

Chief Constable of Durham Constabulary

Statement of Accounts

for the year ended 31st March 2020



The status of the statement of accounts for the year ended 31 March 2020 is unaudited and the statement of accounts as published may be subject to change;

G Ridley

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2019/20 Narrative Report

Message from Gary Ridley, Assistant Chief Officer

Organisational Overview

Following the Police Reform and Social Responsibility Act 2011, Durham Police Authority was abolished on 21 November 2012 and replaced with two corporation sole bodies, The Office of the Police and Crime Commissioner for Durham (Durham Police Crime and Victims' Commissioner, PCVC) and the Chief Constable of Durham Constabulary (Chief Constable, CC). This set of accounts shows the financial position of the Chief Constable of Durham Constabulary. The financial position of the PCVC and the consolidated Group of the PCVC and CC are set out in the PCVC and Group accounts which is a separate document.

The Constabulary vision is to protect neighbourhoods, tackle criminals and solve problems. It manages its resources, information and works with partners in order to ensure that the vision is met. In relation to 2019/20, the Constabulary continued to face rising demand and changing demand against a backdrop of continuing austerity. The Constabulary continues to be regularly inspected by HMICFRS (Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services) in respect of effectiveness, efficiency, leadership, legitimacy as well as various other thematic inspections. During 2019/20 the Force was adjudged to be outstanding in terms of efficiency and effectiveness by HMICFRS.

Governance

The annual governance statements (AGS) for the PCVC and CC were produced in line with CIPFA guidance. Both the AGS's were agreed at the Executive Board on 9th July 2020. The main governance issues to note are as follows:

Finance

Although the PCVC was given additional precept flexibility during 2019/20, there still exists a number of financial challenges upon the wider finances of both corporations' sole bodies. There will continue to be a requirement to make ongoing efficiencies in order to avoid budgetary deficits in the future.

Key financial information for 2019/20 is as follows:

| | Original Budget | Actual | Variance |
|--|------------------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 |
| Employees | 104,059 | 105,185 | (1,126) |
| Premises | 4,315 | 4,430 | (115) |
| Transport | 2,039 | 2,185 | (146) |
| Agency Services | 2,081 | 3,283 | (1,202) |
| Supplies and Services | 9,075 | 12,065 | (2,990) |
| Gross Expenditure | 121,569 | 127,148 | (5,579) |
| Special Grants and Other Income | (4,294) | (11,990) | 7,696 |
| Net Expenditure | 117,275 | 115,158 | 2,117 |

The main variations to budget include:

- **Employees:**
Police Staff turnover was greater than budgeted during the year. There was also a greater turnover of police officers than budgeted due to the continued use of voluntary severance. A number of officers also left the Force through natural wastage. Police officer overtime was overspent during the year.
- **Agency services & Supplies and services**
These were overspent during the year due to increased national contributions, PPE purchases, additional grant purchases and the payment of additional legal fees compared to budget.
- **Special Grants and Other Income:**
Additional income was received for specific grants (which are often offset by expenditure elsewhere), additional income from the provision of training to other organisations and also additional secondment income.

The operation of the Force is funded by the PCVC. The financial position of the PCVC and the consolidated position of the Group is shown in the Group accounts which is a separate document

Collaboration

The annual governance statements identified the need to continue to exploit collaboration. Whilst the Constabulary does not have a formal collaboration policy, it continues to agree new initiatives where they either increase resilience, capacity or provide value for money. A number of initiatives continue to grow, including the Red Sigma joint ICT development with Cumbria Constabulary. Work is also expanding in respect of income generation with other Forces, which is in collaboration with local universities. The collaboration agreement in relation to an integrated Dog Support unit was paused during the year.

Dual Chief Finance Officer Role

The PCVC Chief Finance Officer role is provided by the Constabulary Chief Finance Officer. This is acknowledged as a governance risk with concerns having previously been expressed by the Joint Audit Committee. Safeguards are in place and the annual review is carried out to ensure that the joint arrangement is working satisfactorily and that no issues have arisen.

Business Model

The Constabulary employed 1,152 officers as at 31st March 2020, 1,030 staff and 128 PCSOs. This was across the following main areas of policing:

| <u>Command Area</u> | <u>Officers</u> | <u>Staff</u> | <u>PCSOs</u> |
|---|------------------------|---------------------|---------------------|
| Response Command | 474 | 220 | - |
| Crime and Justice incl NERSOU | 235 | 190 | - |
| Safeguarding Neighbourhoods | 227 | 69 | 128 |
| Tasking & Coordination command | 51 | 191 | - |
| BID Command | 4 | 89 | - |
| Support Services | - | 143 | - |
| CDSOU | 101 | 18 | - |
| Professional Standards and Legal Services | 52 | 99 | - |
| Executive | 5 | 11 | - |
| Secondments and Career Break | 3 | - | - |
| Total Group | 1152 | 1030 | 128 |

During 2019/20 vacancy rates averaged 1.12% for officers, 5.77% for staff and 12.27% for PCSOs.

The Constabulary provided a full range of policing services during the year as well as supporting a number of other Forces as requested. The Force produces an annual Force Management Statement which has considerable detail of all aspects of service delivery in terms of their current demand profile, strengths and weaknesses and areas for improved efficiency. This forms part of the HMICFRS inspection process and also acts as a plan for improvement.

Risks and Opportunities

The main risks are as follows:

Funding Formula

Previous work from central government has indicated that any revised funding formula could adversely impact the Constabulary. In mitigation of this, the PCVC has agreed a plan to reduce expenditure across a range of areas in order to ensure financial stability. The earliest a new funding formula can be introduced is 2022/23 and plans are underway to identify scope for costs reductions.

Changing Demand

Demand continues to rise across a number of areas. In particular, cyber crime, safeguarding and mental health demand has increased. The Constabulary continues to work with other forces and statutory agencies as well as academic institutions in order to better understand and manage rising demand.

Strategy & Resource Allocation

The Constabulary has a balanced medium term financial plan which includes the following key assumptions, which are considered reasonable:

- Flat cash grant, plus assumed uplift grant
- 2.5% pay rise per annum;
- 1.98% p.a. Precept increase. It is assumed that the current Council Tax capping criteria will continue into the future; and
- No unspecified financial savings.

The PCVC is aware that there are potential changes to the Police Funding Formula. The PCVC has agreed a report which consists of a range of actions to reduce expenditure over a 4 year period, should the need arise to offset grant reductions with reduced expenditure. The key elements of the plan include the following:

- Reduction in police staff numbers. Reviews will be carried out to identify where staff reductions can be implemented. Expected reductions are considered manageable given overall natural turnover of staff and mainly impact upon the back office;
- Non pay reductions. A high level plan has been agreed to reduce non pay budgets across the Constabulary. These are currently under review and are likely to be delivered irrespective of the outcome of the funding formula.
- Additional income generation activities in respect of training provision to other police forces.

The challenge with delivering the above would be to ensure that there is minimal impact on service delivery. This will require careful management and clear leadership.

Covid

During late 2019/20, the Covid Pandemic affected service delivery. A number of strategic and operational decisions were made to enable service delivery to continue. These are outlined in the annual governance statement. The constabulary incurred unexpected expenditure and is still awaiting formal reimbursements of these costs. At present it remains uncertain as to the level of cost delivery.

Performance

High level key performance statistics for 2019/20 are as follows:

- Anti-social behaviour increase of 3.9%
- Alcohol-related anti-social behaviour reduction of 7.4%

- Youth-related anti-social behaviour reduction of 3.4%
- Domestic abuse incidents decrease of 2%
- Missing from Home reduction of 13.4%
- Hate crime increase of 1.7%
- Recorded crime increase of 1.3%
- Solved rate of 19.1%, consistently higher than the national average
- Top quartile performance as rated by the public for providing a 'good or excellent job'

Other achievements include:

- Durham Constabulary is graded as 'Outstanding' rating for its effectiveness in reducing crime and keeping communities.
- Durham Constabulary is graded as 'Outstanding' for efficiency.
- The development of leadership, talent, inclusion and wellbeing strategies and work programmes linked to supporting our people.
- The development of our IT to support the front line, including the mobile version of 'Sigma'.
- The promotion of 'Live Chat' as a contact method for the public.
- International and National awards for Problem Solving.
- Improvements in investigative standards and case file quality.
- The implementation and evaluation of a revised approach to reducing the harm and vulnerability related to Domestic Abuse.
- Replication and embedding of problem solving approaches to children and adults who are 'Missing from Home'.
- The creation of BID (Business Innovation and Development), in collaboration with Cumbria Constabulary and People as 2 new commands creating improved working practices.
- The expansion of the training facilities.
- The provision of a new SARC building.

Independent Auditor's Report to the Chief Constable of Durham Constabulary

To Follow

Statement of Responsibilities for the Statement of Accounts

The Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of his financial affairs and to secure that one of his officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Assistant Chief Officer.
- Manage his affairs to secure economic, efficient and effective use of resources and safeguard his assets.
- Approve the Statement of Accounts.

The Assistant Chief Officer's Responsibilities

The Assistant Chief Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*. In preparing this Statement of Accounts, the Assistant Chief Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Assistant Chief Officer's Certificate

I certify that the accounts present a true and fair view of the financial position of the Chief Constable of Durham Constabulary as at 31 March 2020 and of his income and expenditure for the year ended 31 March 2020.

Gary Ridley

G Ridley OBE MBA CPFA
Assistant Chief Officer

Date

Chief Constable's Certificate

I confirm I have approved these accounts

J Farrell BSc (Hons)

Date

Comprehensive Income and Expenditure Statement for the Chief Constable of Durham Constabulary for the Year Ended 31 March 2020

| 2018/19 | | | | 2019/20 | | |
|-------------------|------------------|-----------------|--|-------------------|------------------|------------------|
| Gross Expenditure | Income | Net Expenditure | | Gross Expenditure | Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 189,456 | - | 189,456 | Employee costs | 135,351 | - | 135,351 |
| 17,139 | - | 17,139 | Non employee costs | 21,006 | - | 21,006 |
| - | (7,502) | (7,502) | Income | - | (10,944) | (10,944) |
| - | - | - | | - | - | - |
| 206,595 | (7,502) | 199,093 | Net Cost of Services before Funding | 156,357 | (10,944) | 145,413 |
| 2,195 | - | 2,195 | Charge for use of assets | 4,275 | | 4,275 |
| - | (111,312) | (111,312) | PCVC funding for resources consumed | | (119,816) | (119,816) |
| 208,790 | (118,814) | 89,976 | Net Cost of Services | 160,632 | (130,760) | 29,872 |
| | | | Other Operating Expenditure | | | |
| 27,351 | (27,351) | - | Police Pension Top Up Grant | 25,673 | (25,673) | - |
| | | 830 | Levies | | | 941 |
| | | | Financing and Investment Income and Expenditure | | | |
| | | 41,660 | Net interest on defined benefit liability (Note 22) | | | 43,730 |
| | | - | Interest receivable and similar income (Note ??) | | | (2) |
| | | 132,466 | Chief Constable deficit on Provision of Services | | | 74,541 |
| | | | Re-measurements of the defined benefit liability (Note 22) | | | (163,852) |
| | | 9,802 | Other Comprehensive Income and Expenditure | | | (163,852) |
| | | 142,268 | Total Comprehensive Income and Expenditure | | | (89,311) |

This statement shows the accounting cost in the year for the Chief Constable of providing services at the request of the PCVC in accordance with generally accepted accounting practices. The Chief Constable deploys assets, police officers and police staff to deliver the Police and Crime Plan.

Movement in Reserves Statement for the Chief Constable of Durham Constabulary

| Current year | Police Fund Balances £'000 | Total Useable Reserves £'000 | Unusable Reserves £'000 | Total Reserves £'000 |
|---|-------------------------------|---------------------------------|----------------------------|-------------------------|
| Balance at 31 March 2019 | - | - | (1,788,958) | (1,788,958) |
| Movement in reserves during 2018/19 | | | | |
| Total Comprehensive Income and Expenditure | (74,541) | (74,541) | 163,852 | 89,311 |
| Adjustments between accounting basis & funding basis under regulations (note 9) | 74,541 | 74,541 | (74,541) | - |
| Increase/(Decrease) in year | - | - | 89,311 | 89,311 |
| Balance at 31 March 2020 carried forward | - | - | (1,699,647) | (1,699,647) |
| Comparative year | | | | |
| Balance at 31 March 2018 | - | - | (1,646,690) | (1,646,690) |
| Movement in reserves during 2018/19 | | | | |
| Total Comprehensive Income and Expenditure | (132,466) | (132,466) | (9,802) | (142,268) |
| Adjustments between accounting basis & funding basis under regulations (note 9) | 132,466 | 132,466 | (132,466) | - |
| Increase/(Decrease) in year | - | - | (142,268) | (142,268) |
| Balance at 31 March 2019 carried forward | - | - | (1,788,958) | (1,788,958) |

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Balance Sheet for the Chief Constable of Durham Constabulary at 31 March 2020

| 31 March 2019 | | Notes | 31 March 2020 | |
|---------------|--------------------|-------|---------------|--------------------|
| £'000 | £'000 | | £'000 | £'000 |
| - | | | - | |
| - | | | - | |
| | - | | | - |
| 544 | | | 800 | |
| 8,029 | | 11 | 8,976 | |
| - | | | - | |
| | 8,573 | | | 9,776 |
| (11,061) | | 12 | (12,312) | |
| | (11,061) | | | (12,312) |
| (1,630) | | 13 | (1,591) | |
| - | | | - | |
| (1,784,840) | | 14 | (1,695,520) | |
| | (1,786,470) | | | (1,697,111) |
| | (1,788,958) | | | (1,699,647) |
| | - | | | - |
| | (1,788,958) | 15 | | (1,699,647) |
| | (1,788,958) | | | (1,699,647) |

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets are matched by the reserves held by the Chief Constable.

Cashflow Statement for the Chief Constable of Durham Constabulary for the Year Ended 31 March 2020

| 2018/19 | | | 2019/20 | |
|-----------------------------|-----------|--|-----------|-----------|
| £'000 | £'000 | | £'000 | £'000 |
| OPERATING ACTIVITIES | | | | |
| Cash Inflow | | | | |
| 1,319 | | Specific Grants | 3,877 | |
| 6,182 | | Cash received for goods and services | 6,124 | |
| - | | Interest received | 2 | |
| 145,860 | | Adjustments to net deficit on the provision of services | 150,828 | |
| | 153,361 | Cash Inflows generated from operating activities | | 160,831 |
| Cash Outflow | | | | |
| (134,517) | | Cash paid to employees | (137,215) | |
| (18,844) | | Cash paid to suppliers of goods and services | (23,616) | |
| | (153,361) | Cash outflows generated from operating activities | | (160,831) |
| | - | Net cash flows from operating activities | | - |
| INVESTING ACTIVITIES | | | | |
| | - | Net cash flows from investing activities | | - |
| FINANCING ACTIVITIES | | | | |
| | - | Net cash flows from financing activities | | - |
| | - | Net increase or decrease in cash and cash equivalent | | - |
| | - | Cash and cash equivalents at the beginning of the reporting period | | - |
| | - | Less | | |
| | - | Cash and cash equivalents at the end of the reporting period | | - |
| | - | | | - |

The Cashflow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period.

All payments were made and income received into the Bank Account which is held by the PCVC.

Notes to the Financial Statements for the Chief Constable of Durham for the year to 31 March 2020

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Chief Constable of Durham's transactions for the 2019/20 financial year and the position at the year-end of 31 March 2020. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2014 act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

On 22 November 2012, Durham Police Authority was replaced by two corporation sole bodies: the Office of the Durham Police and Crime Commissioner and the Chief Constable for Durham Constabulary. Both bodies are required to prepare separate Statements of Accounts.

The financial statements cover the 12 months to 31 March 2020.

1.2 Revenue and Expenditure Recognition

Since 1 April 2014, the majority of staff and all officers are employed by the CC however all the major revenue streams are received by the PCVC. The PCVC funds the operations of the CC.

1.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet of the Chief Constable; and
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

1.4 Cash and Cash Equivalents

All cash is held by the PCVC.

1.5 Employee 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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 by the CC for the cost of holiday

entitlements (or any form of leave, eg 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 the CC's Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

When 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

Employees of the CC are members of two separate pension schemes:

- The Police Pension Scheme for Police Officers, which is unfunded; and
- The Local Government Pension Scheme, administered by Durham County Council.

The Police Pension Scheme for Police Officers

This is an unfunded defined benefit final salary scheme meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. If the amounts receivable by the pension fund for the year are less than amounts payable, the Durham Police and Crime Commissioner must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by central government. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Durham Police and Crime Commissioner who then must repay the amount to central government.

Injury Awards

IAS 19 requires that any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Police Officer schemes are dependent on service, the liability expected to arise due to injury awards in respect of service prior to the valuation date requires valuation. The gratuity lump sum paid on injury is not dependent on service and so is not recognised as service is rendered.

The Local Government Pension Scheme

The Local Government Pension Scheme for support staff, administered by Durham County Council is a funded defined benefit final salary scheme, meaning that the CC and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Aspects of the schemes

The main aspects of both these pension schemes are:

- i. The liabilities of each scheme attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method - ie 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 projected earnings for current employees;
- ii. Liabilities are discounted to their value at current prices at a rate that is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.
- iii. The attributable assets of each scheme are included in the Balance Sheet at fair value;
- iv. The change in the net pension liability for each scheme is analysed into the following components:
 - Current service cost - the increase in liabilities as a result of years of service earned this year. The current service cost is stated net of employees' contributions, so as to reflect the part of the total pensions liabilities that are to be funded by the Group - allocated in the Comprehensive Income and Expenditure Statement to employee costs;
 - Past service costs - the increase in liabilities as a result of a 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; and
 - Net interest on the net defined benefit liability, ie net interest expense for the Group - the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- v. Remeasurements comprising:
 - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- vi. Contributions paid to the funds - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group to the pension funds or directly to pensioners in the year, not the amount calculated in accordance with relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove

the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension funds and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

A separate statement of Police Pension Fund Accounts is prepared to reflect the transactions in respect of funding for the Police Pension Schemes. The Police Pension Fund Accounts do not take account of liabilities to pay pensions and other benefits after the period end. Details of the liabilities for retirement benefits attributable to the CC at 31 March 2020, and of the basis for assessing those liabilities, are included in Note 22 to the Statement of Accounts.

1.6 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

1.7 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Chief Constable becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The Chief Constable has not given any financial guarantees.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The Chief Constable grants low value loans to employees to allow them to take advantage of annual travel savings and other purchases. These are valued at amortised cost.

1.8 Government Grants and Contributions

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

- the CC will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Chief Constable are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits 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 relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

1.9 Inventories

Inventories are held at the lower of cost and net realisable value and include uniforms, forensics dry goods, stationery, oil, diesel and ammunition.

1.10 Overheads and Support Services

The costs of overheads and support services are charged to either Employee or Non Employee costs depending on their nature.

1.11 VAT

VAT payable is included as an expense only when it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.12 Provisions

Provisions are made when an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Group has an 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.

2 ACCOUNTING STANDARDS ISSUED NOT ADOPTED

In accordance with the Code, the Chief Constable shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing after 31 March 2020.

The following standards have been issued but have not yet been adopted at 31 March 2020:

- 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.

It is not anticipated that any of the above will have a material impact on the Financial Statements.

IFRS 16 Lease Accounting will be applied from 2021/22. Based on ongoing assessment by the group it is anticipated that there will be no material impact from adoption of this standard. This will continue to be reviewed.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Statutory Accounts. Both the PCVC and the CC are separate bodies listed under the Local Audit and Accountability Act 2014 and so must produce statutory accounts. Both bodies comply with chapter 9 of the code and so group accounts must be produced also. The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 (SI 2013/2319) recognises that S21 and S22 of the LG Act 2003 apply to relevant transactions of the Chief Constable as if it were a local authority from 1 April 2013.

On 1 April 2014, the stage 2 transfer occurred between the PCVC and the CC where all the officers and the majority of police staff transferred their employment from the PCVC to the CC. The PCVC retained all property, plant and equipment, the major revenue streams and usable reserves. The CC delivers the day to day operations funded by the PCVC and holds some current assets and liabilities and unusable reserves relating to pensions and staff absences.

Staff Costs. The staff costs have been split according to which organisation employs the individual. All the officer costs and liabilities rest with the CC.

Asset and Liability Recognition. Long term control and long term access to the economic benefits associated with assets such as buildings rests with the PCVC. The CC deploys assets to deliver the Police and Crime Plan of the PCVC and is funded by the PCVC. The PCVC retains all long term assets, the major revenue streams and usable reserves. The CC holds some current assets and liabilities and unusable reserves relating to pensions and staff absences.

Pension Fund Accounts. The CC is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. Therefore the Pension Fund Accounts have been included in financial statements of the CC and the Group.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Chief Constable of Durham Constabulary's Statement of Accounts contains estimated figures that are based on assumptions made by the CC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the CC's Balance Sheets at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 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. Actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied. The effects of changes in individual assumptions on the total pension liability can be measured. Examples of how changes in assumptions would impact upon the Police Officer pension liability are shown in note 22.

The Chief Constable, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them arising from the Transitional Provisions in the Police Regulations 2015. This is disclosed in more detail in Note 22.

4.2 Stage 2 Transfer on 1 April 2014

The allocation of some minor streams of income along with some associated debtors and creditors have been allocated to the CC in accordance with the governance framework. If all the income was allocated to the PCVC, the income would decrease by £10.9m.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expense which are not already disclosed on the face of the Comprehensive Income and Expenditure Statement or in the associated notes.

6 EVENTS AFTER THE REPORTING PERIOD

The Chief Constable's Statement of Accounts was authorised for issue by the Assistant Chief Officer on 31 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

7 EXPENDITURE AND FUNDING ANALYSIS FOR THE CHIEF CONSTABLE OF DURHAM CONSTABULARY FOR THE YEAR ENDED 31 MARCH 2020

| 2018/19 | | | | 2019/20 | | |
|--|--|---|--|--|--|---|
| Net Expenditure Chargeable to the General Fund | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 56,990 | 132,466 | 189,456 | Employee costs | 60,810 | 74,541 | 135,351 |
| 17,139 | - | 17,139 | Non employee costs | 21,006 | - | 21,006 |
| (7,502) | | (7,502) | Income | (10,944) | | (10,944) |
| 2,195 | - | 2,195 | Charge for use of assets | 4,275 | - | 4,275 |
| (111,312) | - | (111,312) | PCC funding for resources consumed | (119,816) | - | (119,816) |
| (42,490) | 132,466 | 89,976 | Net Cost of Services | (44,669) | 74,541 | 29,872 |
| 42,490 | - | 42,490 | Other Income and Expenditure | 44,669 | - | 44,669 |
| - | 132,466 | 132,466 | Group deficit on Provision of Services | - | 74,541 | 74,541 |
| - | | | Opening General fund and Earmarked Reserves Balance | - | | |
| - | | | Less deficit on General Fund and Earmarked Reserves Balance | - | | |
| - | | | Closing General fund and Earmarked Reserves Balance | - | | |
| | | | | | | |

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the CC for the year has been used in providing services in comparison with those resources consumed or earned by the CC in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the PCVC and the CC. Income and Expenditure accounted for

under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

7A NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

| Year ended 31 March 2020 | | | | |
|---|---|--|------------------------------------|------------------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes £'000 | Net change for the Pensions Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
| Employee costs | - | (74,532) | (9) | (74,541) |
| Non employee costs | - | - | - | - |
| Net Cost of Services | - | (74,532) | (9) | (74,541) |
| Other income and expenditure from the Expenditure and Funding Analysis | - | - | - | - |
| Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services | - | (74,532) | (9) | (74,541) |
| Year ended 31 March 2019 | | | | |
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes £'000 | Net change for the Pensions Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
| Employee costs | - | (132,577) | 111 | (132,466) |
| Non employee costs | - | - | - | - |
| Net Cost of Services | - | (132,577) | 111 | (132,466) |
| Other income and expenditure from the Expenditure and Funding Analysis | - | - | - | - |
| Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services | - | (132,577) | 111 | (132,466) |

7B SEGMENTAL INCOME

There is a requirement within the Code to present financial information for reportable segments in a manner consistent with an authority's internal management reporting. The CC considers that it has only one operating segment, being the commissioning and delivery of policing services, and the reporting of financial information within the Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA) is consistent with internal management reports. Accordingly, the analysis in the CIES and within the EFA are deemed to fulfil the segmental reporting requirements set out in the Code.

8 CHIEF CONSTABLE OF DURHAM CONSTABULARY EXPENDITURE AND INCOME ANALYSED BY NATURE

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Expenditure | | |
| Employee benefits expenses | 189,456 | 135,351 |
| Other services expenses | 19,334 | 25,281 |
| Interest payments (including defined benefit liability) | 41,660 | 43,730 |
| Levies | 830 | 941 |
| Total Expenditure | 251,280 | 205,303 |
| Income | | |
| Fees, charges and other service income | (7,502) | (10,944) |
| Interest | - | (2) |
| PCVC funding for resources consumed | (111,312) | (119,816) |
| Total Income | (118,814) | (130,762) |

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the CC in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC to meet future revenue expenditure.

| Year ended 31 March 2020 | USABLE RESERVES | | | | | |
|--|---------------------|--------------------------|--------------------------|------------------------------|-----------------------|-------------------------------|
| | Police Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Capital Contribution Reserve | Total Usable Reserves | Movement in Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments to the Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pension Costs (<i>transferred to or from the Pension Reserve</i>): | | | | | | |
| - Retirement benefits | (94,150) | - | - | - | (94,150) | 94,150 |
| - Employer's pensions contributions and direct payments to pensioners payable in the year | 19,618 | - | - | - | 19,618 | (19,618) |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | (9) | - | - | - | (9) | 9 |
| TOTAL ADJUSTMENTS | (74,541) | - | - | - | (74,541) | 74,541 |
| (Movement in Reserves Statement) | | | | | | |

| Year ended 31 March 2019 | USABLE RESERVES | | | | | Movement in Unusable Reserves |
|--|---------------------|--------------------------|--------------------------|------------------------------|-----------------------|-------------------------------|
| | Police Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Capital Contribution Reserve | Total Usable Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Adjustments to the Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pension Costs (<i>transferred to or from the Pension Reserve</i>): | | | | | | |
| - Retirement benefits | (149,069) | - | - | - | (149,069) | 149,069 |
| - Employer's pensions contributions and direct payments to pensioners payable in the year | 16,492 | - | - | - | 16,492 | (16,492) |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 111 | - | - | - | 111 | (111) |
| TOTAL ADJUSTMENTS | (132,466) | - | - | - | (132,466) | 132,466 |
| (Movement in Reserves Statement) | | | | | | |

10 FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet

Financial Assets

| | Current Debtors | |
|-------------------------------|-----------------|---------------|
| | 31 March 2019 | 31 March 2020 |
| | £'000 | £'000 |
| Amortised Cost | 6,458 | 7,070 |
| Total financial assets | 6,458 | 7,070 |
| Non-financial assets | 1,571 | 1,906 |
| Total | 8,029 | 8,976 |
| | | |

Financial Liabilities

| | Current Creditors | |
|------------------------------------|-------------------|---------------|
| | 31 March 2019 | 31 March 2020 |
| | £'000 | £'000 |
| Amortised Cost | 8,700 | 9,800 |
| Total financial liabilities | 8,700 | 9,800 |
| Non-financial liabilities | 2,361 | 2,511 |
| Total | 11,061 | 12,311 |
| | | |

Income, Expense, Gains and Losses

| | Group | Group |
|---|---|---|
| | 2018/19 | 2019/20 |
| | Surplus or Deficit on the Provision of Services | Surplus or Deficit on the Provision of Services |
| | £'000 | £'000 |
| Interest Revenue | | |
| Financial assets measured at amortised cost | - | (2) |
| Total interest revenue | - | (2) |
| Interest Expense | - | - |
| Total fee expense | - | - |
| | | |

The Fair Values of Financial Assets and Financial Liabilities that Are Not Measured at Fair Value (but for which Fair Value Disclosures are Required)

All the CC's financial assets and liabilities are carried in the Balance Sheet at amortised cost. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Financial Liabilities

| | 2018/19 | | 2019/20 | |
|------------------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £'000 | £'000 | £'000 | £'000 |
| Creditors held at amortised cost | (8,700) | (8,700) | (9,800) | (9,800) |
| Total Financial Liabilities | (8,700) | (8,700) | (9,800) | (9,800) |

Financial Assets - Loans and receivables

| | 2018/19 | | 2019/20 | |
|------------------------------------|-----------------|--------------|-----------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £'000 | £'000 | £'000 | £'000 |
| Receivables held at amortised cost | 6,458 | 6,458 | 7,070 | 7,070 |
| Total Financial Assets | 6,458 | 6,458 | 7,070 | 7,070 |

11 DEBTORS

| | 31 March | 31 March |
|----------------------------|--------------|--------------|
| | 2019 | 2020 |
| | £'000 | £'000 |
| Trade receivables | 2,144 | 5,300 |
| Prepayments | 796 | 1,030 |
| Other receivable amounts | 5,219 | 2,775 |
| Less: Impairment Allowance | | |
| Trade receivables | (130) | (129) |
| Total debtors | 8,029 | 8,976 |

12 CREDITORS

| | 31 March | 31 March |
|------------------------|---------------|---------------|
| | 2019 | 2020 |
| | £'000 | £'000 |
| Trade payables | 3,644 | 3,293 |
| Other payables | 8,461 | 7,768 |
| Total creditors | 12,105 | 11,061 |

13 PROVISIONS

| | Insurance | Other | Employee | Total |
|--------------------------------------|------------------|--------------|-----------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April | 483 | 820 | 400 | 1,703 |
| Increase/ (decrease) during the year | 327 | 0 | (400) | (73) |
| Balance at 31 March | 810 | 820 | - | 1,630 |
| | | | | |

An insurance provision has been established to meet the identified potential cost to the Group of claims of negligence from employees for personal injury sustained during the course of their employment, and from third parties for personal injury or damage to their property. The provision is based on the insurer's estimates of outstanding claims and settlement of the claims is likely to be spread over a number of years. The amount relating to the PCVC is insignificant so this provision is all held by the Chief Constable. An exit packages provision has been included to meet the potential costs of staff leaving posts in the next financial year. All other provisions are individually insignificant.

14 PENSIONS LIABILITY

| | 31 March 2019 | 31 March 2020 |
|---|--------------------------|--------------------------|
| | £'000 | £'000 |
| Police Pension Scheme liability | 1,571,890 | 1,619,390 |
| Local Government Pension Scheme liability | 70,570 | 76,130 |
| Total Liability | 1,642,460 | 1,695,520 |
| | | |

15 RESERVES

The Chief Constable has a number of reserves in the Balance Sheet. These are needed to comply with proper accounting practice. Details of the reserves of the Chief Constable are as follows:

| Reserve | 1 April 2019 | Net Movement in year | 31 March 2020 | Purpose of Reserve | Further details of movement |
|--------------------------------|--------------------|----------------------|--------------------|--|-----------------------------|
| | £'000 | £'000 | £'000 | | |
| UNUSABLE RESERVES | | | | | |
| Pensions Reserve (IAS 19) | (1,784,840) | 89,320 | (1,695,520) | Balancing account to allow inclusion of pensions liability in the balance sheet | Note 22 |
| Accumulated Absences Account | (4,118) | (9) | (4,127) | Balancing account to allow inclusion of police officers and other employees liability in the balance sheet | |
| TOTAL UNUSABLE RESERVES | (1,788,958) | 89,311 | (1,699,647) | | |

| Reserve | 1 April 2018 | Net Movement in year | 31 March 2019 | Purpose of Reserve | Further details of movement |
|--------------------------------|--------------------|----------------------|--------------------|--|-----------------------------|
| | £'000 | £'000 | £'000 | | |
| UNUSABLE RESERVES | | | | | |
| Pensions Reserve (IAS 19) | (1,642,461) | (142,379) | (1,784,840) | Balancing account to allow inclusion of pensions liability in the balance sheet | Note 22 |
| Accumulated Absences Account | (4,229) | 111 | (4,118) | Balancing account to allow inclusion of police officers and other employees liability in the balance sheet | |
| TOTAL UNUSABLE RESERVES | (1,646,690) | (142,268) | (1,788,958) | | |

16 OFFICERS' REMUNERATION

The remuneration paid to the senior staff of the Chief Constable as follows:

| 31 March 2020 | Salary | Benefits in kind | Allowances | Employer's Pension Contributions | Total |
|---|---------|------------------|------------|----------------------------------|---------|
| | £ | £ | £ | £ | £ |
| Chief Constable - M Barton (to 7 June 2019) | 26,517 | 441 | 5,260 | 96,030 | 128,248 |
| Chief Constable - J Farrell (from 8 June 2019) | 123,641 | 6,293 | 1,956 | 38,329 | 170,219 |
| Deputy Chief Constable (to 7 June 2019) | 28,308 | 1,441 | 448 | 8,776 | 38,973 |
| Deputy Chief Constable (from 10 June 2019) | 95,855 | 1,374 | - | 29,715 | 126,944 |
| Assistant Chief Constable (to 9 June 2019) | 22,745 | 326 | - | 7,051 | 30,122 |
| Temporary Assistant Chief Constable (From 10 June 2019) | 79,677 | - | 1,943 | 24,700 | 106,320 |
| Assistant Chief Officer | 116,677 | - | 1,076 | 22,169 | 139,922 |

The role of the Treasurer to the PCVC is carried out part time by the Assistant Chief Officer

| 31 March 2019 | Salary | Benefits in kind | Allowances | Employer's Pension Contributions | Total |
|----------------------------|---------|------------------|------------|----------------------------------|---------|
| | £ | £ | £ | £ | £ |
| Chief Constable - M Barton | 141,523 | 14,423 | 5,852 | - | 161,798 |
| Deputy Chief Constable | 116,729 | 11,216 | 2,403 | 28,248 | 158,596 |
| Assistant Chief Constable | 112,548 | 12,565 | 0 | 27,236 | 152,349 |
| Assistant Chief Officer | 113,547 | - | 1,614 | 21,687 | 136,848 |

The role of the Treasurer to the PCVC is carried out part time by the Assistant Chief Officer

The Chief Constable's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts

| Remuneration Band | Number of Employees | |
|---------------------|---------------------|---------|
| | 2018/19 | 2019/20 |
| £50,000 - £54,999 | 96 | 102 |
| £55,000 - £59,999 | 42 | 66 |
| £60,000 - £64,999 | 10 | 16 |
| £65,000 - £69,999 | 7 | 6 |
| £70,000 - £74,999 | 3 | 2 |
| £75,000 - £79,999 | 3 | 2 |
| £80,000 - £84,999 | 3 | 7 |
| £85,000 - £89,998 | 3 | 4 |
| £120,000 - £124,999 | 1 | 1 |
| £200,000 - £204,999 | 0 | 1 |

The numbers of exit packages for the Chief Constable with the total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| | | | | | | | £ | £ |
| £0-£20,000 | - | - | 5 | 9 | 5 | 9 | 87,511 | 156,250 |
| £20,001-£40,000 | - | - | 4 | 3 | 4 | 3 | 115,747 | 80,489 |
| £40,001-£60,000 | - | - | 1 | - | 1 | - | 45,029 | - |
| £80,001-£100,000 | - | - | - | - | - | 1 | - | 85,000 |
| £140,001-£160,000 | - | - | - | - | - | 1 | - | 147,012 |
| | - | - | 10 | 12 | 10 | 14 | 248,287 | 468,751 |

17 EXTERNAL AUDIT COSTS

| | 31 March 2019 | 31 March 2020 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year | 12 | 12 |

18 RELATED PARTIES

The Chief Constable is required to disclose material transactions with related parties ie bodies or individuals that have the potential to control or influence or be controlled/influenced by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable may 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 Chief Constable. Transactions should be disclosed where material to either the organisation or individual with whom the transaction has been incurred.

Central Government

Central government has effective control over the general operations of the Chief Constable. It is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of its funding in the form of grants which are paid to the PCVC and prescribes the terms of many of the transactions that the Group has with other parties. Grants received by the

Group from government departments are included within the Comprehensive Income and Expenditure Statement of the PCVC and the Group.

All transactions with other public bodies were made with the PCVC and are disclosed in the PCVC's financial statements.

Officers

There were no related party transactions involving the Chief Constable, or chief officers of the Constabulary.

19 DEPRECIATION AND AMORTISATION

The PCVC makes charges to the CC for the use of long term assets equivalent to the charges made in the accounts of the PCC for depreciation, impairment and amortisation. For 2019/20 this amounted to £4.275M (2018/19 £2.195M).

20 REGIONAL COLLABORATION

The Commissioner has collaborative arrangements with other local Forces as follows:

- Cleveland and Durham Fingerprint Bureau (CDFB)**
 Contribution for 2019/20 was £366,147 (£411,615 in 2018/19). Durham's proportionate share is 50% as set out in the collaborative agreement.
- Tactical Training Centre (TTC)**
 Contribution for 2019/20 was £548,661 at 50% (£447,116 in 2018/19). Durham's proportionate share is 50% as set out in the collaborative agreement.
- North East Regional Special Operations Unit (NERSOU)**
 The North East Regional Special Operations Unit (NERSOU) is a collaboration between the Police and Crime Commissioners of Durham, Northumbria and Cleveland to tackle serious and organised crime across the region. NERSOU is financed through a combination of Home Office Grants and contributions from each of the participating Forces. The contribution proportion during 2018/19 was 22.86%

| | 31 March 2019 | 31 March 2020 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Employees | 8,937 | 9,390 |
| Premises | 403 | 379 |
| Transport | 331 | 482 |
| Supplies and Services | 555 | 702 |
| Gross Expenditure | 10,226 | 10,953 |
| Funded by :- | | |
| Income | (3,460) | (3,320) |
| The Office of the Police and Crime Commissioner for Durham | (1,656) | (1,757) |
| The Police and Crime Commissioner for Cleveland | (1,793) | (1,898) |
| The Police and Crime Commissioner for Northumbria | (3,796) | (4,052) |
| Contribution to/(from) Reserves | 479 | 74 |
| | - | - |

The three forces jointly own a building for NERSOU which houses regional policing assets and enables further joint working with other partners. The premises are held under a Trust Agreement signed by each of the three Police and Crime Commissioners. The relative share of ownership of the asset is determined by the proportion of agreed capital contributions made by each Force. The proportional share forms the basis of the asset held on the PCVC's balance sheet. The relative share of ownership is 37.5%

- **Cleveland and Durham Special Operations Unit (CDSOU)**

The Special Operations Unit was set up during 2011/12 and is a collaboration between the Durham Police and Crime Commissioner and the Police and Crime Commissioner for Cleveland to deliver roads policing and firearms response. Contribution rate is 50%

| | 31 March 2019 | 31 March 2020 |
|--|--------------------------|--------------------------|
| | £'000 | £'000 |
| Employees | 8,861 | 9,435 |
| Transport | 464 | 523 |
| Supplies and Services | 425 | 337 |
| Gross Expenditure | 9,750 | 10,295 |
| Funded by :- | | |
| Income | (232) | (277) |
| The Office of the Durham Police and Crime Commissioner | (4,759) | (5,009) |
| The Police and Crime Commissioner for Cleveland | (4,759) | (5,009) |
| Balance | - | - |

- **Dogs Unit**

The Dogs Unit is a collaboration between the Police and Crime Commissioners of Durham, Cleveland and North Yorkshire. Contribution rate is 30.12%. The collaboration was paused 31 December 2019.

| | 31 March 2019 | 31 December 2019 |
|--|--------------------------|-----------------------------|
| | £'000 | £'000 |
| Employees | 2,347 | 1,726 |
| Transport | 137 | 117 |
| Supplies and Services | 111 | 139 |
| Gross Expenditure | 2,595 | 1,982 |
| Funded by :- | | |
| Income | (9) | (2) |
| The Office of the Police and Crime Commissioner for Durham | (779) | (596) |
| The Police and Crime Commissioner for Cleveland | (854) | (654) |
| Police and Crime Commissioner for North Yorkshire Police | (953) | (730) |
| Balance | - | - |

21 LEASES

Operating Leases

The PCVC and Group has acquired a number of buildings and ICT equipment by entering into operating leases with typical lives ranging from 1 to 25 years. The future minimum lease payments due under non-cancellable leases in future years are:

| | 2018/19 | | | 2019/20 | | |
|---------------------------------|-----------|-----------|-------|-----------|-----------|-------|
| | Buildings | Equipment | Total | Buildings | Equipment | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Not later than 1 year | 144 | - | 144 | 108 | - | 108 |
| Later than 1, not later 5 years | 244 | - | 244 | 245 | - | 245 |
| Later than 5 years | 285 | - | 285 | 238 | - | 238 |
| Total | 673 | - | 673 | 591 | - | 591 |

22 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Chief Constable participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Durham County Council; this is a funded defined benefit final salary scheme, meaning that the PCVC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. If the amounts receivable by the pensions fund for the year is less than amounts payable, the Commissioner must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by central government. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner which then must repay the amount to central government.

Transactions Relating to Retirement Benefits

The Chief Constable recognises the costs of retirement benefits in the Net Cost of Services as part of the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year as follows:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|--|---------------------------------|----------|-----------------------|----------|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| | £'000 | £'000 | £'000 | £'000 |
| Comprehensive Income and Expenditure Statement (CIES) | | | | |
| Net Cost of Service | | | | |
| Current service cost | 7,240 | 8,260 | 23,270 | 35,330 |
| Past service cost | 4,490 | - | 72,410 | 6,830 |
| Finance and Investment Income and Expenditure | | | | |
| Net Interest Expense | 1,780 | 1,790 | 39,880 | 41,940 |
| Total post employment benefit charged to provision of services | | | | |
| | 13,510 | 10,050 | 135,560 | 84,100 |
| Other post employment benefit charged to the CIES | | | | |
| Remeasurement of net defined benefit comprising of: | | | | |
| Return on plan assets | (7,510) | 11,617 | (27,148) | (26,059) |
| Actuarial gain/loss from changes in demographic | (8,510) | (6,900) | - | (50,400) |
| Actuarial gain/loss from changes in financial assumptions | 9,520 | (7,160) | 47,040 | (84,410) |
| Other: | 320 | (540) | (3,910) | - |
| Net Charge to the CIES | | | | |
| | 7,330 | 7,067 | 151,542 | (76,769) |
| Movement in the Reserves Statement | | | | |
| Reversal of net charges made for retirement benefits accordance with IAS19 | (13,510) | (10,050) | (135,560) | (84,100) |
| Actual amount charged against the General Fund Balance | | | | |
| Employer's contributions payable to scheme | 4,280 | 4,497 | 11,083 | 13,903 |
| Retirement benefits payable to pensioners | 30 | 30 | 1,099 | 1,188 |

Police Pension Scheme

Reconciliation of the present value of the liabilities in the scheme

| 2018-19 | | | | | 2019-20 | | | | | |
|--------------------|---------------|--------------------|--------------------|-------------|---|--------------------|---------------|--------------------|--------------------|-------------|
| Police Scheme 1987 | Injury Awards | Police Scheme 2006 | Police Scheme 2015 | Total | | Police Scheme 1987 | Injury Awards | Police Scheme 2006 | Police Scheme 2015 | Total |
| £'000 | £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 | £'000 |
| (1,461,300) | (29,960) | (36,800) | (43,830) | (1,571,890) | Opening present value of liabilities | (1,569,420) | (31,230) | (43,220) | (67,380) | (1,711,250) |
| (8,510) | (980) | (210) | (13,570) | (23,270) | Current service cost | (6,520) | (680) | (140) | (27,990) | (35,330) |
| (36,840) | (760) | (940) | (1,340) | (39,880) | Interest cost | (38,070) | (760) | (1,060) | (2,050) | (41,940) |
| (1,730) | - | (50) | (3,870) | (5,650) | Contributions by participants | (1,410) | - | (30) | (4,320) | (5,760) |
| | | | | | Remeasurement gains and losses: | | | | | |
| - | - | - | - | - | Actuarial gain/(loss) arising from changes to demographic assumptions | 45,300 | 920 | 1,320 | 2,860 | 50,400 |
| (36,750) | (620) | (1,090) | (4,670) | (43,130) | Actuarial gain/(loss) arising from changes to financial assumptions | 73,420 | 980 | 1,490 | 8,520 | 84,410 |
| (67,950) | - | (4,230) | (230) | (72,410) | Past service cost | (6,250) | - | (200) | (380) | (6,830) |
| - | - | - | - | - | Loss on curtailments | - | - | - | - | - |
| 43,660 | 1,090 | 100 | 130 | 44,980 | Net benefits paid out | 45,640 | 1,100 | 80 | 90 | 46,910 |
| (1,569,420) | (31,230) | (43,220) | (67,380) | (1,711,250) | Closing present value of liabilities | (1,457,310) | (29,670) | (41,760) | (90,650) | (1,619,390) |

Reconciliation of the present value of the assets in the scheme

| 2018-19 | | | | | 2019-20 | | | | | |
|--------------------|---------------|--------------------|--------------------|----------|--|--------------------|---------------|--------------------|--------------------|----------|
| Police Scheme 1987 | Injury Awards | Police Scheme 2006 | Police Scheme 2015 | Total | | Police Scheme 1987 | Injury Awards | Police Scheme 2006 | Police Scheme 2015 | Total |
| £'000 | £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 | £'000 |
| - | - | - | - | - | Opening fair value of asset | - | - | - | - | - |
| - | - | - | - | - | Interest Income | - | - | - | - | - |
| | | | | | Remeasurement gains and losses: | | | | | |
| 38,082 | (9) | (50) | (10,875) | 27,148 | The return on plan assets, excluding the amount included in the net interest expense | 40,627 | (88) | (33) | (14,447) | 26,059 |
| 3,848 | 1,099 | 100 | 7,135 | 12,182 | Contributions by employer | 3,603 | 1,188 | 83 | 10,217 | 15,091 |
| 1,730 | - | 50 | 3,870 | 5,650 | Contributions by participants | 1,410 | - | 30 | 4,320 | 5,760 |
| (43,660) | (1,090) | (100) | (130) | (44,980) | Net benefits paid out | (45,640) | (1,100) | (80) | (90) | (46,910) |
| - | - | - | - | - | Closing fair value of assets | - | - | - | - | - |

Reconciliation of opening and closing surplus/(deficit) in the scheme

| 2018-19 | | | | | 2019-20 | | | | | |
|--------------------|---------------|--------------------|--------------------|-------------|---|--------------------|---------------|--------------------|--------------------|-------------|
| Police Scheme 1987 | Injury Awards | Police Scheme 2006 | Police Scheme 2015 | Total | | Police Scheme 1987 | Injury Awards | Police Scheme 2006 | Police Scheme 2015 | Total |
| £'000 | £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 | £'000 |
| (1,461,300) | (29,960) | (36,800) | (43,830) | (1,571,890) | Opening surplus(deficit) | (1,569,420) | (31,230) | (43,220) | (67,380) | (1,711,250) |
| (8,510) | (980) | (210) | (13,570) | (23,270) | Current service cost | (6,520) | (680) | (140) | (27,990) | (35,330) |
| 3,848 | 1,099 | 100 | 7,135 | 12,182 | Contributions by employer | 3,603 | 1,188 | 83 | 10,217 | 15,091 |
| - | - | - | - | - | Contributions by participants | - | - | - | - | - |
| (67,950) | - | (4,230) | (230) | (72,410) | Past service cost | (6,250) | - | (200) | (380) | (6,830) |
| (36,840) | (760) | (940) | (1,340) | (39,880) | Interest cost | (38,070) | (760) | (1,060) | (2,050) | (41,940) |
| - | - | - | - | - | Expected return on assets | - | - | - | - | - |
| - | - | - | - | - | Loss on curtailments | - | - | - | - | - |
| | | | | | Remeasurement of net defined benefit liability comprising: | | | | | |
| 38,082 | (9) | (50) | (10,875) | 27,148 | Return on plan assets | 40,627 | (88) | (33) | (14,447) | 26,059 |
| - | - | - | - | - | Actuarial gain / (loss) arising from changes to demographic assumptions | 45,300 | 920 | 1,320 | 2,860 | 50,400 |
| (36,750) | (620) | (1,090) | (4,670) | (43,130) | Actuarial gain / (loss) arising from changes to financial assumptions | 73,420 | 980 | 1,490 | 8,520 | 84,410 |
| (1,569,420) | (31,230) | (43,220) | (67,380) | (1,711,250) | Closing surplus(deficit) | (1,457,310) | (29,670) | (41,760) | (90,650) | (1,619,390) |

Durham County Council Pension Fund

Reconciliation of present value of the scheme liabilities:

| | Local Government Pension Scheme | |
|--|---------------------------------|-----------|
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Opening present value | (200,230) | (216,250) |
| Current service cost | (7,240) | (8,260) |
| Interest cost | (5,180) | (5,370) |
| Contributions by scheme participants | (1,580) | (1,620) |
| Remeasurement gains and losses: | | |
| Actuarial gains / losses from changes in demographic assumptions | 8,510 | 6,900 |
| Actuarial gains / losses from changes in financial assumptions | (9,520) | 7,160 |
| Other: | (320) | 540 |
| Past service costs | (4,490) | - |
| Liability assumed on entity combinations | - | - |
| Benefit paid | 3,800 | 4,910 |
| Closing present value | (216,250) | (211,990) |

Reconciliation of fair value of the scheme assets:

| | Local Government Pension Scheme | |
|---|---------------------------------|----------|
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Opening fair value | 129,660 | 142,660 |
| Interest Income | 3,400 | 3,580 |
| Remeasurement gain / loss - Return on plan assets | 7,510 | (11,617) |
| Employer contributions | 4,310 | 4,527 |
| Contributions by scheme participants | 1,580 | 1,620 |
| Assets assumed on entity combinations | - | - |
| Benefit paid | (3,800) | (4,910) |
| Closing fair value | 142,660 | 135,860 |

Reconciliation of opening and closing surplus / (deficit) of the scheme:

| | Local Government Pension Scheme | |
|--|---------------------------------|----------|
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Opening surplus (deficit) | (70,570) | (73,590) |
| Current Service Cost | (7,240) | (8,260) |
| Contributions by employer | 4,310 | 4,527 |
| Contributions by participants | - | - |
| Past service cost | (4,490) | - |
| Interest cost | (5,180) | (5,370) |
| Expected return on assets | 3,400 | 3,580 |
| Remeasurement gains and losses: | | |
| Return on plan assets | 7,510 | (11,617) |
| Actuarial gains / losses from changes in demographic assumptions | 8,510 | 6,900 |
| Actuarial gains / losses from changes in financial | (9,520) | 7,160 |
| Other: Liability Experience | (320) | 540 |
| Net Assets / liabilities assumed on entity combinations | - | - |
| Closing fair value | (73,590) | (76,130) |

Pension assets and liabilities recognised in the balance sheet

The amounts included in the balance sheet arising from the CC's obligation in respect of the defined benefit plans are as follows:

| | 2018/19 | 2019/20 |
|---|--------------------|--------------------|
| | £'000 | £'000 |
| Present value of liabilities | | |
| Local Government Pension Scheme | (216,250) | (211,990) |
| Police Pension Scheme | (1,711,250) | (1,619,390) |
| Fair value of assets in the Local Government Pension Scheme | 142,660 | 135,860 |
| Surplus / (deficit) in the scheme | | |
| Local Government Pension Scheme | (73,590) | (76,130) |
| Police Pension Scheme | (1,711,250) | (1,619,390) |
| Total | (1,784,840) | (1,695,520) |

Local Government Pension Scheme assets comprised:

| | 2018/19 | 2019/20 |
|----------------------------------|---------|---------|
| | £'000 | £'000 |
| Cash and Cash equivalents | 6,705 | 5,434 |
| Equity instruments | 72,186 | 63,990 |
| Bonds by sector: | | |
| Corporate | 17,119 | 16,711 |
| Government | 36,664 | 38,720 |
| Sub-total bonds | 53,783 | 55,431 |
| Property | 9,986 | 11,005 |
| Other | - | - |
| Total assets | 142,660 | 135,860 |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Police Scheme and the Local Government Fund liabilities have been assessed by independent actuaries, estimates for the Local Government Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuaries' are detailed below:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|---|---------------------------------|---------|-----------------------|---------|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| Mortality assumptions | | | | |
| Longevity at 65 for current pensioners | | | | |
| Men (years) | 22.6 | 22.2 | 22.7 | 21.9 |
| Women (years) | 24.1 | 24.2 | 24.3 | 23.6 |
| Longevity at 65 for future pensioners | | | | |
| Men (years) | 24.3 | 23.2 | 24.6 | 23.6 |
| Women (years) | 25.9 | 25.7 | 26.2 | 25.2 |
| Rate of Inflation (CPI) | 2.1% | 1.9% | 2.4% | 2.0% |
| Rate of increase of salaries | 3.6% | 2.5% | 4.4% | 4.0% |
| Rate of increase to pensions in payment | 2.1% | 1.9% | 2.4% | 2.0% |
| Rate of increase to deferred pensions | 2.1% | 1.9% | 2.4% | 2.0% |
| Rate for discounting scheme liabilities | 2.5% | 2.3% | 2.5% | 2.3% |

There is no allowance made for Guaranteed Minimum Pension (GMP) equalisation.

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period 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 practise, 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, ie on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Local Government Pension Scheme:

| | Increase in Assumption | Decrease in Assumption |
|--|------------------------|------------------------|
| | £'000 | £'000 |
| Longevity (increase or decrease in 1 year) | 206,470 | 216,840 |
| Rate of increase in salaries (increase or decrease by 0.1%) | 212,400 | 210,700 |
| Rate of increase in pensions (increase or decrease by 0.1%) | 215,990 | 207,320 |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 204,780 | 218,320 |

Impact on the Defined Benefit Obligation in the Police Pension Scheme:

| | Increase in Assumption | Decrease in Assumption |
|--|------------------------|------------------------|
| | £'000 | £'000 |
| Longevity (increase or decrease in 1 year) | 1,667,390 | 1,571,390 |
| Rate of increase in salaries (increase or decrease by 0.5%) | 1,635,390 | 1,603,390 |
| Rate of increase in pensions (increase or decrease by 0.5%) | 1,743,390 | 1,495,390 |
| Rate for discounting scheme liabilities (increase or decrease by 0.5%) | 1,465,390 | 1,773,390 |

Assets and Liability Matching (ALM) Strategy

The pensions committee of Durham County Council has agreed an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pension's obligation by investing in long-term fixed-interest securities and index-linked gilt-edged investment with maturities that match the benefits payments as they fall due. This is balanced with the need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (47% of scheme assets) and bonds (40%). The scheme also invests in properties as a part of the diversification of the schemes investment. The ALM strategy is monitored annually or more frequently if necessary.

Impact on Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the long term. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The CC is expecting to pay £4.55M expected contributions to the scheme in 2020/21.

McCloud / Sargeant judgement

The Chief Constable of Durham Constabulary, along with other Chief Constables and the Home Office, currently has claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. These claims were previously stayed behind the McCloud/Sargeant judgement but have now been lifted. On 16 July 2020, the Chief Secretary to the Treasury laid in Parliament a consultation document on proposed changes to public service pensions.

The main areas of consultation are:

- Protection will be extended to cover all scheme members who were in active scheme membership on 31 March 2012. Unprotected and tapered members will have the same protection as protected members.
- Accrual in the final salary scheme for existing and new protected members will cease on 31 March 2022 and all active members will be placed in the 2015 Pension scheme.
- All protected members will be given the choice to receive pension benefit accrued in the protected period on a CARE basis as an alternative to final salary benefits
- When the choice is to be made, immediate or deferred
- The approach to retrospective adjustment's to pension contributions, PAYE and tax.

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported 2023/24, although this may be subject to change.

GMP equalisation

Schemes must equalise guaranteed minimum pension (GMP) benefits for men and women. For the LGPS this has been included in the IAS19 Disclosure.

The position on GMP equalisation for the Police scheme is a much lower percentage than the LGPS as the retirement ages are equal. The 2017/18 IAS19 disclosures included a past service cost which reflected the extension of Her Majesty's Inspector of Taxes (HMIT) interim solution to GMP indexation to April 2021. Since this date there has been no change in HMIT's position. The actuary has discussed this approach with the National Audit Office and agreed that no allowance would be made this year, primarily as the position regarding equalisation of GMPs in the unfunded schemes is uncertain, pending a central approach from HMIT.

PENSION FUND ACCOUNTS

The funding arrangements for the Police Pension Scheme in England and Wales changed from 1 April 2006. Before 1 April 2006 each Police Authority was responsible for paying the pensions of its former officers on a pay as you go basis rather than a percentage of pensionable earnings as an employer's contributions. Under the current funding arrangements the Scheme remains unfunded but no longer on a pay-as-you-go basis as far as an individual Chief Constable is concerned. The Chief Constable no longer meets the pension outgoings directly, instead they pay an employer's pension contribution based on a percentage of pay into the Pension Fund. Each individual Chief Constable is required to operate a Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulations.

Under the new arrangements the Pension Fund is balanced to nil at the end of the year by transferring from the Chief Constable's Income and Expenditure Account an amount equivalent to the deficit on the Fund. There are no investment assets relating to the Police Pension Fund.

The transactions of the Police Pension Fund are as follows. Net assets are included within the Chief Constable's Balance Sheet.

Police Officer Pension Fund Account 2019/20

| 2018/19 | 2018/19 | | 2019/20 | 2019/20 |
|---------|----------|---|----------|----------|
| £'000 | £'000 | | £'000 | £'000 |
| (9,670) | | Contributions receivable | | |
| | | From local policing body | (13,770) | |
| (1,317) | | Additional funding payable by local policing body to meet the deficit for the year. | - | |
| (5,633) | | Reimbursement of unabated pensions (30+ police officers) From Officers | (5,669) | |
| | (16,620) | | | (19,439) |
| | (291) | Transfers in | | |
| | | Transfers in from other schemes | | (600) |
| | (101) | Recharges to other local Authorities | | |
| | | Net recharges | | (85) |
| 36,149 | | Benefits payable | | |
| 8,196 | | Pensions | 37,690 | |
| - | | Commutations and lump sum retirement benefits | 8,107 | |
| | | Lump Sum Death Benefit | - | |
| | 44,345 | | | 45,797 |
| | | Payments to and on account of leavers | | |
| 18 | | Transfers out to other schemes | - | |
| - | | Refund of Contributions | - | |
| | 18 | | | - |
| | 27,351 | Net amount payable for the year | | 25,673 |
| | (27,351) | Contribution from policing body in respect of the deficit | | (25,673) |
| | - | Year end balance | | - |

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2019/20, being reflected in a reduction in HMT pension top up funding.

Police Officer Pension Fund Net Asset Statement

| As at 31 March 2019 | | As at 31 March 2020 |
|---------------------------|--|---------------------------|
| £'000 | | £'000 |
| | Current Assets | |
| 6,666 | Funding to meet deficit due from the local policing body | 5,679 |
| - | Cash Held | - |
| | Current Liabilities | |
| - | Unpaid Pension Benefits | |
| (6,666) | Recharges to other Authorities | (5,679) |
| | Surplus for the year owing to the local policing body | |
| - | Net Current Assets/Liabilities | - |

1 Basis of Preparation

The pension fund accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2 Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amount receivable from the Chief Constable and pensionable employees. The contributions are made at rates determined by the Government Actuary's Department. The Employer's contributions are set at a nationally applied rate of 31% of pensionable pay. For 2018/19 the employee's contributions are dependent on salary: 12.25% or 12.5% for the Police Officers Pension Scheme 1987; 10.1%, 10.5% or 10.75% for the Police Officers' Pension Scheme 2006 and 12.44%, 13.44% and 13.78% for the Police Officers' Pension Scheme 2015.

The Chief Constable is also required to make payments into the Pension Fund in respect of ill-health retirements when they are granted.

Benefits

In accordance with the accruals concept benefits are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums payable by or receivable from, other pension schemes for individuals only and relate to periods of previous pensionable employment. Transfers are accounted for on a receipts and payments basis.

Current Assets and Liabilities

The current assets and liabilities are measured at fair value and carried at their amortised cost.

Net Current Assets

The carrying amounts of current assets is shown below:

| | As at 31 March 2019 £'000 | As at 31 March 2020 £'000 |
|------------------------|------------------------------------|------------------------------------|
| Debtors | | |
| Government Departments | 6,666 | 5,679 |
| Local Authorities | - | - |
| | 6,666 | 5,679 |

Net Current Liabilities

| | As at 31 March 2019 £'000 | As at 31 March 2020 £'000 |
|------------------------|------------------------------------|------------------------------------|
| Payables | | |
| Government Departments | - | - |
| Local Authorities | - | - |
| Others | - | - |
| | - | - |

GLOSSARY

Accruals

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

Budget

The CC's plans and policies expressed in financial terms.

Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash Equivalents

Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local authority finance.

Collection Funds

Funds administered by Durham County Council and Darlington Borough Council in which individuals' Council Tax payments are paid. The Commissioner raises precepts on the funds to finance part of net revenue expenditure.

Collection Fund Adjustment Account

The account through which to implement the accruals basis for recording the precept without affecting the bottom line for taxpayers.

Contingency

The sum of money set aside to meet unforeseen expenditure or liability.

Council Tax

The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

Current Assets

Items that can be readily converted into cash.

Current Liabilities

Items that are due immediately or in the short-term.

Debtors

Persons or bodies who owe sums to the CC.

Earmarked Reserves

These represent monies set aside that can only be used for a specific purpose.

Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year end. They include salary, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which the employee renders service to the CC. An accrual is made for the cost of the benefit earned by an employee but not taken before the year end. The accrual is charged to the surplus or deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement.

Interest Income

The money earned from the investment of surplus cash.

International Financial Reporting Standards (IFRS)

The CC's financial statements have been prepared in accordance with the following statutory accounting standards adopted by the International Accounting Standards Board (IASB):

- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS)
- Interpretations of the International Financial Reporting Interpretations Committee (IFRIC)
- Interpretations of the Standing Interpretations Committee (SIC)

National Non-Domestic Rates (NNDR)

The business rate is set annually by the government. Income from business rates goes into a central government pool that is then distributed to authorities according to resident population.

Outturn

The actual amount spent in the financial year.

Payables

Persons or bodies to whom sums are owed by the CC.

Payments in Advance

These represent payments up to 31st March for supplies and services received after 31 March.

Receipts in Advance

These represent income received prior to 31st March for supplies and services provided after 1st April.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the CC's service.

Running Expenses

All expenses other than those relating to employees and the financing costs of capital expenditure (capital financing costs and revenue contributions). Running expenses include expenditure on maintenance of buildings, consumable supplies, transport etc.

Termination Benefits

Amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Net Cost of Service in the Comprehensive Income and Expenditure Statement.



CHIEF CONSTABLE OF DURHAM

ANNUAL GOVERNANCE STATEMENT 2019/20

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

Durham Constabulary is responsible for ensuring that its business is conducted in accordance with the financial governance arrangements outlined in the Financial Management Code of Practice for the Police Service of England and Wales (2013) as revised in July 2018. The police service also has a statutory duty to secure value for money in the use of public funds.

In discharging this overall responsibility, Durham Constabulary is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes the management of risk.

Durham Constabulary established a Corporate Governance Framework through which the Chief Constable can be assured that the Force's systems, policies and people are operating in a way that is driving the delivery of agreed corporate objectives, are focused on the key risks to the delivery of those objectives and are economic, efficient and effective.

This statement meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement (AGS).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the Force is directed and controlled and the activities through which it accounts to and engages with and leads its community. It enables the Force to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. 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 Force's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has continued to be in place at Durham Constabulary for the year ended 31 March 2020 and up to the date of the approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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 Force, the Police, Crime and Victims' Commissioner (PCVC) is required under the Police Reform and Social Responsibility Act 2011 to hold him to account for the exercise of those functions and those of the persons under his direction and control.

The Annual Governance Statement (AGS) provides a summary of the extent to which the Force meets the seven principles of good governance as identified in the Delivering Good Governance in Local Government: Guidance Note for Police (2016).

Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

To achieve this, the Chief Constable:-

- has a detailed organisational structure, with clearly defined responsibilities and terms of reference, which are monitored and updated when required;
- has established clear roles and responsibilities for each of his senior officers. There is a formal Constabulary accountability/performance management framework and each officer and staff member is subject to the Constabulary Personal Development Review CPD procedures;
- ensures that officers and staff carry out their respective roles in a climate of openness, support and respect;
- has developed standards of conduct and personal behaviour which are defined and communicated through appropriate codes of conduct and protocols;
- has implemented the recommendations contained within the HMIC public interest report – Without Fear or Favour that examined police relationships with media and other parties, information disclosure, hospitality and gratuities, business interests procurement and contracts, and those of the follow up reports - Revisiting police relationships and Integrity Matters;
- has delivered Leading through Standards of Professionalism training via its Professional Standards Department to Officers and staff;
- has a policy on counter fraud and corruption which clearly sets out the procedures to be operated and which is designed to encourage prevention, promote detection and identify a clear pathway for the investigation of fraudulent and/or corrupt practices or behaviour;
- has appropriate and long established Whistle-blowing arrangements and processes in place within the Constabulary;
- has established procedures for dealing with and investigating complaints which are in line with national guidelines;
- promotes the values for the PCVC and Force demonstrating the values of good governance through upholding standards of conduct and behaviour;
- oversees mechanisms and processes such as business interests, gifts and hospitality and media relationships;

- embraces the concept of an internal and external ethics committee responsible for enhancing trust and confidence in the ethical governance and actions of Durham Constabulary;
- completed training to all staff on the code of ethics developed by the College of Policing and awareness raising in respect of abuse of authority for sexual gain.
- ensures that the Constabulary website in relation to integrity and transparency details actions taken to prevent, increase intelligence, enforce and provide reassurance to members of the public of strategies and outcomes of our current transparency agenda;
- oversees a restorative approach to complaint resolution and allows officers and staff to mediate with the members of the public in a controlled fashion;
- oversees all response and neighbourhood staff being provided as personal issue a body camera which maximises evidence yield and assists with the integrity and transparency agenda; and
- ensures that appropriate legal, financial and other professional advice is considered as part of the decision-making process and observes the specific requirements of legislation and its general responsibility by Law.

Principle B Ensuring openness and comprehensive stakeholder engagement

To achieve this, the Chief Constable:-

- holds regular meetings with local communities through the Police and Communities Together (PACT) initiative which offers the community a chance to be heard, to discuss issues that affect communities, to agree local action to tackle these issues and agree priorities;
- works with partner organisations through the Durham and Darlington Community Safety Partnerships to tackle crime, disorder, anti-social behaviour, substance misuse, other behaviour adversely affecting the local environment and to reduce re-offending as required by the Crime and Disorder Act 1998 and amended by the Police and Justice Act 2006;
- The Safe Durham Partnership has developed a Partnership Plan as part of its statutory responsibility to develop a three year plan to tackle priorities identified from the County Durham Joint Strategic Assessment and public consultation;
- regularly publishes information on the Constabulary's work and achievements;
- undertakes a local Public Confidence Survey highlighting public confidence levels and concerns at a local level about policing in their neighbourhood;
- ensures, as part of the investigative update process, that responsible officers in charge engage directly with the victims of crime and keep them informed;
- is working with a group of volunteers who are undergoing training to develop a restorative approach to tackling crime and anti-social behaviour within the community. The volunteers are mostly local people who are giving their time to act as facilitators, bringing together victims and offenders to talk about the impact of an incident and what can be done to put things right;
- undertakes a victim satisfaction survey which provides the Force with information about the quality of service they have received from the Police service;
- holds regular meetings through Neighbourhood Policing teams with the public to discuss local policing priorities and activities to focus work upon. Feedback from these meetings are also included as part of the Force's priority setting process; and
- ensures that Durham Constabulary works in partnership with the Independent Office for Police Conduct. The Home Office and key strategic partners ie HM Coroner to enhance service delivery.

Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits

To achieve this, the Chief Constable:-

- sets out Durham Constabulary's vision and purpose in accordance with the Police and Crime Plan which sets out policing priorities to be delivered and which is reviewed annually;
- utilises Plan on a Page as the operational delivery mechanism for the Police and Crime Plan and for executing the Chief Constable's own operational independence and 'corporation sole';
- decides how the quality of service for users is to be measured and ensures that the information needed to review service quality effectively and regularly is available;
- provides a commitment to the public to deliver excellent policing to inspire confidence and deliver high satisfaction to victims and local communities in accordance with the Force's Aiming for Excellence philosophy and through 3 key themes of protecting neighbourhoods, tackling criminals and solving problems around the clock; underpinned by the corporate values of 'Positive', 'Fair', 'Courageous' and 'Integrity';
- works in partnership with stakeholders (for example) Durham University to better understand the specific drivers of victim satisfaction and public confidence in relation to crime and Anti Social Behaviour, engages with the public to better understand and address issues that have a negative impact on communities;
- has a robust performance framework that ensures the Chief Constable is informed of progress against key performance objectives;
- has effective arrangements in place to ensure the Constabulary performs to high standards and to identify and deal with failure in service delivery;
- established a Medium Term Financial Plan supported by robust, sustainable multi-year budgets, supported by a Workforce Plan.
- continuously improves processes to ensure that the information needed to review performance in achieving value for money effectively and regularly is available;
- keeps under review the Force's key functions and departments to ensure the delivery of effective policing with reduced numbers of staff. Frontline policing services are prioritised to ensure changes made will provide a maintained or improved service to the communities of County Durham and Darlington in future years;
- compares performance against peer data as provided within HMIC VFM profiles and seeks improvement where best practice is identified;
- has a robust complaints process in place; and
- continues to work with Independent Advisory Groups and minority consultative groups to ensure fairness of delivery.

Principle D Determining the interventions necessary to optimize the achievement of the intended outcomes

To achieve this, the Chief Constable:-

- has a detailed medium term financial plan which includes actions to ensure financial sustainability;

- has a performance management framework, to ensure plans are met and remedial action taken;
- has processes in place to ensure data quality is high, so as to enable objective and rigorous decision making;
- reviews victim and community feedback to identify areas for improvement;
- holds monthly Executive Board meetings where issues are raised and actions agreed upon;
- has a risk management process (plan on a page) to identify where interventions may be required; and
- has a sound, research evidenced, understanding of demand (current and future) which informs resource allocation decisions.

Principle E Developing the entity’s capacity, including the capability of its leadership and the individuals within it

To achieve this, the Chief Constable:-

- has established clear roles and responsibilities for each of the Constabulary’s senior officers. There is a formal Constabulary accountability/performance management framework and each officer is subject to the Constabulary Personal Development Review procedures;
- has robust performance management arrangements within the Constabulary which enables each officer’s needs, training and development requirements to be identified. The framework enables officers to work with their line managers to agree the appropriate actions to address their needs and regular reviews of progress are held;
- ensures that all police staff are issued with contracts of employment, each role is covered by a job description, all of which are processed through the Constabulary job evaluation scheme to determine the appropriate remuneration for the role. All changes to terms and conditions of contracts or to job descriptions are negotiated through the police staff group;
- Police Officers are servants of the Crown, their terms and conditions are provided for under national police regulations. The Constabulary has a range of policies to support the implementation of the national regulations, and any changes to these policies are negotiated/subject to consultation through the Personnel User Group;
- takes into account previous training and experience when considering officer postings;
- considers succession planning of key roles within departments;
- ensures that PDRs / CPD is carried out;
- ensures that key training is provided to Officers and staff including First Aid Training, Personal Safety Training and Driver Training;
- is working with Durham University Business School in understanding staff behaviours and how staff can best be supported an activity now recognised as national best practice; and
- Provides leadership and talent management development to staff and managers.
- Established processes to gain a better understanding of current / future demand.
- monitors the efficient and effective management of human, financial and environmental resources. Clear examples of this have been the Estates Programme which has a clear focus on reducing the impact upon the environment, adopting modern working methods whilst saving money and renewing key IT systems e.g. Locard, Red Sigma, Case & Custody, bodyworn devices and mobile devices;
- promotes an ethos of continuous improvement across the force in order to reduce organisational costs and improve performance. In practice this is driven through the

Continuous Improvement Programme Board which commissions activities and oversees outcomes from the Strategic Programme Boards chaired by a Force Executive Officer;

- Individual programmes contain business cases to ensure value for money, programme and project plans to ensure effective resource management, quality measures; and projected benefits for communities;
- Utilises “Plan on a Page” a well established strategic planning approach which combines the vision, business plan, performance and risk all within one document. Strategic business risks are discussed and debated at the monthly Force Leadership Group where a determination is made as to their level and the plan updated. As a minimum this is done across all business areas every three months, but may be done more dynamically as a new risk reemerges. The plan utilises a balanced scorecard approach and links all the business areas within force, and the requirement to achieve value for money. Operational risks are overseen at the monthly Force Threat and Risk meeting which is the highest level operational meeting under the National Intelligence Model in Force;
- actively pursues joint working opportunities at a local, regional and national level, which has resulted in a number of policing services being delivered in collaboration with other forces or organizations; and
- ensures when working in partnership that the arrangements for governance and accountability for performance and financial administration are clearly articulated and disseminated.

Principle F Managing risks and performance through robust internal control and strong public financial management

To achieve this, the Chief Constable:-

- develops and maintains effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations;
- develops and maintains effective arrangements to challenge and scrutinise the Constabulary’s own performance and compliance with other requirements;
- provides objective and timely information which is necessary to take balanced and informed decisions;
- ensures that risk management is embedded and is used effectively to inform and focus decision making;
- ensures the Constabulary has effective, transparent and accessible arrangements in place for dealing with complaints;
- ensures the Constabulary reviews and revises as appropriate its key governance documents, i.e. financial regulations and contract procedure rules;
- provides the PCVC and External Audit with Revenue and Capital Monitoring reports on a regular basis;
- maintains with the PCVC a Joint Audit Committee; and
- ensures that the Joint Audit Committee have scrutiny of a sample of complaints and misconduct matters.

Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability

To achieve this, the Chief Constable:-

- has, with the PCVC, an established Corporate Governance Framework that clarifies the way in which their two corporations sole, will govern both jointly and separately, to do business in the right way, for the right reason at the right time
- publishes relevant information relating to salaries, business interests and performance data on its website;
- has a Procurement Department with clear guidelines for procuring goods and services;
- has a well-established community engagement process (PACT);
- has a Joint Audit Committee that operates in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Home Office's Financial Management Code of Practice;
- publishes information to the PCVC and Police and Crime Panel as part of established accountability mechanisms;
- acts upon the findings / recommendations of HMIC Inspections and Internal Audit / External Audit Reports; and
- prepares an Annual Governance Statement for scrutiny.

4. REVIEW OF EFFECTIVENESS

Durham Constabulary has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Force who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates.

Based on the delivery of the internal audit plan, Internal Audit is able to provide a moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Constabulary in 2018/19. This opinion ranking provides assurance that, whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. Given the extent of change across the Constabulary and the overall reduction in resources during the year, the sustainment of this assurance opinion should be regarded as a positive outcome.

During the year the Joint Audit Committee has considered a wide range of reports that related to the Force's governance arrangements and which included:

Internal Audit Plan 2018/19

Fraud and Corruption Annual Report

Annual Review of the System of Internal Audit

Internal Audit Progress Reports

External Audit Progress Reports

Review of the Joint Chief Finance Officer Role and Safeguards Protocol

Corporate Governance Action Plan Updates

Force Risk Register Update

Draft Budget and Medium Term Financial Outlook

Quarterly Professional Standards Report

Annual Overview of Collaboration

Annual Review of Gifts and Hospitality

5. SIGNIFICANT GOVERNANCE ISSUES

The Chief Constable is fully committed to the principles of corporate governance, and has worked closely with the Police, Crime and Victims' Commissioner to develop / enhance arrangements in place.

Following the production of the Annual Governance Statement for 2017/18, an action plan was produced that contained five recommendations relating to the Force. Progress made in implementing each of these has been tracked during the year and formed the starting point of the work to produce the 2018/19 Annual Governance Statement.

A summary of how the significant issues identified in the 2017/18 Annual Governance Statement, which, in the main, are of a recurrent nature, have been progressed is provided below.

| Issue Raised in 2017/18 | Current Position |
|---|---|
| Further Funding Reductions | <p>Ongoing: The PCVC and Force agreed its Medium Term Financial Plan with the Executive Board and is delivering 2018/19 budget reductions through a mixture of officer and staff reductions; workforce modernisation initiatives; and through non-pay related savings. The Force monitors progress made to deliver efficiency savings via its Strategic Resourcing Group.</p> <p>The Force is still awaiting the outcome of the formula funding review and as such this issue remains one of significance.</p> |
| Continued Collaboration with Other Forces and Organisations | <p>Ongoing: The Force has already delivered a number of joint initiatives with neighbouring Forces in Cleveland and Northumbria as well as with the County Durham and Darlington Fire & Rescue Service.</p> <p>With further initiatives in development this issue remains one of significance.</p> |

| | |
|--|--|
| The Strategic Policing Requirement (SPR) | <p>Ongoing: The Force has carried out an internal assessment and business continuity plans are in place as required by the Strategic Policing Requirement (SPR).</p> <p>Whilst there is a sound understanding of the requirements of the SPR, there will be an ongoing need to ensure that its key elements are adequately resourced, where necessary, and as such this issue remains one of significance.</p> |
| Commissioning of Services | <p>Ongoing: A review of Commissioning of Services has been carried out with grants allocated accordingly and a new commissioning framework established. Process and outcomes are subject to regular review.</p> <p>With commissioning of services set to expand and in looking to ensure the achievement of the PCVC's objectives whilst delivering Value for Money this issue remains one of significance.</p> |
| The PCVC Chief Financial Officer Role | <p>Ongoing: A review of the Joint CFO role has been carried out and with appropriate safeguards in place, is considered a highly effective way of managing the finances of the PCVC and the Constabulary, and enabling efficient decision-making. This has been reported to the Joint Audit Committee & Executive Board.</p> <p>This arrangement is seen to constitute an ongoing governance risk and as such this issue remains one of significance.</p> |

Further to the work undertaken as outlined above the following matters, identified in preparing the Statement and relevant at the time of its adoption, are considered to be significant.

The most recent Government statements on funding for policing indicate that austerity will continue to place pressure on the force budget, although to a lesser extent than in the previous few years. The Government has permitted PCCs to raise additional Council Tax in both 2018-19 and 2019-20, with the second year being subject to satisfactory progress being made nationally with regard to efficiency and effectiveness. This Council Tax increase provides financial stability for those 2 years which will enable overall workforce numbers to remain static. A comprehensive spending review is planned for the summer of 2019. Therefore, any further changes to police funding is likely to take place from 2021/22 onwards. The Medium Term Financial Plan presents a budget that is balanced and which will enable the number of police officers locally to remain stable throughout the life of the plan until 2022. There are assumptions which underpin this, including a 2% annual pay increase. A document about the robustness of the assumptions has been published alongside the Medium Term Financial Plan. If those assumptions turn out to be incorrect, then budget pressures for which we have not planned could arise.

A further risk relates to the potential imposition of a new Police Funding Formula which could adversely affect overall levels of funding in future years. This will prove increasingly

challenging to the Force in terms of sustaining ongoing service delivery and will require a continuous review of officer and staffing structures and ongoing scrutiny of all non-staffing budgets. The Force will need to work closely with the PCVC to ensure that savings are achieved and funding streams maximised to ensure that the budget remains in balance. A report has been agreed at Executive Board in June 2018, and which still remains relevant which details specific areas to reduce expenditure in the event that there is a significant reduction in funding as a result of the formula. These are currently the subject of detailed work and a number of actions will be introduced regardless of the outcome of the funding formula review in order to generate budget flexibility. A key challenge for the Force would be to demonstrate increased productivity levels which is required for all Forces in order to justify further freedoms in relation to precept levels and grant levels.

Collaboration will continue to be addressed pro-actively in terms of other forces, and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services, and this is reflected in the PCVC's governance structure in relation to collaboration. A number of new collaborative initiatives were established during 2018/19 including a shared premises in Barnard Castle with Fire, Ambulance and Mountain Rescue and a joint Criminal Justice Programme Team, which will save money and increase capacity / resilience for the Force. However, collaboration will not always save the force money. Our systems to determine areas for collaboration require robust business cases to be developed, and proposals will only be proceeded with if benefits are predicted.

The Strategic Policing Requirement (SPR) may require the Force to respond to a major incident-which could impact on normal governance arrangements/decision making due to its scale and timing.

Commissioning of services will expand and will continue to be progressed so as to ensure the achievement of the PCVC's objectives whilst delivering Value for Money.

The PCVC Chief Financial Officer (CFO) role provided by the CC CFO is acknowledged to contribute a governance risk and concerns have been expressed previously by the JAC. A review of the arrangement has been undertaken annually, adequate safeguards have been identified, presented to the JAC for comment and review, implemented and embedded as the standard protocol. This protocol has been included as best practice in a report by the Committee on Standards in Public Life into Police Governance.

I propose to address the above matters to further enhance my governance arrangements and will monitor the implementation and operation of these improvements over the course of the year.

Signed:

J Farrell

Chief Constable of Durham

Date:
