

# **Office of the Police and Crime Commissioner For Durham**

## **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, Chief Finance 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 Office of the Police and Crime Commissioner for Durham and the Group accounts of the Office of the Police and Crime Commissioner for Durham which incorporates the accounts of the Chief Constable and the PCVC. The financial position of the Chief Constable of Durham Constabulary is set out in the Chief Constable's accounts which is a separate document.

The main role of the PCVC is to:

- Hold the Chief Constable to account.
- Issue a police and crime plan and keep it under review.
- Set the budget and precept for the forthcoming financial year.

There are a range of governance mechanisms in place to deliver the above, which are outlined in the annual governance statement elsewhere in this document.

### Governance

The annual governance statements (AGS) for the PCVC and CC were produced in line with CIPFA guidance. Both the AGSs were agreed at the Executive Board on 9<sup>th</sup> 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:**

**Revenue Budget**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	104,057	105,186	(1,129)
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)
Police & Crime Commissioner's office	943	965	(22)
Capital Financing	616	325	291
Commissioning	2,033	1,957	76
Revenue contribution to capital	3,117	4,003	(886)
Contribution to/(from) from Reserves	-	1,657	(1,657)
<b>Gross Expenditure</b>	<b>128,276</b>	<b>136,056</b>	<b>(7,780)</b>
<b>Special Grants and Other Income</b>	<b>(5,097)</b>	<b>(12,877)</b>	<b>7,780</b>
<b>Net Expenditure</b>	<b>123,179</b>	<b>123,179</b>	<b>-</b>
<b>Financing</b>			
Specific Grant	(43,029)	(43,029)	-
Redistributed Non-Domestic Rates	(37,180)	(37,180)	-
Legacy Grants	(6,110)	(6,110)	-
Pension Grant	(1,260)	(1,260)	-
Precept Income	(35,600)	(35,600)	-
<b>Total Financing</b>	<b>(123,179)</b>	<b>(123,179)</b>	<b>-</b>
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>

The original budget was set at £123.2m and out turned at £121.5m. However within this total, the main variations 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.

### Capital Budget

Project	Original Budget plus carry forward and grants £'000	Actual £'000	Variance £'000
<b>Expenditure</b>			
Property	2,155	1,467	688
IT	4,424	1,612	2,812
Vehicles	1,282	1,043	239
Equipment	521	141	380
	8,382	4,263	4,119
Written off capital expenditure		80	
Additions to Fixed Assets		4,343	
<b>Financed by:</b>			
Capital Grant/Contributions		275	
Contribution Reserve		65	
Revenue		4,003	
		4,343	

The original capital budget was set at £8.4m and out turned at £4.3m. The underspends are due to:

- Delays in recruiting IT staff to deliver capital schemes. This is not unique to the Force.
- Delays in the receipt of equipment
- Cancellation of a relocation

### 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 Group employed 1,152 officers as at 31st March 2020, 1,016 staff and 128 PCSOs. This was across the following main areas of policing:

<b><u>Command Area</u></b>	<b><u>Officers</u></b>	<b><u>Staff</u></b>	<b><u>PCSOs</u></b>
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	-
PCVC Office	-	16	-
Executive	5	11	-
Secondments and Career Break	3	-	-
<b>Total Group</b>	<b>1152</b>	<b>1046</b>	<b>128</b>

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. During 2019/20 the national police officer uplift programme resulted in the force recruiting an additional net 14 police officers, funded by Home Office grant.

## **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.

## **Ageing Estate**

There are several key assets which continue to depreciate. Work has been ongoing to ensure that they remain operational whilst a longer-term solution is sought. A capital modernisation fund has been established in order to provide resource to fund significant improvements. Key issues relate to:

- The re-provision of custody;
- Improving section offices and re-provision of the Sexual Assault Referral Centre; and
- Affordability of minor estates improvements.
- Affordability of backlog maintenance issues.

## **Changing Demand**

Demand continues to rise across a number of areas, in particular across cyber crime, safeguarding and mental health. 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 work plan was agreed with the force to ensure service delivery was maintained and adequate governance arrangements introduced as part of holding the Chief Constable to account. Additional information in respect of Covid is included in the Annual Governance statement.

## **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.
- A review of victims and witness services



# **Independent Auditor's Report to the Group and the Office of the Durham Police and Crime Commissioner**

**To Follow**

# Statement of Responsibilities for the Statement of Accounts

## The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner 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 of the Police and Crime Commissioner,
- Manage his affairs to secure economic, efficient and effective use of resources and safeguard his assets,
- Approve the Statements of Accounts.

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Police and Crime Commissioner'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 2019/20. In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also

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

## Chief Finance Officer's Certificate

I certify that the accounts present a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Durham and of the Group 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**

Chief Finance Officer of the Office of the Police and Crime Commissioner for Durham

**Date**

## Police and Crime Commissioner's Certificate

I confirm I have approved these accounts

**Stephen White**

**Date**

## Group Comprehensive Income and Expenditure Statement for the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2020

2018/19 Gross Expenditure £'000	2018/19 Income £'000	2018/19 Net Expenditure £'000		2019/20 Gross Expenditure £'000	2019/20 Income £'000	2019/20 Net Expenditure £'000
189,457	-	189,457	Employee costs	135,351	-	135,351
17,139	-	17,139	Non employee costs	21,006	-	21,006
3,353	-	3,353	PCVC costs	3,005	-	3,005
2,195	-	2,195	Capital charges	4,275	-	4,275
-	(9,034)	(9,034)	Income	-	(13,411)	(13,411)
<b>212,144</b>	<b>(9,034)</b>	<b>203,110</b>	<b>Net Cost of Services</b>	<b>163,637</b>	<b>(13,411)</b>	<b>150,226</b>
			<b>Other Operating Expenditure</b>			
27,351	(27,351)	-	Police Pension Top Up Grant	25,673	(25,673)	-
		830	Levies			1,001
		138	Loss on the Disposal of Non-current Assets			170
			<b>Financing and Investment Income and Expenditure</b>			
		3	Interest payable and similar charges (Note 13)			-
		41,673	Net interest on defined benefit liability (Note 29)			43,744
		(96)	Interest receivable and similar income (Note 13)			(162)
			<b>Taxation and non-specific grant income</b>			
		(36,446)	National Non Domestic Rates (Note 25)			(37,180)
		(42,112)	Police Grants (Note 25)			(43,028)
		(31,014)	Precepts (Note 25)			(35,361)
		(6,110)	Council Tax Support Grant (Note 25)			(6,110)
		(1,017)	Capital Grants and Contributions (Note 25)			(661)
		<b>128,959</b>	<b>Group deficit on Provision of Services</b>			<b>72,639</b>
		(1,379)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets (Note 11)			(26)
		9,770	Re-measurements of the defined benefit liability (Note 29)			(163,721)
		<b>8,391</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(163,747)</b>
		<b>137,350</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(91,108)</b>

This statement shows the accounting cost in the year for the Group of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCVC raises precept to cover expenditure in accordance with the regulations; this may be different from the accounting cost. The amount chargeable to precept is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

## Comprehensive Income and Expenditure Statement for the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2020

2018/19 Gross Expenditure £'000	2018/19 Income £'000	2018/19 Net Expenditure £'000		2019/20 Gross Expenditure £'000	2019/20 Income £'000	2019/20 Net Expenditure £'000
924	-	924	Employee costs	861	-	861
2,429	-	2,429	Non employee costs	2,144	-	2,144
2,195	-	2,195	Capital charges	4,275	-	4,275
-	(1,532)	(1,532)	Income	-	(2,467)	(2,467)
-	(2,195)	(2,195)	Charge for use of assets	-	(4,275)	(4,275)
111,312	-	111,312	PCVC funding for resources consumed by the CC	119,816	-	119,816
<b>116,860</b>	<b>(3,727)</b>	<b>113,133</b>	<b>Net Cost of Services</b>	<b>127,096</b>	<b>(6,742)</b>	<b>120,354</b>
			<b>Other Operating Expenditure</b>			
27,351	(27,351)	-	Police Pension Top Up Grant	25,673	(25,673)	-
		-	Levies			60
		138	Loss on the Disposal of Non-current Assets			170
			<b>Financing and Investment Income and Expenditure</b>			
		3	Interest payable and similar charges (Note 13)			-
		13	Net interest on defined benefit liability (Note 30)			14
		(96)	Interest receivable and similar income (Note 13)			(160)
			<b>Taxation and non-specific grant income</b>			
		(36,446)	National Non Domestic Rates (Note 25)			(37,180)
		(42,112)	Police Grants (Note 25)			(43,028)
		(31,014)	Precepts (Note 25)			(35,361)
		(6,110)	Council Tax Support Grant (Note 25)			(6,110)
		(1,017)	Capital Grants and Contributions (Note 25)			(661)
		<b>(3,508)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(1,902)</b>
		(1,379)	(Surplus)/Deficit on revaluation of non current assets (Note 11)			(26)
		(31)	Re-measurements of the defined benefit liability (Note 30)			131
		<b>(1,410)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>105</b>
		<b>(4,918)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(1,797)</b>

## Group Movement in Reserves Statement for the Office of the Police and Crime Commissioner for Durham

Current year	Police Fund Balances £'000	Earmarked Reserves £'000	Capital Grants and Contrib'ns Unapplied £'000	Capital Receipts Reserves £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance at 31 March 2019</b>	6,159	4,459	2,062	11,716	24,396	(1,772,041)	(1,747,645)
<b>Movement in reserves during 2019/20</b>							
<b>Total Comprehensive Income and Expenditure</b>	<b>(72,639)</b>	-	-	-	<b>(72,639)</b>	<b>163,747</b>	<b>91,108</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	74,314	-	261	4,422	78,997	(78,997)	-
Earmarked Reserves movements (Note 10)	(1,275)	1,275	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	<b>400</b>	<b>1,275</b>	<b>261</b>	<b>4,422</b>	<b>6,358</b>	<b>84,750</b>	<b>91,108</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>6,559</b>	<b>5,734</b>	<b>2,323</b>	<b>16,138</b>	<b>30,754</b>	<b>(1,687,291)</b>	<b>(1,656,537)</b>
<b>Comparative year</b>							
<b>Balance at 31 March 2018</b>	5,666	3,066	1,889	7,535	18,156	(1,628,451)	(1,610,295)
<b>Movement in reserves during 2018/19</b>							
<b>Total Comprehensive Income and Expenditure</b>	<b>(128,959)</b>	-	-	-	<b>(128,959)</b>	<b>(8,391)</b>	<b>(137,350)</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	130,845	0	173	4,181	135,199	(135,199)	-
Earmarked Reserves movements (Note 10)	(1,393)	1,393					
<b>Increase/(Decrease) in year</b>	<b>493</b>	<b>1,393</b>	<b>173</b>	<b>4,181</b>	<b>6,240</b>	<b>(143,590)</b>	<b>(137,350)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>6,159</b>	<b>4,459</b>	<b>2,062</b>	<b>11,716</b>	<b>24,396</b>	<b>(1,772,041)</b>	<b>(1,747,645)</b>

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

## Movement in Reserves Statement for the Office of the Police and Crime Commissioner for Durham

Current year	Police Fund Balances £'000	Earmarked Reserves £'000	Capital Grants and Contrib'ns Unapplied £'000	Capital Receipts Reserves £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance at 31 March 2019</b>	6,159	4,459	2,062	11,716	24,396	16,918	41,314
<b>Movement in reserves during 2019/20</b>							
<b>Total Comprehensive Income and Expenditure</b>	<b>1,902</b>	-	-	-	<b>1,902</b>	<b>(105)</b>	<b>1,797</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	(227)	-	261	4,422	4,456	(4,456)	-
Earmarked Reserves movements (Note 10)	(1,275)	1,275	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	<b>400</b>	<b>1,275</b>	<b>261</b>	<b>4,422</b>	<b>6,358</b>	<b>(4,561)</b>	<b>1,797</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>6,559</b>	<b>5,734</b>	<b>2,323</b>	<b>16,138</b>	<b>30,754</b>	<b>12,357</b>	<b>43,111</b>
<b>Comparative year</b>							
<b>Balance at 31 March 2018</b>	5,666	3,066	1,889	7,535	18,156	18,240	36,396
<b>Movement in reserves during 2018/19</b>							
<b>Total Comprehensive Income and Expenditure</b>	<b>3,508</b>	-	-	-	<b>3,508</b>	<b>1,410</b>	<b>4,918</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	(1,622)	-	173	4,181	2,732	(2,732)	-
Earmarked Reserves movements (Note 10)	(1,393)	1,393	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	<b>493</b>	<b>1,393</b>	<b>173</b>	<b>4,181</b>	<b>6,240</b>	<b>(1,322)</b>	<b>4,918</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>6,159</b>	<b>4,459</b>	<b>2,062</b>	<b>11,716</b>	<b>24,396</b>	<b>16,918</b>	<b>41,314</b>

## Group Balance Sheet for the Group of the Office of the Police and Crime Commissioner for Durham at 31 March 2020

31 March 2019			Notes	31 March 2020	
£'000	£'000			£'000	£'000
28,924		Property, Plant and Equipment	11	28,824	
2,056		Intangible Assets	12	1,897	
-		Long Term Debtors	13	-	
	<b>30,980</b>	<b>Total Long Term Assets</b>			<b>30,721</b>
544		Inventories		800	
16,892		Short Term Debtors	14	15,007	
4,729		Cash and Cash Equivalents	15	10,618	
	<b>22,165</b>	<b>Total Current Assets</b>			<b>26,425</b>
-		Short Term Borrowings		-	
(13,689)		Short Term Creditors	16	(15,724)	
	<b>(13,689)</b>	<b>Total Current Liabilities</b>			<b>(15,724)</b>
(1,630)		Provisions	17	(1,591)	
-		Long Term Borrowings		-	
(1,785,471)		Pensions Liability	18	(1,696,368)	
	<b>(1,787,101)</b>	<b>Total Long Term Liabilities</b>			<b>(1,697,959)</b>
	<b>(1,747,645)</b>	<b>Net Assets</b>			<b>(1,656,537)</b>
	24,396	Usable Reserves	19		30,754
	(1,772,041)	Unusable Reserves	19		(1,687,291)
	<b>(1,747,645)</b>	<b>Total Reserves</b>			<b>(1,656,537)</b>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations of their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulation'.

## Balance Sheet for the Office of the Police and Crime Commissioner for Durham at 31 March 2020

31 March 2019			Notes	31 March 2020	
£'000	£'000			£'000	£'000
28,924		Property, Plant and Equipment	11	28,824	
2,056		Intangible Assets	12	1,897	
-		Long Term Debtors	13	-	
	<b>30,980</b>	<b>Total Long Term Assets</b>			<b>30,721</b>
13,204		Short Term Debtors	14	7,842	
4,729		Cash and Cash Equivalents	15	10,618	
	<b>17,933</b>	<b>Total Current Assets</b>			<b>18,460</b>
-		Short Term Borrowings		-	
(6,968)		Short Term Creditors	16	(5,222)	
	<b>(6,968)</b>	<b>Total Current Liabilities</b>			<b>(5,222)</b>
-		Long Term Borrowings		-	
(631)		Pensions Liability	18	(848)	
	<b>(631)</b>	<b>Total Long Term Liabilities</b>			<b>(848)</b>
	<b>41,314</b>	<b>Net Assets</b>			<b>43,111</b>
	24,396	Usable Reserves	19		30,754
	16,918	Unusable Reserves	19		12,357
	<b>41,314</b>	<b>Total Reserves</b>			<b>43,111</b>



## Cashflow Statement for the Group of the Office of the Durham Police and Crime Commissioner for the year to 31 March 2020

2018/19		OPERATING ACTIVITIES	2019/20	
£'000	£'000		£'000	£'000
		<b>Cash Inflow</b>		
79,875		Specific Grants	84,112	
36,446		Redistributed Non-Domestic Rates	37,180	
31,498		Council Tax Receipts	35,600	
15,035		Cash received for goods and services	13,863	
96		Interest received	136	
	162,950	<b>Cash Inflows generated from operating activities</b>		170,891
		<b>Cash Outflow</b>		
(135,313)		Cash paid to employees	(138,084)	
(3)		Interest paid	-	
(21,334)		Cash paid to suppliers of goods and services	(24,277)	
	(156,650)	<b>Cash outflows generated from operating activities</b>		(162,361)
	<b>6,300</b>	<b>Net cash flows from operating activities</b>		<b>8,530</b>
		<b>INVESTING ACTIVITIES</b>		
61		Proceeds from the sale of Property, Plant and Equipment	86	
232		Capital grants/contributions received	479	
(3,734)		Purchase of Property, Plant and Equipment	(3,206)	
	(3,441)	<b>Net cash flows from investing activities</b>		(2,641)
		<b>FINANCING ACTIVITIES</b>		
(26,680)		Cash receipts of short term borrowing	(475)	
26,680		Repayments of short and long term borrowing	475	
	-	<b>Net cash flows from financing activities</b>		-
	<b>2,859</b>	<b>Net increase or decrease in cash and cash equivalent</b>		<b>5,889</b>
	1,870	Cash and cash equivalents at the beginning of the reporting period		4,729
		<b>Less</b>		
	4,729	Cash and cash equivalents at the end of the reporting period (Note 15)		10,618
	<b>(2,859)</b>			<b>(5,889)</b>

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

## Cashflow Statement for the Office of the Police and Crime Commissioner for Durham for the year to 31 March 2020

2018/19		OPERATING ACTIVITIES	2019/20	
£'000	£'000		£'000	£'000
		<b>Cash Inflow</b>		
78,556		Specific Grants	80,235	
36,446		Redistributed Non-Domestic Rates	37,180	
31,498		Council Tax Receipts	35,600	
8,853		Cash received for goods and services	7,739	
96		Interest received	134	
	155,449	<b>Cash Inflows generated from operating activities</b>		160,888
		<b>Cash Outflow</b>		
(797)		Cash paid to employees	(869)	
(3)		Interest paid	-	
(2,489)		Cash paid to suppliers of goods and services	(661)	
(145,860)		Adjustments to net deficit on the provision of services	(150,828)	
	(149,149)	<b>Cash outflows generated from operating activities</b>		(152,358)
	<b>6,300</b>	<b>Net cash flows from operating activities</b>		<b>8,530</b>
		<b>INVESTING ACTIVITIES</b>		
61		Proceeds from the sale of Property, Plant and Equipment	86	
232		Capital grants/contributions received	479	
(3,734)		Purchase of Property, Plant and Equipment	(3,206)	
	(3,441)	<b>Net cash flows from investing activities</b>		(2,641)
		<b>FINANCING ACTIVITIES</b>		
(26,680)		Cash receipts of short term borrowing	(475)	
26,680		Repayments of short and long term borrowing	475	
	-	<b>Net cash flows from financing activities</b>		-
	<b>2,859</b>	<b>Net increase or decrease in cash and cash equivalent</b>		<b>5,889</b>
	1,870	Cash and cash equivalents at the beginning of the reporting period		4,729
		<b>Less</b>		
	4,729	Cash and cash equivalents at the end of the reporting period (Note 15)		10,618
	<b>(2,859)</b>			<b>(5,889)</b>

# Notes to the Financial Statements for the Office of the Police and Crime Commissioner for Durham and for the Group for the year to 31 March 2020

## 1. ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the PCVC's and the Group's transactions for the 2019/20 financial year and the position at the year-end of 31 March 2020. The PCVC 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 2018/19, 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 Police and Crime Commissioner for Durham and the Chief Constable for Durham. Both bodies are required to prepare separate Statements of Accounts.

The Financial Statements included here represent the accounts for the PCVC and also those for the Group. The financial statements cover the 12 months to 31 March 2020. The term 'Group' is used to indicate individual transactions and policies of the Office of the Police and Crime Commissioner for Durham and the Chief Constable for Durham for the year ended 31 March 2020. The identification of the Office of the Police and Crime Commissioner for Durham as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities under the Police Reform and Social Responsibility Act 2011.

### 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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;
- 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;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **1.4 Cash and Cash Equivalents**

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 are highly liquid 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.

In the Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Group in accordance with statutory guidance (England and Wales)). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of MRP by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **1.6 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 for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to 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 Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary

redundancy and are charged on an accruals basis to the appropriate service segment at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

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 Group are members of two separate pension schemes:

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), related to pay and service earned as employees work for the Group.

### **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 fall due. If the amounts receivable by the pensions fund for the year are less than amounts payable, the Office of the Police and Crime Commissioner for Durham 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 Office of the Police and Crime Commissioner for Durham 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 Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions 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 projections of 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 pensions 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 Group at 31 March 2019, and of the basis for assessing those liabilities, are included in Notes 29 & 30 to the Statement of Accounts.

### **1.7 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.

### **1.8 Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was initially recognised. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The Group has not given any financial guarantees. The Group has not had any gains or losses on the repurchase or early settlement of borrowing, nor any premiums or discounts on financial liabilities.

#### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding 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)

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line of the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus

accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### **1.9 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 PCVC when there is reasonable assurance that:

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

Amounts recognised as due to the Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution 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.

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

### **1.10 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the assets can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measure at cost, comprising:

- the purchase price;



- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Group does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets Under Construction – Historical cost;
- Surplus assets - current value, estimated at highest and best use from a market participant's perspective; and
- All other assets - Current Value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included on the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations of buildings are undertaken by or under the supervision of a fully qualified Chartered Surveyor external to the Police and Crime Commissioner.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

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

### **Impairment**

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

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

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

### **Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted under Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, so netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts from disposal of assets are categorised as Capital Receipts and credited to the Usable Capital Receipts Reserve to finance new capital investment. Where funds have not yet been received the amount due is credited to the Deferred Capital Receipts account. Upon receipt of funds the amount is transferred to Usable Capital Receipts.

The written-off value of the disposal is appropriated to the Capital Adjustment Account in the Movement in Reserves Statement so as not to impact on Council Tax.

### **Depreciation**

Annual depreciation for dwellings and other buildings is calculated on the basis of valuation less residual value, divided by the estimated useful life of the asset. The useful lives of properties have been estimated by the valuer. Depreciation is not provided for assets with no determinable finite useful life i.e. freehold land and assets that are not yet available for use i.e. assets under construction.

Vehicles, plant and equipment, are valued at current written down value. Annual depreciation is calculated as original cost less residual value, divided by the estimated useful life of the asset. The

useful lives of vehicles vary from 3 to 5 years except for specialist vehicles. Equipment useful lives vary between 3 to 10 years depending on the type of asset.

Where an item of Plant, Property and Equipment has a value greater than £0.5m and major components greater than 20% of the value of the asset, the components are depreciated separately at rates representative of their useful life.

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

Depreciation is charged on assets from the date of acquisition and up to the date of disposal.

### **1.11 Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Group can be determined by reference to an active market. In practice, no intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the capital charges line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the capital charges line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment on an intangible asset is posted under Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### **1.12 Capital De Minimis Level**

The PCVC and Group have capital de minimis expenditure levels of £10,000 and £6,000 relating to purchases of land and buildings and other items respectively.

### **1.13 Inventories**

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

### **1.14 Accounting for Leases**

#### **a. Finance Leases**

The Police Crime and Victims' Commissioner accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Commissioner.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with an item of Plant, Property and Equipment – the liability is written down as the rent becomes payable); and
- A finance charge (debited to Net Operations Expenditure in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment subject to depreciation being charged over the lease term if this is shorter than the asset life.

#### **b. Operating Leases**

Rentals payable are charged to the Comprehensive Income and Expenditure Statement as an expense on a straight-line basis over the term of the lease.

#### **1.15 Overheads and Support Services**

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

#### **1.16 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 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.

#### **1.17 Reserves**

The PCVC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the either Employee or Non-Employee costs in that year in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so there is no net charge against the precept for that expenditure.

The PCVC's policy for Reserves is that the Commissioner will:

- Set aside sufficient sums in Earmarked Reserves as he considers prudent to do so.
- Aim to maintain, broadly, General Reserves of between 4% and 5% of the Budget Requirement.

Capital reserves are kept to manage the accounting processes for non-current assets, local taxation, retirement and employee benefits and do not represent usable resources for the PCVC, these reserves are explained in the relevant notes.

### **1.18 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.

### **1.19 Council Tax Income**

The Code requires that the Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Collection Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes a Council Tax Adjustment Account to reflect the Collection Fund relationship between the PCVC and Billing Authorities. The offset to this account is included in debtors/creditors. Debtor and creditor accounts are also included in the Balance Sheet to reflect the amounts due from Council Tax payers.

## **2 ACCOUNTING STANDARDS ISSUED NOT ADOPTED**

In accordance with the Code, the PCVC and Group shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. 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 PCVC 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 useable 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 Police and Crime Commissioner for Durham and Group's Statement of Accounts contains estimated figures that are based on assumptions made by the PCVC 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 PCVC and Group'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 Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PCVC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.066m for every year that useful lives had to be reduced.

Market activity is being impacted in many sectors due to COVID-19. As at the valuation date, the valuers stated 'we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.' Therefore a higher degree of caution should be attached to their valuation than normal. The valuation of the portfolio will be kept under review.

## **4.2 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 notes 29 and 30.

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 29.

## **4.3 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 income was allocated to the PCVC, there would be no effect on the Group accounts. However in the PCVC's accounts, the income would increase 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 Office of the Police and Crime Commissioner for Durham and Group's Statement of Accounts was authorised for issue by the Chief Finance 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 GROUP EXPENDITURE AND FUNDING ANALYSIS FOR THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR DURHAM FOR THE YEAR ENDED 31 MARCH 2020**

<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>		<b>2019/20</b>	<b>2019/20</b>	<b>2019/20</b>
<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between the Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>		<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between the Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
56,990	132,467	189,457	Employee costs	60,810	74,541	135,351
17,139	-	17,139	Non employee costs	21,006	-	21,006
3,217	136	3,353	PCC costs	2,927	78	3,005
4,437	(2,242)	2,195	Capital charges	4,819	(544)	4,275
(9,034)	-	(9,034)	Income	(13,411)	-	(13,411)
<b>72,749</b>	<b>130,361</b>	<b>203,110</b>	<b>Net Cost of Services</b>	<b>76,151</b>	<b>74,075</b>	<b>150,226</b>
(74,635)	484	(74,151)	<b>Other Income and Expenditure</b>	(77,826)	239	(77,587)
<b>(1,886)</b>	<b>130,845</b>	<b>128,959</b>	<b>Group deficit on Provision of Services</b>	<b>(1,675)</b>	<b>74,314</b>	<b>72,639</b>
(8,731)			<b>Opening General fund and Earmarked Reserves Balance</b>	(10,617)		
(1,886)			<b>Less deficit on General Fund and Earmarked Reserves Balance</b>	(1,675)		
(10,617)			<b>Closing General fund and Earmarked Reserves Balance</b>	(12,292)		

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the PCVC for the year has been used in providing services in comparison with those resources consumed or earned by the PCVC 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 Chief Constable of Durham Constabulary. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.



**EXPENDITURE AND FUNDING ANALYSIS FOR THE OFFICE OF THE POLICE AND CRIME  
COMMISSIONER FOR DURHAM FOR THE YEAR ENDED 31 MARCH 2020**

<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>		<b>2019/20</b>	<b>2019/20</b>	<b>2019/20</b>
<b>Net</b>	<b>Adjustments</b>	<b>Net</b>		<b>Net</b>	<b>Adjustments</b>	<b>Net</b>
<b>Expenditure</b>	<b>between the</b>	<b>Expenditure</b>		<b>Expenditure</b>	<b>between the</b>	<b>Expenditure</b>
<b>Chargeable</b>	<b>Funding and</b>	<b>in the</b>		<b>Chargeable</b>	<b>Funding and</b>	<b>in the</b>
<b>to the</b>	<b>Accounting</b>	<b>Comprehensive</b>		<b>to the</b>	<b>Accounting</b>	<b>Comprehensive</b>
<b>General Fund</b>	<b>Basis</b>	<b>Income and</b>		<b>General Fund</b>	<b>Basis</b>	<b>Income and</b>
		<b>Expenditure</b>				<b>Expenditure</b>
		<b>Statement</b>				<b>Statement</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
788	136	924	Employee costs	783	78	861
2,429	-	2,429	Non employee costs	2,144	-	2,144
4,437	(2,242)	2,195	Capital charges	4,819	(544)	4,275
(1,532)		(1,532)	Income	(2,467)		(2,467)
(2,195)	-	(2,195)	Charge for use of assets	(4,275)	-	(4,275)
111,312	-	111,312	PCVC funding for resources consumed by the CC	119,816	-	119,816
<b>115,239</b>	<b>(2,106)</b>	<b>113,133</b>	<b>Net Cost of Services</b>	<b>120,820</b>	<b>(466)</b>	<b>120,354</b>
(117,125)	484	(116,641)	<b>Other Income and Expenditure</b>	(122,495)	239	(122,256)
(1,886)	(1,622)	(3,508)	<b>PCVC deficit/ (surplus) on Provision of Services</b>	<b>(1,675)</b>	<b>(227)</b>	<b>(1,902)</b>
(8,732)			<b>Opening General fund and Earmarked Reserves Balance</b>	(10,618)		
(1,886)			<b>Less deficit on General Fund and Earmarked Reserves Balance</b>	(1,675)		
(10,618)			<b>Closing General fund and Earmarked Reserves Balance</b>	(12,293)		

**7A GROUP NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

<b>Year ended 31 March 2020</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(74,532)	(9)	(74,541)
Non employee costs	-	-	-	-
PCC costs	-	(86)	8	(78)
Capital charges	544	-	-	544
<b>Net Cost of Services</b>	<b>544</b>	<b>(74,618)</b>	<b>(1)</b>	<b>(74,075)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>(239)</b>	<b>(239)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>544</b>	<b>(74,618)</b>	<b>(240)</b>	<b>(74,314)</b>
<b>Year ended 31 March 2019</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(132,578)	111	(132,467)
Non employee costs	-	-	-	-
PCC costs	-	(140)	4	(136)
Capital charges	2,242	-	-	2,242
<b>Net Cost of Services</b>	<b>2,242</b>	<b>(132,718)</b>	<b>115</b>	<b>(130,361)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>(484)</b>	<b>(484)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>2,242</b>	<b>(132,718)</b>	<b>(369)</b>	<b>(130,845)</b>

**PCVC NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

<b>Year ended 31 March 2020</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(86)	8	(78)
Non employee costs	-	-	-	-
Capital charges	544	-	-	544
Charge for the use of assets	-	-	-	-
PCVC funding for resources consumed by the CC	-	-	-	-
<b>Net Cost of Services</b>	<b>544</b>	<b>(86)</b>	<b>8</b>	<b>466</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>(239)</b>	<b>(239)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>544</b>	<b>(86)</b>	<b>(231)</b>	<b>227</b>
<b>Year ended 31 March 2019</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(140)	4	(136)
Non employee costs	-	-	-	-
Capital charges	2,242	-	-	2,242
Charge for the use of assets	-	-	-	-
PCVC funding for resources consumed by the CC	-	-	-	-
<b>Net Cost of Services</b>	<b>2,242</b>	<b>(140)</b>	<b>4</b>	<b>2,106</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>(484)</b>	<b>(484)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>2,242</b>	<b>(140)</b>	<b>(480)</b>	<b>1,622</b>

## 7B GROUP 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 Group 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 GROUP EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/19 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee benefits expenses	190,381	136,212
Other services expenses	19,568	23,150
Depreciation, amortisation & impairment	2,195	4,275
Interest payments (including defined benefit liability)	41,676	43,744
Levies	830	1,001
Loss on the disposal of assets	138	170
<b>Total Expenditure</b>	<b>254,788</b>	<b>208,552</b>
<b>Income</b>		
Fees, charges and other service income	(9,034)	(13,411)
Interest and investment income	(96)	(162)
Precepts	(31,014)	(35,361)
Government grants and contributions	(85,685)	(86,979)
<b>Total Income</b>	<b>(125,829)</b>	<b>(135,913)</b>
<b>Deficit on the Provision of Services</b>	<b>128,959</b>	<b>72,639</b>

## PCVC EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/19	2019/20
	£'000	£'000
<b>Expenditure</b>		
Employee benefits expenses	924	861
Other services expenses	113,741	121,960
Depreciation, amortisation & impairment	2,195	4,275
Interest payments (including defined benefit liability)	16	14
Levies	-	60
Loss on the disposal of assets	138	170
<b>Total Expenditure</b>	<b>117,014</b>	<b>127,340</b>
<b>Income</b>		
Fees, charges and other service income	(3,727)	(6,742)
Interest and investment income	(96)	(160)
Precepts	(31,014)	(35,361)
Government grants and contributions	(85,685)	(86,979)
<b>Total Income</b>	<b>(120,522)</b>	<b>(129,242)</b>
<b>Deficit on the Provision of Services</b>	<b>(3,508)</b>	<b>(1,902)</b>

## 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 PCVC and the Group in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCVC to meet future capital and revenue expenditure.

**Group**

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
<b>Adjustments to the Revenue Resources</b>						
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 <b>statutory</b> requirements:						
Pension Costs ( <i>transferred to or from the Pension Reserve</i> ):						
- Retirement benefits	(94,333)	-	-	-	(94,333)	94,333
- Employer's pensions contributions and direct payments to pensioners payable in the year	19,715	-	-	-	19,715	(19,715)
Council tax ( <i>transferred to or from the Collection Fund</i> )	(239)	-	-	-	(239)	239
Holiday Pay ( <i>transferred to the Accumulated Absences Reserve</i> )	(1)	-	-	-	(1)	1
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure ( <i>these items are charged to the Capital Adjustment Account</i> ):						
- Charges for depreciation and amortisation of non-current assets	(3,123)	-	-	-	(3,123)	3,123
- Charges for impairment of non-current assets	(1,152)	-	-	-	(1,152)	1,152
- Amounts of non-current assets written off on disposal	(414)	-	-	-	(414)	414
- Capital grants and contributions unapplied	661	-	(536)	(125)	-	-
<b>Total Adjustments to Revenue Resources</b>	(78,886)	-	(536)	(125)	(79,547)	79,547
<b>Adjustments between Revenue &amp; Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	244	(244)	-	-	-	-
Statutory provision for repayment of debt	325	-	-	-	325	(325)
Capital expenditure financed from revenue balances	4,003				4,003	(4,003)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	4,572	(244)	-	-	4,328	(4,328)
<b>Adjustments to Capital Resources</b>						
Application of Capital grants and contributions to finance capital expenditure	-	-	275	125	400	(400)
Cash Payments in relation to Deferred Capital Receipts	-	(4,178)	-	-	(4,178)	4,178
<b>Total Adjustments to Capital Resources</b>	-	(4,178)	275	125	(3,778)	3,778
<b>TOTAL ADJUSTMENTS</b>	<b>(74,314)</b>	<b>(4,422)</b>	<b>(261)</b>	<b>-</b>	<b>(78,997)</b>	<b>3878,997</b>
<b>(Movement in Reserves Statement)</b>						

**Group**

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	
<b>Adjustments to Revenue Resources</b>						
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 <b>statutory</b> requirements:						
Pension Costs ( <i>transferred to or from the Pension Reserve</i> ):						
- Retirement benefits	(149,304)	-	-	-	(149,304)	149,304
- Employer's pensions contributions and direct payments to pensioners payable in the year	16,586	-	-	-	16,586	(16,586)
Council tax ( <i>transferred to or from the Collection Fund</i> )	(484)	-	-	-	(484)	484
Holiday Pay ( <i>transferred to the Accumulated Absences Reserve</i> )	115	-	-	-	115	(115)
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure ( <i>these items are charged to the Capital Adjustment Account</i> ):						
- Charges for depreciation and amortisation of non-current assets	(3,390)	-	-	-	(3,390)	3,390
- Charges for impairment of non-current assets	1,196	-	-	-	1,196	(1,196)
- Amounts of non-current assets written off on disposal	(199)	-	-	-	(199)	199
- Capital grants and contributions unapplied	1,017	-	(991)	(26)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(134,463)</b>	<b>-</b>	<b>(991)</b>	<b>(26)</b>	<b>(135,480)</b>	<b>135,480</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	61	(61)	-	-	-	-
Statutory provision for repayment of debt	325	-	-	-	325	(325)
Capital expenditure financed from revenue balances	3,232	-	-	-	3,232	(3,232)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>3,618</b>	<b>(61)</b>	<b>-</b>	<b>-</b>	<b>3,557</b>	<b>(3,557)</b>
<b>Adjustments to Capital Resources</b>						
Application of Capital grants and contributions to finance capital expenditure	-	-	794	50	844	(844)
Cash Payments in relation to Deferred Capital Receipts	-	(4,120)	-	-	(4,120)	4,120
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>(4,120)</b>	<b>794</b>	<b>50</b>	<b>(3,276)</b>	<b>3,276</b>
<b>TOTAL ADJUSTMENTS (Movement in Reserves Statement)</b>	<b>(130,845)</b>	<b>(4,181)</b>	<b>(197)</b>	<b>24</b>	<b>(135,199)</b>	<b>135,199</b>

PCVC

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
<b>Adjustments to the Revenue Resources</b>						
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	(183)	-	-	-	(183)	183
- Employer's pensions contributions and direct payments to pensioners payable in the year	97	-	-	-	97	(97)
Council tax ( <i>transferred to or from the Collection Fund</i> )	(239)	-	-	-	(239)	239
Holiday Pay ( <i>transferred to the Accumulated Absences Reserve</i> )	8	-	-	-	8	(8)
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure ( <i>these items are charged to the Capital Adjustment Account</i> ):						
- Charges for depreciation and amortisation of non-current assets	(3,123)	-	-	-	(3,123)	3,123
- Charges for impairment of non-current assets	(1,152)	-	-	-	(1,152)	1,152
- Amounts of non-current assets written off on disposal	(414)	-	-	-	(414)	414
- Capital grants and contributions unapplied	661	-	(536)	(125)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(4,345)</b>	<b>-</b>	<b>(536)</b>	<b>(125)</b>	<b>(5,006)</b>	<b>5,006</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	244	(244)	-	-	-	-
Statutory provision for repayment of debt	325	-	-	-	325	(325)
Capital expenditure financed from revenue balances	4,003				4,003	(4,003)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>4,572</b>	<b>(244)</b>	<b>-</b>	<b>-</b>	<b>4,328</b>	<b>(4,328)</b>
<b>Adjustments to Capital Resources</b>						
Application of Capital grants and contributions to finance capital expenditure	-	-	275	125	400	(400)
Cash Payments in relation to Deferred Capital Receipts	-	(4,178)	-	-	(4,178)	4,178
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>(4,178)</b>	<b>275</b>	<b>125</b>	<b>(3,778)</b>	<b>3,778</b>
<b>TOTAL ADJUSTMENTS</b>	<b>227</b>	<b>(4,422)</b>	<b>(261)</b>	<b>-</b>	<b>(4,456)</b>	<b>4,456</b>
<b>(Movement in Reserves Statement)</b>						<b>40</b>



PCVC

Year ended 31 March 2019	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
<b>Adjustments to the Revenue Resources</b>						
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 <b>statutory</b> requirements:						
Pension Costs ( <i>transferred to or from the Pension Reserve</i> ):						
- Retirement benefits	(234)	-	-	-	(234)	234
- Employer's pensions contributions and direct payments to pensioners payable in the year	94	-	-	-	94	(94)
Council tax ( <i>transferred to or from the Collection Fund</i> )	(484)	-	-	-	(484)	484
Holiday Pay ( <i>transferred to the Accumulated Absences Reserve</i> )	4	-	-	-	4	(4)
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure ( <i>these items are charged to the Capital Adjustment Account</i> ):						
- Charges for depreciation and amortisation of non-current assets	(3,390)	-	-	-	(3,390)	3,390
- Charges for impairment of non-current assets	1,196	-	-	-	1,196	(1,196)
- Amounts of non-current assets written off on disposal	(199)	-	-	-	(199)	199
- Capital grants and contributions unapplied	1,017	-	(991)	(26)	-	-
<b>Total Adjustments to Revenue Resources</b>	(1,996)	-	(991)	(26)	(3,013)	3,013
<b>Adjustments between Revenue &amp; Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	61	(61)	-	-	-	-
Statutory provision for repayment of debt	325	-	-	-	325	(325)
Capital expenditure financed from revenue balances	3,232				3,232	(3,232)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	3,618	(61)	-	-	3,557	(3,557)
<b>Adjustments to Capital Resources</b>						
Application of Capital grants and contributions to finance capital expenditure	-	-	794	50	844	(844)
Cash Payments in relation to Deferred Capital Receipts	-	(4,120)	-	-	(4,120)	4,120
<b>Total Adjustments to Capital Resources</b>	-	(4,120)	794	50	(3,276)	3,276
<b>TOTAL ADJUSTMENTS</b>	<b>1,622</b>	<b>(4,181)</b>	<b>(197)</b>	<b>24</b>	<b>(2,732)</b>	<b>2,732</b>
<b>(Movement in Reserves Statement)</b>						

## 10 TRANSFERS TO/FROM EARMARKED RESERVES

### Group and PCVC

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Modernisation	(467)	(1,169)	-	(1,636)	(1,192)	-	(2,828)
Collaboration reserves	(263)	(111)	21	(353)	(26)	3	(376)
Revenue Grants	(242)	(140)	130	(252)	(98)	130	(220)
Road Safety Initiative Management	(527)	-	-	(527)	-	-	(527)
Estates	(250)	-	-	(250)	-	-	(250)
Court Forfeiture	(12)	(26)	12	(26)	(27)	26	(27)
POCA	-	(35)	-	(35)	(32)	35	(32)
Police Crime and Victims' Commissioner	(1,012)	-	-	(1,012)	(13)	-	(1,025)
PCVC Community Safety Reserve	(293)	(5)	-	(298)	(81)	-	(379)
PCVC Strategic Communications and Technology Reserve	-	(70)	-	(70)	-	-	(70)
	<b>(3,066)</b>	<b>(1,556)</b>	<b>163</b>	<b>(4,459)</b>	<b>(1,469)</b>	<b>194</b>	<b>(5,734)</b>

### REVENUE RESERVE PURPOSES

#### Capital Modernisation Reserve

Reserve funded from revenue underspends to provide resources to meet costs associated with the modernisation and replacement of fixed assets.

#### Collaboration Reserves

To meet costs associated with the following reserves:

- Tactical Training Centre Reserve (TTC)
- North East Regional Special Operations Unit (NERSOU)
- Sexual Assault Referral Centre (SARC)
- Multi Agency Risk Assessment Conference (MARAC)

#### Revenue Grants Unapplied Account

To meet costs identified during 2019/2020 but not to be incurred until later years.

#### Road Safety Initiative Management Reserve

To meet the administration of future road casualty reduction initiatives.

#### Estates

To meet future estates costs.

#### Court Forfeiture Reserve

Reserve created from underspends on forfeited funds that will be utilised in future years

#### Proceeds of Crime Act (POCA)

Created by funds received under POCA that were not utilised in the current year but will be used in future years.

#### Police Crime and Victims' Commissioner Reserve

To meet costs identified during 2019/2020 but not to be incurred until later years.

**PCVC Community Safety Reserve**

To meet the objectives of the Police Crime and Victims' Commissioner in relation to reducing harm in the community.

**PCVC Strategic Communications and Technology Reserve**

To meet costs identified during 2019/20 but not to be incurred until later years.

**11 PROPERTY, PLANT AND EQUIPMENT**

	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>					
At 1 April 2019	20,703	25,533	288	1,151	47,675
Additions	1,187	1,833	-	1,092	4,112
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	62	-	-	-	62
Revaluations increases/ (decreases) recognised in the Surplus /Deficit on the Provision of Services	-	-	-	-	-
Derecognition - Disposals	-	(965)	(249)	-	(1,214)
Derecognition - Other	-	-	-	-	-
Other movement in cost or valuation	(691)	920	-	(920)	(691)
<b>At 31 March 2020</b>	<b>21,261</b>	<b>27,321</b>	<b>39</b>	<b>1,323</b>	<b>49,944</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2019	(299)	(18,334)	(118)	-	(18,751)
Depreciation charge	(810)	(1,868)	-	-	(2,678)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(34)	-	-	-	(34)
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(1,153)	-	-	-	(1,153)
Derecognition - Disposals	-	726	79	-	805
Derecognition - Other	-	-	-	-	-
Other movements in depreciation and impairment	691	-	-	-	691
<b>At 31 March 2020</b>	<b>(1,605)</b>	<b>(19,476)</b>	<b>(39)</b>	<b>-</b>	<b>(21,120)</b>
<b>Net Book Value</b>					
<b>At 31 March 2019</b>	<b>19,656</b>	<b>7,845</b>	<b>-</b>	<b>1,323</b>	<b>28,824</b>
<b>At 31 March 2018</b>	<b>20,404</b>	<b>7,199</b>	<b>170</b>	<b>1,151</b>	<b>28,924</b>

### Capital commitments

At 31 March 2020, the PCVC was contractually committed to capital works which are budgeted to cost £2.640M (at 31 March 2018 the figure was £0.626M).

Comparative figures for 2018/19 are as follows:

	Land & Buildings	Vehicles, Plant & Equipment	Vehicles, Plant & Surplus	Assets Under Construction	Total
	£'000	£'000	£'001	£'000	£'000
<b>Cost or Valuation</b>					
At 1 April 2018	22,622	25,727	-	249	48,598
Additions	1,227	1,319	-	1,096	3,642
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	1,379	-	-	-	1,379
Revaluations increases/ (decreases) recognised in the Surplus /Deficit on the Provision of Services	1,217	-	-	-	1,217
Derecognition - Disposals	-	(1,589)	-	-	(1,589)
Derecognition - Other	-	-	-	-	-
Other movement in cost or valuation	(5,742)	76	288	(194)	(5,572)
<b>At 31 March 2019</b>	<b>20,703</b>	<b>25,533</b>	<b>288</b>	<b>1,151</b>	<b>47,675</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2018	(4,688)	(18,027)	-	-	(22,715)
Depreciation charge	(1,162)	(1,815)	-	-	(2,977)
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(21)	-	-	-	(21)
Derecognition - Disposals	-	1,390	-	-	1,390
Derecognition - Other	-	-	-	-	-
Other movements in depreciation and impairment	5,572	118	(118)	-	5,572
<b>At 31 March 2019</b>	<b>(299)</b>	<b>(18,334)</b>	<b>(118)</b>	<b>-</b>	<b>(18,751)</b>
<b>Net Book Value</b>					
<b>At 31 March 2019</b>	<b>20,404</b>	<b>7,199</b>	<b>170</b>	<b>1,151</b>	<b>28,924</b>
<b>At 31 March 2018</b>	<b>17,934</b>	<b>7,700</b>	<b>-</b>	<b>249</b>	<b>25,883</b>

## Revaluations

All Property, Plant and Equipment required to be measured either at current value which is revalued at least every five years.

	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000
Carried at Historical Cost	-	27,321	39	27,360
Valued at Current Value as at :				
30 March 2020	160			160
31 March 2019	21,101	-	-	21,101
31 March 2018	-	-	-	-
31 March 2017	-	-	-	-
31 March 2016	-	-	-	-
	<b>21,261</b>	<b>27,321</b>	<b>39</b>	<b>48,621</b>

## 12 INTANGIBLE ASSETS

The PCVC accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PCVC. The useful lives are assessed individually. These assets are valued at historic cost and are written off to the Comprehensive Income and Expenditure Statement on a straight-line basis. The amortisation is charged to Non-Employee costs in the Cost of Services.

	<b>£'000</b>
Gross carrying amount at 31 March 2019	6,689
Accumulated amortisation	(4,633)
<b>Net carrying amount at 31 March 2019</b>	<b>2,056</b>
Additions	291
Disposals	(37)
Amortisation	(445)
Accumulated Amortisation on disposals	32
Other Movements	-
<b>Net carrying amount at 31 March 2020</b>	<b>1,897</b>
Comprising	
<b>Gross carrying amount</b>	<b>6,943</b>
<b>Accumulated amortisation</b>	<b>(5,046)</b>

Comparative figures for 2018/19

	<b>£'000</b>
Gross carrying amount at 31 March 2018	6,349
Accumulated amortisation	(4,315)
<b>Net carrying amount at 31 March 2018</b>	<b>2,034</b>
Additions	436
Disposals	(96)
Amortisation	(414)
Accumulated Amortisation on disposals	96
Other Movements	-
<b>Net carrying amount at 31 March 2019</b>	<b>2,056</b>
Comprising	
<b>Gross carrying amount</b>	<b>6,689</b>
<b>Accumulated amortisation</b>	<b>(4,633)</b>

### 13 FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance sheet.

#### Financial Assets

	Current Group				Total
	Investments		Debtors		31 March 2020
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	
	£'000	£'000	£'000	£'000	£'000
Amortised Cost	4,729	10,618	13,926	11,495	22,113
<b>Total financial assets</b>	<b>4,729</b>	<b>10,618</b>	<b>13,926</b>	<b>11,495</b>	<b>22,113</b>
Non-financial assets	-	-	2,966	3,512	3,512
<b>Total</b>	<b>4,729</b>	<b>10,618</b>	<b>16,892</b>	<b>15,007</b>	<b>25,625</b>

	Current PCVC				Total
	Investments		Debtors		31 March 2020
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	
	£'000	£'000	£'000	£'000	£'000
Amortised Cost	4,729	10,618	11,810	6,234	16,852
<b>Total financial assets</b>	4,729	10,618	11,810	6,234	16,852
Non-financial assets	-	-	1,394	1,607	1,607
<b>Total</b>	<b>4,729</b>	<b>10,618</b>	<b>13,204</b>	<b>7,841</b>	<b>18,459</b>

#### Financial liabilities

	Current Creditors	
	Group	
	31 March 2019	31 March 2020
	£'000	£'000
Amortised Cost	10,225	11,683
<b>Total financial liabilities</b>	10,225	11,683
Non-financial liabilities	3,464	4,041
<b>Total</b>	<b>13,689</b>	<b>15,724</b>

	Current Creditors	
	PCVC	
	31 March 2019	31 March 2020
	£'000	£'000
Amortised Cost	5,866	3,692
<b>Total financial liabilities</b>	5,866	3,692
Non-financial liabilities	1,102	1,530
<b>Total</b>	<b>6,968</b>	<b>5,222</b>

## Income, Expense, Gains and Losses

	<b>Group</b>	
	<b>2018/19</b>	<b>2019/20</b>
	<b>on the Provision of Services</b>	<b>on the Provision of Services</b>
	<b>£'000</b>	<b>£'000</b>
Interest Revenue Financial assets measured at amortised cost	(96)	(162)
<b>Total interest revenue</b>	(96)	(162)
<b>Interest Expense</b>	3	-
<b>Total fee expense</b>	3	-

	<b>PCVC</b>	
	<b>2018/19</b>	<b>2019/20</b>
	<b>on the Provision of Services</b>	<b>on the Provision of Services</b>
	<b>£'000</b>	<b>£'000</b>
Interest Revenue Financial assets measured at amortised cost	(96)	(160)
<b>Total interest revenue</b>	(96)	(160)
<b>Interest Expense</b>	3	-
<b>Total fee expense</b>	3	-

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

All the Group's and PCVC's financial assets and liabilities are carried in the Balance Sheet at amortised cost. Debtors and Creditors are carried at cost as this is a fair approximation of their value.



## Financial Liabilities

	Group		Group	
	2018/19		2019/20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(10,225)	(10,225)	(11,683)	(11,683)
<b>Total Financial Liabilities</b>	(10,225)	(10,225)	(11,683)	(11,683)

	PCVC		PCVC	
	2018/19		2019/20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(5,866)	(5,866)	(3,692)	(3,692)
<b>Total Financial Liabilities</b>	(5,866)	(5,866)	(3,692)	(3,692)

## Financial Assets

	Group		Group	
	2018/19		2019/20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,729	4,729	10,618	10,618
Receivables held at amortised cost	13,926	13,926	11,495	11,495
<b>Total Financial Assets</b>	18,655	18,655	22,113	22,113

	PCVC		PCVC	
	2018/19		2019/20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,729	4,729	10,618	10,618
Receivables held at amortised cost	11,810	11,810	6,234	6,234
<b>Total Financial Assets</b>	16,539	16,539	16,852	16,852

#### 14 DEBTORS

	Group		PCVC	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Trade receivables	3,002	5,697	858	398
Prepayments	831	1,038	34	8
Other receivable amounts				
Council tax	3,260	3,638	3,260	3,638
Other	11,971	6,991	11,094	6,026
Less: Impairment Allowance				
Council tax	(2,042)	(2,228)	(2,042)	(2,228)
Trade receivables	(130)	(129)	-	-
<b>Total debtors</b>	<b>16,892</b>	<b>15,007</b>	<b>13,204</b>	<b>7,842</b>

#### 15 CASH AND CASH EQUIVALENTS

	Group and PCVC	
	31 March 2019	31 March 2020
	£'000	£'000
Cash held by the Commissioner	61	61
Bank current accounts	243	74
Short term deposits	4,425	10,483
<b>Total Cash and Cash Equivalents</b>	<b>4,729</b>	<b>10,618</b>

#### 16 CREDITORS

	Group		PCVC	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Trade payables	4,523	5,885	1,230	1,596
Other payables	9,166	9,839	5,738	3,626
<b>Total creditors</b>	<b>13,689</b>	<b>15,724</b>	<b>6,968</b>	<b>5,222</b>

## 17 PROVISIONS

	Group		
	Insurance	Other	Total
	£'000	£'000	£'000
Balance at 1 April	810	820	1,630
Increase/ (decrease) during the year	(239)	200	(39)
Balance at 31 March	571	1,020	1,591

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. All other provisions are individually insignificant.

## 18 PENSIONS LIABILITY

	Group		PCVC	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Police Pension Scheme liability	1,711,250	1,619,390	-	-
Local Government Pension Scheme liability	74,221	76,978	631	848
<b>Total creditors</b>	<b>1,785,471</b>	<b>1,696,368</b>	<b>631</b>	<b>848</b>

## 19 RESERVES

The Group and the Office of the Police and Crime Commissioner for Durham have a number of reserves in the Balance Sheet. Some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Details of the reserves of the Group and the PCVC are as follows:

**Group**

Reserve	1 April 2019	Net Movement in year	31 March 2020	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
Police Fund	6,159	400	6,559	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	11,716	4,422	16,138	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	2,008	261	2,269	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	54	-	54	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	4,459	1,275	5,734	Note 10	Note 10
<b>TOTAL USABLE RESERVES</b>	<b>24,396</b>	<b>6,358</b>	<b>30,754</b>		
<b>UNUSABLE RESERVES</b>					
Capital Adjustment Account	10,742	168	10,910	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	2,496	(103)	2,393	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	4,186	(4,178)	8	Capital receipt not yet received	
Pensions Reserve (IAS 19)	(1,785,469)	89,103	(1,696,366)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 29
Accumulated Absences Account	(4,138)	(1)	(4,139)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	142	(239)	(97)	Shows relationship between the PCC and Billing Authorities	
<b>TOTAL UNUSABLE RESERVES</b>	<b>(1,772,041)</b>	<b>84,750</b>	<b>(1,687,291)</b>		
<b>TOTAL RESERVES</b>	<b>(1,747,645)</b>	<b>91,108</b>	<b>(1,656,537)</b>		

Reserve	1 April 2018	Net Movement in year	31 March 2019	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
Police Fund	5,666	493	6,159	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	7,535	4,181	11,716	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	1,811	197	2,008	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	78	(24)	54	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	3,066	1,393	4,459	Note 10	Note 10
<b>TOTAL USABLE RESERVES</b>	<b>18,156</b>	<b>6,240</b>	<b>24,396</b>		
<b>UNUSABLE RESERVES</b>					
Capital Adjustment Account	8,723	2,019	10,742	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	1,128	1,368	2,496	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	8,306	(4,120)	4,186		
Pensions Reserve (IAS 19)	(1,642,981)	(142,488)	(1,785,469)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 29
Accumulated Absences Account	(4,253)	115	(4,138)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	626	(484)	142	Shows relationship between the PCC and Billing Authorities	
<b>TOTAL UNUSABLE RESERVES</b>	<b>(1,628,451)</b>	<b>(143,590)</b>	<b>(1,772,041)</b>		
<b>TOTAL RESERVES</b>	<b>(1,610,295)</b>	<b>(137,350)</b>	<b>(1,747,645)</b>		

PCVC

Reserve	1 April 2019	Net Movement in year	31 March 2020	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
Police Fund	6,159	400	6,559	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	11,716	4,422	16,138	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	2,008	261	2,269	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	54	-	54	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	4,459	1,275	5,734	Note 10	Note 10
<b>TOTAL USABLE RESERVES</b>	<b>24,396</b>	<b>6,358</b>	<b>30,754</b>		
<b>UNUSABLE RESERVES</b>					
Capital Adjustment Account	10,742	168	10,910	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	2,496	(103)	2,393	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	4,186	(4,178)	8	Capital receipt not yet received	
Pensions Reserve (IAS 19)	(629)	(217)	(846)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 30
Accumulated Absences Account	(19)	8	(11)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	142	(239)	(97)	Shows relationship between the PCC and Billing Authorities	
<b>TOTAL UNUSABLE RESERVES</b>	<b>16,918</b>	<b>(4,561)</b>	<b>12,357</b>		
<b>TOTAL RESERVES</b>	<b>41,314</b>	<b>1,797</b>	<b>43,111</b>		

Reserve	1 April 2018	Net Movement in year	31 March 2019	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
Police Fund	5,666	493	6,159	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	7,535	4,181	11,716	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	1,811	197	2,008	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	78	(24)	54	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	3,066	1,393	4,459	Note 10	Note 10
<b>TOTAL USABLE RESERVES</b>	<b>18,156</b>	<b>6,240</b>	<b>24,396</b>		
<b>UNUSABLE RESERVES</b>					
Capital Adjustment Account	8,723	2,019	10,742	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	1,128	1,368	2,496	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	8,306	(4,120)	4,186		
Pensions Reserve (IAS 19)	(520)	(109)	(629)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 30
Accumulated Absences Account	(23)	4	(19)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	626	(484)	142	Shows relationship between the PCC and Billing Authorities	
<b>TOTAL UNUSABLE RESERVES</b>	<b>18,240</b>	<b>(1,322)</b>	<b>16,918</b>		
<b>TOTAL RESERVES</b>	<b>36,396</b>	<b>4,918</b>	<b>41,314</b>		

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the group arising from increases in the value of its property, plant and equipment (and intangible assets).

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	Group and PCVC	
	31 March 2019	31 March 2020
	£'000	£'000
<b>Balance at 1 April</b>	1,128	2,496
Upward Revaluation of Assets	1,379	61
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	0	(34)
Difference between fair value depreciation and historical cost depreciation	(11)	(130)
Accumulated gains on assets sold or scrapped	0	0
<b>Balance at 31 March</b>	<b>2,496</b>	<b>2,393</b>

### Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates as which assets are depreciated under the Code and are financed through the capital controls system.

	Group and PCVC	
	31 March 2019	31 March 2020
	£'000	£'000
<b>Balance at 1 April</b>	8,723	10,742
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets and Amortisation of intangible assets	(3,390)	(4,275)
Revaluation losses on Plant Property and Equipment	1,196	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(199)	(414)
Adjusting amounts written out of the revaluation Reserve	11	130
<b>Capital Financing applied in the year</b>		
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	510	153
Application of grants to capital financing from the Capital Grants Unapplied Account	334	246
Statutory provision for the financing of capital investment charged against the General Fund	325	325
Capital Expenditure charged against the General Fund	3,232	4,003
<b>Balance at 31 March</b>	<b>10,742</b>	<b>10,910</b>



## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Group does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	Group and PCC	
	31 March 2019	31 March 2020
	£'000	£'000
<b>Balance at 1 April</b>	8,306	4,186
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(4,120)	(4,178)
<b>Balance at 31 March</b>	4,186	8

## General Reserve

The net accumulated unapplied General Reserve balance is £6.159M and this represents 5% of the 2019/20 Budget Requirement. The corresponding balance at 31 March 2018 was £5.666M.

## 20 PROCEEDS OF CRIME ACT 2002

The PCVC has a separate bank account for temporarily holding third party funds seized as suspected proceeds of crime in relation to the Proceeds of Crime Act 2002. At 31 March 2020 the balance on this account was £713,009 (£832,362 at 31 March 2019). This balance is not included in the Financial Statements.

During 2019/20 the PCVC received £141,912 from the Home Office through the Proceeds of Crime "Incentivisation Fund" (£176,303 in 2018/19).

## 21 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 (£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 Forces 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 2019/20 was 22.8%

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
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%

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Employees	8,861	9,435
Transport	464	523
Supplies and Services	425	337
Gross Expenditure	9,750	10,295
Funded by :-		
Income	(232)	(5,286)
The Office of the Police and Crime Commissioner for Durham	(4,759)	(5,009)
The Police and Crime Commissioner for Cleveland	(4,759)	0
Balance	-	-

- **Dogs Unit**

The Dogs unit was expanded to cover three Forces from August 2016. Durham's contribution rate was 30.12%. The collaboration was paused 31 December 2019.

	<b>31 March 2019</b>	<b>31 Dec 2019</b>
		<b>£'000</b>
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	-	-

## 22 MEMBERS' ALLOWANCES

Expenses of £6,727 were paid in the year ending 31 March 2020 to the members of the Police and Crime Panel and the Joint Audit Committee (£6,429 in the year to 31 March 2019).

## 23 OFFICER'S REMUNERATION

The remuneration paid to the senior staff of the Group is as follows:

<b>31 March 2020</b>	<b>Salary</b>	<b>Benefits in kind</b>	<b>Allowances</b>	<b>Employers Pension Contributions</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Police and Crime Commissioner - R Hogg ( to 17 Dec 2019)	50,863	-	-	9,664	60,527
Acting Police and Crime Commissioner - S White (from 20 September 2019)	44,861	-	-	8,524	53,385
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
June 2019)	79,677	-	1,943	24,700	106,320
Assistant Chief Officer	116,677	-	1,076	22,169	139,922
Chief of Staff (to 19 Sept 2018)	39,979	-	-	7,596	47,575
Acting Chief of Staff (from 30 September 2019)	28,492	-	-	5,413	33,905

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

31 March 2019	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg	71,983	0	0	13,720	85,703
Chief Constable - M Barton	141,523	14,423	5,852	0	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	0	1,614	21,687	136,848
Chief of Staff (to 30 Sept 2018)	42,185	0	0	8,025	50,210
Chief of Staff (from 7 Jan 2019)	19,087	0	0	3,646	22,733

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

The Group's and PCVC'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 remuneration paid to the senior staff of the Office of the Police and Crime Commissioner for Durham is as follows:

31 March 2020	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg (to 17 Dec 2019)	50,863	-	-	9,664	60,527
Acting Police and Crime Commissioner - S White (from 20 September 2019)	44,861	-	-	8,524	53,385
Chief of Staff (to 19 Sept 2018)	39,979	-	-	7,596	47,575
Acting Chief of Staff (from 30 September 2019)	28,492	-	-	5,413	33,905

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

31 March 2019	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg	71,983	-	-	13,720	85,703
Chief of Staff (to 30 Sept 2018)	42,185	-	-	8,025	50,210
Chief of Staff (from 7 Jan 2019)	19,087			3,646	22,733

The role of the Treasurer was carried out part time by the Assistant Chief Officer.

Other than the above there were no employees of the Police and Crime Commissioner receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) or in the previous year.

The numbers of exit packages for the Group 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	10	5	10	87,511	164,904
£20,001-£40,000	-	-	4	3	4	3	115,747	80,489
£40,001-£60,000	-	-	1	0	2	0	45,029	-
£80,001-£100,000	-	-	-	1	-	1	-	85,000
£140,001-£160,000	-	-	-	1	-	1	-	147,012
	-	-	10	15	11	15	248,287	477,405

The numbers of exit packages for the PCVC 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	-	-	-	1	-	1	-	8,654
	-	-	-	1	-	1	-	8,654

## 24 EXTERNAL AUDIT COSTS

	Group		PCVC	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
	Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	37	37	25

## 25 GRANT INCOME

The Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20.

	Group and PCC	
	2018/19	2019/20
	£'000	£'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Police Grant	42,112	43,028
National Non Domestic Rates	36,446	37,180
Precepts	31,014	35,361
Retirement Benefits Grant	27,351	25,673
Council Tax Support Grant	6,110	6,110
Capital Grants	1,017	661
	144,050	148,013
<b>Credited to Services</b>		
Other	1,329	4,202
	1,329	4,202

## 26 RELATED PARTIES

The Group is required to disclose material transactions with related parties such as bodies or individuals that have the potential to control or influence or be controlled/influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group may have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group. 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 Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Grants received from Government departments are included within the Comprehensive Income and Expenditure Statement. An analysis of government grants is shown above in Note 25.

### Officers

There were no related party transactions involving the Police Crime and Victims' Commissioner his chief officers or the chief officers of the Constabulary.

The Group obtains part of its income from precepts levied on the collection authorities in its area. During the year transactions with related parties, excluding those disclosed elsewhere in the accounts, were as follows:

Precepts	Group and PCVC	
	Receipts	
	2018/19	2019/20
	£'000	£'000
Durham County Council	25,630	28,853
Darlington Borough Council	5,868	6,747
	31,498	35,600

At 31 March 2020, Durham County Council was owed £442,906 by the Group in respect of the Collection Fund and owed the Group £863,020 in respect of amounts due from Council Tax Payers.

At 31 March 2020, Darlington Borough Council was owed £546,824 by the Group in respect of the Collection Fund and owed the Group £569,217 in respect of amounts due from Council Tax Payers.

Durham County Council (DCC) provides some financial services to the Group at a cost of £75,192 and various safeguarding and community safety services at a cost of £532,922. Darlington Borough Council also provided various safeguarding and community safety services at a cost of £179,203.

Stephen White the acting PCVC is a volunteer for Upper Teasdale Agricultural Support Services (UTASS). At the commissioning board a decision was made to award a total of £20,000, Stephen White's involvement was declared. During the year a payment was made to UTASS of £5,000.

## 27 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year by the Group is shown in the table below together with the resources that have been used to finance it.

The capital financing requirement represents that part of the value of property, plant and equipment that is to be met from external borrowing and capital cash overdrawn.

The requirement has decreased from £17.742M to £17.418M as follows:

	Group and PCC	
	2018/19	2019/20
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>18,065</b>	<b>17,742</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	3,642	4,112
Intangible Assets	436	291
<b>Sources of Finance</b>		
Government Grants and Contributions	(844)	(399)
Sums set aside from revenue:		
Capital Expenditure charged against the General Fund	(3,232)	(4,003)
MRP	(325)	(325)
<b>Closing Capital Financing Requirement</b>	<b>17,742</b>	<b>17,418</b>
<b>Explanation of movements in the year</b>		
(Reduction)/Increase in underlying need to borrow	(323)	(324)
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(323)</b>	<b>(324)</b>

## 28 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 than 5 years	244	-	244	245	-	245
Later than 5 years	285	-	285	238	-	238
Total	673	-	673	591	-	591



## 29 GROUP - DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Group participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Durham County Council – this is a funded defined benefit 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 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.

The Local Government Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Durham County Council. Policy is determined in accordance with the Pensions fund Regulations. The investment managers of the fund are appointed by the committee.

The principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals form the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### Transactions Relating to Retirement Benefits

The Group recognises the costs of retirement benefits in the Net Cost of Services 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
<b>Comprehensive Income and Expenditure Statement (CIES)</b>				
<b>Net Cost of Service</b>				
Current service cost	7,376	8,429	23,270	35,330
Past service cost	4,575	-	72,410	6,830
<b>Finance and Investment Income and Expenditure</b>				
Net Interest Expense	1,793	1,804	39,880	41,940
<b>Total post employment benefit charged to provision of services</b>	13,744	10,233	135,560	84,100
<b>Other post employment benefit charged to the CIES</b>				
Remeasurement of net defined benefit comprising of:				
Return on plan assets	(7,556)	11,341	(27,148)	(26,059)
Actuarial gain/loss from changes in demographic assumptions	(8,580)	(6,963)	-	(50,400)
Actuarial gain/loss from changes in financial assumptions	9,605	(7,258)	47,040	(51,460)
Other:	320	28	(3,910)	(32,950)
<b>Net Charge to the CIES</b>	7,533	7,381	151,542	(76,769)
<b>Movement in the Reserves Statement</b>				
Reversal of net charges made for retirement benefits accordance with IAS19	(13,744)	(10,233)	(135,560)	(84,100)
<b>Actual amount charged against the General Fund Balance for pensions the year</b>				
Employer's contributions payable to scheme	4,374	4,594	11,083	13,903
Retirement benefits payable to pensioners	30	30	1,099	1,188

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)
					<b>Remeasurement gains and losses:</b>					
-	-	-	-	-	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)	<b>Closing present value of liabilities</b>	(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	-	-	-	-	-
					<b>Remeasurement gains and losses:</b>					
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)
-	-	-	-	-	<b>Closing fair value of assets</b>	-	-	-	-	-

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	-	-	-	-	-
					<b>Remeasurement of net defined benefit liability comprising:</b>					
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)	<b>Closing surplus(deficit)</b>	(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	(201,633)	(217,960)
Current service cost	(7,376)	(8,429)
Interest cost	(5,217)	(5,413)
Contributions by scheme participants	(1,616)	(1,659)
<b>Remeasurement gains and losses:</b>		
Actuarial gains / losses from changes in demographic assumptions	8,580	6,963
Actuarial gains / losses from changes in financial assumptions	(9,605)	7,258
Other:	(320)	(28)
Past service costs	(4,575)	-
Liability assumed on entity combinations	-	-
Benefits paid	3,802	4,914
Closing present value	(217,960)	(214,354)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2018/19	2019/20
	£'000	£'000
Opening fair value	130,541	143,739
Interest Income	3,424	3,609
Remeasurement gain / loss - Return on plan	7,556	(11,341)
Employer contributions	4,404	4,624
Contributions by scheme participants	1,616	1,659
Benefit paid	(3,802)	(4,914)
Closing fair value	143,739	137,376

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

	Local Government Pension Scheme	
	2018/19	2019/20
	£'000	£'000
Opening deficit	(71,092)	(74,221)
Current Service Cost	(7,376)	(8,429)
Contributions by employer	4,404	4,624
Contributions by participants	-	-
Past service cost	(4,575)	-
Interest cost	(5,217)	(5,413)
Expected return on assets	3,424	3,609
<b>Remeasurement gains and losses:</b>		
Return on plan assets	7,556	(11,341)
Actuarial gains / (losses) from changes in demographic assumptions	8,580	6,963
Actuarial gains / (losses) from changes in financial assumptions	(9,605)	7,258
Other	(320)	(28)
Closing fair value	(74,221)	(76,978)

#### Pension assets and liabilities recognised in the Balance Sheet

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

	2018/19	2019/20
	£'000	£'000
<b>Present value of liabilities</b>		
Local Government Pension Scheme	(217,960)	(214,354)
Police Pension Scheme	(1,711,250)	(1,619,390)
Fair value of assets in the Local Government Pension Scheme	143,739	137,376
<b>Surplus / (deficit) in the scheme</b>		
Local Government Pension Scheme	(74,221)	(76,978)
Police Pension Scheme	(1,711,250)	(1,619,390)
<b>Total</b>	<b>(1,785,471)</b>	<b>(1,696,368)</b>

Local Government Pension Scheme assets comprised:

	2018/19	2019/20
	£'000	£'000
<b>Cash and Cash equivalents</b>	6,756	5,495
<b>Equity instruments</b>	72,732	64,705
<b>Bonds by sector:</b>		
Corporate	17,248	16,897
Government	36,941	39,152
<b>Sub-total bonds</b>	54,189	56,049
<b>Property</b>	10,062	11,127
<b>Other</b>	-	-
<b>Total assets</b>	143,739	137,376

#### 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 County Council 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%



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)	204,780	218,320
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%)	206,470	216,840

**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 (41%). 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 a 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 scheme takes into account the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings to pay pensions and other benefits to certain public servants.

The Group is expecting to pay to pay £4.55M 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.

## **30 PCVC - DEFINED BENEFIT PENSION SCHEME**

### **Participation in Pension Schemes**

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

The Office of the Durham Police and Crime Commissioner participates in 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 pension's liabilities with investment assets.

### **Transactions Relating to Retirement Benefits**

The Office of Durham Police and Crime Commissioner recognises the costs of retirement benefits in the Net Cost of Services 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:

	2018/19	2019/20
	£'000	£'000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
<b>Net Cost of Service</b>		
Current service cost	136	169
Past service cost	85	-
<b>Finance and Investment Income and Expenditure</b>		
Net Interest expense	13	14
<b>Total post employment benefit charged to provision of services</b>	<b>234</b>	<b>183</b>
<b>Other post employment benefit charged to the CIES</b>		
Remeasurement of net defined benefit comprising of:		
Return on plan assets	(46)	(276)
Actuarial gain/loss from changes in demographic assumptions	(70)	(63)
Actuarial gain/loss from changes in financial assumptions	85	(98)
Other:	-	568
<b>Total post employment benefits charged to the CIES</b>	<b>203</b>	<b>314</b>
<b>Movement in the Reserves Statement</b>		
Reversal of net charges for retirement benefits accordance with IAS19	(234)	(183)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employer's contributions payable to scheme	94	97
Benefits paid direct to beneficiaries	-	-

Reconciliation of present value of the scheme liabilities:

	2018/19	2019/20
	£'000	£'000
Opening present value	(1,403)	(1,710)
Current service cost	(136)	(169)
Interest cost	(37)	(43)
Contributions by scheme participants	(36)	(39)
<b>Remeasurement gains and losses:</b>		
Actuarial gains / losses from changes in demographic assumptions	70	63
Actuarial gains / losses from changes in financial assumptions	(85)	98
Other:	-	(568)
Past service costs	(85)	-
Liabilities assumed on entity combinations	-	-
Benefit paid	2	4
Closing present value	(1,710)	(2,364)

Reconciliation of fair value of the scheme assets:

	2018/19	2019/20
	£'000	£'000
Opening fair value	881	1,079
Expected rate of return	24	29
Remeasurement gain / loss - Return on plan assets	46	276
Employer contributions	94	97
Contributions by scheme participants	36	39
Benefit paid	(2)	(4)
Assets assumed on entity combinations	-	-
Closing fair value	1,079	1,516

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

	2018/19	2019/20
	£'000	£'000
Opening surplus (deficit)	(522)	(631)
Current Service Cost	(136)	(169)
Contributions by employer	94	97
Contributions by participants	-	-
Past service cost	(85)	-
Interest cost	(37)	(43)
Expected return on assets	24	29
<b>Remeasurement gains and losses:</b>		
Return on plan assets	46	276
Actuarial gains / losses from changes in demographic assumptions	70	63
Actuarial gains / losses from changes in financial assumptions	(85)	98
Other: Liability Experience	-	(568)
Net assets/ liabilities assumed on entity combinations	-	-
Closing fair value	(631)	(848)

#### Pension assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the group's obligation in respect of its defined benefit plan is:

	2018/19	2019/20
	£'000	£'000
Present value of liabilities	(1,710)	(2,364)
Fair value of assets in the Local Government Pension Scheme	1,079	1,516
<b>Surplus / (deficit) in the scheme</b>	<b>(631)</b>	<b>(848)</b>

**Local Government Pension Scheme assets comprised:**

	2018/19	2019/20
	£'000	£'000
<b>Cash and Cash equivalents</b>	51	61
<b>Equity instruments</b>	546	714
<b>Bonds by sector:</b>		
Corporate	129	186
Government	277	432
<b>Sub-total bonds</b>	406	618
<b>Property</b>	76	123
<b>Other</b>	-	-
<b>Total assets</b>	1,079	1,516

**Basis for Estimating Assets and Liabilities**

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

The significant assumptions used by the actuary are detailed below:

	2018/19	2019/20
Mortality assumptions		
Longevity at 65 for current pensioners		
Men (years)	22.6	22.2
Women (years)	24.1	24.2
Longevity at 65 for future pensioners		
Men (years)	24.3	23.2
Women (years)	25.9	25.7
Rate of Inflation (CPI)	2.1%	1.9%
Rate of increase of salaries	3.6%	2.5%
Rate of increase to pensions in payment	2.1%	1.9%
Rate of increase to deferred pensions	2.1%	1.9%
Rate for discounting scheme liabilities	2.5%	2.3%

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 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)	2,305	2,425
Rate of increase in salaries (increase or decrease by 0.1%)	2,373	2,355
Rate of increase in pensions (increase or decrease by 0.1%)	2,416	2,314
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,288	2,440

**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 (41%). 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 scheme will need to take into account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings to pay pensions and other benefits to certain public servants.

The PCVC is expecting to pay £105k contributions to the scheme in 2020/21.

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



## Police Officer Pension Fund Net Asset Statement

As at 31 March 2019		As at 31 March 2020
£'000		£'000
	<b>Current Assets</b>	
6666	Funding to meet deficit due from the local policing body	5,679
-	Cash Held	-
	<b>Current Liabilities</b>	
-	Unpaid Pension Benefits	-
-	Recharges to other Authorities	-
(6,666)	Surplus for the year owing to the local policing body	(5,679)
-	<b>Net Current Assets/Liabilities</b>	-

### 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.

The financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the financial year.

### 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 24.2% pensionable pay. For 2018/19 the employee's contributions are dependent on salary: 12.2% or 12.5% for the Police Officers' Pension Scheme 1987 and 10.1%, 10.5% or 10.75% for the Police Officers Pension Scheme 2006.

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

### Net Current Liabilities

	As at 31 March 2019	As at 31 March 2020
	£'000	£'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.

### **Actuarial Gains and Losses**

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

### **Actuarial Valuation**

A valuation by an actuary on behalf of a pension fund of assets held, estimate of the present value of benefits to be paid and estimate of required future contributions.

### **Amortisation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible fixed asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.

### **Budget**

The Commissioner and Group's plans and policies expressed in financial terms.

### **Capital Adjustment Account**

A capital reserve that reflects the difference between the cost of property, plant and equipment consumed and the capital financing set aside to pay for them.

### **Capital Charge**

A charge to the revenue account to reflect the cost of property, plant and equipment used.

### **Capital Expenditure**

Expenditure on the acquisition of property, plant and equipment or expenditure which adds to and not merely maintains the value of existing property, plant and equipment.

### **Capital Grant**

Grant from Central Government used to finance capital schemes.

### **Capital Receipts**

Proceeds from the sale of property, plant and equipment.

### **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 into 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.

### **Component Accounting**

Component accounting requires that where an asset has several components, which can be physically separated from the principal asset and which have significantly different useful lives, these should be recognised separately and should be depreciated based on their respective useful lives. Component accounting aims to improve depreciation accounting and improve the measurement of operating results.

#### **Contingency**

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

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Commissioner or Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner or Group, or where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Commissioner or Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner or Group.

#### **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 Commissioner or Group

#### **Deferred Liabilities**

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

#### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment, whether arising from use, passage of time or obsolescence through technical or other changes.

#### **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 Commissioner. 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.

#### **Financial Instruments**

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

#### **GAD - The Government Actuary's Department**

They provide estimates of the liabilities of the Police Officers Pension Scheme.

#### **Government Grants**

Assistance by Government in the form of cash in return for past or future compliance with certain conditions relating to the activities of the PCVC and CC.

### **Impairment**

A reduction in the value of an asset from the balance sheet value occurring as a result of a change in the condition and consumption of the asset or as a result of market conditions.

### **Interest Income**

The money earned from the investment of surplus cash.

### **International Financial Reporting Standards (IFRS)**

The Commissioner and Group'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

### **Leasing**

A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two main types of lease: 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee, and other leases, which are known as 'operating leases'. With finance leases, assets acquired are included within property, plant and equipment in the balance sheet at the market value of the asset involved; monies owing to the lessor are included within deferred liabilities on the balance sheet. With an operating lease an annual rent is charged to the relevant service revenue account.

### **Minimum Revenue Provision**

The minimum amount which must be charged in year for the repayment of debt.

### **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.

### **Net Book Value**

The amount at which property, plant and equipment are included in the balance sheet, ie their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use; i.e. the cost of replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

### **Non-Operational Assets**

Property, plant and equipment not directly occupied, used or consumed in the delivery of services. These are assets under construction and surplus assets and assets held for sale.

### **Operational Assets**

Property, plant and equipment held and occupied, used or consumed by

### **Outturn**

The actual amount spent in the financial year.

### **Payables**

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

### **Payments in Advance**

These represent payments up to 31st March for supplies and services received on or after 1st April.

### **Precept Income**

The Commissioner obtains part of its income from precepts levied on its billing authorities (Durham County Council and Darlington Borough Council). Precepts, based on the Council Tax base of each council, are levied on a collection fund, administered separately by each council.

**Property, Plant and Equipment**

Tangible and intangible assets that yield benefits to the Commissioner and the services it provides for a period of more than one year.

**Provisions**

Sums set aside to meet any liabilities or losses which are likely or certain to be incurred, but uncertain as to the amounts or dates on which they will arise.

**Receipts in Advance**

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

**Reserves**

Sums set aside for purposes falling outside the definition of a 'provision'. There are two categories of reserves - see 'Usable Reserves' and 'Unusable Reserves' for further definition.

**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.

**Revaluation Reserve**

Capital reserve to hold unrealised revaluation gains arising (since 1 April 2007) from holding property, plant and equipment.

**Revenue Contributions to Capital**

Contribution from revenue to finance capital expenditure, thus reducing the requirement to borrow.

**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.

**UK GAAP – Generally Accepted Accounting Standards**

As IFRS is primarily drafted for the commercial sector and therefore does not address all accounting issues relevant to local government in the UK, the Code prescribes a hierarchy of alternative standards on which the accounting treatment and disclosures should be based where appropriate

**Unusable Reserves**

Reserves the Commissioner is not able to use to provide services e.g. reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold.

**Usable Reserves**

Reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, e.g. Capital Modernisation Reserve.



**DURHAM POLICE, CRIME  
AND VICTIMS' COMMISSIONER**

**ANNUAL GOVERNANCE STATEMENT 2019/20**

## **ANNUAL GOVERNANCE STATEMENT**

This Statement reviews the governance environment throughout the financial year to 31<sup>st</sup> March 2020 and up to the date of the approval of the Statement of Accounts. The features of that environment are set out as follows:

### **1. SCOPE OF RESPONSIBILITY**

The Police, Crime and Victims' Commissioner (PCVC) is responsible for ensuring that his business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the PCVC is also responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

In exercising this responsibility, the PCVC places reliance on the Chief Constable to support the governance and risk management processes.

The PCVC has developed an overarching code of corporate governance to ensure that it reflects current governance arrangements and which is consistent with the principles of the CIPFA/SOLACE 2016 Framework – "Delivering Good Governance in Local Government". This includes:

- Scheme of Delegation
- Financial Regulations
- Contract Procedure Rules
- Counter Fraud and Corruption Strategy
- Whistle-blowing Policy
- Decision Making Policy and Procedures

This statement explains how the PCVC has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

In preparing the PCVC's Annual Governance Statement (AGS), reliance has been placed on the governance processes within Durham Constabulary, as reflected in the Chief Constable's AGS which is published alongside the PCVC Group accounts.



During the year, the PCVC became incapacitated which led to the Police and Crime Panel agreeing at its meeting in September 2019 to appoint the PCVC Chief Executive, to the role of Acting PCVC. Subsequently the PCVC Head of Policy was made Acting Chief Executive.

A normal election was due to take place in May 2020. Due to the COVID-19 outbreak this has not been possible and the temporary appointments have remained in place with the election now due to take place in May 2021.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values, which the PCVC adopts and the activities through which he accounts to and engages with the community. It enables the PCVC to monitor the achievement of his 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 and foreseeable 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 PCVC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **COVID-19 PANDEMIC**

The initial surge in COVID-19 cases in the UK happened in early March 2020, the final month of the period to which the AGS relates, while the review of effectiveness and AGS preparation were underway. An assessment of the ways in which the PCVC's governance systems have been deployed and adapted in response to the COVID-19 pandemic, aligned to the principles of good governance is included as Appendix A.

## **3. THE GOVERNANCE FRAMEWORK**

The Good Governance Standard for Public Services set out the seven principles of good governance. The key elements of the systems and processes that comprise the PCVC's governance arrangements and how these systems and processes adhere to the seven principles are set out below:

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

To achieve this, the PCVC:-

- ensures that he and his staff carry out their respective roles in a climate of openness, support and respect;
- has developed standards of conduct and personal behaviour expected between the PCVC, officers and staff of the OPCVC and the Constabulary which are defined and communicated through appropriate codes of conduct and protocols;
- has adopted 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 established values in his Office of Openness and Honesty, Respect and Trust, and Drive and Commitment;
- has appropriate Whistle-blowing arrangements and processes in place within the OPCVC and Constabulary; and
- has established procedures within the OPCVC and Constabulary for dealing with and investigating complaints which are in line with national legislation and guidance.

### **Principle B Ensuring openness and comprehensive stakeholder engagement**

To achieve this, the PCVC:-

- has arrangements to make clear to all staff what they are accountable for and to whom;
- ensures arrangements are in place to engage and consult effectively with partners, stakeholders and all sections of the community, recognising that different sections of the community have different priorities and different information needs;
- ensures that processes for taking decisions about matters where there are competing demands from different sections of the community openly recognise and address those differences;
- engages in a wide range of community settings, making appropriate arrangements for discussion that for good reasons require confidentiality;
- regularly publishes information on the PCVC and Constabulary's work, achievements and satisfaction of users, and offers clear explanations about changes in recorded crime statistics;
- has invested in dedicated staffing capacity in communications and community engagement;
- maps PCVC engagement across the whole Force area and which is available for public review
- consults with individuals and communities through the Area Action Partnerships;
- holds discussions via online media such as Facebook; and publishes online all decisions of public interest and reports them to the Police and Crime Panel and the Executive Board.

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

To achieve this, the PCVC:-

- has produced a Police, Crime and Victims' Plan for his Office which sets out his vision for 2021, the outcomes he wishes to achieve, and twelve key priorities which he will focus on over the period to 2021.
- monitors the delivery of his Police, Crime and Victims' Plan objectives;
- has clear contact details on the website for the public to raise concerns directly with him;
- is visiting neighbourhood wards to better understand the specific needs of local public;
- publishes annual reports to communicate his activities and achievements and financial position and performance;
- promotes his mission, vision and values;
- maintains an Executive Board comprising of himself, the Chief Constable and statutory officers to effectively manage the key decisions required in respect of service delivery and its impact on the community;
- is working to ensure that the work the PCVC and Constabulary undertake in partnership with others is underpinned by a common vision;
- engages at an appropriate level with key partners and partnership forums, drawing together relevant agencies in order to support delivery of shared objectives;
- 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;
- continuously monitors processes to ensure that the information needed to review performance in achieving value for money effectively and regularly is available;
- considers the environmental impact of policies, plans and decisions;
- has effective arrangements in place to ensure that the Constabulary performs to high standards and to identify and deal with failure in service delivery;
- has established a Medium Term Financial Plan supported by multi-year budgets;
- widely communicates his vision in all statutory reports and plans as well as on the PCVC website and on all marketing communications;
- uses appropriate indicators to measure performance against local policing priorities as determined through the Joint Strategic Assessment with partners and a comprehensive consultation programme with local people. Performance against the Plan is effectively monitored. Performance data is published for public scrutiny;
- has established a robust framework for consideration of Statutory Financial Statements and other published performance information; and
- has established a new commissioning framework.

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

To achieve this, the PCVC:-

- has approved a detailed medium term financial plan which includes actions to ensure financial sustainability;
- has developed, and monitors, a performance management framework, to ensure the police, crime and victims' plan is delivered and where necessary remedial action taken;
- has processes in place to ensure data quality is high, so as to enable objective and rigorous decision making, including access to force crime pattern systems;
- uses victim and community feedback to identify areas for improvement;
- holds a monthly Executive board meeting where performance is reported, issues are raised and actions agreed upon;
- supports the use of a risk management process (plan on a page) to identify where interventions may be required; and

- uses his Office resources to support the Force in its development of a sound 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 PCVC:-

- ensures that the Force has robust Human Resources arrangements in place. Conditions of Employment and remuneration issues in respect of the PCVC’s own staff are also adequately managed through the Force’s HR team as part of the Shared Services Agreement;
- ensures that the Constabulary issues contracts of employment to all police staff, 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 as necessary;
- 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;
- has established clear roles and responsibilities for the Chief Constable, and holds annual reviews with him in addition to regular accountability meetings;
- ensures that there are robust performance management arrangements within the Constabulary which enables training and development requirements to be identified and delivered;
- ensures that officers have the resources and support necessary to perform effectively in their roles and functions subject to overall affordability;
- ensures that induction programmes are tailored to individual needs as well as ensuring that opportunities for officers to update their knowledge are available on an ongoing basis; and
- ensures there are effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to, and participate in the work of the PCVC.
- ensures there is a clear understanding of the respective roles and responsibilities of the PCVC, senior officers and staff of the Office of the Police and Crime Commissioner (OPCC) and the Force and reviews the effectiveness of these roles and responsibilities;
- has reviewed his organisational structure, defined responsibilities and terms of reference;
- works with the Constabulary as well as its stakeholders and communities to develop and deliver against clearly defined strategic plans, priorities and targets to drive improvements in policing services;
- ensures that there are effective mechanisms in place to monitor service delivery;
- has reviewed his Support Services Agreement with the Constabulary;
- has established a system of objective setting and appraisal within his office, including the identification of personal development objectives, and providing the support necessary to meet them;
- ensures when working in partnership that the arrangements for governance and accountability for performance and financial administration are clearly articulated and disseminated;
- has a Code of Corporate Governance and a protocol governing the relationship with the Constabulary; and

- work is being carried out to produce and updated Asset Strategy which includes Estates, Fleet and Environment which is due for completion in summer 2020.

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

To achieve this, the PCVC:-

- 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 performance and compliance with other requirements;
- ensures that he works with the Constabulary to obtain objective and timely information which is necessary to take balanced and informed decisions;
- ensures through the Joint Audit Committee that risk management is used effectively to inform and focus its decision making, scrutiny and monitoring work;
- ensures that there are effective, transparent and accessible arrangements in place for dealing with complaints;
- reviews and revises as appropriate key governance documents, i.e. the Scheme of Corporate Governance which includes financial regulations and contract procedure rules;
- maintains a Joint Audit Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance arrangements, and advising the PCVC and Chief Constable according to good governance principles and adoption of appropriate risk management arrangements in accordance with proper practices and consideration of the internal and external audit reports of both the PCVC and the Chief Constable for Durham Constabulary;
- has in place a Chief Finance Officer to the PCVC who is professionally qualified and suitably experienced. He plays a key role in providing a strategic insight to the direction and control of business decisions affecting financial resources. He ensures compliance with financial standards and gives due consideration to both the risk to and economic, efficient and effective use of resources. He works closely with the Chief Constable and Force in ensuring the Finance function provided is fit for purpose and that the management of the PCVC's funds are robust;
- is fully compliant with the principles outlined in the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner (2012). In practice the role of the PCVC CFO and CC CFO is undertaken by the same individual, but the PCVC has established a Safeguards Protocol to minimise the risk and maximise the opportunities this arrangement brings. The Safeguards Protocol has been presented to and agreed by the Joint Audit Committee and the Police and Crime Panel, and is subject to annual review;
- has in place a Chief of Staff who fulfils the role of the Head of Paid Service and Monitoring Officer and ensures compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful and in accordance with financial regulations and procedural rules;
- publishes key business decisions on his website;
- publishes details of allowances and expenses incurred by the PCVC and staff and maintains a Register of Gifts and Hospitality;
- maintains joint governance arrangements with neighbouring police forces and the fire service with regard to collaboration;

- maintains a performance management framework and a public reporting mechanism which is published on the PCVC website quarterly
- uses Executive Board as performance management meetings to hold the Chief Constable to account;
- engages with the Police and Crime Panel (PCP) whose role it is to scrutinise the work of the PCVC and how he carries out his statutory responsibilities. The Panel has a key role in supporting the Commissioner in his role in enhancing public accountability of the police force; and
- ensures all relevant disclosures in terms of information are included on the PCVC website e.g. contracts, payments over £500 etc.

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

To achieve this, the PCVC:-

- has, with the Chief Constable, 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, decisions, business interests and performance data on his website;
- uses the Force Procurement Department, which has clear guidelines for procuring goods and services;
- has a well-established community engagement process and social media presence;
- 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 online and to the Police and Crime Panel as part of established accountability mechanisms;
- maintains a log of key decisions made;
- acts upon the findings/recommendations of HMIC Inspections and Internal Audit/External Audit Reports;
- Actively seeks media and press interest in his work in order to increase public awareness of his role and impact; and
- prepares an Annual Governance Statement for scrutiny.

## **4. REVIEW OF EFFECTIVENESS**

The PCVC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal audit and internal control. The review of effectiveness is informed by the work of Senior Officers in the Constabulary and OPCVC who have responsibility for the development and maintenance of the governance environment. The Head of Internal Audit's annual report, and comments made by the Chief Finance Officer, external auditors and other review agencies and inspectorates also inform this review.

### **Joint Audit Committee**

The PCVC and Chief Constable's established Joint Audit Committee with Terms of Reference that include responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management where the following reports apply.

Audit Committees: Practical Guidance for Local Authorities and Police 2018 (CIPFA)

CIPFA Statement: The Role of the Head of Internal Audit in Public Sector Organisations

Police and Crime Commissioner Annual Governance Statement 2018/19

Chief Constable Annual Governance Statement 2018/19

Annual Force Management Statement

Joint Independent Audit Committee Annual Report 2017/18

Joint Independent Audit Committee Annual Report 2018/19

Annual Internal Audit Report 2018/19

External Audit – Annual Audit Letter Year Ending 31 March 2019

Fraud and Corruption Annual Report

NFI 2018/19 Exercise Outcomes Report

Annual Review of the System of Internal Audit

Internal Audit Progress Reports

External Audit Progress Reports

Whistleblowing, Employment Tribunals, Settlement Agreements, Fairness at Work, Complaints/Praise

Review of the Joint Chief Finance Officer Role and Safeguards Protocol

Annual Governance Statement (AGS) Action Plan Report Updates

PCVC Risk Register Update

Force Risk Register Update

Budget Monitoring Reports

Medium Term Financial Plan 2020/21 to 2023/24 and Revenue & Capital Budgets 2019/20

Commissioning – Funding Streams

Quarterly Professional Standards Reports

Future Governance Arrangements for Scrutiny of Police Complaints

Annual Review of Gifts and Hospitality

PCVC Decision Records

Temporary Arrangements for the Office of the PCVC

Internal Audit Plan 2019/20

Draft Police, Crime and Victims' Commissioner Annual Governance Statement 2019/20

Draft Chief Constable Annual Governance Statement 2019/20

Impact on Services due to COVID-19

During the period the following themed Training was provided to the Joint Audit Committee:

Audit Committees: Practical Guidance for Local Authorities and Police 2018 (CIPFA) including a Self-Assessment of Good Practice

Review of Joint Audit Committee Terms of Reference

### **Police and Crime Panel (PCP)**

The Police and Crime Panel (PCP) was established by the Constituent Local Authorities to provide scrutiny of the work of the PCVC and how he carries out his statutory responsibilities. The Panel has a key role in supporting the Commissioner in his role in enhancing public accountability of the police force.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

The PCVC is fully committed to the principles of corporate governance, establishing at its core a Corporate Governance Framework, most recently revised in February 2020 following consultation with the Joint Independent Audit Committee to reflect changes in practice and to enable self-assessment against it.

The Joint Audit Committee (JAC) has a full work programme developed with assistance from Internal Audit and External Auditors. Ongoing training is provided to ensure that the Committee is able to properly discharge its responsibilities.

It is imperative that External and Internal Audit's work continues to fulfil their statutory responsibilities, whilst at the same time adding value to the two corporate bodies. Regular meetings with auditors over the course of the year ensure that potential duplication resulting from the 'two corporations sole arrangements' is minimised.

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 Office of the Police and Crime Commissioner and a moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the



Constabulary in 2019/20. This opinion ranking provides assurance that, whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk. Given the extent of change across the Office of the Police and Crime Commissioner and Constabulary and the overall reduction in resources during the year, the sustainment of this assurance opinion should be regarded as a positive outcome.

This opinion is however qualified, in light of the current coronavirus pandemic and the impact of this on the Constabulary. The opinion provided is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control that have been put in place.

A summary of how the significant issues identified in the 2018/19 Annual Governance Statement, which, in the main, are of a recurrent nature, have been progressed is provided below:

Issue Raised in 2018/19	Current Position
Further Funding Reductions	<p><b>Ongoing:</b> The PCVC and Force agreed its Medium Term Financial Plan with the Executive Board. The Force monitors progress made to deliver efficiency savings via its Strategic Resourcing Group. The majority of “easy” spending reductions have now been implemented and there is less scope to reduce expenditure without more significant change being undertaken. Whilst the Medium Term Financial Plan is in balance, there remains uncertainty moving forward in relation to grant levels, pay awards, pension costs etc. The realisation of benefits where additional investment is made into a service area is becoming more important.</p> <p>The Force is still awaiting the outcome of the formula funding review and as such this issue remains one of significance. Further work to identify options to reduce expenditure will be presented internally.</p>
Continued Collaboration with Other Forces and Organisations	<p><b>Ongoing:</b> 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 &amp; Rescue Service.</p> <p>With further initiatives e.g. sharing of ICT development with Cumbria Police in development this issue remains one of significance.</p>
The Strategic Policing Requirement (SPR)	<p><b>Ongoing:</b> 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</p>

	<p>one of significance. The ongoing development of the Force Management Statement will assist in managing this issue.</p> <p>Business continuity plans are likely to be revised in light of the coronavirus pandemic.</p>
Commissioning of Services	<p><b>Ongoing:</b> 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 further 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><b>Ongoing:</b> A review of the Joint CFO role has been carried out in year 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 and Executive Board.</p> <p>This arrangement is seen to constitute an ongoing governance risk and with the appointment of a new Chief Constable and temporary arrangements currently in place for the PCVC and delay in the PCVC election until May 2021, this arrangement will need to be formally evaluated again and therefore 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.

### Further Funding Reductions

The 2019/20 government grant settlement allowed a £24 (Band D) increase in council tax, which stabilised the financial position of the Force. A comprehensive spending review which was planned for the summer of 2019 has now been delayed by at least one year. Therefore, any further changes to medium term police funding is likely to take place from 2022/23 onwards. The Medium Term Financial Plan presented to Executive Board in February 2020 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**

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. Whilst the Force continually looks to undertake collaborative initiatives which will save money and increase capacity / resilience for the Force, it is recognised that this may not always be the case. 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.

## **Strategic Policing Requirement (SPR)**

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**

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.

## **PCVC Chief Financial Officer (CFO) Role**

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.

## **Increase officer numbers in line with National Officer Uplift Programme**

The PCVC has received additional grant funding to increase officer numbers in line with the National Officer Uplift Programme. Detailed recruitment timelines have been agreed and Northumbria University has been appointed as the police degree apprentice provider and the Force works closely with the College of Policing to ensure the local uplift programme is a success. The largest issue relates to the quantity and quality of candidates.

## **Coronavirus pandemic**

The Force has been impacted by COVID since March 2020 and this is expected to continue into 2020/21. Its direct impact includes; increased sickness absence as officers and staff self-isolate, reduced demand in certain areas e.g. policing the night time economy, increased demand in other areas e.g. fraud and also an increase in unexpected expenditure e.g. the purchase of PPE, additional homeworking costs, cleaning and overtime. At present it is uncertain what proportion of these costs will be recovered from the Home Office. There will also be a need to consider the lessons learnt from managing service delivery in a crisis as a way to improve both the efficiency and effectiveness of the Force.

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:

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Steve White

Acting Police, Crime and Victims' Commissioner for Durham

Date:

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## **COVID Governance Response**

The ways in which PCVC and Force governance systems have been deployed and adapted in response to the COVID 19 pandemic are set out below, aligned to the seven principles of good governance. These revised arrangements continued to be in place either up until the PCVC and Force Annual Statement of Accounts were published or point at which the PCVC and Force determined that the position had improved to enable what effectively were specific time-limited measures to be relaxed.

Whilst the impact of COVID 19 was at times significant, the PCVC and Force adapted a pragmatic, flexible approach to ensure decision making could occur at the pace required for each situation, but with due regard to the need to maintaining robust governance and accountability together with the continued safety of its officers and staff throughout.

The PCVC and Force will review the lessons learnt and will adapt their arrangements accordingly going forward to reflect more effective, modern ways of working, particularly by harnessing a fuller use of technology to this end wherever possible.

### **Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law and Principle B Ensuring openness and comprehensive stakeholder engagement**

To achieve this, the PCVC and / or Chief Constable:-

- Established a 'Gold' group chaired by the Temporary Assistant Chief Constable to oversee the Force response to COVID, ensure national guidance was followed and also ensure that service delivery was maintained where possible.
- Established a partner based Strategic Co-ordination Group chaired by the Deputy Chief Constable.
- Ensured the efficient operation of the Executive Team to ensure overall service delivery was maintained.

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

To achieve this, the PCVC and / or Chief Constable:-

- Transferred all Neighbourhood Police Officers to Response Teams between early April and the end of May 2020 to ensure adequate response times were maintained.
- Ensured that critical functions such as Firearms Officers worked in what were effectively 'work bubbles' to reduce the risk of transmission of the virus.
- Ensured that key supply chains were managed to support Force delivery.

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

To achieve this, the PCVC and / or Chief Constable:-

- Continued Police Officer recruitment as normal. Recruitment for next intakes in 2021 went live in May 2020.
- Delivered new recruit training across two classes, due to social distancing. This required other training courses to stop.
- Tasked a small group of senior officers and staff to work on a lessons learnt plan (Operation Delorian) to ensure learning was captured and improved practices maintained.

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

To achieve this, the PCVC and / or Chief Constable:-

- Reported to Executive Board and JAC the costs of COVID for the Force. A separate cost centre was created to accurately capture costs which was used as a basis for internal and external reporting.
- Submitted cost returns to the Home Office as part of a national submission for cost recovery.
- Established a PPE Cell utilising police officers and staff from other roles to ensure security of supply.
- The majority of staff worked from home and continued to provide an adequate service.
- Staff were allowed into their normal place of work only when necessary.
- Enhanced cleaning regime instigated within buildings.
- Plans developed which showed how many officers and staff could be in each station at any one time as part of a comprehensive risk assessment process.

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

To achieve this, the PCVC and / or Chief Constable:-

- Reported regularly to the Acting PCVC the local COVID response.
- Reported formally to Executive Board the local COVID response.
- Reported to JAC via a telephone conferencing medium an overview of activity undertaken.