

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

**STATEMENT OF ACCOUNTS 2018/19**

**OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE  
STATEMENT OF ACCOUNTS  
YEAR END 31 March 2019**

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## NARRATIVE REPORT

### Introduction

These accounts set out the overall financial position of Derbyshire Police for the year ended 31 March 2019.

### 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, and 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 2016-2021 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 over the next four years, 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. The revised version of the Police and Crime Plan 2016-2021 was approved for publication at the Strategic Priorities Assurance (SPA) Board meeting on 19th March 2018. It was further reviewed on 20<sup>th</sup> May 2019 at SPA Board but was unchanged. A copy of the Police and Crime Plan 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 [Police and Crime Plan](#)

### Organisational Model

The Commissioner has a Deputy and employs 18 Full Time Equivalent staff to assist him in discharging his core functions. Further details on the Office for the Police and Crime Commissioner in Derbyshire is also available on the Commissioner's website at: [The Office of the Police and Crime Commissioner](#)

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 centre that answers 999 and non-emergency telephone calls, our roads policing section, dog section, National Police Air Service (NPAS), criminal justice, crime investigation and the forensic officers who work in our scientific support unit.

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

## **Basis for Preparation**

For accounting purposes the Commissioner and Chief Constable together are known as the PCC Group. A separate set of statutory accounts has been published for the Chief Constable to recognise the financial transactions incurred during 2018/19 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 2018/19 and provide an overview of the most significant matters reported in the accounts.

The 2018/19 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2018/19. The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include: -

- The Police Reform and Social Responsibility Act 2011 (the Act).
- Accounts and Audit (England and Wales) Regulations 2015.
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013.
- Scheme of Consent between the Commissioner and Chief Constable.
- The Financial Handbook of the Commissioner and Chief Constable.

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

## **Financial Statements**

The financial statements for the Commissioner and PCC Group required under the 2018/19 Code consist of:-

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

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

### ***Comprehensive Income and Expenditure 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 2018/19 annual accounts are consistent with last year, no major changes have been necessary.

### ***Other Contents***

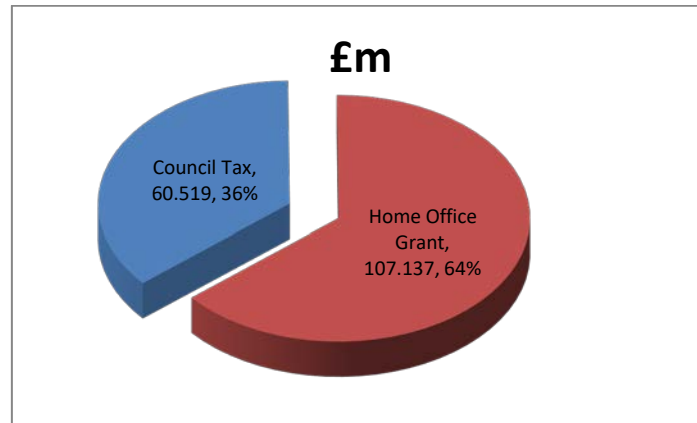
In addition to the financial statements, the annual accounts include: -

- A Statement of Responsibilities for the Accounts and information on the Police Officer Pension Fund (providing statements for pension fund income and expenditure, assets and liabilities).
- An Annual Governance Statement (AGS) 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

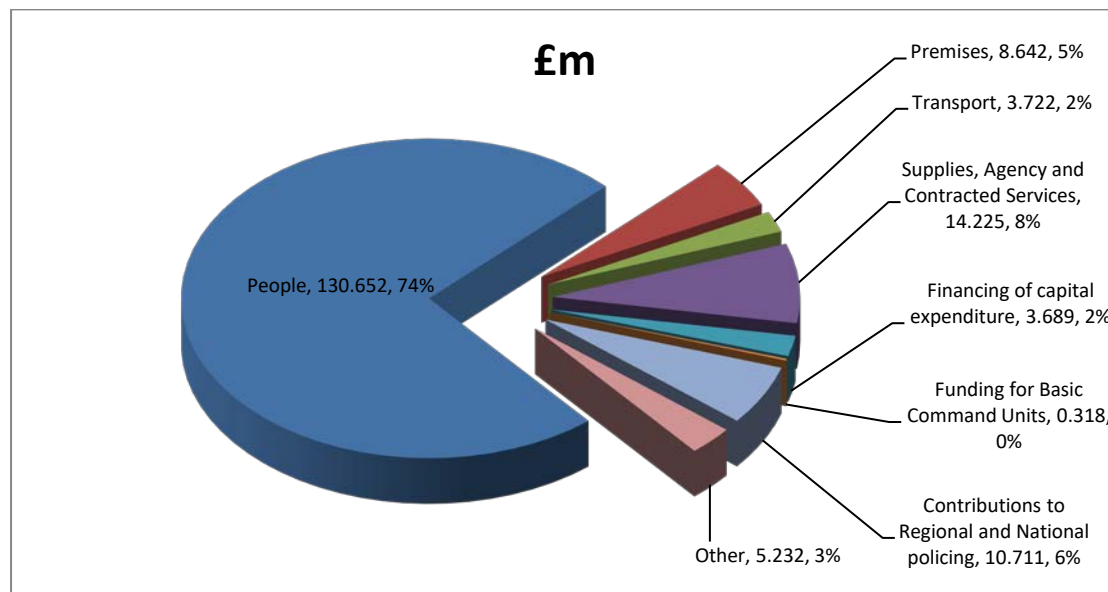
A revenue budget for 2018/19 was set at £167.656 million, an increase of 2.7% over 2017/18. The funding of the £167.656 million comprised central government formula funding (Police Specific Grant, Localising Council Tax Support Grant and Revenue Support Grant (RSG)) of £107.137m, and Council Tax of £60.519m.



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

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

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



## Financial Performance Report

This section provides an introduction and a broad analysis of the Group's performance and position for 2018/19.

### Deficit on the Provision of Services

The Comprehensive Income and Expenditure Statement for 2018/19 shows a deficit on the provision of services of £139.660m. 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 (2018/19 Revenue Budget) - Performance against budget**

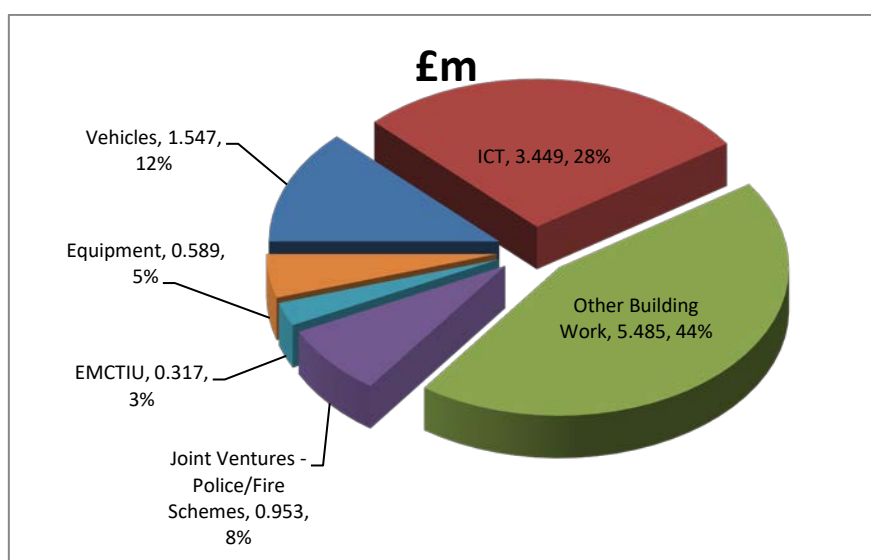
A more significant measure of financial performance in the year is the level of net expenditure incurred against the principal streams of revenue funding that make up the Group's Revenue Budget.

Net expenditure incurred against the Revenue Budget for the Group amounted to some £168.321m, which included a contribution from reserves (£1.514m) to cover a relatively small budget shortfall. It is important to view the financial position in context, as we estimated that our spending would be no more than 1% above budget we had planned ahead by setting aside reserves to help us manage peaks in demand and new pressures, at least in the short to medium term. A more detailed breakdown for the revenue budget for 2018/19 is available in the Chief Constable's Statement of Accounts.

**Capital Expenditure in 2018/19**

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 2018/19 was £12.340m and was allocated as follows: -



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

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

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

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

#### Main Capital Variances to Budget

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

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

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

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

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

#### **Treasury Management**

- Cash Flow Management - During 2018/19 the Group continued to be a net lender of funds.
- Investment of Surplus Funds - The official bank rate was increased on 2 August 2018 from 0.50% to 0.75%. The rate achieved on 7 day average was 0.571% (0.296% 2017/18). The low interest rates continue to limit the amount of interest earned on short-term investments and bank deposits.
- Prudential Indicators - In undertaking its treasury management functions during the year, the Group managed its activities within the prudential indicators and approved lending 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 £2,320m in 2018/19 (2017/18 £2,099m). Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

#### **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 monitoring tools. Regular meetings are held with the Chief Constable to discuss performance and to ensure that any new patterns in offending in the county are being addressed.



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

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

## Outlook for 2019/20 Key Risks and Opportunities

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

In November 2015 the then Chancellor of the Exchequer, Rt Hon George Osborne, announced that when precept increases were taken into account police spending would be 'protected' in real terms over the Spending Review period. This indicated an expectation that Police and Crime Commissioners would exercise their power to increase the element of Council Tax that contributes towards the cost of policing. On 13th December 2018 the Policing Minister, Mr. Nick Hurd, announced the funding settlement for police forces. The key elements were as follows: -

- An extra £970m investment in policing, including:-
- £161m additional formula funding, giving a 2.1% increase to each force
- £153m for a new Pensions Grant
- PCCs enabled to raise their precept by up to £24 per year (for a Band D property), which is expected to raise £509m.
- Additional investment of £90m to tackle Serious and Organised Crime.
- Extra funding for counter-terrorism of £59m.

The Government estimated that if every PCC increased their precept by the maximum permitted, this would produce an average increase in total funding across all forces of 7.1%. This increase is more than had been expected by the service. In a letter to the Home Affairs Select Committee Mr Hurd outlined 4 priority areas the government wanted to see addressed to 'drive efficiency, productivity and effectiveness' during 2019/20:-

- Continued efficiency savings through collective procurement and shared services
- Major progress to resolve challenges in investigative resources, including recruitment of more detectives to tackle a service-wide shortfall
- Continued improvement in productivity, including smarter use of data
- Maintenance of a response to Serious and Organised Crime that spans identification and management of local threats as well as support for national priorities

The latest budget settlement means we are able to invest in increasing police and staff numbers by a total of 120 posts to address high-priority areas agreed upon by the PCC and Chief Constable. The additional funding that we will have in 2019/20 (£12.2m compared to 2018/19 levels) will allow us to: -

- Increase resources in our Safer Neighbourhood Teams by 25 police officers, 14 PCSO's and 15 other staff
- Employ 22 new Detective Staff Investigators
- Increase the number of officers working in Local Policing Units in the force's North Division by 15 officers
- Increase the Roads Policing Unit by 8 officers.

- Put 5 more officers in the Rural Crime Team.
- Set up an Analytics Team with 7 specialist staff.
- In addition to - absorbing underlying cost pressures totalling £8.8m, including pay inflation and increases in employer pension contributions

We still have to fund a deficit in 2019/20 of some £1.1m from reserves despite increasing the precept by £24 next year. The government settlement and precept flexibility helps, but is by no means a permanent solution to our funding challenges. The need to identify further efficiencies remains and will continue to challenge the Constabulary in the future.

We have included a larger contribution to our capital programme from 2018/19 onwards (£3m, an increase of £1.4m) in the revenue budget. This is because our reserves are diminishing and we face the need to finance our future capital expenditure using debt. The additional contribution from the revenue budget will help to reduce the amount of debt taken.

Derbyshire Police has invested many of its reserves in technology and new Joint premises to help generate efficiency by developing its relationship with the Fire Service.

Despite this investment further pressures still remain, with a need to update and upgrade the rest of the police estate as well as the continual need to keep pace with technology.

Crime is also changing significantly with ever more focus on protecting the vulnerable and a whole range of “new” crimes, such as modern slavery and human trafficking. Cyber-crime is another major area of policing risk. Just as we live in a more virtual world, criminals are also operating in the same new virtual world.

Nationally, the Police Service has highlighted the significant pressure on policing just to stand still, not to mention the new and emerging challenges that we face.

## **Brexit**

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

## **Collaboration**

### *(i) East Midlands Police*

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

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

Collaboration is based on three key principles:

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

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

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

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

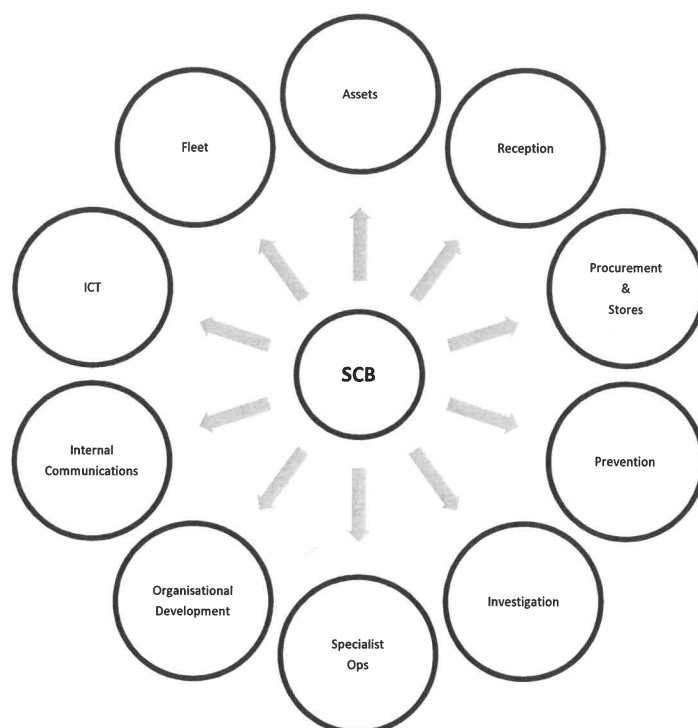
- Greater resilience.
- Increased capability.
- Reduced bureaucracy.
- Reduced cost.

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

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

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

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



**Andrew Dale**  
**Chief Finance Officer**

31/07/19

## 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  
**Hardyal Dhindsa**  
**Police and Crime Commissioner**  
Date: 31/07/19

### 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 2019 and of its income and expenditure for the year ended 31 March 2019.



Signed  
**Andrew Dale FCCA**  
**Chief Finance Officer**  
Date: 31/07/19

## **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**

### **Opinion**

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

- Police and Crime Commissioner for Derbyshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Derbyshire and Group Balance Sheet;
- Police and Crime Commissioner for Derbyshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Derbyshire and Group Cash Flow Statement;
- Related notes 1 to 33; and
- Police and Crime Commissioner for Derbyshire Pension Fund Account Statements and related notes 1 to 3.

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

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Derbyshire and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

## **Other information**

The other information comprises the information included in the Narrative Report set out on pages 2 to 10, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

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

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

We report to you if:

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

We have nothing to report in these respects

## **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 11, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

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

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

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

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

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

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

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

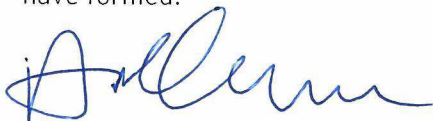
We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered,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

### **Certificate**

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

### **Use of our report**

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



ERNST & YOUNG LLP

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP, (Local Auditor)  
Manchester  
Date 9 August 2019

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

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



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

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 2019. The term 'Group' is used to indicate individual transactions and policies of the Commissioner and Chief Constable for the year ended 31 March 2019. 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 assets or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

### **Accounting for Local Taxes**

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

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

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

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

### **Cash and Cash Equivalents**

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

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

### **Exceptional Items**

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

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

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

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

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

## **Employee Benefits**

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

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

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

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, expenses, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to Comprehensive Income and Expenditure Statement (as a surplus/deficit on Provision of Services), but then reversed out through the Movement in Reserves Statement to the Short Term Accumulating Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs but have no impact on the level of council tax.

### **Termination Benefits**

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

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

### **Post-employment Benefits (Pensions)**

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

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

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

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

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

The funding arrangements for the police officers pension scheme changed on 1 April 2006. Before April 2006 each Police Authority was responsible for paying the pensions of its former officers on a “pay as you go” basis. From April 2006 there is now an employer's contribution instead (currently the equivalent of 24.2% 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 into two types: -

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Group only has financial assets based on the first category of 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 accruals 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 on 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).

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 Capital Financing Requirement (CFR) being 2% straight-line basis of the opening balance of the CFR for that year
- For unsupported borrowing the MRP policy will be based on the Asset Life Method, equal instalment over the life of the asset
- For PFI contracts and leases that are deemed to be on Balance Sheet, 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 its 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%. Due to the timing of the LLP accounts Derbyshire Police may account for any profit in the following financial year if information is not available in time.

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

For 2018/19 the new standards that need to be reported relates to amendments to IAS 40 Investment Property: Transfers of Investment Property, Annual Improvements to IFRS Standards 2014-2016 Cycle, IFRIC 22 Foreign Currency Transactions and Advance Consideration, IFRIC 23 Uncertainty over Income Tax Treatments and amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation. Note 31 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 2018/19 Statement of Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results differ from Assumptions
<b>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 current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 to be maintained) would increase by £0.025m for every year that useful lives had to be reduced.

<b>Provisions</b>	
The Group has made a provision of £1.717m for the settlement of claims for insurance. This has been based on the claims handlers' assessment of claims outstanding and an estimate of future claims for 2018/19. 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 £0.171m 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 10%. This equates to £213m. If pension increases were to be 0.5% higher per year this would increase the liability by 8.0% (£171m). However, the assumptions interact in complex ways. For example, during 2018/19 the Police Pension Scheme liability decreased by £4.2m as a result of experience changes, increased by £61.8m as a result of the updating of actuarial assumptions for financial reasons and there was no change as a result of the updating of actuarial assumptions for demographic reasons. Experience changes are those that arise from specific occurrences relating to scheme membership during the 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. This represents £0.061m of the figure of £1.307m.	If the amount of flexi leave for police staff increased by 10% this would increase the balance by £0.006m. This figure is included in the Comprehensive Income and Expenditure Account as a cost to the police service but is neutralised by transfers to the Accumulated Absences Account.
<b>Arrears – Bad debt provision</b>	
At 31 March 2019, the Group had a balance of sundry debtors for £1.951m. A review of these debtors suggested that an impairment of doubtful debts of £0.002m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the amount of the impairment of doubtful debts would require an additional £0.002m to set aside as an allowance.

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

**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.

Restated 2017/18				2018/19		
Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000		Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000
168,629	19,876	188,505	Policing Services	171,559	22,710	194,269
1,049	350	1,399	Corporate and Democratic Core (Includes PCC plus Chief Constable)	971	316	1,287
952	0	952	Commissioning Activities by the Police and Crime Commissioner	1,619	0	1,619
0	1,331	1,331	Non Distributed Costs	0	89,959	89,959
<b>170,630</b>	<b>21,557</b>	<b>192,187</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>174,149</b>	<b>112,985</b>	<b>287,134</b>
0	1,385	1,385	Revaluation losses not charged to Chief Constable	0	561	561
<b>170,630</b>	<b>22,942</b>	<b>193,572</b>	<b>Net Cost of Services</b>	<b>174,149</b>	<b>113,546</b>	<b>287,695</b>
(163,280)	27,607	(135,673)	Other Income and Expenditure	(167,717)	19,682	(148,035)
<b>7,350</b>	<b>50,549</b>	<b>57,899</b>	<b>Surplus or Deficit</b>	<b>6,432</b>	<b>133,228</b>	<b>139,660</b>
0	(68,239)	(68,239)	<b>Other Comprehensive Income and Expenditure</b>	0	84,586	84,586
<b>7,350</b>	<b>(17,690)</b>	<b>(10,340)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>6,432</b>	<b>217,814</b>	<b>224,246</b>
		(32,186)	<b>Opening General Reserve and Earmarked Reserve Balance</b>			<b>(24,836)</b>
		7,350	Deficit on General Reserve/Earmarked Reserves in Year			6,432
		<b>(24,836)</b>	<b>Closing General Reserve and Earmarked Reserve Balance (3)</b>			<b>(18,404)</b>

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

(2) Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page 30.

(3) Further detail of the General Reserve and Earmarked Reserves can be found in Note 27 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.

2017/18				2018/19		
Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000		Net Expenditure Chargeable to General and Earmarked Reserves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000
168,663	(168,663)	0	Policing Services	171,560	(171,560)	0
1,049	(17)	1,032	Corporate and Democratic Core (PCC)	971	(17)	954
952	0	952	Commissioning Activities by the Police and Crime Commissioner	1,619	0	1,619
0	0	0	Non Distributed Costs	0	0	0
<b>170,664</b>	<b>(168,680)</b>	<b>1,984</b>	<b>Net Cost of Services before revaluations/funding</b>	<b>174,150</b>	<b>(171,577)</b>	<b>2,573</b>
0	1,385	1,385	Revaluation Losses not charged to Chief Constable	0	561	561
0	162,929	162,929	Intra-group Funding	0	170,773	170,773
<b>170,664</b>	<b>(4,366)</b>	<b>166,298</b>	<b>Cost of Policing Services</b>	<b>174,150</b>	<b>(243)</b>	<b>173,907</b>
(163,280)	284	(162,996)	Other Income and Expenditure	(167,717)	(1,911)	(169,628)
<b>7,384</b>	<b>(4,082)</b>	<b>3,302</b>	<b>Surplus or Deficit</b>	<b>6,433</b>	<b>(2,154)</b>	<b>4,279</b>
0	(103)	(103)	<b>Other Comprehensive Income and Expenditure</b>	0	(510)	(510)
<b>7,384</b>	<b>(4,185)</b>	<b>3,199</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>6,433</b>	<b>(2,664)</b>	<b>3,769</b>
		(32,172)	<b>Opening General Reserve and Earmarked Reserve Balance</b>			<b>(24,788)</b>
		7,384	Deficit on General Reserve/Earmarked Reserves in Year			6,433
		<b>(24,788)</b>	<b>Closing General Reserve and Earmarked Reserve Balance (3)</b>			<b>(18,355)</b>

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

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

(3) Further detail of the General Reserve and Earmarked Reserves can be found in Note 27 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.

Restated For the year ended 31 March 2018					For the year ended 31 March 2019		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
209,305	(20,800)	188,505	Policing Services		222,657	(28,388)	194,269
1,399	0	1,399	Corporate and Democratic Core (Includes PCC plus Chief Constable)		1,290	(3)	1,287
2,297	(1,345)	952	Commissioning Activities by the Police and Crime Commissioner		3,114	(1,495)	1,619
1,331	0	1,331	Non Distributed Costs	10b,11a	89,959	0	89,959
<b>214,332</b>	<b>(22,145)</b>	<b>192,187</b>	<b>Cost of Policing Services before revaluations/funding</b>		<b>317,020</b>	<b>(29,886)</b>	<b>287,134</b>
1,385	0	1,385	Revaluation losses not charged to Chief Constable		561	0	561
<b>215,717</b>	<b>(22,145)</b>	<b>193,572</b>	<b>Cost of Policing Services</b>	3	<b>317,581</b>	<b>(29,886)</b>	<b>287,695</b>
			<b>Other Operating Expenditure</b>				
0	(63)	(63)	(Gains) or Losses on the Disposal of Non-Current Assets		0	(58)	(58)
0	0	0	(Gains) or Losses on the Revaluation of Assets Held for Sale		0	0	0
974	0	974	Levies to national police services		949	0	949
			<b>Financing and Investment Income and Expenditure</b>				
262	0	262	Interest Payable on Debt	21	234	0	234
902	0	902	Interest Element of Finance Leases (PFI)	21	833	0	833
55,917	0	55,917	Pensions Interest Cost and Expected Return on Pensions Assets	10b	53,594	0	53,594
0	(88)	(88)	Investment Interest Income	21	0	(160)	(160)
0	0	0	<b>Profit or Loss on Joint Ventures Distributed</b>	14	0	(300)	(300)
0	(34)	(34)	<b>Profit or Loss on Joint Ventures LLP available to distribute</b>		0	(1)	(1)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(1,225)	(1,225)	Recognised Capital Grants and Contributions		0	(3,013)	(3,013)
0	(61,254)	(61,254)	General Government Grants		0	(61,254)	(61,254)
0	(38,537)	(38,537)	Revenue Support Grant		0	(38,537)	(38,537)
0	(7,346)	(7,346)	Localising Council Tax Support Grant		0	(7,346)	(7,346)
0	(56,128)	(56,128)	Council Tax Income		0	(60,538)	(60,538)
0	(29,053)	(29,053)	Home Office Grant Payable towards the Cost of Retirement Benefits	10a	0	(32,438)	(32,438)
<b>273,772</b>	<b>(215,873)</b>	<b>57,899</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>373,191</b>	<b>(233,531)</b>	<b>139,660</b>
		1	(Surplus) or Deficit on Revaluation of Non-Current Assets LLP				18
		(99)	(Surplus) or Deficit on Revaluation of Non-Current Assets				(510)
		(68,141)	Actuarial (Gains) or Losses on Pension Assets and Liabilities	10b			85,078
		<b>(68,239)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>84,586</b>
		<b>(10,340)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>224,246</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.

Commissioner For the year ended 31 March 2018				Commissioner For the year ended 31 March 2019		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,032	0	1,032	Corporate and Democratic Core (PCC)	957	(3)	954
2,297	(1,345)	952	Commissioning Activities by the PCC	3,114	(1,495)	1,619
0	0	0	Non Distributed Cost	0	0	0
<b>3,329</b>	<b>(1,345)</b>	<b>1,984</b>	<b>Cost of Policing Services before revaluations/funding</b>	<b>4,071</b>	<b>(1,498)</b>	<b>2,573</b>
1,385	0	1,385	Revaluation losses not charged to Chief Constable	561	0	561
183,729	(20,800)	162,929	Intra-group Funding	199,161	(28,388)	170,773
<b>188,443</b>	<b>(22,145)</b>	<b>166,298</b>	<b>Cost of Policing Services</b>	<b>203,793</b>	<b>(29,886)</b>	<b>173,907</b>
			<b>Other Operating Expenditure</b>			
0	(556)	(556)	(Gains) or Losses on the Disposal of Non-Current Assets	0	(496)	(496)
0	0	0	(Gains) or Losses on the Revaluation of Assets Held for Sale	0	0	0
974	0	974	Intra-group funding Levies to national police services	949	0	949
			<b>Financing and Investment Income and Expenditure</b>			
262	0	262	Interest Payable on Debt	234	0	234
902	0	902	Interest Element of Finance Leases (PFI)	833	0	833
0	0	0	Net Interest cost on Pensions	0	0	0
0	(88)	(88)	Investment Interest Income	0	(160)	(160)
0	0	0	<b>Profit or Loss on Joint Ventures</b>	0	(300)	(300)
			<b>Taxation and Non-Specific Grant Income</b>			
0	(1,225)	(1,225)	Recognised Capital Grants and Contributions	0	(3,013)	(3,013)
0	(61,254)	(61,254)	General Government Grants	0	(61,254)	(61,254)
0	(38,537)	(38,537)	Revenue Support Grant	0	(38,537)	(38,537)
0	(7,346)	(7,346)	Localising Council Tax Support Grant	0	(7,346)	(7,346)
0	(56,128)	(56,128)	Council Tax Income	0	(60,538)	(60,538)
0	0	0	Home Office Grant Payable towards the Cost of Retirement Benefits	0	0	0
<b>190,581</b>	<b>(187,279)</b>	<b>3,302</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>205,809</b>	<b>(201,530)</b>	<b>4,279</b>
		(103)	(Surplus) or Deficit on Revaluation of Non-Current Assets			(510)
		0	Actuarial (Gains) or Losses on Pension Assets and Liabilities			0
		<b>(103)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(510)</b>
		<b>3,199</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>3,769</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-18 £000		Note	31-Mar-19 £000
47,670	Property, Plant and Equipment	12	48,713
0	Investment Property		0
5,400	Intangible Assets	13	6,127
0	Assets Held for Sale (>1 yr)		0
0	Long-Term Investments		0
15,373	Investments in Associates and Joint Ventures	14	16,115
0	Long-Term Debtors		0
<b>68,443</b>	<b>Long-Term Assets</b>		<b>70,955</b>
16,008	Short-Term Investments	20	6,015
17,758	Short-Term Debtors	16	30,855
4,095	Cash and Cash Equivalents	17	3,708
339	Assets Held for Sale (< 1 yr)	18	0
<b>38,200</b>	<b>Current Assets</b>		<b>40,578</b>
(606)	Short-Term Borrowing	20	(601)
(1,041)	Other Short-Term Liabilities	24	(724)
(17,323)	Short-Term Creditors	19	(25,878)
(337)	Short-Term Provisions	25	(606)
<b>(19,307)</b>	<b>Current Liabilities</b>		<b>(27,809)</b>
0	Long-Term Creditors		0
(519)	Long-Term Provisions	25	(1,111)
(4,375)	Long-Term Borrowing	20	(3,829)
(2,107,798)	Other Long-Term Liabilities	11/24	(2,328,386)
0	Donated Assets Account		0
0	Capital Grants Receipts in Advance		0
<b>(2,112,692)</b>	<b>Long-Term Liabilities</b>		<b>(2,333,326)</b>
<b>(2,025,356)</b>	<b>Net Assets/(Liabilities)</b>		<b>(2,249,602)</b>
29,674	Usable Reserves	27	23,597
(2,055,030)	Unusable Reserves	28	(2,273,199)
<b>(2,025,356)</b>	<b>Total Reserves</b>		<b>(2,249,602)</b>

The financial statements replace the unaudited financial statements certified by Andrew Dale on the 30th May 2019.


  
 31/07/19

## 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-18 £000		Note	31-Mar-19 £000
33,018	Property	12c	34,205
0	Investment Property		0
168	Intangible Assets	13	123
0	Assets Held for Sale (>1 yr)		0
0	Long-Term Investments		0
16,620	Investments in Associates and Joint Ventures	14	16,815
0	Long-Term Debtors		0
<b>49,806</b>	<b>Long-Term Assets</b>		<b>51,143</b>
16,008	Short-Term Investments	20	6,015
(4,527)	Short Term Debtors - Intra group funding		(6,236)
17,758	Short-Term Debtors	16	30,855
4,095	Cash and Cash Equivalents	17	3,708
339	Assets Held for Sale (< 1 yr)	18	0
<b>33,673</b>	<b>Current Assets</b>		<b>34,342</b>
(606)	Short-Term Borrowing	20	(601)
4,527	Short Term Creditors - Intra group funding		6,236
(1,041)	Other Short-Term Liabilities	24	(724)
(16,356)	Short-Term Creditors	19	(24,571)
(337)	Short-Term Provisions	25	(606)
<b>(13,813)</b>	<b>Current Liabilities</b>		<b>(20,266)</b>
0	Long-Term Creditors		0
(519)	Long-Term Provisions	25	(1,111)
(4,375)	Long-Term Borrowing	20	(3,829)
(9,213)	Other Long-Term Liabilities	24	(8,489)
0	Donated Assets Account		0
0	Capital Grants Receipts in Advance		0
<b>(14,107)</b>	<b>Long-Term Liabilities</b>		<b>(13,429)</b>
<b>55,559</b>	<b>Net Assets/(Liabilities)</b>		<b>51,790</b>
29,626	Usable Reserves	27	23,548
25,933	Unusable Reserves	28	28,242
<b>55,559</b>	<b>Total Reserves</b>		<b>51,790</b>

The financial statements replace the unaudited financial statements certified by Andrew Dale on the 30th May 2019.

  
31/07/19

**MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP 2018/19**

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

	General Reserve and Earmarked Reserves	Usable Capital Receipts Reserve	Capital Grant Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Note	27	27	27	27	28	
<b>Balance as at 1 April 2018</b>	<b>24,836</b>	<b>0</b>	<b>4,838</b>	<b>29,674</b>	<b>(2,055,030)</b>	<b>(2,025,356)</b>
<b>Total Comprehensive Income and Expenditure</b>	(224,246)	0	0	(224,246)	0	(224,246)
Adjustments between accounting basis and funding basis under regulations						
- Depreciation and Impairment of non-current assets	6,407			6,407	(6,407)	0
- Revaluation of non-current assets	561			561	(561)	0
- Capital grants and contributions credited to the CIES	(3,013)		3,013	0	0	0
- Revenue Expenditure funded from capital under statute	83			83	(83)	0
- Net gain or loss on sale of non-current assets	134			134	(134)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme	221,312			221,312	(221,312)	0
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	42			42	(42)	0
- Statutory provision for repayment of debt	(1,355)			(1,355)	1,355	0
- Capital expenditure charged to the General Reserve Balance	(5,641)			(5,641)	5,641	0
- Any voluntary provision for repayment of debt	0			0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(2,658)	(2,658)	2,658	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(492)			(492)	492	0
- Charges for employee benefits	(224)			(224)	224	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>217,814</b>	<b>0</b>	<b>355</b>	<b>218,169</b>	<b>(218,169)</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>(6,432)</b>	<b>0</b>	<b>355</b>	<b>(6,077)</b>	<b>(218,169)</b>	<b>(224,246)</b>
<b>Balance as at 31 March 2019 carried forward</b>	<b>18,404</b>	<b>0</b>	<b>5,193</b>	<b>23,597</b>	<b>(2,273,199)</b>	<b>(2,249,602)</b>

**MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP 2017/18 RESTATED**

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

	General Reserve and Earmarked Reserves	Usable Capital Receipts Reserve	Capital Grant Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Note	27	27	27	27	28	
<b>Balance as at 1 April 2017</b>	<b>32,186</b>	<b>0</b>	<b>4,775</b>	<b>36,961</b>	<b>(2,072,657)</b>	<b>(2,035,696)</b>
<b>Total Comprehensive Income and Expenditure</b>	10,340	0	0	10,340	0	10,340
Adjustments between accounting basis and funding basis under regulations						
- Depreciation and Impairment of non-current assets	6,236			6,236	(6,236)	0
- Revaluation of non-current assets	1,385			1,385	(1,385)	0
- Capital grants and contributions credited to the CIES	(1,225)		1,225	0	0	0
- Revenue Expenditure funded from capital under statute	0			0	0	0
- Net gain or loss on sale of non-current assets	237			237	(237)	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme	(14,630)			(14,630)	14,630	0
- Amount by which council tax income included in the CIES is different from the amount taken to the General Reserve in accordance with regulation	15			15	(15)	0
- Statutory provision for repayment of debt	(1,377)			(1,377)	1,377	0
- Capital expenditure charged to the General Reserve Balance	(8,313)			(8,313)	8,313	0
- Any voluntary provision for repayment of debt	0			0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(1,162)	(1,162)	1,162	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(98)			(98)	98	0
- Charges for employee benefits	80			80	(80)	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>(17,690)</b>	<b>0</b>	<b>63</b>	<b>(17,627)</b>	<b>17,627</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>(7,350)</b>	<b>0</b>	<b>63</b>	<b>(7,287)</b>	<b>17,627</b>	<b>10,340</b>
<b>Balance as at 31 March 2018 carried forward</b>	<b>24,836</b>	<b>0</b>	<b>4,838</b>	<b>29,674</b>	<b>(2,055,030)</b>	<b>(2,025,356)</b>

**MOVEMENT IN RESERVES STATEMENT 2018/19 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>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>28</b>	
<b>Balance as at 1 April 2018</b>	<b>24,788</b>	<b>0</b>	<b>4,838</b>	<b>29,626</b>	<b>25,933</b>	<b>55,559</b>
<b>Total Comprehensive Income and Expenditure</b>	(3,769)	0	0	(3,769)	0	(3,769)
Adjustments between accounting basis and funding basis under regulations						
- Depreciation and Impairment of non-current assets	1,237			1,237	(1,237)	0
- Revaluation of non-current assets	561			561	(561)	0
- Capital grants and contributions credited to the CIES	(3,013)		3,013	0	0	0
- Revenue Expenditure funded from capital under statute	83			83	(83)	0
- Net gain or loss on sale of non-current assets	(304)			(304)	304	0
- Amount by which pension costs calculated in accordance with the code (IAS19) are different from the contributions due under the pension scheme	0			0	0	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	42			42	(42)	0
- Statutory provision for repayment of debt	(1,355)			(1,355)	1,355	0
- Capital expenditure funded by PCC Intra-group funding	6,236			6,236	(6,236)	0
- Capital expenditure charged to the General Reserve Balance	(5,641)			(5,641)	5,641	0
- Any voluntary provision for repayment of debt	0			0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(2,658)	(2,658)	2,658	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(510)			(510)	510	0
- Charges for employee benefits	0			0	0	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>(2,664)</b>	<b>0</b>	<b>355</b>	<b>(2,309)</b>	<b>2,309</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>(6,433)</b>	<b>0</b>	<b>355</b>	<b>(6,078)</b>	<b>2,309</b>	<b>(3,769)</b>
<b>Balance as at 31 March 2019 carried forward</b>	<b>18,355</b>	<b>0</b>	<b>5,193</b>	<b>23,548</b>	<b>28,242</b>	<b>51,790</b>

**MOVEMENT IN RESERVES STATEMENT 2017/18 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>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>28</b>	
<b>Balance as at 1 April 2017</b>	<b>32,172</b>	<b>0</b>	<b>4,775</b>	<b>36,947</b>	<b>21,811</b>	<b>58,758</b>
<b>Total Comprehensive Income and Expenditure</b>	(3,199)	0	0	(3,199)	0	(3,199)
Adjustments between accounting basis and funding basis under regulations						
- Depreciation and Impairment of non-current assets	1,162			1,162	(1,162)	0
- Revaluation of non-current assets	1,385			1,385	(1,385)	0
- Capital grants and contributions credited to the CIES	(1,225)		1,225	0	0	0
- Revenue Expenditure funded from capital under statute	0			0	0	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	0			0	0	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	15			15	(15)	0
- Statutory provision for repayment of debt	(1,377)			(1,377)	1,377	0
- Capital expenditure funded by PCC Intra-group funding	4,527			4,527	(4,527)	0
- Capital expenditure charged to the General Reserve Balance	(8,313)			(8,313)	8,313	0
- Any voluntary provision for repayment of debt	0			0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account	0		(1,162)	(1,162)	1,162	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve	(103)			(103)	103	0
- Charges for employee benefits	0			0	0	0
<b>Total Adjustments between accounting basis and funding basis</b>	<b>(4,185)</b>	<b>0</b>	<b>63</b>	<b>(4,122)</b>	<b>4,122</b>	<b>0</b>
<b>Increase or (Decrease) in Year</b>	<b>(7,384)</b>	<b>0</b>	<b>63</b>	<b>(7,321)</b>	<b>4,122</b>	<b>(3,199)</b>
<b>Balance as at 31 March 2018 carried forward</b>	<b>24,788</b>	<b>0</b>	<b>4,838</b>	<b>29,626</b>	<b>25,933</b>	<b>55,559</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.

Restated 31-Mar-18 £'000		Note	31-Mar-19 £'000
57,899	Net (Surplus) or Deficit on the Provision of Services		139,660
	<b>Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements</b>		
(4,917)	Depreciation of Non-Current Assets		(5,094)
(1,385)	Impairment and Downward Valuations of Non-Current Assets		(561)
(1,319)	Amortisation of Intangible Assets		(1,313)
0	Amortisation of Government Grant and Other Contributions		0
0	Increase in Impairment Provisions for Bad Debts		0
(1,325)	(Increase)/Decrease in Creditors		(8,611)
(6,827)	Increase/(Decrease) in Debtors		12,765
(53,511)	Pension Liability		(136,234)
(237)	Carrying Amount of Non-Current Assets Sold		(134)
379	Contributions to Provisions		(861)
34	Adjustments for LLP Profit Share		1
0	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services		0
<b>(69,108)</b>			<b>(140,042)</b>
	<b>Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing activities</b>		
0	Purchase of Short-Term and Long-Term Investments		0
0	Proceeds from Short-Term and Long-Term Investments		0
1,225	Proceeds from the Sale of Property, Plant and Equipment, Investment Property. Capital Grants.		3,013
1,225			3,013
<b>(9,984)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>2,631</b>
	<b>Investing Activities</b>		
7,234	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		8,713
3,002	Purchase of Short-Term and Long-Term Investments		(9,993)
3,199	Other Payments for Investing Activities		759
(898)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(633)
(1,185)	Capital Grants and contributions		(2,682)
0	Proceeds from Short-Term and Long-Term Investments		0
0	Other Receipts from Investing Activities		0
<b>11,352</b>	<b>Net Cash Flows from Investing Activities</b>		<b>(3,836)</b>
	<b>Financing Activities</b>		
0	Cash Receipts of Short and Long-Term Borrowing		0
0	Other Receipts from Financing Activities		0
868	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		1,041
550	Repayments of Short and Long-Term Borrowing		551
<b>1,418</b>	<b>Net Cash Flows from Financing Activities</b>		<b>1,592</b>
<b>2,786</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>387</b>
6,881	Cash and Cash Equivalents at the Beginning of the Reporting Period	17	4,095
<b>4,095</b>	Cash and Cash Equivalents at the End of the Reporting Period	17	<b>3,708</b>

**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-18 £'000		Note	31-Mar-19 £'000
3,302	Net (Surplus) or Deficit on the Provision of Services		4,279
	<b>Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements</b>		
(1,118)	Depreciation of Non-Current Assets		(1,188)
(1,385)	Impairment and Downward Valuations of Non-Current Assets		(561)
(44)	Amortisation of Intangible Assets		(49)
0	Amortisation of Government Grant and Other Contributions		0
0	Increase in Impairment Provisions for Bad Debts		0
(4,527)	Capital expenditure funded by PCC Intra-group funding		(6,236)
(1,245)	(Increase)/Decrease in Creditors		(8,835)
(6,827)	Increase/(Decrease) in Debtors		12,765
0	Pension Liability		0
256	Carrying Amount of Non-Current Assets Sold		304
379	Contributions to Provisions		(861)
0	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services		0
<b>(14,511)</b>			<b>(4,661)</b>
	<b>Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing activities</b>		
0	Purchase of Short-Term and Long-Term Investments		0
0	Proceeds from Short-Term and Long-Term Investments		0
1,225	Proceeds from the Sale of Property, Plant and Equipment, Investment Property, Capital Grants.		3,013
1,225			3,013
<b>(9,984)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>2,631</b>
	<b>Investing Activities</b>		
7,234	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		8,713
3,002	Purchase of Short-Term and Long-Term Investments		(9,993)
3,199	Other Payments for Investing Activities		759
(898)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(633)
(1,185)	Capital Grants and contributions		(2,682)
0	Proceeds from Short-Term and Long-Term Investments		0
0	Other Receipts from Investing Activities		0
<b>11,352</b>	<b>Net Cash Flows from Investing Activities</b>		<b>(3,836)</b>
	<b>Financing Activities</b>		
0	Cash Receipts of Short and Long-Term Borrowing		0
0	Other Receipts from Financing Activities		0
868	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		1,041
550	Repayments of Short and Long-Term Borrowing		551
<b>1,418</b>	<b>Net Cash Flows from Financing Activities</b>		<b>1,592</b>
<b>2,786</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>387</b>
6,881	Cash and Cash Equivalents at the Beginning of the Reporting Period	17	4,095
<b>4,095</b>	Cash and Cash Equivalents at the End of the Reporting Period	17	<b>3,708</b>



## 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 Restatement of PCC Group Accounts

Derbyshire Police and Derbyshire Fire and Rescue Service formed a Joint Venture under a Limited Liability Partnership (LLP) in 2014/15. 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 group accounts. Under the equity method the Balance Sheet should reflect a share of the net assets and reserves of the LLP based on Derbyshire's contribution to the LLP not the historic cost. Other statements in the group accounts should also reflect the movement in the LLP reserves. The PCC Group Accounts have been reinstated for 2017/18 to reflect this and 2018/19 shows the share of net assets of the LLP. The changes to the Balance Sheet are:-

	2017/18 £'000	2018/19 £'000
Remove the historic cost	(16,620)	(16,815)
Remove creditors relating to the LLP	564	-
Replace with share of Net Assets	15,373	16,115
<b>Net Assets/(Liabilities)</b>	<b>(683)</b>	<b>(700)</b>
Share of LLP Retained Profit Reserve	48	49
Share of Revaluation Reserve	(731)	(749)
<b>Total Reserves</b>	<b>(683)</b>	<b>(700)</b>

### 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 30). 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.

	2017/18 £'000	2018/19 £'000
Revenue Budget (surplus)/deficit reported to Committee	(1,121)	604
Budgeted/Other Contributions to/from Reserves	8,505	5,829
<b>Net (Surplus)/Deficit on General Reserve Balance for PCC</b>	<b>7,384</b>	<b>6,433</b>
Share of Movement in LLP Reserves	(34)	(1)
<b>Net (Surplus)/Deficit on General Reserve Balance for PCC Group</b>	<b>7,350</b>	<b>6,432</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 2017/18	Net Change for the Pensions Adjustments 2017/18	Other Differences 2017/18	Total Adjustments 2017/18
2017/18	£'000	£'000	£'000	£'000
Policing Services – Chief Constable	(3,154)	25,316	(2,286)	19,876
Office of the Police and Crime Commissioner	-	-	350	350
Commissioning Activities by the PCC	-	-	-	-
Non Distributed Costs	-	1,331	-	1,331
<b>Net Cost of Services before revaluations/funding</b>	<b>(3,154)</b>	<b>26,647</b>	<b>(1,936)</b>	<b>21,557</b>
Revaluation losses	1,385	-	-	1,385
<b>Net Cost of Services</b>	<b>(1,769)</b>	<b>26,647</b>	<b>(1,936)</b>	<b>22,942</b>
Other operating expenditure	(63)	-	974	911
Financing and Investment income & expenditure	-	55,917	1,076	56,993
Profit & Loss on Joint Ventures	-	-	(34)	(34)
Taxation & Non-specific grant income & expenditure	(1,225)	(29,053)	15	(30,263)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>(3,057)</b>	<b>53,511</b>	<b>95</b>	<b>50,549</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 2018/19	Net Change for the Pensions Adjustments 2018/19	Other Differences 2018/19	Total Adjustments 2018/19
2018/19	£'000	£'000	£'000	£'000
Policing Services – Chief Constable	(314)	25,119	(2,095)	22,710
Office of the Police and Crime Commissioner	-	-	316	316
Commissioning Activities by the PCC	-	-	-	-
Non Distributed Costs	-	89,959	-	89,959
<b>Net Cost of Services before revaluations/funding</b>	<b>(314)</b>	<b>115,078</b>	<b>(1,779)</b>	<b>112,985</b>
Revaluation losses	561	-	-	561
<b>Net Cost of Services</b>	<b>247</b>	<b>115,078</b>	<b>(1,779)</b>	<b>113,546</b>
Other operating expenditure	(58)	-	949	891
Financing and Investment income & expenditure	-	53,594	907	54,501
Profit & Loss on Joint Ventures	-	-	(301)	(301)
Taxation & Non-specific grant income & expenditure	(3,013)	(32,438)	42	(35,409)
<b>Net (Surplus)/Deficit on General Reserve Balance</b>	<b>(2,824)</b>	<b>136,234</b>	<b>(182)</b>	<b>133,228</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 ie 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.

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

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

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

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

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

### Other Differences

This is generally the movement of income and expenditure to the right heading in the CIES.

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.

	2017/18 £'000	2018/19 £'000
Adjustments above	50,549	133,228
Pensions Adjustment	(53,511)	(136,234)
Compensated Absences Adjustment	(80)	224
Depreciation and Gains/Losses	(5,567)	(5,608)
Capital Expenditure funded by PCC intra-group funding	4,527	6,236
<b>Commissioners adjustments on Net (Surplus)/Deficit</b>	<b>(4,082)</b>	<b>(2,154)</b>

### **Note 3 Comprehensive Income and Expenditure Statement**

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

The following table 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.

Commissioner 2017/18	Chief Constable 2017/18	Group 2017/18		Commissi oner 2018/19	Chief Constable 2018/19	Group 2018/19
£'000	£'000	£'000	Expenditure	£'000	£'000	£'000
0	79,435	79,435	Police Pay & Allowances	0	78,941	78,941
780	55,896	56,676	Police Staff Pay & Allowances	802	57,839	58,641
0	256	256	Other Pay and allowances	0	230	230
3	981	984	Other Employee Expenses	4	1,425	1,429
0	34,080	34,080	Police Pensions (Current Cost)	0	34,470	34,470
0	6,838	6,838	Premises	0	8,182	8,182
23	4,098	4,121	Transport	24	4,193	4,217
2,523	15,046	17,569	Supplies & Services	3,241	24,906	28,147
0	6,806	6,806	Agency & Contracted Services	0	6,314	6,314
0	6,236	6,236	Depreciation & Debt Financing	0	6,407	6,407
1,385	0	1,385	Impairments/Revaluations	561	0	561
0	0	0	Revenue Expenditure Funded from Capital under Statute	0	83	83
0	1,331	1,331	Non Distributed Costs	0	89,959	89,959
<b>4,714</b> (1,345)	<b>211,003</b> (20,800)	<b>215,717</b> (22,145)	<b>Gross Operating Expenditure</b>	<b>4,632</b> (1,498)	<b>312,949</b> (28,388)	<b>317,581</b> (29,886)
<b>3,369</b>	<b>190,203</b>	<b>193,572</b>	<b>Cost of Policing Services</b>	<b>3,134</b>	<b>284,561</b>	<b>287,695</b>

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

The Non-Distributed Costs shows the 'Past Service cost' for the police officers' pension scheme and the Local Government Pension Scheme. This reflects the implications of the McCloud judgement and the impact of the Guaranteed Minimum Pension (GMP) equalisation (see Note 10 for further explanation).

## Note 4 Leases

### Commissioner as Lessee – Operating Leases

#### Equipment

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

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

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

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

#### Land and Buildings

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

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

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

### Commissioner as Lessor – Operating Leases

The Commissioner acts as lessor for a number of offices and rent received for these properties in 2018/19 was £5,016 (£5,013 in 2017/18). A further £123,903 was received for mast rental in 2018/19 (£134,180 in 2017/18).

### 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.

## Note 5 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 senior leadership 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.

2017/18							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration £
Chief Constable (CC)	1,2,3	24,128	12,089	2,999	1,612	-	40,828
Chief Constable (CC)/Deputy CC Derbyshire	3,4,5	141,390	4,935	625	8,859	30,116	185,925
Deputy CC Derbyshire	6	91,928	3,250	-	3,400	19,580	118,158
Deputy CC Collaboration	7	110,593	6,505	-	5,041	2,735	124,874
ACC Crime & Territorial Policing	8	103,916	2,474	7,832	5,786	23,802	143,810
Assistant CC Operational Support/ Deputy CC Collaboration	9,3	103,575	3,376	500	5,329	22,061	134,841
Director of Finance	3	84,083	7,000	625	-	11,610	103,318
Chief Finance Officer to PCC		72,727	-	-	-	9,381	82,108
Chief Executive		77,361	-	-	-	6,653	84,014
PCC Commissioner		75,000	-	-	-	9,675	84,675
PCC Deputy Commissioner		56,250	-	-	-	7,256	63,506

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

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

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

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

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

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

Note 7- The Deputy Chief Constable for Collaboration retired on the 23/2/18.

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

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

2018/19							
Post Holder Information	Note	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration 2018/19 £
Chief Constable (CC)	1,2,3	147,923	4,935	4,353	9,211	6,056	172,478
Deputy CC Derbyshire	4	113,432	3,957	765	5,164	24,161	147,479
Deputy CC Derbyshire	5	19,407	459	-	1,013	4,134	25,013
Deputy CC Collaboration	6	122,031	3,376	500	4,524	25,992	156,423
ACC Crime & Territorial Policing	7	62,279	1,390	-	3,385	13,265	80,319
ACC Crime & Territorial Policing/ ACC Operational Support	8	114,680	343	165	3,687	23,791	142,666
Temporary ACC Operational Support	9	49,331	1,834	-	1,619	9,234	62,018
Director of Finance	10	87,250	7,000	624	-	10,492	105,366
Chief Finance Officer to PCC		78,563	-	-	-	10,135	88,698
Chief Executive		80,272	-	-	-	10,355	90,627
PCC Commissioner		76,375	-	-	-	9,852	86,227
PCC Deputy Commissioner		57,281	-	-	-	7,390	64,671

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

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

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

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

Note 5 - A new Deputy Chief Constable was appointed on the 04/2/19.

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

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

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

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

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

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

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

#### Exit Packages

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

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

#### Note 6 External Audit Fees

Fees in relation to external audit are as follows: -

	2017/18 £'000	2018/19 £'000
Fees payable Commissioner	31	24
Fees payable Chief Constable	15	11
<b>Total fees PCC Group</b>	<b>46</b>	<b>35</b>

## Note 7 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>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>DCLG Grants</b>		
Private Finance Initiative – Ilkeston	348	348
Private Finance Initiative – Derby	2,387	2,387
	<b>2,735</b>	<b>2,735</b>
<b>Home Office Grants</b>		
East Midlands Counter-Terrorism Intelligence Unit	8,863	9,165
Loan Charges Grant	4	3
Grant towards specific operations	31	0
Football Policing Initiative	54	45
Criminal Record Bureau – Disclosure and Barring Service	750	737
Emergency Services Network Grant	20	43
Police Innovation Grant – PCC	123	178
Police Transformation Fund (EMSOU projects)	0	446
National Cyber Grant	0	7,590
Other Home Office Grant	0	18
	<b>9,845</b>	<b>18,225</b>
<b>Other Grants</b>		
Criminal Justice Board & No Witness No Justice	5	5
Safety Camera Project and Road Safety	400	396
Office of Gas and Electricity Markets (OFGEM)	17	24
Ministry of Justice – PCC – for local commissioning of victim support services (including restorative justice services)	1,215	1,211
Apprenticeship Levy Grant	0	67
	<b>1,637</b>	<b>1,703</b>
Regional Grants – EMSOU	1,161	893
<b>Total Grants</b>	<b>15,378</b>	<b>23,556</b>
Contributions and Donations	1,704	1,720
<b>Total Grants, Contributions and donations</b>	<b>17,082</b>	<b>25,276</b>

The main increase in grant is for the National Cyber grant. Derbyshire received grant of £7.6m to build Cyber Crime Units across all Forces, to recruit specialist officers and staff to the units and to invest in technology, equipment and training. In addition, £1.9m capital grant was received. The investment will continue through 2019/20 and 2020/21.

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 2018/19 the amount 'gifted' under this scheme was £4,550 compared to £3,500 for 2017/18.

## Note 8 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.

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

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

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

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

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

## Note 9 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 his 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	
	2017/18	2018/19
Revenue Support Grant	38,537	38,537
Localising Council Tax Support Grant	7,346	7,346
Police Grant	61,254	61,254
Pensions Grant	29,053	32,438
Other Government Grant (see note 7)	15,378	23,556

### Commissioner and officers

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

In addition to this the Commissioner is an elected Derby City Councillor. Derby City are in receipt of funding from the Commissioner and they also make contributions to joint initiatives. The funding to/from Derby City is shown in the figures below.

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

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

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

### 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:

	2017/18		2018/19	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
<b>Local Authority Precepts</b>				
Precepts and surpluses (including accruals)		56,128		60,538
<b>Local Authorities</b>				
Derbyshire County Council	2,241	392	2,347	391
Derby City Council	695	115	660	132

## Note 10 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 commitment to make 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.

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

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

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

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

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

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

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

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

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

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

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

For 2018/19 a Top up grant of £32.438m was received from the Home Office and the employer's contributions to the account amounted to £15.49m representing 24.2% of pensionable salary. This includes an 'additional' Employer contribution required to ensure the 'actual' rate remains at 24.2%. The rate from 1 April 2015 was 21.3% following a re-valuation of scheme liabilities by the Government Actuary's Department during 2014/15. In addition, payments were made into the Pensions Fund Account totalling £0.857m to reimburse the costs of benefits becoming payable early due to ill-health retirement. Injury-related payments amounted to £2.223m and these were paid from the Comprehensive Income and Expenditure Account. The Pensions Fund Account is shown on page 73.

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

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

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

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

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

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

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

#### McCloud judgement - Police Pension Challenge

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

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

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

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

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

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

#### Impact of GMP equalisation

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

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

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

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

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

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

## Note 11 Assets and Liabilities in relation to Post employment benefits (a)

Note 10 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 £'000</b>	
	<b>2017/18</b>	<b>2018/19</b>
Opening Balance at 1 April	(321,178)	(334,295)
Current Service Cost	(15,413)	(15,975)
Interest on pension liabilities	(8,503)	(9,219)
Contributions from scheme participants	(2,473)	(2,645)
Past Service (Cost) / Gain	(1)	(1,959)
Curtailments	-	-
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
• Actuarial gains/(losses) arising from changes in financial assumptions	7,682	(34,699)
• Other	(6)	69
Benefits paid	5,597	5,691
Effects of business combinations & disposals	-	-
<b>Deficit as at 31 March</b>	<b>(334,295)</b>	<b>(393,032)</b>

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

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

The liabilities show the underlying long-term commitments that the PCC Group has to pay for post-employment (retirement) benefits. The total liability of £2,319.897m has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance of £2,249.602m. Some £2,183.892m of this overall deficit relates to the Police Pension Scheme, which is a centrally funded scheme administered and underwritten by HM Government. However, statutory arrangements for funding the deficit mean that the financial position of the 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. These changes, and the fact that the employer contribution rate will be assessed on a regular basis to ensure that it accurately reflects the cost of the scheme, creates a more stable environment for Police Officer pensions.
- An actuarial valuation in 2014/15 has resulted in a reduction in the employer contribution rate from 24.2% to 21.3% from April. However, the Constabulary will still need to make a total contribution equivalent to 24.2% of pensionable pay as the reduction of 2.9% will be retained by the government. From April 2019 the employer rate has increased from 21.3% to 31.0% following the revaluation in 2017/18.
- In addition, the introduction of a new Police Pension Scheme from April 2015 means that benefits accrued from this date are based on a retirement age of 60, which is later than previously, and on average salaries over the whole period of employment.

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

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

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

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

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

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

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

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

Local Government Pension Scheme assets comprised: -

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

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

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

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



The main assumptions used in their calculations have been: -

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

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

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

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

## Note 12 Property, Plant and Equipment

### Movements in 2018/19 (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	
<b>Cost or Valuation</b>							
At 1 April 2018	25,708	35,411	8,138	3,109	0	246	72,612
Additions	1,297	3,863	483	503	0	377	6,523
Revaluation Increases/(decreases) to RR	(29)	0	206	(10)	0	0	167
Revaluation Increases/(decreases) to SDPS	(985)	0	(135)	(331)	0	0	(1,451)
Derecognition – Disposals	(70)	(1,070)	0	(42)	0	0	(1,182)
Derecognition – Other	(64)	(1,430)	0	0	0	0	(1,494)
Reclassifications to/from Assets held for sale	0	0	0	0	0	0	0
Reclassifications – other	41	0	0	0	0	(65)	(24)
<b>At 31 March 2019</b>	<b>25,898</b>	<b>36,774</b>	<b>8,692</b>	<b>3,229</b>	<b>0</b>	<b>558</b>	<b>75,151</b>
<b>Depreciation and Impairments</b>							
At 1 April 2018	(1,241)	(20,953)	(1,974)	(774)	0	0	(24,942)
Depreciation charge	(618)	(3,906)	(339)	(231)	0	0	(5,094)
Depreciation written out to RR	11	0	459	0	0	0	470
Depreciation written out to SDPS	149	0	659	81	0	0	889
Derecognition – Disposals	4	882	0	38	0	0	924
Derecognition – Other	18	1,297	0	0	0	0	1,315
Reclassifications to/from Assets held for sale	0	0	0	0	0	0	0
Reclassifications – other	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>(1,677)</b>	<b>(22,680)</b>	<b>(1,195)</b>	<b>(886)</b>	<b>0</b>	<b>0</b>	<b>(26,438)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>24,221</b>	<b>14,094</b>	<b>7,497</b>	<b>2,343</b>	<b>0</b>	<b>558</b>	<b>48,713</b>
<b>At 31 March 2018</b>	<b>24,467</b>	<b>14,458</b>	<b>6,164</b>	<b>2,335</b>	<b>0</b>	<b>246</b>	<b>47,670</b>

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

### Movements in 2017/18 (b)

	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	
<b>Cost or Valuation</b>							
At 1 April 2017	25,503	33,936	7,817	2,545	0	1,594	71,395
Additions	1,394	3,823	321	519	0	246	6,303
Revaluation Increases/(decreases) to RR	142	0	0	10	0	0	152
Revaluation Increases/(decreases) to SDPS	(1,857)	0	0	18	0	0	(1,839)
Derecognition – Disposals	(135)	(1,934)	0	(80)	0	0	(2,149)
Derecognition – Other	(400)	(758)	0	0	0	0	(1,158)
Reclassifications to/from Assets held for sale	(175)	0	0	97	0	0	(78)
Reclassifications – other	1,236	344	0	0	0	(1,594)	(14)
<b>At 31 March 2018</b>	<b>25,708</b>	<b>35,411</b>	<b>8,138</b>	<b>3,109</b>	<b>0</b>	<b>246</b>	<b>72,612</b>
<b>Depreciation and Impairments</b>							
At 1 April 2017	(1,182)	(19,426)	(1,652)	(635)	0	0	(22,895)
Depreciation charge	(579)	(3,799)	(322)	(217)	0	0	(4,917)
Depreciation written out to RR	14	0	0	0	0	0	14
Depreciation written out to SDPS	454	0	0	0	0	0	454
Derecognition – Disposals	2	1,546	0	78	0	0	1,626
Derecognition – Other	32	726	0	0	0	0	758
Reclassifications to/from Assets held for sale	18	0	0	0	0	0	18
Reclassifications – other	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>(1,241)</b>	<b>(20,953)</b>	<b>(1,974)</b>	<b>(774)</b>	<b>0</b>	<b>0</b>	<b>(24,942)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>24,467</b>	<b>14,458</b>	<b>6,164</b>	<b>2,335</b>	<b>0</b>	<b>246</b>	<b>47,670</b>
<b>At 31 March 2017</b>	<b>24,321</b>	<b>14,510</b>	<b>6,165</b>	<b>1,910</b>	<b>0</b>	<b>1,594</b>	<b>48,500</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 2019 £'000	Commissioner 31 March 2019 £'000	PCC Group 31 March 2019 £'000
Operational Land & Buildings	0	24,221	24,221
Vehicles, Plant, Furniture & Equipment	14,094	0	14,094
PFI Schemes	0	7,497	7,497
Jointly Controlled Operations	0	2,343	2,343
Surplus Assets not held for sale	0	0	0
Assets Under Construction	414	144	558
<b>Total Assets Net Book Value</b>	<b>14,508</b>	<b>34,205</b>	<b>48,713</b>

### Valuation of Assets (d)

All Land and Building assets were re-valued as at April 1<sup>st</sup> 2014.

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 21).

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 8). 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 2018		Jointly Controlled Operations	31 March 2019	
Total £'000	Derbyshire Share £'000		Total £'000	Derbyshire Share £'000
10,814	2,503	Fixed Assets –Tangible/intangible	10,660	2,466
4,574	951	Net Current Assets	3,667	758
<b>15,388</b>	<b>3,454</b>	<b>Total Net Assets</b>	<b>14,327</b>	<b>3,224</b>
		<b>Represented by</b>		
4,609	1,061	Usable Reserves	3,703	868
10,779	2,393	Unusable Reserves	10,624	2,356
<b>15,388</b>	<b>3,454</b>		<b>14,327</b>	<b>3,224</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 13.

## Assets Held by the PCC Group (f)

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

	31/03/18	31/03/19
Main & Divisional Headquarters	3	3
Section Stations	16	16
Child Protection unit & Rape Crisis Centre	3	3
Community Offices & Others	11	9
Surplus Properties	0	0
Radio Masts	3	3
Vehicles	615	624
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 22).

## Capital Commitments (h)

Significant capital contracts which have been entered into by the Commissioner as at 31 March 2019 are: -

Derby East Accommodation – Heads of Terms Agreements were signed in February 2019 and planning permission has been granted. Tender figures have yet to be agreed. There is a budget of £9.5m in the capital programme of which £0.080m has been spent to date.

Sexual Assault Referral Centre (SARC) – A contract has been awarded and work commenced in March 2019. The scheme is due to be completed in July 2019. The budget for the project is £1m of which £0.032m has been spent to date.

Call Centre Telephony System – a contract was awarded for a replacement telephone system. Phase One was completed in 2018/19, Phase Two has been delayed due to technical problems. The budget for the project is £1m of which £0.182m has been spent to date.

## Note 13 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. The main purchase in 2018/19 is for Software Licences for cyber crime £1.9m purchased on behalf of all Forces and funded from Home Office grant.

	2017/18			2018/19		
	Purchased Software Licences £'000	Purchased Software Licences – JCO £'000	Total PCC Group £'000	Purchased Software Licences £'000	Purchased Software Licences – JCO £'000	Total PCC Group £'000
<b>Net carrying amount 1 April</b>	<b>6,060</b>	<b>132</b>	<b>6,192</b>	<b>5,232</b>	<b>168</b>	<b>5,400</b>
Additions	510	80	590	2,139	4	2,143
Reclassifications	14	-	14	14	-	14
Derecognitions	(77)	-	(77)	(117)	-	(117)
Amortisation in year	(1,275)	(44)	(1,319)	(1,264)	(49)	(1,313)
<b>Balance at 31 March</b>	<b>5,232</b>	<b>168</b>	<b>5,400</b>	<b>6,004</b>	<b>123</b>	<b>6,127</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.

## Note 14 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 schemes, 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 2018 £'000	31 March 2019 £'000
<b>Balance as at 1 April</b>	13,101	16,620
Spend in year	3,519	195
<b>Total Investment in Joint Venture PCC Accounts (Historic Cost)</b>	<b>16,620</b>	<b>16,815</b>
<b>Representing</b>		
-Joint Headquarters	12,019	12,211
-Joint Training Centre/Firearms Range	4,601	4,604
<b>Total Investment in Joint Venture PCC Group Accounts (Net Share of Assets)</b>	<b>15,573</b>	<b>16,115</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 Joint Venture operates an Income and Expenditure Account, the LLP Board agreed to redistribute 75% of any profits back to partners (Police and Fire) at year end, there was no decision made on the distribution of profits in 2017/18 but £0.074m was paid in 2018/19. In 2018/19 the LLP Board agreed to redistribute 100% of any profits, the profit share for 2018/19 was £0.226m. The profit share for both years £0.300m is reflected in the CIES.

The Group CIES also shows a share of the retained profit of the LLP.

## Note 15 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.

2017/18 £'000		2018/19 £'000
<b>26,260</b>	<b>Capital Financing Requirement</b>	<b>24,883</b>
	Capital investment	
6,303	<i>Property, Plant and Equipment</i>	6,523
590	<i>Intangible assets</i>	2,143
3,519	<i>Interest in Joint Venture</i>	195
<b>10,412</b>	<b>Total asset related expenditure</b>	<b>8,861</b>
-	Revenue Expenditure Funded from Capital under Statute	83
<b>10,412</b>	<b>Total Capital Investment</b>	<b>8,944</b>
	Sources of Finance	
(936)	<i>Capital receipts</i>	(646)
(1,163)	<i>Government Grants and Contributions</i>	(2,657)
(9,690)	<i>Revenue Provision (NB: includes MRP)</i>	(6,996)
<b>24,883</b>	<b>Closing Capital Financing Requirement</b>	<b>23,528</b>
	<b>Explanation of movements in the year</b>	
(1,243)	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(1,221)
(134)	(Decrease)/Increase in underlying need to borrow (unsupported by Government financial assistance)	(134)
<b>(1,377)</b>	<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(1,355)</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. The policy for 2018/19 was

- For Supported Capital Expenditure, the MRP Policy will be based on the Capital Financing Requirement being 2% straight-line basis of the opening balance of the CFR for that year.
- For unsupported borrowing the MRP policy will be based on the Asset Life Method, equal instalment over the life of the asset.
- For PFI contracts that are deemed to be on balance sheet, 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 2018/19 the MRP is £1.355m (£1.377m MRP in 2017/18).

## Note 16 Debtors

The level of debt outstanding during 2018/19 was analysed and it was decided that it would be prudent to provide a bad debt provision of £0.002m 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 2018 £'000</b>	<b>31 March 2019 £'000</b>
Government Departments and Agencies	8,351	18,999
Local and Police Authorities	1,544	2,914
Share of Council Tax Debtors	2,689	3,126
Other Entities and Individuals	5,175	5,818
Less: Provision for Bad debts	(1)	(2)
<b>Total Debtors</b>	<b>17,758</b>	<b>30,855</b>

## Note 17 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 2018 £'000</b>	<b>31 March 2019 £'000</b>
Cash held by the Commissioner	63	93
Bank current accounts	3,782	3,042
Instant access accounts with banks and building societies	0	0
Proceeds of Crime Cash	250	573
<b>Total Cash and Cash equivalents</b>	<b>4,095</b>	<b>3,708</b>

## Note 18 Assets held for sale

As at 1 April 2018 four assets met the criteria of Assets held for sale, these were all sold in 2018/19. No other assets were classified as Assets held for sale as at 31 March 2019.

	<b>Assets held for sale £'000</b>	<b>Assets held for sale – Jointly Controlled Operations £'000</b>	<b>Total PCC Group £'000</b>
<b>Balance at 1 April 2018</b>	339	0	339
Assets newly classified as held for sale	-	-	-
Transfer to Operational assets	-	-	-
Gains/losses on revaluation of assets held for sale	-	-	-
Sale of assets in year	(339)	-	(339)
<b>Balance at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 19 Creditors

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

Creditors	Restated 31 March 2018 £'000	31 March 2019 £'000
Government Departments and Agencies	3,990	5,650
Local and Police Authorities	4,908	11,337
Share of Council Tax Creditors	2,034	2,513
Other Entities and Individuals	5,424	5,071
<b>Total Creditors – Commissioner</b>	<b>16,356</b>	<b>24,571</b>
Employee Benefits – Chief Constable	1,531	1,307
<b>Total Creditors PCC</b>	<b>17,887</b>	<b>25,878</b>
Remove creditors relating to LLP	(564)	-
<b>Total Creditors PCC Group</b>	<b>17,323</b>	<b>25,878</b>

## Note 20 Borrowing and Investments

The borrowing and investments disclosed in the Balance Sheet are

	31 March 2018			31 March 2019		
	Long Term £'000	Current £'000	Total £'000	Long Term £'000	Current £'000	Total £'000
PWLB	4,254	526	4,780	3,788	521	4,309
Deferred Liabilities	121	80	201	41	80	121
<b>Total borrowing</b>	<b>4,375</b>	<b>606</b>	<b>4,981</b>	<b>3,829</b>	<b>601</b>	<b>4,430</b>
Loans and receivables – Temporary Investments	0	16,008	16,008	0	6,015	6,015
<b>Total investments</b>	<b>0</b>	<b>16,008</b>	<b>16,008</b>	<b>0</b>	<b>6,015</b>	<b>6,015</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 2019.

PWLB is borrowing with the Public Works Loan Board. No new loans have been raised during 2018/19. The total PWLB outstanding at the 31 March 2019 is £4.254m plus interest of £0.055m. Total Deferred Liabilities outstanding at the 31 March 2019 is £0.121m (£0.201m in 2017/18). These represent the balance of loans outstanding as at 31 March 1995 which were transferred to the Commissioner as established under the Police Reform and Social Responsibility Act 2011. The loans are administered by Derbyshire County Council and Derby City Council on behalf of the Commissioner. Repayments of £0.080m were made in 2018/19 (£0.080m in 2017/18).

The repayment schedule for PWLB & Deferred Liabilities is shown in Note 23c.

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 2019 is £6.0m plus interest of £0.015m. PFI finance lease liabilities are shown in Note 24.

## Note 21 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 2018 £'000	Borrowings £'000	Investments £'000	Total 31 March 2019 £'000
Interest Payable and similar charges	262	234		234
Interest Payable on PFI Schemes	902	833		833
Interest and investment Income	(88)		(160)	(160)

## Note 22 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 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Assets</b>				
Temporary Investments (excl interest)	16,008	16,008	6,015	6,015
Cash and Cash Equivalents	4,095	4,095	3,708	3,708
Debtors (contractual only)	13,932	13,932	26,586	26,586
<b>Financial Liabilities</b>				
<b>Borrowing</b>				
PWLB (excl interest)	(4,720)	(5,730)	(4,254)	(5,169)
Deferred Liabilities	(201)	(201)	(121)	(121)
<b>Total Borrowing</b>	<b>(4,921)</b>	<b>(5,931)</b>	<b>(4,375)</b>	<b>(5,290)</b>
PFI Liabilities	(10,254)	(10,254)	(9,213)	(9,213)
Creditors (contractual only)	12,134	12,134	19,435	19,435

### 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 2019. 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 2019) 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 23 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 set out 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 2018/19 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

	PWLB	Deferred Liabilities	Total
	£'000	£'000	£'000
Less than one year interest	55	0	55
Less than one year principal	465	80	545
Between one and two years	465	2	467
Between two and five years	1,219	5	1,224
Between five and ten years	1,773	6	1,779
More than ten years	332	28	360
<b>Total</b>	<b>4,309</b>	<b>121</b>	<b>4,430</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 24 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 12.

#### 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 2018/19 was £0.483m for Ilkeston and £3.271m for Derby (the equivalent unitary charge paid in 2017/18 was £0.468m for Ilkeston and £3.208m for Derby). This can be analysed as follows

	2017/18			2018/19		
	Ilkeston £'000	Derby £'000	Total £'000	Ilkeston £'000	Derby £'000	Total £'000
Service Payment	63	1,351	1,414	169	1,519	1,688
Interest on liability	165	737	902	164	669	833
Lifecycle Payments	227	265	492	31	161	192
Repayments of Principal	13	855	868	119	922	1,041
<b>Total Unitary Charge</b>	<b>468</b>	<b>3,208</b>	<b>3,676</b>	<b>483</b>	<b>3,271</b>	<b>3,754</b>

Payments remaining to be made under the PFI contract at 31 March 2019 are as follows:

	Ilkeston PFI				
	Service Payments £'000	Interest on Liability £'000	Lifecycle Payments £'000	Principal Payments £'000	Total Payments £'000
2019/20	209	153	0	129	491
2020/21 to 2023/24	888	485	53	623	2,049
2024/25 to September 2028	963	226	381	925	2,495

For Ilkeston this includes estimated inflation of 4% on service payments and lifecycle as per the operators model. It excludes future availability/performance deductions.

	Derby PFI				
	Service Payments £'000	Interest on Liability £'000	Lifecycle Payments £'000	Principal Payments £'000	Total Payments £'000
2019/20	1,417	597	701	595	3,310
2020/21 to 2023/24	7,037	1,756	563	4,300	13,656
2024/25 to 2028/29	9,255	568	1,732	2,214	13,769
2029/30 to December 2030	3,770	44	-	427	4,241

For Derby this includes estimated inflation of 3% on service payments and lifecycle as per the operators model. Elements of the fee will also be benchmarked every five years. Both parties can instigate the benchmarking exercise, the third benchmarking exercise in December 2015 has been instigated by the service provider, the results of the exercise are still awaited. It excludes 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
2018/19	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 2018/19 was £0.052m and for Derby the movement from reserves was £0.309m.

#### 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 2018</b>	<b>1,796</b>	<b>8,458</b>	<b>10,254</b>
Principal Paid 2018/19	(119)	(922)	(1,041)
<b>Balance as at 31 March 2019</b>	<b>1,677</b>	<b>7,536</b>	<b>9,213</b>

In the balance sheet this is shown as short term (£724k) which is repayable within a year and long term PFI Finance lease liabilities (£8,489k).

## **Note 25 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 2019, together with an estimate for further claims relating to 2018/19. On this basis a provision of £1.401m is required.

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

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

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

## Note 26 Contingent liabilities / Contingent assets

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

### Contingent Liabilities

#### Unpaid overtime following recalls to duty

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

#### Forensics Contract

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

#### Joint Director of Finance

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

### Contingent Assets

The Commissioner has no contingent assets at 31 March 2019.

## Note 27 Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement. The balance as at 31 March 2019 was made up of the following:

Usable Reserves	Restated 31 March 2018 £'000	31 March 2019 £'000
General Reserve Balance	4,000	5,500
Earmarked Reserves	20,788	12,855
Usable Capital Receipts Reserve	0	0
Capital Grants Unapplied	4,838	5,193
<b>Total Usable Reserves PCC</b>	<b>29,626</b>	<b>23,548</b>
Share of LLP Retained Profit Reserve	48	49
<b>Total Usable Reserves PCC Group</b>	<b>29,674</b>	<b>23,597</b>

### Earmarked Reserves

This notes sets out Transfers to/from Earmarked Reserves.

Earmarked Reserve	Restated Balance 31 March 2018 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2019 £'000
<b>Revenue Reserves</b>				
Devolved Budget Commitments	2,058	812	(1,222)	1,648
Operational Priorities Reserve	1,325	-	(1,325)	-
Operational Funding & Investment Reserve	6,776	1,909	(4,409)	4,276
PFI Reserve - Ilkeston	1,115	6	(58)	1,063
PFI Reserve - Derby	3,091	16	(324)	2,783
Pensions Reserve	500	-	(500)	-
Insurance Reserves	992	5	(927)	70
PCC Grants & Commissioning Reserve	2,406	131	(390)	2,147
<b>Total Revenue Reserves</b>	<b>18,263</b>	<b>2,879</b>	<b>(9,155)</b>	<b>11,987</b>
Capital Reserve	1,464	-	(1,464)	-
Jointly Controlled Operations Reserves	1,061	-	(193)	868
<b>Total Earmarked Reserves PCC</b>	<b>20,788</b>	<b>2,879</b>	<b>(10,812)</b>	<b>12,855</b>
Share of LLP Retained Profit Reserve	48	1		49
<b>Total Earmarked Reserves PCC Group</b>	<b>20,836</b>	<b>2,880</b>	<b>(10,812)</b>	<b>12,904</b>

#### *Devolved Budget Commitments*

This balance represents the underspendings on devolved budgets for 2018/19 which have been earmarked to carry forward to meet commitments in 2019/20.

#### *Operational Priorities Reserve*

This balance had been accumulated to assist with urgent operational needs. This has now been transferred to the Operational Funding & Investment reserve.

#### *Operational Funding and Investment Reserve*

This reserve is to assist with the 'funding gap' in the revenue budget for 2019/20 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 £0.014m 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 £0.229m 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.

#### *Pensions Reserve*

This reserve was to meet any future pension liabilities accruing to the force from ill-health or injury-related retirements. This has now been transferred to the Operational Funding & Investment reserve.

#### *Insurance Reserve*

This reserve is for future insurance liabilities that are not covered by the insurance provision. A total of £0.927m was transferred from the reserve to the provision in 2018/19 to reflect the expected level of liabilities from a number of live claims in the process of being settled. There has been an increase in the number of large claims, 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.

#### *Capital Reserve*

The reserve was used in 2018/19 to support the Force's Capital Programme.

#### *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 2018/19 the LLP agreed to redistribute 100% of the profit share not 75%).

### **Usable Capital receipts Reserves**

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

<b>Capital Receipts Reserve</b>	<b>£'000</b>
Balance at 1 April 2018	0
Receipts in year:	646
	646
Less:	
Capital receipts used	(646)
<b>Balance at 31 March 2019</b>	<b>0</b>

### **Note 28 Unusable Reserves**

<b>Chief Constable 31 March 2018 £'000</b>	<b>Commissioner 31 March 2018 £'000</b>	<b>Restated PCC Group 31 March 2018 £'000</b>	<b>Unusable Reserves</b>	<b>Chief Constable 31 March 2019 £'000</b>	<b>Commissioner 31 March 2019 £'000</b>	<b>PCC Group 31 March 2019 £'000</b>
2	3,359	3,361	Revaluation Reserve	1	3,834	3,835
19,882	21,906	41,788	Capital Adjustment Reserve	20,511	23,795	44,306
(2,098,585)	-	(2,098,585)	Pensions Reserve	(2,319,897)	-	(2,319,897)
-	655	655	Collection Fund Adjustment Account	-	613	613
(1,531)	-	(1,531)	Accumulated Absences Account	(1,307)	-	(1,307)
-	13	13	Deferred Capital Receipts	-	-	-
<b>(2,080,232)</b>	<b>25,933</b>	<b>(2,054,299)</b>	<b>Total Unusable Reserves PCC</b>	<b>(2,300,692)</b>	<b>28,242</b>	<b>(2,272,450)</b>
		(731)	Share of Revaluation Reserve LLP			(749)
		<b>(2,055,030)</b>	<b>Total Unusable Reserves PCC Group</b>			<b>(2,273,199)</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.

<b>Revaluation Reserve</b>	<b>Restated 2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>3,299</b>	<b>3,361</b>
Upward revaluation of assets	225	665
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(59)	(28)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>166</b>	<b>637</b>
Difference between fair value depreciation and historical cost depreciation	(37)	(36)
Accumulated gains on assets sold or scrapped	(67)	(127)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(104)</b>	<b>(163)</b>
<b>Balance at 31 March</b>	<b>3,361</b>	<b>3,835</b>
Share of Revaluation Reserve LLP	(731)	(749)
<b>Balance at 31 March PCC Group</b>	<b>2,630</b>	<b>3,086</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>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>38,725</b>	<b>41,788</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>• Revaluation losses on Property, Plant &amp; Equipment</li> <li>• Amortisation of Intangible Assets</li> <li>• Revenue Expenditure funded from capital under statute</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>	(4,917)	(5,094)
	(1,385)	(561)
	(1,319)	(1,313)
	-	(83)
	(1,142)	(766)
	<b>(8,763)</b>	<b>(7,817)</b>
Adjusting amounts written out of revaluation Reserve	37	36
Net written out amount of the cost of non current assets consumed in the year	<b>(8,726)</b>	<b>(7,781)</b>
Capital Financing applied in the year		
<ul style="list-style-type: none"> <li>• Capital Receipts</li> <li>• Capital Grants and Contributions</li> <li>• Statutory Provision for financing capital investment (MRP)</li> <li>• Additional Voluntary Set Aside</li> <li>• Capital Expenditure charged against the General Reserve</li> </ul>	936	646
	1,163	2,657
	1,377	1,355
	-	-
	8,313	5,641
	<b>11,789</b>	<b>10,299</b>
<b>Balance at 31 March</b>	<b>41,788</b>	<b>44,306</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>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>(2,113,215)</b>	<b>(2,098,585)</b>
Actuarial gains or losses on pensions assets and liabilities	68,141	(85,078)
Effect of business Combinations	-	-
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(106,741)	(193,998)
Employer's pensions contributions and direct payments to pensioners payable in the year	53,230	57,764
<b>Balance at 31 March</b>	<b>(2,098,585)</b>	<b>(2,319,897)</b>

### **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>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>670</b>	<b>655</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	(15)	(42)
<b>Balance at 31 March</b>	<b>655</b>	<b>613</b>

### **Accumulated Absences Account**

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

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

### **Deferred Capital Receipts**

The Deferred Capital Receipts account represent capital receipts that are due to the Constabulary but have not yet been paid. The below receipts are for the Helicopter that was transferred to NPAS but the capital receipts are being received in stages, the last receipt was received in 2018/19.

<b>Deferred Capital Receipts Account</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Balance as at 1 April</b>	<b>45</b>	<b>13</b>
Receipts to be paid	(32)	(13)
<b>Balance at 31 March</b>	<b>13</b>	<b>0</b>



## Note 29 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £'000	2018/19 £'000
Interest received including accruals	(88)	(160)
Interest received accruals	(2)	(7)
<b>Interest received on a cash basis</b>	<b>(90)</b>	<b>(167)</b>
Interest paid including accruals	1,164	1,067
Interest paid accruals	5	5
<b>Interest paid on a cash basis</b>	<b>1,169</b>	<b>1,072</b>

## Note 30 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. Derbyshire Community Foundation is the Commissioner's nominated charity. The Foundation operates an endowment fund for the Derbyshire Police Property Act monies and distributes grants to other local charities from the net interest earned. The balance on the fund as at 31 March 2019 was £19,714 (£13,159 as at 31 March 2018). This has not been included in the PCC Group Balance sheet, as it does not represent monies owned by the Group.

## Note 31 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

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

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

## Note 32 Authorisation of Accounts for issue

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

## Note 33 Post Balance sheet events

There are no post balance sheet events.

**POLICE PENSION FUND ACCOUNT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Note 2 Pension Fund Liabilities**

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

## **Note 3 Accounting Policies**

Accounting policies conform to those set out in the Statement of Accounts (page 16 to 27).

**POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**  
**STATEMENT OF ACCOUNTS 2018/19**  
**COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2018/19**

**Position as at 31 March 2019 including plans for the financial year 2019/20**

**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.
  - 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 his own 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.

## **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. He may do this through delegation to his 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 his 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 with 3 co-opted independent members. There are 19 members on the Derbyshire panel.

## **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 his 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 him to serve local people without fear or favour and it sets out his public commitment to performing his 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 2019. 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 2018/19 Statement of Accounts are approved for publication (normally 31<sup>st</sup> July each year).

- 4.6 The Police & Crime Commissioner is able to confirm that his 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.

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

- 5.1 Each Commissioner is required to set out his 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 any 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 him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the Commissioner must satisfy himself that the Constabulary has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice. To this end and as a consequence of the Chief Constable being a corporation sole with his own accounts, the Commissioner has had regard to the Chief Constable’s AGS when producing his own 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 five year 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, re-published (following amendment in 2017/18) his 5 year Police and Crime Plan which articulates 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.
- 6.5 The Medium Term Financial Plan and the Risk Registers are linked to the policing objectives identified in the Police and Crime Plan. These objectives are used to direct resources and manage activity and risk.

6.6 The 7 policing objectives in the (amended) 2016/2021 Police and Crime plan for Derbyshire are: -

1. Working to keep the most vulnerable in our communities safe from crime and harm and supporting those who unfortunately find themselves a victim of crime
2. Working to tackle the emerging threats of cyber and cyber-enabled crime on individuals, businesses and communities  
Working to tackle the impact of drugs and alcohol on communities
3. Supporting those with mental health issues, including those with learning difficulties, who come into contact with the Criminal Justice System, as victim or offender, to get the right support, from the right agencies at the right time
4. Working with young people, including those who have been either victims of crime or offenders, to understand their needs and prevent them becoming involved in criminal activities
5. Working with the Constabulary to develop the policing family to be more representative of the diverse communities it serves
6. Working with the Constabulary and partners to maximise the opportunities from developments in technology

6.7 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.

6.8 Through the mechanism of a bi-monthly public Strategic Priorities Assurance meeting (SPA), the Commissioner receives regular 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. Each SPA meeting is thematic and includes input from partners concerning the specific Police & Crime Plan

objectives being considered. 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 his Deputy 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 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 his office undertakes on his 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 Executive Team meeting.
- 8.5 Risk is discussed regularly between the Commissioner, his office, the Chief Constable and his office – 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 (June 2019) 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 his functions, providing for an effective performance management and reporting process.
- 9.4 The Commissioner or his representatives sit on 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.
- 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 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. 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 and the management of risk. 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 2018/19**

10.1 In adopting the Joint Code the Commissioner undertook to demonstrate compliance with the principles of corporate governance in each of the six dimensions of his 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 he met his own code during 2018/19, together with identifying what areas of work will be reviewed or improved in 2019/20. The self-assessment tool is reviewed quarterly.

## **11 DELIVERING THE GOVERNANCE FRAMEWORK**

11.1 The Commissioner is committed to maintaining an effective governance framework.

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. It is intended that



JARAC will enhance its role in providing assurance on the Chief Constable and Commissioner's financial management arrangements during 2019/20.

- 11.3 External audit is carried out by Ernst & Young LLP (2018/19 onwards), 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) is responsible for promoting and maintaining high standards of conduct of the Commissioner and his deputy by monitoring compliance with the Commissioner's Code of Conduct and the Register of Interests and Hospitality.
- 11.5 Collaboration is overseen by Management Boards 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 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 *“our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation’s objectives.”* and this is as detailed in the Internal Audit Annual Report 2018/19.
- 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 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. The areas of work or development and new actions planned in 2019/20 by the OPCC are outlined below:
- Periodically review the revised Corporate Governance Framework and self-assessment approach;
  - 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) in light of the decision to appoint a Joint Director of Finance for both the Police and Fire & Rescue services in Derbyshire.
- Undertake thematic internal audit work (with regional partners) across regional collaborations;
- Review the effectiveness of the new SPA meeting at increasing both public engagement and transparency.

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

13.1 **Significant Internal Control Issues 2018/19** – There were no significant control issues identified during the year and the system of Internal Control is considered to have operated adequately in 2018/19. At the time of writing, the Statements of Accounts for 2018/19 have not yet been audited although work is on target to adhere to the authorisation and publication deadlines. There are no known post balance sheet events.

13.2 There was a single significant control issue identified and reported in the Annual Governance Statement for 2017/18. This related to Business Continuity and was satisfactorily addressed during 2017/18.

### **LOOKING FORWARD**

13.3 The financial settlement for policing in 2019/20 was set against the backdrop of pressure to increase resources in the face of rising crime and concerns around visibility in communities. Furthermore, Derbyshire were notified of a significant pension cost related to officers following a government actuarial valuation. The Home Office provided additional grant that partly offset the pensions issue (that had been imposed on Derbyshire and other forces) together with the flexibility to increase the local precept (council tax) by up to £24 per year for a Band D equivalent property.

- 13.4 This additional funding has allowed the Commissioner and Chief Constable to increase workforce numbers by 120 in 2019/20 (on top of the additional 25 police officers in 2018/19).
- 13.5 Whilst the Commissioner has been able to support the Chief Constable's plans to increase workforce numbers, it should be noted that reserves also had to be utilised to ensure a balanced budget is maintained. That can not continue indefinitely and so the Commissioner and Chief Constable have a challenge ahead of them to find efficiencies in future years whilst protecting the additional investments made in recent years.
- 13.6 The MTFP (as reported in the 2019/20 revenue budget report) suggests an underlying worst-case budget deficit of some £6m by 2022/23 (or 3% of the likely budget). Whilst reserves can be used to slow the pace of required savings, we estimate that useable/earmarked reserves will fall under £2m by 2022/23 once over £6m have been utilised to support the MTFP. Work is underway by the Force in conjunction with the Police and Crime Commissioner's Chief Finance Officer to refresh the MTFP, re-profile the capital programme (and hence borrowing requirements) and evaluate savings opportunities to close the budget gap.
- 13.7 The Constabulary continue to work towards an ambitious Estate vision which aims to provide a modern, fit for purpose Estate that can service the needs of both the Constabulary and the communities that they serve. Integral within this plan is closer working and (where possible) co-location with Derbyshire Fire and Rescue Service (DFRS). Having already demonstrated the value of co-location at the Joint Headquarters and the new Joint Training Centre at Ripley, the next major project will be within Derby city centre. This will be followed by projects in both the north-west and north-east of Derbyshire. The governance arrangements for co-locating with DFRS will be designed with efficiency and strong partnership working at their core.
- 13.8 The Commissioner and Chief Constable will continue to review the senior governance arrangements to ensure that they maintain the right balance between accountability and enabling rapid and effective decision-making.

This is particularly relevant to the appointment of a Joint Director of Finance for the Police and Fire & Rescue Services in Derbyshire.

- 13.9 The regional collaboration agenda continues to evolve. As individual collaborations mature and changes occur at senior levels within the partner organisations, there is a continuous need to review and challenge whether collaborations remain fit for purpose. That work will help maintain buy-in from partners but also clearly identify any emerging funding challenges regionally that also impact Commissioner's locally.
- 13.10 The Chief Constable's AGS refers to a number of challenges in the future and the actions to be taken to address them. Most notably, the implementation of the replacement for the Airwave communication network (Emergency Services Mobile Communications Programme or ESMCP) is a major national project that has experienced a number of significant delays which are outside the control of Derbyshire. The Commissioner is regularly briefed on the issue and his Chief Finance Officer has oversight of the financial implications both within Derbyshire but also more widely on behalf of the region as described by the s22 agreement governing that collaboration.
- 13.11 In addition to ESMCP the Constabulary also faces challenges in responding to the Crime Data Integrity inspection from HMICFRS. The Commissioner will continue to seek assurances from the Chief Constable as well as monitor progress against the recommendations made in that report.
- 13.12 Brexit continues to cause a great deal of uncertainty for the United Kingdom and particularly policing. The Constabulary have existing governance structures in place to prepare for all outcomes and ensure a continuity of the service it provides to the public. The Commissioner has received significant assurance from the Chief Constable and his Chief Officer Team regarding the Constabulary's Brexit readiness although this remains under review as we approach the, as yet unknown, departure date from the European Union.

## 14 **CONCLUSION**

- 14.1 During 2018/19 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.
- 14.2 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 2018/19, the Chief Constable's own action plan is referred to and is kept under review as part of holding him to account.
- 14.3 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 his senior officers to ensure that adequate savings plans are put in place to ensure a balanced budget can be produced for 2020/21 and beyond.

### Further Information:

- Police and Crime Commissioner for Derbyshire: Review of the Code of Corporate Governance 2018/19 (see PCC's website)
- Internal Control Environment of the Police and Crime Commissioner for Derbyshire incorporating the review of effectiveness for 2018/19 (see PCC's website)
- Regional AGS 2018/19 (included below)

**Police and Crime Commissioner for Derbyshire**  
**Annual Governance Statement 2018/19**

**Hardyal Dhindsa**



Police and Crime Commissioner for Derbyshire

Date: 31/07/19



**David Peet**

Chief Executive

Office of the Police and Crime Commissioner for Derbyshire

Date: 31/07/19

**Andrew Dale**



Chief Finance Officer

Office of the Police and Crime Commissioner for Derbyshire

Date: 31/07/19



# East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

## **ANNUAL GOVERNANCE STATEMENT** **FOR REGIONAL COLLABORATION 2018/19**

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

**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. This is reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis.

**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 regional collaboration. 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. Monthly expenditure 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**

Chris Haward

Date 7/5/19

**Chris Haward  
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.