

Office of the Police and Crime Commissioner For Durham

Statement of Accounts for the year ended 31st March 2019



Putting victims first in County Durham and Darlington

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2018/19 Narrative Report

Message from Gary Ridley, Assistant Chief Officer

Organisational Overview

Following the Police Reform and Social Responsibility Act 2011, Durham Police Authority was abolished on 21 November 2012 and replaced with two corporation sole bodies, The Office of the Police and Crime Commissioner for Durham (Durham Police Crime and Victims' Commissioner, PCVC) and the Chief Constable of Durham Constabulary (Chief Constable, CC). This set of accounts shows the financial position of the 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 Constabulary vision is to protect neighbourhoods, tackle criminals and solve problems. It manages its resources, information and works with partners in order to ensure that the vision is met. In relation to 2018/19, the Constabulary continued to face rising demand and changing demand against a backdrop of continuing austerity. The Constabulary continues to be regularly inspected by HMICFRS (Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services) in respect of effectiveness, efficiency, leadership, legitimacy as well as various other thematic inspections. During 2018/19 the Force was adjudged to be outstanding in terms of efficiency and effectiveness by HMICFRS.

Governance

The annual governance statements (AGS) for the PCVC and CC were produced in line with CIPFA guidance. Both the AGSs were agreed at the Executive Board on 15 May 2019. The main governance issues to note are as follows:

Finance

The governance statement reflected the ongoing imposition of austerity and the likely impact that this may have in terms of officer and staff numbers, the scope for investment and the need to match supply to demand. Various plans are in place to actively manage demand across most aspects of the force. A number of continuous improvement reviews were carried out in 2018/19 which resulted in cash-backed and time backed savings.

Key financial information for 2018/19 is as follows:

Revenue Budget

	Original Budget	Actual	Variance
	£'000	£'000	£'000
Employees	99,918	99,434	484
Premises	4,049	4,513	(464)
Transport	1,968	2,274	(306)
Agency Services	2,303	2,366	(63)
Supplies and Services	8,645	9,040	(395)
Police & Crime Commissioner's office	1,071	1,004	67
Capital Financing	766	269	497
Commissioning	2,277	2,134	143
Revenue contribution to capital	921	3,233	(2,312)
Contribution to/(from) from Reserves	-	1,781	(1,781)
Gross Expenditure	121,918	126,048	(4,130)
Special Grants and Other Income	(5,752)	(9,882)	4,130
Net Expenditure	116,166	116,166	-
Financing			
Specific Grant	(42,112)	(42,112)	-
Redistributed Non-Domestic Rates	(36,446)	(36,446)	-
Legacy Grants	(6,110)	(6,110)	-
Precept Income	(31,498)	(31,498)	-
Total Financing	(116,166)	(116,166)	-
Net	-	-	-

The original budget was set at £116m and out turned at £116m. 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.
- **Premises/transport:**
These budgets were overspent during the year. In respect of premises, a number of urgent repairs were required. In respect of transport the rise in the cost of fuel coupled with the cost of repairing vehicles led to an overspend.

- **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
Expenditure			
Property	1,675	1,183	492
IT	6,178	1,316	4,862
Vehicles	1,207	1,361	(154)
Equipment	287	159	128
Written off capital expenditure	9,347	4,019	5,328
Additions to Fixed Assets		59	
		4,078	
Financed by:			
Capital Grant/Contributions		795	
Contribution Reserve		50	
Revenue		3,233	
		4,078	

The original capital budget was set at £8.8m and out turned at £4.3m. The majority of the underspend relates to ICT capital schemes. This is due to:

- Delays in recruiting IT staff to deliver capital schemes. This is not unique to the Force.
- Delays in agreeing the precise content of capital schemes due to the need to ensure the best technical solutions and the need also to consider collaborative opportunities.

Collaboration

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

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 1,127 officers as at 31st March 2019, 895 staff and 148 PCSOs. This was across the following main areas of policing:

<u>Command Area</u>	<u>Officers</u>	<u>Staff</u>	<u>PCSOs</u>
Response Command	456	192	-
Crime and Justice incl NERSOU	236	222	-
Safeguarding Neighbourhoods	215	43	138
Tasking & Coordination Command	52	103	-
BID Command	10	81	10
Support Services	34	163	-
CDSOU	97	16	-
Professional Standards and Legal Services	8	37	-
PCVC Office	-	18	-
Executive	5	10	-
Secondments and Career Break	14	10	-
Total Group	1,127	895	148

During 2018/19 vacancy rates averaged 1.66% for officers, 3.56% for staff and 5.46% for PCSOs.

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

Risks and Opportunities

The main risks are as follows:

Funding Formula

Previous work from central government has indicated that any revised funding formula could adversely impact the Constabulary. In mitigation of this, the PCVC has agreed a plan to reduce expenditure across a range of areas in order to ensure financial stability. This will involve losing a number of police officers, police staff, further workforce modernisation as well as reductions in non-pay budgets.

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.

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:

- zero grant loss per annum;
- 2% pay rise per annum;
- £24 increase in precept for 2019/20 and 1.98% p.a. thereafter. It is assumed that the current Council Tax capping criteria will continue into the future; and
- No unspecified financial savings.

The Constabulary 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:

- A reduction in officer numbers. Reviews would be carried out to identify where officer numbers can be reduced without significantly affecting service delivery;
- 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;
- Reduction in PCSO numbers. This will require a review of operational coverage across the Constabulary;
- Workforce modernisation. A number of posts would be identified for potential workforce modernisation across the middle office. A number of these are likely to occur in any event as it will give the Constabulary the opportunity to save money going forward; and
- Non pay reductions. A 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.

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.

Performance

High level key performance statistics for 2018/19 are as follows:

- Anti-social behaviour reduction of 9.9%;
- Alcohol-related anti-social behaviour decrease of 1.5%;
- Youth-related anti-social behaviour reduction of 10.1%;
- Domestic abuse incidents increase of 6.8%;
- Hate crime increase of 17.1%;
- Reported crime increase of 4.6%;
- Solved rate of 24.5%; and
- Recorded crime increase of 4.4%.

Where demand is increasing there are a number of detailed plans in place to mitigate its impact. The Force-wide collaboration plan has been reviewed in light of good practice and is focussed around the 3 service areas of service behaviour, continuous improvement and policing effectiveness. There is an obvious focus upon maximising opportunities to interact and engage with the public via a range of mechanisms e.g. local community events, schools and clubs; PACT meetings; high footfall force-wide events; social media platforms and high-profile initiatives such as Police Interceptors, Mini Police, Cadets etc. In addition Mutual Gain as a project continues to be implemented.

In relation to victim satisfaction, the Total Victim Care Group continues to closely monitor and assess levels of victim satisfaction, this is also regularly reported to Operational Threat and Risk and Force Leadership Group. The force has continued to strive to understand what the victim, witness and customer thinks of our actions by running, monitoring and analysing victim satisfaction surveys across a wide variety of categories, including crime, anti-social behaviour, domestic abuse, serious sexual assaults and post charge.

Durham Constabulary continues as the national lead on the Intervene to Protect a Child (IPC) project. The national IPC awareness input to front line police, wider law enforcement and partner agencies has continued. The Erase Multi Agency Audit finalised in September 2016 showed good progress had been made in supporting those at risk of vulnerability, compliance to procedures had improved and there were clear examples where multi-agency work was co-ordinated which resulted in better outcomes for those at risk.

The Harm Reduction Unit (HRU) coordinates a cross partnership approach to proactively dealing with the harm caused by alcohol and drugs. There are a number of initiatives in force and in the wider partnership designed to reduce the harm caused by alcohol, including the specialist work undertaken by the HRU. Key work includes tackling alcohol linked to ASB and associated vulnerabilities under Operation Aries, Operation Staysafe, the Blue Light drinkers initiative addressing critical pathways through an offender management approach, partnership working with DCC trading standards targeting licence premises with regards underage sales, raising awareness of risks linked to underage drinking and safeguarding vulnerable adults in the night time economy.

The Harm Reduction Unit, with a previous sole focus on alcohol harm, has been subject of growth with the inclusion of the Drug Intervention co-ordinator's role. The HRU deliver a range of education based packages raising awareness of drug harm and substance misuse across the county. Also, the HRU has been proactive together with Trading Standards across Durham and Darlington to address the issue of New Psychoactive substances.

The Checkpoint initiative continues to progress. Early results show that reoffending rates reduce by 15% with those individuals who have been through the Checkpoint programme. This is considered a significant achievement and is generating interest from a number of other Forces. During 2018/19 additional navigators were employed by the Force to increase capacity in this area.

Other achievements include:

- Durham Constabulary was awarded an 'Outstanding' rating for its effectiveness in reducing crime and keeping communities safe – the only Force to receive that rating, and for the fourth year running.
- Durham Constabulary was rated as 'Outstanding' for efficiency, in April 2019, again for the fourth year running – one of only two Forces to receive that rating.
- Wide and increasing range of services for victims of crime, with new services launched for victims of hate crime and people with mental health ill-health, in April 2017.
- Launch of multi-agency Local Criminal Justice Plan January 2018.
- Mini-Police operating in more schools.
- Second Rural Statement published.
- Continuing campaigns for:
 - Fair funding for policing
 - Reform of national drug policy
 - Minimum unit pricing for alcohol
 - Lower drink-drive limit
 - Mandatory registration scheme for private landlords.

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

Report on the financial statements

Opinion

We have audited the financial statements of the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2019, which comprise the Office of the Durham Police and Crime Commissioner and Group Comprehensive Income and Expenditure Statements, the Office of the Durham Police and Crime Commissioner and Group Movement in Reserves Statements, the Office of the Durham Police and Crime Commissioner and Group Balance Sheets, the Office of the Durham Police and Crime Commissioner and Group Cash Flow Statements, the Group Police Officer Pension Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Office of the Durham Police and Crime Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Assistant Chief Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Assistant Chief Officer for the financial statements

As explained more fully in the Statement of the Assistant Chief Officer's Responsibilities, the Assistant Chief Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Assistant Chief Officer is also responsible for such internal control as the Assistant Chief Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Assistant Chief Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Office of the Durham Police and Crime Commissioner is informed of the intention for dissolution without transfer of services or function to another entity. The Assistant Chief Officer is responsible for assessing each year whether or not it is appropriate for the Office of the Durham Police and Crime Commissioner to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Office of the Durham Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Office of the Durham Police and Crime Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

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

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

Responsibilities of the Office of the Durham Police and Crime Commissioner

The Office of the Durham Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper

stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Office of the Durham Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Office of the Durham Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the Office of the Durham Police and Crime Commissioner, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Officer of the Durham Police and Crime Commissioner those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Office of the Durham Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of the Office of the Durham Police and Crime Commissioner in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Mark Kirkham
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

31 July 2019

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 Assistant Chief Officer's Responsibilities

The Assistant Chief 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 2018/19. In preparing this Statement of Accounts, the Assistant Chief Officer has:

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

The Assistant Chief 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.

Assistant Chief 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 2019 and of his income and expenditure for the year ended 31 March 2019.

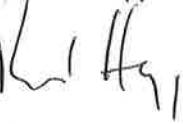
X 
G Ridley OBE MBA CPFA

Date 30/7/2019

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

Police and Crime Commissioner's Certificate

I confirm I have approved these accounts

X 
Ron Hogg

Date 30/7/19

Group Comprehensive Income and Expenditure Statement for the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2019

2017/18 Gross Expenditure £'000	2017/18 Income £'000	2017/18 Net Expenditure £'000	2018/19 Gross Expenditure £'000	2018/19 Income £'000	2018/19 Net Expenditure £'000
114,324	-	114,324	Employee costs	189,457	189,457
16,870	-	16,870	Non employee costs	17,139	17,139
3,006	-	3,006	PCVC costs	3,353	3,353
3,957	-	3,957	Capital charges	2,195	2,195
-	(8,592)	(8,592)	Income	-	(9,034)
138,157	(8,592)	129,565	Net Cost of Services	212,144	(9,034)
25,049	(25,049)		Other Operating Expenditure		203,110
		-	Police Pension Top Up Grant	27,351	(27,351)
		834	Levies		830
		671	Loss on the Disposal of Non-current Assets		138
			Financing and Investment Income and Expenditure		
		9	Interest payable and similar charges (Note 13)		3
		42,371	Net interest on defined benefit liability (Note 29)		41,673
		(25)	Interest receivable and similar income (Note 13)		(96)
		-	Taxation and non-specific grant income		
		(36,446)	National Non Domestic Rates (Note 25)		(36,446)
		(42,112)	Police Grants (Note 25)		(42,112)
		(28,772)	Precepts (Note 25)		(31,014)
		(6,110)	Council Tax Support Grant (Note 25)		(6,110)
		(933)	Capital Grants and Contributions (Note 25)		(1,017)
		59,052	Group deficit on Provision of Services		128,959
			(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets (Note 11)		(1,379)
		(180)	Re-measurements of the defined benefit liability (Note 29)		9,770
		(24,768)	Other Comprehensive Income and Expenditure		8,391
		(24,948)	Total Comprehensive Income and Expenditure		137,350
		34,104			

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 2019**

2017/18 Gross Expenditure	2017/18 Income	2017/18 Net Expenditure	2018/19 Gross Expenditure	2018/19 Income	2018/19 Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
719	-	719	Employee costs	924	-
2,286	-	2,286	Non employee costs	2,429	2,429
3,957	-	3,957	Capital charges	2,195	2,195
-	(1,028)	(1,028)	Income	-	(1,532)
-	(3,957)	(3,957)	Charge for use of assets	-	(2,195)
112,127	-	112,127	PCVC funding for resources consumed by the CC	111,312	111,312
119,089	(4,985)	114,104	Net Cost of Services	116,860	(3,727)
25,049	(25,049)		Other Operating Expenditure		
			Police Pension Top Up Grant	27,351	(27,351)
			Levies	-	-
			671 Loss on the Disposal of Non-current Assets		138
			Financing and Investment Income and Expenditure		
			9 Interest payable and similar charges (Note 13)		3
			11 Net interest on defined benefit liability (Note 30)		13
			(25) Interest receivable and similar income (Note 13)		(96)
			Taxation and non-specific grant income		
			(36,446) National Non Domestic Rates (Note 25)		(36,446)
			(42,112) Police Grants (Note 25)		(42,112)
			(28,772) Precepts (Note 25)		(31,014)
			(6,110) Council Tax Support Grant (Note 25)		(6,110)
			(933) Capital Grants and Contributions (Note 25)		(1,017)
		397	(Surplus)/Deficit on Provision of Services		(3,508)
			(Surplus)/Deficit on revaluation of non current assets (Note 11)		(1,379)
			11 Re-measurements of the defined benefit liability (Note 30)		(31)
			Other Comprehensive Income and Expenditure		(1,410)
			Total Comprehensive Income and Expenditure		(4,918)

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

Current year	Police Fund	Earmarked Reserves	Capital Grants and Contrib'n's	Capital Receipts	Total Useable Reserves	Unusable Reserves	Total Group Reserves
	Balances		Unapplied	£'000	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	5,666	3,066	1,889	7,535	18,156	(1,628,451)	(1,610,295)
Movement in reserves during 2018/19							
Total Comprehensive Income and Expenditure	(128,959)	-	-	-	(128,959)	(8,391)	(137,350)
Adjustments between accounting basis & funding basis under regulations (Note 9)	130,845	-	173	4,181	135,199	(135,199)	-
Earmarked Reserves movements (Note 10)	(1,393)	1,393	-	-	-	-	-
Increase/(Decrease) in year	493	1,393	173	4,181	6,240	(143,590)	(137,350)
Balance at 31 March 2019 carried forward	6,159	4,459	2,062	11,716	24,396	(1,772,041)	(1,747,645)
Comparative year							
Balance at 31 March 2017	5,666	7,344	2,115	3,207	18,332	(1,594,523)	(1,576,191)
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure	(59,052)	-	-	-	(59,052)	24,948	(34,104)
Adjustments between accounting basis & funding basis under regulations (Note 9)	54,774	0	(226)	4,328	58,876	(58,876)	-
Earmarked Reserves movements (Note 10)	4,278	(4,278)					
Increase/(Decrease) in year	-	(4,278)	(226)	4,328	(176)	(33,928)	(34,104)
Balance at 31 March 2018 carried forward	5,666	3,066	1,889	7,535	18,156	(1,628,451)	(1,610,295)

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	Earmarked Reserves	Capital Grants and Contrib'n's	Capital Receipts	Total Useable Reserves	Unusable Reserves	Total Group Reserves
	Balances		Unapplied				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	5,666	3,066	1,889	7,535	18,156	18,240	36,396
Movement in reserves during 201/19							
Total Comprehensive Income and Expenditure	3,508	-	-	-	3,508	1,410	4,918
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	-	-	-	-	-
Increase/(Decrease) in year	493	1,393	173	4,181	6,240	(1,322)	4,918
Balance at 31 March 2019 carried forward	6,159	4,459	2,062	11,716	24,396	16,918	41,314
Comparative year							
Balance at 31 March 2017	5,666	7,344	2,115	3,207	18,332	18,292	36,624
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure	(397)	-	-	-	(397)	169	(228)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(3,881)	-	(226)	4,328	221	(221)	-
Earmarked Reserves movements (Note 10)	4,278	(4,278)	-	-	-	-	-
Increase/(Decrease) in year	-	(4,278)	(226)	4,328	(176)	(52)	(228)
Balance at 31 March 2018 carried forward	5,666	3,066	1,889	7,535	18,156	18,240	36,396

Group Balance Sheet for the Group of the Office of the Police and Crime Commissioner for Durham at 31 March 2019

31 March 2018		Notes	31 March 2019	
£'000	£'000		£'000	£'000
25,883	32,037	Property, Plant and Equipment	11	28,924
2,034		Intangible Assets	12	2,056
4,120		Long Term Debtors	13	-
		Total Long Term Assets		30,980
470		Inventories		544
14,664		Short Term Debtors	14	16,892
1,870		Cash and Cash Equivalents	15	4,729
	17,004	Total Current Assets		22,165
-	(14,651)	Short Term Borrowings		-
(14,651)		Short Term Creditors	16	(13,689)
		Total Current Liabilities		(13,689)
(1,703)		Provisions	17	(1,630)
-	(1,642,982)	Long Term Borrowings		-
(1,642,982)		Pensions Liability	18	(1,785,471)
		Total Long Term Liabilities		(1,787,101)
		Net Assets		(1,747,645)
18,156	(1,610,295)	Usable Reserves	19	24,396
(1,628,451)		Unusable Reserves	19	(1,772,041)
		Total Reserves		(1,747,645)

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 2019

31 March 2018		Notes	31 March 2019	
£'000	£'000		£'000	£'000
25,883		Property, Plant and Equipment	11	28,924
2,034		Intangible Assets	12	2,056
4,120		Long Term Debtors	13	-
	32,037	Total Long Term Assets		30,980
10,512		Short Term Debtors	14	13,204
1,870		Cash and Cash Equivalents	15	4,729
	12,382	Total Current Assets		17,933
(7,501)		Short Term Borrowings		-
	(7,501)	Short Term Creditors	16	(6,968)
		Total Current Liabilities		(6,968)
(522)		Long Term Borrowings		-
	(522)	Pensions Liability	18	(631)
		Total Long Term Liabilities		(631)
	36,396	Net Assets		41,314
18,156		Usable Reserves	19	24,396
18,240		Unusable Reserves	19	16,918
	36,396	Total Reserves		41,314

Cashflow Statement for the Group of the Office of the Durham Police and Crime Commissioner for the year to 31 March 2019

2017/18		OPERATING ACTIVITIES	2018/19	
£'000	£'000		£'000	£'000
85,779		Cash Inflow	79,875	
36,446			36,446	
28,625			31,498	
12,627			15,035	
25			96	
(131,671)				162,950
(9)				
(19,818)				
	163,502			
	(151,498)			
12,004		Cash Inflows generated from operating activities		
(179)		Cash Outflow	(135,313)	
(1,581)			(3)	
(1,722)			(21,334)	
	(3,482)			
6,670				
(14,219)				
	(7,549)			
973				
897				
1,870				
(973)		Cash outflows generated from operating activities		
		Net cash flows from operating activities		
		INVESTING ACTIVITIES		
		Proceeds from the sale of Property, Plant and Equipment	61	
		Capital grants/contributions received	232	
		Purchase of Property, Plant and Equipment	(3,734)	
		Net cash flows from investing activities		
		FINANCING ACTIVITIES		
		Cash receipts of short term borrowing	(26,680)	
		Repayments of short and long term borrowing	26,680	
		Net cash flows from financing activities		
		Net increase or decrease in cash and cash equivalent		
		Cash and cash equivalents at the beginning of the reporting period		2,859
		<i>Less</i>		
		Cash and cash equivalents at the end of the reporting period (Note 15)		1,870
				4,729
				(2,859)

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 2019

2017/18		OPERATING ACTIVITIES	2018/19	
£'000	£'000		£'000	£'000
83,650		Cash Inflow	78,556	
36,446		Specific Grants	36,446	
28,625		Redistributed Non-Domestic Rates	31,498	
8,199		Council Tax Receipts	8,853	
25		Cash received for goods and services	96	
	156,945	Cash Inflows generated from operating activities		155,449
(598)		Cash Outflow	(797)	
(9)		Cash paid to employees	(3)	
(2,407)		Interest paid	(2,489)	
(141,927)		Cash paid to suppliers of goods and services	(145,860)	
	(144,941)	Cash outflows generated from operating activities		(149,149)
	12,004	Net cash flows from operating activities		6,300
		INVESTING ACTIVITIES		
(179)		Proceeds from the sale of Property, Plant and Equipment	61	
(1,581)		Capital grants/contributions received	232	
(1,722)		Purchase of Property, Plant and Equipment	(3,734)	
	(3,482)	Net cash flows from investing activities		(3,441)
		FINANCING ACTIVITIES		
6,670		Cash receipts of short term borrowing	(26,680)	
(14,219)		Repayments of short and long term borrowing	26,680	
	(7,549)	Net cash flows from financing activities		-
	973	Net increase or decrease in cash and cash equivalent		2,859
	897	Cash and cash equivalents at the beginning of the reporting period		1,870
		<i>Less</i>		
		Cash and cash equivalents at the end of the reporting period (Note 15)		4,729
	(973)			(2,859)

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 2019

1. ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the PCVC's and the Group's transactions for the 2018/19 financial year and the position at the year-end of 31 March 2019. 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 2019. 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 2019. 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 this 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 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 on or before 1 January 2019.

The following standards have been issued but have not yet been adopted at 31 March 2019:

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

None of the above will have a material impact on the Financial Statements.

IFRS 15 Revenue Recognition has been assessed but there is no material impact.

IFRS 16 Lease Accounting will be applied from 2020/21. 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Property, Plant and Equipment

Uncertainty

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 PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

Effect if actual results differ from assumptions

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 £0.06m for every year that useful lives had to be reduced.

4.2 Pensions Liability

Uncertainty

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.

Effect if actual results differ from assumptions

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.

Claims against Transitional Provisions

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

Judgement

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.

Effect if actual results differ from assumptions

There would be no effect on the Group accounts. However in the PCVC's accounts, if all the income was allocated to the PCVC, the income would increase by £7.5m.

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 Treasurer on 31 May 2019. 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 2019, 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 2019

2017/18			2017/18			2018/19			2018/19		
			Net Expenditure between the Chargeable Funding and to the General Fund			Net Expenditure between the Chargeable Funding and to the General Fund			Net Expenditure between the Chargeable Funding and to the General Fund		
Net Expenditure between the Chargeable Funding and to the General Fund	Adjustments in the Comprehensive Income and Expenditure Statement	Expenditure in the Comprehensive Income and Expenditure Statement	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
55,666	58,658	114,324				Employee costs	56,990	132,467	189,457		
16,870	-	16,870				Non employee costs	17,139	-	17,139		
2,956	50	3,006				PCC costs	3,217	136	3,353		
7,741	(3,784)	3,957				Capital charges	4,437	(2,242)	2,195		
(8,592)	-	(8,592)				Income	(9,034)	-	(9,034)		
74,641	54,924	129,565				Net Cost of Services	72,749	130,361	203,110		
(70,366)	(147)	(70,513)				Other Income and Expenditure	(74,635)	484	(74,151)		
4,275	54,777	59,052				Group deficit on Provision of Services	(1,886)	130,845	128,959		
(13,006)						Opening General fund and Earmarked Reserves Balance	(8,731)				
4,275						Less deficit on General Fund and Earmarked Reserves Balance	(1,886)				
(8,731)						Closing General fund and Earmarked Reserves Balance	(10,617)				

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 2019**

2017/18			2017/18			2017/18			2018/19			2018/19		
			Net						Net			Net		
Expenditure	Adjustments	Expenditure	Expenditure	Adjustments	Expenditure	Expenditure	Adjustments	Expenditure	Expenditure	Adjustments	Expenditure	Expenditure	Adjustments	Expenditure
Chargeable to the General Fund	Funding and Accounting Basis	Comprehensive Expenditure Statement	£'000	£'000	£'000	Chargeable to the General Fund	Funding and Accounting Basis	Comprehensive Expenditure Statement	£'000	£'000	£'000	Chargeable to the General Fund	Funding and Accounting Basis	Comprehensive Expenditure Statement
669	50	719				Employee costs			788	136	924			
2,286	-	2,286				Non employee costs			2,429	-	2,429			
7,741	(3,784)	3,957				Capital charges			4,437	(2,242)	2,195			
(1,028)		(1,028)				Income			(1,532)		(1,532)			
(3,957)	-	(3,957)				Charge for use of assets			(2,195)	-	(2,195)			
112,127	-	112,127				PCVC funding for resources consumed by the CC			111,312	-	111,312			
117,838	(3,734)	114,104				Net Cost of Services			115,239	(2,106)	113,133			
(113,560)	(147)	(113,707)				Other Income and Expenditure			(117,125)	484	(116,641)			
4,278	(3,881)	397				PCVC deficit/(surplus) on Provision of Services			(1,886)	(1,622)	(3,508)			
(13,010)						Opening General fund and Earmarked Reserves Balance			(8,732)					
4,278						Less deficit on General Fund and Earmarked Reserves Balance			(1,886)					
(8,732)						Closing General fund and Earmarked Reserves Balance			(10,618)					

7A GROUP NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Year ended 31 March 2019		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
		£'000	£'000	£'000	£'000
Employee costs	-		(132,578)	111	(132,467)
Non employee costs	-		-	-	-
PCC costs	-		(140)	4	(136)
Capital charges	2,242		-	-	2,242
Net Cost of Services	2,242		(132,718)	115	(130,361)
Other income and expenditure from the Expenditure and Funding Analysis	-		-	(484)	(484)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	2,242		(132,718)	(369)	(130,845)
Year ended 31 March 2018		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
		£'000	£'000	£'000	£'000
Employee costs	-		(58,999)	341	(58,658)
Non employee costs	-		-	-	-
PCC costs	-		(47)	(3)	(50)
Capital charges	3,784		-	-	3,784
Net Cost of Services	3,784		(59,046)	338	(54,924)
Other income and expenditure from the Expenditure and Funding Analysis	-		-	147	147
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	3,784		(59,046)	485	(54,777)

PCVC NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Year ended 31 March 2019		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
		£'000	£'000	£'000	£'000
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	-		-	-	-
Net Cost of Services	2,242		(140)	4	2,106
Other income and expenditure from the Expenditure and Funding Analysis	-		-	(484)	(484)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	2,242		(140)	(480)	1,622
Year ended 31 March 2018		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
		£'000	£'000	£'000	£'000
Employee costs	-		(47)	(3)	(50)
Non employee costs	-		-	-	-
Capital charges	3,784		-	-	3,784
Charge for the use of assets	-		-	-	-
PCVC funding for resources consumed by the CC	-		-	-	-
Net Cost of Services	3,784		(47)	(3)	3,734
Other income and expenditure from the Expenditure and Funding Analysis	-		-	147	147
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	3,784		(47)	144	3,881

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

	2017/18 £'000	2018/19 £'000
Expenditure		
Employee benefits expenses	115,044	190,381
Other services expenses	19,156	19,568
Depreciation, amortisation & impairment	3,957	2,195
Interest payments (including defined benefit liability)	42,380	41,676
Levies	834	830
Loss on the disposal of assets	671	138
Total Expenditure	182,042	254,788
Income		
Fees, charges and other service income	(8,592)	(9,034)
Interest and investment income	(25)	(96)
Precepts	(28,772)	(31,014)
Government grants and contributions	(85,601)	(85,685)
Total Income	(122,990)	(125,829)
Deficit on the Provision of Services	59,052	128,959

PCVC EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/18 £'000	2018/19 £'000
Expenditure		
Employee benefits expenses	719	924
Other services expenses	114,413	113,741
Depreciation, amortisation & impairment	3,957	2,195
Interest payments (including defined benefit liability)	20	16
Levies	-	-
Loss on the disposal of assets	671	138
Total Expenditure	119,780	117,014
Income		
Fees, charges and other service income	(4,985)	(3,727)
Interest and investment income	(25)	(96)
Precepts	(28,772)	(31,014)
Government grants and contributions	(85,601)	(85,685)
Total Income	(119,383)	(120,522)
Deficit on the Provision of Services	397	(3,508)

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 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
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (<i>transferred to or from the Pension Reserve</i>):						
- Retirement benefits	(149,304)	-	-	-	(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)	-	-
Total Adjustments to Revenue Resources	(134,463)	-	(991)	(26)	(135,480)	135,480
Adjustments between Revenue & Capital Resources						
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)
Total Adjustments between Revenue & Capital Resources	3,618	(61)	-	-	3,557	(3,557)
Adjustments to Capital Resources						
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
Total Adjustments to Capital Resources	-	(4,120)	794	50	(3,276)	3,276
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	(130,845)	(4,181)	(197)	24	(135,199)	135,199

Group

Year ended 31 March 2018	USABLE RESERVES					Movement in Unusable Reserves
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (<i>transferred to or from the Pension Reserve</i>):						
- Retirement benefits	(75,062)	-	-	-	(75,062)	75,062
- Employer's pensions contributions and direct payments to pensioners payable in the year	16,016	-	-	-	16,016	(16,016)
Council tax (<i>transferred to or from the Collection Fund</i>)	147	-	-	-	147	(147)
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	341	-	-	-	341	(341)
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	(2,892)	-	-	-	(2,892)	2,892
- Charges for impairment of non-current assets	(1,065)	-	-	-	(1,065)	1,065
- Amounts of non-current assets written off on disposal	(879)	-	-	-	(879)	879
- Capital grants and contributions unapplied	933	-	(541)	(392)	-	-
Total Adjustments to Revenue Resources	(62,461)	-	(541)	(392)	(63,394)	63,394
Adjustments between Revenue & Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	208	(208)	-	-	-	-
Statutory provision for repayment of debt	4,707	-	-	-	4,707	(4,707)
Capital expenditure financed from revenue balances	2,772	-	-	-	2,772	(2,772)
Total Adjustments between Revenue & Capital Resources	7,687	(208)	-	-	7,479	(7,479)
Adjustments to Capital Resources						
Application of Capital grants and contributions to finance capital expenditure	-	-	845	314	1,159	(1,159)
Cash Payments in relation to Deferred Capital Receipts	-	(4,120)	-	-	(4,120)	4,120
Total Adjustments to Capital Resources	-	(4,120)	845	314	(2,961)	2,961
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	(54,774)	(4,328)	304	(78)	(58,876)	58,876

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
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (<i>transferred to or from the Pension Reserve</i>):						
- Retirement benefits	(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)	-	-
Total Adjustments to Revenue Resources	(1,996)	-	(991)	(26)	(3,013)	3,013
Adjustments between Revenue & Capital Resources						
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)
Total Adjustments between Revenue & Capital Resources	3,618	(61)	-	-	3,557	(3,557)
Adjustments to Capital Resources						
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
Total Adjustments to Capital Resources	-	(4,120)	794	50	(3,276)	3,276
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	1,622	(4,181)	(197)	24	(2,732)	2,732

Year ended 31 March 2018	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs (<i>transferred to or from the Pension Reserve</i>):						
- Retirement benefits	(132)	-	-	-	(132)	132
- Employer's pensions contributions and direct payments to pensioners payable in the year	85	-	-	-	85	(85)
Council tax (<i>transferred to or from the Collection Fund</i>)	147	-	-	-	147	(147)
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	(3)	-	-	-	(3)	3
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	(2,892)	-	-	-	(2,892)	2,892
- Charges for impairment of non-current assets	(1,065)	-	-	-	(1,065)	1,065
- Amounts of non-current assets written off on disposal	(879)	-	-	-	(879)	879
- Capital grants and contributions unapplied	933	-	(541)	(392)	-	-
Total Adjustments to Revenue Resources	(3,806)	-	(541)	(392)	(4,739)	4,739
Adjustments between Revenue & Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	208	(208)	-	-	-	-
Statutory provision for repayment of debt	4,707	-	-	-	4,707	(4,707)
Capital expenditure financed from revenue balances	2,772				2,772	(2,772)
Total Adjustments between Revenue & Capital Resources	7,687	(208)	-	-	7,479	(7,479)
Adjustments to Capital Resources						
Application of Capital grants and contributions to finance capital expenditure	-	-	845	314	1,159	(1,159)
Cash Payments in relation to Deferred Capital Receipts	-	(4,120)	-	-	(4,120)	4,120
Total Adjustments to Capital Resources	-	(4,120)	845	314	(2,961)	2,961
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	3,881	(4,328)	304	(78)	(221)	221

10 TRANSFERS TO/FROM EARMARKED RESERVES

Group and PCVC

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pensions	(676)	(1,760)	2,436	-	-	-	-
Support Staff Pensions	(1,760)	-	1,760	-	-	-	-
Capital Modernisation	(2,241)	-	1,774	(467)	(1,169)	-	(1,636)
Collaboration reserves	(369)	(34)	140	(263)	(111)	21	(353)
Revenue Grants	(320)	(120)	198	(242)	(140)	130	(252)
Road Safety Initiative							
Management	(527)	-	-	(527)	-	-	(527)
Estates	(250)	-	-	(250)	-	-	(250)
LRF	(4)	-	4	-	-	-	-
Court Forfeiture	(12)	(12)	12	(12)	(26)	12	(26)
POCA					(35)	-	(35)
Police Crime and Victims' Commissioner	(808)	(204)	-	(1,012)	-	-	(1,012)
PCVC Community Safety Reserve	(377)	-	84	(293)	(5)	-	(298)
PCVC Strategic Communications and Technology Reserve	-	-	-	-	(70)	-	(70)
	(7,344)	(2,130)	6,408	(3,066)	(1,556)	163	(4,459)

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 2018/2019 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 2018/2019 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 2018/2019 but not to be incurred until later years.

11 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles, Plant & Equipment	Surplus	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
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)
At 31 March 2019	20,703	25,533	288	1,151	47,675
Accumulated Depreciation and Impairment					
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
At 31 March 2019	(299)	(18,334)	(118)	-	(18,751)
Net Book Value					
At 31 March 2019	20,404	7,199	170	1,151	28,924
At 31 March 2018	17,934	7,700	-	249	25,883

Capital commitments

At 31 March 2019, the PCVC was contractually committed to capital works which are budgeted to cost £0.626M (at 31 March 2018 the figure was £0.599M).

Comparative figures for 2017/18 are as follows:

	Land & Buildings	Vehicles, Plant & Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2017	21,146	26,192	1,358	48,696
Additions	912	2,784	151	3,847
Revaluations increases/(decreases) recognised in the Revaluation Reserve	180	-	-	180
Revaluations increases/(decreases) recognised in the Surplus /Deficit on the Provision of Services	(702)	-	-	(702)
Derecognition - Disposals	-	(2,012)	-	(2,012)
Derecognition - Other	-	(1,360)	-	(1,360)
Other movement in cost or valuation	1,086	123	(1,260)	(51)
At 31 March 2018	22,622	25,727	249	48,598
Accumulated Depreciation and Impairment				
At 1 April 2017	(3,755)	(18,756)	-	(22,511)
Depreciation charge	(577)	(1,766)	-	(2,343)
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(364)	-	-	(364)
Derecognition - Disposals	-	1,727	-	1,727
Derecognition - Other	-	768	-	768
Other movements in depreciation and impairment	8	-	-	8
At 31 March 2018	(4,688)	(18,027)	-	(22,715)
Net Book Value				
At 31 March 2018	17,934	7,700	249	25,883
At 31 March 2017	17,391	7,436	1,358	26,185

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	25,533	118	25,651
Valued at Current Value as at :				
31 March 2019	20,873	-	-	20,873
31 March 2018	-	-	-	-
31 March 2017	-	-	-	-
31 March 2016	-	-	-	-
31 March 2015	-	-	-	-
	20,873	25,533	118	46,524

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.

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

Comparative figures for 2017/18

	£'000
Gross carrying amount at 31 March 2017	6,111
Accumulated amortisation	(3,785)
Net carrying amount at 31 March 2017	2,326
Additions	214
Disposals	(19)
Amortisation	(549)
Accumulated Amortisation on disposals	19
Other Movements	43
Net carrying amount at 31 March 2018	2,034
Comprising	
Gross carrying amount	6,349
Accumulated amortisation	(4,315)

13 FINANCIAL INSTRUMENTS

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

Financial Assets

	Non Current Group		Current Group				Total 31 March 2019	
	Debtors		Investments		Debtors			
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019		
	£'000	£'000	£'000	£'000	£'000	£'000		
Amortised Cost	4,120	-	1,870	4,729	11,094	13,926	18,655	
Total financial assets	4,120	-	1,870	4,729	11,094	13,926	18,655	
Non-financial assets	-	-	-	-	3,570	2,966	2,966	
Total	4,120	-	1,870	4,729	14,664	16,892	21,621	

	Non Current PCVC		Current PCVC				Total
	Debtors		Investments		Debtors		31 March 2019
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	4,120	-	1,870	4,729	8,476	11,810	16,539
Total financial assets	4,120	-	1,870	4,729	8,476	11,810	16,539
Non-financial assets	-	-	-	-	2,036	1,394	1,394
Total	4,120	-	1,870	4,729	10,512	13,204	17,933

Financial liabilities

	Current Creditors	
	Group	
	31 March 2018	31 March 2019
	£'000	£'000
Amortised Cost	11,216	10,225
Total financial liabilities	11,216	10,225
Non-financial liabilities	3,436	3,464
Total	14,652	13,689

	Current Creditors	
	PCVC	
	31 March 2018	31 March 2019
	£'000	£'000
Amortised Cost	6,520	5,866
Total financial liabilities	6,520	5,866
Non-financial liabilities	982	1,102
Total	7,502	6,968

Income, Expense, Gains and Losses

	Group and PCVC	Group and PCVC
	2017/18	2018/19
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Interest Revenue		
Financial assets measured at amortised cost	(25)	(96)
Total interest revenue	(25)	(96)
Interest Expense	9	3
Total fee expense	9	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	
	2017/18		2018/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(11,215)	(11,215)	(10,225)	(10,225)
Total Financial Liabilities	(11,215)	(11,215)	(10,225)	(10,225)

	PCVC		PCVC	
	2017/18		2018/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(6,520)	(6,520)	(5,866)	(5,866)
Total Financial Liabilities	(6,520)	(6,520)	(5,866)	(5,866)

Financial Assets

	Group		Group	
	2017/18		2018/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,870	1,870	4,729	4,729
Receivables held at amortised cost	11,094	11,094	13,926	13,926
Total Financial Assets	12,964	12,964	18,655	18,655

	PCVC		PCVC	
	2017/18		2018/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,870	1,870	4,729	4,729
Receivables held at amortised cost	8,476	8,476	11,810	11,810
Total Financial Assets	10,346	10,346	16,539	16,539

14 DEBTORS

	Group		PCVC	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Trade receivables	2,870	3,002	205	858
Prepayments	945	831	162	34
Other receivable amounts				
Council tax	2,931	3,260	9,102	3,260
Other	9,945	11,971	2,930	11,094
Less:Impairment Allowance				
Council tax	(1,887)	(2,042)	(1,886)	(2,042)
Trade receivables	(140)	(130)	(1)	-
Total debtors	14,664	16,892	10,512	13,204

15 CASH AND CASH EQUIVALENTS

	Group and PCVC	
	31 March 2018	31 March 2019
	£'000	£'000
Cash held by the Commissioner	40	61
Bank current accounts	960	243
Short term deposits	870	4,425
Total Cash and Cash Equivalents	1,870	4,729

16 CREDITORS

	Group		PCVC	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Trade payables	4,909	4,523	1,265	1,230
Other payables	9,742	9,166	6,236	5,738
Total creditors	14,651	13,689	7,501	6,968

17 PROVISIONS

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

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

18 PENSIONS LIABILITY

	Group		PCVC	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Police Pension Scheme liability	1,571,890	1,711,250	-	-
Local Government Pension Scheme liability	71,092	74,221	522	631
Total creditors	1,642,982	1,785,471	522	631

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 2018	Net Movement in year	31 March 2019	Purpose of Reserve	Further details of movement
					£'000
USABLE RESERVES					
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
TOTAL USABLE RESERVES	18,156	6,240	24,396		
UNUSABLE RESERVES					
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	Capital receipt not yet received	
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	
TOTAL UNUSABLE RESERVES	(1,628,451)	(143,590)	(1,772,041)		
TOTAL RESERVES	(1,610,295)	(137,350)	(1,747,645)		

Reserve	1 April 2017	Net Movement in year	31 March 2018	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
Police Fund	5,666	-	5,666	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	3,207	4,328	7,535	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	2,115	(304)	1,811	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	0	78	78	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	7,344	(4,278)	3,066	Note 10	Note 10
TOTAL USABLE RESERVES	18,332	(176)	18,156		
UNUSABLE RESERVES					
Capital Adjustment Account	4,910	3,813	8,723	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	959	169	1,128	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	12,426	(4,120)	8,306		
Pensions Reserve (IAS 19)	(1,608,703)	(34,278)	(1,642,981)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 29
Accumulated Absences Account	(4,594)	341	(4,253)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	479	147	626	Shows relationship between the PCC and Billing Authorities	
TOTAL UNUSABLE RESERVES	(1,594,523)	(33,928)	(1,628,451)		
TOTAL RESERVES	(1,576,191)	(34,104)	(1,610,295)		

PCVC

Reserve	1 April 2018	Net Movement in year	31 March 2019	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
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
TOTAL USABLE RESERVES	18,156	6,240	24,396		
UNUSABLE RESERVES					
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	Capital receipt not yet received	
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	
TOTAL UNUSABLE RESERVES	18,240	(1,322)	16,918		
TOTAL RESERVES	36,396	4,918	41,314		

Reserve	1 April 2017	Net Movement in year	31 March 2018	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
Police Fund	5,666	-	5,666	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	3,207	4,328	7,535	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	2,115	(304)	1,811	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	-	78	78	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	7,344	(4,278)	3,066	Note 10	Note 10
TOTAL USABLE RESERVES	18,332	(176)	18,156		
UNUSABLE RESERVES					
Capital Adjustment Account	4,910	3,813	8,723	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	959	169	1,128	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	12,426	(4,120)	8,306		
Pensions Reserve (IAS 19)	(462)	(58)	(520)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 30
Accumulated Absences Account	(20)	(3)	(23)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	479	147	626	Shows relationship between the PCC and Billing Authorities	
TOTAL UNUSABLE RESERVES	18,292	(52)	18,240		
TOTAL RESERVES	36,624	(228)	36,396		

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 2018	31 March 2019
	£'000	£'000
Balance at 1 April	959	1,128
Upward Revaluation of Assets	180	1,379
Difference between fair value depreciation and historical cost depreciation	(11)	(11)
Accumulated gains on assets sold or scrapped	0	0
Balance at 31 March	1,128	2,496

Capital Adjustment Account

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

	Group and PCVC	
	31 March 2018	31 March 2019
	£'000	£'000
Balance at 1 April	4,910	8,723
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets and Amortisation of intangible assets	(3,256)	(3,390)
Revaluation losses on Plant Property and Equipment	(701)	1,196
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	(879)	(199)
Adjusting amounts written out of the revaluation Reserve	11	11
Capital Financing applied in the year		
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	920	510
Application of grants to capital financing from the Capital Grants Unapplied Account Statutory provision for the financing of capital investment charged against the General Fund	239	334
Capital Expenditure charged against the General Fund	4,707	325
	2,772	3,232
Balance at 31 March	8,723	10,742

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 2018	31 March 2019
	£'000	£'000
Balance at 1 April	12,426	8,306
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)	(4,120)
Balance at 31 March	8,306	4,186

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 2019 the balance on this account was £832,362 (£1,092,943 at 31 March 2018). This balance is not included in the Financial Statements.

During 2018/19 the PCVC received £176,303 from the Home Office through the Proceeds of Crime “Incentivisation Fund” (£130,913 in 2017/18).

21 REGIONAL COLLABORATION

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

- **Cleveland and Durham Fingerprint Bureau (CDFB)**
Contribution for 2018/19 was £411,615 (£356,786 in 2017/18). Durham's proportionate share is 55% as set out in the collaborative agreement.
- **Tactical Training Centre (TTC)**
Contribution for 2018/19 was £447,116 at 50% (£545,253 in 2017/18). 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 2018/19 was 22.86%

	31 March 2018	31 March 2019
	£'000	£'000
Employees	7,674	8,937
Premises	557	403
Transport	337	331
Supplies and Services	574	555
Gross Expenditure	9,142	10,226
Funded by :-		
Income	(2,580)	(3,460)
The Office of the Police and Crime Commissioner for Durham	(1,520)	(1,656)
The Police and Crime Commissioner for Cleveland	(1,661)	(1,793)
The Police and Crime Commissioner for Northumbria	(3,502)	(3,796)
Contribution to/(from) Reserves	121	479
	-	-

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

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

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

	31 March 2018	31 March 2019
	£'000	£'000
Employees	8,721	8,861
Transport	458	464
Supplies and Services	291	425
Gross Expenditure	9,470	9,750
Funded by :-		
Income	(206)	(232)
The Office of the Police and Crime Commissioner for Durham	(4,632)	(4,759)
The Police and Crime Commissioner for Cleveland	(4,632)	(4,759)
Balance	-	-

- **Dogs Unit**

The Dogs unit was expanded to cover three Forces from August 2016. Durham's contribution rate is 30.12%

	31 March 2018	31 March 2019
	£'000	
Employees	2,359	2,347
Transport	132	137
Supplies and Services	65	111
Gross Expenditure	2,556	2,595
Funded by :-		
Income	(17)	(9)
The Office of the Police and Crime Commissioner for Durham	(765)	(779)
The Police and Crime Commissioner for Cleveland	(838)	(854)
Police and Crime Commissioner for North Yorkshire Police	(936)	(953)
Balance	-	-

22 MEMBERS' ALLOWANCES

Expenses of £6,429 were paid in the year ending 31 March 2019 to the members of the Police and Crime Panel and the Joint Audit Committee (£3,775 in the year to 31 March 2018).

23 OFFICER'S REMUNERATION

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

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 Constable - M Barton	141,523	14,423	5,852	-	161,798
Deputy Chief Constable	116,729	11,216	2,403	28,248	158,596
Assistant Chief Constable	112,548	12,565	-	27,236	152,349
Assistant Chief Officer	113,547	-	1,614	21,687	136,848
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 is carried out part time by the Assistant Chief Officer

31 March 2018	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg	70,000	-	-	13,440	83,440
Chief Constable - M Barton	139,313	11,700	5,764	-	156,777
Deputy Chief Constable	114,907	8,719	2,403	27,807	153,836
Assistant Chief Constable	109,699	7,666	1,091	26,547	145,003
Assistant Chief Officer	109,123	-	4,307	20,951	134,381
Chief of Staff	79,106	-	-	15,188	94,294

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

The Group'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	
	2017/18	2018/19
£50,000 - £54,999	95	96
£55,000 - £59,999	43	42
£60,000 - £64,999	13	10
£65,000 - £69,999	7	7
£70,000 - £74,999	0	3
£75,000 - £79,999	2	3
£80,000 - £84,999	4	3
£85,000 - £89,998	3	3
£95,000 - £99,999	1	0
£110,000 - £114,999	1	0
£120,000 - £124,999	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 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 is carried out part time by the Assistant Chief Officer

31 March 2018	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg	70,000	-	-	13,440	83,440
Chief of Staff	79,106	-	-	15,188	94,294

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£	£
£0-£20,000	-	-	1	5	1	5	9,907	87,511
£20,001-£40,000	-	-	2	4	2	4	43,134	115,747
£40,001-£60,000	-	-	2	1	2	1	104,514	45,029
£80,001-£100,000	-	-	1	-	1	-	80,010	-
	-	-	6	10	6	10	237,565	248,286

There were no exit packages for the PCVC.

24 EXTERNAL AUDIT COSTS

Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	Group		PCVC	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
	47	37	32	25

25 GRANT INCOME

The Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19.

	Group and PCC	
	2017/18	2018/19
	£'000	£'000
Credited to Taxation and Non-Specific Grant Income		
Police Grant	42,112	42,112
National Non Domestic Rates	36,446	36,446
Precepts	28,772	31,014
Retirement Benefits Grant	25,049	27,351
Council Tax Support Grant	6,110	6,110
Capital Grants	933	1,017
	139,422	144,050
Credited to Services		
Other	2,129	1,329
	2,129	1,329

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	
	2017/18	2018/19
Durham County Council	£'000	£'000
Darlington Borough Council	23,211	25,630
	5,414	5,868
	28,625	31,498

At 31 March 2019, Durham County Council was owed £76,015 by the Group in respect of the Collection Fund and owed the Group £627,071 in respect of amounts due from Council Tax Payers.

At 31 March 2019, Darlington Borough Council was owed £536,370 by the Group in respect of the Collection Fund and owed the Group £590,959 in respect of amounts due from Council Tax Payers.

Durham County Council (DCC) provides some financial services to the Group at a cost of £65,070 and various safeguarding and community safety services at a cost of £562,931. Darlington Borough Council also provided various safeguarding and community safety services at a cost of £229,056.

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 £18.065M to £17.742M as follows:

	Group and PCC	
	2017/18	2018/19
Opening Capital Financing Requirement	£'000	£'000
Capital Investment	22,642	18,065
Property, Plant and Equipment	3,847	3,642
Intangible Assets	214	436
Sources of Finance		
Government Grants and Contributions	(1,159)	(844)
Sums set aside from revenue:		
Capital Expenditure charged against the General Fund	(2,772)	(3,232)
MRP	(4,707)	(325)
Closing Capital Financing Requirement	18,065	17,742
Explanation of movements in the year		
(Reduction)/Increase in underlying need to borrow	(4,577)	(323)
(Decrease)/Increase in Capital Financing Requirement	(4,577)	(323)

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:

	2017/18			2018/19		
	Buildings	Equipment	Total	Buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than 1 year	144	-	144	144	-	144
Later than 1, not later than 5 years	313	-	313	244	-	244
Later than 5 years	333	-	333	285	-	285
Total	790	-	790	673	-	673

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 from 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	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement (CIES)				
Net Cost of Service				
Current service cost	6,791	7,376	23,500	23,270
Past service cost	-	4,575	2,400	72,410
Finance and Investment Income and Expenditure				
Net Interest Expense	1,641	1,793	40,730	39,880
Total post employment benefit charged to provision of services	8,432	13,744	66,630	135,560
Other post employment benefit charged to the CIES				
Remeasurement of net defined benefit comprising of:				
Return on plan assets	577	(7,556)	(26,455)	(27,148)
Actuarial gain/loss from changes in demographic assumptions	-	(8,580)	(52,790)	-
Actuarial gain/loss from changes in financial assumptions	-	9,605	47,490	47,040
Other:	770	320	5,640	(3,910)
Net Charge to the CIES	9,779	7,533	40,515	151,542
Movement in the Reserves Statement				
Reversal of net charges made for retirement benefits accordance with IAS19	(8,432)	(13,744)	(66,630)	(135,560)
Actual amount charged against the General Fund Balance for pensions the year				
Employer's contributions payable to scheme	4,111	4,374	10,829	11,083
Retirement benefits payable to pensioners	30	30	1,046	1,099

Reconciliation of the present value of the liabilities in the scheme

2017-18				2018-19					
Police Scheme 1987 £'000	Injury Awards £'000	Police Scheme 2006 £'000	Police Scheme 2015 £'000	Total £'000	Police Scheme 1987 £'000	Injury Awards £'000	Police Scheme 2006 £'000	Police Scheme 2015 £'000	Total £'000
(1,451,980)	(30,510)	(32,730)	(28,050)	(1,543,250)	Opening present value of liabilities	(1,461,300)	(29,960)	(43,830)	(1,571,890)
(10,140)	(460)	(250)	(12,650)	(23,500)	Current service cost	(8,510)	(980)	(210)	(23,270)
(38,090)	(800)	(880)	(950)	(40,730)	Interest cost	(36,840)	(760)	(940)	(39,880)
(2,200)	-	(60)	(3,470)	(5,730)	Contributions by participants	(1,730)	-	(50)	(5,650)
					Remeasurement gains and losses:				
					Actuarial gain / loss arising from changes to demographic assumptions	-	-	-	-
47,820	770	1,130	3,070	52,790	Actuarial gain / loss arising from changes to financial assumptions	(36,750)	(620)	(1,050)	(4,670)
(48,590)	20	(3,310)	(1,250)	(53,130)	Past service cost	(67,950)	-	(4,230)	(72,410)
(1,100)	(10)	(730)	(560)	(2,400)	Loss on curtailments	-	-	-	-
42,980	1,030	-	30	20	Net benefits paid out	43,660	1,090	100	130
(1,461,300)	(29,960)	(36,800)	(43,830)	(1,571,890)	Closing present value of liabilities	(1,569,420)	(31,230)	(43,220)	(67,380)
									(1,711,250)

Reconciliation of the present value of the assets in the scheme

2017-18					2018-19				
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
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
36,430	(16)	(150)	(9,809)	26,455	The return on plan assets, excluding the amount included in the net interest expense	38,082	(9)	(50)	(10,875)
4,350	1,046	120	6,359	11,875	Contributions by employer	3,848	1,099	100	7,135
2,200	-	60	3,470	5,730	Contributions by participants	1,730	-	50	3,870
(42,980)	(1,030)	(30)	(20)	(44,060)	Net benefit paid out	(43,660)	(1,090)	(100)	(130)
-	-	-	-	-	Closing fair value of assets	-	-	-	-

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

2017-18				2018-19			
Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total	Police Scheme 1987	Injury Awards	Police Scheme 2006
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(1,451,980)	(30,510)	(32,730)	(28,030)	(1,543,250)	Opening surplus/(deficit)		
(10,140)	(460)	(250)	(12,650)	(23,500)	Current service cost	(8,510)	(29,960)
4,350	1,046	120	6,359	11,875	Contributions by employer	3,848	(980)
					Contributions by participants		1,099
							100
							7,135
							12,182
(1,100)	(10)	(730)	(560)	(2,400)	Past service cost		
(38,090)	(800)	(880)	(960)	(40,730)	Interest cost	(67,950)	
					Expected return on assets	(36,840)	(760)
					Loss on curtailments		
					Remeasurement of net defined benefit liability comprising:		
36,430	(16)	(150)	(9,809)	26,455	Return on plan assets	38,082	(9)
47,820	770	1,130	3,070	52,790	Actuarial gain / (loss) arising from changes to demographic assumptions	(50)	(10,875)
(48,590)	20	(3,310)	(1,250)	(53,150)	Actuarial gain / (loss) arising from changes to financial assumptions		
(1,461,300)	(29,960)	(36,800)	(43,830)	(1,571,890)	Closing surplus/(deficit)	(36,750)	(620)
						(1,569,420)	(31,230)
						(43,220)	(43,220)
						(67,380)	(67,380)
							(1,711,250)

Durham County Council Pension Fund

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2017/18	2018/19
	£'000	£'000
Opening present value	(191,468)	(201,633)
Current service cost	(6,791)	(7,376)
Interest cost	(4,942)	(5,217)
Contributions by scheme participants	(1,504)	(1,616)
Remeasurement gains and losses:		
Actuarial gains / losses from changes in demographic assumptions	-	8,580
Actuarial gains / losses from changes in financial assumptions	-	(9,605)
Other:	(770)	(320)
Past service costs	-	(4,575)
Liability assumed on entity combinations	-	-
Benefits paid	3,842	3,802
Closing present value	(201,633)	(217,960)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2017/18	2018/19
	£'000	£'000
Opening fair value	126,014	130,541
Interest Income	3,301	3,424
Remeasurement gain / loss - Return on plan	(577)	7,556
Employer contributions	4,141	4,404
Contributions by scheme participants	1,504	1,616
Benefit paid	(3,842)	(3,802)
Closing fair value	130,541	143,739

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

	Local Government Pension Scheme	
	2017/18	2018/19
	£'000	£'000
Opening deficit	(65,454)	(71,092)
Current Service Cost	(6,791)	(7,376)
Contributions by employer	4,141	4,404
Contributions by participants	-	-
Past service cost	-	(4,575)
Interest cost	(4,942)	(5,217)
Expected return on assets	3,301	3,424
Remeasurement gains and losses:		
Return on plan assets	(577)	7,556
Actuarial gains / (losses) from changes in demographic assumptions	-	8,580
Actuarial gains / (losses) from changes in financial assumptions	-	(9,605)
Other	(770)	(320)
Closing fair value	(71,092)	(74,221)

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:

	2017/18	2018/19
	£'000	£'000
Present value of liabilities		
Local Government Pension Scheme	(201,633)	(217,960)
Police Pension Scheme	(1,571,890)	(1,711,250)
Fair value of assets in the Local Government Pension Scheme	130,541	143,739
Surplus / (deficit) in the scheme		
Local Government Pension Scheme	(71,092)	(74,221)
Police Pension Scheme	(1,571,890)	(1,711,250)
Total	(1,642,982)	(1,785,471)

Local Government Pension Scheme assets comprised:

	2017/18 £'000	2018/19 £'000
Cash and Cash equivalents	6,266	6,756
Equity instruments	65,271	72,732
Bonds by sector:		
Corporate	11,618	17,248
Government	38,379	36,941
Sub-total bonds	49,997	54,189
Property	9,007	10,062
Other	-	-
Total assets	130,541	143,739

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 2016.

The significant assumptions used by the actuaries are detailed below:

	Local Government Pension Scheme		Police Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions				
Longevity at 65 for current pensioners				
Men (years)	23.3	22.6	22.6	22.7
Women (years)	25.0	24.1	24.2	24.3
Longevity at 65 for future pensioners				
Men (years)	25.5	24.3	24.5	24.6
Women (years)	27.3	25.9	26.1	26.2
Rate of inflation (CPI)	2.0%	2.1%	2.3%	2.4%
Rate of increase of salaries	3.5%	3.6%	4.3%	4.4%
Rate of increase to pensions in payment	2.0%	2.1%	2.3%	2.4%
Rate of increase to deferred pensions	2.0%	2.1%	2.3%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%	2.6%	2.5%

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 £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	210,727	224,324
Rate of increase in salaries (increase or decrease by 0.1%)	219,251	215,769
Rate of increase in pensions (increase or decrease by 0.1%)	220,903	214,157
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	212,446	222,675

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

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	1,669,250	1,753,250
Rate of increase in salaries (increase or decrease by 0.5%)	1,729,250	1,693,250
Rate of increase in pensions (increase or decrease by 0.5%)	1,842,250	1,580,250
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,548,250	1,874,250

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 (50% of scheme assets) and bonds (38%). 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 2019.

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 £4.75M contributions to the scheme in 2019/20.

McCloud / Sergeant 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.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sergeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Durham Constabulary to be approximately £72.12M of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

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

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

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment. This corresponds to a £4.155M increase in liabilities for the Group and £0.085M for the PCVC. The impact of an increase in scheme liabilities arising from McCloud / Sergeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

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. This has increased the liabilities by £0.42M for the Group and zero for the PCVC.

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:

	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement (CIES)		
Net Cost of Service		
Current service cost	121	136
Past service cost	-	85
Finance and Investment Income and Expenditure		
Net Interest expense	11	13
Total post employment benefit charged to provision of services	132	234
Other post employment benefit charged to the CIES		
Remeasurement of net defined benefit comprising of:		
Return on plan assets	11	(46)
Actuarial gain/loss from changes in demographic assumptions	-	(70)
Actuarial gain/loss from changes in financial assumptions	-	85
Other:	-	-
Total post employment benefits charged to the CIES	143	203
Movement in the Reserves Statement		
Reversal of net charges for retirement benefits accordance with IAS19	(132)	(234)
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to scheme	85	94

Reconciliation of present value of the scheme liabilities:

	2017/18 £'000	2018/19 £'000
Opening present value	(1,218)	(1,403)
Current service cost	(121)	(136)
Interest cost	(32)	(37)
Contributions by scheme participants	(34)	(36)
Remeasurement gains and losses:		
Actuarial gains / losses from changes in demographic assumptions	-	70
Actuarial gains / losses from changes in financial assumptions	-	(85)
Other:	-	-
Past service costs	-	(85)
Liabilities assumed on entity combinations	-	-
Benefit paid	2	2
Closing present value	(1,403)	(1,710)

Reconciliation of fair value of the scheme assets:

	2017/18	2018/19
	£'000	£'000
Opening fair value	754	881
Expected rate of return	21	24
Remeasurement gain / loss - Return on plan assets	(11)	46
Employer contributions	85	94
Contributions by scheme participants	34	36
Benefit paid	(2)	(2)
Assets assumed on entity combinations	-	-
Closing fair value	881	1,079

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

	2017/18	2018/19
	£'000	£'000
Opening surplus (deficit)	(464)	(522)
Current Service Cost	(121)	(136)
Contributions by employer	85	94
Contributions by participants	-	-
Past service cost	-	(85)
Interest cost	(32)	(37)
Expected return on assets	21	24
Remeasurement gains and losses:		
Return on plan assets	(11)	46
Actuarial gains / losses from changes in demographic assumptions	-	70
Actuarial gains / losses from changes in financial assumptions	-	(85)
Other: Liability Experience	-	-
Net assets/ liabilities assumed on entity combinations	-	-
Closing fair value	(522)	(631)

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:

	2017/18	2018/19
	£'000	£'000
Present value of liabilities	(1,403)	(1,710)
Fair value of assets in the Local Government Pension Scheme	881	1,079
Surplus / (deficit) in the scheme	(522)	(631)

Local Government Pension Scheme assets comprised:

	2017/18	2018/19
	£'000	£'000
Cash and Cash equivalents	42	51
Equity instruments	441	546
Bonds by sector:		
Corporate	78	129
Government	259	277
Sub-total bonds	337	406
Property	61	76
Other	-	-
Total assets	881	1,079

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 2016.

The significant assumptions used by the actuary are detailed below:

	2017/18	2018/19
Mortality assumptions		
Longevity at 65 for current pensioners		
Men (years)	23.3	22.6
Women (years)	25.0	24.1
Longevity at 65 for future pensioners		
Men (years)	25.5	24.3
Women (years)	27.3	25.9
Rate of Inflation (CPI)	2.0%	2.1%
Rate of increase of salaries	3.5%	3.6%
Rate of increase to pensions in payment	2.0%	2.1%
Rate of increase to deferred pensions	2.0%	2.1%
Rate for discounting scheme liabilities	2.6%	2.5%

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)	1,657	1,764
Rate of increase in salaries (increase or decrease by 0.1%)	1,731	1,689
Rate of increase in pensions (increase or decrease by 0.1%)	1,733	1,687
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,666	1,755

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 (50% of scheme assets) and bonds (38%). 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 2019.

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 £93k contributions to the scheme in 2019/20.

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 2018/19

2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
		Contributions receivable		
(9,506)		From local policing body	(9,670)	
(1,294)		Additional funding payable by local policing body to meet th	(1,317)	
-			-	
(5,732)		Reimbursement of unabated pensions (30+ police officers)	(5,633)	
		From Officers		
	(16,532)			(16,620)
		Transfers in		
	(1,379)	Transfers in from other schemes		(291)
		Recharges to other local Authorities		
	(125)	Net recharges		(101)
		Benefits payable		
34,684		Pensions	36,149	
8,359		Commutations and lump sum retirement benefits	8,196	
-		Lump Sum Death Benefit	-	
	43,043			44,345
		Payments to and on account of leavers		
	42	Transfers out to other schemes	18	
		Refunds of Contributions	-	18
	42	Net amount payable for the year		
	25,049	Contribution from policing body in respect of the deficit	27,351	
	(25,049)		(27,351)	
	-	Year end balance	-	-

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2018/19, being reflected in a reduction in HMT pension top up funding.

Police Officer Pension Fund Net Asset Statement

As at 31 March 2018 £'000		As at 31 March 2019 £'000
	Current Assets	
4043	Funding to meet deficit due from the local policing body	6,666
-	Cash Held	-
	Current Liabilities	
-	Unpaid Pension Benefits	-
-	Recharges to other Authorities	-
(4,043)	Surplus for the year owing to the local policing body	(6,666)
-	Net Current Assets/Liabilities	-

1 Basis of Preparation

The pension fund accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2018	As at 31 March 2019
	£'000	£'000
Debtors		
Government Departments	4,043	6,666
Local Authorities	-	-
	4,043	6,666

Net Current Liabilities

	As at 31 March 2018	As at 31 March 2019
	£'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.



Putting victims first in County Durham and Darlington

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

ANNUAL GOVERNANCE STATEMENT 2018/19

ANNUAL GOVERNANCE STATEMENT

This Statement reviews the governance environment throughout the financial year to 31st March 2019 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.

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.

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 (OPCVC) 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; and
- has a Code of Corporate Governance and a protocol governing the relationship with the Constabulary.

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)

National Audit Office - Good Practice note Transformation Guidance for Audit Committees

Police and Crime Commissioner Annual Governance Statement 2017/18

Chief Constable Annual Governance Statement 2017/18

Annual Internal Audit Report 2017/18

External Audit – Audit Completion Report 2017/18

Internal Audit Plan 2018/19
Fraud and Corruption Annual Report
Annual Review of the System of Internal Audit
Internal Audit Progress Reports
External Audit Progress Reports
Review of the Joint Chief Finance Officer Role and Safeguards Protocol
Corporate Governance Action Plan Updates
PCVC Risk Register Update
Force Risk Register Update
Draft Budget and Medium Term Financial Outlook
Quarterly Professional Standards Report
Annual Overview of Collaboration
Annual Review of Gifts and Hospitality
Decision Log PCVC
Draft Police, Crime and Victims' Commissioner Annual Governance Statement 2017/18
Draft Chief Constable Annual Governance Statement 2017/18

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

Digital Intelligence
PCVC Staff/Exec and Senior Managers roles and responsibilities
Commissioning
Complaints Process
Overview and Use of Taser
HMIC Value for Money Profiles
Plan on a Page (POAP)
Treasury Management
Community Confidence
Audit Committees: Practical Guidance for Local Authorities and Police 2018 (CIPFA)

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 2016 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 2018/19. This opinion ranking provides assurance that, whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. Given the extent of change across the 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.

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

Issue Raised in 2017/18	Current Position
Further Funding Reductions	<p>Ongoing: The PCVC and Force agreed its Medium Term Financial Plan with the Executive Board and is delivering 2018/19 budget reductions through a mixture of officer and staff reductions; workforce modernisation initiatives; and through non-pay related savings. The Force monitors progress made to deliver efficiency savings via its Strategic Resourcing Group.</p> <p>The Force is still awaiting the outcome of the formula funding review and as such this issue remains one of significance.</p>
Continued Collaboration with Other Forces and Organisations	<p>Ongoing: The Force has already delivered a number of joint initiatives with neighbouring Forces in Cleveland and Northumbria as well as with the County Durham and Darlington Fire & Rescue Service.</p> <p>With further initiatives in development this issue remains one of significance.</p>
The Strategic Policing Requirement (SPR)	<p>Ongoing: The Force has carried out an internal assessment and business continuity plans are in place as required by the Strategic Policing Requirement (SPR).</p> <p>Whilst there is a sound understanding of the requirements of the SPR, there will be an ongoing need to ensure that its key elements are adequately resourced, where necessary, and as such this issue remains one of significance.</p>
Commissioning of Services	<p>Ongoing: A review of Commissioning of Services has been carried out with grants allocated accordingly and a new commissioning framework established. Process and outcomes are subject to regular review.</p> <p>With commissioning of services set to expand and in looking to ensure the achievement of the PCVC's objectives whilst delivering Value for Money this issue remains one of significance.</p>
The PCVC Chief Financial Officer Role	<p>Ongoing: A review of the Joint CFO role has been carried out and with appropriate safeguards in place, is considered a highly effective way of managing the finances of the PCVC and the Constabulary, and enabling efficient decision-making. This has been reported to the Joint Audit Committee & Executive Board.</p> <p>This arrangement is seen to constitute an ongoing governance risk and as such this issue remains one of significance.</p>

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

The most recent Government statements on funding for policing indicate that austerity will continue to place pressure on the force budget, although to a lesser extent than in the previous few years. The Government has permitted PCCs to raise additional Council Tax in both 2018-19 and 2019-20, with the second year being subject to satisfactory progress being made nationally with regard to efficiency and effectiveness. This Council Tax increase will provide financial stability for those 2 years which will enable overall workforce numbers to remain static. A comprehensive spending review is planned for the summer of 2019. Therefore, any further changes to police funding is likely to take place from 2020/21 onwards. The Medium Term Financial Plan presents a budget that is balanced and which will enable the number of police officers locally to remain stable throughout the life of the plan until 2022. There are assumptions which underpin this, including a 2% annual pay increase. A document about the robustness of the assumptions has been published alongside the Medium Term Financial Plan. If those assumptions turn out to be incorrect, then budget pressures for which we have not planned could arise.

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

Collaboration will continue to be addressed pro-actively in terms of other forces, and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services, and this is reflected in the PCVC's governance structure in relation to collaboration. A number of new collaborative initiatives were established during 2017/18 including a shared premises in Barnard Castle with Fire, Ambulance and Mountain Rescue, and a joint Criminal Justice Programme Team, which will save money and increase capacity / resilience for the Force. However, collaboration will not always save the force money. Our systems to determine areas for collaboration require robust business cases to be developed, and proposals will only be proceeded with if benefits are predicted.

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

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

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

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

X

Signed:



Ron Hogg

Police, Crime and Victims' Commissioner for Durham

Date: 30.7.15