OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

STATEMENT OF ACCOUNTS 2019/20

OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE
STATEMENT OF ACCOUNTS
YEAR END 31 March 2020

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NARRATIVE REPORT

Introduction

These accounts set out the overall financial position of Derbyshire Police for the year ended 31 March 2020.

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 20th May 2019 at SPA Board but was unchanged. Due to the postponed elections (due May 2020), a further review took place but the decision was taken to continue with the existing plan and extend it to 2022. 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 and resolution centre that answers 999 and non-emergency telephone calls, our roads policing section, dog section, National Police Air Service (NPAS), criminal justice, crime investigation and the forensic officers who work in our scientific support unit.

Derbyshire Constabulary employs approximately 1,835 police officers, 179 PCSOs and 266 Specials/Volunteers and 1,389 staff in full-time and part-time positions. Active recruitment plans include positive action to improve the diversity and reflect more closely that of the County.

Basis for Preparation

For accounting purposes the Commissioner and Chief Constable together are known as the PCC Group. A separate set of statutory accounts has been published for the Chief Constable to recognise the financial transactions incurred during 2019/20 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 2019/20 and provide an overview of the most significant matters reported in the accounts.

The 2019/20 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2019/20. The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include: -

- The Police Reform and Social Responsibility Act 2011 (the Act).
- Accounts and Audit (England and Wales) Regulations 2015 & Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013.
- Scheme of Consent between the Commissioner and Chief Constable.
- The Financial Handbook of the Commissioner and Chief Constable.

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

Financial Statements

The financial statements for the Commissioner and PCC Group required under the 2019/20 Code consist of:-

Expenditure and Funding Analysis

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

Comprehensive Income and Expenditure 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 2019/20 annual accounts are consistent with last year, no major changes have been necessary.

Other Contents

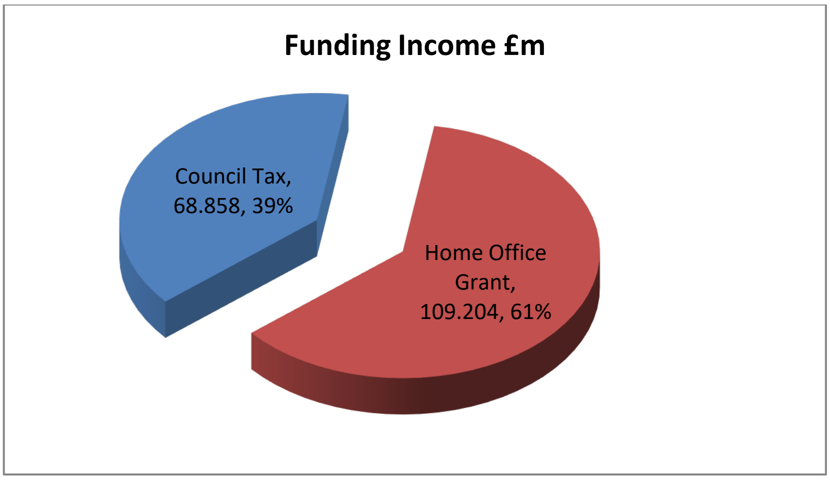
In addition to the financial statements, the annual accounts include: -

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

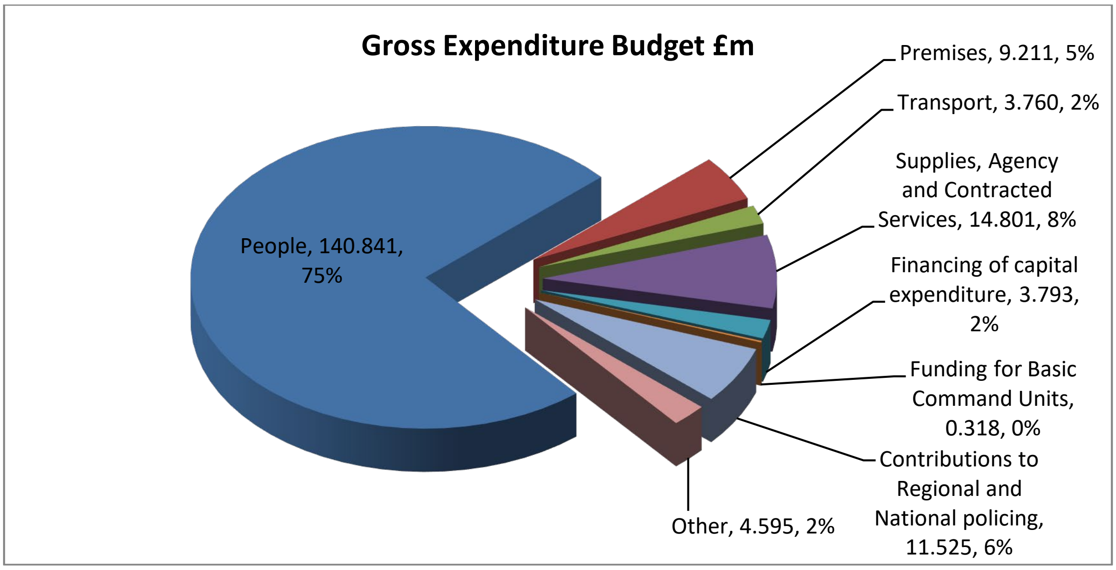
A revenue budget for 2019/20 was set at £178.062 million, an increase of 6.2% over 2018/19. The funding of the £178.062 million comprised central government formula funding (Police Specific Grant, Localising Council Tax Support Grant and Revenue Support Grant (RSG)) of £109.204m, and Council Tax of £68.858m.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



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

The consequent Council Tax for an average band D dwelling was £216.60, as the Commissioner increased the Council Tax Precept for 2019/20 by the maximum permitted of £24.00 (12.5% for a Derbyshire band D dwelling).

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 2019/20.

Deficit on the Provision of Services

The Comprehensive Income and Expenditure Statement for 2019/20 shows a deficit on the provision of services of £88.429m. 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 (2019/20 Revenue Budget) - Performance against budget

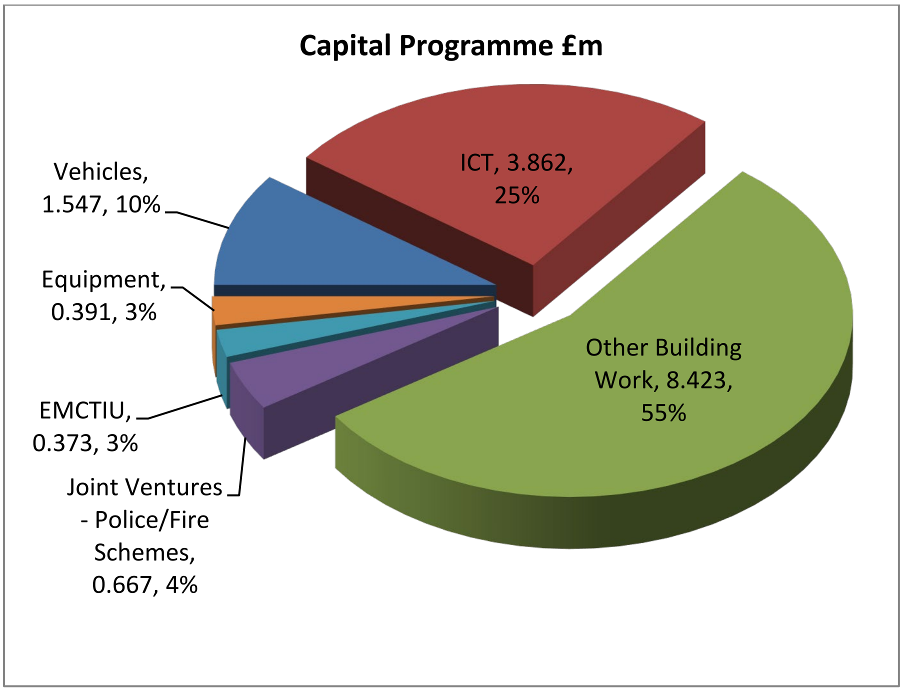
A more significant measure of financial performance in the year is the level of net expenditure incurred against the principal streams of revenue funding that make up the Group's Revenue Budget.

Net expenditure incurred against the Revenue Budget for the Group amounted to some £179.604m, which included a contribution from reserves (£3.124m) to cover a budget shortfall. It is important to view the financial position in context, as we estimated that our spending would be no more than 0.6% above budget at the beginning of the year (£1.098m). This estimate had to be adjusted to 1.7% midway through the year to help us manage peaks in demand and new pressures in the short to medium term. A more detailed breakdown for the revenue budget for 2019/20 is available in the Chief Constable's Statement of Accounts.

Capital Expenditure in 2019/20

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



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

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

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

In addition, Derbyshire's share of capital expenditure for the East Midlands Special Operations Unit (including East Midlands Technical Support Unit) and East Midlands Forensics was £0.191m, increasing total capital expenditure to £10.349m. This was funded from Reserve/Revenue Contributions.

Main Capital Variances to Budget

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

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

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

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

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

Treasury Management

- Cash Flow Management - During 2019/20 the Group continued to be a net lender of funds.
- Investment of Surplus Funds - The bank rate from 2 August 2018 until 10 March was 0.75%, it was then reduced twice to a record low of 0.10% in an emergency response to the coronavirus pandemic. Derbyshire achieved a 7-day average rate of 0.602% in 2019/20 (0.571% 2018/19). 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 Treasury Management policy.

Pensions

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

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

IAS 19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS 19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown derived through the Statement of Movement on the General Reserve Balance. The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Group has in the long-term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £2,142m in 2019/20 (2018/19 £2,320m). Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

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.

HMICFRS's latest inspection noted that improvements were required in both the Efficiency and Effectiveness strands of their PEEL inspection. Following this the Chief Constable established a Gold Group to understand where the improvements were required at which the PCC's office is well represented. Action plans have been pulled together and regular updates are given on progress against these plans. It is worth noting that in her commentary, HMI Zoe Billingham noted improvements that had been made on Crime recording following a previous inspection. The PCC continues to challenge the Chief Constable to ensure that the Force will be able to report significant progress to HMICFRS's inspection team.
Recorded crime in Derbyshire increased by 31.1% in the 2019/20 year compared to the previous year. This large increase is thought to be predominantly as a result of improved recording practices following the HMICFRS Crime Data Integrity inspection in 2018.

The main increase has been in recorded Violent Crime. The Crime Survey of England & Wales (CSEW) – which measures long term trends in crime – estimates that levels of Violent Crime have shown little change in recent years. This, combined with the lack of a corresponding increase in calls for police service regarding violent offences, supports the premise that Derbyshire's increase in Violent Crime is a result of better recording rather than a large increase in offending. Another significant factor behind the increase in recorded crime is revised recording practices for Antisocial Behaviour (ASB) - some incidents which would have previously been recorded as ASB (which are not crimes) are now being recorded as Public Order offences (which are crimes).

Residential Burglary, Vehicle Crime and Theft have seen a decrease during 2019/20. Derbyshire Police continues to proactively tackle offences against vulnerable persons, including as a result of Organised Crime, such as Child Criminal and Sexual Exploitation, Modern Slavery, County Lines, Hate Crime and Domestic Abuse.

Outlook for 2020/21 Key Risks and Opportunities

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

Following a decade of austerity, Derbyshire's officer and staff numbers were reduced by almost 800

The budget settlement for 2020/21 was delayed due to a combination of factors including Brexit's impact on parliamentary time and the general election during December 2019. Final details of the police settlement from government were only received a day or so before the Police & Crime Commissioner had to present his proposed budget and precept to the Police & Crime Panel.

As part of the settlement for 2020/21, Government announced that 20,000 police officers would be recruited nationally by 2023. Derbyshire's share of that policing uplift is 283 officers, 50 of which we were able to recruit during quarter 4 of 2019/20 due to the availability of funding from government. A further 35 additional officers are due to be recruited during 2020/21. With the remainder recruited in 2021/22 and 2022/23.

In addition to the police funding settlement, PCC's were allowed to increase the police precept (council tax) by up to £10 per year. That increase was essential to avoid a situation where Derbyshire would see police officer numbers increasing (due to the funding being ring-fenced by government) whilst we were unable to continue to fund the rest of the service in full.

In recent years Derbyshire has had to utilise significant amounts of its reserves to bridge the gap between its budget requirement and the available funding. 2020/21's settlement meant an end to that trend and we have been able to set a budget which is fully funded. It should be noted, however, that this position is only temporary as shown by our medium-term financial forecasts which models a number of scenarios. The worst-case of which predicts deficit of £1m rising to nearly £8m by 2023/24. Whilst a significant amount of uncertainty is inherent in future budget forecasts (not least of which is government policy), the PCC, Chief Constable and their respective teams are working on savings plans that can adapt to future settlements.

Further information concerning the 2020/21 budget can be found on our website: https://www.derbyshire-pcc.gov.uk/Document-Library/Finance-Grants/How-Your-Money-is-Spent/2020/Combined-Budget-Paper.pdf

Alternatively a leaflet was produced for tax-payers which is also available on our website: https://www.derbyshire-pcc.gov.uk/Document-Library/Taking-Part/Budget-Consultation-2020-21/20-0035-BTL-DPCC-CT-Leaflet-LR.pdf

Covid-19

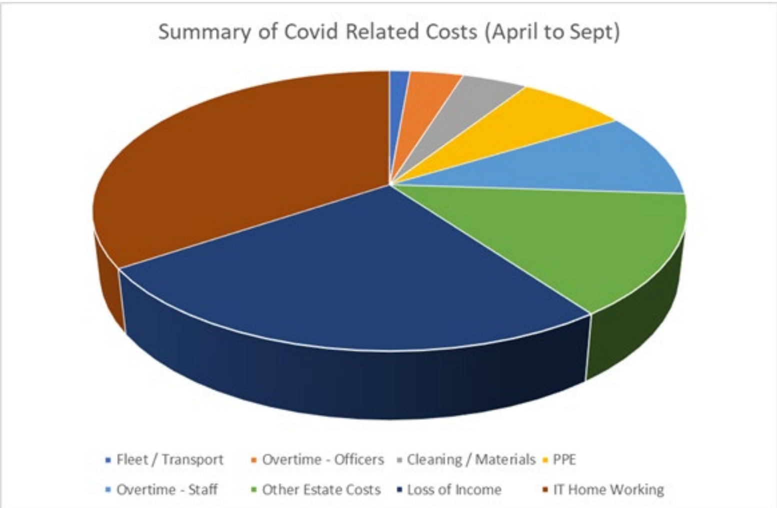
The Covid-19 pandemic has impacted on life as we know it. People from every walk of life have felt the effects of a global struggle to save lives and fight an invisible danger. Policing is one of those front-line services who have no choice but to continue to carry out their role and put themselves in harm's way. Derbyshire Constabulary quickly established their command structure and have worked hard to manage staff/officer abstractions (whether by illness or because vulnerable people have had to shield) and respond to the ever-changing demands placed on them by the lockdown regulations, the challenges of policing emergency legislation and the recovery phase as restrictions begin to be lifted.

The PCC is represented on the Force's Covid-19 Gold command group by his Executive team who have played an active part in supporting the exceptional work carried out under the leadership of the Assistant Chief Constable. The difficulties of maintaining an effective policing service, acquisition of PPE to protect officers/staff and policing by consent during the lockdown should not be underestimated. The Force have been consistently 'in the green' in terms of their resilience and have not hesitated to do what they can to protect communities.

The PCC and Chief Constable are acutely aware that Covid-19 has potentially serious financial consequences for policing as it does the wider public sector and, in fact, the whole UK economy. The PCC and Ministry of Justice have both provided additional funding to support critical services to victims to ensure that they can be maintained despite the challenges that lockdown and social distancing present.

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

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



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

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

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

The Real Financial Impact from Covid Related Costs

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

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

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

Brexit

The United Kingdom exited the European Union on 31 January 2020. Transitional arrangements remain in place but the event has led to continued short term increased political and economic uncertainty, further impacted by the Covid-19 crisis which has been the main focus of government. The eventual position on Brexit (including whether the UK exits the EU with or without a trade deal) post 31 December 2020 does have the potential to impact the PCC's and Group's finances going forward and the estimates and assumptions which impact on the accounts and the MTFS. However, it is too early to predict the impact on the financial statements, as the long term effects are still uncertain, and there is likely to be significant ongoing uncertainty for some time. The PCC and Chief Constable will continue to review the financial and operational impact in the coming months.

Prior to the recent Covid-19 crisis, the Force had put in place comprehensive planning processes through its Gold command structure chaired by the Assistant Chief Constable. The PCC is represented on that Gold group by his Chief Finance Officer. The result of that planning was to position Derbyshire well to deal with a potential no-deal exit of the EU and there are significant contingencies identified to help protect policing from the uncertain demands that Brexit could bring. The PCC has a high degree of reassurance around that planning process and will continue to monitor it as the UK's exit date draws closer.

Collaboration

(i) East Midlands Police

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

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

Collaboration is based on three key principles:

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

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

- Productivity will be improved through working together and sharing best practice, increased interoperability and shared delivery of services. Also through making better use of resources.
- Public safety will be improved through the shared delivery of protective services where appropriate, reducing threat, risk and harm.

- Public confidence in the police will be improved through successful delivery and communication of the productivity and public safety improvements, together with local policing delivery by local police forces.

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

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

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

1. The Derbyshire Constabulary and the Commissioner will ensure we maximise local savings to address our immediate and future financial pressures. We are already very efficient and will focus greater efficiency on delivering savings at a local level prior to entering into collaborative ventures.

2. Any future collaboration will be tested against the priorities of the Constabulary and the objectives and manifesto pledges set by the Commissioner within his Police and Crime Plan. Any current and future collaborative models will be commensurate with risk and not expose Derbyshire to any greater risk or cost than a local solution.

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

(II) Joint Venture – Derbyshire Fire and Rescue Service

Following the successful launch of the Joint HQ building for fire and police and the Joint Training Centre/Firearms range, other areas of collaboration are being developed.

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

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

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

Andrew Dale
Chief Finance Officer
26th February 2021

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: 26th February 2021

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

Signed
Andrew Dale FCCA
Chief Finance Officer
Date: 26th February 2021

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 2020 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 31;
- Statement of Accounting Policies; 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 2019/20.

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 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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 Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the narrative report and annual governance statement, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, the 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 2020.

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 12, 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 2019/20, 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 April 2020, 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 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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 Police and Crime Commissioner'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.

Helen Henshaw
Ernst & Young LLP.

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

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POLICE AND CRIME COMMISSIONER AND GROUP
STATEMENT OF ACCOUNTING POLICIES

Accounting Policies

General Principles

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

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

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

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

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

As at the end of October 2020, the net cost of COVID-19 stood at £2.2m which includes £0.25m falling in 2019/20 which was offset by in-year underspends. Until an effective vaccine is in place, additional costs are expected to be incurred, albeit at much lower levels than those incurred at beginning of the pandemic. There are no significant unexpected contract costs being incurred by the Constabulary or as a result of supplier failure. All additional PPE requirements are now funded through Central Government.
To date, the Government has reimbursed the cost of medical grade PPE (£221k) and announced the Income Loss Recovery Scheme to cover up to 75% of lost income from fees and charges. Government Surge funding of £424k is now expected to cover any additional policing costs relating to enforcing the Covid-19 restrictions.

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

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

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

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

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 2020. The term 'Group' is used to indicate individual transactions and policies of the Commissioner and Chief Constable for the year ended 31 March 2020. The identification of the Commissioner as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the Commissioner under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below: -

Accruals of Income and Expenditure

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

through the Movement in Reserves Statement to the Short Term Accumulating Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs but have no impact on the level of council tax.

Termination Benefits

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

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

Post-employment Benefits (Pensions)

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

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

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

a) Police Officers

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

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

The Group is required by legislation to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. Officer's contributions and the employer's contribution are paid into the pension's account from which pension payments are then made. The account is topped up as necessary by a grant from the Home Office if the contributions are insufficient to meet the cost of pension's payments. Any surplus is recouped by the Home Office. Injury awards and the capital costs associated with ill health retirements are paid from the Group's Comprehensive Income and Expenditure Statement.

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

b) Police Staff and PCSO's

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

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

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

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

Events after the Balance Sheet Date

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

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

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

Financial Instruments - Liabilities and Assets

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

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

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

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

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

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

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

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

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

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

<u>Recognition and Measurement</u>
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 2019/20 the new standards that need to be reported relates to amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures, Annual Improvements to IFRS Standards 2015-2017 Cycle and amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. Note 29 in the accounts discloses information relating to the impact of the accounting changes.

Changes in Accounting Estimates

Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no significant judgements in the 2019/20 Statement of Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	**Effect if Actual Results differ from Assumptions**
Property, Plant and Equipment	
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 £0.031m for every year that useful lives had to be reduced.
Provisions	
The Group has made a provision of £1.613m for the settlement of claims for insurance and backdated overtime. This has been based on the claims handlers' assessment of claims outstanding and an estimate of future claims for 2019/20. 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 £0.161m to the provision needed. However, this amount will be covered from the Insurance Reserve if necessary.
Pensions Liability	
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 £199m. If pension increases were to be 0.5% higher per year this would increase the liability by 8.0% (£159m). However, the assumptions interact in complex ways. For example, during 2019/20 the Police Pension Scheme liability decreased by £42.8m as a result of experience changes, decreased by £67.4m as a result of the updating of actuarial assumptions for financial reasons and decreased by £65.8m as a result of the updating of actuarial assumptions for demographic reasons. Experience changes are those that arise from specific occurrences relating to scheme membership during the year. Recent reviews of public sector pensions have led to changes in benefits payable, employee contribution 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 £0.014m of the figure of £1.846m.	If the amount of flexi leave for police staff increased by 10% this would increase the balance by £0.001m. This figure is included in the Comprehensive Income and Expenditure Account as a cost to the police service but is neutralised by transfers to the Accumulated Absences Account.
Arrears – Bad debt provision	
At 31 March 2020, the Group had a balance of sundry debtors for £5.209m. A review of these debtors suggested that an impairment of doubtful debts of £0.006m 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 £0.006m 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.

2018/19				2019/20		
Net Expenditure Chargeable to General and Earmarked Reseves £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 Reseves £000	Adjustment between the Funding and Accounting Basis (1) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000
171,559	22,710	194,269	Policing Services	180,504	41,109	221,613
971	316	1,287	Corporate and Democratic Core (Includes PCC plus Chief Constable)	1,159	299	1,458
1,619	0	1,619	Commissioning Activities by the Police and Crime Commissioner	1,814	0	1,814
0	89,959	89,959	Non Distributed Costs	0	(10,938)	(10,938)
174,149	**112,985**	**287,134**	**Net Cost of Services before revaluations/funding**	**183,477**	**30,470**	**213,947**
0	561	561	Revaluation losses not charged to Chief Constable	0	1,638	1,638
174,149	**113,546**	**287,695**	**Net Cost of Services**	**183,477**	**32,108**	**215,585**
(167,717)	19,682	(148,035)	Other Income and Expenditure	(179,931)	28,551	(151,380)
6,432	**133,228**	**139,660**	**Surplus or Deficit**	**3,546**	**60,659**	**64,205**
0	84,586	84,586	**Other Comprehensive Income and Expenditure**	0	(234,706)	(234,706)
6,432	**217,814**	**224,246**	**Total Comprehensive Income and Expenditure**	**3,546**	**(174,047)**	**(170,501)**
		(24,836)	**Opening General Reserve and Earmarked Reserve Balance**			**(18,404)**
		6,432	Deficit on General Reserve/Earmarked Reserves in Year			3,546
		(18,404)	**Closing General Reserve and Earmarked Reserve Balance (3)**			**(14,858)**

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

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

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

EXPENDITURE AND FUNDING ANALYSIS FOR THE COMMISSIONER

This is a note to the Primary Statements

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

2018/19				2019/20		
Net Expenditure Chargeable to General and Earmarked Reseves £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 Reseves £000**	**Adjustment between the Funding and Accounting Basis (1) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement (2) £000**
171,560	(171,560)	0	Policing Services	180,504	(180,504)	0
971	(17)	954	Corporate and Democratic Core (PCC)	1,159	(18)	1,141
1,619	0	1,619	Commissioning Activities by the Police and Crime Commissioner	1,814	0	1,814
0	0	0	Non Distributed Costs	0	0	0
174,150	**(171,577)**	**2,573**	**Net Cost of Services before revaluations/funding**	**183,477**	**(180,522)**	**2,955**
0	561	561	Revaluation Losses not charged to Chief Constable	0	1,638	1,638
0	170,773	170,773	Intra-group Funding	0	181,456	181,456
174,150	**(243)**	**173,907**	**Cost of Policing Services**	**183,477**	**2,572**	**186,049**
(167,717)	(1,911)	(169,628)	Other Income and Expenditure	(179,931)	871	(179,060)
6,433	**(2,154)**	**4,279**	**Surplus or Deficit**	**3,546**	**3,443**	**6,989**
0	(510)	(510)	**Other Comprehensive Income and Expenditure**	0	(1,157)	(1,157)
6,433	**(2,664)**	**3,769**	**Total Comprehensive Income and Expenditure**	**3,546**	**2,286**	**5,832**
		(24,788)	**Opening General Reserve and Earmarked Reserve Balance**			**(18,355)**
		6,433	Deficit on General Reserve/Earmarked Reserves in Year			3,546
		(18,355)	**Closing General Reserve and Earmarked Reserve Balance (3)**			**(14,809)**

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

(2) Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page 32.

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC GROUP

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

For the year ended 31 March 2019					For the year ended 31 March 2020		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Note**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
222,657	(28,388)	194,269	Policing Services		258,386	(36,773)	221,613
1,290	(3)	1,287	Corporate and Democratic Core (Includes PCC plus Chief Constable)		1,461	(3)	1,458
3,114	(1,495)	1,619	Commissioning Activities by the Police and Crime Commissioner		4,031	(2,217)	1,814
89,959	0	89,959	Non Distributed Costs	**9b,10a**	(10,938)	0	(10,938)
317,020	**(29,886)**	**287,134**	**Cost of Policing Services before revaluations/funding**		**252,940**	**(38,993)**	**213,947**
561	**0**	561	Revaluation losses not charged to Chief Constable		1,638	**0**	1,638
317,581	**(29,886)**	**287,695**	**Cost of Policing Services**	**2**	**254,578**	**(38,993)**	**215,585**
			Other Operating Expenditure				
0	(58)	(58)	(Gains) or Losses on the Disposal of Non-Current Assets		0	(75)	(75)
949	0	949	Levies to national police services		1,130	0	1,130
			Financing and Investment Income and Expenditure				
234	0	234	Interest Payable on Debt	**19**	217	0	217
833	0	833	Interest Element of Finance Leases (PFI)	**19**	750	0	750
53,594	0	53,594	Pensions Interest Cost and Expected Return on Pensions Assets	**9b**	56,993	0	56,993
0	(160)	(160)	Investment Interest Income	**19**	0	(143)	(143)
0	(300)	(300)	**Profit or Loss on Joint Ventures Distributed**	**13**	0	(509)	(509)
0	(1)	(1)	**Profit or Loss on Joint Ventures LLP available to distribute**		0	0	0
			Taxation and Non-Specific Grant Income				
0	(3,013)	(3,013)	Recognised Capital Grants and Contributions		0	(2,078)	(2,078)
0	(61,254)	(61,254)	General Government Grants		0	(62,586)	(62,586)
0	(38,537)	(38,537)	Revenue Support Grant		0	(39,272)	(39,272)
0	(7,346)	(7,346)	Localising Council Tax Support Grant		0	(7,346)	(7,346)
0	(60,538)	(60,538)	Council Tax Income		0	(68,903)	(68,903)
0	(32,438)	(32,438)	Home Office Grant Payable towards the Cost of Retirement Benefits	**9a**	0	(29,558)	(29,558)
373,191	**(233,531)**	**139,660**	**(Surplus) or Deficit on the Provision of Services**	**2**	**313,668**	**(249,463)**	**64,205**
		18	(Surplus) or Deficit on Revaluation of Non-Current Assets LLP				0
		(510)	(Surplus) or Deficit on Revaluation of Non-Current Assets				(1,157)
		85,078	Actuarial (Gains) or Losses on Pension Assets and Liabilities	**9b**			(233,549)
		84,586	**Other Comprehensive Income and Expenditure**				**(234,706)**
		224,246	**Total Comprehensive Income and Expenditure**				**(170,501)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE COMMISSIONER

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

Commissioner For the year ended 31 March 2019				Commissioner For the year ended 31 March 2020		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
957	(3)	954	Corporate and Democratic Core (PCC)	1,144	(3)	1,141
3,114	(1,495)	1,619	Commissioning Activities by the PCC	4,031	(2,217)	1,814
0	0	0	Non Distributed Cost	0	0	0
4,071	**(1,498)**	**2,573**	**Cost of Policing Services before revaluations/funding**	**5,175**	**(2,220)**	**2,955**
561	0	561	Revaluation losses not charged to Chief Constable	1,638	0	1,638
199,161	(28,388)	170,773	Intra-group Funding	218,229	(36,773)	181,456
203,793	**(29,886)**	**173,907**	**Cost of Policing Services**	**225,042**	**(38,993)**	**186,049**
			Other Operating Expenditure			
0	(496)	(496)	(Gains) or Losses on the Disposal of Non-Current Assets	0	(320)	(320)
949	0	949	Intra-group funding Levies to national police services	1,130	0	1,130
			Financing and Investment Income and Expenditure			
234	0	234	Interest Payable on Debt	217	0	217
833	0	833	Interest Element of Finance Leases (PFI)	750	0	750
0	0	0	Net Interest cost on Pensions	0	0	0
0	(160)	(160)	Investment Interest Income	0	(143)	(143)
0	(300)	(300)	**Profit or Loss on Joint Ventures**	0	(509)	(509)
			Taxation and Non-Specific Grant Income			
0	(3,013)	(3,013)	Recognised Capital Grants and Contributions	0	(2,078)	(2,078)
0	(61,254)	(61,254)	General Government Grants	0	(62,586)	(62,586)
0	(38,537)	(38,537)	Revenue Support Grant	0	(39,272)	(39,272)
0	(7,346)	(7,346)	Localising Council Tax Support Grant	0	(7,346)	(7,346)
0	(60,538)	(60,538)	Council Tax Income	0	(68,903)	(68,903)
0	0	0	Home Office Grant Payable towards the Cost of Retirement Benefits	0	0	0
205,809	**(201,530)**	**4,279**	**(Surplus) or Deficit on the Provision of Services**	**227,139**	**(220,150)**	**6,989**
		(510)	(Surplus) or Deficit on Revaluation of Non-Current Assets			(1,157)
		0	Actuarial (Gains) or Losses on Pension Assets and Liabilities			0
		(510)	**Other Comprehensive Income and Expenditure**			**(1,157)**
		3,769	**Total Comprehensive Income and Expenditure**			**5,832**

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-19 £000		Note	31-Mar-20 £000
48,713	Property, Plant and Equipment	**11**	50,581
0	Investment Property		0
6,127	Intangible Assets	**12**	5,337
0	Assets Held for Sale (>1 yr)		0
0	Long-Term Investments		0
16,115	Investments in Associates and Joint Ventures	**13**	16,115
0	Long-Term Debtors		0
70,955	**Long-Term Assets**		**72,033**
6,015	Short-Term Investments	**18**	7,002
30,855	Short-Term Debtors	**15**	34,090
3,708	Cash and Cash Equivalents	**16**	6,652
40,578	**Current Assets**		**47,744**
(601)	Short-Term Borrowing	**18**	(925)
(724)	Other Short-Term Liabilities	**22**	(871)
(25,878)	Short-Term Creditors	**17**	(32,835)
(606)	Short-Term Provisions	**23**	(796)
(27,809)	**Current Liabilities**		**(35,427)**
0	Long-Term Creditors		0
(1,111)	Long-Term Provisions	**23**	(817)
(3,829)	Long-Term Borrowing	**18**	(12,923)
(2,328,386)	Other Long-Term Liabilities	**10/22**	(2,149,711)
0	Donated Assets Account		0
0	Capital Grants Receipts in Advance		0
(2,333,326)	**Long-Term Liabilities**		**(2,163,451)**
(2,249,602)	**Net Assets/(Liabilities)**		**(2,079,101)**
23,597	Usable Reserves	**25**	18,914
(2,273,199)	Unusable Reserves	**26**	(2,098,015)
(2,249,602)	**Total Reserves**		**(2,079,101)**

Certification

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

26th February 2021

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-19 £000		Note	31-Mar-20 £000
34,205	Property	**11c**	36,265
123	Intangible Assets	**12**	73
16,815	Investments in Associates and Joint Ventures	**13**	16,815
51,143	**Long-Term Assets**		**53,153**
6,015	Short-Term Investments	**18**	7,002
(6,236)	Short Term Debtors - Intra group funding		(5,347)
30,855	Short-Term Debtors	**15**	34,090
3,708	Cash and Cash Equivalents	**16**	6,652
34,342	**Current Assets**		**42,397**
(601)	Short-Term Borrowing	**18**	(925)
6,236	Short Term Creditors - Intra group funding		5,347
(724)	Other Short-Term Liabilities	**22**	(871)
(24,571)	Short-Term Creditors	**17**	(30,989)
(606)	Short-Term Provisions	**23**	(796)
(20,266)	**Current Liabilities**		**(28,234)**
(1,111)	Long-Term Provisions	**23**	(817)
(3,829)	Long-Term Borrowing	**18**	(12,923)
(8,489)	Other Long-Term Liabilities	**22**	(7,618)
(13,429)	**Long-Term Liabilities**		**(21,358)**
51,790	**Net Assets/(Liabilities)**		**45,958**
23,548	Usable Reserves	**25**	18,865
28,242	Unusable Reserves	**26**	27,093
51,790	**Total Reserves**		**45,958**

Certification

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

26th February 2021

MOVEMENT IN RESERVES STATEMENT FOR THE PCC GROUP 2019/20

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

		General Reserve and Earmarked Reserves	**Usable Capital Receipts Reserve**	**Capital Grant Unapplied Account**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
	Note	**25**	**25**	**25**	**25**	**26**	
Balance as at 1 April 2019		**18,404**	**0**	**5,193**	**23,597**	**(2,273,199)**	**(2,249,602)**
Total Comprehensive Income and Expenditure		170,501	0	0	170,501	0	170,501
Adjustments between accounting basis and funding basis under regulations							
- Depreciation and Impairment of non-current assets		7,534			7,534	(7,534)	0
- Revaluation of non-current assets		1,638			1,638	(1,638)	0
- Capital grants and contributions credited to the CIES		(2,078)		2,078	0	0	0
- Revenue Expenditure funded from capital under statute		876			876	(876)	0
- Net gain or loss on sale of non-current assets		127			127	(127)	0
- Amount by which pension costs calculated in accordance with the code		(177,804)			(177,804)	177,804	0
(IAS19) are different from the contributions due under the pension scheme							0
- Amount by which council tax income included in the CIES is different		(32)			(32)	32	0
from the amount taken to the General Reserve in accordance with regulation							0
- Statutory provision for repayment of debt		(1,039)			(1,039)	1,039	0
- Capital expenditure charged to the General Reserve Balance		(2,651)			(2,651)	2,651	0
- Any voluntary provision for repayment of debt		0			0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account		0		(3,215)	(3,215)	3,215	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve		(1,157)			(1,157)	1,157	0
- Charges for employee benefits		539			539	(539)	0
Total Adjustments between accounting basis and funding basis		**(174,047)**	**0**	**(1,137)**	**(175,184)**	**175,184**	**0**
Increase or (Decrease) in Year		**(3,546)**	**0**	**(1,137)**	**(4,683)**	**175,184**	**170,501**
Balance as at 31 March 2020 carried forward		**14,858**	**0**	**4,056**	**18,914**	**(2,098,015)**	**(2,079,101)**

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.

	Note	General Reserve and Earmarked Reserves £000	Usable Capital Receipts Reserve £000	Capital Grant Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
	Note	25	25	25	25	26	
Balance as at 1 April 2018		**24,836**	**0**	**4,838**	**29,674**	**(2,055,030)**	**(2,025,356)**
Total Comprehensive Income and Expenditure		(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		221,312			221,312	(221,312)	0
(IAS19) are different from the contributions due under the pension scheme							0
- Amount by which council tax income included in the CIES is different		42			42	(42)	0
from the amount taken to the General Reserve in accordance with regulation							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
Total Adjustments between accounting basis and funding basis		**217,814**	**0**	**355**	**218,169**	**(218,169)**	**0**
Increase or (Decrease) in Year		**(6,432)**	**0**	**355**	**(6,077)**	**(218,169)**	**(224,246)**
Balance as at 31 March 2019 carried forward		**18,404**	**0**	**5,193**	**23,597**	**(2,273,199)**	**(2,249,602)**

MOVEMENT IN RESERVES STATEMENT 2019/20 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.

		General Reserve and Earmarked Reserves	Usable Capital Receipts Reserve	Capital Grant Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Commissioner Reserves
		£000	£000	£000	£000	£000	£000
	Note	25	25	25	25	26	
Balance as at 1 April 2019		**18,355**	**0**	**5,193**	**23,548**	**28,242**	**51,790**
Total Comprehensive Income and Expenditure		(5,832)	0	0	(5,832)	0	(5,832)
Adjustments between accounting basis and funding basis under regulations							
- Depreciation and Impairment of non-current assets		1,500			1,500	(1,500)	0
- Revaluation of non-current assets		1,638			1,638	(1,638)	0
- Capital grants and contributions credited to the CIES		(2,078)		2,078	0	0	0
- Revenue Expenditure funded from capital under statute		876			876	(876)	0
- Net gain or loss on sale of non-current assets		(118)			(118)	118	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		(32)			(32)	32	0
- Statutory provision for repayment of debt		(1,039)			(1,039)	1,039	0
- Capital expenditure funded by PCC Intra-group funding		5,347			5,347	(5,347)	0
- Capital expenditure charged to the General Reserve Balance		(2,651)			(2,651)	2,651	0
- Any voluntary provision for repayment of debt		0			0	0	0
- Application of grants to capital financing transferred to Capital Adjustment Account		0		(3,215)	(3,215)	3,215	0
- Revaluation of non-current assets where residual gain exists on the Revaluation Reserve		(1,157)			(1,157)	1,157	0
- Charges for employee benefits		0			0	0	0
Total Adjustments between accounting basis and funding basis		**2,286**	**0**	**(1,137)**	**1,149**	**(1,149)**	**0**
Increase or (Decrease) in Year		**(3,546)**	**0**	**(1,137)**	**(4,683)**	**(1,149)**	**(5,832)**
Balance as at 31 March 2020 carried forward		**14,809**	**0**	**4,056**	**18,865**	**27,093**	**45,958**

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.

		General Reserve and Earmarked Reserves	Usable Capital Receipts Reserve	Capital Grant Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Commissioner Reserves
		£000	£000	£000	£000	£000	£000
	Note	25	25	25	25	26	
Balance as at 1 April 2018		**24,788**	**0**	**4,838**	**29,626**	**25,933**	**55,559**
Total Comprehensive Income and Expenditure		(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
Total Adjustments between accounting basis and funding basis		**(2,664)**	**0**	**355**	**(2,309)**	**2,309**	**0**
Increase or (Decrease) in Year		**(6,433)**	**0**	**355**	**(6,078)**	**2,309**	**(3,769)**
Balance as at 31 March 2019 carried forward		**18,355**	**0**	**5,193**	**23,548**	**28,242**	**51,790**

CASHFLOW FOR THE PCC GROUP

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

31-Mar-19 £'000		Note	31-Mar-20 £'000
139,660	Net (Surplus) or Deficit on the Provision of Services		**64,205**
	Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements		
(5,094)	Depreciation of Non-Current Assets		(5,733)
(561)	Impairment and Downward Valuations of Non-Current Assets		(1,638)
(1,313)	Amortisation of Intangible Assets		(1,801)
(8,611)	(Increase)/Decrease in Creditors		(5,878)
12,765	Increase/(Decrease) in Debtors		4,891
(136,234)	Pension Liability		(55,745)
(134)	Carrying Amount of Non-Current Assets Sold		(127)
(861)	Contributions to Provisions		104
1	Adjustments for LLP Profit Share		0
(140,042)			**(65,927)**
	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing activities		
3,013	Proceeds from the Sale of Property, Plant and Equipment, Investment Property. Capital Grants.		2,078
3,013			2,078
2,631	**Net Cash Flows from Operating Activities**		**356**
	Investing Activities		
8,713	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		8,393
(9,993)	Purchase of Short-Term and Long-Term Investments		987
759	Other Payments for Investing Activities		0
(633)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(255)
(2,682)	Capital Grants and contributions		(3,731)
(3,836)	***Net Cash Flows from Investing Activities***		**5,394**
	Financing Activities		
0	Cash Receipts of Short and Long-Term Borrowing		(10,000)
1,041	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		724
551	Repayments of Short and Long-Term Borrowing		582
1,592	***Net Cash Flows from Financing Activities***		**(8,694)**
387	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(2,944)**
4,095	Cash and Cash Equivalents at the Beginning of the Reporting Period	**16**	3,708
3,708	Cash and Cash Equivalents at the End of the Reporting Period	**16**	**6,652**

The Cashflow Statement has been presented using the Indirect Method.

CASHFLOW FOR THE COMMISSIONER

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

31-Mar-19 £'000		Note	31-Mar-20 £'000
4,279	Net (Surplus) or Deficit on the Provision of Services		**6,989**
	Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements		
(1,188)	Depreciation of Non-Current Assets		(1,450)
(561)	Impairment and Downward Valuations of Non-Current Assets		(1,638)
(49)	Amortisation of Intangible Assets		(50)
(6,236)	Capital expenditure funded by PCC Intra-group funding		(5,347)
(8,835)	(Increase)/Decrease in Creditors		(5,339)
12,765	Increase/(Decrease) in Debtors		4,891
304	Carrying Amount of Non-Current Assets Sold		118
(861)	Contributions to Provisions		104
(4,661)			**(8,711)**
	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing activities		
3,013	Proceeds from the Sale of Property, Plant and Equipment, Investment Property. Capital Grants.		2,078
3,013			2,078
2,631	**Net Cash Flows from Operating Activities**		**356**
	Investing Activities		
8,713	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		8,393
(9,993)	Purchase of Short-Term and Long-Term Investments		987
759	Other Payments for Investing Activities		0
(633)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(255)
(2,682)	Capital Grants and contributions		(3,731)
(3,836)	***Net Cash Flows from Investing Activities***		**5,394**
	Financing Activities		
0	Cash Receipts of Short and Long-Term Borrowing		(10,000)
1,041	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		724
551	Repayments of Short and Long-Term Borrowing		582
1,592	***Net Cash Flows from Financing Activities***		**(8,694)**
387	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(2,944)**
4,095	Cash and Cash Equivalents at the Beginning of the Reporting Period	**16**	3,708
3,708	Cash and Cash Equivalents at the End of the Reporting Period	**16**	**6,652**

The Cashflow Statement has been presented using the Indirect Method.

Notes to the Financial Statements for the Commissioner and PCC Group

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

Note 1 Expenditure and Funding Analysis

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

	2018/19 £'000	2019/20 £'000
Revenue Budget (surplus)/deficit reported to Committee	604	(327)
Budgeted/Other Contributions to/from Reserves	5,829	3,873
Net (Surplus)/Deficit on General Reserve Balance for PCC	**6,433**	**3,546**
Share of Movement in LLP Reserves	(1)	-
Net (Surplus)/Deficit on General Reserve Balance for PCC Group	**6,432**	**3,546**

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 2018/19	**Adjustments for Capital Purposes 2018/19 £'000**	**Net Change for the Pensions Adjustments 2018/19 £'000**	**Other Differences 2018/19 £'000**	**Total Adjustments 2018/19 £'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
Net Cost of Services before revaluations/funding	**(314)**	**115,078**	**(1,779)**	**112,985**
Revaluation losses	561	-	-	561
Net Cost of Services	**247**	**115,078**	**(1,779)**	**113,546**
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)
Net (Surplus)/Deficit on General Reserve Balance	**(2,824)**	**136,234**	**(182)**	**133,228**

Adjustments to General Reserve to add Expenditure or Income not Chargeable to Taxation and Remove items which are only chargeable under Statute 2019/20	**Adjustments for Capital Purposes 2019/20 £'000**	**Net Change for the Pensions Adjustments 2019/20 £'000**	**Other Differences 2019/20 £'000**	**Total Adjustments 2019/20 £'000**
Policing Services – Chief Constable	4,922	39,247	(3,060)	41,109
Office of the Police and Crime Commissioner	-	-	299	299
Commissioning Activities by the PCC	-	-	-	-
Non Distributed Costs	-	(10.938)	-	(10,938)
Net Cost of Services before revaluations/funding	**4,922**	**28,309**	**(2,761)**	**30,470**
Revaluation losses	1,638	-	-	1,638
Net Cost of Services	**6,560**	**28,309**	**(2,761)**	**32,108**
Other operating expenditure	(75)	-	1,130	1,055
Financing and Investment income & expenditure	-	56,993	824	57,817
Profit & Loss on Joint Ventures	-	-	(509)	(509)
Taxation & Non-specific grant income & expenditure	(2,078)	(29,558)	1,824	(29,812)
Net (Surplus)/Deficit on General Reserve Balance	**4,407**	**55,744**	**508**	**60,659**

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. It also includes the movement of the pension support grant to specific grants.

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.

	2018/19 £'000	**2019/20 £'000**
Adjustments above	133,228	60,659
Pensions Adjustment	(136,234)	(55,744)
Compensated Absences Adjustment	224	(539)
Depreciation and Gains/Losses	(5,608)	(6,280)
Capital Expenditure funded by PCC intra-group funding	6,236	5,347
Commissioners adjustments on Net (Surplus)/Deficit	**(2,154)**	**3,443**

Note 2 Expenditure and Income Analysed by Nature

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

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

Group 2018/19		Group 2019/20
£'000	**Expenditure**	**£'000**
78,941	Police Pay & Allowances	82,421
58,069	Police Staff Pay & Allowances	65,933
1,425	Other Employee Expenses	2,118
34,470	Police Pensions (Current Cost) -see note 9	49,820
8,182	Premises	8,960
4,193	Transport	4,211
24,906	Supplies & Services	29,880
6,314	Agency & Contracted Services	6,946
957	Office of PCC	1,144
3,114	Commissioning Activities by PCC	4,031
6,407	Depreciation & Debt Financing	7,537
561	Impairments/Revaluations	1,638
83	Revenue Expenditure Funded from Capital under Statute	876
89,959	Non Distributed Costs	(10,938)
317,581	**Gross Operating Expenditure**	**254,577**
(4,610)	Income from fees/charges	(5,213)
(25,276)	Income from specific grants and contributions (incl PCC)	(33,779)
287,695	**Cost of Policing Services**	**215,585**
891	Other Operating Expenditure	1,055
54,501	Financing and investment income and expenditure	57,817
(301)	Profit and Loss on Joint Venture	(509)
(170,688)	Taxation & non-specific grant income	(180,185)
(32,438)	Home office grant payable towards the cost of retirement benefits	(29,558)
139,660	**(Surplus) or deficit on provision of services**	**64,205**

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

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

Note 3 Leases

Commissioner as Lessee – Operating Leases

Equipment

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

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

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

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

Land and Buildings
The Commissioner leases a number of buildings, which have been accounted for as an operating lease. In 2019/20, £891,885 was paid for the lease of land and buildings (£844,992 in 2018/19).

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

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

Commissioner as Lessor – Operating Leases
The Commissioner acts as lessor for a number of offices and rent received for these properties in 2019/20 was £5,013 (£5,016 in 2018/19). A further £322,364 was received for mast rental in 2019/20 (£123,903 in 2018/19). The 2019/20 figure includes backdated income from the mast operator.

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 4 Officers Remuneration

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

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.

2019/20							
Post Holder Information	**Note**	**Salary £**	**Allowances £**	**Other payments £**	**Benefits in kind £**	**Employer pension £**	**Total Remuneration 2018/19 £**
Chief Constable (CC)	**1,2,3**	151,317	4,935	15,539	9,755		**181,546**
Deputy CC Derbyshire	**4**	124,830	2,910	94	7,305	38,697	**173,836**
Deputy CC Collaboration	**5**	124,830	3,376	500	5,323	38,697	**172,726**
ACC Crime & Territorial Policing	**6**	115,131		660	6,520	35,690	**158,001**
Temporary ACC Operational Support		104,885	3,667		4,950	27,466	**140,968**
Director Of Finance	**7**	21,656	1,750	45,014		2,794	**71,214**
Director of Finance	**8**	74,165			4,912	9,567	**88,644**
Chief Finance Officer to PCC		79,181				10,214	**89,395**
Chief Executive		80,862				10,431	**91,293**
PCC Commissioner		76,500				9,869	**86,369**
PCC Deputy Commissioner		57,375				7,401	**64,776**

Note 1 - As the total remuneration for 2019/20 has exceeded £150k the regulations require that Mr P Goodman be named.
Note 2 – The Chief Constable opted out of the Police Officers Pension scheme.
Note 3 – The Other Payments figure relates to a special retention payment and payments for a medical scheme.
Note 4 – As the total remuneration for 2019/20 has exceeded £150k the regulations require Ms R Swann be named.
Note 5 - As the total remuneration for 2019/20 has exceeded £150k the regulations require Mr C Haward be named. Mr Haward works for the East Midlands Special Operations Unit (EMSOU) and is funded regionally.
Note 6- As the total remuneration for 2019/20 has exceeded £150k the regulations require that Mr P Gibson be named.
Note 7 – The Director of Finance for Derbyshire Constabulary took voluntary redundancy on the 30/6/19. The other payments figure includes his redundancy package.
Note 8 – A permanent Joint Director of Finance for Police & Fire was appointed on the 1/7/19. The salary costs are shared between Police (2/3 share) and Fire (1/3 share). This recognises that the scope of the Finance Director role within the Police is wider than within Fire.

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

Remuneration Band	Note	No. Of Employees 2018/19	No. Of Employees 2019/20
£50,000 - £54,999		16	18
£55,000 - £59,999		14	11
£60,000 - £64,999		4	6
£65,000 - £69,999		3	5
£70,000 - £74,999		4	1
£75,000 - £79,999		6	3
£80,000 - £84,999		2	5
£85,000 - £89,999		1	3
£90,000 - £94,999		2	1
£95,000 - £99,999		1	-
£100,000 - £104,999		1	2
£115,000 - £119,999		1	1
TOTAL		**55**	**56**

Exit Packages

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

2018/19					2019/20			
Number of compulsory redundancies	**Number of other departures agreed**	**Total Number of Exit Packages Agreed**	**Total cost of exit packages in each band £**	**Exit package cost band (including special payments)**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total Number of Exit Packages Agreed**	**Total cost of exit packages in each band £**
0	3	3	35,403	**£0 - £20,000**	0	3	3	47,763
0	0	0	0	**£20,000-£40,000**	0	0	0	0
0	1	1	53,950	**£50,001-£60,000**	0	0	0	0
0	1	1	168,939	**£160,001-£180,000**	0	0	0	0
				£320,001 - £340,000	0	1	1	321,509
0	**5**	**5**	**258,292**	**TOTAL**	**0**	**4**	**4**	**369,272**

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

Note 5 External Audit Fees

Fees in relation to external audit are as follows: -

	2018/19 £'000	2019/20 £'000
Commissioner		
Scale fees payable	24	24
Extra fees payable for audit previous year	-	1
Total fees Commissioner	24	25
Chief Constable		
Scale fees payable	11	11
Extra fees payable for audit previous year	-	3
Total fees Chief Constable	11	14
Total fees PCC Group	**35**	**39**

Note 6 Grant Income

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

GRANTS, CONTRIBUTIONS AND DONATIONS	2018/19 £'000	2019/20 £'000
DCLG Grants		
Private Finance Initiative – Ilkeston	348	348
Private Finance Initiative – Derby	2,387	2,387
	2,735	**2,735**
Home Office Grants		
East Midlands Counter-Terrorism Intelligence Unit	9,165	9,777
Loan Charges Grant	3	26
Grant towards specific operations	0	40
Football Policing Initiative	45	55
Criminal Record Bureau – Disclosure and Barring Service	737	780
Emergency Services Network Grant	43	42
Police Innovation Grant – PCC	178	556
Police Transformation Fund (EMSOU projects)	446	34
National Cyber Grant	7,590	12,595
Police Pension Support Grant	-	1,856
Police Uplift Grant	-	407
Other Home Office Grant	18	15
	18,225	**26,183**
Other Grants		
Criminal Justice Board & No Witness No Justice	5	5
Safety Camera Project and Road Safety	396	309
Office of Gas and Electricity Markets (OFGEM)	24	4
Ministry of Justice – PCC – for local commissioning of victim support services (including restorative justice services)	1,211	1,212
Apprenticeship Levy Grant	67	177
	1,703	**1,707**
Regional Grants – EMSOU	893	787
Total Grants	**23,556**	**31,412**
Contributions and Donations	1,720	2,367
Total Grants, Contributions and donations	**25,276**	**33,779**

The main increase in grant is for the National Cyber grant. Derbyshire received extra grant of £5m compared to 2018/19 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, £1.0m capital grant was received in 2019/20 (£1.9m in 2018/19). The investment will continue through 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 2019/20 the amount 'gifted' under this scheme was £12,990 compared to £4,550 for 2018/19.

Note 7 Jointly Controlled Operations

East Midlands Jointly Controlled Operations

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

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

2018/19			2019/20	
Jointly Controlled Operations	**Derbyshire Police**	**Comprehensive Income and Expenditure Statement**	**Jointly Controlled Operations**	**Derbyshire Police**
£'000	**£'000**		**£'000**	**£'000**
25,190	5,892	Employees' Expenses	26,299	6,167
578	126	Premises	763	167
896	199	Transport	862	192
3,886	942	Supplies and Services	3,842	977
3,582	808	Agency and Contracted Services	4,022	906
1,270	280	Capital Charges	1,376	303
0	0	Revenue Funded from Capital under Statute	-	-
1,148	250	Revaluation (Losses)/Gains	-	-
36,550	**8,497**	**Gross Operating Expenditure**	**37,164**	**8,712**
(1,467)	(204)	Other Income	(1,801)	(460)
(14)	(3)	Profit/(Loss) on Disposal of Fixed Assets	33	7
35,069	**8,290**	**Net Operating Expenditure Financed by:-**	**35,396**	**8,259**
(29,641)	(7,108)	Contributions from Partners	(31,708)	(7,436)
(4,096)	(893)	External Grants	(3,613)	(787)
(315)	(69)	Capital Grants & Contributions	-	-
1,017	**220**	**(Surplus) / Deficit for the year**	**75**	**36**

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

Jointly Controlled Operation	Activity	Participants	Commenced	Derbys %	Gross Exp £'000	Total Income £'000	(Surplus) / Deficit £'000
EM SOU – SOC (incl. EMSOU TSU)	Specialist Operations	All 5 forces	Jan 2003	21.8	4,067	(4,062)	5
EMSOU Major Crime – Command Team	Co-ordination of Major Crime investigations	All 5 forces	Sept 2011	21.8	169	(169)	-
EMSOU Forensics	Forensic analysis and identification	All 5 forces	April 2014	21.8	2,074	(2,025)	49
EM Legal Services	Specialist Legal advice and services, incl Insurance	All 5 forces	April 2014	21.8	402	(398)	4
EM CHRS – Learning & Development	Co-ordination of regional training provision	Derbys, Leics, Northants, Notts	April 2012	25.11	690	(677)	13
EM CHRS – Occupational Health	Occupational Health Services	All 5 forces	April 2012	21.8	383	(382)	1
HR Service Centre	Transactional HR services	Derbys, Leics	June 2014	50.0	818	(780)	38
Emergency Services Network (ESN)	Communications Network	All 5 forces	July 2017	22.6	107	(181)	(74)
Totals					**8,710**	**(8,674)**	**36**

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

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

Note 8 Related Party Transactions

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

Disclosure of these transactions allows readers to assess the extent to which the Commissioner might have been constrained in 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	
	2018/19	2019/20
Revenue Support Grant	38,537	39,272
Localising Council Tax Support Grant	7,346	7,346
Police Grant	61,254	62,586
Pensions Grant	32,438	29,558
Other Government Grant (see note 6)	23,556	31,412

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:

	2018/19		2019/20	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Local Authority Precepts				
Precepts and surpluses (including accruals)		60,538		68,903
Local Authorities				
Derbyshire County Council	2,347	391	2,509	317
Derby City Council	660	132	710	255

Note 9 Accounting for Pension Costs (a)

As part of the terms and conditions of employment of its officers and other employees, the PCC Group offers post-employment (retirement) benefits. Although these benefits will not actually be payable until employees retire, the PCC Group has a 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 as at 31 March 2016 which set contribution rates for the 3-year period commencing 1 April 2017 and a further valuation as at 31 March 2019 has set new rates for the 3-year period commencing 1 April 2020.

  The 2019/20 total employer contribution of £7.476m consisted of £7.474m in 'regular' contributions and £0.002m in additional one-off contributions towards early retirements. This is in line with pension costs necessary to be provided in accordance with IAS19 "Employee Benefits". The regular contributions consist of 2 elements:
  - a 'future service rate' to meet the estimated cost of benefits that will be earned in future (set at 12.9% of pensionable pay at the 2016 valuation)
  - a 'deficit recovery repayment' lump sum to enable the difference between the value of benefits earned to date and the assets that have been built up to be recovered over a specified period (£1.465m paid in 2019/20)

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

  In addition to contributions to the Pension fund the PCC Group is responsible for compensation payments in the form of "added years" awarded on premature retirement. In 2019/20 these amounted to £0.031m.

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

- **The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means it provides pensions and other retirement benefits for police officers but there are no investment assets built up to meet the pensions liabilities. Three schemes were in operation in 2019/20. The 1987 Police Pension Scheme is based on a maximum pensionable service of 30 years, whilst the 2006 Police Pension Scheme (effective for police officers commencing from April 2006 onwards) is based on a maximum pensionable service of 35 years.

  Both the 1987 and 2006 Schemes provide pensions based on officers' final salaries. From 6 April 2015 a new Police Officer pension scheme came into existence (the Police Pension Scheme 2015) which provides pensions based on career average salaries. All new officers and existing officers not subject to protection arrangements are now members of the 2015 scheme. As with the Local Government Pension Scheme, because the changes to the Police Officer pension scheme from 2015 involved transitional protections for older members close to retirement age they come within the ambit of the McCloud Judgement.

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

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

In addition to the standard contribution, individual payments totalling £0.237m were made into the Pensions Fund Account to reimburse the extra cost of benefits becoming payable early due to ill-health retirement. Injury-related payments amounted to £2.218m and these were paid from the Comprehensive Income and Expenditure Account. The Pensions Fund Account is shown on page 75.

Transactions relating to post-employment benefits (b)

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

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

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

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

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

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

McCloud judgement - Police Pension Challenge

Background

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

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

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

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

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

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

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

Impact on the 2019/20 Accounts

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

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

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

LGPS

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

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

Police Pension Scheme

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

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

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

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

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

GMP equalisation and indexation

Background

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

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

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

Impact on the 2019/20 Accounts

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

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

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

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

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

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

	Funded liabilities: Local Government Pension Scheme £'000	
	2018/19	2019/20
Opening Balance at 1 April	(334,295)	(393,032)
Current Service Cost	(15,975)	(20,067)
Interest on pension liabilities	(9,219)	(9,652)
Contributions from scheme participants	(2,645)	(2,882)
Past Service (Cost) / Gain	(1,959)	1,208
Curtailments	-	-
Remeasurement gains and (losses):		
• Actuarial gains/(losses) arising from changes in demographic assumptions	-	14,690
• Actuarial gains/(losses) arising from changes in financial assumptions	(34,699)	37,194
• Other experience changes	69	22,261
Benefits paid	5,691	6,398
Effects of business combinations & disposals	-	-
Deficit as at 31 March	**(393,032)**	**(343,882)**

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

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:

	2018/19 £'000	2019/20 £'000
Present value of the defined benefit obligation		
Local Government Pension Scheme	(393,032)	(343,882)
Police Pension Schemes	(2,183,892)	(2,048,842)
Fair value of scheme assets		
Local Government Pension Scheme	257,027	250,631
Net liability arising from defined benefit obligation		
Local Government pension scheme	(136,005)	(93,251)
Police Pension Schemes	(2,183,892)	(2,048,842)
Total	**(2,319,897)**	**(2,142,093)**

The liabilities show the underlying long-term commitments that the PCC Group has to pay for post-employment (retirement) benefits. The total liability of £2,142.093m has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet. Some £2,048.842m of this overall deficit relates to the Police Pension Scheme, which is a centrally funded scheme administered and underwritten by HM Government. However, statutory arrangements for funding the deficit mean that the financial position of the 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 rate will increase from 21.3% to 31.0%.
- In addition, the introduction of a new Police Pension Scheme from April 2015 means that benefits accrued from this date are based on a retirement age of 60, which is later than previously, and on average salaries over the whole period of employment.

The total contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2021 are £7.622m. Expected contributions for the Police Pension Scheme in the year to 31 March 2021 are £51.422m.

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

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

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

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

The actual return on scheme assets including expected return on plan assets in the year was a loss of £10.387m (2018/19 a gain of £13.707m).

Local Government Pension Scheme assets comprised: -

	2018/19				2019/20			
	Quoted prices in active markets £'000	**Quoted prices not in active markets £'000**	**Total £'000**	**% of Total Assets**	**Quoted prices in active markets £'000**	**Quoted prices not in active markets £'000**	**Total £'000**	**% of Total Assets**
Cash and cash equivalents		**20,418**	**20,418**	**8%**		**15,976**	**15,976**	**6%**
Equity Securities								
Consumer	15,614	-	15,614	6%	6,834	-	6,834	3%
Manufacturing	16,221	-	16,221	6%	3,909	-	3,909	2%
Energy and Utilities	11,361	-	11,361	4%	1,835	-	1,835	1%
Financial Institutions	12,516	-	12,516	5%	2,759	-	2,759	1%
Health and Care	8,143	-	8,143	3%	3,943	-	3,943	2%
Information Technology	6,140	-	6,140	2%	5,872	-	5,872	2%
Other	27,472	-	27,472	11%	20,778	-	20,778	8%
Equities sub-total	**97,467**	**-**	**97,467**	**37%**	**45,930**	**-**	**45,930**	**19%**
Debt Securities								
Corporate Bonds	-	27,108	27,108	11%	-	31,717	31,717	13%
UK Government Bonds	23,946	-	23,946	9%	24,901	-	24,901	10%
Other Bonds	5,004	-	5,004	2%	6,271	-	6,271	2%
Debt Securities sub-total	**28,950**	**27,108**	**56,058**	**22%**	**31,172**	**31,717**	**62,889**	**25%**
Property								
UK Property	**-**	**20,503**	**20,503**	**8%**	**-**	**22,027**	**22,027**	**9%**
Private Equity	**3,584**	**3,433**	**7,017**	**3%**	**2,967**	**5,392**	**8,359**	**3%**
Other Investment Funds								
Equities	45,273	-	45,273	18%	76,878	-	76,878	31%
Bonds	-	-	-	-	-	-	-	-
Infrastructure	4,052	6,239	10,291	4%	4,192	14,380	18,572	7%
Other Investment Funds sub-total	**49,325**	**6,239**	**55,564**	**22%**	**81,070**	**14,380**	**95,450**	**38%**
Total Assets	**179,326**	**77,701**	**257,027**	**100%**	**161,139**	**89,492**	**250,631**	**100%**

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 2019.

The main assumptions used in their calculations have been: -

	Local Government Pension Scheme		Police Pension Schemes	
	2018/19	**2019/20**	**2018/19**	**2019/20**
Mortality assumptions:	**Years**	**Years**	**Years**	**Years**
Longevity at 65 for current pensioners:				
Men	21.9	21.6	22.7	21.9
Women	24.4	23.7	24.3	23.6
Longevity at 65 for future pensioners				
Men	23.9	22.6	24.6	23.6
Women	26.5	25.1	26.2	25.2
Financial Assumptions	**%**	**%**	**%**	**%**
Rate of CPI inflation	2.5	1.9	2.35	2.00
Rate of increase in salaries (Long Term)	3.0	2.6	4.35	4.00
Rate of increase in pensions	2.5	1.9	2.35	2.00
Rate of CARE revaluation	-	-	3.60	3.25
Rate for discounting scheme liabilities	2.4	2.3	2.45	2.25
Take up option to convert annual pension into retirement grant :pre-April 2008 service	50	50	n/a	n/a
post-April 2008 service	75	75	n/a	n/a

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

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

Change In Assumption as at 31/03/20					
		0.5% decrease in Real Discount Rate	**1 year increase in member life expectancy**	**0.5% increase in the salary increase rate**	**0.5% increase in the pension increase rate**
Local Government Pension Scheme	Approximate % increase to Employer Liability	11.0	3.0 to 5.0	2.0	10.0
	Approximate monetary amount - £'000	39,291	Not Available	5,714	33,096
Police Pension Schemes	Approximate % increase to Employer Liability	10.0	3.0	1.0	8.0
	Approximate monetary amount - £'000	199,000	61,000	22,000	159,000

Note 11 Property, Plant and Equipment

Movements in 2019/20 (a)

	Operational				Non-operational	
	Operational Land & Buildings	Vehicles, Plant, Furniture Equipment	PFI Schemes	Jointly Controlled Operations	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2019	**25,898**	**36,774**	**8,692**	**3,229**	**558**	**75,151**
Additions	2,344	3,801	333	191	1,835	**8,504**
Revaluation Increases/(decreases) to RR	(54)	0	(473)	0	0	**(527)**
Revaluation Increases/(decreases) to SDPS	(2,352)	0	0	0	0	**(2,352)**
Derecognition – Disposals	(100)	(1,122)	0	(39)	0	**(1,261)**
Derecognition – Other	(53)	(506)	0	0	0	**(559)**
Reclassifications – other	39	0	5	0	(97)	**(53)**
At 31 March 2020	**25,722**	**38,947**	**8,557**	**3,381**	**2,296**	**78,903**
Depreciation and Impairments						
At 1 April 2019	**(1,677)**	**(22,680)**	**(1,195)**	**(886)**	**0**	**(26,438)**
Depreciation charge	(667)	(4,283)	(530)	(253)	0	**(5,733)**
Depreciation written out to RR	661	0	1,023	0	0	**1,684**
Depreciation written out to SDPS	714	0	0	0	0	**714**
Derecognition – Disposals	3	888	0	30	0	**921**
Derecognition – Other	24	506	0	0	0	**530**
Reclassifications – other	0	0	0	0	0	**0**
At 31 March 2020	**(942)**	**(25,569)**	**(702)**	**(1,109)**	**0**	**(28,322)**
Net Book Value						
At 31 March 2020	**24,780**	**13,378**	**7,855**	**2,272**	**2,296**	**50,581**
At 31 March 2019	**24,221**	**14,094**	**7,497**	**2,343**	**558**	**48,713**

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

Movements in 2018/19 (a)

	Operational				Non-operational	
	Operational Land & Buildings	Vehicles, Plant, Furniture Equipment	PFI Schemes	Jointly Controlled Operations	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2018	**25,708**	**35,411**	**8,138**	**3,109**	**246**	**72,612**
Additions	1,297	3,863	483	503	377	**6,523**
Revaluation Increases/(decreases) to RR	(29)	0	206	(10)	0	**167**
Revaluation Increases/(decreases) to SDPS	(985)	0	(135)	(331)	0	**(1,451)**
Derecognition – Disposals	(70)	(1,070)	0	(42)	0	**(1,182)**
Derecognition – Other	(64)	(1,430)	0	0	0	**(1,494)**
Reclassifications – other	41	0	0	0	(65)	**(24)**
At 31 March 2019	**25,898**	**36,774**	**8,692**	**3,229**	**558**	**75,151**
Depreciation and Impairments						
At 1 April 2018	**(1,241)**	**(20,953)**	**(1,974)**	**(774)**	**0**	**(24,942)**
Depreciation charge	(618)	(3,906)	(339)	(231)	0	**(5,094)**
Depreciation written out to RR	11	0	459	0	0	**470**
Depreciation written out to SDPS	149	0	659	81	0	**889**
Derecognition – Disposals	4	882	0	38	0	**924**
Derecognition – Other	18	1,297	0	0	0	**1,315**
Reclassifications – other	0	0	0	0	0	**0**
At 31 March 2019	**(1,677)**	**(22,680)**	**(1,195)**	**(886)**	**0**	**(26,438)**
Net Book Value						
At 31 March 2019	**24,221**	**14,094**	**7,497**	**2,343**	**558**	**48,713**
At 31 March 2018	**24,467**	**14,458**	**6,164**	**2,335**	**246**	**47,670**

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 2020 £'000**	**Commissioner 31 March 2020 £'000**	**PCC Group 31 March 2020 £'000**
Operational Land & Buildings	0	24,780	24,780
Vehicles, Plant, Furniture & Equipment	13,378	0	13,378
PFI Schemes	0	7,855	7,855
Jointly Controlled Operations	0	2,272	2,272
Assets Under Construction	938	1,358	2,296
Total Assets Net Book Value	**14,316**	**36,265**	**50,581**

Valuation of Assets (d)

All Land and Building assets were re-valued as at April 1st 2019.

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

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

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

31 March 2019			**31 March 2020**	
Total £'000	**Derbyshire Share £'000**	**Jointly Controlled Operations**	**Total £'000**	**Derbyshire Share £'000**
10,660	2,466	Fixed Assets –Tangible/intangible	10,565	2,345
3,667	758	Net Current Assets	3,711	844
14,327	**3,224**	**Total Net Assets**	**14,276**	**3,189**
		Represented by		
3,703	868	Usable Reserves	4,196	967
10,624	2,356	Unusable Reserves	10,080	2,222
14,327	**3,224**		**14,276**	**3,189**

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

Additions in Year (e)

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

Assets Held by the PCC Group (f)

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

	31/03/19	31/03/20
Main & Divisional Headquarters	3	2
Section Stations	16	15
Child Protection unit & Victim Suite	3	3
Community Offices & Others	9	9
Surplus Properties	0	0
Radio Masts	3	3
Vehicles	624	635
EMSOU & EMFSS & EM Legal	21.8% of assets	21.8% of assets
EM Learning & development	25.11% of assets	25.11% of assets
HR Service Centre	50% of assets	50% of assets
PFI Buildings	2	2

Depreciation (g)

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

Capital Commitments (h)

Significant capital contracts which have been entered into by the Commissioner as at 31 March 2020 are: -

Derby East Accommodation – Land was purchased for this scheme in December 2019, enabling works started thereafter. There is a budget of £9.5m in the capital programme of which £1.902m has been spent to date.

Tiered Car Park Headquarters – This contract was awarded in August 2019 and was due to be completed by the end of March but was delayed, electrical works remain outstanding. The budget for the project is £0.225m of which £0.202m has been spent to date.

Refurbishment for Taser Training – This contract was awarded in January 2020, the scheme should be completed in 2020/21. The budget for the project is £0.300m of which £0.192m 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, further work has been completed in 2019/20 but some milestones still remain outstanding. The budget for the project is £1m of which £0.442m has been spent to date.

Digital Interview Recording Units – a contract was awarded for digital interview recording units, the units were delivered but the majority were awaiting installation and testing. The budget for the project is £0.360m of which £0.135m has been spent to date.

Note 12 Intangible Assets

The PCC Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The main purchase in 2019/20 is for Software Licences for cyber crime £0.8m purchased on behalf of all Forces and funded from Home Office grant.

	2018/19			2019/20		
	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**
Net carrying amount 1 April	**5,232**	**168**	**5,400**	**6,004**	**123**	**6,127**
Additions	2,139	4	2,143	969	-	969
Reclassifications	14	-	14	53	-	53
Derecognitions	(117)	-	(117)	(11)	-	(11)
Amortisation in year	(1,264)	(49)	(1,313)	(1,751)	(50)	(1,801)
Balance at 31 March	**6,004**	**123**	**6,127**	**5,264**	**73**	**5,337**

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 13 Investments in Associates and Joint Ventures

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

Investment in Joint Venture	**31 March 2019 £'000**	**31 March 2020 £'000**
Balance as at 1 April	16,620	16,815
Spend in year	195	-
Total Investment in Joint Venture PCC Accounts (Historic Cost)	**16,815**	**16,815**
Representing		
-Joint Headquarters	12,211	12,211
-Joint Training Centre/Firearms Range	4,604	4,604
Total Investment in Joint Venture PCC Group Accounts (Net Share of Assets)	**16,115**	**16,115**

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 100% of profits to members (Police and Fire) in 2019/20. The profit share for 2019/20 was £0.509m (£0.300m in 2018/19). This is reflected in the CIES.

Note 14 Capital Expenditure and Capital Financing Statement

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Commissioner, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the Commissioner that has yet to be financed. The CFR is analysed in the second part of this note.

2018/19 £'000		**2019/20 £'000**
24,883	**Capital Financing Requirement**	**23,528**
	Capital investment	
6,523	*Property, Plant and Equipment*	8,504
2,143	*Intangible assets*	969
195	*Interest in Joint Venture*	-
8,861	**Total asset related expenditure**	**9,473**
83	Revenue Expenditure Funded from Capital under Statute	876
8,944	**Total Capital Investment**	**10,349**
	Sources of Finance	
(646)	*Capital receipts*	(253)
(2,657)	*Government Grants and Contributions*	(3,215)
(6,996)	*Revenue Provision (NB: includes MRP)*	(3,690)
23,528	**Closing Capital Financing Requirement**	**26,719**
	Explanation of movements in the year	
(1,221)	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(904)
(134)	(Decrease)/Increase in underlying need to borrow (unsupported by Government financial assistance)	4,095
(1,355)	**(Decrease)/Increase in Capital Financing Requirement**	**3,191**

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 2019/20 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 2019/20 the MRP is £1.039m (£1.355m MRP in 2018/19).

Note 15 Debtors

The level of debt outstanding during 2019/20 was analysed and it was decided that it would be prudent to provide a bad debt provision of £0.006m 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:-

Debtors	**31 March 2019 £'000**	**31 March 2020 £'000**
Government Departments and Agencies	18,999	18,896
Local and Police Authorities	2,914	6,044
Share of Council Tax Debtors	3,126	3,669
Other Entities and Individuals	5,818	5,487
Less: Provision for Bad debts	(2)	(6)
Total Debtors	**30,855**	**34,090**

Note 16 Cash and Cash Equivalents

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

Cash and Cash Equivalents	**31 March 2019 £'000**	**31 March 2020 £'000**
Cash held by the Commissioner	93	98
Bank current accounts	3,042	5,969
Proceeds of Crime Cash	573	585
Total Cash and Cash equivalents	**3,708**	**6,652**

Note 17 Creditors

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

Creditors	**31 March 2019 £'000**	**31 March 2020 £'000**
Government Departments and Agencies	5,650	5,646
Local and Police Authorities	11,337	14,873
Share of Council Tax Creditors	2,513	3,024
Other Entities and Individuals	5,071	7,446
Total Creditors – Commissioner	**24,571**	**30,989**
Employee Benefits – Chief Constable	1,307	1,846
Total Creditors	**25,878**	**32,835**

Note 18 Borrowing and Investments

The borrowing and investments disclosed in the Balance Sheet are

	31 March 2019			31 March 2020		
	Long Term £'000	**Current £'000**	**Total £'000**	**Long Term £'000**	**Current £'000**	**Total £'000**
PWLB	3,788	521	4,309	12,923	925	13,848
Deferred Liabilities	41	80	121	0	0	0
Total borrowing	**3,829**	**601**	**4,430**	**12,923**	**925**	**13,848**
Loans and receivables – Temporary Investments	0	6,015	6,015	0	7,002	7,002
Total investments	**0**	**6,015**	**6,015**	**0**	**7,002**	**7,002**

'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 2020.

PWLB is borrowing with the Public Works Loan Board. A new loan for £10m has been raised during 2019/20. The total PWLB outstanding at the 31 March 2020 is £13.789m plus interest of £0.059m. Total Deferred Liabilities outstanding at the 31 March 2020 is zero (£0.121m in 2018/19). 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. All of these loans were paid off in 2020/21 Repayments of £0.121m were made in 2019/20 (£0.080m in 2018/19).

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

Loans and receivables are surplus cash that the Commissioner invests in short-term deposits and temporary investments with a range of banks and financial institutions. Total temporary investments outstanding as at 31 March 2020 is £7.0m plus interest of £0.002m. PFI finance lease liabilities are shown in Note 22.

Note 19 Interest from borrowing and investments

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

	Total 31 March 2019 £'000	**Borrowings £'000**	**Investments £'000**	**Total 31 March 2020 £'000**
Interest Payable and similar charges	234	215*		215
Interest Payable on PFI Schemes	833	750		750
Interest and investment Income	(160)		(143)	(143)

*In addition to the above £2k interest was paid to HMRC for a VAT Declaration

Note 20 Financial Instruments - Assets and Liabilities

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

	31 March 2019		31 March 2020	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial Assets				
Temporary Investments (excl interest)	6,015	6,015	7,000	7,000
Cash and Cash Equivalents	3,708	3,708	6,652	6,652
Debtors (contractual only)	26,586	26,586	29,571	29,571
Financial Liabilities				
Borrowing				
PWLB (excl interest)	(4,254)	(5,169)	(13,789)	(17,035)
Deferred Liabilities	(121)	(121)	0	0
Total Borrowing	**(4,375)**	**(5,290)**	**(13,789)**	**(17,035)**
PFI Liabilities	(9,213)	(9,213)	(8,489)	(8,489)
Creditors (contractual only)	19,435	19,435	25,781	25,781

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 2020. 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 2020) arising from a commitment to pay interest to lenders above current market rates.

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

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

Note 21 Financial Instruments - Risk Exposure

The Commissioner's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework 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 2019/20 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	59	0	59
Less than one year principal	866	0	866
Between one and two years	841	0	841
Between two and five years	2,308	0	2,308
Between five and ten years	3,579	0	3,579
Between ten and fifteen years	2,195	0	2,195
More than fifteen years	4,000	0	4,000
Total	**13,848**	**0**	**13,848**

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

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

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

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

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

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

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

Note 22 Private Finance Initiatives

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

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

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

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

Payments
The Commissioner makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The amount of Unitary charge paid in 2019/20 was £0.491m for Ilkeston and £3.614m for Derby (the equivalent unitary charge paid in 2018/19 was £0.483m for Ilkeston and £3.271m for Derby). The charge for Derby included a provision of £0.203m for back charges relating to an outstanding cost 'benchmarking' exercise which takes effect from 2015. The total charge for each scheme can be analysed as follows

	2018/19			2019/20		
	Ilkeston £'000	**Derby £'000**	**Total £'000**	**Ilkeston £'000**	**Derby £'000**	**Total £'000**
Service Payment	169	1,519	1,688	196	2,271	2,467
Interest on liability	164	669	833	153	597	750
Lifecycle Payments	31	161	192	13	151	164
Repayments of Principal	119	922	1,041	129	595	724
Total Unitary Charge	**483**	**3,271**	**3,754**	**491**	**3,614**	**4,105**

Payments remaining to be made under the PFI contract at 31 March 2020 are as follows:

	Ilkeston PFI				
	Service Payments £'000	**Interest on Liability £'000**	**Lifecycle Payments £'000**	**Principal Payments £'000**	**Total Payments £'000**
2020/21	217	141	0	141	499
2021/22 to 2024/25	925	428	53	680	2,086
2025/26 to September 2028	709	142	381	728	1,960

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**
2020/21	1,607	549	563	731	3,450
2021/22 to 2024/25	7,145	1,416	1,463	4,232	14,256
2025/26 to 2029/30	10,855	393	269	1,792	13,309
To December 2030	1,686	10	-	185	1,881

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 with effect from December 2015 has been instigated by the service provider. The expected outcome of the exercise was still to be formally agreed at 31st March 2020 but has been allowed for within the 2019/20 accounts. 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**
2019/20	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 2019/20 was £0.064m and for Derby the movement from reserves was £0.569m.

<u>Liability</u>
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**
Balance as at 31 March 2019	**1,677**	**7,536**	**9,213**
Principal Paid 2019/20	(129)	(595)	(724)
Balance as at 31 March 2020	**1,548**	**6,941**	**8,489**

In the balance sheet this is shown as short term (£871k) which is repayable within a year and long term PFI Finance lease liabilities (£7,618k).

Note 23 Provisions

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

Liability Insurance Provision -This provision is to meet liability claims which are not covered by external insurers. The balance reflects the claims handlers' assessment of probable liabilities on claims outstanding as at 31 March 2020, together with an estimate for further claims relating to 2019/20. On this basis a provision of £0.913m is required.

Vehicle Insurance Provision – This provision is to meet Third Party claims which are not covered by external insurers. The balance reflects the claims handlers' assessment of probable liabilities on claims outstanding as at 31 March 2020, together with an estimate for further claims relating to 2019/20. On this basis a provision of £0.375m is required.

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

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

Provisions are split between short term (£0.796m) and long term (£0.817m) in the balance sheet. Short-term provisions cover liabilities that are expected to be settled within 12 months of the balance sheet date.

Note 24 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
The Commissioner has no contingent liabilities at 31 March 2020.

Contingent Assets
The Commissioner has no contingent assets at 31 March 2020.

Note 25 Usable Reserves

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

Usable Reserves	**31 March 2019 £'000**	**31 March 2020 £'000**
General Reserve Balance	5,500	5,500
Earmarked Reserves	12,855	9,309
Usable Capital Receipts Reserve	0	0
Capital Grants Unapplied	5,193	4,056
Total Usable Reserves PCC	**23,548**	**18,865**
Share of LLP Retained Profit Reserve	49	49
Total Usable Reserves PCC Group	**23,597**	**18,914**

Earmarked Reserves

This note sets out Transfers to/from Earmarked Reserves.

Earmarked Reserve	**Balance 31 March 2019 £'000**	**Transfers To £'000**	**Transfers From £'000**	**Balance 31 March 2020 £'000**
Revenue Reserves				
Devolved Budget Commitments	1,648	521	(974)	1,195
Operational Funding & Investment Reserve	4,276	1,345	(3,127)	2,494
PFI Reserve – Ilkeston	1,063	6	(70)	999
PFI Reserve – Derby	2,783	13	(583)	2,213
Insurance Reserves	70	415	-	485
PCC Grants & Commissioning Reserve	2,147	-	(1,191)	956
Total Revenue Reserves	**11,987**	**2,300**	**(5,945)**	**8,342**
Jointly Controlled Operations Reserves	868	99	-	967
Total Earmarked Reserves PCC	**12,855**	**2,399**	**(5,945)**	**9,309**
Share of LLP Retained Profit Reserve	49	-	-	49
Total Earmarked Reserves PCC Group	**12,904**	**2,399**	**(5,945)**	**9,358**

Devolved Budget Commitments
This balance represents the underspendings on devolved budgets for 2019/20 which have been earmarked to carry forward to meet commitments in 2020/21.

Operational Funding and Investment Reserve
This reserve is to assist with the 'funding gap' in the revenue budget for 2020/21 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 £0.013m 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 £0.300m plus interest in the year. The reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.

Insurance Reserve
This reserve is for future insurance liabilities that are not covered by the insurance provision. A total of £0.404m was transferred from the provision to the reserve in 2019/20 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. During 2019/20 the Commissioner approved a transfer of £1m to the Operational Funding and Investment Reserve to fund an increase in resources to Neighbourhood Policing in the form of 20 additional PCSO's

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 and 2019/20 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.

Capital Receipts Reserve	**£'000**
Balance at 1 April 2019	0
Receipts in year:	253
	253
Less:	
Capital receipts used	(253)
Balance at 31 March 2020	**0**

Note 26 Unusable Reserves

Chief Constable 31 March 2019 £'000	Commissioner 31 March 2019 £'000	Restated PCC Group 31 March 2019 £'000	Unusable Reserves	Chief Constable 31 March 2020 £'000	Commissioner 31 March 2020 £'000	PCC Group 31 March 2020 £'000
1	3,834	3,835	Revaluation Reserve	1	4,840	4,841
20,511	23,795	44,306	Capital Adjustment Reserve	19,579	21,608	41,187
(2,319,897)	-	(2,319,897)	Pensions Reserve	(2,142,093)	-	(2,142,093)
-	613	613	Collection Fund Adjustment Account	-	645	645
(1,307)	-	(1,307)	Accumulated Absences Account	(1,846)	-	(1,846)
(2,300,692)	**28,242**	**(2,272,450)**	**Total Unusable Reserves PCC**	**(2,124,359)**	**27,093**	**(2,097,266)**
		(749)	Share of Revaluation Reserve LLP			(749)
		(2,273,199)	**Total Unusable Reserves PCC Group**			**(2,098,015)**

Revaluation Reserve

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

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

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

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

Revaluation Reserve	2018/19 £'000	2019/20 £'000
Balance as at 1 April	**3,361**	**3,835**
Upward revaluation of assets	665	1,511
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(28)	(354)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**637**	**1,157**
Difference between fair value depreciation and historical cost depreciation	(36)	(151)
Accumulated gains on assets sold or scrapped	(127)	-
Amount written off to the Capital Adjustment Account	**(163)**	**(151)**
Balance at 31 March	**3,835**	**4,841**
Share of Revaluation Reserve LLP	(749)	(749)
Balance at 31 March PCC Group	**3,086**	**4,092**

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.

Capital Adjustment Account	2018/19 £'000	2019/20 £'000
Balance as at 1 April	**41,788**	**44,306**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(5,094)	(5,733)
• Revaluation losses on Property, Plant & Equipment	(561)	(1,638)
• Amortisation of Intangible Assets	(1,313)	(1,801)
• Revenue Expenditure funded from capital under statute	(83)	(876)
• 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	(766)	(380)
	(7,817)	**(10,428)**
Adjusting amounts written out of revaluation Reserve	36	151
Net written out amount of the cost of non current assets consumed in the year	**(7,781)**	**(10,277)**
Capital Financing applied in the year		
• Capital Receipts	646	253
• Capital Grants and Contributions	2,657	3,215
• Statutory Provision for financing capital investment (MRP)	1,355	1,039
• Additional Voluntary Set Aside	-	-
• Capital Expenditure charged against the General Reserve	5,641	2,651
	10,299	**7,158**
Balance at 31 March	**44,306**	**41,187**

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.

Pensions Reserve	2018/19 £'000	2019/20 £'000
Balance as at 1 April	**(2,098,585)**	**(2,319,897)**
Actuarial gains or losses on pensions assets and liabilities	(85,078)	233,549
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(193,998)	(115,942)
Employer's pensions contributions and direct payments to pensioners payable in the year	57,764	60,197
Balance at 31 March	**(2,319,897)**	**(2,142,093)**

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.

Collection Fund Adjustment Account	2018/19 £'000	2019/20 £'000
Balance as at 1 April	**655**	**613**
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	(42)	32
Balance at 31 March	**613**	**645**

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.

Accumulated Absences Account	**2018/19 £'000**	**2019/20 £'000**
Balance as at 1 April	**(1,531)**	**(1,307)**
Settlement or cancellation of accrual made at the end of the preceding year	1,531	1,307
Amounts accrued at the end of the current year	(1,307)	(1,846)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**224**	**(539)**
Balance at 31 March	**(1,307)**	**(1,846)**

Deferred Capital Receipts

The Deferred Capital Receipts account represent capital receipts that are due to the Constabulary but have not yet been paid. The receipts in 2018/19 were for the Helicopter that was transferred to NPAS.

Deferred Capital Receipts Account	**2018/19 £'000**	**2019/20 £'000**
Balance as at 1 April	**13**	**0**
Receipts to be paid	(13)	0
Balance at 31 March	**0**	**0**

Note 27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £'000	**2019/20 £'000**
Interest received including accruals	(160)	(143)
Interest received accruals	(7)	(13)
Interest received on a cash basis	**(167)**	**(156)**
Interest paid including accruals	1,067	965
Interest paid accruals	5	(4)
Interest paid on a cash basis	**1,072**	**961**

Note 28 Police Property Act Fund

Commissioners are required under the Police Property Act 1997 to set aside any money received from the sale of property which has come into their possession in connection with a criminal charge. The net proceeds from this fund are subsequently either repaid to the individual, used to defray expenses incurred in the storage and safe custody of property, or distributed to local charities. 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 2020 was £16,292 (£19,714 as at 31 March 2019). This has not been included in the PCC Group Balance sheet, as it does not represent monies owned by the Group.

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

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- Amendments to IAS 19 Employee Benefits: *Plan Amendment, Curtailment or Settlement*

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

<u>IFRS16 Leasing Standard</u>

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

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

Note 30 Authorisation of Accounts for issue

The 2019/20 Statement of Accounts were authorised for issue by the Chief Finance Officer on 26th February 2021. All events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date.

Note 31 Post Balance sheet events

There are no post balance sheet events.

POLICE PENSION FUND ACCOUNT

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

Notes to the Pension Fund Account

Note 1 Police Pensions Fund Account

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

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

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

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

A number of other public sector areas have also introduced new career average pension schemes, such as those for court judges, firefighters and civilian staff working in local government. Individual members in these schemes have fought successful court cases against the arrangements for transferring individuals from previous schemes on the basis that they discriminate on age. The Supreme Court on the 27 June 2019 denied the Government’s request for an appeal in the McCloud and Sargeant (judges and firefighters) cases in respect of age discrimination and pension protection.

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

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

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

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

Credits to the Pension Fund Account include a fixed employer’s contribution, being an actuarially-assessed % of pensionable salary. This employer’s contribution is charged to the Comprehensive Income and Expenditure Statement and, along with officers’ contributions, is paid into the Pensions Fund Account from which pension payments are made.

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

Under these funding arrangements the Pension Fund Account balances to nil at the year end by either receiving a contribution from the Commissioner to meet a deficit or making a payment to him equivalent to any surplus achieved. In 2019/20 a contribution of £29.558m was received, this being equivalent to the pension top-up grant receivable from the Home Office for that year.

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

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

Note 2 Pension Fund Liabilities

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

Note 3 Accounting Policies

Accounting policies conform to those set out in the Statement of Accounts (page 17 to 28).

POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

STATEMENT OF ACCOUNTS 2019/20

COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2019/20

Position as at 31 March 2020 including plans for the financial year 2020/21

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 (including co-opted political members to maintain balance) with 2 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 2020. The original frame work was amended with effect from 1 April 2014 to reflect the transfer of all police staff (except those under the direct control of the Commissioner) to the employment of the Chief Constable (called the Stage 2 transfer). The Police and Crime Commissioner's governance framework applies up to and including the date that the 2019/20 Statement of Accounts are approved for publication (normally 31st July each year but may be up to 30th November 2020 this year due to the ongoing global pandemic).

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 his 5-year Police and Crime Plan (running to 2021 due to the May 2020 election postponement) 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. Working to tackle the impact of drugs and alcohol on communities
4. 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
5. 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
6. Working with the Constabulary to develop the policing family to be more representative of the diverse communities it serves
7. 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 regular public Strategic Priorities Assurance meeting (SPA), the Commissioner receives reports from the Chief Constable, the Chief Constable's Director of Finance, the Chief Executive and the Chief Finance Officer on the implementation of these objectives, financial management and emerging issues. 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 EMPCCB is supported by the Regional Resources Board which has oversight of financial and internal audit matters for collaborative activity. The collaboration approach builds on best practice from across the region and nationally to improve performance and enhance resilience as well as delivering a cost saving agenda.

9.6 There are 5 forces in the East Midlands region –Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire. These continue to review collaborative arrangements through the East Midlands Police Collaboration Programme (EMPCP) which is led by the Deputy Chief Constable East Midlands. All the projects aim to save money, increase capacity and capability, maintain or improve customer service standards, use officer and staff time in the best way possible, deliver the best service with the resources available, improve performance or make better use of technology. The EMPCP focuses on delivering joint regional work in both operational and non-operational support services. Not all collaboration initiatives are shared by all five forces. Further information on the collaborations which Derbyshire is a participant in can be found within the main Statement of Accounts.

9.7 A regional AGS has been produced by the Deputy Chief Constable East Midlands covering performance monitoring, arrangements for compliance with relevant laws, policies and procedures, and that appropriate controls are in place for the management of resources. A management structure is in place, with clear lines of accountability for both operational issues and use of resources. Budgets for each service are approved each year at EMPCCB which defines the expenditure targets for each area of policing within regional collaboration.

9.8 Each force actively supports the budget allocation and sets its own precept accordingly. Management reports showing costs against budget are produced monthly and unexpected variances are investigated and explained, ready for reporting to EMPCCB quarterly (having been reviewed at the Regional CFO/FD Board and the Regional Resources Board. The monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date.

9.9 Whilst the EMPCCB provides joint oversight, Commissioners remain individually responsible for their decisions and Chief Constables are held to account locally for activities they carry out regionally.

9.10 The Joint Audit Risk and Assurance Committee (JARAC) for the Chief Constable and the Commissioner is charged with overseeing the corporate governance process, management of risk and financial reporting arrangements. It carries out the role similar to that of an audit committee but acts in an advisory and assurance capacity. It will review the Annual Governance Statement and approve its inclusion in the annual Statement of Accounts.

10 REVIEW OF THE JOINT CODE OF CORPORATE GOVERNANCE 2019/20

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 2019/20, together with identifying what areas of work will be reviewed or improved in 2020/21. 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. The JARAC has begun enhancing its role in providing assurance on the Chief Constable and Commissioner's financial management arrangements during 2019/20. This addition to the Terms of Reference for JARAC will be firmly established in 2020/21 in conjunction with the Chair of the committee.

11.3 External audit is carried out by Ernst & Young LLP, whilst Mazars provides the internal audit service. HMICFRS (Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services) have no remit to inspect the Commissioner but can inspect activities on request and for a fee. In addition, changes to either Fire governance and/or complaints handling may see elements of the Commissioner's activities inspected.

11.4 The designated Monitoring Officer (the Commissioner's Chief Executive) 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. We noted issues within Budget & Savings controls, however a follow up audit confirm actions were addressed within the year.**" and this is as detailed in the Internal Audit Annual Report 2019/20.

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 2020/21 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);
  - Undertake thematic internal audit work (with regional partners) across regional collaborations.

13 SIGNIFICANT INTERNAL CONTROL ISSUES

13.1 **Significant Internal Control Issues 2019/20 –** With the exception of weaknesses (rectified within the year) in respect of budget and savings controls referred to above, there were no significant control issues identified during the year and the system of Internal Control is considered to have operated adequately in 2019/20. At the time of writing, the Statements of Accounts for 2019/20 have not yet been audited although the external auditor has completed some work at interim stage and is due to complete the substantive audit during July 2020. There are no known post balance sheet events.

13.2 There were no significant control issues identified and reported in the Statement of Accounts for 2018/19.

14 COVID-19 PANDEMIC

14.1 2020 has seen an unprecedented (in modern times) public health crisis in Covid-19. The global impact has had far-reaching health and financial consequences and has dominated news-cycles for many months.

14.2 Derbyshire Constabulary finds itself on the front-line of public safety alongside other key workers in health and local authority settings. As a result, the Constabulary activated its Gold Command processes early in the pandemic to monitor and oversee Force preparations both internally (dealing with resilience, sickness and abstraction issues) and externally (policing the 'new norm'). The Commissioner is represented in the Gold Command meetings by his Chief Executive, Deputy PCC and Chief Finance Officer. In addition, the Deputy Chief Constable sits on the Local Resilience Forum (where local authority partners work together on county-wide issues) and chairs the Strategic Co-Ordination Group (which links to the LRF and activates in times of crisis). Both meetings are briefed back to the Commissioner regularly to provide assurance.

14.3 The Constabulary has demonstrated excellent preparedness (most notably in terms of PPE and maintaining resource levels) throughout the pandemic and has regularly reviewed its own resilience to be 'in the green'. Sickness and other abstraction (i.e. shielding) levels have remained low throughout the pandemic and therefore the policing services provided to Derbyshire has remained robust throughout.

14.4 Emergency powers exist within the governance framework for decisions to be taken outside of normal processes in exceptional circumstances. For example, decisions normally taken by the PCC could be delegated to either his executive team or in some circumstances the Chief Constable and his Chief Officer team. No emergency powers have had to be activated during the pandemic thanks in large part to the work the Constabulary has carried out to enable video-conferencing facilities and home-working solutions.

14.5 Whilst very few 'face-to-face' meetings have taken place since lockdown, video-conferencing has become the new normal and has allowed the PCC and his team to remain closely connected with the Constabulary's work as if they were physically present.

14.6 No-one can be sure of what the future holds but the PCC and Chief Constable are closely monitoring the costs to policing caused by the pandemic and are feeding those costs into the centralised monitoring approach which will inform ministerial decisions over special grant payments. The PCC's Chief Finance Officer oversees the process of cost-collation and reporting to provide assurance to the PCC that Derbyshire's interests are being protected.

14.7 As no emergency powers have had to be activated in Derbyshire, there is no known impact on the overall assessment of governance arrangements. Furthermore, the lengths we have gone to that have kept the organisation connected (albeit virtually) during the pandemic will serve us well in establishing a new normal when circumstances allow a return to office-based working. This may include greater remote-working, less call for travelling and more efficient decision-making processes where, for example, we have replaced a manual process with an electronic equivalent.

15 LOOKING FORWARD

15.1 The financial settlement for policing in 2020/21 saw Derbyshire allocated funding for its share of the 20,000 national uplift in police officer numbers pledged by the government as part of the 2019 general election. The total allocation to Derbyshire is 283 officers between Q4 2019/20 and 2022/23. Of that allocation, 50 were recruited by 31st March 2020 with a further 35 planned (and funded by government) by 31st March 2021. The remainder are planned for 2021/22 and 2022/23 and are subject to confirmed funding when government settlements are announced. It should be noted that no guarantees have been made by government regarding funding of the policing uplift beyond the current year (2020/21). Derbyshire's ability to afford the increased police numbers beyond 2020/21 is inextricably linked to the government funding it.

15.2 Alongside the ring-fenced funding from government to fund the uplift, PCCs were enabled to increase the council tax (precept) by up to £10 for a Band-D equivalent property. The purpose of this flexibility was to recognise that PCCs were subject to cost pressures over and above funding the policing uplift. That flexibility was taken in full and has enabled the PCC to set a budget which did not require a top-up from reserves to close a residual deficit.

15.3 Despite not having to further drain reserves in 2020/21 to close a residual deficit, that is only anticipated to be a temporary situation as we model a number of potential medium-term funding scenarios from 2021/22 onwards. The worst of which show that a structural funding deficit (£1m next year and rising each year) still remains in our budget and may require difficult decisions to be taken to address it.

15.4 The Force has implemented a strategic and cultural approach to a change/savings programme which is both proportionate and well-paced. There is no need to make knee-jerk decisions at this point but the PCC's Chief Finance Officer is reassured that a framework is in place to assist the Force in making savings if advice from government indicates it will be necessary.

15.5 The global pandemic (and resultant economic impact) causes a great deal of uncertainty for public services in terms of future government spending policies. Whilst the policing uplift was a government manifesto pledge it was made before the pandemic emerged and so it is reasonable to assume that public spending commitments will be re-evaluated and prioritised. We do not know at this stage what 2020/21 and beyond will look like for policing but work is ongoing both internally and externally (with national colleagues and the Home Office) to forecast all known scenarios and, in the case of the external work, participate in the spending review via the Chief Executive's secondment role to the APCC team.

15.6 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. Work has commenced at Ascot Drive albeit with initial delays caused by the pandemic. This will be followed by projects in both the north-west and north-east of Derbyshire, both of which are progressing. The governance arrangements for co-locating with DFRS are designed with efficiency and strong partnership working at their core.

15.7 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.

15.8 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.

15.9 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.

15.10 The Constabulary also faces challenges in responding to the PEEL inspection/assessment from HMICFRS. Considerable work has already been undertaken by the Chief Constable's team in that regard and the Commissioner is represented at the Gold Command group by his executive team who regularly report back on progress. Progress to date against the findings of the PEEL inspection/assessment is very reassuring for the Commissioner.

15.11 Brexit continues to cause a great deal of uncertainty for the United Kingdom and particularly policing as we near the end of the transitionary period on 31st December 2020. 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 given the challenges also being faced on the global stage with the pandemic.

15.12 In addition to the above forward look it is also worth noting that the current Chief Constable, Peter Goodman, retires from policing in July 2020. A recruitment process is underway to appoint his successor in the coming months. The incoming Chief Constable may review their internal governance arrangements within the Force which in turn will be considered when the PCC reviews his own arrangements for holding the Chief to account.

15.13 Finally, May 2021 will see the postponed PCC elections take place. Originally intended to take place in May 2020, they were postponed due to the fast-moving global pandemic. This ensured continuity of leadership during such an unprecedented public-health crisis and it is hoped that the elections will be able to take place as planned in 2021. Any impact on governance arrangements from the outcome of the May 2021 elections will be discussed in the 2020/21 Annual Governance Statement.

16 CONCLUSION

16.1 During 2019/20 the internal and external auditors continued to work with the organisation and have provided both opportunities and challenges. The Commissioner welcomes the challenge and the support proved by our auditors; we will continue to meet the financial, economic and governance challenges of ensuring there is an efficient and effective policing service in Derbyshire.

16.2 This Annual Governance Statement demonstrates that a sound governance framework exists in Derbyshire and is subject to regular review. Where significant governance or control issues are identified, an action plan is produced to address them. Whilst no issues have been identified by the Police and Crime Commissioner in 2019/20, the Chief Constable's own action plan is referred to and is kept under review as part of holding him to account.

16.3 Funding challenges continue for the police service at a national level and that is no different within Derbyshire. The MTFP is kept under review and regular dialogue held with the Chief Constable and his senior officers to ensure that adequate savings plans are put in place (if required) to ensure a balanced budget can be produced for 2021/22 and beyond.

16.4 The impact on governance and finance arrangements of the Covid-19 pandemic remains under close review locally but also in conjunction with colleagues on the national stage. As more certainty is received, particularly over the financial implications, the Commissioner's MTFP will be updated and the consequences worked through. It is hoped that excess costs for the Constabulary are supported by government funding but that process is ongoing at the time of writing. Any need to invoke emergency powers outside of normal business processes is not current expected but remains under review.

16.5 Brexit arrangements and particularly the impact on policing will continue to be monitored and appropriate planning/contingencies put in place. This will cover the whole range of potential impacts including financial, legal, logistical (e.g. supplies from the EU and beyond) and community (e.g. the risk of increases in hate crime or other community tensions).

Further Information:

- Police and Crime Commissioner for Derbyshire: Review of the Code of Corporate Governance 2019/20 (see PCC's website)

- Internal Control Environment of the Police and Crime Commissioner for Derbyshire incorporating the review of effectiveness for 2019/20 (see PCC's website)
- Regional AGS 2019/20 (included below)

Police and Crime Commissioner for Derbyshire

Annual Governance Statement 2019/20

Hardyal Dhindsa

Police and Crime Commissioner for Derbyshire

Date: 26th February 2021

David Peet

Chief Executive

Office of the Police and Crime Commissioner for Derbyshire

Date: 26th February 2021

Andrew Dale

Chief Finance Officer

Office of the Police and Crime Commissioner for Derbyshire

Date: 26th February 2021

East Midlands Special Operations Unit

ANNUAL GOVERNANCE STATEMENT
FOR REGIONAL COLLABORATION 2019/20

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

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

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

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

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

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

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

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC/CC's Board. 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.

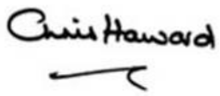
The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region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

5. COVID-19 pandemic

Early on we established representation in Leicestershire and Derbyshire Gold Groups. Internally we also have EMSOU Silver & Gold Groups – dealing with operational, resilience, sickness and abstraction issues. There is regular reporting through the ROCU network which has given assurance we are aligned across the country.

Minimal face to face meetings have taken place since lockdown, instead utilising video conferencing facilities. This has allowed governance processes to continue without disruption. Financial impact is being monitored and reported through Forces.

Looking forward we have an EMSOU Recovery Group and also an organisational learning team which will assist in establishing what our new normal may look like. This piece of work is well underway at time of reporting.



Chris Haward
Deputy Chief Constable (East Midlands)

10th July 2020

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.