

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

**Statement of Accounts**

**for the year ended 31st March 2018**



Putting victims first in County Durham and Darlington

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## **2017/18 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 2017/18, the Constabulary continues to face rising demand and changing demand against a backdrop of continuing austerity. The Constabulary continues to be regularly inspected by HMIC in respect of effectiveness, efficiency, leadership, legitimacy as well as various other thematic inspections. During 2017/18 the main grant received by the Constabulary was maintained the same as all other forces. The total revenue budget was £113m.

#### **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 11 May 2018. 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 2017/18 which resulted in cash-backed and time backed savings.

Key financial information for 2017/18 is as follows:

**Revenue Budget**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	98,413	99,318	(905)
Premises	4,208	4,384	(176)
Transport	1,983	2,132	(149)
Agency Services	2,162	2,370	(208)
Supplies and Services	8,287	9,286	(999)
Police & Crime Commissioner's office	952	623	329
Capital Financing	946	4,806	(3,860)
Commissioning	1,865	1,916	(51)
Revenue contribution to capital	258	2,772	(2,514)
Contribution from Reserves	-	(4,775)	4,775
<b>Gross Expenditure</b>	<b>119,074</b>	<b>122,832</b>	<b>(3,758)</b>
<b>Special Grants and Other Income</b>	<b>(5,781)</b>	<b>(9,539)</b>	<b>3,758</b>
<b>Net Expenditure</b>	<b>113,293</b>	<b>113,293</b>	<b>-</b>
<b>Financing</b>			
Specific Grant	(42,112)	(42,112)	-
Redistributed Non-Domestic Rates	(36,446)	(36,446)	-
Legacy Grants	(6,110)	(6,110)	-
Precept Income	(28,625)	(28,625)	-
<b>Total Financing</b>	<b>(113,293)</b>	<b>(113,293)</b>	<b>-</b>

The original budget was set at £113m and out turned at £113m. However within this total, the main variations include:

- Employees:**  
 There are a number of variances in this figure, police officer pay has underspent for the year mainly due to officers having left sooner than anticipated and, although replacements have been recruited, they have been at a lower scale. Police Overtime is overspent as a result of demand and costs incurred that have been recharged to other Forces. Staff costs have overspent as the pay rise was higher than budgeted.
- Supplies and Services:**  
 Again there are a number of reasons for the overspend, higher than budgeted legal costs which will fall back to normal levels in future years, overspends on equipment and travel costs, which are being closely monitored.
- Capital Financing**  
 An additional £4.2m was charged to capital financing in the year funded from reserves. This will reduce the annual ongoing capital financing charge by £0.17m.

- **Revenue contribution to capital**  
An additional revenue contribution to capital was made to preserve the capital receipts for future use.
- **Special Grants and Other Income:**  
This is higher than budgeted due to more secondments than anticipated and recharges to other Forces for work carried out.

### Capital Budget

Project	Original Budget	Actual	Variance
	£'000	£'000	£'000
<b>Expenditure</b>			
Property	150	978	(828)
IT	2,348	2,107	241
Vehicles	1,000	1,003	(3)
Equipment	250	60	190
	3,748	4,148	(400)
Less written off capital expenditure		(86)	
Additions to Fixed Assets		4,062	
<b>Financed by:</b>			
Capital Grant/Contributions		1,159	
Capital Receipts		-	
Revenue		2,772	
Loan		131	
		4,062	

The original capital budget was set at £3.7m and out turned at £4.1m. The main reasons for this variation is:

- **Property**  
The overspend relates to the fit out of the NERSOU building and the purchase of a building to house the Child Advocacy Centre, both funded by capital carried forward from the previous year.

### 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. The main initiatives introduced during 2017/18 were as follows:

- The opening of the “quad-station” at Barnard Castle, with the Fire & Rescue Service.
- The opening of the NERSOU joint unit across the regional North East Forces.
- An memorandum of understanding was signed with Dyfed-Powys Police in respect of ICT collaboration

#### **Dual Chief Finance Officer Role**

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

#### **Business Model**

The Group employed 1,152 officers as at 31st March 2018, 920 staff and 137 PCSOs. This was across the following main areas of policing:

<b><u>Command Area</u></b>	<b><u>Officers</u></b>	<b><u>Staff</u></b>	<b><u>PCSOs</u></b>
Response Command	495	197	-
Crime and Justice incl NERSOU	253	245	-
Safeguarding Neighbourhoods	207	51	123
Tasking & Coordination Command	45	96	-
Strategic Demand and Harm Reduction	13	37	14
Support Services	17	206	-
CDSOU	93	14	-
Professional Standards and Legal Services	8	38	-
PCVC Office	-	16	-
Executive	6	11	-
Secondments and Career Break	15	9	-
<b>Total Group</b>	<b>1152</b>	<b>920</b>	<b>137</b>

During 2017/18 vacancy rates averaged -0.9% for officers, 7.6% for staff and 12.4% 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. During 2017/18 Durham was awarded by HMIC, "Outstanding" for both efficiency and effectiveness. These were external inspections which covered a range of areas in relation to overall service delivery and efficiency.

## **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,
- 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. This is in line with that specified in the 2018 Chancellor's budget statement.
- £12 increase in precept for 2018/19 & 2019/20 and 2% p.a. thereafter. It is assumed that the current Council Tax capping criteria will continue into the future.
- 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 by up to £8m 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. A number of reviews are ongoing which are expected to result in reduced officer numbers going forward. It is not expected that this will impact upon the front line of policing with Durham and Darlington.

- Reduction in police staff numbers. Again a number of reviews are ongoing whereby staffing numbers may reduce over time. 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 have been 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.
- 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 2017/18 are as follows:

- Anti-social behaviour reduction of 11.5%
- Alcohol-related anti-social behaviour decrease of 9.7%
- Youth-related anti-social behaviour reduction of 1.4%
- Domestic abuse incidents increase of 10.5%
- Hate crime increase of 26.1%
- Reported crime increase of 27.1%
- Solved rate of 24.5%
- Overall crime increase of 31.8%

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.

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 third year running.
- Durham Constabulary was rated as 'Outstanding' for efficiency, in November 2017, again for the third 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.
- Libby Wright elected as Young Police, Crime and Victims' Commissioner in September 2017.
- Mini-Police operating in more schools.
- 10,000 local people attended Superheroes event in October 2017.
- 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**

## **Opinion on the financial statements**

We have audited the financial statements of the Office of the Durham Police and Crime Commissioner ('the PCC') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including the 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 2017/18.

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 its group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### **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 PCC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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 PCC'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 2017/18, 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 2017/18 and prepare the financial statements on a going concern basis, unless the PCC 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 PCC 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Conclusion on 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 2018.

### **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 PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

The PCC 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 in relation to 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 PCC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General 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 PCC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **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.

## **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 43 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 PCC 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 PCC, 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

## 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 2017/18. In preparing this Statement of Accounts, the Assistant Chief Officer has:

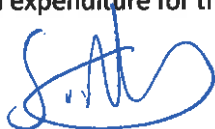
- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the local authority Code.

The Assistant Chief Officer has also

- kept proper accounting records which were up to date,
- 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 2018 and of his income and expenditure for the year ended 31 March 2018.



**G Ridley OBE MBA CPFA**

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

26 July 2018  
Date

### Police and Crime Commissioner's Certificate

I confirm I have approved these accounts



**Ron Hogg**

26-7-18  
Date

# **Group Comprehensive Income and Expenditure Statement for the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2018**

2016/17 Gross Expenditure £'000	2016/17 Income £'000	2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	2017/18 Income £'000	2017/18 Net Expenditure £'000
101,991	-	101,991	Employee costs	114,324	-	114,324
17,732	-	17,732	Non employee costs	16,870	-	16,870
2,372	-	2,372	PCVC costs	3,006	-	3,006
3,567	-	3,567	Capital charges	3,957	-	3,957
-	(8,761)	(8,761)	Income	-	(8,592)	(8,592)
<b>125,662</b>	<b>(8,761)</b>	<b>116,901</b>	<b>Net Cost of Services</b>	<b>138,157</b>	<b>(8,592)</b>	<b>129,565</b>
			<b>Other Operating Expenditure</b>			
24,256	(24,256)	-	Police Pension Top Up Grant	25,049	(25,049)	-
		786	Levies			834
		4	Loss on the Disposal of Non-current Assets			671
			<b>Financing and Investment Income and Expenditure</b>			
		29	Interest payable and similar charges			9
		45,519	Net interest on defined benefit liability (Note 29)			42,371
		(13)	Interest receivable and similar income			(25)
		-	<b>Taxation and non-specific grant income</b>			
		(36,964)	National Non Domestic Rates (Note 25)			(36,446)
		(42,709)	Police Grants (Note 25)			(42,112)
		(27,891)	Precepts (Note 25)			(28,772)
		(6,110)	Council Tax Support Grant (Note 25)			(6,110)
		(1,935)	Capital Grants and Contributions (Note 25)			(933)
		<b>47,617</b>	<b>Group deficit on Provision of Services</b>			<b>59,052</b>
		-	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets (Note 11)			(180)
		262,572	Re-measurements of the defined benefit liability (Note 29)			(24,768)
		<b>262,572</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(24,948)</b>
		<b>310,189</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>34,104</b>

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

**Comprehensive Income and Expenditure Statement for the Office  
of the Durham Police and Crime Commissioner for the year ended  
31 March 2018**

2016/17 Gross Expenditure £'000	2016/17 Income £'000	2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	2017/18 Income £'000	2017/18 Net Expenditure £'000
582	-	582	Employee costs	719	-	719
1,791	-	1,791	Non employee costs	2,286	-	2,286
3,567	-	3,567	Capital charges	3,957	-	3,957
-	(822)	(822)	Income	-	(1,028)	(1,028)
-	(3,567)	(3,567)	Charge for use of assets	-	(3,957)	(3,957)
109,145	-	109,145	PCVC funding for resources consumed by the CC	112,127	-	112,127
<b>115,085</b>	<b>(4,389)</b>	<b>110,696</b>	<b>Net Cost of Services</b>	<b>119,089</b>	<b>(4,985)</b>	<b>114,104</b>
			<b>Other Operating Expenditure</b>			
24,256	(24,256)	-	Police Pension Top Up Grant	25,049	(25,049)	-
		-	Levies			-
		4	Loss on the Disposal of Non-current Assets			671
			<b>Financing and Investment Income and Expenditure</b>			
		29	Interest payable and similar charges			9
		9	Net interest on defined benefit liability (Note 30)			11
		(13)	Interest receivable and similar income			(25)
			<b>Taxation and non-specific grant income</b>			
		(36,964)	National Non Domestic Rates (Note 25)			(36,446)
		(42,709)	Police Grants (Note 25)			(42,112)
		(27,891)	Precepts (Note 25)			(28,772)
		(6,110)	Council Tax Support Grant (Note 25)			(6,110)
		(1,935)	Capital Grants and Contributions (Note 25)			(933)
		<b>(4,884)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>397</b>
			(Surplus)/Deficit on revaluation of non current assets (Note 11)			(180)
		177	Re-measurements of the defined benefit liability (Note 30)			11
		<b>177</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(169)</b>
		<b>(4,707)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>228</b>



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

Current year	Police Fund Balances	Earmarked Reserves	Capital Grants and Contrib'n's Unapplied	Capital Receipts Reserves	Total Useable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	-	(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)
Comparative year							
Balance at 31 March 2016	5,666	7,057	832	-	13,555	(1,279,557)	(1,266,002)
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure	(47,617)	-	-	-	(47,617)	(262,572)	(310,189)
Adjustments between accounting basis & funding basis under regulations (Note 9)	47,904	0	1,283	3,207	52,394	(52,394)	-
Earmarked Reserves movements (Note 10)	(287)	287					
Increase/(Decrease) in year	-	287	1,283	3,207	4,777	(314,966)	(310,189)
Balance at 31 March 2017 carried forward	5,666	7,344	2,115	3,207	18,332	(1,594,523)	(1,576,191)

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

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

Current year	Police Fund Balances	Earmarked Reserves	Capital Grants and Contrib'n's Unapplied	Capital Receipts Reserves	Total Useable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>	5,666	7,344	2,115	3,207	18,332	18,292	36,624
<b>Movement in reserves during 2017/18</b>							
<b>Total Comprehensive Income and Expenditure</b>	(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)	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	-	(4,278)	(226)	4,328	(176)	(52)	(228)
<b>Balance at 31 March 2018 carried forward</b>	5,666	3,066	1,889	7,535	18,156	18,240	36,396
<b>Comparative year</b>							
<b>Balance at 31 March 2016</b>	5,666	7,057	832	-	13,555	18,362	31,917
<b>Movement in reserves during 2016/17</b>							
<b>Total Comprehensive Income and Expenditure</b>	4,884	-	-	-	4,884	(177)	4,707
Adjustments between accounting basis & funding basis under regulations (Note 9)	(4,597)	-	1,283	3,207	(107)	107	-
Earmarked Reserves movements (Note 10)	(287)	287	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	-	287	1,283	3,207	4,777	(70)	4,707
<b>Balance at 31 March 2017 carried forward</b>	5,666	7,344	2,115	3,207	18,332	18,292	36,624

## Group Balance Sheet for the Group of the Office of the Police and Crime Commissioner for Durham at 31 March 2018

31 March 2017		Notes	31 March 2018	
£'000	£'000		£'000	£'000
26,185	36,751	Property, Plant and Equipment	25,883	32,037
2,326		Intangible Assets	2,034	
8,240		Long Term Debtors	4,120	
		<b>Total Long Term Assets</b>		
487	17,823	Inventories	470	17,004
16,439		Short Term Debtors	14,664	
897		Cash and Cash Equivalents	1,870	
		<b>Total Current Assets</b>		
(7,549)	(20,097)	Short Term Borrowings	-	(14,651)
(12,548)		Short Term Creditors	(14,651)	
		<b>Total Current Liabilities</b>		
(1,964)	(1,610,668)	Provisions	(1,703)	(1,644,685)
		Long Term Borrowings	-	
(1,608,704)		Pensions Liability	(1,642,982)	
		<b>Total Long Term Liabilities</b>		
	(1,576,191)	<b>Net Assets</b>		(1,610,295)
	18,332	Useable Reserves		18,156
	(1,594,523)	Unusable Reserves		(1,628,451)
	(1,576,191)	<b>Total Reserves</b>		(1,610,295)

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'.

These financial statements replace the unaudited financial statements confirmed by Gary Ridley on 31 May 2018.

## Balance Sheet for the Office of the Police and Crime Commissioner for Durham at 31 March 2018

31 March 2017		Notes	31 March 2018	
£'000	£'000		£'000	£'000
26,185		11	25,883	
2,326		12	2,034	
8,240		13	4,120	
	<b>36,751</b>			<b>32,037</b>
13,227		14	10,512	
897		15	1,870	
	<b>14,124</b>			<b>12,382</b>
(7,549)		13	-	
(6,238)		16	(7,501)	
	<b>(13,787)</b>			<b>(7,501)</b>
-		13	-	
(464)		18	(522)	
	<b>(464)</b>			<b>(522)</b>
	<b>36,624</b>			<b>36,396</b>
	18,332	19		18,156
	18,292	19		18,240
	<b>36,624</b>			<b>36,396</b>

## Cashflow Statement for the Group of the Office of the Durham Police and Crime Commissioner for the year to 31 March 2018

2016/17		OPERATING ACTIVITIES	2017/18	
£'000	£'000		£'000	£'000
74,298		<b>Cash Inflow</b>		
36,964		Specific Grants	85,779	
28,206		Redistributed Non-Domestic Rates	36,446	
14,609		Council Tax Receipts	28,625	
13		Cash received for goods and services	12,627	
		Interest received	25	
	154,090	<b>Cash inflows generated from operating activities</b>		163,502
		<b>Cash Outflow</b>		
(127,321)		Cash paid to employees	(131,671)	
(45)		Interest paid	(9)	
(20,833)		Cash paid to suppliers of goods and services	(19,818)	
	(148,199)	<b>Cash outflows generated from operating activities</b>		(151,498)
	5,891	<b>Net cash flows from operating activities</b>		12,004
		<b>INVESTING ACTIVITIES</b>		
185		Proceeds from the sale of Property, Plant and Equipment	(179)	
1,883		Capital grants/contributions received	(1,581)	
(1,393)		Purchase of Property, Plant and Equipment	(1,722)	
	675	<b>Net cash flows from investing activities</b>		(3,482)
		<b>FINANCING ACTIVITIES</b>		
19,000		Cash receipts of short term borrowing	6,670	
(24,793)		Repayments of short and long term borrowing	(14,219)	
	(5,793)	<b>Net cash flows from financing activities</b>		(7,549)
	773	<b>Net increase or decrease in cash and cash equivalent</b>		973
	124	Cash and cash equivalents at the beginning of the reporting period		897
		<b>Less</b>		
	897	Cash and cash equivalents at the end of the reporting period		1,870
	(773)	(Note 15)		(973)

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 2018

2016/17		OPERATING ACTIVITIES	2017/18	
£'000	£'000		£'000	£'000
72,395		<b>Cash Inflow</b>		
36,964		Specific Grants	83,650	
28,206		Redistributed Non-Domestic Rates	36,446	
8,574		Council Tax Receipts	28,625	
13		Cash received for goods and services	8,199	
		Interest received	25	
	146,152	<b>Cash Inflows generated from operating activities</b>		156,945
(515)		<b>Cash Outflow</b>		
(45)		Cash paid to employees	(598)	
(1,630)		Interest paid	(9)	
(138,071)		Cash paid to suppliers of goods and services	(2,407)	
		Adjustments to net deficit on the provision of services	(141,927)	
	(140,261)	<b>Cash outflows generated from operating activities</b>		(144,941)
	5,891	<b>Net cash flows from operating activities</b>		12,004
185		<b>INVESTING ACTIVITIES</b>		
1,883		Proceeds from the sale of Property, Plant and Equipment	(179)	
(1,393)		Capital grants/contributions received	(1,581)	
		Purchase of Property, Plant and Equipment	(1,722)	
	675	<b>Net cash flows from investing activities</b>		(3,482)
19,000		<b>FINANCING ACTIVITIES</b>		
(24,793)		Cash receipts of short term borrowing	6,670	
		Repayments of short and long term borrowing	(14,219)	
	(5,793)	<b>Net cash flows from financing activities</b>		(7,549)
	773	<b>Net increase or decrease in cash and cash equivalent</b>		973
	124	Cash and cash equivalents at the beginning of the reporting period		897
		<b>Less</b>		
	897	Cash and cash equivalents at the end of the reporting period (Note 15)		1,870
	(773)			(973)

# **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 2018**

## **1. ACCOUNTING POLICIES**

### **1.1 General Principles**

The Statement of Accounts summarises the PCVC's and the Group's transactions for the 2017/18 financial year and the position at the year-end of 31 March 2018. 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 2017/18, 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 2018. 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 2018. 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 the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- 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.
- 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
- 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
- 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.
  - 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
  - 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.

### **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
- 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 Events after the Reporting Period**

#### **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 into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Group does not hold any available for sale assets.

#### **Loans and Receivables**

Loans and receivables are recognised 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 property, plant and equipment is capitalised, provided that the asset yields benefits to the PCVC and the services he provides, for a period of more than one financial year. Expenditure may relate to the acquisition, creation or enhancement of property, plant and equipment and is capitalised on an accruals basis.

#### **Measurement**

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, plant and equipment are classified into the following groupings:

- |                          |   |
|--------------------------|---|
| • Operational Assets     | Land and buildings, vehicles, plant and equipment           |
| • Non-Operational Assets | Assets under construction, surplus assets held for disposal |

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets Under Construction - Historical Cost until brought into commission
- Surplus assets - current value, estimated at highest and best use from a market participant's perspective
- All other assets - Current Value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost 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. The most recent valuation of Land and Buildings is effective from 31 March 2014. At 31 March 2018 a review was undertaken to ensure that the current Balance Sheet valuation was materially correct.

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).
- 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.

Where a reclassification results in a change of valuation methodology, the valuation date will be applied from the date of the reclassification and reviewed on the 31st March of the year of reclassification.

### **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).
- 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 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. 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. 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.

#### **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.

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.

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.

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**

Intangible assets are assets that continue to provide an economic benefit to the PCVC but which do not have a physical form, principally software licenses.

These assets are valued at historical cost and are written off to the Comprehensive Income and Expenditure Statement on a straight line basis, taking account of their expected residual value, if any. When they are disposed of, or cease to be of continuing economic benefit to the PCVC, the

written-down value is written off against the Capital Adjustment Account. The useful lives of intangible fixed assets vary from 3 to 10 years.

#### **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 and Crime Commissioner accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Commissioner. Rentals payable 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).
- 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**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement 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 Reserves**

The nature of the PCVC's reserves and the balances are shown in the notes to the core statements. 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.

#### **1.17 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.

#### **1.18 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 2018.

The following standards have been issued but have not yet been adopted at 31 March 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes
- Amendments to IAS 7 Statement of Cash Flows

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

## **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 2018 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 £0.048m 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.

##### **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 £7.6 million.

## 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 26 July 2018. 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 2018, 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 2018

2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
Net	Adjustments	Net		Net	Adjustments	Net
Expenditure	between the	Expenditure		Expenditure	between the	Expenditure
Chargeable	Funding and	In the		Chargeable	Funding and	In the
to the	Accounting	Comprehensive		to the	Accounting	Comprehensive
General Fund	Basis	Income and		General Fund	Basis	Income and
		Expenditure				Expenditure
£'000	£'000	Statement		£'000	£'000	Statement
£'000	£'000	£'000		£'000	£'000	£'000
49,494	52,497	101,991	Employee costs	55,666	58,658	114,324
17,732	-	17,732	Non employee costs	16,870	-	16,870
2,360	12	2,372	PCC costs	2,956	50	3,006
8,490	(4,923)	3,567	Capital charges	7,741	(3,784)	3,957
(8,761)	-	(8,761)	Income	(8,592)	-	(8,592)
69,315	47,586	116,901	Net Cost of Services	74,641	54,924	129,565
(69,598)	314	(69,284)	Other Income and Expenditure	(70,366)	(147)	(70,513)
(283)	47,900	47,617	Group deficit on Provision of Services	4,275	54,777	59,052
(12,723)			Opening General fund and Earmarked Reserves Balance	(13,006)		
(283)			Less deficit on General Fund and Earmarked Reserves Balance	4,275		
(13,006)			Closing General fund and Earmarked Reserves Balance	(8,731)		

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 2018**

2016/17 Net Expenditure Chargeable to the General Fund £'000	2016/17 Adjustments between the Funding and Accounting Basis £'000	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		2017/18 Net Expenditure Chargeable to the General Fund £'000	2017/18 Adjustments between the Funding and Accounting Basis £'000	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
570	12	582	Employee costs	669	50	719
1,791	-	1,791	Non employee costs	2,286	-	2,286
8,490	(4,923)	3,567	Capital charges	7,741	(3,784)	3,957
(822)	-	(822)	Income	(1,028)		(1,028)
(3,567)	-	(3,567)	Charge for use of assets	(3,957)	-	(3,957)
109,145	-	109,145	PCVC funding for resources consumed by the CC	112,127	-	112,127
<b>115,607</b>	<b>(4,911)</b>	<b>110,696</b>	<b>Net Cost of Services</b>	<b>117,838</b>	<b>(3,734)</b>	<b>114,104</b>
(115,894)	314	(115,580)	Other Income and Expenditure	(113,560)	(147)	(113,707)
(287)	(4,597)	(4,884)	PCVC deficit/(surplus) on Provision of Services	4,278	(3,881)	397
(12,723)			Opening General fund and Earmarked Reserves Balance	(13,010)		
(287)			Less deficit on General Fund and Earmarked Reserves Balance	4,278		
(13,010)			Closing General fund and Earmarked Reserves Balance	(8,732)		

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

<b>Year ended 31 March 2018</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(58,999)	341	(58,658)
Non employee costs	-	-	-	-
PCC costs	-	(47)	(3)	(50)
Capital charges	3,784	-	-	3,784
<b>Net Cost of Services</b>	<b>3,784</b>	<b>(59,046)</b>	<b>338</b>	<b>(54,924)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>147</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>3,784</b>	<b>(59,046)</b>	<b>485</b>	<b>(54,777)</b>
<b>Year ended 31 March 2017</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(51,967)	(530)	(52,497)
Non employee costs	-	-	-	-
PCC costs	-	(16)	4	(12)
Capital charges	4,923	-	-	4,923
<b>Net Cost of Services</b>	<b>4,923</b>	<b>(51,983)</b>	<b>(526)</b>	<b>(47,586)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>(314)</b>	<b>(314)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>4,923</b>	<b>(51,983)</b>	<b>(840)</b>	<b>(47,900)</b>

# PCVC NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

<b>Year ended 31 March 2018</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(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	-	-	-	-
<b>Net Cost of Services</b>	<b>3,784</b>	<b>(47)</b>	<b>(3)</b>	<b>3,734</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>147</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>3,784</b>	<b>(47)</b>	<b>144</b>	<b>3,881</b>
<b>Year ended 31 March 2017</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	-	(16)	4	(12)
Non employee costs	-	-	-	-
Capital charges	4,923	-	-	4,923
Charge for the use of assets	-	-	-	-
PCVC funding for resources consumed by the CC	-	-	-	-
<b>Net Cost of Services</b>	<b>4,923</b>	<b>(16)</b>	<b>4</b>	<b>4,911</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-</b>	<b>-</b>	<b>(314)</b>	<b>(314)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>4,923</b>	<b>(16)</b>	<b>(310)</b>	<b>4,597</b>

## 7B GROUP SEGMENTAL INCOME

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

## 8 GROUP EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/17 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits expenses	97,403	115,044
Other services expenses	24,693	19,156
Depreciation, amortisation & impairment	3,567	3,957
Interest payments (including defined benefit liability)	45,548	42,380
Levies	785	834
Loss on the disposal of assets	4	671
<b>Total Expenditure</b>	<b>172,000</b>	<b>182,042</b>
<b>Income</b>		
Fees, charges and other service income	(8,761)	(8,592)
Interest and investment income	(13)	(25)
Precepts	(27,891)	(28,772)
Government grants and contributions	(87,718)	(85,601)
<b>Total Income</b>	<b>(124,383)</b>	<b>(122,990)</b>
<b>Deficit on the Provision of Services</b>	<b>47,617</b>	<b>59,052</b>

## PCVC EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/17 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits expenses	515	719
Other services expenses	111,005	114,413
Depreciation, amortisation & impairment	3,567	3,957
Interest payments (including defined benefit liability)	38	20
Levies	-	-
Loss on the disposal of assets	4	671
<b>Total Expenditure</b>	<b>115,129</b>	<b>119,780</b>
<b>Income</b>		
Fees, charges and other service income	(4,390)	(4,985)
Interest and investment income	(13)	(25)
Precepts	(27,892)	(28,772)
Government grants and contributions	(87,718)	(85,601)
<b>Total Income</b>	<b>(120,013)</b>	<b>(119,383)</b>
<b>Deficit on the Provision of Services</b>	<b>(4,884)</b>	<b>397</b>

## 9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

**Group**

Year ended 31 March 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
<b>Adjustments to the Revenue Resources</b>						
Amounts by which Income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
<i>Pension Costs (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 (transferred to or from the Collection Fund)	147	-	-	-	147	(147)
Holiday Pay (transferred to the Accumulated Absences Reserve)	341	-	-	-	341	(341)
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure (these items are charged to the Capital Adjustment Account):						
- 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)	-	-
<b>Total Adjustments to Revenue Resources</b>	(62,461)	-	(541)	(392)	(63,394)	63,394
<b>Adjustments between Revenue &amp; Capital Resources</b>						
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)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	7,687	(208)	-	-	7,479	(7,479)
<b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	-	(4,120)	845	314	(2,961)	2,961
<b>TOTAL ADJUSTMENTS (Movement in Reserves Statement)</b>	(54,774)	(4,328)	304	(78)	(58,876)	58,876



**Group**

Year ended 31 March 2017	USABLE RESERVES					Movement in Unusable Reserves
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>						
Amounts by which Income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs ( <i>transferred to or from the Pension Reserve</i> ) :						
- Retirement benefits	(67,680)				(67,680)	67,680
- Employer's pensions contributions and direct payments to pensioners payable in the year	15,697				15,697	(15,697)
Council tax ( <i>transferred to or from the Collection Fund</i> )	(314)				(314)	314
Holiday Pay ( <i>transferred to the Accumulated Absences Reserve</i> )	(530)				(530)	530
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	(2,797)	-	-	-	(2,797)	2,797
- Charges for impairment of non-current assets	(770)	-	-	-	(770)	770
- Amounts of non-current assets written off on disposal	(351)	-	-	-	(351)	351
- Capital grants and contributions unapplied	1,935	-	(1,935)	-	-	-
<b>Total Adjustments to Revenue Resources</b>	(54,810)	-	(1,935)	-	(56,745)	56,745
<b>Adjustments between Revenue &amp; Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	347	(347)	-	-	-	-
Statutory provision for repayment of debt	3,757	-	-		3,757	(3,757)
Capital expenditure financed from revenue balances	2,802	-			2,802	(2,802)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	6,906	(347)	-	-	6,559	(6,559)
<b>Adjustments to Capital Resources</b>						
Application of Capital grants and contributions to finance capital expenditure	-	-	652		652	(652)
Cash Payments in relation to Deferred Capital Receipts	-	(2,860)	-		(2,860)	2,860
<b>Total Adjustments to Capital Resources</b>	-	(2,860)	652	-	(2,208)	2,208
<b>TOTAL ADJUSTMENTS (Movement in Reserves Statement)</b>	(47,904)	(3,207)	(1,283)	-	(52,394)	52,394

**PCVC**

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
<b>Adjustments to the Revenue Resources</b>						
Amounts by which Income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
<i>Pension Costs (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)
<i>Council tax (transferred to or from the Collection Fund)</i>	147	-	-	-	147	(147)
<i>Holiday Pay (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 (these items are charged to the Capital Adjustment Account):						
- 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)	-	-
<b>Total Adjustments to Revenue Resources</b>	(3,806)	-	(541)	(392)	(4,739)	4,739
<b>Adjustments between Revenue &amp; Capital Resources</b>						
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)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	7,687	(208)	-	-	7,479	(7,479)
<b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	-	(4,120)	845	314	(2,961)	2,961
<b>TOTAL ADJUSTMENTS</b>	<b>3,881</b>	<b>(4,328)</b>	<b>304</b>	<b>(78)</b>	<b>(221)</b>	<b>221</b>
<b>(Movement in Reserves Statement)</b>						

**PCVC**

Year ended 31 March 2017	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs ( <i>transferred to or from the Pension Reserve</i> ):						
- Retirement benefits	(80)	-	-	-	(80)	80
- Employer's pensions contributions and direct payments to pensioners payable in the year	64	-	-	-	64	(64)
Council tax ( <i>transferred to or from the Collection Fund</i> )	(314)	-	-	-	(314)	314
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	(2,797)	-	-	-	(2,797)	2,797
- Charges for impairment of non-current assets	(770)	-	-	-	(770)	770
- Amounts of non-current assets written off on disposal	(351)	-	-	-	(351)	351
- Capital grants and contributions unapplied	1,935	-	(1,935)	-	-	-
<b>Total Adjustments to Revenue Resources</b>	(2,309)	-	(1,935)	-	(4,244)	4,244
<b>Adjustments between Revenue &amp; Capital Resources</b>						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	347	(347)	-	-	-	-
Statutory provision for repayment of debt	3,757	-	-	-	3,757	(3,757)
Capital expenditure financed from revenue balances	2,802				2,802	(2,802)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	6,906	(347)	-	-	6,559	(6,559)
<b>Adjustments to Capital Resources</b>						
Application of Capital grants and contributions to finance capital expenditure	-	-	652	-	652	(652)
Cash Payments in relation to Deferred Capital Receipts	-	(2,860)	-	-	(2,860)	2,860
<b>Total Adjustments to Capital Resources</b>	-	(2,860)	652	-	(2,208)	2,208
<b>TOTAL ADJUSTMENTS</b>	<b>4,597</b>	<b>(3,207)</b>	<b>(1,283)</b>	<b>-</b>	<b>107</b>	<b>(107)</b>
<b>(Movement in Reserves Statement)</b>						

# **10      TRANSFERS TO/FROM EARMARKED RESERVES**

## **Group and PCVC**

	<b>Balance at 1 April 2016</b>	<b>Transfers In 2016/17</b>	<b>Transfers Out 2016/17</b>	<b>Balance at 31 March 2017</b>	<b>Transfers In 2017/18</b>	<b>Transfers Out 2017/18</b>	<b>Balance at 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pensions	(676)	-	-	(676)	(1,760)	2,436	-
Support Staff Pensions	(1,760)	-	-	(1,760)	-	1,760	-
Capital Modernisation	(2,241)	-	-	(2,241)	-	1,774	(467)
Collaboration reserves	(262)	(142)	35	(369)	(34)	140	(263)
Revenue Grants	(377)	(198)	255	(320)	(120)	198	(242)
Road Safety Initiative Management	(479)	(48)	-	(527)	-	-	(527)
Estates	(250)	-	-	(250)	-	-	(250)
LRF	(9)	(4)	9	(4)	-	4	-
Court Forfeiture	-	(12)	-	(12)	(12)	12	(12)
Police Crime and Victims' Commissioner	(735)	(128)	55	(808)	(204)	-	(1,012)
PCVC Community Safety Reserve	(268)	(109)	-	(377)	-	84	(293)
	<b>(7,057)</b>	<b>(641)</b>	<b>354</b>	<b>(7,344)</b>	<b>(2,130)</b>	<b>6,408</b>	<b>(3,066)</b>

## **REVENUE RESERVE PURPOSES**

### **Capital Modernisation Reserve**

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

### **Collaboration Reserves**

To meet costs associated with the following reserves:

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

### **Revenue Grants Unapplied Account**

To meet costs identified during 2017/2018 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 forfeitured funds that will be utilised in future years

### **Police Crime and Victims' Commissioner Reserve**

To meet costs identified during 2017/2018 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.

# 11 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles, Plant & Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
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)
<b>At 31 March 2018</b>	<b>22,622</b>	<b>25,727</b>	<b>249</b>	<b>48,598</b>
<b>Accumulated Depreciation and Impairment</b>				
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
<b>At 31 March 2018</b>	<b>(4,688)</b>	<b>(18,027)</b>	<b>-</b>	<b>(22,715)</b>
<b>Net Book Value</b>				
<b>At 31 March 2018</b>	<b>17,934</b>	<b>7,700</b>	<b>249</b>	<b>25,883</b>
<b>At 31 March 2017</b>	<b>17,391</b>	<b>7,436</b>	<b>1,358</b>	<b>26,185</b>

## Capital commitments

At 31 March 2018, the PCVC was contractually committed to capital works which are budgeted to cost £0.599M (at 31 March 2017 the figure was £0.665M).

Comparative figures for 2016/17 are as follows:

	Land & Buildings	Vehicles, Plant & Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2016	20,529	27,004	359	47,892
Additions	787	1,482	1,578	3,847
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	-	-	-	-
Revaluations increases/ (decreases) recognised in the Surplus /Deficit on the Provision of Services	-	-	-	-
Derecognition - Disposals	(170)	(2,216)	-	(2,386)
Derecognition - Other	-	(106)	-	(106)
Other movement in cost or valuation	-	28	(579)	(551)
<b>At 31 March 2017</b>	<b>21,146</b>	<b>26,192</b>	<b>1,358</b>	<b>48,696</b>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2016	(2,423)	(19,203)	-	(21,626)
Depreciation charge	(578)	(1,677)	-	(2,255)
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(770)	-	-	(770)
Derecognition - Disposals	16	2,018	-	2,034
Derecognition - Other	-	106	-	106
Other movements in depreciation and impairment	-	-	-	-
<b>At 31 March 2017</b>	<b>(3,755)</b>	<b>(18,756)</b>	<b>-</b>	<b>(22,511)</b>
<b>Net Book Value</b>				
<b>At 31 March 2017</b>	<b>17,391</b>	<b>7,436</b>	<b>1,358</b>	<b>26,185</b>
<b>At 31 March 2016</b>	<b>18,106</b>	<b>7,801</b>	<b>359</b>	<b>26,266</b>

## Revaluations

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

	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000
31 March 2018	588	-	-	588
31 March 2017	-	-	-	-
31 March 2016	-	-	-	-
31 March 2015	9,189	-	-	9,189
31 March 2014	12,845	32,076	249	45,170

## 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.

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



Comparative figures for 2016/17

	<b>£'000</b>
Gross carrying amount at 31 March 2016	5,485
Accumulated amortisation	(3,307)
<b>Net carrying amount at 31 March 2016</b>	<b>2,178</b>
Additions	139
Disposals	(64)
Amortisation	(542)
Accumulated Amortisation on disposals	64
Other Movements	551
<b>Net carrying amount at 31 March 2017</b>	<b>2,326</b>
Comprising	
<b>Gross carrying amount</b>	<b>6,111</b>
<b>Accumulated amortisation</b>	<b>(3,785)</b>

**13 FINANCIAL INSTRUMENTS**

	Long-term		Current	
	Group		Group	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
<b>Debtors</b>				
Loans and receivables	8,240	4,120	13,993	12,136
<b>Total included in debtors</b>	<b>8,240</b>	<b>4,120</b>	<b>13,993</b>	<b>12,136</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-	-	(7,549)	-
<b>Total included in borrowings</b>	<b>-</b>	<b>-</b>	<b>(7,549)</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract cost	-	-	(9,199)	(11,215)
<b>Total included in creditors</b>	<b>-</b>	<b>-</b>	<b>(9,199)</b>	<b>(11,215)</b>

	Long-term		Current	
	PCVC		PCVC	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
<b>Debtors</b>				
Loans and receivables	8,240	4,120	11,588	8,766
<b>Total included in debtors</b>	<b>8,240</b>	<b>4,120</b>	<b>11,588</b>	<b>8,766</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-	-	(7,549)	-
<b>Total included in borrowings</b>	<b>-</b>	<b>-</b>	<b>(7,549)</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract cost	-	-	(5,232)	(6,520)
<b>Total included in creditors</b>	<b>-</b>	<b>-</b>	<b>(5,232)</b>	<b>(6,520)</b>

All the PCVC Group's financial assets relate to loans and receivables and are measure at fair value which, in all cases, is their absolute value. Debtors are reviewed for impairment, with the provision for doubtful debts reflecting any risk relating to uncertainty of receipt.

Financial liabilities relate to either creditors or short-term borrowings relating to cash flow management, and are measured at their amortised cost.

Financial instruments give rise to certain areas of risk which must be mitigated:

Credit risk - the possibility that other parties might fail to pay amounts due to the PCVC.

Liquidity risk - the possibility that the PCVC might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise for the PCVC as a result of changes in such measures as interest rates.

The PCVC is not open to material exposures to these risks due to the nature of the financial instruments and a range of controls:

- an authorisation procedure for all investments
- access to borrowing from the Public Works Loan Board
- a programme of authorised and reviewed Prudential Indicators and Treasury Management Reports which are taken to the Exec Board regularly.

	Group and PCVC			Group and PCVC		
	2016/17			2017/18		
	Financial Liabilities at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities at amortised cost	Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	29	-	29	9	-	9
<b>Total expense in Deficit on the Provision of Services</b>	29	-	29	9	-	9
Interest Income	-	(13)	(13)	-	(25)	(25)
<b>Total income in Deficit on the Provision of Services</b>	-	(13)	(13)	-	(25)	(25)
<b>Net gain for the Year</b>	29	(13)	16	9	(25)	(16)

#### **Fair Value of Assets and Liabilities Carried at Amortised Cost**

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- for loans payable, the discount rate used is the Public Works Loan Board rate for new borrowing,
- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below:

### Financial Liabilities - carried at amortised cost

	Group		Group	
	2016/17		2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short Term borrowing	(7,549)	(7,549)	-	-
Long Term borrowing	-	-	-	-
Other payables	(9,199)	(9,199)	(11,215)	(11,215)
<b>Total Financial Liabilities</b>	<b>(16,748)</b>	<b>(16,748)</b>	<b>(11,215)</b>	<b>(11,215)</b>
Current	(16,748)	(16,748)	(11,215)	(11,215)
Long Term	-	-	-	-
<b>Total Financial Liabilities</b>	<b>(16,748)</b>	<b>(16,748)</b>	<b>(11,215)</b>	<b>(11,215)</b>

	PCVC		PCVC	
	2016/17		2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short Term borrowing	(7,549)	(7,549)	-	-
Long Term borrowing	-	-	-	-
Other payables	(5,232)	(5,232)	(6,520)	(6,520)
<b>Total Financial Liabilities</b>	<b>(12,781)</b>	<b>(12,781)</b>	<b>(6,520)</b>	<b>(6,520)</b>
Current	(12,781)	(12,781)	(6,520)	(6,520)
Long Term	-	-	-	-
<b>Total Financial Liabilities</b>	<b>(12,781)</b>	<b>(12,781)</b>	<b>(6,520)</b>	<b>(6,520)</b>

### Financial Assets - Loans and receivables

	Group		Group	
	2016/17		2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	897	897	1,870	1,870
Receivables	22,233	22,233	16,256	16,256
<b>Total Financial Assets</b>	<b>23,130</b>	<b>23,130</b>	<b>18,126</b>	<b>18,126</b>
Current	14,890	14,890	14,006	14,006
Long Term	8,240	8,240	4,120	4,120
<b>Total Financial Assets</b>	<b>23,130</b>	<b>23,130</b>	<b>18,126</b>	<b>18,126</b>

	PCVC		PCVC	
	2016/17		2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	897	897	1,870	1,870
Receivables	19,828	19,828	12,886	12,886
<b>Total Financial Assets</b>	<b>20,725</b>	<b>20,725</b>	<b>14,756</b>	<b>14,756</b>
Current	12,485	12,485	10,636	10,636
Long Term	8,240	8,240	4,120	4,120
<b>Total Financial Assets</b>	<b>20,725</b>	<b>20,725</b>	<b>14,756</b>	<b>14,756</b>

#### 14 DEBTORS

	Group		PCVC	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Central government bodies	7,885	5,638	7,228	4,334
Other local authorities	2,123	2,536	641	739
Other Debtors	5,534	5,607	5,188	5,278
Less provision for impairment of receivables	(128)	(140)	(2)	(1)
NHS	46	78	-	-
Payments in advance	979	945	172	162
<b>Total debtors</b>	<b>16,439</b>	<b>14,664</b>	<b>13,227</b>	<b>10,512</b>

#### 15 CASH AND CASH EQUIVALENTS

	Group and PCVC	
	31 March 2017	31 March 2018
	£'000	£'000
Cash held by the Commissioner	40	40
Bank current accounts	857	960
Short term deposits	0	870
<b>Total Cash and Cash Equivalents</b>	<b>897</b>	<b>1,870</b>

## 16 CREDITORS

	Group		PCVC	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Central government bodies	2,090	2,757	13	247
Other local authorities	3,067	3,091	4,693	5,496
Sundry creditors	7,232	8,659	1,532	1,758
Receipts in advance	152	139	-	-
NHS	7	5	-	-
<b>Total creditors</b>	<b>12,548</b>	<b>14,651</b>	<b>6,238</b>	<b>7,501</b>

## 17 PROVISIONS

	Group			
	Insurance	Other	Employee	Total
	£'000	£'000	£'001	£'000
Balance at 1 April	964	600	400	1,964
Increase/ (decrease) during the year	(481)	220	0	(261)
Balance at 31 March	483	820	400	1,703

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

## 18 PENSIONS LIABILITY

	Group		PCVC	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Police Pension Scheme liability	1,543,250	1,571,890	-	-
Local Government Pension Scheme liability	65,454	71,092	464	522
<b>Total creditors</b>	<b>1,608,704</b>	<b>1,642,982</b>	<b>464</b>	<b>522</b>

## 19 RESERVES

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

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

**Group**

Reserve	1 April 2017	Net Movement in year	31 March 2018	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
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
<b>TOTAL USABLE RESERVES</b>	<b>18,332</b>	<b>(176)</b>	<b>18,156</b>		
<b>UNUSABLE RESERVES</b>					
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	Capital receipt not yet received	
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	
<b>TOTAL UNUSABLE RESERVES</b>	<b>(1,594,523)</b>	<b>(33,928)</b>	<b>(1,628,451)</b>		
<b>TOTAL RESERVES</b>	<b>(1,576,191)</b>	<b>(34,104)</b>	<b>(1,610,295)</b>		

Reserve	1 April 2016	Net Movement in year	31 March 2017	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
Police Fund	5,666	-	5,666	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	0	3,207	3,207	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	832	1,283	2,115	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	0	-	0	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	7,057	287	7,344	Note 10	Note 10
<b>TOTAL USABLE RESERVES</b>	<b>13,555</b>	<b>4,777</b>	<b>18,332</b>		
<b>UNUSABLE RESERVES</b>					
Capital Adjustment Account	1,565	3,345	4,910	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	1,012	(53)	959	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	15,286	(2,860)	12,426		
Pensions Reserve (IAS 19)	(1,294,149)	(314,554)	(1,608,703)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 29
Accumulated Absences Account	(4,064)	(530)	(4,594)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	793	(314)	479	Shows relationship between the PCC and Billing Authorities	
<b>TOTAL UNUSABLE RESERVES</b>	<b>(1,279,557)</b>	<b>(314,966)</b>	<b>(1,594,523)</b>		
<b>TOTAL RESERVES</b>	<b>(1,266,002)</b>	<b>(310,189)</b>	<b>(1,576,191)</b>		



PCVC

Reserve	1 April 2017	Net Movement in year	31 March 2018	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
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
<b>TOTAL USABLE RESERVES</b>	<b>18,332</b>	<b>(176)</b>	<b>18,156</b>		
<b>UNUSABLE RESERVES</b>					
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	Capital receipt not yet received	
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	
<b>TOTAL UNUSABLE RESERVES</b>	<b>18,292</b>	<b>(52)</b>	<b>18,240</b>		
<b>TOTAL RESERVES</b>	<b>36,624</b>	<b>(228)</b>	<b>36,396</b>		

Reserve	1 April 2016	Net Movement in year	31 March 2017	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>USABLE RESERVES</b>					
Police Fund	5,666	-	5,666	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	-	3,207	3,207	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	832	1,283	2,115	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	-	-	0	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	7,057	287	7,344	Note 10	Note 10
<b>TOTAL USABLE RESERVES</b>	<b>13,555</b>	<b>4,777</b>	<b>18,332</b>		
<b>UNUSABLE RESERVES</b>					
Capital Adjustment Account	1,565	3,345	4,910	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	1,012	(53)	959	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	15,286	(2,860)	12,426		
Pensions Reserve (IAS 19)	(270)	(192)	(462)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 30
Accumulated Absences Account	(24)	4	(20)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	793	(314)	479	Shows relationship between the PCC and Billing Authorities	
<b>TOTAL UNUSABLE RESERVES</b>	<b>18,362</b>	<b>(70)</b>	<b>18,292</b>		
<b>TOTAL RESERVES</b>	<b>31,917</b>	<b>4,707</b>	<b>36,624</b>		

#### Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,

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

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

	Group and PCVC	
	31 March 2017	31 March 2018
	£'000	£'000
<b>Balance at 1 April</b>	1,012	959
Upward Revaluation of Assets	0	180
Difference between fair value depreciation and historical cost depreciation	(13)	(11)
Accumulated gains on assets sold or scrapped	(40)	0
<b>Balance at 31 March</b>	<b>959</b>	<b>1,128</b>

### Capital Adjustment Account

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

	Group and PCVC	
	31 March 2017	31 March 2018
	£'000	£'000
<b>Balance at 1 April</b>	1,565	4,910
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets and Amortisation of intangible assets	(3,567)	(3,256)
Revaluation losses on Plant Property and Equipment	-	(701)
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	(351)	(879)
Adjusting amounts written out of the revaluation Reserve	53	11
<b>Capital Financing applied in the year</b>		
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	581	920
Application of grants to capital financing from the Capital Grants Unapplied Account	71	239
Statutory provision for the financing of capital investment charged against the General Fund	3,756	4,707
Capital Expenditure charged against the General Fund	2,802	2,772
<b>Balance at 31 March</b>	<b>4,910</b>	<b>8,723</b>

### Deferred Capital Receipts Reserve

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

	Group and PCC	
	31 March 2017	31 March 2018
	£'000	£'000
Balance at 1 April	15,286	12,426
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	(2,860)	(4,120)
Balance at 31 March	12,426	8,306

### General Reserve

The net accumulated unapplied General Reserve balance is £5.666M and this represents 5% of the 2018/19 Budget Requirement. The corresponding balance at 31 March 2017 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 2018 the balance on this account was £1,092,943 (£977,718 at 31 March 2017). This balance is not included in the Financial Statements.

During 2017/18 the PCVC received £130,913 from the Home Office through the Proceeds of Crime "Incentivisation Fund" (£159,577 in 2016/17).

## 21 REGIONAL COLLABORATION

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

- **Cleveland and Durham Fingerprint Bureau (CDFB)**  
Contribution for 2017/18 was £356,486 (£339,039 in 2016/17). Durham's proportionate share is 47% as set out in the collaborative agreement.
- **Tactical Training Centre (TTC)**  
Contribution for 2017/18 was £545,253 at 50% (£448,210 in 2016/17). 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 2017/18 was 22.74%

	31 March 2017	31 March 2018
	£'000	£'000
Employees	6,361	7,674
Premises	264	557
Transport	233	337
Supplies and Services	450	574
Gross Expenditure	7,308	9,142
Funded by :-		
Income	(1,221)	(2,580)
The Office of the Police and Crime Commissioner for Durham	(1,414)	(1,520)
The Police and Crime Commissioner for Cleveland	(1,496)	(1,661)
The Police and Crime Commissioner for Northumbria	(3,858)	(3,502)
Contribution to/(from) Reserves	681	121
	-	-

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 2017	31 March 2018
	£'000	£'000
Employees	8,919	8,721
Transport	481	458
Supplies and Services	252	291
Gross Expenditure	9,652	9,470
Funded by :-		
Income	(178)	(206)
The Office of the Police and Crime Commissioner for Durham	(4,737)	(4,632)
The Police and Crime Commissioner for Cleveland	(4,737)	(4,632)
Balance	-	-

- **Dogs Unit**

In 2016/17 the Dogs unit formed part of CDSOU. From April 2016 to July 2016 the unit comprised of Durham and Cleveland only. From August 2016 to March 2017 North Yorkshire

were included. Prior to August 2016 the contribution rate was 50%, from that date the rate was 30.12%

	31 March 2017	31 March 2018
		£'000
Employees	2,250	2,359
Transport	125	132
Supplies and Services	75	65
Gross Expenditure	2,450	2,556
Funded by :-		
Income	-	(17)
The Office of the Police and Crime Commissioner for Durham	(865)	(765)
The Police and Crime Commissioner for Cleveland	(918)	(838)
Police and Crime Commissioner for North Yorkshire Police	(667)	(936)
Balance	-	-

## 22 MEMBERS' ALLOWANCES

Allowances of £3,775 were paid in the year ending 31 March 2018 to the members of the Police and Crime Panel and the Joint Audit Committee (£4,433 in the year to 31 March 2017).

## 23 OFFICER'S REMUNERATION

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

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

31 March 2017	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg	70,000	-	-	10,640	80,640
Chief Constable - M Barton	137,933	7,983	5,969	-	151,885
Deputy Chief Constable (from 14/11/2016)	43,475	2,225	915	10,521	57,136
Deputy Chief Constable (to 24/7/2016)	36,950	5,566	756	8,642	51,914
Assistant Chief Constable	108,718	6,078	-	26,310	141,106
Temporary Assistant Chief Constable	29,748	-	2,168	6,684	38,600
Assistant Chief Officer	108,042	-	4,307	16,422	128,771
Chief of Staff	75,065	-	-	11,410	86,475

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	
	2016/17	2017/18
£50,000 - £54,999	80	95
£55,000 - £59,999	27	43
£60,000 - £64,999	11	13
£65,000 - £69,999	2	7
£75,000 - £79,999	2	2
£80,000 - £84,999	3	4
£85,000 - £89,998	3	3
£95,000 - £99,999	-	1
£110,000 - £114,999	-	1

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

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 is carried out part time by the Assistant Chief Officer

31 March 2017	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - R Hogg	70,000	-	-	10,640	80,640
Chief of Staff	75,065	-	-	11,410	86,475

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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
£0-£20,000	-	-	1	1	1	1	7,481	9,907
£20,001-£40,000	-	-	2	2	2	2	65,155	43,134
£40,001-£60,000	-	-	-	2	-	2	-	104,514
£60,001-£80,000	-	-	1	-	1	-	64,776	-
£80,001-£100,000	-	-	1	1	1	1	87,794	80,010
	-	-	5	6	5	6	225,206	237,565

There were no exit packages for the PCVC.

## 24 EXTERNAL AUDIT COSTS

	Group		PCVC	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	47	47	32	32



## 25 GRANT INCOME

The Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18.

	Group and PCC	
	2016/17	2017/18
	£'000	£'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Police Grant	42,709	42,112
National Non Domestic Rates	36,964	36,446
Precepts	27,891	28,772
Retirement Benefits Grant	24,256	25,049
Council Tax Support Grant	6,110	6,110
Capital Grants	1,935	933
	<b>139,865</b>	<b>139,422</b>
<b>Credited to Services</b>		
Other	2,640	2,129
	<b>2,640</b>	<b>2,129</b>

## 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 and Crime 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 PCC	
	Receipts	
	2016/17	2017/18
	£'000	£'000
Durham County Council	22,938	23,211
Darlington Borough Council	5,267	5,414
	28,205	28,625

At 31 March 2018, Durham County Council owed the Group £538,932 in respect of the Collection Fund and £480,711 in respect of amounts due from Council Tax Payers.

At 31 March 2018, Darlington Borough Council was owed £513,311 by the Group in respect of the Collection Fund and owed the Group £563,874 in respect of amounts due from Council Tax Payers.

Durham County Council (DCC) provides some financial services to the Group at a cost of £55,092 and various safeguarding and community safety services at a cost of £487,779.

## 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 £22.642M to £18.065M as follows:

	Group and PCC	
	2016/17	2017/18
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>25,866</b>	<b>22,642</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	3,847	3,847
Intangible Assets	139	214
<b>Sources of Finance</b>		
Government Grants and Contributions	(652)	(1,159)
Sums set aside from revenue:		
Capital Expenditure charged against the General Fund	(2,802)	(2,772)
MRP	(3,756)	(4,707)
<b>Closing Capital Financing Requirement</b>	<b>22,642</b>	<b>18,065</b>
<b>Explanation of movements in the year</b>		
(Reduction)/Increase in underlying need to borrow	(3,224)	(4,577)
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(3,224)</b>	<b>(4,577)</b>

## 28 LEASES

### Operating Leases

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

	2016/17			2017/18		
	Buildings	Equipment	Total	Buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than 1 year	236	-	236	144	-	144
Later than 1, not later than 5 years	409	-	409	313	-	313
Later than 5 years	388	-	388	333	-	333
Total	1,033	-	1,033	790	-	790

## 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.

### 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	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Net Cost of Service</b>				
Current service cost	4,691	6,791	17,060	23,500
Past service cost	350	-	60	2,400
<b>Finance and Investment Income and Expenditure</b>				
Net Interest Expense	1,279	1,641	44,240	40,730
<b>Total post employment benefit charged to provision of services</b>	<b>6,320</b>	<b>8,432</b>	<b>61,360</b>	<b>66,630</b>
<b>Other post employment benefit charged to the CIES</b>				
Remeasurement of net defined benefit comprising of:				
Return on plan assets	(13,467)	577	(24,302)	(26,455)
Actuarial gain/loss from changes in demographic	(979)	-	(25,820)	(52,790)
Actuarial gain/loss from changes in financial	44,422	-	292,240	47,490
Other:	(5,605)	770	(3,920)	5,640
<b>Net Charge to the CIES</b>	<b>30,691</b>	<b>9,779</b>	<b>299,558</b>	<b>40,515</b>
<b>Movement in the Reserves Statement</b>				
Reversal of net charges made for retirement benefits accordance with IAS19	(6,320)	(8,432)	(61,360)	(66,630)
<b>Actual amount charged against the General Fund</b>				
<b>Balance for pensions the year</b>				
Employer's contributions payable to scheme	3,587	4,111	11,030	10,829
Retirement benefits payable to pensioners	30	30	1,048	1,046

# Reconciliation of the present value of the liabilities in the scheme

2016-17					2017-18					
Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total		Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
(1,197,410)	(27,320)	(21,870)	(9,170)	(1,255,770)	Opening present value of liabilities	(1,451,980)	(30,510)	(32,730)	(28,030)	(1,543,250)
(9,430)	(450)	(180)	(7,000)	(17,060)	Current service cost	(10,140)	(460)	(250)	(12,650)	(23,500)
(42,000)	(960)	(780)	(500)	(44,240)	Interest cost	(38,090)	(800)	(880)	(960)	(40,730)
(2,630)	-	(60)	(3,090)	(5,780)	Contributions by participants	(2,200)	-	(60)	(3,470)	(5,730)
					Remeasurement gains and losses:					
23,350	2,480	(10)	-	25,820	Actuarial gain / loss arising from changes to demographic assumptions	47,820	770	1,130	3,070	52,790
(264,930)	(5,250)	(9,860)	(8,280)	(288,320)	Actuarial gain / loss arising from changes to financial assumptions	(48,590)	20	(3,310)	(1,250)	(53,130)
-	(60)	-	-	(60)	Past service cost	(1,100)	(10)	(730)	(560)	(2,400)
-	-	-	-	-	Loss on curtailments	-	-	-	-	-
41,070	1,050	30	10	42,160	Net benefits paid out	42,980	1,030	30	20	44,060
(1,451,980)	(30,510)	(32,730)	(28,030)	(1,543,250)	Closing present value of liabilities	(1,461,300)	(29,960)	(36,800)	(43,830)	(1,571,890)

# Reconciliation of the present value of the assets in the scheme

2016-17					2017-18					
Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total		Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
					Opening fair value of asset	-	-	-	-	
					Interest Income		-	-	-	
					<b>Remeasurement gains and losses:</b>					
					The return on plan assets, excluding the amount included in the net interest expense	36,430	(16)	(150)	(9,809)	26,455
33,136	2	(156)	(8,680)	24,302	Contributions by employer	4,350	1,046	120	6,359	11,875
5,304	1,048	126	5,600	12,078	Contributions by participants	2,200	-	60	3,470	5,730
2,630		60	3,090	5,780	Net benefits paid out	(42,980)	(1,030)	(30)	(20)	(44,060)
(41,070)	(1,050)	(30)	(10)	(42,160)	<b>Closing fair value of assets</b>	-	-	-	-	-
-	-	-	-	-						

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

2016-17											2017-18				
Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total		Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total					
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000					
(1,197,410)	(27,320)	(21,870)	(9,170)	(1,255,770)	Opening surplus(deficit)	(1,451,980)	(30,510)	(32,730)	(28,030)	(1,543,250)					
(9,430)	(450)	(180)	(7,000)	(17,060)	Current service cost	(10,140)	(460)	(250)	(12,650)	(23,500)					
5,304	1,048	126	5,600	12,078	Contributions by employer	4,350	1,046	120	6,359	11,875					
-	-	-	-	-	Contributions by participants	-	-	-	-	-					
-	(60)	-	-	(60)	Past service cost	(1,100)	(10)	(730)	(560)	(2,400)					
(42,000)	(960)	(780)	(500)	(44,240)	Interest cost	(38,090)	(800)	(880)	(960)	(40,730)					
-	-	-	-	-	Expected return on assets	-	-	-	-	-					
-	-	-	-	-	Loss on curtailments	-	-	-	-	-					
					Remeasurement of net defined benefit liability comprising:										
33,136	2	(156)	(8,680)	24,302	Return on plan assets	36,430	(16)	(150)	(9,809)	26,455					
					Actuarial gain / (loss) arising from changes to demographic assumptions										
23,350	2,480	(10)	-	25,820	Actuarial gain / (loss) arising from changes to financial assumptions	47,820	770	1,130	3,070	52,790					
(264,930)	(5,250)	(9,860)	(8,280)	(288,320)	Closing surplus(deficit)	(48,590)	20	(3,310)	(1,250)	(53,130)					
(1,451,980)	(30,510)	(32,730)	(28,030)	(1,543,250)		(1,461,300)	(29,960)	(36,800)	(43,830)	(1,571,890)					

# **Durham County Council Pension Fund**

## **Reconciliation of present value of the scheme liabilities:**

	<b>Local Government Pension Scheme</b>	
	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Opening present value	(145,290)	(191,468)
Current service cost	(4,691)	(6,791)
Interest cost	(5,062)	(4,942)
Contributions by scheme participants	(1,449)	(1,504)
<b>Remeasurement gains and losses:</b>		
Actuarial gains / losses from changes in demographic assumptions	979	-
Actuarial gains / losses from changes in financial assumptions	(44,422)	-
Other:	5,605	(770)
Past service costs	(350)	-
Liability assumed on entity combinations	-	-
Benefits paid	3,212	3,842
Closing present value	(191,468)	(201,633)

## **Reconciliation of fair value of the scheme assets:**

	<b>Local Government Pension Scheme</b>	
	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value	106,910	126,014
Interest Income	3,783	3,301
Remeasurement gain / loss - Return on plan	13,467	(577)
Employer contributions	3,617	4,141
Contributions by scheme participants	1,449	1,504
Benefit paid	(3,212)	(3,842)
Closing fair value	126,014	130,541



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

	Local Government Pension Scheme	
	2016/17	2017/18
	£'000	£'000
Opening deficit	(38,380)	(65,454)
Current Service Cost	(4,691)	(6,791)
Contributions by employer	3,617	4,141
Contributions by participants	-	-
Past service cost	(350)	-
Interest cost	(5,062)	(4,942)
Expected return on assets	3,783	3,301
<b>Remeasurement gains and losses:</b>		
Return on plan assets	13,467	(577)
Actuarial gains / (losses) from changes in demographic assumptions	979	-
Actuarial gains / (losses) from changes in financial assumptions	(44,422)	-
Other	5,605	(770)
Closing fair value	(65,454)	(71,092)

**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:

	2016/17	2017/18
	£'000	£'000
<b>Present value of liabilities</b>		
Local Government Pension Scheme	(191,468)	(201,633)
Police Pension Scheme	(1,543,250)	(1,571,890)
Fair value of assets in the Local Government Pension Scheme	126,014	130,541
<b>Surplus / (deficit) in the scheme</b>		
Local Government Pension Scheme	(65,454)	(71,092)
Police Pension Scheme	(1,543,250)	(1,571,890)
<b>Total</b>	<b>(1,608,704)</b>	<b>(1,642,982)</b>

Local Government Pension Scheme assets comprised:

	2016/17	2017/18
	£'000	£'000
Cash and Cash equivalents	5,797	6,266
Equity instruments	59,479	65,271
Bonds by sector:		
Corporate	10,333	11,618
Government	40,954	38,379
Sub-total bonds	51,287	49,997
Property	9,451	9,007
Other	-	-
Total assets	126,014	130,541

#### 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	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions				
Longevity at 65 for current pensioners				
Men (years)	23.2	23.3	23.2	22.6
Women (years)	24.9	25.0	25.2	24.2
Longevity at 65 for future pensioners				
Men (years)	25.4	25.5	25.2	24.5
Women (years)	27.2	27.3	27.3	26.1
Rate of inflation (CPI)	2.0%	2.0%	2.4%	2.3%
Rate of increase of salaries	3.5%	3.5%	4.4%	4.3%
Rate of increase to pensions in payment	2.0%	2.0%	2.4%	2.3%
Rate of increase to deferred pensions	2.0%	2.0%	2.4%	2.3%
Rate for discounting scheme liabilities	2.6%	2.6%	2.7%	2.6%

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

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

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

	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	195,232	207,084
Rate of increase in salaries (increase or decrease by 0.1%)	202,740	199,566
Rate of increase in pensions (increase or decrease by 0.1%)	204,312	198,034
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	196,467	205,930

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

	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	1,531,890	1,611,890
Rate of increase in salaries (increase or decrease by 0.5%)	1,589,890	1,553,890
Rate of increase in pensions (increase or decrease by 0.5%)	1,694,890	1,448,890
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,417,890	1,725,890

**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 anticipates to pay £4.42M expected contributions to the schemes in 2018/19.

The Chief Constable of Durham, along with other Chief Constables and the Home Office, currently has 35 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 2016/17 these claims were heard in the Employment Tribunal. In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact. Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at 31<sup>st</sup> March 2018.

### **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:

	2016/17	2017/18
	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Net Cost of Service</b>		
Current service cost	71	121
Past service cost	-	-
<b>Finance and Investment Income and Expenditure</b>		
Net Interest expense	9	11
<b>Total post employment benefit charged to provision of services</b>	<b>80</b>	<b>132</b>
<b>Other post employment benefit charged to the CIES</b>		
Remeasurement of net defined benefit comprising of:		
Return on plan assets	(10)	11
Actuarial gain/loss from changes in demographic assumptions	(9)	-
Actuarial gain/loss from changes in financial assumptions	322	-
Other:	(125)	-
<b>Total post employment benefits charged to the CIES</b>	<b>258</b>	<b>143</b>
<b>Movement in the Reserves Statement</b>		
Reversal of net charges for retirement benefits accordance with IAS19	(80)	(132)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employer's contributions payable to scheme	64	85

Reconciliation of present value of the scheme liabilities:

	2016/17	2017/18
	£'000	£'000
Opening present value	(900)	(1,218)
Current service cost	(71)	(121)
Interest cost	(32)	(32)
Contributions by scheme participants	(29)	(34)
<b>Remeasurement gains and losses:</b>		
Actuarial gains / losses from changes in demographic assumptions	9	-
Actuarial gains / losses from changes in financial assumptions	(322)	-
Other:	125	-
Past service costs	-	-
Liabilities assumed on entity combinations	-	-
Benefit paid	2	2
Closing present value	(1,218)	(1,403)

Reconciliation of fair value of the scheme assets:

	2016/17	2017/18
	£'000	£'000
Opening fair value	630	754
Expected rate of return	23	21
Remeasurement gain / loss - Return on plan assets	10	(11)
Employer contributions	64	85
Contributions by scheme participants	29	34
Benefit paid	(2)	(2)
Assets assumed on entity combinations	-	-
Closing fair value	754	881

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

	2016/17	2017/18
	£'000	£'000
Opening surplus (deficit)	(270)	(464)
Current Service Cost	(71)	(121)
Contributions by employer	64	85
Contributions by participants	-	-
Past service cost	-	-
Interest cost	(32)	(32)
Expected return on assets	23	21
<b>Remeasurement gains and losses:</b>		
Return on plan assets	10	(11)
Actuarial gains / losses from changes in demographic assumptions	9	-
Actuarial gains / losses from changes in financial assumptions	(322)	-
Other: Liability Experience	125	-
Net assets/ liabilities assumed on entity combinations	-	-
Closing fair value	(464)	(522)

**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:

	2016/17	2017/18
	£'000	£'000
Present value of liabilities	(1,218)	(1,403)
Fair value of assets in the Local Government Pension Scheme	754	881
<b>Surplus / (deficit) in the scheme</b>	<b>(464)</b>	<b>(522)</b>

**Local Government Pension Scheme assets comprised:**

	2016/17	2017/18
	£'000	£'000
Cash and Cash equivalents	35	42
Equity instruments	356	441
<b>Bonds by sector:</b>		
Corporate	62	78
Government	244	259
<b>Sub-total bonds</b>	<b>306</b>	<b>337</b>
<b>Property</b>	<b>57</b>	<b>61</b>
<b>Other</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>754</b>	<b>881</b>

**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:

	2016/17	2017/18
Mortality assumptions		
Longevity at 65 for current pensioners		
Men (years)	23.2	23.3
Women (years)	24.9	25.0
Longevity at 65 for future pensioners		
Men (years)	25.4	25.5
Women (years)	27.2	27.3
Rate of Inflation (CPI)	2.0%	2.0%
Rate of increase of salaries	3.5%	3.5%
Rate of increase to pensions in payment	2.0%	2.0%
Rate of increase to deferred pensions	2.0%	2.0%
Rate for discounting scheme liabilities	2.6%	2.6%

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

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, 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)	1,362	1,444
Rate of increase in salaries (increase or decrease by 0.1%)	1,420	1,386
Rate of increase in pensions (increase or decrease by 0.1%)	1,422	1,384
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,367	1,440

### Assets and Liability Matching (ALM) Strategy

The pensions committee of Durham County Council has agreed an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pension's obligation by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with the need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (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 anticipates to pay £100 k expected contributions to the schemes in 2018/19.

## 31 CONTINGENT LIABILITY

The Force has received claims from a number of former officers who took voluntary severance. These claims relate to timings of the payment of pensions. These claims are currently ongoing and at present it is not possible to estimate any potential liability. Additionally, as mentioned in note 29, there are a number of claims relating to the transitional provisions in the Police Pensions Regulations 2015. Again at present it is not possible to estimate any potential liability.

## 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 2017/18

2016/17	2016/17		2017/18	2017/18
£'000	£'000		£'000	£'000
(9,732)		<b>Contributions receivable</b>		
		From local policing body	(9,506)	
(1,325)		Additional funding payable by local policing body to meet the deficit for the year.	(1,294)	
		Reimbursement of unabated pensions (30+ police officers)	-	
(5,789)		From Officers	(5,732)	
	(16,846)			(16,532)
		<b>Transfers in</b>		
	(3)	Transfers in from other schemes		(1,379)
		<b>Recharges to other local Authorities</b>		
	(148)	Net recharges		(125)
		<b>Benefits payable</b>		
33,471		Pensions	34,684	
7,668		Commutations and lump sum retirement benefits	8,359	
112		Lump Sum Death Benefit	-	
	41,251			43,043
		<b>Payments to and on account of leavers</b>		
		Transfers out to other schemes	42	
2	2	Refunds of Contributions	-	42
	24,256	<b>Net amount payable for the year</b>		25,049
	(24,256)	<b>Contribution from policing body in respect of the deficit</b>		(25,049)
	-	<b>Year end balance</b>		-

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2017/18, being reflected in a reduction in HMT pension top up funding.

#### Police Officer Pension Fund Net Asset Statement

As at 31 March 2017		As at 31 March 2018
£'000		£'000
	<b>Current Assets</b>	
6132	Funding to meet deficit due from the local policing body	4,043
4	Cash Held	-
	<b>Current Liabilities</b>	
(4)	Unpaid Pension Benefits	-
-	Recharges to other Authorities	-
(6,132)	Surplus for the year owing to the local policing body	(4,043)
-	<b>Net Current Assets/Liabilities</b>	-

#### 1 Basis of Preparation

The pension fund accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 2017/18 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 2017	As at 31 March 2018
	£'000	£'000
Debtors		
Government Departments	6,132	4,043
Local Authorities	-	-
	6,132	4,043

### Net Current Liabilities

	As at 31 March 2017	As at 31 March 2018
	£'000	£'000
Payables		
Government Departments	-	-
Local Authorities	-	-
Others	4	-
	4	-

The balance reflects the cash overdrawn

## **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 2017/18**

## **ANNUAL GOVERNANCE STATEMENT**

This Statement reviews the governance environment throughout the financial year to 31<sup>st</sup> March 2018 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 "plan on a page" for his Office which sets out his vision for 2021 and the key objectives and ways of working necessary to deliver it.
- monitors the delivery of his Police and Crime 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; and
- has established a robust framework for consideration of Statutory Financial Statements and other published performance information.

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

To achieve this, the PCVC:-

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

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

To achieve this, the PCVC:-

- ensures that the Force has robust Human Resources arrangements in place. Conditions of Employment and remuneration issues in respect of the PCVC's own staff are also adequately managed through the Force's HR team as part of the Shared Services Agreement;
- ensures that the Constabulary issues contracts of employment to all police staff, each role is covered by a job description, all of which are processed through the Constabulary job evaluation scheme to determine the appropriate remuneration for the role. All changes to terms and conditions of contracts or to job descriptions are negotiated through the police staff group as necessary;
- Police Officers are servants of the Crown, their terms and conditions are provided for under national police regulations. The Constabulary has a range of policies to support the

- implementation of the national regulations, and any changes to these policies are negotiated/subject to consultation through the Personnel User Group;
- has established clear roles and responsibilities for the Chief Constable, and holds annual reviews with him in addition to regular accountability meetings;
- ensures that there are robust performance management arrangements within the Constabulary which enables training and development requirements to be identified and delivered;
- ensures that officers have the resources and support necessary to perform effectively in their roles and functions subject to overall affordability;
- ensures that induction programmes are tailored to individual needs as well as ensuring that opportunities for officers to update their knowledge are available on an ongoing basis; and
- ensures there are effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to, and participate in the work of the PCVC.
- ensures there is a clear understanding of the respective roles and responsibilities of the PCVC, senior officers and staff of the Office of the Police and Crime Commissioner (OPCC) and the Force and reviews the effectiveness of these roles and responsibilities;
- has reviewed his organisational structure, defined responsibilities and terms of reference;
- works with the Constabulary as well as its stakeholders and communities to develop and deliver against clearly defined strategic plans, priorities and targets to drive improvements in policing services;
- ensures that there are effective mechanisms in place to monitor service delivery;
- has reviewed his Support Services Agreement with the Constabulary;
- has established a system of objective setting and appraisal within his office, including the identification of personal development objectives, and providing the support necessary to meet them;
- ensures when working in partnership that the arrangements for governance and accountability for performance and financial administration are clearly articulated and disseminated; 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 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;
- ensures all relevant disclosures in terms of information are included on the PCVC website e.g. contracts, payments over £500 etc.; and
- all relevant staff transferred from the PCVC to CC on 1<sup>st</sup> April 2014 (Stage 2 Transfer) following Secretary of State approval. This improves accountability through clearer reporting structures.

**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.

Police and Crime Commissioner Annual Governance Statement 2016/17

Chief Constable Annual Governance Statement 2016/17

Annual Internal Audit Report 2016/17

External Audit – Audit Completion Report 2016/17

Internal Audit Plan 2017/18

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  
 MTFP Scenario Plan  
 Quarterly Professional Standards Report  
 Annual Overview of Collaboration  
 Annual Review of Gifts and Hospitality  
 Member Conflicts of Interest Policy  
 Member Scheme of Allowances  
 Member Gifts, Gratuities and Hospitality Policy  
 Decision Log PCVC  
 Draft Police, Crime and Victims' Commissioner Annual Governance Statement 2017/18  
 Draft Chief Constable Annual Governance Statement 2017/18

### **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, and in August 2014 adopted a revised Corporate Governance Framework, building on the version implemented upon taking office (November 2012). It was then revised in early 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 2017/18. 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 2016/17 Annual Governance Statement, which, in the main, are of a recurrent nature, have been progressed is provided below:

Issue Raised in 2016/17	Current Position
Further Funding Reductions	<p><b>Ongoing:</b> The Force agreed its Medium Term Financial Plan with the Executive Board and is delivering 2017/18 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><b>Ongoing:</b> The Force has already delivered a number of joint initiatives with neighbouring Forces in Cleveland and Northumbria as well as with the County Durham and Darlington Fire &amp; Rescue Service.</p> <p>With further initiatives in development this issue remains one of significance.</p>
The Strategic Policing Requirement (SPR)	<p><b>Ongoing:</b> The Force has carried out an internal assessment and business continuity plans are in place as required by the Strategic Policing Requirement (SPR).</p>

	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.
Commissioning of Services	<p><b>Ongoing:</b> A review of Commissioning of Services has been carried out with grants allocated accordingly. 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><b>Ongoing:</b> 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 &amp; 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 (by up to £12 on a Band D property) in both 2018-19 and 2019-20, with the second year being subject to satisfactory progress being made nationally with regard to collaboration and transformation. 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 2017, 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, shared Legal Services provision, 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.

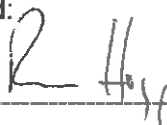
The Strategic Policing Requirement (SPR) may require the Force to respond to a major incident-which could impact on normal governance arrangements/decision making due to its scale and timing.

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 by the JAC. A review of the arrangement has been undertaken annually, adequate safeguards have been identified, presented to the JAC for comment and review, implemented and embedded as the standard protocol. This protocol has been included as best practice in a report by the Committee on Standards in Public Life into Police Governance.

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

Signed:

  
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Ron Hogg

Police, Crime and Victims' Commissioner for Durham

Date: 26.7.18

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