign off and are set to be undertaken during week commencing 18 July 2022.

In addition, management have responded to comments arising from the audit on the narrative report and financial statements and we are expecting to receive an updated version of the financial statements during week commencing 18 July for final checks.

On this basis, we anticipate being able to sign the financial statements by the end of July 2022.

#### **Next steps**

Following signing we will issue our Auditor's Annual Report within 90 days of signing in line with the Audit Code of Practice. This document replaces the previous Annual Audit Letter that would have been presented in previous years.

We are currently in the process of scheduling our 2021/22 audits and will therefore not be in a position to present a 2021/22 audit planning report to the JARAC at this stage. We will liaise with management on the proposed timing in due course to ensure that this aligns with the capacity of the finance team.



# JOINT AUDIT RISK ASSURANCE COMMITTEE

<b>REPORT TITLE</b>	DRAFT STATEMENT OF ACCOUNTS 2021/22
<b>REPORT BY</b>	CHIEF FINANCE OFFICER
<b>DATE</b>	21 JULY 2022

## **PURPOSE OF THE REPORT**

The Accounts and Audit (England and Wales) Regulations 2015 and Accounts and Audit (Amendment) Regulations 2021 require that the 'responsible financial officer' sign and date a draft copy of the Statement of Accounts by the 31<sup>st</sup> July following the year-end, with formal approval required prior to publication before 30<sup>th</sup> September (or 30<sup>th</sup> November if secondary legislation is introduced).

In support of the Chief Finance Officer and Joint Director of Finance and Business Services sign off, the Committee is asked to review and scrutinise the unaudited Statement of Accounts for the financial year 2021/22.

## **ATTACHMENTS**

Appendix A. Draft PCC and PCC Group Statement of Accounts 2021/22

Appendix B. Draft Chief Constable Statement of Accounts 2021/22

## **RECOMMENDATIONS**

1. That the Committee notes the Draft Statement of Accounts for 2021/22.

CONTACT FOR ENQUIRIES

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## 1. **INFORMATION AND ANALYSIS**

1. 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 Code). 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 Regulations
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013 – revised July 2018.
- Joint Corporate Governance Framework – Scheme of Delegation and consent between the Commissioner and Chief Constable.
- The Financial Handbook of the Commissioner and Chief Constable.

2. There are no major changes to the Code in 2021/22.

3. The current deadline for the audit of the Statement of Accounts is set out in the Accounts and Audit (Amendment) Regulations 2021, which changed the statutory audit completion period for 2020/21 and 2021/22 from 31st July to 30th September. It is however intended that secondary legislation will be introduced which will extend the deadline for the publication of Local Authority audited accounts for 2021/22 to 30th November 2022.

4. The regulations also enable bodies to publish their Draft accounts for inspection, linked to the later publication deadline, by removing the fixed period for public inspection, to say instead that the draft accounts must be published on or before the first working day of August.

5. The 'responsible financial officer' must therefore sign off and date a draft copy of the Statement of Accounts by the 31st July following the year-end, with formal approval required prior to publication before 30th November.

6. The Draft Statement of Accounts provides Audit Committee members with the opportunity to review the Constabulary's and PCC's year-end financial position prior to formal sign off.

7. After sign off, the Draft Statement of Accounts are published through the Commissioner's website along with the Notice of Public Inspection of Accounts.

8. The period between the sign off of the Draft Accounts and the publication of the Accounts in November is usually when the accounts would be audited. The external auditors, Ernst and Young LLP, have yet to give notice of the intended period to complete the Audit of Accounts for 2021/22. The requirement to publish the Accounts by the 30<sup>th</sup> November remains and therefore, there is a risk that the Accounts will be unaudited at the date of publication.

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

**DRAFT STATEMENT OF ACCOUNTS 2021/22**

**SUBJECT TO AUDIT AND SUBJECT TO CHANGE**

**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: -

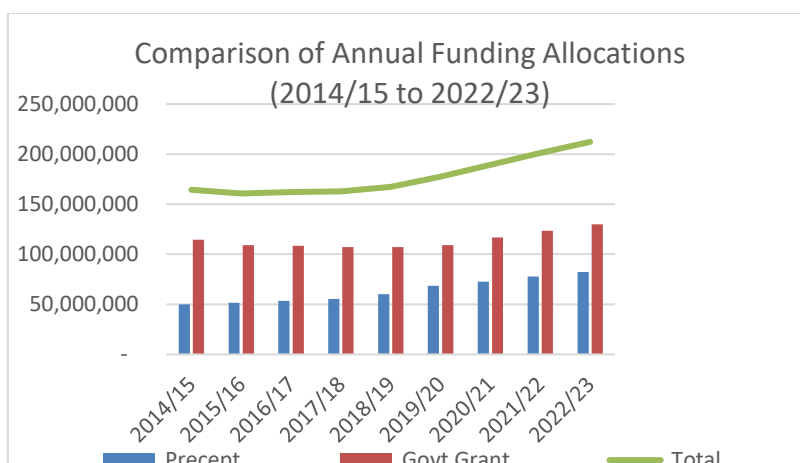
- A Statement of Responsibilities for the Accounts and information on the Police Officer Pension Fund (providing statements for pension fund income and expenditure, assets and liabilities).
- An Annual Governance Statement (AGS) is included within this Statement of Accounts. The statement is a statutory 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.

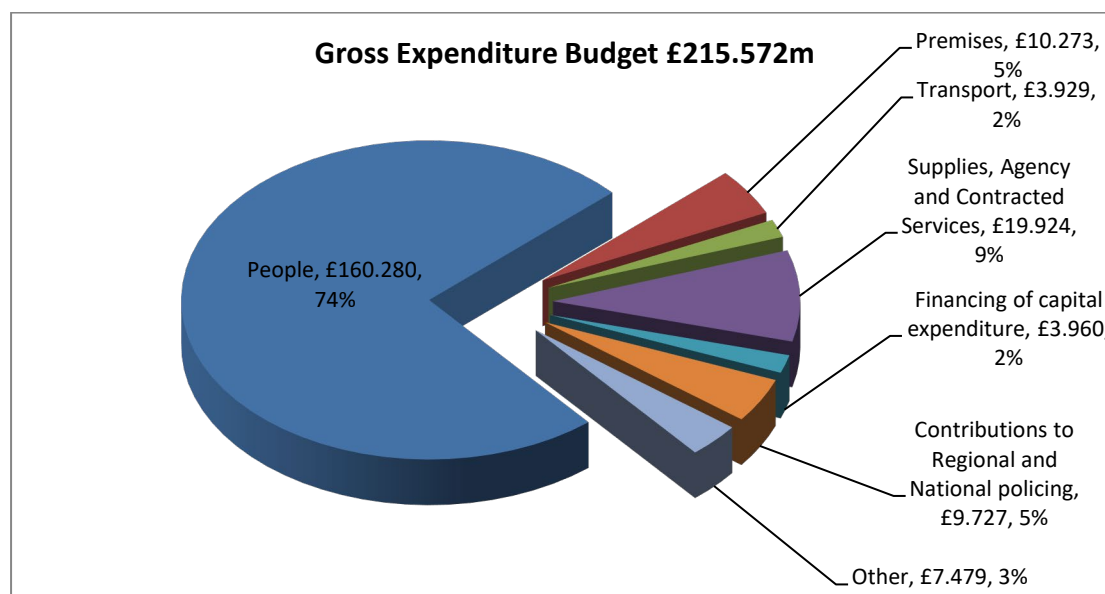
A year on year comparison of our funding sources shows how Government Grant has increased by 13% from 2014/15 to 2022/23. During the same period, the Net Revenue Budget for the Force has increased by 29% (an average of 3.6% per annum) from £164.7m to £212.3m.



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.

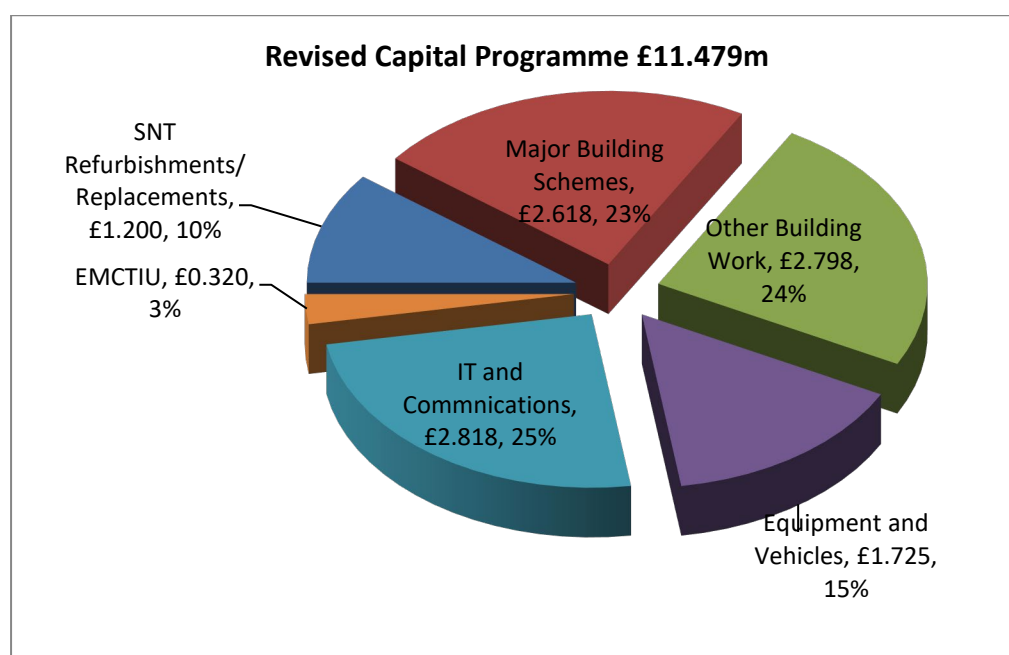
During 2020/21 over £2.073m was spent on policing the pandemic with a further impact of £0.613m in expected income being lost. These costs were offset by government funding of £0.80m. £0.757m of further funding received in March 2021 for enforcement and wider pressures was brought forward into 2021/22. 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: -

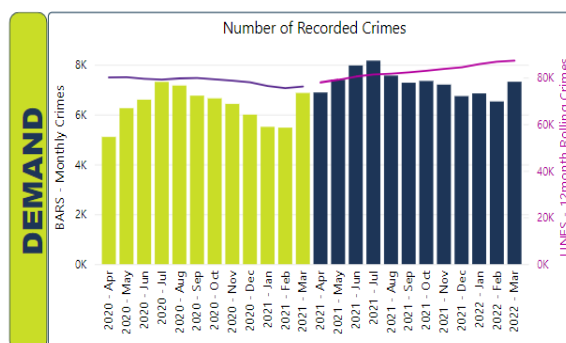
- Reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations.
- Contain related funding and operating costs of providing retirement benefits to employees that are recognised in the accounting period in which the benefits are earned.
- Contain adequate disclosure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

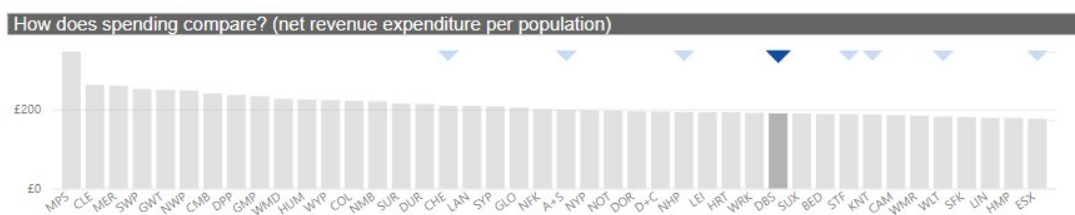
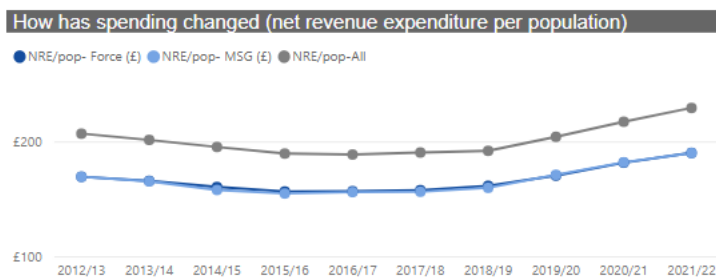
Cost pressures have been apparent in the economy since mid-2021, when many advanced countries reopened their economies from coronavirus lockdowns. A rapid increase in energy costs, particularly the wholesale price of gas and oil, has been a key driver of the recent increases in inflation. The latest 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 £2.303m. 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.

**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 Finance 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 Finance Officer's Responsibilities

The Chief Finance 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 Finance 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 Finance 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 FINANCE 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 31 March 2022 and of its income and expenditure for the year ended 31 March 2022.

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

# EXTERNAL AUDIT REPORT

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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 process included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the assets or liability.

### **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 asset, 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 is analysed into the following components:

Service cost comprising:

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

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 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 taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Group's Balance Sheet at 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.
<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.
The Accumulated Absences Account for compensated absences earned but not taken in the year (eg annual leave, Time off in lieu) was based on actual data from the HR system. The police staff flexi leave figure is estimated based on a sample of police staff in 2016/17. 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>	
At 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 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)
		(15,412)	Closing General Reserve and Earmarked Reserve Balance (3)			(22,196)

(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 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 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.

		<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 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 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 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 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 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 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 (Surplus)/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 (Surplus)/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 eg 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 Net (Surplus)/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 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 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					Employer pension £	Total Remuneration 2020/21 £
		Salary £	Allowances £	Other payments £	Benefits in kind £			
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 (eg 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 has direct control over the financial and operating policies of the Force.

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

No related party transactions have been identified following the consultation with relevant officers. **New section to be inserted for new Commissioner – to follow**

### 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 31 March 2019 which set contribution rates for the 3-year period commencing 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 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 31 March 2016. A further revaluation as at 31 March 2020 is due to determine a revised employer's contribution rate with effect from 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	-	-

<b>Police Pension Scheme</b>	<b>2020/21</b>	<b>2021/22</b>
<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 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 28 October 2019 the Employment Tribunal in the Aarons case issued a draft interim declaration to the effect that all members subject to the discrimination were entitled to be treated as if they had qualified for full transitional protection and had remained in their existing pension schemes.

On 16 July 2020 HM Treasury published for consultation its proposals for implementing the age discrimination remedy across all the public sector schemes affected by the Court of Appeal ruling. The arrangements were confirmed on 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 31 March 2012, and were members of a public service pension scheme between 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 1 April 2015 to 31 March 2022. This approach is referred to as the 'Deferred Choice Underpin'.
- 3) From 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.

### **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 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.

### GMP equalisation and indexation

#### **Background**

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

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility led to increased costs for schemes and hence scheme employers. Following a consultation process in October 2020, the interim solution has been extended to members reaching State Pension age after 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 31 March 2019. This valuation position is the basis for the calculation of total liabilities as at 31 March 2020 which therefore reflects any increase in obligations due to GMP indexation. 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 6 December 2018 and before 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 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 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 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 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:

	<b>Funded liabilities: Local Government Pension Scheme</b>	
	<b>£'000</b>	
	<b>2020/21</b>	<b>2021/22</b>
Opening Balance at 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 31 March</b>	<b>(483,620)</b>	<b>(473,618)</b>

	<b>Police Pension Scheme</b>	
	<b>£'000</b>	
	<b>2020/21</b>	<b>2021/22</b>
Opening Balance	(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 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:

	<b>Local Government Pension Scheme</b>		<b>Police Pension Scheme</b>		<b>Total</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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 (ie; before payments fall due), as assessed by the scheme actuary.

- Also, due to national changes under the Public Pensions Services Act 2013, as from 1 April 2014 scheme members accrue pension entitlements based on career-average salaries instead of the salary being paid at the point of retirement as previously.

#### The Police Pension Scheme

- The method of financing Police Officers pensions changed from April 2006. 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 (ie 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 31 March 2023 are £8.340m. Expected contributions for the Police Pension Scheme in the year to 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: -

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

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

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

Local Government Pension Scheme assets comprised: -

	2020/21				2021/22			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
<b>Cash and cash equivalents</b>	-	19,593	19,593	6%	-	15,097	15,097	4%
<b>Equity Securities</b>								
Consumer	5,222	-	5,222	2%	1,330	-	1,330	1%
Manufacturing	3,037	-	3,037	1%	855	-	855	0%
Energy and Utilities	1,108	-	1,108	0%	423	-	423	0%
Financial Institutions	2,330	-	2,330	1%	640	-	640	0%
Health and Care	2,733	-	2,733	1%	881	-	881	0%
Information Technology	4,230	-	4,230	1%	1,203	-	1,203	0%
Other	61,982	-	61,982	20%	11,759	-	11,759	4%
<b>Equities sub-total</b>	<b>80,642</b>	-	<b>80,642</b>	<b>26%</b>	<b>17,091</b>	-	<b>17,091</b>	<b>5%</b>
<b>Debt Securities</b>								
Corporate Bonds	-	40,096	40,096	13%	20,804	22,920	43,724	13%
UK Government Bonds	25,987	-	25,987	8%	28,194	-	28,194	8%
Other Bonds	5,516	-	5,516	2%	5,964	-	5,964	2%
<b>Debt Securities sub-total</b>	<b>31,503</b>	<b>40,096</b>	<b>71,599</b>	<b>23%</b>	<b>54,962</b>	<b>22,920</b>	<b>77,882</b>	<b>23%</b>
<b>Property</b>								
UK Property	-	23,409	23,409	8%	1,804	24,678	26,482	8%
<b>Private Equity</b>	<b>4,656</b>	<b>6,793</b>	<b>11,449</b>	<b>4%</b>	<b>6,278</b>	<b>9,848</b>	<b>16,126</b>	<b>5%</b>
<b>Other Investment Funds</b>								
Equities	82,441	-	82,441	27%	99,950	55,643	155,593	46%
Infrastructure	4,490	14,627	19,117	6%	7,020	20,662	27,682	9%
<b>Other Investment Funds sub-total</b>	<b>86,931</b>	<b>14,627</b>	<b>101,558</b>	<b>33%</b>	<b>106,970</b>	<b>76,305</b>	<b>183,275</b>	<b>55%</b>
<b>Total Assets</b>	<b>203,732</b>	<b>104,518</b>	<b>308,250</b>	<b>100%</b>	<b>187,105</b>	<b>148,848</b>	<b>335,953</b>	<b>100%</b>

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

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

The Police Officer scheme has been assessed by the Government Actuary Department (GAD), estimates are based on the latest full valuation of the scheme as at 31 March 2020. The Local Government scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates are based on the latest full valuation of the scheme as at 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 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 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 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 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 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 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 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 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 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 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 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 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 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 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 April 1<sup>st</sup> 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 31<sup>st</sup> 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 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 at 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, with the exception of 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 31<sup>st</sup> 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 in order to strengthen transparency, accountability and governance for the construction and operation of joint buildings with a 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 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 31<sup>st</sup> 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 accruals basis and hence Temporary investments and Short term borrowing figures on the Balance Sheet also includes interest earned but not yet paid as at 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 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 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 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

Deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

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 in order 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 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 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 18 December 2000 until 17 December 2030. The building was occupied from 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 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 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 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 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 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 at 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 at 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 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 underspendings 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 at 1 April 2021	-
Receipts in year:	10
	10
Less:	
Capital receipts used	(10)
<b>Balance at 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 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 at 31 March</b>	<b>4,811</b>	<b>5,046</b>
Share of Revaluation Reserve LLP	(749)	1,680
<b>Balance at 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 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 at 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 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 at 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 tax payers 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 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 at 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, eg annual leave, time off in lieu entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Reserve Balance is neutralised by transfers to or from the Account.

<b>Accumulated Absences Account</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at 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 at 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 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 Finance Officer on 29<sup>th</sup> 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>	26,327
( 22,409)	<b>Additional contribution from the Police and Crime Commissioner to fund the deficit for the year</b>	( 26,327)
0	<b>Net amount payable/receivable for the year</b>	0
	<b><u>Net Assets Statement</u></b>	
	<b>Current assets</b>	
4,038	Pensions paid in advance	4,180
	<b>Current Liabilities</b>	
( 223)	Unpaid pension benefits	( 845)
( 3,815)	Surplus for year payable to Police and Crime Commissioner	( 3,335)
0		0

## Notes to the Pension Fund Account

### Note 1 Police Pensions Fund Account

The Police pension scheme is an unfunded single employer defined benefit scheme. This means that it provides pensions and other retirement benefits for police officers based on pensionable pay, but there are no investment assets built up to meet the pensions liabilities as they fall due.

Up until 2014/15 two police pension schemes were in operation, both of which gave retirement benefits based on 'final' salaries:

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

From 6 April 2015 a new Police Officer pension scheme came into existence

- The Police Pension Scheme 2015 - which provides retirements based on 'career average' salaries, meaning that the benefits receivable are based on a proportion of pensionable pay earned in each year of scheme membership.

All new officers joining the service on or after 1<sup>st</sup> April 2015 are automatically entered into the Police Pension Scheme 2015. They may opt out of this scheme but are not eligible to join either the 1987 or 2006 scheme. Existing officers at 6 April 2015 were also automatically transferred into the 2015 Scheme from that date, except those subject to protection arrangements. Protection arrangements 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 6 April 2015 continue to be based on final salary.

At about the same period as the new Police Officer scheme, new career average pension schemes were also introduced for various other professions within the public sector, such as those for court judges, firefighters and civilian staff working in local government. Subsequently, Individual members in these schemes brought successful court cases against the arrangements for transferring individuals from previous schemes on the basis that they discriminate on age. The Supreme Court on the 27 June 2019 denied the Government's request for an appeal in the McCloud and Sargeant (judges and firefighters) cases in respect of age discrimination and pension protection.

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

On 16 July 2020 HM Treasury published proposals for implementing a remedy to the age discrimination across all the public sector schemes affected by the ruling. 2 key elements of the Treasury's proposals were:

- determination of which members should be eligible for remedy, namely: those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 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 1 April 2022.

Following a consultation process, on 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 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 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**

AGS to be inserted

Pages 78 -96



## **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.



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

**SUBJECT TO AUDIT AND SUBJECT TO CHANGE**

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

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# NARRATIVE REPORT

## Introduction

These accounts set out the overall financial position of the Chief Constable for Derbyshire, who is responsible for Derbyshire Constabulary, for the year ended 31 March 2022.

## Organisational Overview and External Environment

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



## Governance

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

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

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

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

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

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

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

## Organisational Model

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

Derbyshire Constabulary employs approximately 2,000 police officers, 200 PCSOs and 266 Specials/Volunteers and 1,428 staff in full-time and part-time positions (excluding staff of the Commissioner). Active recruitment plans include positive action to improve the diversity and reflect more closely that of the County.

## Basis for Preparation

For accounting purposes, the Commissioner and Chief Constable together are known as the PCC Group. A separate set of statutory accounts has been published for the Commissioner and PCC Group to recognise all the financial transactions incurred during 2021/22 for policing in Derbyshire.

The purpose of the Narrative Report is to outline the financial performance, financial position and cash flows of the Chief Constable during 2021/22 and provide an overview of the most significant matters reported in the accounts.

The 2021/22 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2021/22. The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include: -

- The Police Reform and Social Responsibility Act 2011 (the Act).
- Accounts and Audit (England and Wales) Regulations 2015 & Accounts and Audit (Amendment) Regulations 2021.
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2018.
- Scheme of Consent between the Commissioner and Chief Constable.
- The Financial Handbook of the Commissioner and Chief Constable.

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

## Financial Statements

The financial statements for the Chief Constable required under the 2021/22 Code consist of: -

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

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

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

This statement shows the accounting cost in the year of providing policing services under the direction of the Chief Constable for the 12 months to 31 March 2022, (as opposed to the overall cost of policing Derbyshire, which includes the cost of administering the Office of the Police and Crime Commissioner (OPCC) and OPCC expenditure on commissioning activities in relation to community safety, crime prevention and victim support, as shown in the Group Accounts). The CIES has been prepared by applying the accounting principles set out in the CIPFA Accounting Code of Practice. The headings replicate those used for the Constabulary's internal performance reports.

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

This summarises the movements to and from unusable reserves for the financial year 2021/22, which relate to post-employment benefits (pensions), benefits payable during employment (untaken leave at the financial year end) and financing of vehicles and equipment from capital resources. All usable reserves are held by the Commissioner as shown in the Group Accounts.

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

This summarises the financial position of the Chief Constable as at 31 March 2022 and sets out any assets, liabilities and reserves. The net assets of the Chief Constable (assets less liabilities) are matched by the unusable reserves held by the Chief Constable. These reserves are a product of the application of the Code, it should be noted that the Chief Constable does not hold usable reserves – they are all held by the Commissioner as shown in the Group Accounts.

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

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

### ***Accounting Policies***

Accounting policies are the specific principals, conventions, rules and practices that are applied in preparing and presenting the annual accounts. The accounting policies for the Chief Constable applied in preparing the 2021/22 annual accounts are consistent with last year, no changes have been necessary.

### ***Other Contents***

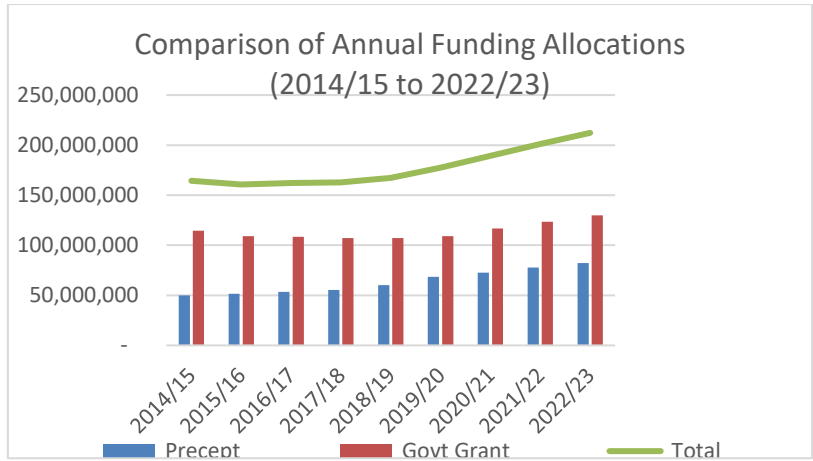
In addition to the financial statements, the annual accounts include a: -

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

## **Strategy and Resource Allocation**

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

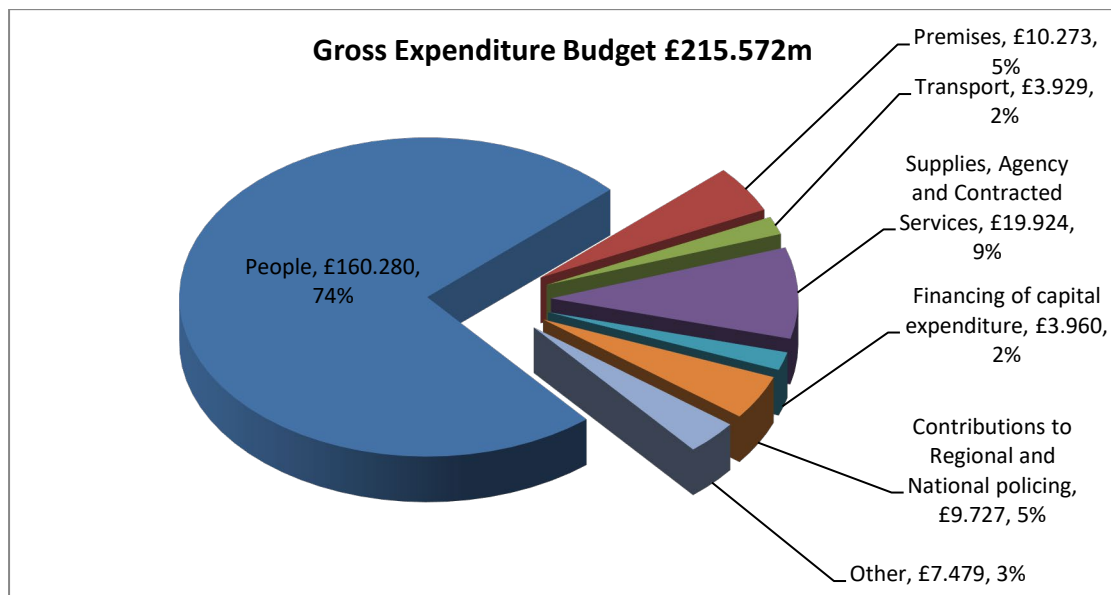
A year on year comparison of our funding sources shows how Government Grant has increased by 13% from 2014/15 to 2022/23. During the same period, the Net Revenue Budget for the Force has increased by 29% (an average of 3.6% per annum) from £164.7m to £212.3m.



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

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

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



## Financial Performance Report

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

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

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

### **Revenue**

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

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

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

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

Force Reserves remain slightly below the national average for all police forces, which supports our investment and funding strategies that look to make the best use of internal resources first, so to minimise increases in precept levels. This does however mean that the Constabulary cannot readily rely on reserves to support the revenue budget or indeed its future capital investment plans in the future.

**Revenue Outturn Position**

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

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

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

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

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

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

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

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



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

3. **Other Employee Expenses - £0.136m overspend.** The Constabulary's expenditure on external training was higher than that budgeted for by £0.143m. Attendance on courses in the previous year was heavily curtailed due to the pandemic and a catching-up process occurred as a consequence.
4. **Police Pensions – (£0.321m) underspend.** The force has to meet the additional cost of police officer retirement through ill-health compared to normal 'service' or 'age' retirement. Fewer officers retired on the grounds of ill health during the year than had been allowed for, resulting in a £0.482m saving. This was partially offset by higher Injury-related payments made in the year (£0.162m).
5. **Premises – £0.544m overspend.** The main areas of overspending on Premises costs during the year were as follows:-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

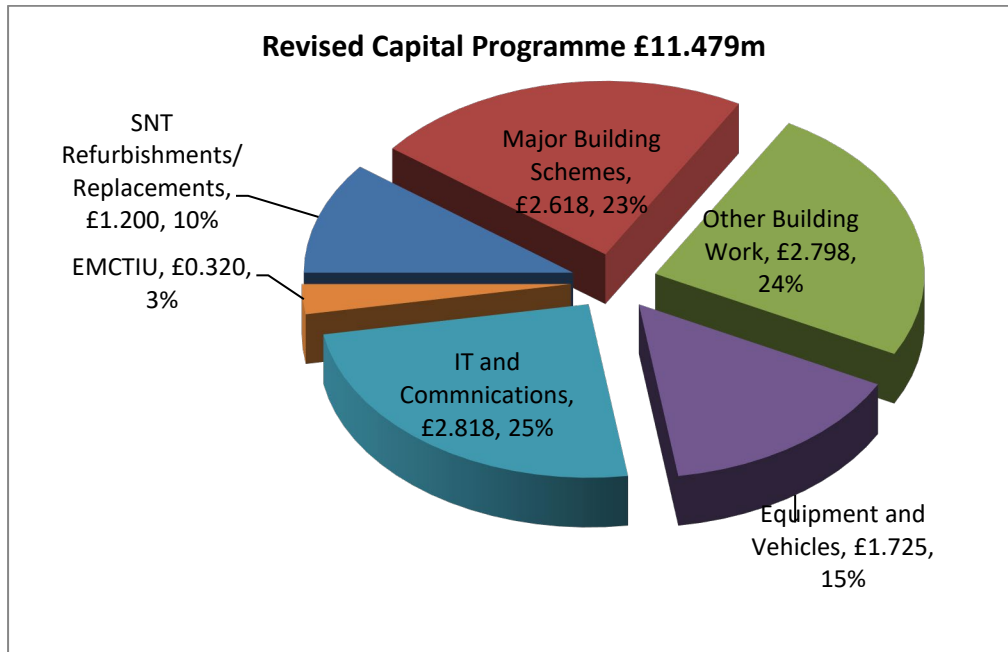
**Capital Programme**

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

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

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

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



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

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.

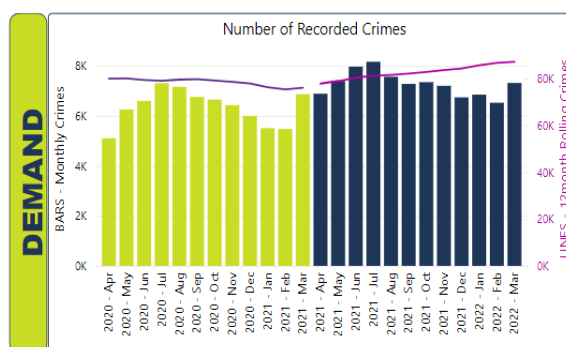
**Other Building Schemes** - This relates to various schemes including the Training Rig at Headquarters which is awaiting planning approval, refurbishment works at Chesterfield which are being completed in conjunction with the Multi Purpose Hall air conditioning works in 2022/23 and Custody CCTV works 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 but some internal refurbishment works remains to be completed.

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

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

## Non-Financial Performance

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



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

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

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

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

A large proportion of the demand for Derbyshire sits outside of the areas covered above. Whilst the above references our recorded crime changes, there has been significant uplifts in demand in the Safeguarding arena too. There has been uplifting in demand for Safeguarding Adults, Safeguarding Children, Domestic Abuse, Cyber and Online crime to name just a few growing areas of demand. Modern slavery and human trafficking is one area where fewer victims have been identified in the past year, this is due to victims

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

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

## Future Outlook

### Force Priorities

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



### Cost of Policing

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

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

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

### War in Ukraine and Cost of Living Increases

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

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

### **Medium Term Financial Plan**

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

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

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

### **Pensions**

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

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

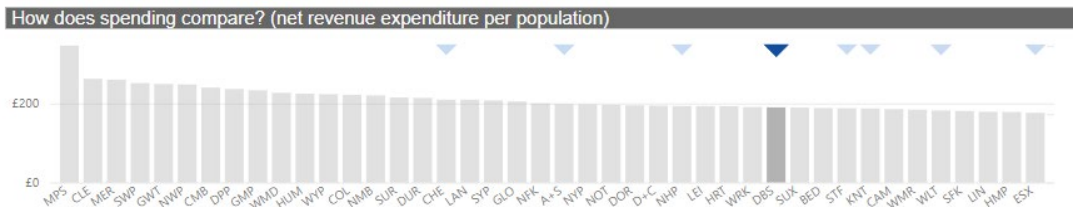
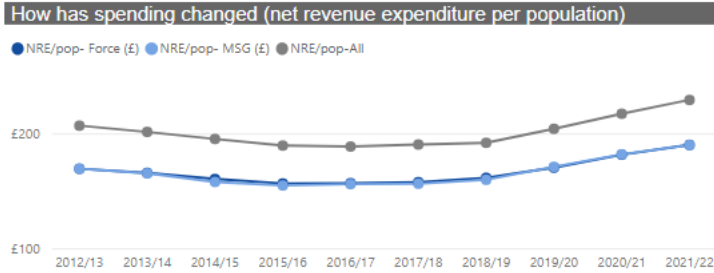
IAS 19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS 19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown derived through the Statement of Movement on the General Reserve Balance. The Pensions Liability in the Balance Sheet reflects the underlying long-term commitments to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £2,483m in 2021/22 (2020/21 £2,493m). Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

### **Value for Money**

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

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

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



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 £2.303m. These arrangements include alignment of waste management, shared photocopying arrangements, joint procurement of a new transport system, Travel and Accommodation system, banking arrangements, insurance arrangements, tax advice, employee reward system and asset management system. Further opportunities will continue to be exploited for the benefit of both organisations.

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

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



## STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

### The Chief Constable's Responsibilities

The Chief Constable is required: -

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

I approve these Statements of Accounts

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

Date:

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

The Joint Director of Finance and Business Services is responsible for the preparation of the Statement of Accounts for the Chief Constable in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts the Joint Director of Finance and Business Services has: -

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

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

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

### JOINT DIRECTOR OF FINANCE AND BUSINESS SERVICES CERTIFICATE

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

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

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

# EXTERNAL AUDIT REPORT

PAGES 17-19  
TO BE ISSUED  
AFTER APPROVED

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# CHIEF CONSTABLE STATEMENT OF ACCOUNTING POLICIES

## Accounting Policies

### **General Principles**

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

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

The concept of a going concern assumes that the functions of the Constabulary will continue in operational existence for the foreseeable future. The provisions in the Code (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM 2021/22) in respect of going concern reporting requirements reflect the economic and statutory environment in which policing services operate. These provisions confirm that, as policing services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

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

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

### **Consolidation**

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

The Accounts cover the 12 months to 31 March 2022.

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

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

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

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

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

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

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

### **Accruals of Expenditure**

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

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

### **Fair Value Measurement**

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

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest. When measuring the fair value of a non-financial asset, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

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

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

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

### **Exceptional Items**

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

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

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

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

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

## **Employee Benefits**

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

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

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

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

### **Post-employment benefits**

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

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

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

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

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

The funding arrangements for the police officers pension scheme changed on 1 April 2006. Before April 2006 each Police Authority was responsible for paying the pensions of its former officers on a “pay as you go” basis. From April 2006 there is now an employer's contribution instead (currently the equivalent of 31% of pensionable salary) which is charged to the Comprehensive Income and Expenditure Statement.

The Chief Constable is required by legislation to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Officer's contributions and the employer's contribution are paid into the pension's account from which pension payments are then made. This will be topped up as necessary by the Home Office if the contributions are insufficient to meet

the cost of pension's payments. Any surplus will be recouped by the Home Office. Injury awards and ill health retirements will continue to be paid from the Chief Constable's Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

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

Service cost comprising:

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

Remeasurement comprising:

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

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

#### **Discretionary Benefits**

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



## Events after the Balance Sheet Date

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

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

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

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

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

### Recognition and Measurement

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

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

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

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

### Impairments

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

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

### Depreciation

Depreciation is provided for on all Vehicles, Plant, Furniture and Equipment assets on a straight-line basis by the systematic allocation of their depreciable amounts over their useful lives, as advised by a suitable qualified advisor. An exception is made for assets that are not yet available for use (i.e. assets under construction).

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

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

### Disposals

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

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

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

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

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

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

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

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

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

## **Leases**

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

### **a) Finance Leases**

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

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

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

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

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

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

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

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

### **b) Operating Leases**

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

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

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

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

### **Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

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

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

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

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

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

**Contingent Asset** – this arises where an event has taken place that gives the Chief Constable a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Reserves**

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

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

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

### **Jointly Controlled Operations**

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

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

For 2021/22 the new standards that need to be reported relates to Annual Improvements to IFRS Standards 2018-2020 - amendments to IFRS 1 (First-time adoption), IAS 37 (Onerous Contracts), IFRS 16 (Leases) and IAS 41 (Agriculture). Also, amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use. Note 17 in the accounts discloses information relating to the impact of the accounting changes.

## Changes in Accounting Estimates

### Significant estimates and judgements in applying Accounting Policies

In applying the accounting policies set out above, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no significant judgements in the 2021/22 Statement of Accounts.

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

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

The items in the Chief Constable's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results differ from Assumptions
<b>Pensions Liability</b>	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Chief Constable with expert advice about the assumptions to be applied. For both the Police Officer and Police Staff schemes full data on individual scheme members is collected only once every 3 years. In the intervening period, the actuaries are required to estimate relevant changes in the membership profile.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance for the largest scheme, the Police Pension scheme, it is estimated that a 0.5% reduction in the discount rate's excess over pension increases would result in an increase in the pensions liability of 9.5% (£228m). If pension increases were to be 0.5% higher per year this would increase the liability by 9.0% (£207m). However, the assumptions interact in complex ways. For example, during 2021/22 the Police Pension Scheme liability increased by £9.4m as a result of experience changes and decreased by £30.8m as a result of the updating of actuarial assumptions for financial reasons (In 2020/21 the equivalent decreased by £26.3m and increased by £249.9m respectively). Experience changes are those that arise from specific occurrences relating to scheme membership during the year. Recent reviews of public sector pensions have led to changes in benefits payable, employee contribution rates and retirement ages. These will have an impact on the level of future liabilities. As from 1 April 2014 for Police Staff and April 2015 for Police Officers, scheme members now accrue benefit entitlements based on their career-average salaries instead of on their final salary at the point of retirement.
<b>Accumulated Absences Account</b>	
The Accumulated Absences Account for compensated absences earned but not taken in the year (eg annual leave, Time off in lieu) was based on actual data from the HR system. The police staff flexi leave figure is estimated based on a sample of police staff in 2016/17. The latter represents £0.019m of the figure of £2.810m.	If the amount of flexi leave for police staff increased by 10% this would increase the balance by £0.002m. This figure is included in the Comprehensive Income and Expenditure Account as a cost to the police service but is neutralised by transfers to the Accumulated Absences Account.

## EXPENDITURE AND FUNDING ANALYSIS FOR THE CHIEF CONSTABLE

This is a note to the Primary Statements

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

2020/21				2021/22		
Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000		Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000
0	217,514	217,514	Policing Services	0	239,163	239,163
0	380	380	Corporate and Democratic Core (Chief Constable)	0	476	476
<b>0</b>	<b>217,894</b>	<b>217,894</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>0</b>	<b>239,639</b>	<b>239,639</b>
0	(186,328)	(186,328)	Intra-group Funding	0	(191,664)	(191,664)
<b>0</b>	<b>31,566</b>	<b>31,566</b>	<b>Cost of Policing Services</b>	<b>0</b>	<b>47,975</b>	<b>47,975</b>
0	27,422	27,422	Other Income and Expenditure	0	23,991	23,991
<b>0</b>	<b>58,988</b>	<b>58,988</b>	<b>Deficit on the Provision of Services</b>	<b>0</b>	<b>71,966</b>	<b>71,966</b>
0	295,300	295,300	Other Comprehensive Income and Expenditure	0	(80,854)	(80,854)
<b>0</b>	<b>354,288</b>	<b>354,288</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(8,888)</b>	<b>(8,888)</b>
		0	<b>Opening General Reserve and Earmarked Reserve Balance</b>			0
		0	Surplus on General Reserve/Earmarked Reserves in Year			0
		0	<b>Closing General Reserve and Earmarked Reserve Balance</b>			0

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

(2) Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page 29.

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

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

Chief Constable For the year ended 31 March 2021				Chief Constable For the year ended 31 March 2022		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
260,412	(42,898)	217,514	Policing Services	268,511	(29,348)	239,163
380	0	380	Corporate and Democratic Core	476	0	476
<b>260,792</b>	<b>(42,898)</b>	<b>217,894</b>	<b>Cost of Policing Services before revaluations/funding</b>	<b>268,987</b>	<b>(29,348)</b>	<b>239,639</b>
(229,226)	42,898	(186,328)	Intra-group funding	(221,012)	29,348	(191,664)
<b>31,566</b>	<b>0</b>	<b>31,566</b>	<b>Cost of Policing Services</b>	<b>47,975</b>	<b>0</b>	<b>47,975</b>
1,495	0	1,495	Losses on the Disposal of Non-Current Assets	263	0	263
1,351	0	1,351	Levies to national police services	1,662	0	1,662
(1,351)	0	(1,351)	Intra-group Fund adjustment (Levies to national police services)	(1,662)	0	(1,662)
			<b>Financing and Investment Income and Expenditure</b>			
48,336	0	48,336	Police Pensions Interest Cost	50,055	0	50,055
			<b>Taxation and Non-Specific Grant Income</b>			
0	(22,409)	(22,409)	Police Officer Pension Grant	0	(26,327)	(26,327)
<b>81,397</b>	<b>(22,409)</b>	<b>58,988</b>	<b>Deficit on the Provision of Services</b>	<b>98,293</b>	<b>(26,327)</b>	<b>71,966</b>
		295,300	Actuarial (Gains) or Losses on Police Pension			(80,854)
		<b>295,300</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(80,854)</b>
		<b>354,288</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(8,888)</b>

## BALANCE SHEET FOR THE CHIEF CONSTABLE

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

31-Mar-21		Note	31-Mar-22
£000			£000
15,056	Plant and Equipment	11	14,581
1,847	Intangible Assets	12	1,077
<u>16,903</u>	<b>Long-Term Assets</b>		<u>15,658</u>
4,602	Short-Term Debtors - Intra group Debtor		3,875
0	Cash and Cash Equivalents		0
<u>4,602</u>	<b>Current Assets</b>		<u>3,875</u>
(4,602)	Short-Term Creditors - Intra group creditor		(3,875)
(2,318)	Short-Term Creditors - Accumulated Absences		(2,810)
<u>(6,920)</u>	<b>Current Liabilities</b>		<u>(6,685)</u>
(2,493,232)	Other Long-Term Liabilities - Pension Scheme	10a	(2,482,607)
<u>(2,493,232)</u>	<b>Long-Term Liabilities</b>		<u>(2,482,607)</u>
<u><u>(2,478,647)</u></u>	<b>Net Assets/(Liabilities)</b>		<u><u>(2,469,759)</u></u>
1	Unusable Reserves - Revaluation Reserve	16	1
16,902	Unusable Reserves - Capital Adjustment Account	16	15,657
(2,493,232)	Unusable Reserves - Pension reserve	16	(2,482,607)
(2,318)	Unusable Reserves - Accumulated Absences Reserve	16	(2,810)
<u>(2,478,647)</u>	<b>Total Reserves</b>		<u>(2,469,759)</u>

### Certification

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

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

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

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



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

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

		<b>General Reserve Balance</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Note</b>			<b>16</b>	
<b>Balance as at 1 April 2020</b>		<b>0</b>	<b>0</b>	<b>(2,124,359)</b>	<b>(2,124,359)</b>
<b>Total Comprehensive Income and Expenditure</b>		(354,288)	(354,288)	0	(354,288)
<b>Adjustments between accounting basis and funding basis under regulations</b>					
- Depreciation and Impairment of non-current assets		5,784	5,784	(5,784)	0
- Net gain or loss on sale of non-current assets		1,495	1,495	(1,495)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme		351,139	351,139	(351,139)	0
- Capital expenditure funded by PCC Intra-group funding		(4,602)	(4,602)	4,602	0
- Charges for employee benefits		472	472	(472)	0
<b>Total Adjustments between accounting basis and funding basis</b>		<b>354,288</b>	<b>354,288</b>	<b>(354,288)</b>	<b>0</b>
<b>Decrease in Year</b>		<b>0</b>	<b>0</b>	<b>(354,288)</b>	<b>(354,288)</b>
<b>Balance as at 31 March 2021 carried forward</b>		<b>0</b>	<b>0</b>	<b>(2,478,647)</b>	<b>(2,478,647)</b>

**CASHFLOW OF THE CHIEF CONSTABLE**

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

31-Mar-21 £'000		31-Mar-22 £'000
58,988	Net Deficit on the Provision of Services	71,966
	<b>Adjust Net Deficit on the Provision of Services for Non-cash Movements</b>	
(3,682)	Depreciation of Non-Current Assets	(3,824)
(2,102)	Amortisation of Intangible Assets	(1,033)
4,602	Capital expenditure funded by PCC Intra-group funding	3,875
(472)	Increase in Creditors - accumulated absences	(492)
(55,839)	Pension Liability	(70,229)
(1,495)	Carrying Amount of Non-Current Assets Sold	(263)
<u>(58,988)</u>		<u>(71,966)</u>
	<b>Adjust for Items Included in the Net Deficit on the Provision of Services that are</b>	
0	<b>Investing and Financing Activities</b>	0
0	<b>Net Cash Flows (used in)/from Operating Activities</b>	0
0	Investing Activities	0
0	Financing Activities	0
<u>0</u>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<u>0</u>
0	Cash and Cash Equivalents at the Beginning of the Reporting Period	0
0	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	0

The Cashflow Statement has been presented using the Indirect Method.

## Notes to the Financial Statements for the Chief Constable

### Note 1 Derbyshire Police Group

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

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

### Note 2 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (page 28) takes net expenditure that is funded from resources and reconciles it to the Comprehensive Income and Expenditure Statement (CIES page 29). The first column is blank because the Chief Constable holds no reserves. A summary of the Adjustment between the Funding and Accounting basis is shown in the Expenditure and Funding Analysis, a breakdown of these adjustments is shown below

<b>Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute</b>	<b>Adjustments for Capital Purposes 2020/21</b>	<b>Net Change for the Pensions Adjustments 2020/21</b>	<b>Other Differences 2020/21</b>	<b>Total Adjustments 2020/21</b>
<b>2020/21</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	1,182	29,912	186,420	217,514
Corporate and Democratic Core Chief Constable	-	-	380	380
<b>Net Cost of Services before revaluations/funding</b>	<b>1,182</b>	<b>29,912</b>	<b>186,800</b>	<b>217,894</b>
Intra-group funding	-	-	(186,328)	(186,328)
<b>Net Cost of Services</b>	<b>1,182</b>	<b>29,912</b>	<b>472</b>	<b>31,566</b>
Other operating expenditure	1,495	-	-	1,495
Financing and Investment income & expenditure	-	48,336	-	48,336
Taxation & Non-specific grant income & expenditure	-	(22,409)	-	(22,409)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>2,677</b>	<b>55,839</b>	<b>472</b>	<b>58,988</b>

<b>Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute</b>	<b>Adjustments for Capital Purposes 2021/22</b>	<b>Net Change for the Pensions Adjustments 2021/22</b>	<b>Other Differences 2021/22</b>	<b>Total Adjustments 2021/22</b>
<b>2021/22</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Policing Services – Chief Constable	982	46,501	191,680	239,163
Corporate and Democratic Core Chief Constable	-	-	476	476
<b>Net Cost of Services before revaluations/funding</b>	<b>982</b>	<b>46,501</b>	<b>192,156</b>	<b>239,639</b>
Intra-group funding	-	-	(191,664)	(191,664)
<b>Net Cost of Services</b>	<b>982</b>	<b>46,501</b>	<b>492</b>	<b>47,975</b>
Other operating expenditure	263	-	-	263
Financing and Investment income & expenditure	-	50,055	-	50,055
Taxation & Non-specific grant income & expenditure	-	(26,327)	-	(26,327)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>1,245</b>	<b>70,229</b>	<b>492</b>	<b>71,966</b>

#### **Adjustments for Capital Funding and Expenditure Purposes**

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

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

### Net change for the Pension Adjustments

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

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

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

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

### Other Differences

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

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

## Note 3 Expenditure and Income Analysed by Nature

This note provides an alternative breakdown of the cost of services based on how expenditure is allocated for decision making purposes. It is intended to aid the reader in understanding where the money is spent and in making comparisons between Forces in terms of the type of expenditure incurred.

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

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

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

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

## Note 4 Leases

### As Lessee – Operating Leases

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

#### Equipment and Vehicles

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

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

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

#### Land and Buildings

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

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

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

### As Lessor – Operating Leases

As lessor the financial consequences of a number of offices leased is shown in the accounts of the Chief Constable to recognise the income generated. Rent received for these properties in 2021/22 was £18,909 (£5,016 in 2020/21). A further £104,739 was received for mast rental in 2021/22 (£172,733 in 2020/21).

## Note 5 Officers Remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Note12 – The shows the full remuneration costs, these are shared between Police (2/3 share) and Fire (1/3 share). This recognises that the scope of the Finance Director role within the Police is wider than with Fire.**

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

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

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

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

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

**Note 5 – The shows the full remuneration costs, these are shared between Police (2/3 share) and Fire (1/3 share). This recognises that the scope of the Finance Director role within the Police is wider than in Fire.**

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

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

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

#### Exit Packages

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

2020/21					2021/22			
Number of compulsory redundancies	Number of other departures agreed	Total Number of Exit Packages Agreed	Total cost of exit packages in each band £	Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total Number of Exit Packages Agreed	Total cost of exit packages in each band £
-	1	1	18,079	£0 - £20,000	-	1	1	9,936
-	1	1	38,271	£20,001-£40,000	-	1	1	33,109
-	2	2	56,350	TOTAL	-	2	2	43,045

#### Note 6 External Audit Fees

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

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

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

#### Note 7 Jointly Controlled Operations

##### East Midlands Jointly Controlled Operations

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

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

2020/21			2021/22	
Jointly Controlled Operations	Derbyshire Police	Comprehensive Income and Expenditure Statement	Jointly Controlled Operations	Derbyshire Police
£'000	£'000		£'000	£'000
33,948	7,844	Employees' Expenses	34,419	7,941
567	124	Premises	555	121
554	122	Transport	665	146
4,499	1,101	Supplies and Services	4,899	1,207
3,683	832	Agency and Contracted Services	3,759	849
1,464	322	Capital Charges	1,783	392
<b>44,715</b>	<b>10,345</b>	<b>Gross Operating Expenditure</b>	<b>46,080</b>	<b>10,656</b>
(1,137)	(258)	Other Income	(1,337)	(300)
-	-	Profit/(Loss) on Disposal of Fixed Assets	(11)	(1)
<b>43,578</b>	<b>10,087</b>	<b>Net Operating Expenditure Financed by:-</b>	<b>44,732</b>	<b>10,355</b>
(38,839)	(9,057)	Contributions from Partners	(38,724)	(9,076)
(4,353)	(949)	External Grants	(4,870)	(1,062)
(422)	(92)	Capital Grants & Contributions	(357)	(78)
<b>(36)</b>	<b>(11)</b>	<b>(Surplus) / Deficit for the year</b>	<b>781</b>	<b>139</b>

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

Jointly Controlled Operation	Activity	Participants	Commenced	Derbys %	Gross Exp £'000	Total Income £'000	(Surplus) / Deficit £'000
EM SOU – SOC (incl. EMSOU TSU)	Specialist Operations	All 5 forces	Jan 2003	21.8	6,181	(6,151)	30
EMSOU Major Crime – Command Team	Co-ordination of Major Crime investigations	All 5 forces	Sept 2011	21.8	166	(165)	1
EMSOU Forensics	Forensic analysis and identification	All 5 forces	April 2014	21.8	2,154	(2,125)	29
EM Legal Services	Specialist Legal advice and services, incl Insurance	All 5 forces	April 2014	21.8	408	(406)	2
EM CHRS – Learning & Development	Co-ordination of regional training provision	Derbys, Leics, Northants, Notts	April 2012	25.11	348	(345)	3
EM CHRS – Occupational Health	Occupational Health Services	All 5 forces	April 2012	21.8	452	(457)	(5)
HR Service Centre	Transactional HR services	Derbys, Leics	June 2014	50.0	849	(866)	(17)
Emergency Services Network (ESN)	Communications Network	All 5 forces	July 2017	22.6	97	(1)	96
<b>Totals</b>					<b>10,655</b>	<b>(10,516)</b>	<b>139</b>

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

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

## Note 8 Related Party Transactions

The Chief Constable is required to disclose all material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable.

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



### Central Government

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

### Officers

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

### Commissioner

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

### Other Public Bodies

The Chief Constable participates in Jointly Controlled Operations with other East Midlands Forces (see Note 7) and partnership arrangements with Derbyshire Fire and Rescue Service.

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

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

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

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

Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities. A valuation was undertaken as at 31 March 2019 which set contribution rates for the 3-year period commencing 1 April 2020.

The 2021/22 total employer contribution of £8.406m consisted of £8.371m in 'regular' contributions and £0.035m in additional one-off contributions towards early retirements. This is in line with pension costs necessary to be provided in accordance with IAS19 "Employee Benefits". The regular contributions consist of 2 elements:

- a 'future service rate' to meet the estimated cost of benefits that will be earned in future (set at 13.9% of pensionable pay at the latest valuation).
- a 'deficit recovery repayment' lump sum to enable the difference between the value of benefits earned to date and the assets that have been built up to be recovered over a specified period (£1.465m paid in 2021/22).

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

In addition to contributions to the Pension fund the Chief Constable is responsible for compensation payments in the form of "added years" awarded on premature retirement. In 2021/22 these amounted to £0.029m.

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

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

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

- **The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means it provides pensions and other retirement benefits for police officers but there are no investment assets built up to meet the pensions liabilities. Three schemes were in operation in 2021/22:
  - The 1987 Police Pension Scheme - based on officers' final salaries and a maximum pensionable service of 30 years.
  - The 2006 Police Pension Scheme (effective for police officers commencing from April 2006 onwards) - based on officers' final salaries and a maximum pensionable service of 35 years.
  - The 2015 Police Pension Scheme – based on 'career average' salaries with no maximum pensionable service but a Normal Pension Age of 60.

All new officers and existing officers not subject to protection arrangements are now members of the 2015 scheme. As with the Local Government Pension Scheme, because the changes to the Police Officer pension scheme from 2015 involved transitional protections for older members close to retirement age they come within the ambit of the McCloud Judgement / Pension Remedy (see page 43).

The constabulary is required to operate a separate Pensions Account for all transactions related to the Police Pension Scheme. Officers' contributions and an employer's contribution are paid into the pensions account from which pension payments are made. The account is topped up each year by the Home Office if the contributions in that year are insufficient to meet the cost of pensions paid. Any surplus is repaid to the Home Office.

For 2021/22 a Top up grant of £26.327m was received from the Home Office to supplement the employer's contributions paid into the account which amounted to £21.742m (31.0% of pensionable salary). The contribution rate of 31.0% was set following a revaluation of the scheme's total liabilities by the Government Actuary's Department as at 31 March 2016. A further revaluation as at 31 March 2020 is due to determine a revised employer's contribution rate with effect from 1 April 2023.

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

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

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

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

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

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

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

## **Background**

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

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

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

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

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

On 16 July 2020 HM Treasury published for consultation its proposals for implementing the age discrimination remedy across all the public sector schemes affected by the Court of Appeal ruling. The arrangements were confirmed on 4 February 2021 when HM Treasury issued its response to the consultation, with the main elements being:

- 1) Members in scope of the remedy include those who were members, or eligible to be a member of a public service 'legacy' scheme on 31 March 2012, and were members of a public service pension scheme between 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 1 April 2015 to 31 March 2022. This approach is referred to as the 'Deferred Choice Underpin'.
- 3) From 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.

## **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 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.

## GMP equalisation and indexation

### **Background**

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

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility led to increased costs for schemes and hence scheme employers. Following a consultation process in October 2020, the interim solution has been extended to members reaching State Pension age after 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 31 March 2019. This valuation position is the basis for the calculation of total liabilities as at 31 March 2020 which therefore reflects any increase in obligations due to GMP indexation. 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 6 December 2018 and before 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 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 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 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 31 March 2022 for either the LGPS or the Police Pension Scheme. Actuaries for both schemes have assessed that the impact is as yet uncertain but is not likely to be significant. For example, the actuary for the LGPS assess the approximate impact of the Goodwin ruling to be 'very small' for a typical fund, between 0.1% - 0.2% of existing obligations.

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

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

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

	Funded liabilities: Local Government Pension Scheme £'000	
	2020/21	2021/22
Opening Balance at 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 31 March</b>	<b>(483,620)</b>	<b>(473,618)</b>

	Police Pension Scheme £'000	
	2020/21	2021/22
Opening Balance	(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 31 March</b>	<b>(2,317,862)</b>	<b>(2,344,942)</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

The liabilities show the underlying long-term commitments that the Chief Constable must pay for post-employment (retirement) benefits. The total liability of £2,482.607m has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet. Some £2,344.942m of this overall deficit relates to the Police Pension Scheme, which is a centrally funded scheme administered and underwritten by HM Government. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains stable: -

### The Local Government Pension Scheme

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

### The Police Pension Scheme

- The method of financing Police Officers pensions changed from April 2006. 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 (ie an actuarially-determined % of pensionable pay) into a separate pension account. Any net cost of pensions paid to members in excess of this contribution is offset by a Home Office top-up grant.
- This change to the method of financing police officer pensions, and the fact that the employer contribution rate is assessed on a regular basis creates a more stable environment for Police Officer pensions.
- In addition, the introduction of a new Police Pension Scheme from April 2015 means that benefits accrued in this scheme are based on a retirement age of 60, which is later than previously, and on average salaries over the whole period of employment.

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2023 are £8.340m. Expected contributions for the Police Pension Scheme in the year to 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 at 1 April	250,631	308,250
Interest Income	5,815	6,203
The return on plan assets, excluding the amount included in the net interest expense	47,057	17,207
Contributions from employer	8,266	8,369
Contributions from employees into the scheme	3,173	3,253
Benefits/transfers paid	(6,692)	(7,329)
<b>Closing fair value of scheme assets at 31 March</b>	<b>308,250</b>	<b>335,953</b>

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

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

Local Government Pension Scheme assets comprised: -

	2020/21				2021/22			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
<b>Cash and cash equivalents</b>	-	19,593	19,593	6%	-	15,097	15,097	4%
<b>Equity Securities</b>								
Consumer	5,222	-	5,222	2%	1,330	-	1,330	1%
Manufacturing	3,037	-	3,037	1%	855	-	855	0%
Energy and Utilities	1,108	-	1,108	0%	423	-	423	0%
Financial Institutions	2,330	-	2,330	1%	640	-	640	0%
Health and Care	2,733	-	2,733	1%	881	-	881	0%
Information Technology	4,230	-	4,230	1%	1,203	-	1,203	0%
Other	61,982	-	61,982	20%	11,759	-	11,759	4%
<b>Equities sub-total</b>	<b>80,642</b>	-	<b>80,642</b>	<b>26%</b>	<b>17,091</b>	-	<b>17,091</b>	<b>5%</b>
<b>Debt Securities</b>								
Corporate Bonds	-	40,096	40,096	13%	20,804	22,920	43,724	13%
UK Government Bonds	25,987	-	25,987	8%	28,194	-	28,194	8%
Other Bonds	5,516	-	5,516	2%	5,964	-	5,964	2%
<b>Debt Securities sub-total</b>	<b>31,503</b>	<b>40,096</b>	<b>71,599</b>	<b>23%</b>	<b>54,962</b>	<b>22,920</b>	<b>77,882</b>	<b>23%</b>
<b>Property</b>								
UK Property	-	23,409	23,409	8%	1,804	24,678	26,482	8%
<b>Private Equity</b>	<b>4,656</b>	<b>6,793</b>	<b>11,449</b>	<b>4%</b>	<b>6,278</b>	<b>9,848</b>	<b>16,126</b>	<b>5%</b>
<b>Other Investment Funds</b>								
Equities	82,441	-	82,441	27%	99,950	55,643	155,593	46%
Infrastructure	4,490	14,627	19,117	6%	7,020	20,662	27,682	9%
<b>Other Investment Funds sub-total</b>	<b>86,931</b>	<b>14,627</b>	<b>101,558</b>	<b>33%</b>	<b>106,970</b>	<b>76,305</b>	<b>183,275</b>	<b>55%</b>
<b>Total Assets</b>	<b>203,732</b>	<b>104,518</b>	<b>308,250</b>	<b>100%</b>	<b>187,105</b>	<b>148,848</b>	<b>335,953</b>	<b>100%</b>



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

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

The Police Officer scheme has been assessed by the Government Actuary Department (GAD), estimates are based on the latest full valuation of the scheme as at 31 March 2020. The Local Government scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries - estimates are based on the latest full valuation of the scheme as at 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 31/03/22					
		0.1% decrease in Real Discount Rate	1 year increase in member life expectancy	0.1% increase in the salary increase rate	0.1% increase in the pension increase rate
Local Government Pension Scheme	Approximate % increase to Employer Liability	2.0	4.0	0.0	2.0
	Approximate monetary amount - £'000	10,946	18,945	1,399	9,454
		0.5% decrease in Real Discount Rate	1 year increase in member life expectancy	0.5% increase in the salary increase rate	0.5% increase in the pension increase rate
Police Pension Schemes	Approximate % increase to Employer Liability	9.5	3.5	1.0	9.0
	Approximate monetary amount - £'000	228,000	79,000	23,000	207,000

## Note 11 Plant and Equipment

### Movements in 2021/22

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

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

## Movements in 2020/21

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

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

## Valuation of Assets

All Plant and Equipment is valued at historic cost.

Vehicle information has been taken from the Vehicle Fleet Information System (the total number of vehicles as at 31 March 2022 is 650. IT and Communications information has been provided by the Information Services Department.

## Depreciation

The basis of depreciation is shown in the Statement of Accounting Policies (page 24).

## Note 12 Intangible Assets

The Chief Constable accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Plant and Equipment.

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

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

## Note 13 Capital Expenditure and Capital Financing Statement

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

2020/21 £'000		2021/22 £'000
	<b>Capital Financing Requirement</b>	
	Capital investment	
4,602	<i>Plant and Equipment</i>	3,875
-	<i>Intangible assets</i>	-
<b>4,602</b>	<b>Total Capital Investment</b>	<b>3,875</b>
	Sources of Finance	
(4,602)	<i>Intra Group funding</i>	(3,875)
-	<b>Closing Capital Financing Requirement</b>	-

## Note 14 Provisions

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

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

**Liability Insurance Provision** -This provision is to meet liability claims which are not covered by external insurers. The balance reflects the claims handlers' assessment of probable liabilities on claims outstanding as at 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 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 at 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 at 31 March 2022</b>	<b>2,302</b>	<b>505</b>	<b>350</b>	<b>3,157</b>

Provisions are split between short term (£1.129m) and long term (£2.028m) in the balance sheet. Short-term provisions cover liabilities that are expected to be settled within 12 months of the balance sheet date.

## Note 15 Contingent liabilities / Contingent assets

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

### Contingent Liabilities

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

### Contingent Assets

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

## Note 16 Unusable Reserves

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

### Capital Adjustment Account

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

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

Capital Adjustment Account	2020/21 £'000	2021/22 £'000
<b>Balance as at 1 April</b>	<b>19,579</b>	<b>16,902</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
<ul style="list-style-type: none"> <li>• Charges for depreciation and impairment of non-current assets</li> <li>• Amortisation of Intangible Assets</li> <li>• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</li> </ul>	(3,682)	(3,824)
	(2,102)	(1,033)
	(1,495)	(263)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(7,279)</b>	<b>(5,120)</b>
Intra Group Funding	<b>4,602</b>	<b>3,875</b>
<b>Balance at 31 March</b>	<b>16,902</b>	<b>15,657</b>

### Pension Reserve

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

<b>Pensions Reserve</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at 1 April</b>	<b>(2,142,093)</b>	<b>(2,493,232)</b>
Transfer of Police Staff 1 April		
Actuarial gains or losses on pensions assets and liabilities	(295,300)	80,854
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(111,155)	(129,438)
Employer's pensions contributions and direct payments to pensioners payable in the year	55,316	59,209
<b>Balance at 31 March</b>	<b>(2,493,232)</b>	<b>(2,482,607)</b>

### **Accumulated Absences Account**

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

<b>Accumulated Absences Account</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Balance as at 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 at 31 March</b>	<b>(2,318)</b>	<b>(2,810)</b>

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

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

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

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

#### **IFRS16 Leasing Standard**

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

**Note 18 Authorisation of Accounts for issue**

The 2021/22 Statement of Accounts were authorised for issue by the Joint Director of Finance and Business Services on 29<sup>th</sup> July 2022. All events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date.

**Note 19 Post Balance sheet events**

There are no post balance sheet events.

**POLICE PENSION FUND ACCOUNT**

2020/21 £'000		2021/22 £'000
	<b>Contributions Receivable :</b>	
( 21,527)	Employer's actuarial rate	( 21,998)
( 563)	Employer's ill health retirement capital charges	( 339)
( 1,178)	Active members - 1987 Scheme	( 642)
( 44)	Active members - 2006 Scheme	( 35)
( 8,030)	Active members - 2015 Scheme	( 8,794)
	<b>Transfers In :</b>	
( 896)	Transfer values receivable	( 370)
	<b>Benefits Payable :</b>	
48,351	Pensions	49,102
6,218	Commutations and lump sum retirement benefits	9,135
	<b>Payments to and on account of leavers :</b>	
0	Refunds of contributions	13
78	Transfer values payable	255
22,409	<b>Sub-total : Net amount payable for the year</b>	26,327
( 22,409)	<b>Additional contribution from the Police and Crime Commissioner to fund the deficit for the year</b>	( 26,327)
0	<b>Net amount payable/receivable for the year</b>	0
	<b><u>Net Assets Statement</u></b>	
	<b>Current assets</b>	
4,038	Pensions paid in advance	4,180
	<b>Current Liabilities</b>	
( 223)	Unpaid pension benefits	( 845)
( 3,815)	Surplus for year payable to Police and Crime Commissioner	( 3,335)
0		0



## Notes to the Pension Fund Account

### Note 1 Police Pensions Fund Account

The Police pension scheme is an unfunded single employer defined benefit scheme. This means that it provides pensions and other retirement benefits for police officers based on pensionable pay, but there are no investment assets built up to meet the pensions liabilities as they fall due.

Up until 2014/15 two police pension schemes were in operation, both of which gave retirement benefits based on 'final' salaries:

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

From 6 April 2015 a new Police Officer pension scheme came into existence

- The Police Pension Scheme 2015 - which provides retirements based on 'career average' salaries, meaning that the benefits receivable are based on a proportion of pensionable pay earned in each year of scheme membership.

All new officers joining the service on or after 1<sup>st</sup> April 2015 are automatically entered into the Police Pension Scheme 2015. They may opt out of this scheme but are not eligible to join either the 1987 or 2006 scheme. Existing officers at 6 April 2015 were also automatically transferred into the 2015 Scheme from that date, except those subject to protection arrangements. Protection arrangements 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 6 April 2015 continue to be based on final salary.

At about the same period as the new Police Officer scheme, new career average pension schemes were also introduced for various other professions within the public sector, such as those for court judges, firefighters and civilian staff working in local government. Subsequently, Individual members in these schemes brought successful court cases against the arrangements for transferring individuals from previous schemes on the basis that they discriminate on age. The Supreme Court on the 27 June 2019 denied the Government's request for an appeal in the McCloud and Sargeant (judges and firefighters) cases in respect of age discrimination and pension protection.

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

On 16 July 2020 HM Treasury published proposals for implementing a remedy to the age discrimination across all the public sector schemes affected by the ruling. 2 key elements of the Treasury's proposals were:

- determination of which members should be eligible for remedy, namely: those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 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 1 April 2022.

Following a consultation process, on 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 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 1 April 2023. However, this timetable may be subject to change.

Under these funding arrangements the Pension Fund Account balances to nil at the year-end by either receiving a contribution from the Commissioner to meet a deficit or making a payment to him equivalent to any surplus achieved. In 2021/22 a contribution of £26.327m was received, this being equivalent to the pension top-up grant receivable from the Home Office for that year.

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

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

## **Note 2 Pension Fund Liabilities**

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

## **Note 3 Accounting Policies**

Accounting policies conform to those set out in the Statement of Accounts (page 20 to 27).

# Annual Governance Statement

## 1. Introduction

1.1. This Annual Governance Statement explains how the Chief Constable has complied with: -

- The Derbyshire Joint Code of Corporate Governance.
- Requirements of Regulation 6[1] (a) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the review of the effectiveness of the system of internal control.
- The Police Reform and Social Responsibility Act 2011 (the Act).

1.2. The Police and Crime Commissioner (Commissioner) and the Chief Constable have approved and adopted a Derbyshire Joint Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government: Guidance note for Police. A copy of the Joint Code of Corporate Governance can be obtained from the Chief Executive, Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website at [<enter link to website once document revised>](#)

## 2. Scope of responsibilities

- 2.1. The Commissioner and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner and Chief Constable are responsible under the Police Reform and Social Responsibility Act 2011 (the Act) for securing, inter alia, efficient and effective policing for Derbyshire and to deliver value for money, being continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2. In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of her affairs and facilitating the exercise of her functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 2.3. The Chief Constable for Derbyshire is responsible for maintaining the Queen's peace and has direction and control over the officers and staff operating within Derbyshire Constabulary. The Chief Constable holds office under the Crown and is appointed by the Commissioner.
- 2.4. The Chief Constable is accountable in law for the exercise of policing powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by Derbyshire Constabulary. At all times the Chief Constable, her officers and staff remain operationally independent in the service of the public. In discharging her overall responsibilities, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.
- 2.5. The Chief Constable appointed a professionally qualified Chief Financial Officer (CFO) for Derbyshire Constabulary with effect from 22 November 2012. In March 2019 both the Chief Constable and Derbyshire Fire and Rescue Service approved the creation of a permanent Joint CFO role to cover both organisations.
- 2.6. Under the Police Reform and Social Responsibility Act 2011 the Chief Constable's CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the proper financial administration of Derbyshire Constabulary. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social responsibility Act 2011 ("2011 Act")). The Chief Constable's CFO is a key member of Derbyshire Constabulary's Chief Officer Team, helping it to develop and implement strategy and

to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered. The CFO leads the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO ensures the finance function is resourced to be fit for purpose and oversees that appropriate management accounting systems, functions and internal controls are in place so that finances are kept under review on a regular basis. The arrangements in place are in line with the expectations set out in the CIPFA Financial Management Code 2019 and the CIPFA Statement on the Role of the Chief Financial Officer of the Chief Constable (March 2021).

- 2.7. Under s.35 of the 2011 Act in exercising her functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under their direction and control obtain good value for money in exercising their functions.
- 2.8. Derbyshire Constabulary (as a standalone entity) is legally required to produce an Annual Governance Statement. This statement helps the Commissioner to hold the Chief Constable to account for efficient and effective policing. This statement sits alongside the Statutory Accounts for the Chief Constable and gives assurance to the Commissioner of Derbyshire Constabulary's governance arrangements.

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

- 3.1. The governance framework comprises the systems and processes, culture and values by which the Chief Constable is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Chief Constable to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The Force Management Statement also provides a source of assurance in respect of governance and performance and a high level review of the CIPFA Code of Financial Management has not highlighted any significant areas of non compliance.
- 3.2. The Constabulary's governance framework was in place at the year-end 31<sup>st</sup> March 2022 and is expected to be up to the date of the approval of the Statement of Accounts 2021/22.
- 3.3. This statement has been prepared for the 2021/22 financial year to state Derbyshire Constabulary's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.
- 3.4. Derbyshire Constabulary has adopted a joint code of corporate governance with the Commissioner, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Section 6 of the Accounts and Audit Regulations (England and Wales) 2015 in relation to the publication of a statement on internal control. This is underpinned by the governance framework as follows.
- 3.5. A Joint Audit Risk and Assurance Committee (JARAC) is in place providing independent assurance to both the Commissioner and the Chief Constable on the adequacy (excluding Professional Standards) of:-
  - Risk Management and the internal control framework of the Commissioner and Chief Constable.
  - Governance arrangements including providing for value for money.
  - Support and review work of audit providing assurance on risk management, internal controls and the annual accounts.
  - Appointment of internal audit & recommendations on external audit provision.
  - Appropriate scrutiny of annual accounts, with advice from External Audit, especially the financial reporting process.

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

- 4.1. Derbyshire Constabulary's Chief Officer Team, led by the Chief Constable, is responsible for ensuring Derbyshire Police has a corporate governance framework that reflects the principles of openness, integrity, accountability and equality, and supports the delivery of quality policing.
- 4.2. The governance framework enables Derbyshire Constabulary to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money. An annual review of this framework takes place and appropriate improvements are made to ensure that it remains fit for purpose. The Constabulary also carries out regular performance reviews, where each Chief Officer holds the Division or Department to account for their performance. This has been further augmented by the introduction of Priorities Boards, building on the Performance Assurance Board to provide additional focus on overall policing performance, a Design Board to approve and oversee significant projects The Design Board, consisting of the Strategic Leadership Team, also review business cases and priorities with further scrutiny from the Finance Futures Board, to assess funding decisions. There is also a Productivity and Efficiency Board to look at investment and savings decisions including ensuring the Force's resources are targeted appropriately and it functions efficiently and effectively. These boards are made up of key representatives of the Constabulary and Police and Crime Commissioners Office.
- 4.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Constabulary's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

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

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

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

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

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

## **7. Business Continuity**

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

## **8. Insurance**

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

## **9. Health and Safety**

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

## **10. Reviewing and updating standing financial instructions, a scheme of delegation and supporting procedure notes/manuals,**

- 10.1. The Financial Handbook is reviewed and updated regularly to ensure it remains fit for purpose. This clearly defines how decisions are taken and the processes and controls required for managing risk. Following the decision to appoint a Joint CFO for the Constabulary and DFRS, some financial rules have been reviewed to ensure close alignment between the two organisations. Procedure notes and manuals are in place for all key systems and are also reviewed regularly. A Scheme of Delegation sets out financial authorisation levels for police officers and staff throughout the organisation. A Medium Term Financial Strategy is in place and is fully linked to the organisation's strategic objectives. At an operational level, rigorous and

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

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

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

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

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

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

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

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

- 14.1. Derbyshire Constabulary is committed to ensuring our service meets the needs of the people of Derbyshire. Due regard has been taken of emerging stakeholder processes such as the Commissioner's Police and Crime Plan and visits across Derbyshire.
- 14.2. The 'Safer Together' Campaign has a comprehensive engagement strategy, facilitated by the use of the 'Derbyshire Alert' communications system as a means of consulting and sharing information with our communities.

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

- 15.1. A confidential reporting policy is in place to enable officers and staff to report any concerns about malpractice or unlawful actions without fear of recrimination.
- 15.2. The Commissioner has made a commitment to putting things right and has a range of policies in order to deal with public complaints. Complaints against the Chief Constable are dealt with by

the Commissioner; complaints against police officers or police staff that are under the direction of the Chief Constable are dealt with by the Chief Constable.

- 15.3. Complaint handling in Derbyshire Constabulary is monitored in regular meetings between the Head of Organisational Learning, Culture and Ethics (OLCE) and the Chief Executive of the OPCC or the Independent Police Complaints Commissioner.
- 15.4. The Constabulary recognises that it does not always get things right. It is essential that we are open and willing to learn from our mistakes and encourage people to come forward to learn from failures. Constabulary also has an Ethics and Culture Group, which aims to provide support to decision makers and leaders on ethical issues.

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

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

## **17. Standards of Behaviour**




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



## 18. Review of Effectiveness and Conclusion

- 18.1. The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within Derbyshire Constabulary at least annually. This review is informed by the work of the Director of Finance and Business Services and managers within Derbyshire Constabulary who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2021/22 the Commissioner has placed reliance on this review and the Annual Governance Statement of Derbyshire Constabulary.
- 18.2. The Head of Internal Audit Opinion has reported that **“on the basis of our internal audit work, our opinion on the framework of governance, risk management and control is significant in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective.”** and this is as detailed in the Internal Audit Annual Report 2021/22.
- 18.3. In their Audit Results Report for 2020/21, the External Auditor reported that they expect to issue an unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Constabulary’s arrangements for securing economy, efficiency and effectiveness in use of resources. They also reported that they had not identified any significant weaknesses in the Constabulary’s internal control arrangements.
- 18.4. The annual inspections of police effectiveness, efficiency and legitimacy (PEEL) undertaken by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) looked at three key areas. (*The assessment for Derbyshire Police is show in italics*)

Derbyshire Constabulary was inspected in tranche three and we found:

-  the extent to which the force is effective at reducing crime and keeping people safe requires improvement.
-  the extent to which the force operates efficiently and sustainably requires improvement.
-  the extent to which the force treats the public and its workforce legitimately is good.

- 18.5. Following the last PEEL assessment in 2019, HM Inspector of Constabulary stated

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

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

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

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

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

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

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

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

18.6. In response to the inspection, the Constabulary maintains a Force Improvement Team and Force Improvement Group to focus on the actions needed to improve performance and the arrangements in place. A further inspection is currently underway and the report will be issued in the Autumn. A comprehensive performance framework is now in place and significant improvements are already being seen in the areas of demand management, investigations, outcomes and resolution. This is monitored through the Performance Assurance Board and also the PCC's Performance Scrutiny Meetings with further scrutiny through the JARAC.

18.7. We have been advised on the implications of the results of the review of the effectiveness of the governance framework by JARAC and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There are no significant control weaknesses. However, having undertaken the review of governance, the following areas have been identified that are considered important in maintaining and strengthening the internal control environment. These areas will be tracked by the Constabulary and the JARAC over the next 12 months.

Governance and Risk Areas	Action
The Constabulary is modelling the financial challenges in its Medium Term Financial Plan, considering the balance between investment, borrowing, reserves and savings	Our current modelling for 2023/24 shows a reasonable worst case projection of a £2m deficit, depending primarily on funding assumptions. However, this will be updated in the autumn through a revised strategy. The Force balanced its budget in 2020/21 and 2021/22 without the need to use its reserves and has developed savings options to sustain the current investment and meet the funding gap.
<p>The Constabulary has close links with Derbyshire Fire and Rescue Service with the decision to create a permanent joint CFO role as well as closer integration of Assets, Procurement and Fleet teams.</p> <p>As part of this closer working the Constabulary and Derbyshire Fire and Rescue Service will look at how they align their financial regulation and contract procedure rules, along with the potential to create more joint contracts for both organisations.</p>	<p>A joint management board is in place, which is responsible for the management and control of the business and affairs of the LLP and oversees other opportunities to work together.</p> <p>The Joint CFO role ensures alignment between Police and Fire management boards.</p> <p>Both organisations have agreed a set of core principles which are included in a collaboration agreement that formalises collaborative arrangements for Police and Fire</p>
The PEEL inspection highlighted the need to make significant changes to the way crime is recorded and improve its focus on vulnerability.	Improvements have been made in crime recording. A project team has been established to implement a detailed HMICFRS improvement plan with a specific improvement aimed at addressing the issues identified within the

	recent HMICFRS inspection. Regular updates on progress are provided to the HMICFRS.
Constabulary is undertaking a wide range of projects to improve and develop the police estate so that it meets the future needs for policing across Derbyshire. It is essential that these programmes are co-ordinated and managed effectively.	<p>Strategic and operational estates boards are in place to assess priorities for estates investment and oversee Estates projects.</p> <p>The joint Property team with Derbyshire Fire and Rescue Service includes the Joint Head of Strategic Estates and Team for the two organisations and a joint Asset Management Plan and contracts have been agreed.</p>
The Constabulary has an ambitious change management programme aimed at transforming the way that the Constabulary does business.	<p>A Design Board chaired by the Deputy Chief Constable (DCC) is in place supported by a Finance Futures Board to consider funding options and challenges and programme management arrangements have been thoroughly reviewed.</p> <p>There is now a stand-alone Business Change and Innovation Team. Investment has been made to ensure that there are the right resources with the right skills to deliver change across the organisation. At this board, all change will be viewed, mapped and directed to ensure it is all developing the force in the right direction, improving services provided, co-ordinating effort, providing value for money and realising business benefits</p>
Information management and the effective use of data is key to effective policing in the future. It is essential that the Constabulary has sound arrangement to analyse data and effective and appropriate data sharing protocols to protect against inappropriate disclosure.	The Constabulary has a governance structure in place to oversee this the effective use, sharing and storing of data through the DCC and Head of Information Management.

## 19. Coronavirus impact on Governance Arrangements

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

## 20. Declaration

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

Signed:

Signed:

**Chief Constable of Derbyshire  
Constabulary**

**Joint Director of Finance and Business  
Services**

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

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

## **DEFINITIONS**

### **Accounting Period**

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

### **Accruals**

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

### **Agency and Contracted Services**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Financing Requirement**

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

### **Chief Constable**

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

### **CIPFA**

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

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

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

### **Contingent Assets/Liabilities**

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

### **Corporate and Democratic Core**

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

### **Creditors**

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

### **Debtors**

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

**Defined Benefit Scheme**

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

**Depreciation**

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

**Fixed Assets - Intangible**

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

**Formula Grant Distribution System**

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

**Group**

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

**Impairment**

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

**Leasing**

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

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

**Net Book Value**

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

**Non Distributed Costs**

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

**Police and Crime Commissioner (PCC)**

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

**Provision**

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

**Receipts and payments**

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

**Revaluation Reserve**

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



Office of the Police & Crime Commissioner  
for Derbyshire & Derbyshire Police

Internal Audit Progress Report

Presented to JARAC: 21<sup>st</sup> July 2022

**mazars**

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## *Disclaimer*

This report (“Report”) was prepared by Mazars LLP at the request of the Derbyshire Police and the Officer of the Police and Crime Commissioner (OPCC) for Derbyshire and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit the Derbyshire Police and the Officer of the Police and Crime Commissioner (OPCC) for Derbyshire and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A5 of this report for further information about responsibilities, limitations and confidentiality.



## 01 Summary

The purpose of this report is to update the Joint Audit, Risk & Assurance Committee (JARAC) as to the progress in respect of the Operational Plan for the year ending 31st March 2022, which was considered and approved by the JARAC at its meeting on 25<sup>th</sup> March 2021. Moreover, this report updates the JARAC as to the progress in respect of the Operational Plan for the year ending 31st March 2023, which was considered and approved by the JARAC at its meeting on 30<sup>th</sup> March 2022.

The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.

Internal audit provides the Police and Crime Commissioner and Chief Constable with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.

Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.

Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Current progress

### 2021-2022

We are pleased to present all the final reports for the 2021/22 plan within this report. Final reports in respect of Procurement & Contract Management, Payroll, Stock Control and IT Disaster Recovery are included within this report. Moreover, the Collaboration EMSOU Wellbeing final report has also been issued. See Appendix A4 for full details. The final summary of all the audits within the plan are summarised below:

Ref	Audit area	Assurance level	Recommendations			
			F	S	H	Total
01.21/22	Core Financials	Significant	-	-	1	1
02.21/22	Payroll	Significant	-	-	-	-
03.21/22	Transport	Limited	-	5	1	6
04.21/22	Stock Control	Limited	-	4	1	5
05.21/22	Procurement & Contract Management	Limited	-	6	1	7
06.21/22	Complaints Management	Satisfactory	-	2	2	4
07.21/22	IT Disaster Recovery	Satisfactory	-	2	3	-
	<b>Total</b>		-	<b>19</b>	<b>9</b>	<b>28</b>

### 2022/2023

The delivery of the agreed 2022/23 Internal Audit Plan has started and we are pleased to inform the committee that the fieldwork for the Retention Audit has been completed with the draft report to follow shortly.

We have also been in touch with key contacts and have agreed dates confirmed in August & September to deliver the Risk Management Audit & the Core Financials audits respectively.

A detailed discussion on the 2022/23 Collaboration Audit Plan was held at the regional CFO meeting with a number of proposals put forward by Internal Audit. It was agreed that the plan should include a total of six audits with the focus being to get this completed earlier in the 2022/23 year.

We are pleased to update the committee that the field work in respect of EMCHRS L&D Governance, EMSOU – Business Continuity and EMSOU – Risk Management have all been completed with draft reports soon to follow. Moreover, the audits of Digital Currency and EMSOT Closedown are scheduled to take place across the next two months with the audit of Performance Management scheduled in for October. See Appendix 3 for full details.

## 03 Performance 21/22

The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter.

Number	Indicator	Criteria	Performance
1	Annual report provided to the JARAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JARAC	As agreed with the Client Officer	Achieved
3	Progress report to the JARAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	71% (5/7)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (7/7)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (7/7)
9	Customer satisfaction (measured by survey)  "Overall evaluation of the delivery, quality and usefulness of the audit" – Very Poor, Poor, Satisfactory, Good, Very Good.	85% average satisfactory or above	100% (2/2)  Very Good  Good

\*See further details below

## Performance Continued.

Audit	Date of ToR	Start of Fieldwork	Days' Notice	Exit meeting	Draft Report	Time from Close to Draft Report (10)	Management Comments Received	Time to Receive Comments (15)	Final Report Issued	Time Taken to issue Final (5)
Complaints Management	06-May-21	23-Jun-21	33	19-Aug-20	24-Sep-21	26	08-Nov-21	31	08-Nov-21	0
Core Financials	06-Oct-21	15-Nov-21	28	23-Nov-21	17-Dec-21	18	12-Jan-22	15**	12-Jan-21	0
Transport	22-Oct-21	8-Dec-21	33	23-Dec-21	12-Jan-21	7***	10-Feb-22	21	14-Feb-22	2
Procurement & Contract Management	22-Oct-21	4-Jan-22	49	07-Feb-22	14-Feb-22	6	18-May-22	68	18-May-22	0
Stock Management	02-Nov-21	21-Feb-22	76	25-Mar-22	29-Mar-22	3	22-Apr-22	19	23-May-22	3
Payroll	06-Oct-21	14-Feb-22	90	21-Mar-22	31-Mar-22	9	23-May-22	38	24-May-22	1
IT Audits	27-Oct-21	Mar-22	86	27-May-22	09-Jun-22	10	23-Jun-22	11	27-June-22	4

\*Working Days \*\*To note this was over the Christmas & New Year Period \*\*\*Mazars shut between 24/12/21 & 4/1/22 so these dates are excluded.

## A1 Plan overview

21-22

Audit area	Fieldwork Date	Draft Report Date	Final Report Date	Target JARAC	Comments
Complaints Management	23-Jun-21	Sept 21	Nov-21	Nov 21	Final Report Issued
Core Financials Audit	15-Nov-21	Dec 21	Jan 22	Jan 22	Final Report Issued
Transport	13-Dec-21	Jan 22	Feb 22	Mar 22	Final Report Issued
Procurement & Contract Management	03-Jan-22	Feb 22	May 22	Jul 22	Final Report Issued
Counter Fraud	n/a	n/a	n/a	n/a	Removed from Audit Plan
Payroll	14-Feb-22	Mar 22	May 22	Jul 22	Final Report Issued
Stock Control	21-Feb-22	Mar 22	May 22	Jul 22	Final Report Issued
IT Disaster Recovery	Mar-22		Jun 22	Jul 22	Final Report Issued

## A2 Reporting Definitions

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance:</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Priority	Description
<b>1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the Organisation to a high degree of unnecessary risk.
<b>2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the Organisation to a moderate degree of unnecessary risk.
<b>3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## A3 Collaboration Internal Audit Plan 22/23

Audit area	Forces	Status
EMSOT Closedown	Leics, Lincs, Northants	Scheduled for August
EMSLDH Governance	Derby, Leics, Northants, Notts	Fieldwork Completed
EMSOU - Business Continuity	Five Force	Fieldwork Completed
EMSOU Risk Management	Five Forces	Fieldwork Completed
Collaboration Performance Management	Five Forces	Scheduled for early October
Digital Currency	Five Forces	Scheduled for August



# A4 Final Reports

Below we provide the final reports issued.



Office of the Police and Crime Commissioner for Derbyshire and Derbyshire Police

## **Final Internal Audit Report**

**Procurement & Contract Management**

**May 2022**

## 01. Introduction

As part of the Internal Audit Plan for 2021/22 for the Office of the Police and Crime Commissioner for Derbyshire (the OPCC) and Derbyshire Police (the Force), we have undertaken an audit of the controls and processes in place in respect of Procurement & Contract Management.

The specific areas that formed part of this review included: Procurement Regulations, Contracts and Agreements, Expenditure and Ordering, and Contract Management.

The fieldwork for this audit was completed whilst government measures were in place in response to the coronavirus pandemic (Covid-19). Whilst we had to complete the audit remotely, we were able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete our work.

We engaged with several staff members and officers across the Force and OPCC during the review and are grateful for their assistance during the audit.

## 02. Background

Procurement below £25,000 is usually carried out by Force officers and staff through the Agresso system, with orders raised by the Finance & Business Support team. Access controls and approval levels are built into the Agresso system ensuring appropriate approval of purchase orders and payments.

The Procurement team have involvement in the contract management of procurements exceeding £25,000 and are responsible for

establishing the strategic importance of contracts, managing engagement with suppliers, acting as advisors, and also maximising value for money.

The Contract Regulations, that are included in section 5 of the Financial Handbook, set out the procurement processes and thresholds to be adhered to across the Force and OPCC. In addition to this, further guidance is available to staff such as the Procurement Manual, however this is now outdated.

The BlueLight eTendering portal is used for the electronic publishing and receipt of tender documents, as well as other portals such as Find a Tender.

A Contract Management Policy is in place. The Procurement Team are responsible for identifying strategic contracts, where a strategic contract has been identified, a Senior Representative Owner (SRO) should also be identified who has the ultimate responsibility for the performance of that contract. The day to day management of a contract sits with the Operational Contract Owner (OCO) who is also involved in the procurement process from drafting the contract specification to holding suppliers to account for performance.

The Procurement team provide guidance and deliver briefings to staff on contract management for individual framework agreements and contracts. There is not currently a formal training programme in place for contract management, however it was stated that they are now looking for an external provider to deliver a training programme.

### 03. Key Findings

Assurance on adequacy and effectiveness of internal controls for Procurement & Contract Management	
	<b>Limited Assurance</b>

Priority	Number of Recommendations
<b>1 (Fundamental)</b>	-
<b>2 (Significant)</b>	6
<b>3 (Housekeeping)</b>	1

#### Opinion

The assurance opinion, as noted above, for the area of Procurement and Contract Management is limited which means weaknesses in the system of internal controls are such as to put the Organisation’s objectives at risk. It should be noted that we reached this conclusion on the basis of a number of significant recommendations raised across the control areas reviewed, as highlighted in the performance dashboard below.

## Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken.

Key control area	February 2022	
	Assessment	Level of issue
<b>Procurement</b>		
Procurement Regulations, Policies & Procedures	Control effective, except for	Significant issue
Contract Tendering, Evaluation & Awards	Control effective, except for	Significant issue
Contract Expenditure Monitoring	Control effective	No issues noted
Best Value Principles Applied	Control effective	No issues noted
Signed Contracts Available	Control effective	No issues noted
Approval of Requisitions & Purchase Orders	Control effective, except for	Significant issue
<b>Contract Management</b>		
Contract Management Training	Control effective, except for	Housekeeping
Management & Performance Information	Control effective, except for	Significant issue
Renewals & Extensions Monitoring	Control effective	No issues noted

## Examples of areas where controls are operating reliably

### Procurement Regulations

- Policies and procedures are in place such as the Procurement Manual, Procurement Policy and Contract Management Policy.
- The Financial Handbook, which includes the Contract Regulations, is regularly reviewed, and was last updated in April 2021.

### Contracts & Agreements

- A procurement checklist has been developed for procurements over £25,000, this documents the entire procurement process from project initiation to contract monitoring and helps to ensure that the correct procurement process has been followed.
- Before contracts are awarded a decision record, which provides details on the tender evaluation, is signed off by Force and OPCC signatories such as the Head of Procurement, Director of Finance, and PCC. Previously, a separate tender approval report was signed off, however this is no longer required due to duplication where they contained the same information. Audit reviewed 6 procurements over the value of £25,000 and it was found that a decision record or tender approval report had been signed off by the Head of Procurement and CFO in all cases.

- Audit reviewed the contracts related to the 6 procurements and copies of the contract signed off by the PCC were available in all cases.
- Information relating to the tender, such as the original tender evaluation and details of the evaluation team were available for 4/4 of the procurements where tendering was required.

### Expenditure & Ordering

- The ordering team contact Procurement where the value of an order is over £5,000, this allows Procurement to have oversight of expenditure and to check that off contract spend is not taking place. In addition to this, reports are reviewed on a regular basis of expenditure over £25,000 allowing Procurement to ensure that a contract is in place where required.
- Audit selected a sample of 10 items of expenditure between £5,000 and £25,000 and found that in 6/10 cases, three quotations had been raised or an approved alternate action had been taken e.g. single tender action. 4/10 payments related to grant expenditure via the OPCC where quotations were not required.
- A single tender procedure is in place for when procurements under £25,000 meet certain criteria, such as where a supplier is the sole supplier of goods or services. For procurements over £25,000 single tender action is only taken if the need for the contract is urgent. In these circumstances, the usual procurement procedure can be waived after completion of a single tender approval request form which must be signed off by the CFO or PCC. Where single tender action was required,

in 2/10 cases, a single tender approval request (waiver) signed by the PCC was provided.

- The Procurement Policy states that purchases should 'develop cost effective ways to improve service delivery via collaboration and partnership'. Evidence of collaborative procurement opportunities being sought was provided, such as collaboration with the Fire Service, Regional and National Police Forces and use of framework agreements and DPS agreements.
- Procurement checklists include a section for whether collaboration opportunities and value for money has been considered.

#### Contract Management

- Responsibility for contract management has been set out in the Procurement Policy and Contract Management Policy. All strategic contracts should be monitored. Operational Contract Owners (OCO) are assigned who are the responsible individuals for holding suppliers to account against contract performance. The Procurement Team provide support to the OCO's.
- Evidence was provided of contract monitoring being undertaken for two contracts over the value of £25,000. Contract monitoring involved monthly or bimonthly performance meetings where the contractor would provide a progress report.

#### **Risk Management**

There is evidence that the level of non-compliance with some of the control processes detailed in Section 04 may put some of the Organisation's objectives at risk.

An overall assessment has been made over the control systems in place for the OPCC and the Force as a whole, however recommendations that have been raised are directed to one of the specific organisations within **Section 04** of this report.

Audit reviewed a number of policies, procedure and guidance documents related to procurement and contract management at the Force and found that they are all overdue for review. In the case of the Procurement Manual in particular, some sections of this document are noted as having been produced in 2003 with the latest sections being dated as December 2008.

There is a risk that where procurement policies and guidance is significantly out of date this does not reflect current practice in the organisation and therefore incorrect procurement procedures are followed. Audit found areas of procurement where guidance was not aligned to current processes, such as the completion of procurement checklists (**Rec 4.1**).

Upon review of documentation in relation to 6 contracts over the value of £25,000 it was identified that the procurement checklists provided to audit in 2/6 cases did not contain complete information, such as information relating to the tendering process followed. The completed checklists were later provided to audit, however as the staff who completed them used the incorrect procurement template on the EU-Supply tendering portal, the contract award notice was not advertised

on contracts finder. Although at the time of tendering the Force was not aware of the exact value of the contracts, as they are now valued at £545,970 and £614,249 it may have been reasonable to believe that the end value of the contract would have been over the threshold value of £189,000 and therefore should have been published on Contracts Finder. Where there is a failure to publish on Contracts Finder in a timely manner, there is a risk of reputational loss resulting from the failure to comply with government transparency guidance for publishing on Contracts Finder (**Rec 4.2**).

Audit reviewed the contracts register for 10 items of supplier expenditure between £5,000 and £25,000 and found that in 1 case contract extension information was inaccurate and in addition to this, for contracts over the value of £25,000 1/6 contained inaccurate information on the contracts register. Where contract information is not published there is a risk of non-compliance with the Elected Local Policing Bodies (Specified Information) Order 2021 (**Rec 4.3**).

It is noted that contract management procedures should be applied more stringently for contracts identified as strategic value. Audit requested contract management documentation for a sample of 6 higher value contracts over £25,000, however documentation was only available for 2/6 and audit was informed that this was due to the 2/6 samples being project-based work

Some level of contract management and monitoring could be demonstrated through the provided procurement checklists; however, no management information was available for the remaining 4/6 contracts reviewed by audit. Due to this, there is a risk that the Force are unaware of the performance of contracts that are not project-based (**Rec 4.4**).

From the contract management information that was provided to audit, there were some inconsistencies across the two reports provided with one report containing more specific detail such as the percent progress for each project item and figures provided in relation to accidents. Whilst the others reported progress in more general terms, such as 'progressing well'.

Implementing a clearer reporting structure with standard performance measures / KPIs can assist in measuring contractor performance against their obligations, and in comparing performance across different contracts. In addition to this, it can help in identifying whether a contractor is performing poorly across their whole portfolio of contracts rather than seeing individual performance reports in isolation (**Rec 4.5**).

Audit reviewed a sample of 10 payments between £5,000 and £25,000 as well as a sample of 6 payments over the value of £25,000 in order to determine whether a requisition had been raised, and it was found that in 2/10 and 2/6 cases a requisition had not been raised. This can happen where orders are placed without the oversight of Procurement. Where requisitions are not raised there is a risk of non-compliance with the Financial Handbook as well as the incorrect procurement process being followed (**Rec 4.6**).

We also reviewed whether there is any training in relation to contract management in place at the Force, especially for OCOs who are responsible for day to day contract management. Although Procurement are involved in providing briefings to staff on individual contracts and frameworks, there is no structured training programme in place. Due to this, there is a risk that staff responsible for contract



management do not receive the appropriate training leading to contract performance not being monitored effectively (**Rec 4.7**).

### **Value for Money**

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

The Force Procurement Policy and the Financial Regulations make it clear that the aims and objectives of procurement activities are based on best value for money. The procedures have been designed to achieve this such as the requirement of obtaining three quotations for orders between the value of £5,000 and £25,000 and this was evidenced where required.

The Force consider collaborative options in the first place, prior to starting the open tender process. This usually involves the Fire Service as a starting point and can also include collaborative frameworks with other Forces in the region as well as National Frameworks that are viable options for the Force.

### **Sector Comparison**

From our experience across our client base, we are seeing pressure on resources and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision making process where conflicting priorities exist and need to be balanced with effective risk management.

Reduced resources mean that organisations have to accept a certain degree of risk within processes and systems in place and need to ensure this risk is identified and managed as business as usual.

Derbyshire is aligned with other Forces in terms of having a framework outlining how procurement should be carried out and contracts subsequently managed. The approach of a central procurement team providing support to business areas on the lower value items and taking a lead on the strategic items is a common approach that is adopted.

We have found that the level of appropriate training for staff expected to manage contracts can differ and therefore Derbyshire are not alone in addressing the issue that we have raised.

The issue of out of date policies and procedures also occurs at peers in the region, however the length of time since the procurement documentation has been updated is longer than we usually see when this issue occurs.

## 04. Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Procurement Policies &amp; Procedures</b></p> <p><i>Observation:</i> The Force has a number of policies, procedures, and guidance documents available to staff on the intranet related to procurement. These include the Procurement Policy, Contract Management Policy, and the Procurement Manual.</p> <p>Audit received copies of these documents and it was found that the following are overdue for review or not dated:</p> <ul style="list-style-type: none"> <li>• Procurement Manual – Chapters date from 2003-2008</li> <li>• Procurement Policy – Not dated</li> </ul>	<p>All out of date policy, procedure and guidance documents should be updated to reflect current practice. They should then be reviewed on an annual basis and updated as needed.</p> <p>Policy, procedure, and guidance documents should include a document control section detailing at minimum the person responsible for the document, the date last reviewed and the date of the next review.</p>	2	<p>As discussed prior to the audit, procurement were aware and have planned to perform a long overdue update/refresh of the suite of procurement and contract management policies and procedures.</p> <p>This piece of work precedes the current Head of procurement and is a legacy of the regional procurement provision.</p> <p>Recent retirement and resignation of team members have added to the pressure on resources but has allowed a review and update of the team structure. This is intended to improve manual admin processes, whilst the introduction of automation of some processes via contract</p>	<p>Accepted</p> <p>December 2022</p> <p>Head of Procurement</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<ul style="list-style-type: none"> <li>Guidance for Contract Management – Not dated</li> <li>Contract Management Policy – May 2018</li> </ul> <p>Audit noted that whilst generally the procedures are aligned to current practice e.g. the thresholds are still correct. Other key areas such as the procurement checklist utilised are not included.</p> <p>During discussions with the Head of Procurement it was found that existing policies and procedures were created prior to the regional procurement function and documentation, including who approved these policies, has been misplaced.</p> <p>All existing documents are due to be reviewed and updated this year.</p> <p><i>Potential Risk:</i> Policies and procedures do not reflect current practice leading to inconsistent</p>			management software will eliminate human inputting errors.	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>approach to procurement across the Force.</p> <p>Lack of resilience in procurement processing should key staff be unavailable and out of date procedures are followed</p>				
4.2	<p><b>Contracts Finder – Find a Tender</b></p> <p><i>Observation:</i> Tender opportunities are managed by the Force and OPCC electronically and advertised on the BlueLight tendering portal. For contracts valued over £25,000 a competitive process is followed and the tender requirements should also be published in the government Contracts Finder portal within 24 hours of advertisement on any other portal as noted in required by the Public Contract Regulations 2015 and PPN 09/21. The contract award should be published within 90 days of the contract award date.</p> <p>Procurement checklists are also completed by procurement officers during each stage of the contract and</p>	<p>Awarded contracts over the value of £25,000 should be published on Contracts Finder and the Find a Tender service where required.</p> <p>Where the exact value of a potential contract is not known, there should be a consideration of whether the value is likely to exceed £25,000 which would therefore require publishing on Contracts Finder.</p> <p>Guidance should be produced for staff using procurement checklists to</p>	2	<p>All competed tenders, if not via a framework mini competition, are advertised via an e-procurement portal to comply with regulations. Within the system a number of templates exist to process tender opportunities of differing values.</p> <p>A key threshold for publication of opportunities to Find a Tender is better known 'OJEU' threshold of £189,000. At the commencement of some tendering projects, it is difficult to accurately state the expected value of a potential contract, and we rely on experience both of the OCO and procurement officer.</p> <p>On occasion we may get this estimate wrong and as a result a small amount of detail may be missed</p>	<p>Implemented</p> <p>Processes and procedures have been reviewed with the current team and will be an on-going learning for existing and new staff annually to ensure continued compliance.</p> <p>Head of Procurement.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>detail the dates and names of people involved at each stage from project initiation to the contract award and management. This ensures that the correct process has been followed for the contract and acts as a reference.</p> <p>Audit reviewed a sample of 6 contracts over the value of £25,000 and found that in 2 cases the contract had not been published on Contracts Finder.</p> <p>During discussions with the Head of Procurement, it was stated that at the time of the tenders being published there was no knowledge or expectation of the contract value and due to this it did not trigger a notification for publishing the award notice on Contracts Finder.</p> <p>Additionally, it was found that for both contracts, the correct checklist had not been completed, contributing to the reason why the procurements had not been published:</p>	<p>ensure that they use the correct template.</p>		<p>at the time of publication, this is however corrected as soon as we become aware, or award of contract is completed.</p> <p>The checklist is something we introduced to assist the procurement team to comply with regulatory requirements.</p> <p>This oversight has been corrected, DP0432 contract award has been published.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<ul style="list-style-type: none"> <li>• DP0432 (£545,970.96) – The incorrect e-procurement tendering template was used leading to the procurement not being published on Contracts Finder.</li> <li>• DP0319 (£614,249.28) – The incorrect e-procurement tendering template was also used, leading to the procurement not being published on Contracts Finder.</li> </ul> <p>As of the 10 February 2022, the award notice for DP0319, but not DP0432, has now been published on Contracts Finder.</p> <p><i>Potential Risk:</i> Failure to advertise tenders and the associated award notice properly may lead to the Force being in breach of the Public Contracts Regulations 2015.</p>				

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.3	<p><b>Contracts Register</b></p> <p><i>Observation:</i> The Force publish details of all contracts on a contract register which is published on the 'Accessing information' section of its website, this should be published on a quarterly basis. The procurement team review the contract register on a quarterly basis in order to confirm that extensions and renewals are kept up to date.</p> <p>Audit reviewed a sample of 10 items of expenditure with suppliers between £5,000 and £25,000 and found that:</p> <ul style="list-style-type: none"> <li>Contract CN1000562 has incorrect information noted on the contract register. An extension has been provided until 30/11/2021 however the contract register only includes details of the previous extension up to 30/11/2020.</li> </ul>	<p>The contract register should be sample checked on a regular basis to ensure that it contains accurate information.</p> <p>Contracts should be promptly published in the contracts register where there is a requirement to do so.</p> <p>The contracts register should be published on a quarterly basis.</p>	2	<p>The contract register is updated quarterly, this oversight was the result of another department not forwarding the data for uploading.</p> <p>The procurement team meet monthly (more regularly now due to resource pressures) to review, update and horizon scan the contracts register. The contracts register is a download from the Agresso finance system and periodically can be affected by updates in other areas of the system. This issue is being addressed by the introduction of an independent procurement contract management, project and reporting database.</p> <p>Currently contracts are added to Agresso and the National BLPD database at the time of sign off by both parties.</p> <p>Quarterly a redacted version of the contracts register is sent to the FOI team to assist with their enquiries, and it is then sent onto comms for</p>	<p>Implemented</p> <p>A new process is now in place which means Procurement provide the data to be uploaded direct rather via other departments.</p> <p>Head of Procurement</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Audit also reviewed a sample of 6 items of expenditure above £25,000 with suppliers and found that:</p> <ul style="list-style-type: none"> <li>Contract DP0432 has a value of £0 on the contracts register. At the time of tendering the contract value was not known, however the value for this contract has now been defined.</li> </ul> <p>Upon review of the OPCC and Force website, it was found that the latest publication of the contracts register was in September 2021, due to this the latest contracts register is overdue for publishing.</p> <p><i>Potential Risk:</i> Inaccurate information is on the contracts register which misleads the public.</p> <p>The Force cannot keep track of contract renewals / extensions where incorrect information is provided.</p> <p>Where contract information is not published there is a risk of non-</p>			<p>update to the force website. Procurement provided an update register in January 2022; investigations will be made into whether this was then passed to Comms.</p> <p>A review of this process will also take place to ensure compliance going forward.</p> <p>Inputting error since corrected when highlighted.</p> <p>Register was updated to reflect value on report of inputting error. Project now completed.</p> <p>Detail of the publication process is provided above. At the moment this information is provided to another team within force for their use, we need to ensure that this is then forwarded on for further publication in a timely manner.</p> <p>Procurement team currently managing circa 300 live contracts, in</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	compliance with the Elected Local Policing Bodies (Specified Information) Order 2021			a hugely manual process inevitably some inputting errors to occur. These are corrected at the earliest opportunity. The introduction of a new management system and improved processes will mitigate the errors even more in the future.	
4.4	<p><b>Contract Management</b></p> <p><i>Observation:</i> According to the Contract Management Policy, part of the remit of the Procurement Unit is to lead and manage all engagement with suppliers. This includes identifying strategic contracts in particular where contract management and monitoring is of a higher significance. Typically, a principle user, usually the budget holder, will take responsibility for contract management but this varies with each contract.</p> <p>Audit requested contract management documentation, such as evidence of contractor performance meetings and KPI</p>	<p>The Contract Management Policy should be updated to specify the exact circumstances where contract management / monitoring is required and how it should be documented.</p> <p>Procurement should have access to contract management related documentation in order to support the monitoring of contract performance.</p>	2	<p>Contract Management policy is long overdue an update/refresh. This is legacy work that is high on the agenda to complete in the next 6 months, sooner if workloads allow.</p> <p>As/when required Procurement do have access to any contract management information held by another department.</p> <p>As part of the intended roll out of contract management, standardisation in reporting requirements will also be introduced.</p> <p>Also, the potential introduction of contract manager/business partner post will assist the whole force to</p>	<p>Accepted</p> <p>Completion of work expected December 2022</p> <p>Head of Procurement</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>reports for a sample of 6 contracts over the value of £25,000, however it was found that contract management documentation was only available for 2 contracts. According to the Head of Procurement, contract management documentation is only available for project-based work, such as for the 2 samples where evidence was provided.</p> <p>The contract management documentation provided related to monthly / bimonthly contractor performance meetings carried out and contractor performance reports presented by the contractor at these meetings.</p> <p>During discussions with the Head of Procurement, it was also found that the individual business areas (e.g. Assets) hold documentation in relation to contract management and this is not held by procurement directly.</p>			comply with requirements and improve contract management.	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<i>Potential Risk:</i> Lack of contract monitoring taking place leading to contractual performance being unknown.				
4.5	<p><b>Contractor Performance / KPIs</b></p> <p><i>Observation:</i> According to the Contract Management Policy, contract management should include the tracking of service delivery against milestones, KPIs and Service Level Agreements.</p> <p>Contract monitoring documentation provided to audit consisted of minuted monthly / bimonthly contractor performance meetings and contractor performance reports presented by the contractor at these meetings.</p> <p>In all cases the contractor performance reports included a discussion of the progress for individual parts of the works, however there was a difference in the level of</p>	<p>The Force should consider developing a range of standard KPI / performance indicators for contractors to report contract performance against, which may differ depending on the type of contract.</p> <p>Standard KPI / performance indicators should be detailed in contractual documents and agreements, such as the ITT and contract itself.</p>	2	<p>The contract management policy update will also include standard KPI's and performance indicators to assist the procurement team and OCO's around supplier management.</p> <p>A review of reporting mechanisms will also take place.</p> <p>Other documents will be updated accordingly to ensure supplier understanding and potential impacts throughout the tendering/contractual process.</p>	<p>Completion of work expected to December 2022 and with the introduction of a contract manager.</p> <p>Head of Procurement</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>detail provided by reports presented by different contractors.</p> <p>For example, one contractor report provided an indication of progress in percent terms, whether any additional days were required, and any notes for each item e.g. substandard workmanship, whereas a separate contractor's report just stated whether the works were in progress or completed.</p> <p>Contractor reports reviewed generally provided limited KPIs / performance indicators.</p> <p>Review of documentation such as the Invitation to Tender (ITT) in relation to the above contracts found that the embedded monitoring and service level requirements were limited. Monitoring requirements included contractual review and ad-hoc meetings and service level requirements only set out the requirement for 'enough suitably vetted operatives with the right skill</p>				

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>level and qualifications' to carry out the contract within the timeframe.</p> <p><i>Potential Risk:</i> Inconsistent performance measures / KPIs used across contracts leading to difficulty comparing projects.</p>				
4.6	<p><b>Purchase Orders / Requisitions</b></p> <p><i>Observation:</i> According to clause 4.3.3 of the Financial Handbook 2021, 'official orders for all works, goods or services to be supplied to Derbyshire Police' should be raised with the exception of purchases included on a list of exemptions agreed with the CFO.</p> <p>Upon review of a sample of 10 payments between £5,000 and £25,000 it was found that:</p> <ul style="list-style-type: none"> <li>2/10 cases a requisition and the associated form were not raised.</li> </ul>	<p>It should be ensured that:</p> <ul style="list-style-type: none"> <li>Orders / requisitions are raised, and the appropriate requisition form used as required.</li> <li>Procurement &amp; Finance should align their processes to allow Procurement to have oversight of payments to ensure that the appropriate procurement process has been followed.</li> </ul>	2	<p>This is a finance/ordering process. Procurement only becomes aware when informed by finance team of purchase orders/requests exceed £5,000. This however is another manual process and oversight may occur. The periodic checking of agresso transactions provides some mitigation.</p> <p>Procurement and finance do align but perhaps this could be automated to ensure that Procurement are looped on purchases via tasking within Agresso. This would help to ensure</p>	<p>Accepted</p> <p>Requires a review of finance/purchasing/procurement processes.</p> <p>Reported issues outside of procurement control.</p> <p>December 2022</p> <p>Head of finance and Head of Procurement</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Upon review of a sample of 6 payments over £25,000 it was found that:</p> <ul style="list-style-type: none"> <li>2/6 cases a requisition was not raised and the form not available, audit was informed that this was due to the payments being part payments for a larger project.</li> </ul> <p>During discussions with management, it was found that in some cases when placing an order this is not forwarded to Procurement from the Finance teams and this can lead to a requisition not being raised, and that this may be due to Procurement and Finance procedures not being aligned.</p> <p><i>Potential Risk:</i> Orders are not raised when required leading to non-compliance with the Financial Handbook.</p>			<p>all off contract spends are identified and acted upon.</p> <p>These are direct payments via supplier invoice or payment vouchers. These are processed by finance without procurement input. This again could be addressed following a review of the ordering process to loop in procurement.</p>	
4.7	<b>Contract Management Training</b>		3	Procurement, along with the support of Bluelight Commercial are looking to introduce contract management	Accepted

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p><i>Observation:</i> According to the Contract Management Policy, staff responsible for contract management should receive relevant training for contract management, such as commercial awareness training which should be delivered by the Procurement team.</p> <p>Evidence was provided to audit of the Procurement team being involved in a variety of procurement process briefings, and briefings related to individual contracts and frameworks.</p> <p>However, evidence was not provided of there being a formal / structured training programme in place for staff involved in contract management on a day to day basis.</p> <p><i>Potential Risk:</i> Staff responsible for contract management are not able to access training leading to ineffective contract management being implemented.</p>	<p>Procurement should consider developing a more formal / structured training programme for all staff involved in contract management.</p>		<p>training, not only within the procurement team but also the wider force where required.</p> <p>This will hopefully be managed by the potential new contract manager/engagement officer role along with support from HR colleagues</p>	<p>Head of Procurement December 2022</p>

## A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Rob Atkinson, Head of Procurement
<b>Internal Audit Team:</b>	David Hoose, Partner Mark Lunn, Internal Audit Manager Connor Wood, Auditor
<b>Last Evidence Received / Exit Meeting:</b>	7 <sup>th</sup> February 2022
<b>Draft report issued:</b>	14 <sup>th</sup> February 2022
<b>Management responses received:</b>	18 <sup>th</sup> May 2022
<b>Final report issued:</b>	18 <sup>th</sup> May 2022

## Scope and Objectives

Our audit considered the following risks relating to the area under review:

### Procurement Regulations

- Previous audit recommendations raised have been implemented and embedded into the control framework.
- Procurement activity is governed by Contract Regulations and that these are available to all relevant staff.
- Where contracts have been awarded, their tendering, evaluation and award are in accordance with Contract Regulations
- Best value principles, for example, through the use of quotes, tenders, national and regional frameworks, etc are applied. This includes opportunities for collaborative procurement, including those with other Forces or the Fire Service.
- Expenditure with regards to goods and services is incurred in accordance with Contract Regulation and where there is a contract / agreement in place, expenditure is only incurred with these suppliers.
- Requisitions and purchase orders are approved at the appropriate level and in accordance with approved delegated authorities.
- The contracts are signed in line with the schemes of delegation and the contracts include effective performance monitoring expectations



### Contract Management

- The responsibility for managing individual contracts are clearly defined and communicated across the Force.
- Staff responsible for contract management are provided with appropriate guidance, support, or training.
- There is an effective contract management framework in place that is underpinned by clear and agreed performance measures.
- Comprehensive and timely management information is provided to the Force / OPCC to enable it to monitor performance of each contract.
- Non-delivery of the service is flagged at the earliest opportunity and actions put in place to address the issues.
- There are clear escalation procedures in place for dealing with non-performance.
- There is a robust monitoring process in place to ensure renewals/extensions of existing contracts are dealt with in a timely manner.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Procurement & Contract Management systems with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Procurement & Contract Management process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

# mazars



Office of the Police & Crime Commissioner for Derbyshire and Derbyshire Police

## **Final Internal Audit Memo**

**Payroll 2021/22**

**May 2022**

## 1. Introduction

In line with the approved 2021/22 Internal Audit Plan for the Office of the Police & Crime Commissioner for Derbyshire and Derbyshire Police, Internal Audit have carried out an audit of the Payroll function to review the effectiveness of the internal controls in operation. There is a joint working arrangement between Derbyshire Police and Leicestershire Police for the administration of the Payroll function and, as such, Mazars carried out work with both organisations as part of the audit.

Whilst we had to complete this audit almost entirely remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work.

## 2. Background

The Leicestershire Payroll Team have responsibility for the input of data into the Payroll system on behalf of both Derbyshire and Leicestershire Police.

The payroll system continues to be made up of four separate payrolls for each of the forces – Police Officers, Police Staff, Pensioners and Office of the Police and Crime Commissioner Staff. Each payroll follows the same administration processes, although are paid at different times of the month in line with the agreed payroll timetable.

The payroll system in place prior to December 2021 was iTrent, with Kier providing the Force the service of maintaining and running the Payroll System, as well as processing the monthly BACS payments.

From December 2021, the Force has changed payroll provider from Kier, using an outsourced instance of Midland HR's (MHR) iTrent software, to a hosted instance of MHR's software following a transfer of information by MHR. The change in provider for this service will also be reviewed within our upcoming payroll provider audit.

The Derbyshire HR Service Centre provides the information on new starters, leavers and variations in the format of a PIM request form sent to the Leicestershire Payroll Team. The Team review the information from the PIM request form and then input on to the iTrent system. Expenses and Overtime at Derbyshire are administered and managed by the Derbyshire Finance team. Workflows are embedded within the Agresso system to automatically approve claims which fall under £50.00 per line and have a total claim of under £300.00. When the claim is above either of these thresholds, the workflow routes the claim to the Finance team for approval.

### 3. Findings

The Leicestershire Payroll Team is notified of new starters, leavers and variations to existing payroll data in the format of a PIM request form from Derbyshire. The information from the PIM request form is then input on to the iTrent system. Audit recalculated the first payslip for a sample of 5 new Derbyshire starters to confirm that this had been processed in accordance with their start date and respective salary.

Leavers from the Force are timely and accurately removed from the payroll, following instruction via the PIM request form. Audit tested a sample of 5 leavers from Derbyshire, where it was confirmed that the employee account was closed on the iTrent system. Audit also confirmed for each of the leavers that the final payslip was correctly calculated.

Variations to employment are requested through a PIM request form, which the Leicestershire Payroll team will process. Audit confirmed that a sample of 5 Derbyshire variations had been processed in accordance with the PIM request form.

The finance team at Derbyshire centrally process any overtime, expenses or mileage claims. These claims are processed on the Agresso finance system, where officers can submit their overtime, expenses and/or mileage claims for authorisation to their line manager. Audit performed sample testing of 5 overtime and 5 expenses claims, where it was confirmed that in all instances, the claims were made in accordance with Force policy.

As part of our audit, we have reviewed recommendations previously raised in our Payroll audit (November 2020) to ensure that appropriate action, either detailed within management responses or otherwise, has been taken to rectify any issues and/or errors.

The recommendation noted for Derbyshire was regarding errors identified in the processing of new starters and their first salary payment. It was noted that for one new starter, the salary was entered incorrectly due to an error from the Derbyshire HR Service Centre (HRSC). Therefore, a log of PIM errors was created and maintained for review by the Head of HRSC and the HRSC Manager on a monthly basis.

As part of our audit, we have viewed the latest version of this log and confirmed that it had been provided to the Head of HRSC and the HRSC manager. Additionally, our review of the processing of new starters didn't identify any issues and/or errors with this or their first salary payment, therefore we consider the issue to be resolved.

### 4. Sector Comparison

From our reviews carried out with other Forces across the region, we have noted that there are different approaches used for managing Payroll. These approaches range from internal provisions for the HR functions, the use of a shared service centre that includes payroll services and the use of a specific external payroll provider. Derbyshire utilises Leicestershire as a payroll service provider, through Midlands HR (MHR) and

previously Keir, and places reliance on these organisations that processes are carried out appropriately. This is supported by assurance provided by this audit over the controls in place at Leicestershire for Payroll for both Leicestershire and Derbyshire Forces and OPCCs.

Derbyshire have established an electronic process in place for the processing of overtime and expense claims. Audit performed a sample test, confirming that claims were processed in accordance with Force policy. This is in line with well performing peers across the sector.


## 5. Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We have identified no areas where there is scope for improvement in the control environment.

## 6. Conclusion

An audit opinion of ‘Significant’ has been achieved with regards to the controls in place within Leicestershire for the delivery of the payroll service; see Appendix 1 for audit definitions of assurance opinions. A breakdown of this assurance has been provided below:

Overall assurance on adequacy and effectiveness of internal controls for Payroll		Priority	Number of Recommendations
	Significant Assurance	1 (Fundamental)	-
		2 (Significant)	-
		3 (Housekeeping)	-

## Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken. As these are reviewed on a cyclical basis audit have provided the previous Payroll audit findings to show a comparison.

Key control area	November 2020		March 2022	
	Assessment	Level of issue	Assessment	Level of issue
<b>Payroll</b>				
Starters	Control effective, except for	Housekeeping Issue	Control effective	No issues noted

Key control area	November 2020		March 2022	
	Assessment	Level of issue	Assessment	Level of issue
Leavers	Control effective	No issues noted	Control effective	No issues noted
Variations	Control effective	No issues noted	Control effective	No issues noted
Deductions	Control effective	No issues noted	Control effective	No issues noted
Expenses	Control effective, except for	Housekeeping Issue	Control effective	No issues noted
Overtime	Control effective	No issues noted	Control effective	No issues noted
Payroll Runs	Control effective	No issues noted	Control effective	No issues noted
<b>Other (Cross Cutting Themes)</b>				
Policies, Procedures and Guidance	Control effective	No issues noted	Control effective	No issues noted
System Access	Control effective	No issues noted	Control effective	No issues noted
Fraud Prevention	Not tested at this review		Control effective	No issues noted

The audit of the Payroll System found that there is a sound system of internal control designed to achieve the Organisation's objectives and the control processes tested are being consistently applied. The Leicestershire Payroll Team are completing the required inputs on behalf of Derbyshire's payroll, with sample testing confirming that these changes were made in accordance with the information recorded on the PIM request form in all instances, in a timely manner.

## Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Andrew Dale, OPCC Chief Finance Officer Simon Allsop, Joint Director of Finance Jon Peatling, Force Head of Finance & Business Support Julie Cook, Corporate Finance Manager
<b>Internal Audit Team:</b>	David Hoose, Partner Mark Lunn, Internal Audit Manager Alexander Campbell, Senior Auditor
<b>Last Evidence Received / Exit Meeting:</b>	21 March 2022
<b>Draft report issued:</b>	31 March 2022
<b>Management responses received:</b>	23 May 2022
<b>Final report issued:</b>	24 May 2022

## Scope and Objectives

Our audit considered the following risks relating to the area under review:

### Payroll

- New employees appropriately vetted new joiners are completely, accurately, validly and timely added to the payroll at the rates of remuneration per the contracts of employment.
- Employees taking leave of the organisation's employment are completely, accurately, validly and timely removed from the payroll and outstanding commitments to both parties to the contract of employment are accurately and validly made to prevent complications arising after the termination of the employment



- Variations and adjustments to the payroll are reviewed and scrutinised prior to payment.
- Deductions, both statutory (PAYE & Pension) and voluntarily made (requests), are completely, accurately, validly and timely made in line with the contracts of employment and legislative requirements
- Expenses Payments to staff are accurately, validly and paid in a timely manner
- Overtime Payments to staff are accurately, validly and paid in a timely manner
- Payroll information is completely, accurately, validly and timely produced and secured to allow for effective monitoring and decision making in line with management requirements.

#### Other (Cross Cutting Themes)

- Procedures and policies in place and have been communicated to all relevant staff.
- Systems and data are adequately protected to reduce the risk of them being open to abuse.
- Audit will perform all tests with fraud prevention in mind but specific areas to be further considered:
  - Comparison of employee bank details and supplier details
  - System processing outside of expected working hours

The objectives of our audit were to evaluate the adequacy and effectiveness of the Payroll systems with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Payroll process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.



Office of the Police and Crime Commissioner for Derbyshire and Derbyshire Police

## **Final Internal Audit Report**

**Stock Control 21-22**

**May 2022**

## 01. Introduction

As part of the Internal Audit Plan for 2021/22 for the Office of the Police and Crime Commissioner for Derbyshire (OPCC) and Derbyshire Police, we have undertaken an audit of the controls and processes in place in respect of Stock Control.

The specific areas that formed part of this review included: Policies, Responsibilities & Security; Stock Controls; Write Offs & Returns; and, Management Information.

We engaged with several staff members and officers across the Force during the review and are grateful for their assistance during the audit.

## 02. Background

Due to the activities and visible nature of police roles carried out by Derbyshire Police, the Force holds Uniforms and Equipment as stock within dedicated stores. This stock is issued as uniform to new officers, as replacement uniform items to existing officers and as replacement equipment for use within vehicles or with officers (i.e. traffic cones, speedcuffs, etc.). As with any stock held by an organisation, especially within the public sector, there is an expectation that the value of this stock is known and that it is only issued in appropriate circumstances, usually determined by the organisation. For the Force, this is determined by the Force's Uniform Committee, who decide on the entitlements to uniform and equipment for officers by their role.

This stock is held centrally at the Force's Stores at Derbyshire Police Headquarters (HQ Stores) and managed by the Stores Team. This

team of 3 (approximately 2.5 FTE) is responsible for the purchasing, storage, management and issuance of items to staff and officers as they are entitled. The stores are approximately 300 square meters, containing both the storage and picking areas for stock as well as the fulfilment and fitting areas. Additionally, there is a loading area for deliveries and an office for the Stores Team.

When an officer requests items, they submit a form to HQ Stores. This request is checked against the role entitlement and the remaining entitlement of the officer. If the officer is not entitled to the requested items, or they have already exceeded their entitlement, the request is rejected. Requests are then fulfilled by the HQ Stores team and can be issued to the officer for collection or by internal post to the relevant police location.

Some items may need to be specially ordered in where they are for specialist roles or for items that are less frequently requested, i.e. boots and shoes. These items, alongside regular orders of faster moving stock, are approved by appropriate budget holders and purchased within the Force's procurement framework.

### 03. Key Findings

Assurance on adequacy and effectiveness of internal controls for Stock Controls	
	Limited Assurance

Priority	Number of Recommendations
1 (Fundamental)	-
2 (Significant)	4
3 (Housekeeping)	1

#### Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken.

Key control area	March 2022	
	Assessment	Level of issue
<b>Policies, Responsibilities &amp; Security</b>		
Policies & Procedures	Control effective, except for	Significant Issues
Roles & Responsibilities	Control effective, except for	Housekeeping Issues
Physical Security	Control effective	No issues noted
<b>Stock Controls</b>		
Stock Takes	Control effective, except for	Significant Issue
Stock Reporting	Control ineffective	Multiple Issues
Purchases	Control effective	No issues noted
<b>Write Offs &amp; Returns</b>		
Write Offs	Control effective	No issues noted
Returns & Disposals	Control effective, except for	Significant Issues
<b>Management Information</b>		
Management Information	Control ineffective	Multiple Issues

## Examples of areas where controls are operating reliably

### Policies, Responsibilities & Security

- Policies and procedures are in place at HQ Stores in relation to Health & Safety and how to order uniform or stock. These are regularly updated and available to all staff on the Force intranet.
- Roles and responsibilities are clearly understood within HQ Stores for the ordering of stock, ordering of specialist/low-volume items, fulfilment of orders and the required entitlement checks.
- HQ Stores are subject to appropriate levels of physical security with key access restricted to HQ Stores and limited number of entrances.

### Stock Controls

- Stock orders for replenishment or specialist/low-volume stock are appropriately authorised by budget holders under the Scheme of Delegation; and, are procured in accordance with the procurement regulations, where necessary.

### Write Offs & Returns

- When stock is written off, usually due to a change in Force uniform or a product recall, the value is determined using cost basis from purchase and remaining stock in HQ Stores and is approved in line with the Scheme of Delegation.

## Risk Management

From our audit work, we have identified weaknesses in the system of internal controls, including levels of non-compliance, that puts the Organisation's objectives at risk.

There are a range of policies and procedures applicable to the HQ Stores and uniform ordering process. However, audit has noted that there are no specific policies and procedures applicable to the HQ Stores for stock control & stock reporting. We did identify a guidance document related to the process of fulfilling uniform orders, however it was noted from discussion with staff that this was not known to all staff within the HQ stores.

We have therefore raised a recommendation (**Rec 4.1**) for the Force to develop and publish formal written procedures/guidance notes for the stores processes to ensure resilience and ease of training of new staff.

As part of our audit work, we have noted that tasks within the HQ Stores are delegated informally (and occasionally on an ad hoc basis) to ensure that tasks are carried out in an efficient and timely manner. However, it was found that there are no written formal responsibilities for the various roles in the HQ Stores and that some tasks had been taken on that may be more effectively carried out elsewhere within the Force.

We have therefore raised a recommendation (**Rec 4.2**) for the Force to consider formalising responsibilities into job descriptions, so that these are known when replacing staff on a temporary or permanent basis.

From our audit work, we have noted that the Force carries out stock takes of the HQ Stores on an annual basis but that this is not carried out at the year end. Instead, the stock takes are carried out on an ad hoc basis, loosely on an annual basis, with additional stock takes carried out on request (i.e. a request for a stock take of Covid-related PPE was received during our site visit). The most recent stock take for the majority of items was carried out in May 2021, with further ad hoc stock takes for individual items carried out in September 2021, December 2021 and January 2022.

The current stock level is estimated using the quantity derived from recent stock takes; any received and outstanding purchases; and, any items issued to staff/officers. These estimated stock levels are then used to determine if the uniform and other stock is material for financial reporting processes.

We have therefore raised a recommendation (**Rec 4.3**) for the Force to implement a stock take schedule, ideally to align with the financial year end, to assist in financial reporting and stock control.

From our audit work, we have noted that the Force does not currently utilise a stock management system and therefore is unable to generate management information related to stock reporting and cannot accurately determine the current level of stock without conducting a full stock take.

We have therefore raised a recommendation (**Rec 4.4**) for Force to consider the implementation of a stock control system to allow for stock management, monitoring, ordering and reporting.

Stock is returned to the Force when staff/officers leave the Force or role; or, where there is a product recall (i.e. due to a Force uniform

change, a general product recall, etc.). Items are returned to the HQ Stores through the internal post or dropped off at HQ stores. Items are usually tagged to enable reconciling against issued stock records maintained by HQ Stores, to ensure that all items have been returned.

Items are then stored in a shipping container located near HQ Stores and locked with a single key, kept within the HQ Stores office. Collection of these items is then organised with Veolia through facilities/estates and the items are removed for disposal.

At the time of the audit, we noted that there had been issues with organising the collection of returned items for disposal and observed that the container was nearly filled with items awaiting collection.

This appears to be an issue caused by delays due to Covid, however it should be resolved as a matter of urgency. We have therefore raised a recommendation (**Rec 4.5**) for the Force to ensure that items for disposal are collected in a timely manner and to organise the collection of the current stock as a matter of urgency.

## Value for Money

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Currently, as the Force and OPCC do not carry out a detailed schedule of stock takes, it is possible for the HQ Stores to order more stock than required or to run out of stock of fast-moving items.

Additionally, the stock take process and methodology for estimating stock levels is carried out within MS Excel spreadsheets where

software may provide a more effective and efficient process for carrying out stock takes and providing stock level reports.

The Force currently rents a storage container as overflow storage for Covid-related PPE however, as the government has relaxed restrictions, this can now be considered surplus to requirements and it may be more efficient to dispose of this stock and remove the rental expense. One consideration could be that the excess PPE is donated to NHS trusts or charities.

## Sector Comparison

From our experience across our client base, we have noted that other Forces have a policy of replacing equipment/uniform on a condemnation basis, i.e. to issue a new item only to replace an unserviceable item. In this case, old items must be returned to a central location for recycling or secure disposal. In comparison, Derbyshire issues items on an entitlement basis over a defined period and only requires the return of items when leaving the Force permanently or being away for a long period of time. This means that staff/officers could build up a larger stockpile of uniform at Derbyshire than at other Forces.

Additionally, we have noted other Forces using a self-service procurement portal for the function of ordering uniform and items, however these Forces have not implemented a multi-item entitlement, i.e. officers are entitled to multiples of an item within a period, and the portal does not require authorisation for an order. In comparison, Derbyshire utilises a request form, checked against remaining

entitlement for the staff/officer's role, with the Stores Team effectively providing authorisation.

## 04. Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified an area where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b><u>Procedure Documentation</u></b></p> <p><i>Observation:</i> There are a range of policies and procedures applicable to the HQ Stores and uniform ordering process. These cover areas of Health &amp; Safety (i.e. lifting, safe storage, etc.), stock/uniform entitlement/ordering and appearance standards.</p> <p>During our audit we were informed that there were no specific policies and procedures notes applicable to the HQ Stores for stock control and stock reporting. However, following our audit, management provided us with 13 procedure notes relevant to HQ Stores that staff were not aware of.</p> <p>We did identify a guidance document related to the process of fulfilling uniform orders, however, through discussion with Store's</p>	<p>The Force should ensure that procedure notes are effectively communicated to all staff and are accessible.</p>	2	<p>There are currently 13 separate Procedure Notes covering a variety of tasks undertaken within Stores. These are accessible to the Stores Staff on a shared folder (MS Explorer). The Procedure Notes will be reviewed to identify any gaps in processes or tasks that are not adequately documented.</p> <p>Specific Procedure Notes for stock control and stock reporting will be issued as part of the implementation of a new stock control system.</p>	<p>Head of Finance and Business Support.</p> <p>Timescale to be determined by the introduction of a stock control and ordering system.</p>



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>staff, it was noted that this was not widely known to all staff within the HQ stores.</p> <p>Therefore, as staff were unaware of any documents during our audit and we were only provided with copies afterwards, it is clear that there is a lack of awareness of these documents with relevant staff.</p> <p><i>Potential Risk:</i> Inconsistent approaches and lack of resilience in HQ Stores processes.</p>				
4.2	<p><b><u>Clear Responsibilities</u></b></p> <p><i>Observation:</i> As part of our audit work, we have noted that tasks within the HQ Stores are delegated informally (and occasionally on an ad hoc basis) to ensure that tasks are carried out in an efficient and timely manner. An example of this is where the HQ Stores carries out the entitlement and previous order checks on uniform orders</p> <p>However, it was found that there are no written formal responsibilities for the various roles in the HQ Stores.</p>	<p>The Force should formalise responsibilities into job descriptions, so that these are known when replacing staff on a temporary or permanent basis.</p>	3	<p>The current Job Descriptions accurately reflect the duties and responsibilities of the Stores Assistants. With such a small team in the Stores, generic tasks are not formally referenced within the Job Descriptions to allow for a suitable level of segregation of duties to be place.</p> <p>Procedure Notes referred to in 4.1 will be reviewed to ensure that generic tasks are sufficiently documented so that</p>	<p>Head of Business Support June 2022.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<i>Potential Risk:</i> Staff are not clear on who is carrying out specific tasks and may not be aware of all responsibilities.			all staff understand how procedures operate throughout the Stores.	
4.3	<p><b><u>Stock Takes and Levels</u></b></p> <p><i>Observation:</i> The Force carries out stock takes of the HQ Stores on an annual basis however this is not carried out at the year end of the financial year.</p> <p>Instead, the stock takes are carried out on an ad hoc basis, loosely on an annual basis, with additional stock takes carried out on request (i.e. a request for a stock take of Covid-related PPE was received during our site visit). The most recent stock take for the majority of items was carried out in May 2021, with further ad hoc stock takes for individual items carried out in September 2021, December 2021 and January 2022.</p> <p>The current stock level is estimated using the quantity at stock take; any received and</p>	The Force to implement a stock take schedule, ideally to align with the financial year end, to assist in financial reporting and stock control.	2	<p>Whilst formal stock taking does occur throughout the year it is not used for accounting purposes and is not reconciled to expected values. The current arrangements would however reflect accurate records of current stock levels, albeit not every item of stock would be checked in a single process.</p> <p>The existing controls in place in relation to the ordering, receipting, and issuing of stock would provide some level of assurance that stock items are monitored and controlled on a regular basis to avoid and</p>	<p>Head of Finance and Business Support.</p> <p>Sept 2022.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>outstanding purchases; and, any items issued to staff/officers.</p> <p>This methodology is used as the stock is stored in two areas, the storage area and the picking bins. Items are moved from the storage area to the picking bins as these are emptied. Stock is therefore re-ordered when storage area is depleted.</p> <p>Ultimately the current approach means no accurate records of current stock level are not readily available.</p> <p>Finance will then contact the Stores during the preparations for year-end accounts to understand the current estimated stock levels. These are then used to determine if the uniform and other stock is material for financial reporting processes.</p> <p><i>Potential Risk:</i> Force is not aware of the level of uniform and other stock it holds.</p> <p>The Force incorrectly reports stock levels in financial statements and mandatory returns.</p>			<p>detect any misappropriation of stock.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.4	<p><b><u>Stock Management System</u></b></p> <p><i>Observation:</i> From our audit work, we have noted that the Force does not currently utilise a stock management system and therefore is unable to generate management information related to stock reporting.</p> <p>Additionally, the methodology for stock counting and the lack of a stock management system mean that it is not possible to determine current levels of stock without stopping operations and conducting a full stock take, which is inefficient and timely.</p> <p>Also, we have noted that the process for requesting uniform requires the entitlement and prior orders of the requestor to be reviewed by HQ Stores to ensure that the requestor is still entitled to items. This is a manual process carried out by searching a list of entitlements per role, checking this against the order received and the records of prior orders retained by HQ Stores before checking stock levels to determine if the order can be fulfilled.</p> <p>This is a time-consuming task that could be equally carried out or made easier by a stock</p>	<p>The Force should explore the possibility of implementing a stock control system to allow for stock management, monitoring, ordering and reporting.</p>	2	<p>It is acknowledged that the introduction of a Stock Management system will assist with stock control and stock taking arrangements and provide more accurate records of stock items held.</p> <p>The force has previously been exploring opportunities for a Joint Police / Fire Stores. However, the operational and financial benefits from a joint arrangement are not considered to be significant without the move to a single central Stores, that was strategical located to serve each organisation. In the absence of any strategically supported collaboration, the force will now focus on improving the Stores Ordering and Stock Control system</p>	<p>Head of Finance and Business Support</p> <p>Dec 2022</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>ordering system to speed up checks against historic orders on entitlement and only allows orders of items that are in stock.</p> <p><i>Potential Risk:</i> Force is not aware of the level of uniform and other stock it holds.</p> <p>The Force incorrectly reports stock levels in financial statements and mandatory returns.</p>			<p>through a Stock Management System.</p> <p>This will be incorporated into a Project Brief and Project Plan with options analysis, costs, benefits and objectives clearly set out. Financial resources have been earmarked from 21/22 underspends.</p>	
4.5	<p><b><u>Storage and Collection of Returned Stock</u></b></p> <p><i>Observation:</i> Stock is returned to the Force when staff/officers leave the Force or role; or, where there is a product recall (i.e. due to a Force uniform change, a general product recall, etc.).</p> <p>Items are returned to the HQ Stores through the internal post or dropped off at HQ stores. Items are usually tagged to enable reconciling against issued stock records maintained by HQ Stores, to ensure that all items have been returned.</p> <p>Items are then stored in a shipping container located near HQ Stores and locked with a single key, kept within the HQ Stores office.</p>	<p>The Force to ensure that items for disposal are collected in a timely manner and to organise the collection of the current stock as a matter of urgency.</p>	2	<p>Redundant stock items are managed in accordance with Policy. Due to limited space, the use of a container is used to store items due for disposal.</p> <p>To minimise costs, collections are arranged when the container is nearing its full capacity. Although there have been some recent difficulties in relation longer lead in times for collection, this is not considered to be a long-term issue.</p>	<p>Stores Team Leader BAU.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Collection of these items is then organised with Veolia through facilities/estates and the items are removed for disposal.</p> <p>At the time of the audit, we noted that there had been issues with organising the collection of returned items for disposal and observed that the container was nearly filled with items awaiting collection.</p> <p>This appears to be an issue caused by delays due to Covid, however it should be resolved as a matter of urgency as there is little space for further items to be added to the container and additional storage will therefore be required.</p> <p><i>Potential Risk:</i> Returned stock is not disposed of in a timely manner.</p> <p>Returned Police stock is available outside of the Force.</p> <p>Force face additional storage costs due to inability to dispose of items</p>				

## A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Andrew Dale, OPCC Chief Finance Officer Simon Allsop, Force Joint Director of Finance Liz Whittemore, Business Support Manager Julian Boulton, Stores Team Leader
<b>Internal Audit Team:</b>	David Hoose, Partner Mark Lunn, Internal Audit Manager Alexander Campbell, Senior Auditor
<b>Last Evidence Received / Exit Meeting:</b>	25 <sup>th</sup> March 2022
<b>Draft report issued:</b>	29 <sup>th</sup> March 2022
<b>Management responses received:</b>	22 <sup>nd</sup> April 2022 & 20 <sup>th</sup> May 2022
<b>Final report issued:</b>	23 <sup>rd</sup> May 2022

### Scope and Objectives

Our audit considered the following risks relating to the area under review:

- The Force has clear policies and procedures for the management of stock.
- Roles & responsibilities for the management of stock is clearly assigned and understood.
- There are appropriate security controls in place at the locations where stock is held and stock rooms are appropriately equipped to prevent any damages.

- The Force have a robust stock take programme to ensure accurate records of the stock held are kept.
- The Force utilise stock reports to ensure replacement of stock is ordered in a timely manner and any potential wastage is minimised.
- The purchase of replacement and additional stock is correctly authorised.
- The Force have a robust process in place for the write off of stock.
- Appropriate mechanisms are in place for the return of and subsequent disposal of any police branded items.
- Management information is produced to allow show effective stock control is taking place.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Stock Control systems with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Stock Control process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.





Office of the Police and Crime Commissioner for Derbyshire and  
Derbyshire Police

## **Final Internal Audit Report**

**IT Disaster Recovery 21-22**

**June 2022**

## 01. Introduction

As part of the 2021/22 Internal Audit Plan for the Derbyshire Police and the Office of the Police and Crime Commissioner (OPCC) for Derbyshire, we have undertaken an audit of the controls and processes for IT Disaster Recovery.

The audit also sought to provide an update on the current position of the GIRR Health Check and accreditation processes.

Whilst we had to complete this audit almost entirely remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work.

We engaged with a number of staff members across the Force during the review and are grateful for their assistance during the course of the audit.

## 02. Background

The Civil Contingencies Act 2004 requires Category 1 responders to maintain plans to ensure that they can continue to exercise their functions in the event of an emergency so far as is reasonably practicable. The duty relates to all functions, not just their emergency response functions.

Arrangements for the management of Business Continuity Planning Systems within Derbyshire Constabulary are set out in the Force Business Continuity Planning Policy, Ref 13/321. This designates Divisional Commanders and Departmental Heads as business continuity plan owners who will ensure:

- A Business Continuity Single Point of Contact (SPOC) is appointed for each Division and Department.
- Crisis management team members are identified and details regularly updated within the plan.
- Business impact assessments are carried out to identify critical functions/services, which are then subject to risk assessment.
- Business Continuity Plans are in place, capable of maintaining a minimum acceptable standard of service delivery for each critical function/service within their area of operation.

Disaster recovery planning is the subset of business continuity planning that focuses on recovering IT infrastructure and systems and in the Force's case this is provided by IT Services.

Disaster recovery (DR) consists of IT technologies and best practices designed to prevent or minimize data loss and business disruption resulting from catastrophic events. This is everything from equipment failures and localised power outages to cyberattacks, civil emergencies, criminal or military attacks, and natural disasters.

Many organisations neglect to develop a reliable, practicable disaster recovery plan. Without such a plan, they have little protection from the impact of significantly disruptive events.

Disaster recovery planning involves strategizing, planning, deploying appropriate technology, and continuous testing. Maintaining backups of data is a critical component of disaster recovery planning, but a backup and recovery process alone does not constitute a full disaster recovery plan.

Disaster recovery also involves ensuring that adequate storage and resources are available to maintain robust failover and failback procedures. Failover is the process of offloading workloads to backup systems so that production processes and end-user experiences are disrupted as little as possible. Failback involves switching back to the original primary systems.

The initial audit plan for 2021/22 had called for reviews of Information Security and of Cyber Security. However, it was previously decided that the Cyber Security review was bought forward and reported on in early 2021 and swapped with the previous years' audit plan's IT Disaster Recovery review.


A further decision was made, in discussions with the Head of IT and his team to incorporate elements of both Cyber Security and Information Security in this review without repeating either the previous Cyber Security review or indeed the annual GIRR IT Health check process, to provide update and ongoing assurance in this area.

The overall objective of this internal audit is to provide Senior Management and Audit Committee with reasonable, but not absolute, assurance. The audit considered the following controls:

- A business impact review has been carried out and an assessment made of the risks.
- All systems have been assessed for their importance to the organisation and the information is up to date with clear ownership of both systems and data.
- An IT disaster recovery plan has been prepared and approved by management.

- Responsibility for dealing with a disaster has been assigned to a disaster recovery team and the respective roles and responsibilities of the team are recorded.
- The disaster recovery plan is tested periodically and kept up to date.
- Stand-by disaster recovery services have been arranged and periodically tested to ensure that they are effective, workable and current.
- All critical data and program files are backed up regularly and the frequency is adequate.
- Backups taken allow for the full restoration of the system and data.
- The integrity of the backup and restoration process is tested regularly.
- Backup media is stored off site or otherwise securely.
- Copies of the plans are available in the appropriate areas.
- Emergency contact numbers are included in the plan.
- The Organisation has developed a business continuity plan to which the IT Disaster Recovery Plan links.

### 03. Key Findings

Assurance on adequacy and effectiveness of internal controls for IT Disaster Recovery	
	<b>Satisfactory Assurance</b>

Priority	Number of Recommendations
<b>1 (Fundamental)</b>	-
<b>2 (Significant)</b>	2
<b>3 (Housekeeping)</b>	3

#### Examples of areas where controls are operating reliably

- The Business Continuity Steering Group has a defined terms of reference to provide a forum in which business continuity planning and activities are considered, agreed and implemented to ensure that Derbyshire Constabulary are able to maintain their critical activities before, during and after a significant disruptive event.
- BCP continuity steering group oversees development of related recovery plans and the group meets quarterly and the IS/IT represented by the IS Service Operations Manager.

- Each department has its own individual Business Continuity plan which feed into the Recovery plan. The document was approved and signed off.
- The Departmental Crisis Management Team (DCMT) is responsible for invoking the plan. The team will consist of the key decision makers within the business and will meet and discuss the procedures as laid out in the plan. Dependent on the nature of the incident it may also involve external third-party disaster recovery support company Centreprise, formerly Adam Continuity, for which the contract is due for renewal in May 2022.
- The DCMT has a defined Terms of Reference and Operating Principles.
- A process has been started to understand priorities if the IT systems go down and to look at workarounds. A “criticality list” document was provided documenting an alphabetical list of all IT systems, the configuration type, recovery time, i.e., critical – 12 hours, essential – 24 hrs, necessary – within 7 days or desirable – up to 30 days and the likelihood of loss – possible/likely/unlikely.
- The document has been sent to all departments and changes have been made according to the replies received. The list has the most critical systems defined and will now be reviewed to decide if the plans in place can be tolerated or whether investment is required to mitigate the risks.
- There are standalone documents relating to the backup process including the Veritas and NetBackup/snapshots dependent on systems.

- Different types of data are protected to different levels using a combination of replicated array level snapshots, NetBackup and automated scripts.
- There are four categories for array level snapshots: -
  - Low - Snapshot taken every 24 hours, replicated to the remote site, retained for 14 days.
  - Medium - Snapshot taken every hour, replicated to the remote site, retained for 48 hours and then subsequently a snapshot taken every 24 hours, replicated to the remote site, retained for 14 days.
  - High - Snapshots taken every 5 minutes, replicated to the remote site, retained for 12 hours then subsequently replicated through the medium and low category processes above.
- NetBackup replicates backups to a remote media server in another site and performs full backups each night for Oracle, SQL and some file systems along with other servers.
- Systems and many of the underlying volumes and servers backed up by NetBackup are also covered by the above snapshot protection in addition to array snapshots.
- Whilst some SQL databases are backed up via NetBackup, most are backed up automatically by an automated SQL procedure.
- The SQL procedure performs a full back up each Monday followed by differential backups on the remaining days.
- The backup files generated are retained on the local server for two weeks with copies being stored on a remote server for four weeks.
- The underlying volumes and servers for these SQL databases are also protected by array level snapshots as detailed above.
- The IT Health check process was undertaken in November 2021 and reported in January 2022 with remediation points being worked on now through the IT service management (ITSM) process.
- The Force is in regular contact with National Monitoring Centre and the GIRR accreditation submission is due to be resubmitted later this year. In common with many Forces there have been delays due to COVID.

## **Risk Management**

The risks of an IT or other type of disaster is recognised in the Force's risk registers in the form of risks covering loss of power to Force IT systems, Data/IT and Communications and will also link to Cyber Attack related risk mitigations. These risks are assigned to the Head of Information Services and are managed on an ongoing basis through the Force Risk Registers.

This is consistent with other Forces.

## **Sector Comparison**

The Force faced the same challenges as many other organisations in balancing effective controls, backup and recoverability of systems/data with cost and available resource as well as keeping the documentation up to date.

Whilst the underlying backup measures are in place, consistent with good practice and the Force does have current IT recovery plans, there is potential for improvements in some areas of documentation, testing (both internally and third parties), as well as a further 'final' line of defence in the form of an offsite backup. These areas are included in the recommendations made in section 4 below, though we do note that progress is already being made on some.

## 04. Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>IT Disaster Recovery Documentation</b></p> <p><i>Observation:</i> There is recognition internally of the need to review and update some of the IT Disaster Recovery documentation, particularly the business impact analysis process and the identification of key systems as this was last done pre=pandemic. To this end we have noted existing documentation is under review through inspection of the minutes of the Business Continuity Planning (BCP) Group.</p> <p><i>Potential Risk:</i> Business critical systems are not identified and prioritised for recovery in the event of a disaster occurring.</p>	<p>We support the ongoing work to identify key systems and complete appropriate business impact analysis and recommend that this is progressed to conclusion.</p>	3	Agreed	October 2022 following presentation to the Business Continuity steering group in September 2022.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.2	<p><b>Third Party Testing</b></p> <p><i>Observation:</i> The arrangements with third party disaster recovery support company Centerprise, formerly Adam Continuity, have not been subject to a recent test. Some internal DR testing was undertaken pre-pandemic but nothing in the last two years. This contract ends in May 2022 and may or may not be extended. As the service is no longer considered critical.</p> <p><i>Potential Risk:</i> In the event of a disaster, recovery processes may not work as required.</p>	<p>Should the contract with the third party continue a DR test should be performed.</p> <p>Regardless of the contract, testing of DR should be performed on a regular basis.</p>	2	Contract now ended; DR testing internally controlled by the Business Continuity steering group. This will be an ongoing action	Testing schedule being planned by BCSG.



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.3	<p><b>Third party provided services</b></p> <p><i>Observation:</i> The Force uses a number of IT services, systems (i.e. Niche) and cloud based applications provided by third parties, which are not under the direct control of the Force (from a disaster recovery perspective).</p> <p>Whilst the identification/inclusion of DR requirements is part of the procurement process, these may need specifying more clearly. In addition, the ongoing assurance obtained from the third parties over testing and recovery of the systems should be clearly identified/established, particularly in relation to smaller suppliers (due to lack of maturity and resource).</p> <p><i>Potential Risk:</i> Assurance over the continuation or recovery of services provided externally is not obtained and thus the organisation has no comfort that such services can be recovered in an effective and efficient manner.</p>	<p>The Force should ensure that where services are hosted externally, either in the cloud, other Forces or third parties, it must be ensured that appropriate disaster recovery and service continuity measures are in place.</p>	2	<p>This responsibility is part of the project phase when delivering new services into the force. IS team have been briefed to ensure this is completed. A review of existing services will be carried out and any retrospective actions taken.</p>	1 Year (July 2023)

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.4	<p><b>Offsite/Offline Backups</b></p> <p><i>Observation:</i> There are offsite/offline backups for some systems but these are limited in scope and it is recognised these may not meet best practice guidance such as countering the risks of ransomware, i.e. NetBackup replicates backups to a remote media server in another site, however this is on the same HQ campus but within a different building.</p> <p>These arrangements are under review because the current solution has been in place for some time and may no longer be fit for its current purpose.</p> <p><i>Potential Risk:</i> A “last resort” backup solution may not be available in the event of a significant disaster affecting the main site.</p>	<p>We support the review of backup locations and recommend that any solution should take into consideration the physical and logical location of third line backup media/data to allow for recovery from an offsite repository.</p>	3	<p>IS support this recommendation and there will need to be a business case drafted and approved in order to allow implementation of an appropriate backup solution.</p>	<p>The responsibility for the business case is the IS Infrastructure board.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.5	<p><b>Backup Testing and Verification</b></p> <p><i>Observation:</i> There is a recognition that backup testing and verification could be improved with two managers being tasked to regularly test and verify the backup processes are operating effectively, however this has not yet been formally implemented (as at the time of the audit).</p> <p><i>Potential Risk:</i> The integrity of the backup process is not regularly reviewed and confirmed and thus the organisation has no comfort that such services can be recovered in an effective and efficient manner.</p>	The plan to review backup testing and verify backup completion should be implemented as soon as practical to do so.	3	DR testing internally controlled by the Business Continuity steering group. This will be an ongoing action.	Testing schedule being planned by BCSG.

## A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Richard Cariss, Head of IT Richard Apaya
<b>Internal Audit Team:</b>	David Hoose, Partner Mark Lunn, Internal Audit Manager Neil Belton, IT Associate Director
<b>Finish on Site / Exit Meeting:</b>	27th May 2022
<b>Draft report issued:</b>	9th June 2022
<b>Management responses received:</b>	23 <sup>rd</sup> June 2022
<b>Final report issued:</b>	27 <sup>th</sup> June 2022

### Scope and Objectives

The audit will assess the adequacy and effectiveness of internal controls detailed below in operation. Weaknesses identified will then be brought to the attention of management and advice will be issued on how particular problems may be resolved and controls improved to minimise future occurrence.

The scope will cover, but may not be restricted to, both the current and proposed controls in the following areas:

- A business impact review has been carried out and an assessment made of the risks.
- All systems have been assessed for their importance to the organisation and the information is up to date with clear ownership of both systems and data.
- An IT disaster recovery plan has been prepared and approved by management.
- Responsibility for dealing with a disaster has been assigned to a disaster recovery team and the respective roles and responsibilities of the team are recorded.
- The disaster recovery plan is tested periodically and kept up to date.
- Stand-by disaster recovery services have been arranged and periodically tested to ensure that they are effective, workable and current
- All critical data and program files are backed up regularly and the frequency is adequate.

- Backups taken allow for the full restoration of the system and data.
- The integrity of the backup and restoration process is tested regularly.
- Backup media is stored off site or otherwise securely.
- Copies of the plans are available in the appropriate areas.
- Emergency contact numbers are included in the plan.
- The Organisation has developed a business continuity plan to which the IT Disaster Recovery Plan links.

The overall objective of this internal audit is to provide the Senior Management and Audit Committee with reasonable, but not absolute, assurance. We will review the adequacy and effectiveness of the current key controls relating to the IT Disaster Recovery within the Force. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the IT Disaster Recovery process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.



Police & Crime Commissioners – Derbyshire, Leicestershire,  
Lincolnshire, Nottinghamshire and Police, Fire & Crime  
Commissioner Northamptonshire

## **Final Internal Audit Report**

**Collaboration – EMSOU Wellbeing**

**May 2022**

## 05. Introduction

As part of the Internal Audit Plan for 2021/22 for the Offices of the Police and Crime Commissioners Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire; the Office of the Police, Fire and Crime Commissioner of Northamptonshire; and, the respective Police Forces, it was agreed that an element of internal audit resource would be spent on regional issues or the collaboration units.

Since 2015/16 all Forces in the East Midlands have agreed to allocate internal audit time to provide assurance over the collaborative arrangements that are in place across the region. Over the first two years Internal Audit have undertaken high level reviews of the governance arrangements within most of the regional collaboration units. A change of approach was made in 2018/19 when thematic reviews were carried out by audit and were carried out across a sample of regional collaboration units. The approach for 2021/22 has been for more targeted audits within each collaboration unit. Through review of each unit's risk register a focused risk-based approach to the Collaboration audits has been planned.

As part of this review, we have carried out an audit of the process in place within the East Midlands Special Operations Unit (EMSOU) in respect of Wellbeing. The specific areas that formed part of this review included: Governance, Strategy & Policies, Implementation Plans, Feedback & Monitoring and Lessons Learned.

The fieldwork for this audit was completed whilst government measures were in place in response to the coronavirus pandemic (Covid-19). The fieldwork for this audit has been completed and the agreed scope fully covered. Whilst we had to complete this audit

almost entirely remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work.

We engaged with a number of staff members across the unit during the review and are grateful for their assistance during the course of the audit.

## 06. Background

The East Midlands Special Operations Unit (EMSOU) is one of the oldest collaborations and is the largest of them in terms of budget and staffing. It was brought together as a five-force collaboration between Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, and Nottinghamshire Police. Whilst it has four main units that sit within the EMSOU structure (Major Crime, Serious Organised Crime, Forensic Services and Special Branch) the unit has expanded over time and now houses multiple capabilities that are provided to the Forces in region.

Wellbeing is a growing area of consideration across all organisations as the pressures caused by the Covid-19 pandemic affect staff. We have carried out Wellbeing audits at a number of Forces in the region and, to ensure wellbeing is being considered and managed by the collaboration units, this audit has been included within the Collaboration internal audit plan 21-22.

The staffing of EMSOU is provided by each of the five forces involved in the collaboration, with staff and officers still being employed by their home force and salary costs only being reimbursed for individuals within the Centrally Funded Team. All police officers involved in the

Unit continue as sworn constables of their home force and remain under their direction and control, regardless of their place of work.


The majority of staff and officers within EMSOU are employed by Leicestershire Police, where we have previously conducted an audit cover Wellbeing processes. The Force has a Wellbeing Leadership Board covering wellbeing issues, supported by working groups for each of the four streams identified within their Wellbeing Strategy: Mental Health, Physical Health, Financial Health and Emotional Health & Resilience.

The Unit has its own HR function that is headed up by a HR Business Partner, supported by three HR Advisors and two HR Administrators. To ensure that all areas that EMSOU cover are supported, each of the HR Advisors and the HR Business Partner take ownership over different departments (i.e. Regional Organised Crime Units, Counter Terrorism, Digital, etc.).

There is a governance structure in place for the collaboration units which incorporates a number of key meetings/boards. These include the PCC Board, a regional CC Board, Resources Board, Regional Efficiencies Board, OPCC CFO's meeting and a Joint OPCC and Force CFO meeting. These are all in addition to the governance boards and management boards within each collaboration unit.



## 07. Key Findings

Assurance on adequacy and effectiveness of internal controls for EMSOU Wellbeing	
	Limited Assurance

Priority	Number of Recommendations
1 (Fundamental)	-
2 (Significant)	4
3 (Housekeeping)	-

### Performance Dashboard

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken.

Key control area	February 2022	
	Assessment	Level of issue
Governance	Control effective, except for	Significant Issues
Strategy and Policies	Control effective	No issues noted
Implementation Plans	Control effective, except for	Significant Issues
Feedback and Monitoring	Control effective, except for	Significant Issues
Lessons Learned	Control effective	No issues noted

## Examples of areas where controls are operating reliably

### Governance

- The Wellbeing Board is in place as the governance body to discuss Wellbeing issues, identify trends and assess/propose projects; with a mix of staff and officers across seniority and departments/business units.
- Audit has identified clear lines of reporting regarding Wellbeing between the Unit and the Home Forces. This includes highlight reporting presented to the EMSOU Management Board, where senior staff from the five regional forces provide management and oversight. Any items can then be presented to the East Midlands PCC Board, the 5 Force Governance Board and/or at the East Midlands PCC and CEO Business Meeting.

### Strategy and Policies

- The Unit's Wellbeing Strategy is aligned to their strategic aims and Leicestershire Police's strategic aims, as the Home Force for the majority of the Unit's staff and officers.
- The Unit applies Leicestershire Police's policies and procedures in relation to Wellbeing, which have previously been reviewed at Leicestershire and were found to be well aligned to the Home Force's strategic aims.

### Feedback and Monitoring

- The Unit's HR Advisors are in regular contact with those with line management responsibilities and feedback any issues or identified trends to the HR Business Partner, who sits on the Unit's Wellbeing Board.

- The Collaboration Unit's HR Function liaise directly with Home Force's, allowing for sharing of data, issues and trends regarding wellbeing within the Unit.
- Action plans are produced/updated at every meeting of the Unit's Wellbeing Board and are monitored within these meetings as a standing item.

### Lessons Learned

- The Unit's HR Function are in regular contact with the HR functions of the Home Force's, allowing for sharing of good practice and lessons learned regarding wellbeing within the Unit.

## Risk Management

Our audit has identified weaknesses in the system of internal controls that put the Organisation's objectives at risk, which can include a level of non-compliance that puts the Organisation's objectives at risk.

Audit has reviewed the Unit's Wellbeing Board Terms of Reference and the Unit's Wellbeing Strategy; noting that neither document includes information regarding the roles, responsibilities, risk management processes, decision making processes and reporting arrangements relevant to Wellbeing. We have therefore raised a recommendation (**Rec 4.1**) for the Unit to update these documents to include the missing information as this increases the risk that .....

Discussion with the EMSOU HR Business Partner indicated that implementation plans are not used for wellbeing projects within EMSOU as there are so few wellbeing projects initiated from within EMSOU. Projects that affect EMSOU that are initiated from Home Forces (mainly Leicestershire) do include implementation plans, as has been noted in Force reviews of Wellbeing.

Audit subsequently reviewed documentation and communication regarding several Wellbeing projects to confirm that these have taken place. From this review and subsequent discussion with the HR Business Partner, we have confirmed that formalised implementation plans were/are not in place. We have therefore raised a recommendation (**Rec 4.2**) for the Unit to consider using implementation plans for wellbeing projects to allow tracking of actions, issues and benefits; as well as ensuring appropriate governance structures are in place. This will reduce the risk of ineffective Wellbeing projects being delivered at the unit.

Through completion of our audit work, it was noted that the unit does not carry out analysis of departments/divisions to identify those roles at higher risk of poor wellbeing and/or any required/requested training needs. We have therefore raised a recommendation (**Rec 4.3**) for the unit to utilise workforce analysis, specifically regarding training needs and high-risk business areas, to identify support and interventions that may be most helpful.

Audit noted from the reviews of the Home Force's Wellbeing processes that Wellbeing data can be and is produced for presentation at governance bodies, including information provided by external suppliers. However, a review of the Unit's governance forums agendas and minutes indicated that this information was not presented. This included lack of information presented to the Wellbeing Board and that Wellbeing management information had not been provided to the Unit. We have therefore raised a recommendation (**Rec 4.4**) for the Unit to utilise data from available systems and external service providers to identify trends related to wellbeing. This will reduce the opportunity risk of identifying relevant areas to focus wellbeing activities and also allow for assessments on the effectiveness of wellbeing projects and/or actions.

## Value for Money

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Promoting wellbeing within the workforce helps to minimise the number of cases of long-term absence. In addition, a more engaged and positive workforce is more likely to work efficiently.

Audit recommendations detailed in Section 04 below have been designed to address weaknesses in the control environment but also to improve the efficiency and effectiveness of the existing control environment.

### Sector Comparison

From our experience across our client base, we are seeing pressure on resources and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision-making process where conflicting priorities exist and need to be balanced with effective risk management.

The Unit is aligned with other Forces in the region in establishing a Wellbeing Strategy and governance structure to support the delivery and oversight of the Wellbeing agenda.

The majority of staff within the Unit are employed by Leicestershire Police and therefore the unit has adopted their policies and procedures. As found in the audit of Wellbeing at Leicestershire, these are aligned with other Forces in the region where a weakness has been identified in the timely review of policies and procedures. To avoid being affected by any policies and procedures that contain out of date information or processes, it may be useful for the Unit to take on their own versions and conduct these reviews themselves.

Audit has identified areas of good practice within the region that can be embedded into the Unit's approach moving forward, these include:

- the use of Wellbeing reps or champions across the Unit to secure insight and buy-in from a variety of geographical locations and departments; and,
- ensuring that roles and responsibilities are clearly defined within key governance documentation, including the Wellbeing Strategy.

## 08. Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Wellbeing Governance Documentation</b></p> <p><i>Observation:</i> Audit has reviewed the Unit's Wellbeing Board Terms of Reference and the Unit's Wellbeing Strategy; noting that neither documents include information regarding the roles, responsibilities, risk management processes, decision making processes and reporting arrangements relevant to Wellbeing.</p> <p><i>Risk:</i> The Wellbeing governance bodies cannot properly execute their functions as roles, responsibilities and processes are not clearly defined.</p>	<p>The Unit should update the Wellbeing Board Terms of Reference and Wellbeing Strategy to include details of the roles, responsibilities, risk management processes, decision making processes and reporting arrangements relevant to Wellbeing.</p>	2	<p>The roles and responsibilities of people involved haven't been clearly defined as there isn't a dedicated resource and these people are volunteers alongside their day job. Also, EMSOU employees also have a lead force employment model and forces ask us to use that resource rather than creating our own internal roles. It was also felt formalising this may detract people from volunteering. However, It is recognised as a risk and a hybrid model though the current HR review is proposed to address this. The plan is to move HR resources around to provide a dedicated lead that covers HR and Wellbeing. There will also be a</p>	<p>May 22</p> <p>Director of Corporate, Forensic and Technical Services</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
				THEMATIC lead appointed from our SLT management team to lead in Wellbeing (Management Away day actions can be provided to show this has been progressed at the last two SLT away days). Both these roles will then feed into the Senior HR advisor in EMSOU HR as the strategic lead and link into command. Once finalised a structure chart can be produced that will clearly outlines roles and governance.	
4.2	<p><b>Use of Implementation Plans</b></p> <p><i>Observation:</i> Discussion with the HR Business Partner indicated that implementation plans are not used for wellbeing projects within EMOU as there are so few wellbeing projects initiated from within EMSOU. Projects that affect EMSOU that are initiated from Home Forces (mainly Leicestershire) do include implementation plans.</p>	The Unit to consider using implementation plans for wellbeing projects to allow tracking of actions, issues and benefits; as well as ensuring appropriate governance structures are in place.	2	Although we don't have dedicated Wellbeing implementation plans, we do have Project initiation Documents that we are promoting for the use of projects throughout the fabric of EMSOU. It is felt to have a universal form will promote people to use it for a multitude of reasons and become familiar with it. With the new structure proposal,	Immediate Director of Corporate, Forensic and Technical Services

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Audit subsequently reviewed documentation and communication regarding several Wellbeing projects to confirm that these have taken place. From this review and subsequent discussion with the HR Business Partner, we have confirmed that formalised implementation plans were/are not in place.</p> <p><i>Risk:</i> Wellbeing projects are not completed effectively as actions, issues and benefits are not appropriately monitored/delivered.</p>			we will do some further communication to launch these.	
4.3	<p><b>Workforce Analysis</b></p> <p><i>Observation:</i> The Unit has a diverse range of roles with impacts on the wellbeing of staff coming in varying degrees from the role and from non-work related factors. Therefore, understanding the wellbeing needs of the unit is important to delivering an effective and efficient wellbeing provision.</p>	The Unit should utilise workforce analysis, specifically regarding any required support, Training Needs and High-Risk Business Areas, to identify training and interventions that may be most helpful.	2	In EMSOU we have worked with the Institute for Public Safety, Crime and Justice at the University of Northampton on staff surveys as well as the College of Policing conducting a peer review. We did the original one a few years ago and have been waiting for the effects of COVID to reduce so we can benchmark against the	May 22 Director of Corporate, Forensic and Technical Services

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Following discussion with the HR Business Partner, it was noted that the unit does not carry out analysis of departments/divisions to identify those at high risk of poor wellbeing and/or any required/requested training needs.</p> <p><i>Risk:</i> Wellbeing projects do not deliver value for money as they are not targeted towards the needs of the workforce.</p>			original to see if there are any improvements or new areas of risks. These can be provided and are very in-depth with a lot of analysis completed by them and fed into the EMSOU delivery plan.	
4.4	<p><b>Performance Monitoring Reporting</b></p> <p><i>Observation:</i> It is good practice to utilise necessary data when considering Wellbeing issues, trends and opportunities. This data is usually already collected as part of other Human Resources processes, e.g. reasons for being absent/taking sick leave. Additionally, this information can be collected by external service providers (i.e. employee assistance</p>	The Unit to utilise data from available systems and external service providers to identify trends related to wellbeing and assess the effectiveness of wellbeing projects and/or actions.	2	We have a performance project and team that is building a data lake to provide One Single Version of the truth for our data and then to be produced into Power Bi dashboards that can be analysed for trends and issues etc. HR and Wellbeing data is to form part of this so we can have accurate HR info into our data lake that we can then present and interpret.	<p>May 22</p> <p>Director of Corporate, Forensic and Technical Services</p>



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>programmes) and be reported within management information.</p> <p>However, a review of the Unit's governance body's agendas and minutes indicated that this information was not presented to the Wellbeing Board and that Wellbeing management information had not been provided to the Unit.</p> <p>Audit noted from the reviews of the Home Force's Wellbeing processes that Wellbeing data can be and is produced for presentation at governance bodies, including information provided by external suppliers.</p> <p><i>Risk:</i> Initiatives and actions recommended by Wellbeing Board are not guided by the latest data and are not effective.</p> <p>Data analysis exercises are too limited in scope and/or reporting to be impactful and good value for money.</p>				

## A1 Audit Information

Audit Control Schedule	
<b>Lead Chief Officer(s):</b>	
<b>Chief Officer(s):</b>	<p>Andrew Dale, Derbyshire OPCC, Chief Finance Officer</p> <p>Simon Allsop, Derbyshire Police, Chief Finance Officer</p> <p>Paul Dawkins, Leicestershire Police, Chief Finance Officer</p> <p>Kira Hughes, Leicestershire OPCC, Interim Chief Finance Officer</p> <p>Sharon Clark, Lincolnshire Police, Chief Finance Officer</p> <p>Julie Flint, Lincolnshire OPCC, Chief Finance Officer</p> <p>Helen King, Northamptonshire OPFCC, Chief Finance Officer</p> <p>Vaughan Ashcroft, Northamptonshire Police, Chief Finance Officer</p> <p>Mark Kimberley, Nottinghamshire Police &amp; OPCC, Chief Finance Officer</p>
<b>Key Client Contact(s):</b>	Paul Gibson, Head of EMSOU

<b>Internal Audit Team:</b>	David Hoose, Partner Mark Lunn, Internal Audit Manager Alexander Campbell, Senior Auditor
<b>Finish on Site / Exit Meeting:</b>	28 January 2022
<b>Draft report issued:</b>	16 February 2022
<b>Management responses received:</b>	20 April 2022 – To CFO's for comment
<b>Final report issued:</b>	09 May 2022

### Scope and Objectives

Our audit considered the following risks relating to the area under review:

#### Governance

- Governance arrangements for Wellbeing are clearly defined, including roles and responsibilities, risk management processes, decision making and reporting arrangements.
- There is consistency and a clear line of reporting between the Forces' and the collaboration unit.

#### Strategy and Policies

- The Wellbeing Strategy is aligned to the Forces Strategic aims and is regularly reviewed and updated.
- The collaboration unit has appropriate Policies and Procedures with regards to Wellbeing that are aligned to the Forces', which provide clear direction as to the processes to be followed.

#### Implementation Plans

- The collaboration unit has robust implementation plans that are aligned to strategic objective and future needs.

#### Feedback and Monitoring

- There are robust monitoring processes in place to ensure that the collaboration unit has up to date and accurate Wellbeing data in place.
- Training needs analysis performed by the unit captures Wellbeing related data for Officers and Staff.
- The unit identify high risk business areas where Staff / Officer Wellbeing is most impacted and have developed plans to address this.
- Actions to address areas of weakness are set, monitored and reviewed to confirm the weaknesses have been addressed.

These are incorporated within action plans, to support the achievement of short / medium / long term Wellbeing targets.

- Regular Management / Performance Information reports are produced in relation to Wellbeing and are shared at appropriate governance meetings, including alignment to the Forces'.

#### Lessons Learned

- Where issues are identified in projects / works for Wellbeing, evaluation of the issues takes place and improvements are made to existing processes so that the issues are not repeated in future Wellbeing projects / works.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Wellbeing processes at EMSOU with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Wellbeing process at EMSOU that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

## A5 Statement of Responsibility

### Status of our reports

We take responsibility to the Office of the Police and Crime Commissioner for Derbyshire and Derbyshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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# JARAC – INTERNAL AUDIT RECOMMENDATION MONITORING

Contact	REF NO.	Audit / Recommendation	Priority	Recommendations		Update date	Update
				Agreed Implementation Date	Responsible Officer confirmed not Implemented		

NOVEMBER 2021							
<p><b>Jed Keen CHASED SEVERAL TIMES AND NOW ON ANNUAL LEAVE</b></p>	<p><b>November 2021</b>  4.1</p>	<p><b>Complaints Management –</b>  <b>Local Handling - Regular contact</b> <i>Observation:</i> The statutory guidance states that complainants should be updated every 28 days. Moreover, when an outcome assessment letter is provided it should include a response to all allegations within the complaint. We reviewed 10 complaints resolved through local handling and identified: - One complaint received on the 29<sup>th</sup> October 2020, and initial contact was made on 2<sup>nd</sup> November. The complainant was spoken to on the phone on the 30<sup>th</sup> November 2020,</p>				<p>Feb 2022</p>	<p>Three identified complaints been reviewed and currently identifying any issues that could impact on ability to adhere to statutory guidance when handling complaints and keeping complainants updated and ensuring solutions are put into place. The delay in updating the complainant on the identified case has been identified as a delay in the administrative process.</p> <p>Processes in place to adhere to the 28 day update</p> <p>(* ) Complaints administration send out reminder every 28-days to all Divisional allocated investigating officers of Local Complaints, reminding them of the requirement to update their complainant. (* ) Administration processes have been reviewed and where an identified update is required to comply with the 28 day guidance during administrative processes, an</p>

		<p>but the complainant was next contacted on the 19<sup>th</sup> January 2021 by letter, a period of 51 days later.</p> <p>From a review of the outcome assessment letters sent to complainants we identified for two complaints that all the allegations raised within their complaint were not included within the outcome letter.</p> <p><i>Potential Risk:</i> The Force does not comply with the statutory guidance when handling</p>				<p>update letter to the complainant will be sent to comply with the 28 day update requirement.</p> <p>Reviewed of outcome assessment letters of two identified cases and will ensure a consistent approach is taken and that conclusions to all allegations recorded are included in the correspondence sent to the complainant.</p>
MARCH 2022						
<b>Andrew Fowler</b>	<b>4.1</b>	<p><b>Fleet Management Strategy</b></p> <p>The force should ensure that the fleet management strategy is updated and approved at the earliest possible opportunity and aligned with the current short/medium and long-term objectives of the Force. An</p>			Final agreed strategy July 2022	<p>This is a priority for updating following changes within the Fleet Management Structure and to reflect the future long term operational requirements of the Force, technical developments and national fleet procurement strategies.</p>

		implementation plan should also be developed for the strategy setting out how the objectives of the strategy will be achieved.				
	<b>4.2</b>	<p><b>Vehicle Logbooks/Weekly Checklists</b></p> <p>Drivers should be reminded to promptly request a replacement where the logbook is missing/complete and record all damage in the log book as soon as it occurs. Drivers should be reminded to complete checklists on a weekly basis.</p> <p>The Fleet Team should undertake unannounced visits in order to confirm compliance with vehicle logbook/checklist procedures.</p>			Update 15.7.2022	<p>Scheduled reminders to commence Feb 2022. Periodic visits to commence April 2022. Digital solution is already work in progress. Fleet Manager and Head of Strategic Assets.</p> <p>Telematics project is about to be signed off so installation of hardware will begin which will enable removal of logbooks from vehicles. To be discussed and signed off by senior leadership team.</p>



<p><b>4.3</b></p>	<p><b>Procurement</b></p> <p>The Force should ensure that processes and procedures in relation to procurement are formally documented. The document should be reviewed on an annual basis and updated where necessary, this should be recorded in a document control section in the procedure document detailing the person responsible for reviewing/updating it, approval of the procedure and the date of the next review cycle.</p>			<p>A procurement process document will be prepared in respect of replacement vehicles and this will be aligned to current practice, local and national procurement strategies in consultation with the Head of Procurement</p>		<p>To be completed by July 2022.</p>
<p><b>4.4</b></p>	<p><b>Performance Information</b></p> <p>The force should obtain performance information reports on a more regular basis such as monthly or quarterly from Derbyshire County Council. Performance information reports should then be presented to the Transport Steering Group either on a</p>				<p>To be completed by July 2022.</p>	<p>Daily monitoring of vehicle availability is currently being undertaken by the Fleet Technical Officer. The immediate issue of timely reporting will be rectified now that DCC have resolved a number of system reporting issues. The vehicle maintenance contract specification is also currently under review pending a re-tendering procurement process in 2022 and therefore the recommendations for more frequent and robust performance reporting will be included within this. The performance reporting will also be included as an agenda item at the Transport Steering Group meetings chaired by the Director of Finance and Business Services.</p>

		regular basis or by exception.					
	<b>4.5</b>	<p><b>Budget Monitoring</b></p> <p>Representatives from Finance should attend the quarterly Transport Steering Group in order to inform management of the current budgetary position. Fleet management should meet with finance on a regular and formal basis to discuss the budget.</p>				To commence from April 2022	Reps from finance to attend all future Transport Steering Group meetings to cover both revenue and capital expenditure and standing agenda item at all meetings. Quarterly meeting to be scheduled with the Fleet Management and finance to carry out detailed review on expenditure and commitments.



Police & Crime Commissioner for  
Derbyshire & Derbyshire Police  
Joint Audit, Risk and Assurance Committee

Internal Audit Annual Report 2021-2022

Prepared by: Mazars LLP

Date: July 2022

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## Appendices

- A1 Definitions of Assurance

### Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of The Office of the Police & Crime Commissioner for Derbyshire & Derbyshire Police and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of The Office of the Police & Crime Commissioner for Derbyshire & Derbyshire Police and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.





# 01 Introduction

Mazars LLP are the appointed internal auditors to the Police & Crime Commissioner for Derbyshire & Derbyshire Police. This report summarises the internal audit work undertaken by Mazars in 2021/22, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

Despite the ongoing and changing restrictions imposed as a result of Covid-19 during the year, the Police & Crime Commissioner for Derbyshire & Derbyshire Police retained a full scope internal audit service for 2021/22 which, based on the work we have undertaken, enabled us to provide the enclosed Annual Opinion on the Police & Crime Commissioner for Derbyshire & Derbyshire Police arrangements for risk management, control and governance.

The report should be considered confidential to the Police & Crime Commissioner for Derbyshire & Derbyshire Police and not provided to any third party without prior written permission by Mazars.

## Scope and purpose of internal audit

The purpose of internal audit is to provide the Police & Crime Commissioner for Derbyshire & Derbyshire Police, through the Joint Audit, Risk & Assurance Committee (JARAC), with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving Police & Crime Commissioner for Derbyshire & Derbyshire Police's statutory objectives and strategic aims.

Internal audit provides the Police and Crime Commissioner and Chief Constable, through the JARAC, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.

Our work is conducted in accordance with Public Sector Internal Audit Standards (PSIAS).

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the JARAC during the course of the year.



### **Performance against the Internal Audit Plan**

The Plan for 2021/22 was considered and approved by the JARAC on 25<sup>th</sup> March 2021. In total the Plan was for 111 days, including 14 days of Audit Management.

There was a small knock on impact of the Covid-19 lockdown(s) that posed some challenges to the internal audit process and but the move to remote auditing has been well established between the Force & Mazars with both parties working hard to ensure the audits could be completed in a timely manner. Mazars have regularly communicated with the Force and OPCC, which has enabled us to make good progress in delivering the annual plan.

The audit findings in respect of each of our finalised reviews, together with our recommendations for action and the management response, were set out in our detailed reports, which have been presented to the JARAC over the course of the year. In addition, we have presented a summary of our reports and progress against the Plan within our Progress Reports to each JARAC.

A summary of the reports we have issued is included in Section 03 in addition appendix A1 also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

### **Acknowledgements**

We are grateful to all members of the JARAC, the Chief Officers of both the Force and the OPCC and other staff throughout Derbyshire Police for the assistance provided to us during the year.

# 02 Audit Opinion

## Scope of the Internal Audit Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to Derbyshire is a reasonable assurance that there are no major weaknesses in governance, risk management and internal control processes.

The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken as part of the plan;
- Whether or not any 'Critical', 'Highly Important' or 'Significant' recommendations raised have not been accepted by Management and the consequent risks;
- The extent to which recommendations raised previously, and accepted, have been implemented;
- The effects of any material changes in Derbyshire's objectives or activities;
- Matters arising from previous reports to Derbyshire;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of Derbyshire; and
- The proportion of Derbyshire's internal audit needs have been covered to date.

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A1.

Internal audit has not placed any reliance on third parties in order to assess the controls operated by OPCC for Derbyshire & Derbyshire Police. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

## Impact of COVID-19

During the planning of the 2021/22 year, we consulted and communicated with management through liaison with the Force & OPCC CFO's and through effective planning there has been no changes necessary to the 2021/22 plan because of Covid-19. We continued to deliver the audits remotely where possible to align with government restrictions that occurred throughout the year but were able to safely carry out physical visits where needed, such as the stock control audit.

The Force had to deal with an evolving risk environment during 2021/22 as it dealt with the ongoing Covid-19 pandemic. We continued to observe that the associated risks were regularly reviewed and discussed through our attendance at JARAC.

It was agreed with management that the agreed plan remained aligned to current risks and through the scoping of each audit the control environment changes due to covid-19 were discussed and it was ensured these were covered during each audit.

## Internal Audit Opinion

On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall 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. .

These matters have been discussed with management, to whom we have made recommendations, several of which are categorised as Priority 2. All of these have been, or are in the process of being addressed, as detailed in our individual reports, and summarised in Section 04.

In reaching this opinion the following factors were taken into particular consideration:

### Corporate Governance

Governance is a consideration in all our audit engagements and we did not find any significant issues with governance across our audit plan. There were a few recommendation's made in the year linked to governance in particular the audits of Transport and Procurement & Contract Management where oversight of performance information could be improved upon. Moreover, we also noted a lack of compliance with the governance structure for Transport with finance representatives not attending the steering group.

### Risk Management

In respect of Risk Management while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignment. Our opinion was informed by consideration of risk management aspects through our individual assignments including reporting within our 'risk management' thematic as well as observing reports and discussion around the Force's and OPCC's Risk Management including the Risk Register at each JARAC meeting with no significant issues arising.

Audit observed regular discussions on the changing risk landscape through the JARAC meetings with a focus on the impacts of Covid-19 across the organisations, with regular updates from the DCC on how the Force were dealing with the situation and it was noted risk mitigation actions take meant risks had not crystallised.

During the course of delivering the 2021/22 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

### Internal Control

Of the 7 audits undertaken, where a formal assurance level was provided, 2 received a significant level of assurance and 2 audit received a satisfactory level of assurance. 3 audits have been issued with a limited level of assurance.

We have made a total of 28 new recommendations during the year at the Force and OPCC, with 19 recommendations categorised as Priority 2. This increase in Priority 2 recommendations during 2021/22 is nearly two fold over the percentage of Priority 2 recommendations provided in 2020/21, as highlighted in Section 06.

The number and priority of recommendations raised across the audit plan supports the overall assessment that some improvements are required to the framework of governance, risk management and control. The recommendations raised were done so to improve the existing frameworks or highlight areas of non-compliance within the current control environments. One common area of fault that did occur across the range of audits completed was the number of out of date policies, procedures and strategies. This increases the risk that inconsistent or incorrect working practices are taking place and it was noted by JARAC and management that this was an area of focus to improve upon.





## 03 Internal Audit Work Undertaken in 2021/22

The Internal Audit Plan was for a total of 111 days. The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

In accordance with the approach set out within Derbyshire's internal audit plan, we undertook nine in-depth audit reviews, The results of this work are summarised below:

Ref	Audit area	Risk Register	Assurance level	Recommendations				Accepted	Not Accepted
				F	S	H	Total		
01.21/22	Core Financials	STR1192 Financial resources insufficient to fund pressures	Significant	-	-	1	1	1	-
02.21/22	Payroll	STR1192 & STR1088 Corruption or inappropriate actions of police officers and staff	Significant	-	-	-	-	-	-
03.21/22	Transport	STR0057 Failure to secure Replacement Operational Vehicles (national vehicle contracts / manufacturer delays)	Limited	-	5	1	6	6	-
04.21/22	Stock Control	STR1219 Officer and Staff Wellbeing	Limited	-	4	1	5	5	-
05.21/22	Procurement & Contract Management	STR1192 & PROC0078 Inadequate procurement resource to meet demand	Limited	-	6	1	7	7	-
06.21/22	Complaints Management	STR1088 Corruption or inappropriate actions of police officers and staff	Satisfactory	-	2	2	4	4	-
07.21/22	IT Disaster Recovery	STR1960 Cyber Attack & IS0019 I.S resources (Finance and Staff) - insufficient to meet demand	Satisfactory	-	2	3	-	5	-
	<b>Total</b>			-	<b>19</b>	<b>9</b>	<b>28</b>	<b>28</b>	-

## 04 Audits with Limited and Nil Assurance 2021/22

Audit area	Assurance level	Summary of Key Findings
Transport	Limited	<p>Five Priority 2 Recommendations:</p> <p>1 - The Force should ensure that the Fleet Management Strategy is updated and approved at the earliest possible opportunity and aligned with the current short / medium and long-term objectives of the Force. An implementation plan should also be developed for the strategy, setting out how the objectives of the strategy will be achieved.</p> <p>2 - Drivers should be reminded to promptly request a replacement where the logbook is missing / complete and to record all damage in the logbook as soon as it occurs. Drivers should be reminded to complete checklists on a weekly basis. The Fleet team should undertake unannounced visits in order to confirm compliance with vehicle logbook / checklist procedures</p> <p>3 - The Force should ensure that processes and procedures in relation to procurement are formally documented. The document should be reviewed on an annual basis and updated where necessary, this should be recorded in a document control section in the procedure document detailing the person responsible for reviewing / updating it, approval of the procedure, and the date of the next review cycle.</p> <p>4 - The Force should obtain performance information reports on a more regular basis, such as monthly or quarterly, from Derbyshire County Council. Performance information reports should then be presented to the Transport Steering Group, either on a regular basis or by exception.</p> <p>5 - Representatives from Finance should attend the quarterly Transport Steering Group meetings in order to inform management of the current budgetary position.</p> <p>Fleet management should meet with Finance on a regular and formal basis to discuss the budget</p>
Stock Control	Limited	<p>Four Priority 2 Recommendations:</p> <p>1 – The Force should ensure that procedure notes are effectively communicated to all staff and are accessible.</p> <p>2 – The Force to implement a stock take schedule, ideally to align with the financial year end, to assist in financial reporting and stock control.</p> <p>3 – The Force should explore the possibility of implementing a stock control system to allow for stock management, monitoring, ordering and reporting.</p> <p>4 – The Force to ensure that items for disposal are collected in a timely manner and to organise the collection of the current stock as a matter of urgency.</p>

## 04 Audits with Limited and Nil Assurance 2021/22

Audit area	Assurance level	Summary of Key Findings
Procurement & Contract Management	Limited	<p>Six Priority 2 Recommendations:</p> <p>1 – All out-of-date policy, procedure and guidance documents should be updated to reflect current practice. They should then be reviewed on an annual basis and updated as needed. Policy, procedure, and guidance documents should include a document control section detailing at minimum the person responsible for the document, the date last reviewed and the date of the next review.</p> <p>2 - Awarded contracts over the value of £25,000 should be published on Contracts Finder and the Find a Tender service where required. Where the exact value of a potential contract is not known, there should be a consideration of whether the value is likely to exceed £25,000 which would therefore require publishing on Contracts Finder. Guidance should be produced for staff using procurement checklists to ensure that they use the correct template.</p> <p>3 – The contract register should be sample checked on a regular basis to ensure that it contains accurate information. Contracts should be promptly published in the contracts register where there is a requirement to do so. The contracts register should be published on a quarterly basis.</p> <p>4 – The Contract Management Policy should be updated to specify the exact circumstances where contract management / monitoring is required and how it should be documented. Procurement should have access to contract management related documentation in order to support the monitoring of contract performance.</p> <p>5 – The Force should consider developing a range of standard KPI / performance indicators for contractors to report contract performance against, which may differ depending on the type of contract. Standard KPI / performance indicators should be detailed in contractual documents and agreements, such as the ITT and contract itself.</p> <p>6 - should be ensured that:</p> <ul style="list-style-type: none"> <li>• Orders / requisitions are raised, and the appropriate requisition form used as required.</li> <li>• Procurement &amp; Finance should align their processes to allow Procurement to have oversight of payments to ensure that the appropriate procurement process has been followed.</li> </ul>

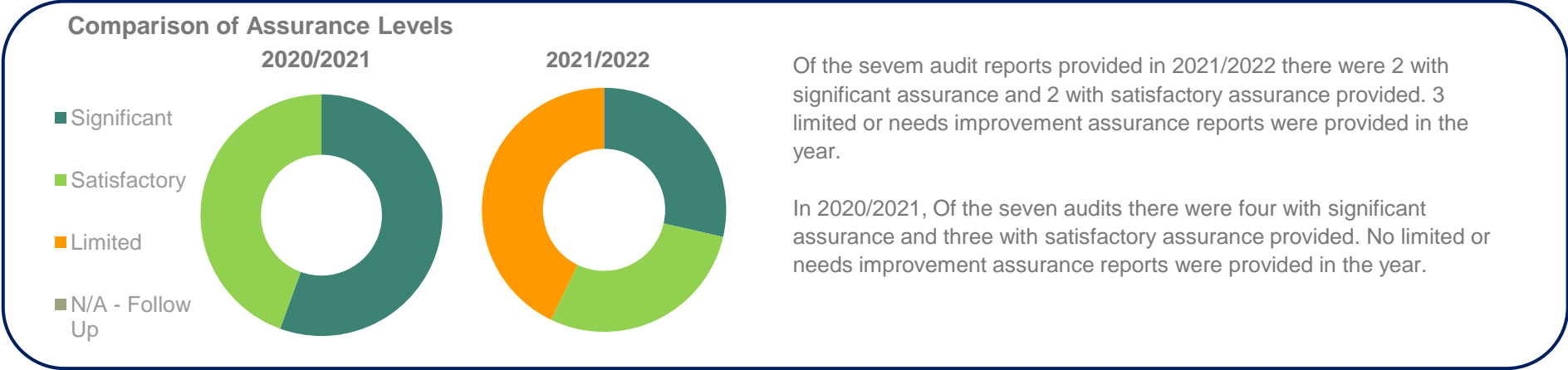
## 05 Internal Audit Plan 2021/22 vs Actual

The Internal Audit Plan was for a total of 111 days, with all reviews in the plan except one being completed during the period, resulting in 97 days of the plan being delivered.

Audit area	Planned days	Actual Days	Difference	Status
Core Financials	16	16	-	
Payroll	5	5	-	
Transport	10	14	+4	Time used from Counter Fraud
Stock Control	8	8	-	
Procurement & Contract Management	10	10	-	
Complaints Management	8	8	-	
Counter Fraud	8	-	-8	Audit no longer required
Information Security	8	8	-	
Cyber Security	8	8	-	
Collaboration	13	4.5	8.5	3 days rolled forward into 22/23 IA Plan
Follow Up	3	-	-3	
Management	14	14	-	
<b>Total</b>	<b>111</b>	<b>97</b>	<b>-31.4</b>	

# 06 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at Derbyshire Police.



# 07 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

## Compliance with Professional Standards

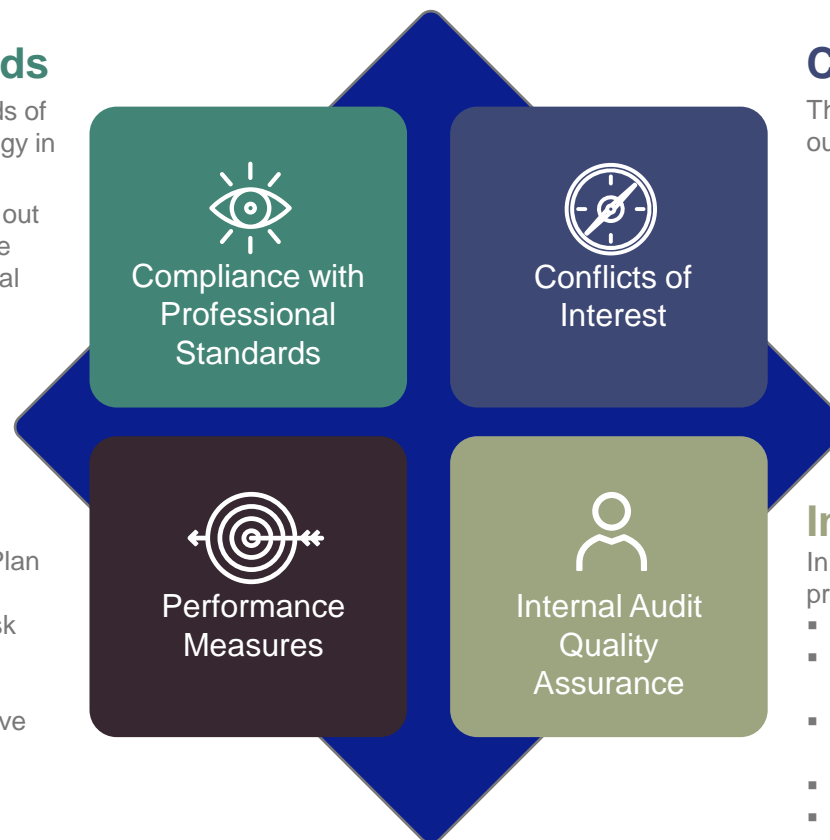
We employed a risk-based approach to determining the audit needs of Derbyshire at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

## Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the JARAC. We have received positive feedback on our work from the Audit and Risk Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the Audit and Risk Committee. A number of new performance measures were agreed at the April 21 JARAC and we have continued to present these to the committee.



## Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

## Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Please see next page for further details.

# 07 Internal Audit Quality Assurance

## **Our commitment on quality and compliance with the IIA's standards**

Mazars is committed to ensuring our work is delivered at the highest quality and compliant with the Global Institute of Internal Auditors' International Professional Practices Framework (IPPF), which includes the International Standards for the Professional Practice of Internal Auditing (Standards). Our public sector work also conforms with the UK Public Sector Internal Audit Standards (PSIAS), which are based on the mandatory elements of the IPPF.

Our quality assurance and quality control requirements are consistent with the Standards and PSIAS. These requirements are set out within our internal audit manual covering internal audit assurance and advisory work and which is structured to ensure our approach/methodology is compliant.

All internal audit staff conduct an annual declaration confirming awareness and compliance with the IPPF and PSIAS.

All work undertaken must have met the requirements of our manual before it can be signed out and issued to a client.

We have agreed delegated authorities that set out the levels at which various client outputs, including deliverables such as internal audit reports, must be reviewed and approved before being issued to our clients.

Our work is structured so that on-site auditors are supervised and are briefed on specifics relating to the client and internal audit work. Each review is overseen by a management team member, responsible for undertaking first-line quality reviews on working papers and reports and ensuring quality service provision by our team.

All reports must be reviewed and signed out by the engagement Partner, in line with the specific requirements set out within our delegated authorities. Evidence of this sign out is retained.

We have a formal system of quality control that our Advisory and Consulting Quality Board leads. There is a specific Mazars methodology for quality review of internal audit work. This is structured to cover the work of all engagement managers, directors, and partners during each year.

Our quality process takes a two-fold approach:

1. In-depth qualitative reviews assess specific audit engagements against all auditable elements of the Standards and many specific Mazars policies.
2. We also undertake quarterly compliance reviews of the work of all engagement managers, directors, and partners, which ensure that critical elements of compliance (such as evidence of report reviews and sign-outs) are present.

The results of our compliance reviews are discussed with the firm's Executive Board, which demonstrates the importance that the firm's partners attach to this exercise. The results of an individual partner's work review are considered in the reward system for equity partners. The central Technical Department is available for more specialist areas and alerts partners and team members to forthcoming technical changes. In this way, we seek to minimise the prospect of problems arising with internal audit files.

## **External quality assessment (EQA)**

As noted above, we can confirm that our internal audit work is undertaken in line with the IPPF and PSIAS. Under this there is a requirement for internal audit services to be subject to an independent EQA every five years. Our most recent assessment took place over the summer of 2019. The review concluded that Mazars "conforms to the requirements of the International Professional Practices Framework for Internal Audit and the Public Sector Internal Audit Standards".

# Appendices

## A1 Definitions of Assurance





# A1 Definitions of Assurance

## Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance level	Definition
Significant	There is a sound system of internal control designed to achieve the Organisation's objectives. The control processes tested are being consistently applied.
Satisfactory	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk. The level of non-compliance puts the Organisation's objectives at risk.
No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

## Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows :

Recommendation Level	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

### Annual Opinion Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance level	Definition
Significant	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

# Contact us

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We take responsibility to The Office of the Police & Crime Commissioner for Derbyshire & Derbyshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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AGENDA ITEM

**9B/C**

# JOINT AUDIT RISK ASSURANCE COMMITTEE

<b>REPORT TITLE</b>	ANNUAL GOVERNANCE STATEMENTS
<b>REPORT BY</b>	CHIEF FINANCE OFFICER / DIRECTOR OF FINANCE
<b>DATE</b>	21 JULY 2022

## PURPOSE OF THE REPORT

1. To receive, review and comment upon the Police & Crime Commissioner's and Chief Constable's Annual Governance Statements (AGS).

## ATTACHMENTS

- Annual Governance statement – Force
- Annual Governance statement - OPCC

## RECOMMENDATIONS

1. That the Committee receives, reviews and comments on the PCC and CC AGS's as set out in attachments 9Bi and 9Bii (Force) and 9Ci and 9Cii (OPCC)
2. That the Committee considers and agreements the statements.

CONTACT FOR ENQUIRIES

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## **BACKGROUND**

The AGS is a key document within both sets of accounts.

The AGS sets out the Governance framework and structure in place to deliver sound corporate governance, which in turn provides reassurance that the information contained within the accounts can be relied upon.

## **BACKGROUND PAPERS**

A. None

# Annual Governance Statement

## 1. Introduction

- 1.1. This Annual Governance Statement explains how the Chief Constable has complied with: -
- The Derbyshire Joint Code of Corporate Governance.
  - Requirements of Regulation 6[1] (a) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the review of the effectiveness of the system of internal control.
  - The Police Reform and Social Responsibility Act 2011 (the Act).
- 1.2. The Police and Crime Commissioner (Commissioner) and the Chief Constable have approved and adopted a Derbyshire Joint Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government: Guidance note for Police. A copy of the Joint Code of Corporate Governance can be obtained from the Chief Executive, Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website at <https://www.derbyshire-pcc.gov.uk/Document-Library/Transparency/Public-Information/Policies-Procedures-and-Protocols/Code-of-Corporate-Governance---June-2013-FV.pdf><sup>[174231]</sup>

## 2. Scope of responsibilities

- 2.1. The Commissioner and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner and Chief Constable are responsible under the Police Reform and Social Responsibility Act 2011 (the Act) for securing, inter alia, efficient and effective policing for Derbyshire and to deliver value for money, being continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2. In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of her affairs and facilitating the exercise of her functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 2.3. The Chief Constable for Derbyshire is responsible for maintaining the Queen's peace and has direction and control over the officers and staff operating within Derbyshire Constabulary. The Chief Constable holds office under the Crown and is appointed by the Commissioner.
- 2.4. The Chief Constable is accountable in law for the exercise of policing powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by Derbyshire Constabulary. At all times the Chief Constable, her officers and staff remain operationally independent in the service of the public. In discharging her overall responsibilities, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.
- 2.5. The Chief Constable appointed a professionally qualified Chief Financial Officer (CFO) for Derbyshire Constabulary with effect from 22 November 2012. In March 2019 both the Chief Constable and Derbyshire Fire and Rescue Service approved the creation of a permanent Joint CFO role to cover both organisations.
- 2.6. Under the Police Reform and Social Responsibility Act 2011 the Chief Constable's CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the proper financial administration of Derbyshire Constabulary. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and

Social responsibility Act 2011 ("2011 Act")). The Chief Constable's CFO is a key member of Derbyshire Constabulary's Chief Officer Team, helping it to develop and implement strategy and to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered. The CFO leads the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO ensures the finance function is resourced to be fit for purpose and oversees that appropriate management accounting systems, functions and internal controls are in place so that finances are kept under review on a regular basis. The arrangements in place are in line with the expectations set out in the CIPFA Financial Management Code 2019 [and the CIPFA Statement on the Role of the Chief Financial Officer of the Chief Constable \(March 2021\)](#).

- 2.7. Under s.35 of the 2011 Act in exercising her functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under their direction and control obtain good value for money in exercising their functions.
- 2.8. Derbyshire Constabulary (as a standalone entity) is legally required to produce an Annual Governance Statement. This statement helps the Commissioner to hold the Chief Constable to account for efficient and effective policing. This statement sits alongside the Statutory Accounts for the Chief Constable and gives assurance to the Commissioner of Derbyshire Constabulary's governance arrangements.

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

- 3.1. The governance framework comprises the systems and processes, culture and values by which the Chief Constable is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Chief Constable to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The Force Management Statement also provides a source of assurance in respect of governance and performance and a high level review of the CIPFA Code of Financial Management has not highlighted any significant areas of non compliance.
- 3.2. The Constabulary's governance framework was in place at the year-end 31<sup>st</sup> March 202~~2~~<sup>4</sup> and is expected to be up to the date of the approval of the Statement of Accounts 202~~19~~<sup>24</sup>.
- 3.3. This statement has been prepared for the 202~~19~~<sup>24</sup> financial year to state Derbyshire Constabulary's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.
- 3.4. Derbyshire Constabulary has adopted a joint code of corporate governance with the Commissioner, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Section 6 of the Accounts and Audit Regulations (England and Wales) 2015 in relation to the publication of a statement on internal control. This is underpinned by the governance framework as follows.
- 3.5. A Joint Audit Risk and Assurance Committee (JARAC) is in place providing independent assurance to both the Commissioner and the Chief Constable on the adequacy (excluding Professional Standards) of:-
  - Risk Management and the internal control framework of the Commissioner and Chief Constable.
  - Governance arrangements including providing for value for money.
  - Support and review work of audit providing assurance on risk management, internal controls and the annual accounts.
  - Appointment of internal audit & recommendations on external audit provision.



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

#### 4. Corporate Governance Reporting and Processes

- 4.1. Derbyshire Constabulary's Chief Officer Team, led by the Chief Constable, is responsible for ensuring Derbyshire Police has a corporate governance framework that reflects the principles of openness, integrity, accountability and equality, and supports the delivery of quality policing.
- 4.2. The governance framework enables Derbyshire Constabulary to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money. An annual review of this framework takes place and appropriate improvements are made to ensure that it remains fit for purpose. The Constabulary also carries out regular performance reviews, where each Chief Officer holds the Division or Department to account for their performance. This has been further augmented by the introduction of Priorities Boards building on the Performance Assurance Board to provide additional focus on overall policing performance, a Design Board to approve and oversee significant projects. The Design Board, consisting of the Strategic Leadership Team, also review business cases and priorities with further scrutiny from the Finance Futures Board, to assess funding decisions. There is also a Productivity and Efficiency Board to look at investment and savings decisions including ensuring the Force's resources are targeted appropriately and it functions efficiently and effectively. These boards are made up of key representatives of the Constabulary and Police and Crime Commissioners Office
- 4.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Constabulary's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

#### 5. Organisational Structures and Processes

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

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

- 6.1. An infrastructure has been established to support the effective management of risk and ensure that information on risks is gathered and acted on in a consistent and efficient manner. The Risk

Management Group annually reviews the Risk Management Policy Statement and policy guidance and meets in year to consider changes in risk and mitigation.

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

## 7. Business Continuity

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

## 8. Insurance

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

## 9. Health and Safety

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

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

- 10.1. The Financial Handbook is reviewed and updated regularly to ensure it remains fit for purpose. [This clearly defines how decisions are taken and the processes and controls required for managing risk.](#) Following the decision to appoint a Joint CFO for the Constabulary and DFRS, some financial rules have been reviewed to ensure close alignment between the two organisations. Procedure notes and manuals are in place for all key systems and are also

reviewed regularly. A Scheme of Delegation sets out financial authorisation levels for police officers and staff throughout the organisation. A Medium Term Financial Strategy is in place and is fully linked to the organisation's strategic objectives. At an operational level, rigorous and regular budget monitoring takes place and a well-established fraud assurance programme is in place. Robust management of income collection and debt recovery continues.

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

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

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

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

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

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

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

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

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

- 15.1. A confidential reporting policy is in place to enable officers and staff to report any concerns about malpractice or unlawful actions without fear of recrimination.
- 15.2. The Commissioner has made a commitment to putting things right and has a range of policies in order to deal with public complaints. Complaints against the Chief Constable are dealt with by the Commissioner; complaints against police officers or police staff that are under the direction of the Chief Constable are dealt with by the Chief Constable.
- 15.3. Complaint handling in Derbyshire Constabulary is monitored in regular meetings between the Head of Organisational Learning, Culture and Ethics (OLCE) and the Chief Executive of the OPCC or the Independent Police Complaints Commissioner.
- 15.4. The Constabulary recognises that it does not always get things right. It is essential that we are open and willing to learn from our mistakes and encourage people to come forward to learn from failures. Constabulary also has an Ethics and Culture Group, which aims to provide support to decision makers and leaders on ethical issues.

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

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

## **17. Standards of Behaviour**

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

## 18. Review of Effectiveness and Conclusion

- 18.1. The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within Derbyshire Constabulary at least annually. This review is informed by the work of the Director of Finance and Business Services and managers within Derbyshire Constabulary who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2021/22 the Commissioner has placed reliance on this review and the Annual Governance Statement of Derbyshire Constabulary.
- 18.2. Internal Audit have provided an independent opinion. On the basis of their internal audit work, their opinion on the framework of governance, risk management and control, is Significant in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective.
- 18.3. In their [Annual Audit Letter for 2019/20 Results Report for 2020/21](#), the External Auditor reported that they ~~had issued~~ [expect to issue](#) ~~an~~ unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Constabulary's arrangements for securing economy, efficiency and effectiveness in use of resources. They also reported that they had not identified any significant weaknesses in the Constabulary's internal control arrangements.
- 18.4. The annual inspections of police effectiveness, efficiency and legitimacy (PEEL) undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) looked at three key areas. (*The assessment for Derbyshire Police is show in italics*)

Derbyshire Constabulary was inspected in tranche three and we found:



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



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



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

- 18.5. Following the last PEEL assessment in 2019, HM Inspector of Constabulary stated

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

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

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

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

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

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

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

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

18.6. In response to the inspection, the Constabulary maintains a Force Improvement Team and Force Improvement Group to focus on the actions needed to improve performance and the arrangements in place. A further inspection is currently underway and the report will be issued in the Autumn. A comprehensive performance framework is now in place and significant improvements are already being seen in the areas of demand management, investigations, outcomes and resolution. This is monitored through the Performance Assurance Board and also the PCC's Strategic Priorities Assurance Board (SPAB) Performance Scrutiny Meetings with further scrutiny through the JARAC.

~~18.7. HMICFRS also carried out a Custody inspection and Crime Data integrity inspection for Derbyshire Police as part of a rolling programme of inspections across police forces over recent years. There were some immediate remedial actions required in respect of custody facilities which have now been actioned and in the follow up inspection the Inspectorate recognised the progress made in both areas. Again, this is monitored through the Performance Assurance Board and SPAB.~~

~~18.8-18.7.~~ We have been advised on the implications of the results of the review of the effectiveness of the governance framework by JARAC and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There are no significant control weaknesses. However, having undertaken the review of governance, the following areas have been identified that are considered important in maintaining and strengthening the internal control environment. These areas will be tracked by the Constabulary and the JARAC over the next 12 months.

Governance <u>and Risk Areas</u>	Action
The Constabulary is modelling the financial challenges in its Medium Term Financial Plan, considering the balance between investment, borrowing, reserves and savings	Our current <del>best, medium and worst case</del> modelling for 2023 <del>2/24</del> 3 shows a <u>reasonable worst case projection of a range of between £5.1m surplus and £12.5m £2m deficit, with a more probable likelihood of a budget shortfall of between £2.6m and £4.95m</u> depending primarily on funding assumptions. However, this will be updated in the autumn through a revised strategy <del>and to reflect the challenges of COVID 19</del> . The Force balanced its budget in 2020/21 <u>and 2021/22</u> without the need to use its reserves and has developed <u>a savings strategy options</u> to sustain the current investment and meet the funding gap.
The Constabulary <del>is building closer</del> <u>has close</u> links with Derbyshire Fire and Rescue Service with the decision to create a permanent joint CFO role as well as closer integration of Assets, Procurement and Fleet teams.  As part of this closer working the Constabulary and Derbyshire Fire and Rescue Service will look	A joint management board is in place, which is responsible for the management and control of the business and affairs of the LLP and oversees other opportunities to work together.  The Joint CFO role ensures alignment between Police and Fire management boards.

<p>at how they align their financial regulation and contract procedure rules, along with the potential to create more joint contracts for both organisations.</p>	<p>Both organisations have agreed a set of core principles which are included in a collaboration agreement that formalises collaborative arrangements for Police and Fire</p>
<p><del>The Home Office's replacement of the Airwave network, titled the Emergency Services Mobile Communications Programme ESMCP, has a number of significant risks, including continued delays to implementation, failure to meet operational needs and unknown financial implications. It is important that robust programme management is in place to ensure major risks such as these are fully understood, so that appropriate action can be taken to minimise any potential impact on the Constabulary's ability to provide efficient and effective policing in Derbyshire.</del></p>	<p><del>The Constabulary has a robust Board structure in place to support the implementation of critical systems, which includes representatives from the regional project team.</del></p> <p><del>The Constabulary is also working with all other forces in the East Midlands Region to adopt a more consistent approach to this project and ensure that it has close links with the national project.</del></p>
<p>The PEEL inspection highlighted the need to make significant changes to the way crime is recorded <u>and improve its focus on vulnerability</u>.</p>	<p><u>Improvements have been made in crime recording</u>. A project team has been established to implement a detailed <u>HMICFRS</u> improvement plan with a specific improvement aimed at addressing the issues identified within the recent HMICFRS inspection. Regular updates on progress are provided to the HMICFRS.</p>
<p>Constabulary is undertaking a wide range of projects to improve and develop the police estate so that it meets the future needs for policing across Derbyshire. It is essential that these programmes are co-ordinated and managed effectively.</p>	<p>Strategic and operational estates boards are in place to assess priorities for estates investment and oversee Estates projects.</p> <p>The joint Property team <del>is now in place</del> with Derbyshire Fire and Rescue Service <del>following the appointment of</del> <u>includes</u> the Joint Head of Strategic Estates <u>and Team</u> for the two organisations and a joint Asset Management Plan <u>and contracts</u> <del>have</del> been agreed.</p>
<p>The Constabulary has an ambitious change management programme aimed at transforming the way that the Constabulary does business.</p>	<p>A Design <del>B</del>board chaired by the Deputy Chief Constable (DCC) is in place supported by a Finance Futures Board to consider funding options and challenges and programme management arrangements have been thoroughly reviewed.</p> <p>There is now a stand-alone Business Change and Innovation Team. Investment has been made to ensure that there are the right resources with the right skills to deliver change across the organisation. At this board, all change will be viewed, mapped and directed to ensure it is all developing the force in the right direction, improving services provided, co-ordinating effort, providing value for money and realising business benefits</p>

Information management and the effective use of data is key to effective policing in the future. It is essential that the Constabulary has sound arrangement to analyse data and effective and appropriate data sharing protocols to protect against inappropriate disclosure.

The Constabulary has a governance structure in place to oversee this the effective use, sharing and storing of data through the DCC and Head of Information Management.

## 19. Coronavirus impact on Governance Arrangements

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

## 20. Declaration

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

Signed:

Signed:

**Chief Constable of Derbyshire  
Constabulary**

**Joint Director of Finance and Business  
Services**

Date: 30<sup>th</sup> July 202~~2~~<sup>4</sup>

Date: 30<sup>th</sup> July 202~~2~~<sup>4</sup>



# Annual Governance Statement

## 1. Introduction

- 1.1. This Annual Governance Statement explains how the Chief Constable has complied with: -
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- 2.3. The Chief Constable for Derbyshire is responsible for maintaining the Queen's peace and has direction and control over the officers and staff operating within Derbyshire Constabulary. The Chief Constable holds office under the Crown and is appointed by the Commissioner.
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- 2.5. The Chief Constable appointed a professionally qualified Chief Financial Officer (CFO) for Derbyshire Constabulary with effect from 22 November 2012. In March 2019 both the Chief Constable and Derbyshire Fire and Rescue Service approved the creation of a permanent Joint CFO role to cover both organisations.
- 2.6. Under the Police Reform and Social Responsibility Act 2011 the Chief Constable's CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the proper financial administration of Derbyshire Constabulary. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and

Social responsibility Act 2011 ("2011 Act")). The Chief Constable's CFO is a key member of Derbyshire Constabulary's Chief Officer Team, helping it to develop and implement strategy and to resource and deliver the Commissioner's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered. The CFO leads the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO ensures the finance function is resourced to be fit for purpose and oversees that appropriate management accounting systems, functions and internal controls are in place so that finances are kept under review on a regular basis. The arrangements in place are in line with the expectations set out in the CIPFA Financial Management Code 2019 and the CIPFA Statement on the Role of the Chief Financial Officer of the Chief Constable (March 2021).

- 2.7. Under s.35 of the 2011 Act in exercising her functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under their direction and control obtain good value for money in exercising their functions.
- 2.8. Derbyshire Constabulary (as a standalone entity) is legally required to produce an Annual Governance Statement. This statement helps the Commissioner to hold the Chief Constable to account for efficient and effective policing. This statement sits alongside the Statutory Accounts for the Chief Constable and gives assurance to the Commissioner of Derbyshire Constabulary's governance arrangements.

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

- 3.1. The governance framework comprises the systems and processes, culture and values by which the Chief Constable is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Chief Constable to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The Force Management Statement also provides a source of assurance in respect of governance and performance and a high level review of the CIPFA Code of Financial Management has not highlighted any significant areas of non compliance.
- 3.2. The Constabulary's governance framework was in place at the year-end 31<sup>st</sup> March 2022 and is expected to be up to the date of the approval of the Statement of Accounts 2021/22.
- 3.3. This statement has been prepared for the 2021/22 financial year to state Derbyshire Constabulary's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.
- 3.4. Derbyshire Constabulary has adopted a joint code of corporate governance with the Commissioner, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This statement explains how the Chief Constable has complied with the code and also meets the requirements of Section 6 of the Accounts and Audit Regulations (England and Wales) 2015 in relation to the publication of a statement on internal control. This is underpinned by the governance framework as follows.
- 3.5. A Joint Audit Risk and Assurance Committee (JARAC) is in place providing independent assurance to both the Commissioner and the Chief Constable on the adequacy (excluding Professional Standards) of:-
  - Risk Management and the internal control framework of the Commissioner and Chief Constable.
  - Governance arrangements including providing for value for money.
  - Support and review work of audit providing assurance on risk management, internal controls and the annual accounts.
  - Appointment of internal audit & recommendations on external audit provision.

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

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

- 4.1. Derbyshire Constabulary's Chief Officer Team, led by the Chief Constable, is responsible for ensuring Derbyshire Police has a corporate governance framework that reflects the principles of openness, integrity, accountability and equality, and supports the delivery of quality policing.
- 4.2. The governance framework enables Derbyshire Constabulary to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money. An annual review of this framework takes place and appropriate improvements are made to ensure that it remains fit for purpose. The Constabulary also carries out regular performance reviews, where each Chief Officer holds the Division or Department to account for their performance. This has been further augmented by the introduction of Priorities Boards<sup>[174232]</sup>, building on the Performance Assurance Board to provide additional focus on overall policing performance, a Design Board to approve and oversee significant projects The Design Board, consisting of the Strategic Leadership Team, also review business cases and priorities with further scrutiny from the Finance Futures Board, to assess funding decisions. There is also a Productivity and Efficiency Board to look at investment and savings decisions including ensuring the Force's resources are targeted appropriately and it functions efficiently and effectively. These boards are made up of key representatives of the Constabulary and Police and Crime Commissioners Office
- 4.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Constabulary's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

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

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

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

- 6.1. An infrastructure has been established to support the effective management of risk and ensure that information on risks is gathered and acted on in a consistent and efficient manner. The Risk

Management Group annually reviews the Risk Management Policy Statement and policy guidance and meets in year to consider changes in risk and mitigation.

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

## **7. Business Continuity**

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

## **8. Insurance**

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

## **9. Health and Safety**

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

## **10. Reviewing and updating standing financial instructions, a scheme of delegation and supporting procedure notes/manuals,**

- 10.1. The Financial Handbook is reviewed and updated regularly to ensure it remains fit for purpose. This clearly defines how decisions are taken and the processes and controls required for managing risk. Following the decision to appoint a Joint CFO for the Constabulary and DFRS, some financial rules have been reviewed to ensure close alignment between the two organisations. Procedure notes and manuals are in place for all key systems and are also reviewed regularly. A Scheme of Delegation sets out financial authorisation levels for police

officers and staff throughout the organisation. A Medium Term Financial Strategy is in place and is fully linked to the organisation's strategic objectives. At an operational level, rigorous and regular budget monitoring takes place and a well-established fraud assurance programme is in place. Robust management of income collection and debt recovery continues.

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

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

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

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

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

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

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

- 14.1. Derbyshire Constabulary is committed to ensuring our service meets the needs of the people of Derbyshire. Due regard has been taken of emerging stakeholder processes such as the Commissioner's Police and Crime Plan and visits across Derbyshire.
- 14.2. The 'Safer Together' Campaign has a comprehensive engagement strategy, facilitated by the use of the 'Derbyshire Alert' communications system as a means of consulting and sharing information with our communities.

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

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

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

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

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

## **17. Standards of Behaviour**

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

## 18. Review of Effectiveness and Conclusion

- 18.1. The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within Derbyshire Constabulary at least annually. This review is informed by the work of the Director of Finance and Business Services and managers within Derbyshire Constabulary who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2021/22 the Commissioner has placed reliance on this review and the Annual Governance Statement of Derbyshire Constabulary.
- 18.2. Internal Audit have provided an independent opinion. On the basis of their internal audit work, their opinion on the framework of governance, risk management and control, is Significant in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective.
- 18.3. In their Audit Results Report for 2020/21, the External Auditor reported that they expect to issue an unqualified opinion on the Statement of Accounts and an unqualified conclusion on the Constabulary's arrangements for securing economy, efficiency and effectiveness in use of resources. They also reported that they had not identified any significant weaknesses in the Constabulary's internal control arrangements.
- 18.4. The annual inspections of police effectiveness, efficiency and legitimacy (PEEL) undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) looked at three key areas. (*The assessment for Derbyshire Police is show in italics*)

Derbyshire Constabulary was inspected in tranche three and we found:



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



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



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

- 18.5. Following the last PEEL assessment in 2019, HM Inspector of Constabulary stated

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

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

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

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

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

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

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

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

- 18.6. In response to the inspection, the Constabulary maintains a Force Improvement Team and Force Improvement Group to focus on the actions needed to improve performance and the arrangements in place. A further inspection is currently underway and the report will be issued in the Autumn. A comprehensive performance framework is now in place and significant improvements are already being seen in the areas of demand management, investigations, outcomes and resolution. This is monitored through the Performance Assurance Board and also the PCC's Performance Scrutiny Meetings with further scrutiny through the JARAC.
- 18.7. We have been advised on the implications of the results of the review of the effectiveness of the governance framework by JARAC and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There are no significant control weaknesses. However, having undertaken the review of governance, the following areas have been identified that are considered important in maintaining and strengthening the internal control environment. These areas will be tracked by the Constabulary and the JARAC over the next 12 months.

Governance and Risk Areas	Action
The Constabulary is modelling the financial challenges in its Medium Term Financial Plan, considering the balance between investment, borrowing, reserves and savings	Our current modelling for 2023/24 shows a reasonable worst case projection of a £2m deficit, depending primarily on funding assumptions. However, this will be updated in the autumn through a revised strategy. The Force balanced its budget in 2020/21 and 2021/22 without the need to use its reserves and has developed savings options to sustain the current investment and meet the funding gap.
<p>The Constabulary has close links with Derbyshire Fire and Rescue Service with the decision to create a permanent joint CFO role as well as closer integration of Assets, Procurement and Fleet teams.</p> <p>As part of this closer working the Constabulary and Derbyshire Fire and Rescue Service will look at how they align their financial regulation and contract procedure rules, along with the potential to create more joint contracts for both organisations.</p>	<p>A joint management board is in place, which is responsible for the management and control of the business and affairs of the LLP and oversees other opportunities to work together.</p> <p>The Joint CFO role ensures alignment between Police and Fire management boards.</p> <p>Both organisations have agreed a set of core principles which are included in a collaboration agreement that formalises collaborative arrangements for Police and Fire</p>
The PEEL inspection highlighted the need to make significant changes to the way crime is recorded and improve its focus on vulnerability.	Improvements have been made in crime recording. A project team has been established to implement a detailed HMICFRS improvement plan with a specific improvement aimed at addressing the issues identified within the



	recent HMICFRS inspection. Regular updates on progress are provided to the HMICFRS.
Constabulary is undertaking a wide range of projects to improve and develop the police estate so that it meets the future needs for policing across Derbyshire. It is essential that these programmes are co-ordinated and managed effectively.	<p>Strategic and operational estates boards are in place to assess priorities for estates investment and oversee Estates projects.</p> <p>The joint Property team with Derbyshire Fire and Rescue Service includes the Joint Head of Strategic Estates and Team for the two organisations and a joint Asset Management Plan and contracts have been agreed.</p>
The Constabulary has an ambitious change management programme aimed at transforming the way that the Constabulary does business.	<p>A Design Board chaired by the Deputy Chief Constable (DCC) is in place supported by a Finance Futures Board to consider funding options and challenges and programme management arrangements have been thoroughly reviewed.</p> <p>There is now a stand-alone Business Change and Innovation Team. Investment has been made to ensure that there are the right resources with the right skills to deliver change across the organisation. At this board, all change will be viewed, mapped and directed to ensure it is all developing the force in the right direction, improving services provided, co-ordinating effort, providing value for money and realising business benefits</p>
Information management and the effective use of data is key to effective policing in the future. It is essential that the Constabulary has sound arrangement to analyse data and effective and appropriate data sharing protocols to protect against inappropriate disclosure.	The Constabulary has a governance structure in place to oversee this the effective use, sharing and storing of data through the DCC and Head of Information Management.

## 19. Coronavirus impact on Governance Arrangements

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

## 20. Declaration

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

Signed:

Signed:

**Chief Constable of Derbyshire  
Constabulary**

Date: 30<sup>th</sup> July 2022

**Joint Director of Finance and Business  
Services**

Date: 30<sup>th</sup> July 2022

**POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**  
**STATEMENT OF ACCOUNTS 2021/22**  
**COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2020/21**

**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 ~~Chief Executive~~, Office for the Police and Crime Commissioner for Derbyshire, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Commissioner's website.

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. ~~Even though the current Commissioner was not in office during the financial year ending 31<sup>st</sup> March 2021 it is common practice for the incumbent to approve the AGS. 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 framework 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, ~~will publish~~published the Police and Crime Plan 2021-2025 later in 2021 (following her election in May 2021) ~~which will articulate the policing objectives,~~ 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 ~~public Strategic Priorities Assurance~~Performance Scrutiny meeting ~~Meeting~~ (SPAPSM), the Commissioner receives reports from the Chief Constable, ~~the Chief Constable's Director of Finance, the Chief Executive and the Chief Finance Officer on the implementation of these objectives, financial management and emerging issues~~ and senior officers covering how the Force is delivering against the priorities set out in the Police & Crime Plan. ~~Each SPA meeting is thematic and includes input from partners concerning the specific Police & Crime Plan objectives being considered.~~ 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 ~~her~~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 ~~Finance-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~~Commissioner's Executive Team meeting.~~
- 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 ~~her~~their functions, providing for an effective performance management and reporting process.
- 9.4 The Commissioner or ~~her~~their representatives sit on Governance project 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, ~~which is published.~~ 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 ~~undertook to demonstrate compliance~~must comply with the principles of corporate governance in each of the six dimensions of ~~her~~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.

~~A self-assessment tool has been adopted by the Commissioner to evaluate how well she met her own code during 2020/21, together with identifying what areas of work will be reviewed or improved in 2021/22. The self-assessment tool is reviewed regularly and at least annually.~~ 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 Chief Executive 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 Executive and Chief Finance Officer~~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 ~~Organisational Learning, Culture and Ethics (OLCE)~~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:

- ~~Periodically r~~Review the ~~revised~~ 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:

**Andrew Dale**

Chief Operating Officer

Office of the Police and Crime Commissioner for Derbyshire

Date:

**POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**  
**STATEMENT OF ACCOUNTS 2021/22**  
**COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2020/21**

**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 framework 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/>

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- 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

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## **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:

**Andrew Dale**

Chief Operating Officer

Office of the Police and Crime Commissioner for Derbyshire

Date:

# Policy, Guidance & Legislation.

## OUR PRIORITIES



Vulnerability



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Crime



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People



Prevention and  
Partnerships



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Visible Policing



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# Policy Legacy Issues

- Move away from policy
- No clear standards
- Over complication (blurred lines between policy/enabling guidance/guidance)

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# Understanding the Issues

- Listening to supervisors
- Review of all policies/procedures/enabling guidance/guidance
- Scrutiny & Oversight

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# Legacy Position

- **Figures**

- 79 Policies
- 74 Enabling Guides
- 7 APP Local Procedures
- 8 Legislative Compliance
- 218 in total for review (consisting of policies, procedures, enabling guidance and guidance)
- Withdrawn - 7

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# Where are we now?

## Move to a position;

- Force Policy
- Guidance
- Legislation/Authorised Professional Practice Local Procedure

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# Current Position

- **Policy Database –database created to capture and enable a timely review of all documents**

## The Policy Database details:

- Reference Number/Title/Owner
- Current Position – Approved/Pending Review/Requested/Withdrawn
- Dates of when Policy was reviewed and date of next review
- History – Record of Policy progress – requests and details of emails etc
- Attachment of Policy - versions and updates
- Link to Connect Page

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# Database Managed by Strategic Planning and Policy Officer

Title	Policy Title	Policy Owner	Department	Status	Last Reviewed	Next Review Due	Chase Date	Notes	Connect
05/033	Covert Policing Policy	Ham, Helen, 4865		Approved		December 1		Reviewed by Sam Jones, EIA completed, re-published. 06 July 12 - Review reminder sent to Hilary Wileman. 29/04/13 - Reviewed and amended by Sam Jones. Re-published on Intranet. 01/04/14 - Review reminder sent to Sinder Gill.	<a href="https://connect/intera...">https://connect/intera...</a>
05/034	Health & Safety Policy	Bingley, Joanna, 1631		Approved	August 17	March 1, 2023		The policy was re-written 2010. The new version was published June 2010 and after EIA was recommended for 3 yearly review by Sue Brown despite the EIA indicating yearly. After FMG it was decided that the policy should be looked at yearly.	<a href="https://connect/intera...">https://connect/intera...</a>
05/035	Issue of Traffic Offence Reports and VDRS	Poxon, Mandy, 6034		Approved		January 1, 2022		Jan 12 - Reviewed by Marie McGuckin minor amendments made. Re-published 13.6.12 - Reviewed again by Les Marriott and amended to reflect the new Traffic Offence Report Scheme. Re-published and review dates changed. 11 June 13 -	<a href="https://connect/intera...">https://connect/intera...</a>
05/037	Duty Management System Operating Procedure			Pending Review		August 1, 2017		15/12/08 Email from Martin Coey - Major changes expected to document. Update review dates and bring back for review in one year (send to martin coey). 04 May - Review reminder sent to Andy Colledge. 01 Oct - 2nd reminder sent to Andy	
05/038	Speed Enforcement	Roberts, Darren, 171		Approved	May 21	May 1, 2023		14 June 2011 - Reviewed and slightly amended by Heather Young - re-published. 13 June 2012 - Review reminder sent to Garry Sherwood given to Steve Wilson to review. 13/08/13 - Review reminder sent to Leanne Housley. 14/08/13 -	<a href="https://connect/intera...">https://connect/intera...</a>
05/039	Flexible Working Policy	England, Carolyn, 171	Human Resources	Pending Review Requested			Yesterday	Reviewed by Nicola Smith Mar-12. Updated to reflect Winsor for police officer requests. Re-published. 04 March 2013 - Review reminder sent to Nicola Smith. 26/03/13 - Reviewed by Nicola Smith, changes made to reflect PCC and job title	<a href="https://connect/intera...">https://connect/intera...</a>
05/040	Guidelines for Preparation of Summary files for Prosecution	Poxon, Mandy, 6034		Approved		December 1, 2022		04.08.10 - Reviewed and amended by Beryl Ryan. Re-published. 21.07.11 - Review reminder sent to Kevin Lea, CJ. Msg from Shelley, this is being dealt with by Paul Kaye, there may be a few changes	<a href="https://connect/intera...">https://connect/intera...</a>

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Our People



Prevention and Partnerships



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# Current Position – How has this been achieved

- **Review and Conversion of 75 Enabling Guidance documents.**

Now have 0 Enabling Guidance Documents: These have moved to a position of:

- 19 Force Policy
- 38 Guidance
- 16 appendices attached to Information Security Policy
- 2 Withdrawn

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# Current Position

## ■ Figures

- Overall Documentation Withdrawn – 55
- Policies – 78 Polices (plus 13 new Policies at consultation stage)
- Legislative Compliance – 8 (plus 1 LC at consultation stage)
- Authorised Professional Practice Local Procedure – 4
- Guidance – 43
- Policies Approved - 54
- Policies currently under review – 24
- Operational Orders – 2

HR Policy and Guidance has been managed by the HR Department since 2017 therefore the below identifies the figures recorded on the Policy and Strategic Managers database only –

HR Polices – total 14

HR Guidance - 18

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# Governance

- **Now have in place:**
  - Policy Review Meeting (fortnightly)
  - Policy Advisory Group (bi-monthly)
  - Policy and Equality Impact Assessment Meeting (monthly)
  - New Policy Template which now additionally includes :
    - Publication Details
    - Version Control and Impact Assessment Score
    - Policy Implementation Matrix
    - Impact on any Other Policy
    - Policy Sign Off
  - Policy Database
  - Force Improvement Team Meeting (weekly)
  - Policy meeting and liaison between Policy Manager and Interim Strategic Lead for Governance and Compliance OPCC
  - Publication meetings between Policy Manager and Connect Digital Content Editor

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# Future

- **Training**

Joint training for writing/reviewing Policy and completing Equality Impact Assessments for staff.

- **Continued Review of Policies**

- **Continued Governance and Development**

Achieved through joint working and consultation

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