

# **Chief Constable of Durham Constabulary**

## **Statement of Accounts**

**for the year ended 31st March 2021**



**The status of the statement of accounts for the year ended 31 March 2021 is unaudited and the statement of accounts as published may be subject to change;**

**G Ridley**

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# 2020/21 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 and Crime Commissioner, PCC) and the Chief Constable of Durham Constabulary (Chief Constable, CC). This set of accounts shows the financial position of the Chief Constable of Durham Constabulary. The financial position of the PCC and the consolidated Group of the PCC and CC are set out in the PCC and Group accounts which is a separate document.

The Constabulary vision is to protect neighbourhoods, tackle criminals and solve problems. It manages its resources, information and works with partners in order to ensure that the vision is met. Covid led to a reduction in demand in 2020. However, as the country came out of lockdown, demand rose, placing an additional burden on the Force. HMICFRS (Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services) inspected the Force Covid response and concluded that it was well managed.

### Governance

The annual governance statements (AGS) for the PCC and CC were produced in line with CIPFA guidance. Both the AGS's were agreed at the Executive Board on 8<sup>th</sup> July 2021. The main governance issues to note are as follows:

#### **Finance**

Although the PCC was given additional precept flexibility during 2020/21, there still exists a number of financial challenges upon the wider finances of both corporations' sole bodies. There will continue to be a requirement to make ongoing efficiencies in order to avoid budgetary deficits in the future.

**Key financial information for 2020/21 is as follows:**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	111,067	110,387	680
Premises	4,650	4,852	(202)
Transport	2,172	1,797	375
Agency Services	2,086	4,278	(2,192)
Supplies and Services	10,924	15,179	(4,255)
<b>Gross Expenditure</b>	<b>130,899</b>	<b>136,493</b>	<b>(5,594)</b>
<b>Special Grants and Other Income</b>	<b>(7,707)</b>	<b>(16,234)</b>	<b>8,527</b>
<b>Net Expenditure</b>	<b>123,192</b>	<b>120,259</b>	<b>2,933</b>

The main variations to budget include:

- Agency Services and Supplies and Services  
These were overspent during the year due to expenditure on the national Police Uplift Programme (the associated reimbursement from the Home Office is shown under income) and personal protective equipment purchases.
- Special Grants and Other Income:  
Additional income was received for reimbursement of expenditure incurred by the Constabulary for the nationwide Police Uplift Programme, specific grants on Covid, reimbursements of national Covid expenditure and other grants.

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

**Funding Formula**

Previous work from central government has indicated that any revised funding formula could adversely impact the Constabulary. In mitigation of this, the PCC has agreed an outline plan to reduce expenditure across a range of areas in order to ensure financial stability. The earliest a new funding formula can be introduced is 2023/24 and the outline plan will need to be further developed into detailed delivery plans.

**Collaboration**

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

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

The PCC 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.

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

The Strategic Policing Requirement (SPR) may require the Force to respond to a major incident which could impact on normal governance arrangements/decision making due to its scale and timing. Additional resources have been included in the 2021/22 budget.

### **Commissioning of Services**

Commissioning of services is anticipated to be an area of growth and will continue to be progressed to ensure the achievement of the PCC's objectives whilst delivering Value for Money.

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

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

### **Coronavirus pandemic**

The Force has been impacted by COVID since March 2020 and continued throughout 2020/21 and beyond. Its direct impact includes; increased sickness absence as officers and staff self-isolate, reduced demand in certain areas e.g. policing the night time economy, increased demand in other areas e.g. fraud and also an increase in unexpected expenditure e.g. the purchase of personal protective, additional homeworking costs, cleaning and overtime. The majority of the additional costs have been reimbursed by the Home Office.

## **Business Model**

The Constabulary employed 1,234 officers as at 31st March 2021, 1,079 staff and 137 PCSOs. This was across the following main areas of policing:

<b>Command Area</b>	<b>Officers</b>	<b>Staff</b>	<b>PCSOs</b>
Response Command	511	216	-
Crime and Justice incl NERSOU	240	192	-
Safeguarding Neighbourhoods	242	69	137
Tasking & Coordination command	60	204	-
BID Command	26	129	-
Support Services	-	139	-
CDSOU	87	14	-
Professional Standards and Legal Services	54	95	-
Executive	3	11	-
Secondments and Career Break	11	10	-
<b>Total Group</b>	<b>1234</b>	<b>1079</b>	<b>137</b>

During 2020/21 vacancy rates averaged -0.48% for officers, 4.27% for staff and -7.07% for PCSOs.

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

## **Strategy & Resource Allocation**

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

- Flat cash grant, plus assumed uplift grant
- A pay rise per annum from zero in 2021/22 to 1.75% in 2022/23, 2.00% in 2023/24 and 2.50% in 2024/25
- 1.98% p.a. Precept increase. It is assumed that the current Council Tax capping criteria will continue into the future; and
- No unspecified financial savings.

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

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

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

## **Covid**

During 2020/21 the Covid Pandemic affected service delivery. A work plan was agreed with the force to ensure service delivery was maintained and adequate governance arrangements introduced as part of holding the Chief Constable to account. Government funding of £3.34M was received during the year to partly reimburse this expenditure and lost income. Some of this funding has been carried forward in an earmarked reserve by the PCC to cover overtime and other expenses in 21/22. Additional information in respect of Covid is included in the Annual Governance statement

## **Performance**

High level key performance statistics for 2020/21 are as follows:

- Anti-social behaviour increase of 16.1%
- Alcohol-related anti-social behaviour reduction of 17.5%
- Youth-related anti-social behaviour reduction of 15.6%
- Domestic abuse incidents decrease of 0.7%
- Missing from Home reduction of 18.5%
- Hate crime incidents decrease of 5.7%
- Recorded crime decrease of 13.7%
- Solved rate of 18.1%.

Other achievements include:

- The strengthening of the strategic policing response within the Force.
- The decision to purchase land for the development of a new centralised custody facility.
- Improving the talent management and leadership approach by increasing numbers of officers and staff given access to training courses (both internal and external) and formal qualifications via the apprenticeship levy

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

To follow

# Statement of Responsibilities for the Statement of Accounts

## The Chief Constable's Responsibilities

The Chief Constable is required to:

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

## The Assistant Chief Officer's Responsibilities

The Assistant Chief Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21*. In preparing this Statement of Accounts, the Assistant Chief Officer has:

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

## Assistant Chief Officer's Certificate

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

*Gary Ridley*

**G Ridley OBE MBA CPFA**  
Assistant Chief Officer

**Date**

## Chief Constable's Certificate

I confirm I have approved these accounts

**J Farrell BSc (Hons)**

**Date**

## Comprehensive Income and Expenditure Statement for the Chief Constable of Durham Constabulary for the Year Ended 31 March 2021

2019/20 Gross Expenditure £'000	2019/20 Income £'000	2019/20 Net Expenditure £'000		2020/21 Gross Expenditure £'000	2020/21 Income £'000	2020/21 Net Expenditure £'000
117,561	-	117,561	Employee costs	130,749	-	130,749
21,006	-	21,006	Non employee costs	25,298	-	25,298
-	(10,944)	(10,944)	Income	-	(15,202)	(15,202)
	-	-		-	-	-
<b>138,567</b>	<b>(10,944)</b>	<b>127,623</b>	<b>Net Cost of Services before Funding</b>	<b>156,047</b>	<b>(15,202)</b>	<b>140,845</b>
4,275	-	4,275	Charge for use of assets	3,721		3,721
-	(119,816)	(119,816)	PCC funding for resources consumed		(124,713)	(124,713)
<b>142,842</b>	<b>(130,760)</b>	<b>12,082</b>	<b>Net Cost of Services</b>	<b>159,768</b>	<b>(139,915)</b>	<b>19,853</b>
			<b>Other Operating Expenditure</b>			
25,673	(25,673)	-	Police Pension Top Up Grant	24,060	(24,060)	-
		941	Levies			851
			<b>Financing and Investment Income and Expenditure</b>			
		43,690	Net interest on defined benefit liability (Note 22)			37,730
		(2)	Interest receivable and similar income (Note 10)			-
		<b>56,711</b>	<b>Chief Constable deficit on Provision of Services</b>			<b>58,434</b>
		(159,592)	Re-measurements of the defined benefit liability (Note 22)			(9,091)
		<b>(159,592)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(9,091)</b>
		<b>(102,881)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>49,343</b>

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

## Movement in Reserves Statement for the Chief Constable of Durham Constabulary

Current year	Police Fund Balances £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2020</b>	-	-	(1,686,077)	(1,686,077)
<b>Movement in reserves during 2019/20</b>				
Total Comprehensive Income and Expenditure	(58,434)	(58,434)	9,091	(49,343)
Adjustments between accounting basis & funding basis under regulations (note 9)	58,434	58,434	(58,434)	-
<b>Increase/(Decrease) in year</b>	-	-	(49,343)	(49,343)
<b>Balance at 31 March 2021 carried forward</b>	-	-	<b>(1,735,420)</b>	<b>(1,735,420)</b>
<b>Comparative year</b>				
<b>Balance at 31 March 2019</b>	-	-	<b>(1,788,958)</b>	<b>(1,788,958)</b>
<b>Movement in reserves during 2019/20</b>				
Total Comprehensive Income and Expenditure	(56,711)	(56,711)	159,592	102,881
Adjustments between accounting basis & funding basis under regulations (note 9)	56,711	56,711	(56,711)	-
<b>Increase/(Decrease) in year</b>	-	-	102,881	102,881
<b>Balance at 31 March 2020 carried forward</b>	-	-	<b>(1,686,077)</b>	<b>(1,686,077)</b>

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

## Balance Sheet for the Chief Constable of Durham Constabulary at 31 March 2021

31 March 2020			Notes	31 March 2021	
£'000	£'000			£'000	£'000
-		Property, Plant and Equipment		-	
-		Intangible Assets		-	
	-	<b>Total Long Term Assets</b>			-
800		Inventories		1,024	
8,976		Short Term Debtors	11	10,323	
-		Cash and Cash Equivalents		-	
	9,776	<b>Total Current Assets</b>			11,347
(12,312)		Short term Creditors	12	(14,106)	
	(12,312)	<b>Total Current Liabilities</b>			(14,106)
(1,591)		Provisions	13	(2,531)	
-		Other Long Term Liabilities		-	
(1,681,950)		Pensions Liability	14	(1,730,130)	
	(1,683,541)	<b>Total Long Term Liabilities</b>			(1,732,661)
	<b>(1,686,077)</b>	<b>Net Assets</b>			<b>(1,735,420)</b>
	-	Useable Reserves			-
	(1,686,077)	Unusable Reserves	15		(1,735,420)
	<b>(1,686,077)</b>	<b>Total Reserves</b>			<b>(1,735,420)</b>

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

## Cashflow Statement for the Chief Constable of Durham Constabulary for the Year Ended 31 March 2021

2019/20		OPERATING ACTIVITIES	2020/21	
£'000	£'000		£'000	£'000
		<b>Cash Inflow</b>		
3,877		Specific Grants	7,584	
6,124		Cash received for goods and services	6,579	
2		Interest received	-	
150,828		Adjustments to net deficit on the provision of services	154,663	
	160,831	<b>Cash Inflows generated from operating activities</b>		168,826
		<b>Cash Outflow</b>		
(137,215)		Cash paid to employees	(141,788)	
(23,616)		Cash paid to suppliers of goods and services	(27,038)	
	(160,831)	<b>Cash outflows generated from operating activities</b>		(168,826)
	-	<b>Net cash flows from operating activities</b>		-
		<b>INVESTING ACTIVITIES</b>		
	-	Net cash flows from investing activities		-
		<b>FINANCING ACTIVITIES</b>		
	-	Net cash flows from financing activities		-
	-	<b>Net increase or decrease in cash and cash equivalent</b>		-
	-	Cash and cash equivalents at the beginning of the reporting period		-
	-	<b>Less</b>		
	-	Cash and cash equivalents at the end of the reporting period		-
	-			-

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

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

# Notes to the Financial Statements for the Chief Constable of Durham for the year to 31 March 2021

## 1 ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Chief Constable of Durham's transactions for the 2020/21 financial year and the position at the year-end of 31 March 2021. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2014 act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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. The accounts have been prepared on the basis of going concern as the management believe the organisation is financially viable and will continue to operate for the foreseeable future.

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

The financial statements cover the 12 months to 31 March 2021.

### 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 PCC. The PCC funds the operations of the CC.

### 1.3 Accruals of Income and Expenditure

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

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

### 1.4 Cash and Cash Equivalents

All cash is held by the PCC.

### 1.5 Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-

monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made by the CC for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the CC's Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

### **The Police Pension Scheme for Police Officers**

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

### **Injury Awards**

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

## **The Local Government Pension Scheme**

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

### **Aspects of the schemes**

The main aspects of both these pension schemes are:

- i. The liabilities of each scheme attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projected earnings for current employees;
- ii. Liabilities are discounted to their value at current prices at a rate that is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.
- iii. The attributable assets of each scheme are included in the Balance Sheet at fair value;
- iv. The change in the net pension liability for each scheme is analysed into the following components:
  - Current service cost - the increase in liabilities as a result of years of service earned this year. The current service cost is stated net of employees' contributions, so as to reflect the part of the total pensions liabilities that are to be funded by the Group - allocated in the Comprehensive Income and Expenditure Statement to employee costs;
  - Past service costs - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement; and
  - Net interest on the net defined benefit liability, ie net interest expense for the Group - the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- v. Remeasurements comprising:
  - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the funds - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group to the pension funds or directly to pensioners in the year, not the amount calculated in accordance with relevant accounting standards. In the Movement in

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

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

### **1.6 Events after the Reporting Period**

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

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

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

### **1.7 Financial Instruments**

#### **Financial Liabilities**

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

#### **Financial Assets**

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

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

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

### **1.8 Government Grants and Contributions**

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

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

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

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

### **1.9 Inventories**

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

### **1.10 Overheads and Support Services**

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

### **1.11 VAT**

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

### **1.12 Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Group has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

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

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

The following standards have been issued but have not yet been adopted at 31 March 2021:

- Definition of a Business: Amendments to IFRS Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

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

### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

**Statutory Accounts.** Both the PCC 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 PCC and the CC where all the officers and the majority of police staff transferred their employment from the PCC to the CC. The PCC retained all property, plant and equipment, the major revenue streams and usable reserves. The CC delivers the day to day operations funded by the PCC 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 PCC. The CC deploys assets to deliver the Police and Crime Plan of the PCC and is funded by the PCC. The PCC retains all long term assets, the major revenue streams and usable reserves. The CC holds some current assets and liabilities and unusable reserves relating to pensions and staff absences.

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

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

The Chief Constable of Durham Constabulary's Statement of Accounts contains estimated figures that are based on assumptions made by the CC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the CC's Balance Sheets at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **4.1 Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied. The effects of changes in individual assumptions on the total pension liability can be measured. Examples of how changes in assumptions would impact upon the Police Officer pension liability are shown in note 22.

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

### **4.2 Stage 2 Transfer on 1 April 2014**

The allocation of some minor streams of income along with some associated debtors and creditors have been allocated to the CC in accordance with the governance framework. If all the income was allocated to the PCC, the income would decrease by £15.2m.

### **4.3 COVID-19**

The reimbursement of COVID-19 expenses and COVID-19 grants totalling £3.3m have been included in income in net cost of services. If these items were included in non-specific grant income the deficit on provision of services would be unchanged but the amount would be shown on the face of the Comprehensive Income and Expenditure Statement

## **5 MATERIAL ITEMS OF INCOME AND EXPENSE**

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

## **6 EVENTS AFTER THE REPORTING PERIOD**

The Chief Constable's Statement of Accounts was authorised for issue by the Assistant Chief Officer on 29 July 2021. 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 2021, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

**7 EXPENDITURE AND FUNDING ANALYSIS FOR THE CHIEF CONSTABLE OF DURHAM CONSTABULARY FOR THE YEAR ENDED 31 MARCH 2021**

2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
Net Expenditure Chargeable to the General Fund	Adjustments between the Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
104,540	13,021	117,561	Employee costs	110,045	20,704	130,749
21,006	-	21,006	Non employee costs	25,298	-	25,298
(10,944)		(10,944)	Income	(15,202)		(15,202)
4,275	-	4,275	Charge for use of assets	3,721	-	3,721
(119,816)	-	(119,816)	PCC funding for resources consumed	(124,713)	-	(124,713)
<b>(939)</b>	<b>13,021</b>	<b>12,082</b>	<b>Net Cost of Services</b>	<b>(851)</b>	<b>20,704</b>	<b>19,853</b>
-	43,690	43,690	Pension liability costs		37,730	37,730
939	-	939	Other Income and Expenditure	851	-	851
-	<b>56,711</b>	<b>56,711</b>	<b>Deficit on Provision of Services</b>	-	<b>58,434</b>	<b>58,434</b>
-			Opening General fund and Earmarked Reserves Balance	-		
-			Less deficit on General Fund and Earmarked Reserves Balance	-		
-			Closing General fund and Earmarked Reserves Balance	-		

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the CC for the year has been used in providing services in comparison with those resources consumed or earned by the CC in accordance with generally accepted accounting

practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the PCC and the CC. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## 7A NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

<b>Year ended 31 March 2021</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes £'000</b>	<b>Net change for the Pensions Adjustments £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
Employee costs	-	(19,541)	(1,163)	(20,704)
Non employee costs	-	-	-	-
<b>Net Cost of Services</b>	-	(19,541)	(1,163)	(20,704)
<b>Pension liability costs</b>	-	(37,730)	-	(37,730)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	-	-	-	-
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	-	(57,271)	(1,163)	(58,434)
<b>Year ended 31 March 2020</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes £'000</b>	<b>Net change for the Pensions Adjustments £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
Employee costs	-	(13,012)	(9)	(13,021)
Non employee costs	-	-	-	-
<b>Net Cost of Services</b>	-	(13,012)	(9)	(13,021)
<b>Pension liability costs</b>	-	(43,690)	-	(43,690)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	-	-	-	-
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	-	(56,702)	(9)	(56,711)

## 7B SEGMENTAL INCOME

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

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee benefits expenses	117,561	130,749
Other services expenses	25,281	29,019
Interest payments (including defined benefit liability)	43,690	37,730
Levies	941	851
<b>Total Expenditure</b>	<b>187,473</b>	<b>198,349</b>
<b>Income</b>		
Fees, charges and other service income	(10,944)	(15,202)
Interest	(2)	-
PCC funding for resources consumed	(119,816)	(124,713)
<b>Total Income</b>	<b>(130,762)</b>	<b>(139,915)</b>
<b>Deficit on the Provision of Services</b>	<b>56,711</b>	<b>58,434</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 CC in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC to meet future revenue expenditure.

Year ended 31 March 2021	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	(77,840)	-	-	-	(77,840)	77,840
- Employer's pensions contributions and direct payments to pensioners payable in the year	20,569	-	-	-	20,569	(20,569)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(1,163)	-	-	-	(1,163)	1,163
<b>TOTAL ADJUSTMENTS</b>	<b>(58,434)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(58,434)</b>	<b>58,434</b>
<b>(Movement in Reserves Statement)</b>						

Year ended 31 March 2020	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs ( <i>transferred to or from the Pension Reserve</i> ):						
- Retirement benefits	(76,320)	-	-	-	(76,320)	76,320
- Employer's pensions contributions and direct payments to pensioners payable in the year	19,618	-	-	-	19,618	(19,618)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(9)	-	-	-	(9)	9
<b>TOTAL ADJUSTMENTS</b>	<b>(56,711)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,711)</b>	<b>56,711</b>
<b>(Movement in Reserves Statement)</b>						

## 10 FINANCIAL INSTRUMENTS

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

### Financial Assets

	Current Debtors	
	31 March 2020	31 March 2021
	£'000	£'000
Amortised Cost	7,070	8,491
<b>Total financial assets</b>	<b>7,070</b>	<b>8,491</b>
Non-financial assets	1,906	1,832
<b>Total</b>	<b>8,976</b>	<b>10,323</b>

## Financial Liabilities

	Current Creditors	
	31 March 2019	31 March 2020
	£'000	£'000
Amortised Cost	9,800	11,261
<b>Total financial liabilities</b>	<b>9,800</b>	<b>11,261</b>
Non-financial liabilities	2,511	2,845
<b>Total</b>	<b>12,311</b>	<b>14,106</b>

## Income, Expense, Gains and Losses

	2019/20	2020/21
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Interest Revenue		
Financial assets measured at amortised cost	(2)	-
<b>Total interest revenue</b>	<b>(2)</b>	<b>-</b>
<b>Interest Expense</b>	<b>-</b>	<b>-</b>
<b>Total fee expense</b>	<b>-</b>	<b>-</b>

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

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

The risk is that the financial assets are not received. The extent of the risk is their carrying value.

## Financial Liabilities

	2019/20		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(9,800)	(9,800)	(11,261)	(11,261)
<b>Total Financial Liabilities</b>	<b>(9,800)</b>	<b>(9,800)</b>	<b>(11,261)</b>	<b>(11,261)</b>

## Financial Assets - Loans and receivables

	2019/20		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Receivables held at amortised cost	7,070	7,070	8,491	8,491
<b>Total Financial Assets</b>	<b>7,070</b>	<b>7,070</b>	<b>8,491</b>	<b>8,491</b>

## 11 DEBTORS

	31 March 2020	31 March 2021
	£'000	£'000
Trade receivables	5,300	6,367
Prepayments	1,030	1,399
Other receivable amounts	2,775	2,685
Less: Impairment Allowance Trade receivables	(129)	(128)
<b>Total debtors</b>	<b>8,976</b>	<b>10,323</b>

## 12 CREDITORS

	31 March 2020	31 March 2021
	£'000	£'000
Trade payables	4,289	4,628
Other payables	8,023	9,478
<b>Total creditors</b>	<b>12,312</b>	<b>14,106</b>

### 13 PROVISIONS

	<b>Insurance</b>	<b>Other</b>	<b>Total</b>
	£'000	£'000	£'000
Balance at 1 April	571	1,020	1,591
Increase/ (decrease) during the year	410	530	940
Balance at 31 March	981	1,550	2,531

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 PCC is insignificant so this provision is all held by the Chief Constable. All other provisions are individually insignificant.

### 14 PENSIONS LIABILITY

	<b>31 March 2020</b>	<b>31 March 2021</b>
	£'000	£'000
Police Pension Scheme liability	1,601,160	1,613,540
Local Government Pension Scheme liability	80,790	116,590
<b>Total Liability</b>	<b>1,681,950</b>	<b>1,730,130</b>

## 15 RESERVES

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

Reserve	1 April 2020	Net Movement in year	31 March 2021	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>UNUSABLE RESERVES</b>					
Pensions Reserve (IAS 19)	(1,681,950)	(48,180)	(1,730,130)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 22
Accumulated Absences Account	(4,127)	(1,163)	(5,290)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
<b>TOTAL UNUSABLE RESERVES</b>	<b>(1,686,077)</b>	<b>(49,343)</b>	<b>(1,735,420)</b>		

Reserve	1 April 2019	Net Movement in year	31 March 2020	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
<b>UNUSABLE RESERVES</b>					
Pensions Reserve (IAS 19)	(1,784,840)	102,890	(1,681,950)	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 22
Accumulated Absences Account	(4,118)	(9)	(4,127)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
<b>TOTAL UNUSABLE RESERVES</b>	<b>(1,788,958)</b>	<b>102,881</b>	<b>(1,686,077)</b>		

## 16 OFFICERS' REMUNERATION

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

31 March 2021	Salary	Benefits in kind	Allowances	Employer's Pension Contributions	Total
	£	£	£	£	£
Chief Constable - J Farrell	163,230	11,562	2,403	50,601	227,796
Deputy Chief Constable - D Orford	122,392	10,389	-	37,941	170,722
Assistant Chief Constable	109,990	0	2,403	34,097	146,490
Assistant Chief Officer	119,595	0	1,125	20,331	141,051

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

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

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

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

Remuneration Band	Number of Employees	
	2019/20	2020/21
£50,000 - £54,999	102	102
£55,000 - £59,999	66	72
£60,000 - £64,999	16	17
£65,000 - £69,999	6	8
£70,000 - £74,999	2	9
£75,000 - £79,999	2	1
£80,000 - £84,999	6	3
£85,000 - £89,998	5	2
£90,000 - £94,999	-	3
£120,000 - £124,999	1	1
£200,000 - £204,999	1	-

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£
£0-£20,000	-	-	9	9	9	9	156,250	94,480
£20,001-£40,000	-	-	3	10	3	10	80,489	273,952
£40,001-£60,000	-	-	-	1	-	1	-	40,785
£80,001-£100,000	-	-	1	-	1	1	85,000	-
£140,001-£160,000	-	-	1	-	1	1	147,012	-
	-	-	14	20	14	22	468,751	409,217

## 17 EXTERNAL AUDIT COSTS

	31 March 2020 Restated £'000	31 March 2021 £'000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	13	15

The external audit fees have been restated as additional fees have been charged for additional work undertaken on revised pension figures.

## 18 RELATED PARTIES

The Chief Constable is required to disclose material transactions with related parties ie bodies or individuals that have the potential to control or influence or be controlled/influenced by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable may have been constrained in his ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable. Transactions should be disclosed where material to either the organisation or individual with whom the transaction has been incurred.

### Central Government

Central government has effective control over the general operations of the Chief Constable. It is responsible for providing the statutory framework within which the Chief Constable operates,

provides the majority of its funding in the form of grants which are paid to the PCC and prescribes the terms of many of the transactions that the Group has with other parties. Grants received by the Group from government departments are included within the Comprehensive Income and Expenditure Statement of the PCC and the Group.

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

### **Officers**

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

## **19 DEPRECIATION AND AMORTISATION**

The PCC makes charges to the CC for the use of long term assets equivalent to the charges made in the accounts of the PCC for depreciation, impairment and amortisation. For 2020/21 this amounted to £3.721M (2019/20 £4.275M).

## **20 REGIONAL COLLABORATION**

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

- **Cleveland and Durham Fingerprint Bureau (CDFB)**  
Contribution for 2020/21 was £351,858 (£366,147 in 2019/20). Durham's proportionate share is 50% as set out in the collaborative agreement.
- **Tactical Training Centre (TTC)**  
Contribution for 2020/21 was £494,917 at 50% (£548,661 in 2019/20). Durham's proportionate share is 50% as set out in the collaborative agreement.
- **North East Regional Special Operations Unit (NERSOU)**  
The North East Regional Special Operations Unit (NERSOU) is a collaboration between the Police and Crime Commissioners of Durham, Northumbria and Cleveland to tackle serious and organised crime across the region. NERSOU is financed through a combination of Home Office Grants and contributions from each of the participating Forces. The contribution proportion during 2020/21 was 22.8%

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Employees	9,390	10,006
Premises	379	358
Transport	482	202
Supplies and Services	702	703
Gross Expenditure	10,953	11,269
Funded by :-		
Income	(3,320)	(3,607)
The Office of the Police and Crime Commissioner for Durham	(1,757)	(1,812)
The Police and Crime Commissioner for Cleveland	(1,898)	(1,953)
The Police and Crime Commissioner for Northumbria	(4,052)	(4,167)
Contribution to/(from) Reserves	74	270
	-	-

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 PCC's balance sheet. The relative share of ownership is 37.5%

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

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

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Employees	9,435	9,838
Transport	523	456
Supplies and Services	337	488
Gross Expenditure	10,295	10,782
Funded by :-		
Income	(277)	(208)
The Office of the Durham Police and Crime Commissioner	(5,009)	(5,287)
The Police and Crime Commissioner for Cleveland	(5,009)	(5,287)
Balance	-	-

- **Dogs Unit**

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

	<b>31 Dec 2019</b>
	<b>£'000</b>
Employees	1,726
Transport	117
Supplies and Services	139
Gross Expenditure	1,982
Funded by :-	
Income	(2)
The Office of the Police and Crime Commissioner for Durham	(596)
The Police and Crime Commissioner for Cleveland	(654)
Police and Crime Commissioner for North Yorkshire Police	(730)
Balance	-

## 21 LEASES

### Operating Leases

The PCC 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:

	2019/20			2020/21		
	Buildings	Equipment	Total	Buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than 1 year	108	-	108	114	-	114
Later than 1, not later 5 years	245	-	245	240	-	240
Later than 5 years	238	-	238	269	-	269
Total	591	-	591	623	-	623

## 22 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Chief Constable participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Durham County Council; this is a funded defined benefit final salary scheme, meaning that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they

eventually fall due. If the amounts receivable by the pensions fund for the year is less than amounts payable, the Commissioner must annually transfer an amount to meet the deficit to the pension fund. This cost is then met by central government. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Commissioner which then must repay the amount to central government.

### Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Police Pension Scheme	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Net Cost of Service</b>				
Current service cost	8,260	9,080	31,870	30,230
Past service cost	-	-	(7,500)	800
<b>Finance and Investment Income and Expenditure</b>				
Net Interest Expense	1,790	1,800	41,900	35,930
<b>Total post employment benefit charged to provision of services</b>	10,050	10,880	66,270	66,960
<b>Other post employment benefit charged to the CIES</b>				
Remeasurement of net defined benefit comprising of:				
Return on plan assets	11,617	(31,194)	(26,089)	(24,767)
Actuarial gain/loss from changes in demographic	(6,900)	-	(50,390)	-
Actuarial gain/loss from changes in financial	(2,500)	62,940	(51,440)	166,580
Other:	(540)	(1,950)	(33,350)	(180,700)
<b>Net Charge to the CIES</b>	11,727	40,676	(94,999)	28,073
<b>Movement in the Reserves Statement</b>				
Reversal of net charges made for retirement benefits accordance with IAS19	(10,050)	(10,880)	(66,270)	(66,960)
<b>Actual amount charged against the General Fund</b>				
Employer's contributions payable to scheme	4,497	4,847	13,903	14,407
Retirement benefits payable to pensioners	30	29	1,188	1,286

## Police Pension Scheme

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

2019-20					2020-21					
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
(1,569,420)	(31,230)	(43,220)	(67,380)	(1,711,250)	Opening present value of liabilities	(1,457,310)	(29,430)	(27,270)	(87,150)	(1,601,160)
(6,520)	(680)	(140)	(24,530)	(31,870)	Current service cost	(4,020)	(710)	(90)	(25,410)	(30,230)
(38,070)	(760)	(1,060)	(2,010)	(41,900)	Interest cost	(32,340)	(660)	(620)	(2,310)	(35,930)
(1,410)	-	(30)	(4,320)	(5,760)	Contributions by participants	(930)	-	(20)	(5,130)	(6,080)
					<b>Remeasurement gains and losses:</b>					
45,300	910	1,320	2,860	50,390	Actuarial gain/(loss) arising from changes to demographic assumptions	-	-	-	-	-
44,890	600	2,250	3,700	51,440	Actuarial gain/(loss) arising from changes to financial assumptions	(135,960)	(3,030)	(5,400)	(22,190)	(166,580)
28,530	600	(600)	4,820	33,350	Actuarial gain/(loss) arising from changes to other assumptions	170,920	(460)	(4,870)	15,110	180,700
(6,250)	-	14,130	(380)	7,500	Past service cost	-	-	(160)	(640)	(800)
-	-	-	-	-	Loss on curtailments	-	-	-	-	-
45,640	1,130	80	90	46,940	Net benefits paid out	45,030	1,280	130	100	46,540
(1,457,310)	(29,430)	(27,270)	(87,150)	(1,601,160)	<b>Closing present value of liabilities</b>	(1,414,610)	(33,010)	(38,300)	(127,620)	(1,613,540)

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

2019-20					2020-21					
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>					
40,627	(58)	(33)	(14,447)	26,089	The return on plan assets, excluding the amount included in the net interest expense	41,821	(6)	54	(17,102)	24,767
3,603	1,188	83	10,217	15,091	Contributions by employer	2,279	1,286	56	12,072	15,693
1,410	-	30	4,320	5,760	Contributions by participants	930	-	20	5,130	6,080
(45,640)	(1,130)	(80)	(90)	(46,940)	Net benefits paid out	(45,030)	(1,280)	(130)	(100)	(46,540)
-	-	-	-	-	<b>Closing fair value of assets</b>	-	-	-	-	-

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

2019-20					2020-21					
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
(1,569,420)	(31,230)	(43,220)	(67,380)	(1,711,250)	Opening surplus(deficit)	(1,457,310)	(29,430)	(27,270)	(87,150)	(1,601,160)
(6,520)	(680)	(140)	(24,530)	(31,870)	Current service cost	(4,020)	(710)	(90)	(25,410)	(30,230)
3,603	1,188	83	10,217	15,091	Contributions by employer	2,279	1,286	56	12,072	15,693
-	-	-	-	-	Contributions by participants	-	-	-	-	-
(6,250)	-	14,130	(380)	7,500	Past service cost	-	-	(160)	(640)	(800)
(38,070)	(760)	(1,060)	(2,010)	(41,900)	Interest cost	(32,340)	(660)	(620)	(2,310)	(35,930)
-	-	-	-	-	Expected return on assets	-	-	-	-	-
-	-	-	-	-	Loss on curtailments	-	-	-	-	-
					<b>Remeasurement of net defined benefit liability comprising:</b>					
40,627	(58)	(33)	(14,447)	26,089	Return on plan assets	41,821	(6)	54	(17,102)	24,767
45,300	910	1,320	2,860	50,390	Actuarial gain / (loss) arising from changes to demographic assumptions	-	-	-	-	-
44,890	600	2,250	3,700	51,440	Actuarial gain / (loss) arising from changes to financial assumptions	(135,960)	(3,030)	(5,400)	(22,190)	(166,580)
28,530	600	(600)	4,820	33,350	Actuarial gain / (loss) arising from changes to other assumptions	170,920	(460)	(4,870)	15,110	180,700
(1,457,310)	(29,430)	(27,270)	(87,150)	(1,601,160)	<b>Closing surplus(deficit)</b>	(1,414,610)	(33,010)	(38,300)	(127,620)	(1,613,540)

## Durham County Council Pension Fund

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

	Local Government Pension Scheme	
	2019/20	2020/21
	£'000	£'000
Opening present value	(216,250)	(216,650)
Current service cost	(8,260)	(9,080)
Interest cost	(5,370)	(4,950)
Contributions by scheme participants	(1,620)	(1,830)
<b>Remeasurement gains and losses:</b>		
Actuarial gains / losses from changes in demographic assumptions	6,900	-
Actuarial gains / losses from changes in financial assumptions	2,500	(62,940)
Other:	540	1,950
Past service costs	-	-
Liability assumed on entity combinations	-	-
Benefit paid	4,910	4,620
Closing present value	(216,650)	(288,880)

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

	Local Government Pension Scheme	
	2019/20	2020/21
	£'000	£'000
Opening fair value	142,660	135,860
Interest Income	3,580	3,150
Remeasurement gain / loss - Return on plan assets	(11,617)	31,194
Employer contributions	4,527	4,876
Contributions by scheme participants	1,620	1,830
Assets assumed on entity combinations	-	-
Benefit paid	(4,910)	(4,620)
Closing fair value	135,860	172,290

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

	Local Government Pension Scheme	
	2019/20	2020/21
	£'000	£'000
Opening surplus (deficit)	(73,590)	(80,790)
Current Service Cost	(8,260)	(9,080)
Contributions by employer	4,527	4,876
Contributions by participants	-	-
Past service cost	-	-
Interest cost	(5,370)	(4,950)
Expected return on assets	3,580	3,150
<b>Remeasurement gains and losses:</b>		
Return on plan assets	(11,617)	31,194
Actuarial gains / losses from changes in demographic assumptions	6,900	-
Actuarial gains / losses from changes in financial	2,500	(62,940)
Other: Liability Experience	540	1,950
Net Assets / liabilities assumed on entity combinations	-	-
Closing fair value	(80,790)	(116,590)

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

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

	2019/20	2020/21
	£'000	£'000
<b>Present value of liabilities</b>		
Local Government Pension Scheme	(216,650)	(288,880)
Police Pension Scheme	(1,601,160)	(1,613,540)
Fair value of assets in the Local Government Pension Scheme	135,860	172,290
<b>Surplus / (deficit) in the scheme</b>		
Local Government Pension Scheme	(80,790)	(116,590)
Police Pension Scheme	(1,601,160)	(1,613,540)
<b>Total</b>	<b>(1,681,950)</b>	<b>(1,730,130)</b>

**Local Government Pension Scheme assets comprised:**

	2019/20	2020/21
	£'000	£'000
<b>Cash and Cash equivalents</b>	5,434	8,098
<b>Equity instruments</b>	63,990	94,932
<b>Bonds by sector:</b>		
Corporate	16,711	31,012
Government	38,720	27,394
<b>Sub-total bonds</b>	55,431	58,406
<b>Property</b>	11,005	10,854
<b>Other</b>	-	-
<b>Total assets</b>	135,860	172,290

**Basis for Estimating Assets and Liabilities**

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

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

	Local Government Pension Scheme		Police Pension Scheme	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions				
Longevity at 65 for current pensioners				
Men (years)	22.2	22.3	21.9	22.0
Women (years)	24.2	24.3	23.6	23.7
Longevity at 65 for future pensioners				
Men (years)	23.2	23.3	23.6	23.7
Women (years)	25.7	25.8	25.2	25.3
Rate of Inflation (CPI)	1.9%	2.7%	2.0%	2.4%
Rate of increase of salaries	2.9%	3.7%	4.0%	4.2%
Rate of increase to pensions in payment	1.9%	2.7%	2.0%	2.4%
Rate of increase to deferred pensions	1.9%	2.7%	2.0%	2.4%
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.0%

The estimation of defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men

and women. In practise, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	278,040	299,090
Rate of increase in salaries (increase or decrease by 0.1%)	289,860	286,980
Rate of increase in pensions (increase or decrease by 0.1%)	294,190	282,940
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	281,500	295,630

**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)	1,669,540	1,557,540
Rate of increase in salaries (increase or decrease by 0.5%)	1,628,540	1,598,540
Rate of increase in pensions (increase or decrease by 0.5%)	1,753,540	1,473,540
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,465,540	1,761,540

**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 (55% of scheme assets) and bonds (34%). The scheme also invests in properties as a part of the diversification of the schemes investment. The ALM strategy is monitored annually or more frequently if necessary.

**Impact on Cash Flows**

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

The CC is expecting to pay £5.5M expected contributions to the scheme in 2021/22.

### **McCloud / Sargeant judgement**

**Legal Cases.** The Commissioner [Chief Constable], along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

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

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

**Compensation Claims.** Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

## **PENSION FUND ACCOUNTS**

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

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

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

## Police Officer Pension Fund Account 2020/21

2019/20	2019/20		2020/21	2020/21
£'000	£'000		£'000	£'000
(13,770)		<b>Contributions receivable</b>		
		From local policing body	(14,277)	
-		Additional funding payable by local policing body to meet the deficit for the year.	-	
(5,669)		Reimbursement of unabated pensions (30+ police officers) From Officers	(6,021)	
	(19,439)			(20,298)
	(600)	<b>Transfers in</b>		
		Transfers in from other schemes		(845)
	(85)	<b>Recharges to other local Authorities</b>		
		Net recharges		(55)
37,690		<b>Benefits payable</b>		
8,107		Pensions	38,768	
-		Commutations and lump sum retirement benefits	6,472	
		Lump Sum Death Benefit	-	
	45,797			45,240
-		<b>Payments to and on account of leavers</b>		
-		Transfers out to other schemes	18	
		Refund of Contributions	-	
	-			18
	25,673	<b>Net amount payable for the year</b>		24,060
	(25,673)	<b>Contribution from policing body in respect of the deficit</b>		(24,060)
	-	<b>Year end balance</b>		-

## Police Officer Pension Fund Net Asset Statement

As at 31 March 2020		As at 31 March 2021
£'000		£'000
	<b>Current Assets</b>	
-	Funding to meet deficit due from the local policing body	-
-	Cash Held	-
	<b>Current Liabilities</b>	
-	Unpaid Pension Benefits	-
-	Recharges to other Authorities	-
	Surplus for the year owing to the local policing body	
-	<b>Net Current Assets/Liabilities</b>	-

## **1 Basis of Preparation**

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

## **2 Accounting Policies**

The principal accounting policies are as follows:

### **Contributions**

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

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

### **Benefits**

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

### **Transfer Values**

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

## **GLOSSARY**

### **Accruals**

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

### **Budget**

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

### **Cash**

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

### **Cash Equivalents**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local authority finance.

### **Collection Funds**

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

### **Collection Fund Adjustment Account**

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

### **Contingency**

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

### **Council Tax**

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

### **Current Assets**

Items that can be readily converted into cash.

### **Current Liabilities**

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

### **Debtors**

Persons or bodies who owe sums to the CC.

### **Earmarked Reserves**

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

### **Employee Benefits**

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

### **Interest Income**

The money earned from the investment of surplus cash.

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

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

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

**National Non-Domestic Rates (NNDR)**

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

**Outturn**

The actual amount spent in the financial year.

**Payables**

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

**Payments in Advance**

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

**Receipts in Advance**

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

**Retirement Benefits**

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

**Revenue Expenditure and Income**

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

**Running Expenses**

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

**Termination Benefits**

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



**CHIEF CONSTABLE OF DURHAM**

**ANNUAL GOVERNANCE STATEMENT 2020/21**

## **ANNUAL GOVERNANCE STATEMENT**

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

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

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

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

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

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Force's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has continued to be in place at Durham Constabulary for the year ended 31 March 2021 and up to the date of the approval of the statement of accounts.

## **COVID-19 PANDEMIC**

The review of effectiveness for 2020/21 was conducted in the midst of the Force's response to the Covid-19 pandemic, which persisted throughout the whole of the period covered by the review. An assessment of the ways in which the Force's governance systems have been deployed and adapted in response to the COVID-19 pandemic, aligned to the principles of good governance is included as Appendix A.

The Force established Operation Delorean to learn lessons from COVID 19 and also introduce new ways of working, better / more use of technology, working from home, revised deployment models etc. This was subject to review by HMICFRS as part of their inspection processes. They found:

- Expansion of the Telephone Resolution Team to maintain investigations;
- The Force carried out good work to understand changes in demand;
- High risk domestic abuse victims were identified and safeguarded;
- Good management of personal protective equipment.

### **3. THE GOVERNANCE FRAMEWORK**

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force and the Police and Crime Commissioner (PCC) is required under the Police Reform and Social Responsibility Act 2011 to hold her to account for the exercise of those functions and those of the persons under her direction and control.

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

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

To achieve this, the Chief Constable:-

- has a detailed organisational structure, with clearly defined responsibilities and terms of reference, which are monitored and updated when required;
- has established clear roles and responsibilities for each of her senior officers. There is a formal Constabulary accountability/performance management framework and each officer and staff member is subject to the Constabulary Personal Development Review;
- has included inclusion as a Force value to reflect the importance of both external and internal inclusion;
- has developed standards of conduct and personal behaviour which are defined and communicated through appropriate codes of conduct and protocols;
- has implemented the recommendations contained within the HMIC public interest report – Without Fear or Favour that examined police relationships with media and other

parties, information disclosure, hospitality and gratuities, business interests procurement and contracts, and those of the follow up reports - Revisiting police relationships and Integrity Matters;

- has delivered Leading through Standards of Professionalism training via its Professional Standards Department to Officers and staff;
- has a policy on counter fraud and corruption which clearly sets out the procedures to be operated and which is designed to encourage prevention, promote detection and identify a clear pathway for the investigation of fraudulent and/or corrupt practices or behaviour;
- has appropriate and long established Whistle-blowing arrangements and processes in place within the Constabulary;
- has established procedures for dealing with and investigating complaints which are in line with national guidelines;
- promotes the values for the PCC and Force demonstrating the values of good governance through upholding standards of conduct and behaviour;
- oversees mechanisms and processes such as business interests, gifts and hospitality and media relationships;
- embraces the concept of an ethics committee responsible for enhancing trust and confidence in the ethical governance and actions of Durham Constabulary;
- completed training to all staff on the code of ethics developed by the College of Policing and awareness raising in respect of abuse of authority for sexual gain.
- ensures that the Constabulary website in relation to integrity and transparency details actions taken to prevent, increase intelligence, enforce and provide reassurance to members of the public of strategies and outcomes of our current transparency agenda;
- oversees a restorative approach to complaint resolution and allows officers and staff to mediate with the members of the public in a controlled fashion;
- oversees relevant officers and staff being provided as personal issue a body camera which maximises evidence yield and assists with the integrity and transparency agenda; and
- ensures that appropriate legal, financial and other professional advice is considered as part of the decision-making process and observes the specific requirements of legislation and its general responsibility by Law.

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

To achieve this, the Chief Constable:-

- holds regular sessions with local communities through the Police and Communities Together (PACT) initiative which offers the community a chance to be heard, to discuss issues that affect communities, to agree local action to tackle these issues and agree priorities;
- works with partner organisations through the Durham and Darlington Community Safety Partnerships to tackle crime, disorder, anti-social behaviour, substance misuse, other behaviour adversely affecting the local environment and to reduce re-offending as required by the Crime and Disorder Act 1998 and amended by the Police and Justice Act 2006;
- The Safe Durham Partnership has developed a Partnership Plan as part of its statutory responsibility to develop a three year plan to tackle priorities identified from the County Durham Joint Strategic Assessment and public consultation;
- regularly publishes information on the Constabulary's work and achievements;
- undertakes a local Public Confidence Survey highlighting public confidence levels and concerns at a local level about policing in their neighbourhood;

- ensures, as part of the investigative update process, that responsible officers in charge engage directly with the victims of crime and keep them informed;
- is working with a group of volunteers to deliver a restorative approach to tackling repeat callers, crime and anti-social behaviour within the community. The volunteers are mostly local people who are giving their time to act as facilitators, bringing together victims and offenders to talk about the impact of an incident and what can be done to put things right;
- undertakes a victim satisfaction survey which provides the Force with information about the quality of service they have received from the Police service;
- holds regular meetings through Neighbourhood Policing teams with the public to discuss local policing priorities and activities to focus work upon. Feedback from these meetings are also included as part of the Force's priority setting process; and
- ensures that Durham Constabulary works in partnership with the Independent Office for Police Conduct. The Home Office and key strategic partners ie HM Coroner to enhance service delivery.

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

To achieve this, the Chief Constable:-

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

- continues to work with Independent Advisory Groups and minority consultative groups to ensure fairness of delivery.

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

To achieve this, the Chief Constable:-

- has a detailed medium term financial plan which includes actions to ensure financial sustainability;
- has a performance management framework, to ensure plans are met and remedial action taken;
- has processes in place to ensure data quality is high, so as to enable objective and rigorous decision making;
- reviews victim and community feedback to identify areas for improvement;
- holds monthly Executive Board meetings where issues are raised and actions agreed upon;
- has a risk management process (plan on a page) to identify where interventions may be required; and
- has a sound, research evidenced, understanding of demand (current and future) which informs resource allocation decisions.
- Produces a Force Management Statement which outlines current and future demands, resources and required actions to close any gaps
- Introduced a telephone resolution team within the Force control room to support crime investigation and victim support.

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

To achieve this, the Chief Constable:-

- has established clear roles and responsibilities for each of the Constabulary's senior officers. There is a formal Constabulary accountability/performance management framework and each officer is subject to the Constabulary Personal Development procedures;
- has robust performance management arrangements within the Constabulary which enables each officer's needs, training and development requirements to be identified. The framework enables officers to work with their line managers to agree the appropriate actions to address their needs and regular reviews of progress are held;
- ensures that all police staff are issued with contracts of employment, each role is covered by a job description, all of which are processed through the Constabulary job evaluation scheme to determine the appropriate remuneration for the role. All changes to terms and conditions of contracts or to job descriptions are negotiated through the police staff group;
- Police Officers are servants of the Crown, their terms and conditions are provided for under national police regulations. The Constabulary has a range of policies to support

the implementation of the national regulations, and any changes to these policies are negotiated/subject to consultation through the Personnel User Group;

- takes into account previous training and experience when considering officer postings;
- considers succession planning of key roles within departments;
- ensures that PDRs are carried out;
- ensures that key training is provided to Officers and staff including First Aid Training, Personal Safety Training and Driver Training;
- is working with Durham University Business School in understanding staff behaviours and how staff can best be supported an activity now recognised as national best practice; and
- Provides leadership and talent management development to staff and managers.
- has appointed Northumbria University to deliver the Police Education Qualification Framework, following a competitive process, to identify opportunities for new and existing employees to support workforce development and planning. The Force also continues to work with Derwentside College to deliver ~~business~~ apprenticeship courses.
- Established processes to gain a better understanding of current / future demand.
- monitors the efficient and effective management of human, financial and environmental resources. Clear examples of this have been the Estates Programme which has a clear focus on reducing the impact upon the environment, adopting modern working methods whilst saving money and renewing key IT systems e.g. Red Sigma, Case & Custody, bodyworn devices and mobile devices. Work has been carried out to produce an updated Asset Strategy which includes Estates, Fleet and Environment;
- promotes an ethos of continuous improvement across the force in order to reduce organisational costs and improve performance. In practice this is driven through the Commissioning Board which commissions activities and oversees outcomes from the Strategic Programme Boards chaired by a Force Executive Officer;
- Individual programmes contain business cases to ensure value for money, programme and project plans to ensure effective resource management, quality measures; and projected benefits for communities;
- Utilises “Plan on a Page” a well established strategic planning approach which combines the vision, business plan, performance and risk all within one document. Strategic business risks are discussed and debated at the monthly Strategic Leadership Group where a determination is made as to their level and the plan updated. As a minimum this is done across all business areas every three months, but may be done more dynamically as a new risk reemerges. The plan utilises a balanced scorecard approach and links all the business areas within force, and the requirement to achieve value for money. Operational risks are overseen at the monthly Operational Threat and Risk and Force Threat and Risk meetings which is the highest level operational meeting under the National Intelligence Model in Force;
- actively pursues joint working opportunities at a local, regional and national level, which has resulted in a number of policing services being delivered in collaboration with other forces or organizations;
- ensures when working in partnership that the arrangements for governance and accountability for performance and financial administration are clearly articulated and disseminated; and
- Introduced home working arrangements for officers and staff post COVID

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

To achieve this, the Chief Constable:-

- develops and maintains effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations;
- develops and maintains effective arrangements to challenge and scrutinise the Constabulary's own performance and compliance with other requirements;
- provides objective and timely information which is necessary to take balanced and informed decisions;
- ensures that risk management is embedded and is used effectively to inform and focus decision making;
- ensures the Constabulary has effective, transparent and accessible arrangements in place for dealing with complaints;
- ensures the Constabulary reviews and revises as appropriate its key governance documents, i.e. financial regulations and contract procedure rules;
- provides the PCC and External Audit with Revenue and Capital Monitoring reports on a regular basis;
- maintains with the PCC a Joint Audit Committee; and
- ensures that the Joint Audit Committee receives assurance with regards to arrangements in place for investigating complaints and misconduct related matters.
- Undertook a value for money self-assessment against the HMICFRS's Value for Money profile which was sent to the external auditors for review by 30 September 2021.
- Undertook a self-assessment, with input from Internal Audit, which demonstrated a high degree of compliance with the CIPFA Financial Management Code. A small number of actions for improvement, identified as part of the work undertaken, are planned for completion during 2021/22

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

To achieve this, the Chief Constable:-

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

#### **4. REVIEW OF EFFECTIVENESS**

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

Whilst the coronavirus pandemic has had an impact in reducing the overall number of audits delivered than would normally be expected, in prioritising audit activity to areas of key risk and in undertaking advice and consultancy work that supports the assurance opinion when taken together with other sources of assurance from within the Force, that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of internal control operating across the Constabulary in 2020/21.

The moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. Given the unprecedented impact of the coronavirus pandemic which was evident throughout the whole of the financial year 2020/2021 and which required the Force to adapt and deliver its services in new and innovative ways which when taken within a context of change the Force continues to face, the reduction in resources and the increasing diverse nature of the Internal Audit Plan, the sustainment of this assurance opinion should be regarded as positive.

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

Chief Constable Annual Governance Statement 2019/20

Annual Internal Audit Report 2019/20

External Audit – Annual Audit Letter Year Ending 31 March 2020

Internal Audit Plan 2020/21

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

Annual Governance Statement (AGS) Action Plan Report Updates

Force Risk Register Update  
 Budget Monitoring Reports  
 Professional Standards Update Reports  
 Annual Review of Gifts and Hospitality  
 Draft Chief Constable Annual Governance Statement 2020/21  
 Collaboration updates  
 COVID19 service impact  
 Evaluation of complaints resolution team  
 HMICFRS Inspection Plans  
 Rape Scrutiny  
 Treasury Management Report

## 5. SIGNIFICANT GOVERNANCE ISSUES

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

Following the production of the Annual Governance Statement for 2019/20, an action plan was produced that contained seven recommendations relating to the Force. Progress made in implementing each of these has been tracked during the year and formed the starting point of the work to produce the 2020/21 Annual Governance Statement.

A summary of how the significant issues identified in the 2019/20 Annual Governance Statement, which, in the main, are of a recurrent nature, have been progressed is provided below.

Issue Raised in 2019/20	Current Position
Further Funding Reductions	<b>Ongoing:</b> The PCC and Force agreed its Medium Term Financial Plan with the Executive Board. The Force monitors progress made to deliver efficiency savings via its Strategic Resourcing Group. The majority of “easy” spending reductions have now been implemented and there is less scope to reduce expenditure without more significant change being undertaken. Whilst the Medium Term Financial Plan is in balance, there remains uncertainty moving forward in relation to grant levels, pay

	<p>awards, pension costs etc. The realisation of benefits has been assessed and shared with HMICFRS.</p> <p>Any changes to the funding formula and not expected until 2024/25 and this issue remains one of significance. Further work to identify options to reduce expenditure will be presented internally.</p>
Continued Collaboration with Other Forces and Organisations	<p><b>Ongoing:</b> The Force has already delivered a number of joint initiatives with neighbouring Forces in Cleveland and Northumbria as well as with the County Durham and Darlington Fire &amp; Rescue Service.</p> <p>With further initiatives e.g. sharing of ICT development with Cumbria Police in development this issue remains one of significance.</p>
The Strategic Policing Requirement (SPR)	<p><b>Ongoing:</b> The Force has carried out an internal assessment and business continuity plans are in place as required by the Strategic Policing Requirement (SPR).</p> <p>Whilst there is a sound understanding of the requirements of the SPR and additional resource is to be introduced from 2021/22 including cyber post, contingency planning, 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. The ongoing development of the Force Management Statement will assist in managing this issue.</p> <p>Business continuity plans are likely to be revised further in light of the coronavirus pandemic.</p>
Commissioning of Services	<p><b>Ongoing:</b> A review of Commissioning of Services has been carried out with grants allocated accordingly and a new commissioning framework established. Process and outcomes are subject to regular review.</p> <p>A revised structure has recently been introduced to give more focus on commissioning activities to ensure the achievement of the PCC's objectives whilst delivering Value for Money and this issue remains one of significance.</p>
The PCC Chief Financial Officer Role	<p><b>Ongoing:</b> A review of the Joint CFO role has been carried out in year and with appropriate safeguards in place, is considered a highly effective way of managing the finances of the PCC and the Constabulary and enabling efficient decision-making. This has been reported to the Joint Audit Committee and Executive Board.</p> <p>This arrangement is seen to constitute an ongoing governance risk and with the election of the new PCC in May 2021, this arrangement needs to be formally evaluated again and therefore this issue remains one of significance.</p>
Increase officer numbers in line with National Officer Uplift Programme	<p><b>Ongoing:</b> The 2020/21 officer uplift over-achieved by an additional 17 officers i.e. 85 as opposed to 68. The Force has seen a small increase in BAME officers and increase in female officers in 2020/21. The recruitment was in line with the timescale previously agreed with the PCC in September 2019.</p>

	This issue remains one of significance.
Coronavirus pandemic	<p>Operation Delorean was established to learn lessons from COVID 19 and also introduce new ways of working, better / more use of technology, working from home, revised deployment models etc. This was subject to review by HMICFRS as part of their inspection processes and although there were no significant deficiencies it identified some improvements were to be made.</p> <p>This issue remains one of significance</p>

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

### Further Funding Reductions

The 2020/21 government grant settlement allowed a £15 (Band D) increase in council tax, which stabilised the financial position of the Force. The final Local Government Finance Settlement, together with the Police Grant Report for 2021/22, has been put before the House of Commons. Central funding for 2021/22 has been set at £100.38m, an increase of £4.55m from 2020/21. This increase is to fund the uplift of police officers and includes £1.133m in ring-fenced grant which will only be released when the target for the officer uplift for the year is reached. The Medium-Term Financial Plan presented to Executive Board in February 2021 presents a budget that is balanced and will enable the number of police officers locally to remain stable throughout the life of the plan until 2024. There are assumptions which underpin this, including a 0% annual pay increase in 2021/22, 1.75% in 2022/23 and 2% in 2023/24. 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. It is expected a new funding formula will not be introduced until 2024/25. 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 PCC 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 November 2020 and which remains relevant which details specific areas to reduce expenditure if there is a significant reduction in funding because of the formula. These are currently the subject of detailed work and several actions will be introduced regardless of the outcome of the funding formula review to generate budget flexibility. A key challenge for the Force would

be to demonstrate increased productivity levels which is required for all Forces in order to justify further freedoms in relation to precept levels and grant levels.

## **Collaboration**

Collaboration will continue to be addressed pro-actively through local accountability frameworks in respect of monitoring the effectiveness of the collaboration and delivery of anticipated outcomes. In terms of joint accountability mechanisms with other forces, and other organisations, a proactive approach continues to be taken. The government have placed an increased emphasis on collaboration with Blue Light Services, and this is reflected in the PCC's governance structure in relation to collaboration. Whilst the Force continually looks to undertake collaborative initiatives which will save money and increase capacity / resilience for the Force, it is recognised that this may not always be the case. Our systems to determine areas for collaboration require robust business cases to be developed, and proposals will only be proceeded with if benefits are predicted.

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

The Strategic Policing Requirement (SPR) may require the Force to respond to a major incident which could impact on normal governance arrangements/decision making due to its scale and timing. Additional resources have been included in the 2021/22 budget.

## **Commissioning of Services**

Commissioning of services is anticipated to be an area of growth and will continue to be progressed to ensure the achievement of the PCC's objectives whilst delivering Value for Money. The OPCC Commissioning Strategy will have regard to the current budget envelope, current and emerging need trends in respect of supporting victims, reducing reoffending, and enhancing community safety initiatives, and interventions that are evidence based and produce meaningful outcomes.

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

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

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

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

## **Coronavirus pandemic**

The Force has been impacted by COVID since March 2020 which continued throughout 2020/21 and beyond. Its direct impact includes; increased sickness absence as officers and staff self-isolate, reduced demand in certain areas e.g. policing the night time economy, increased demand in other areas e.g. fraud and also an increase in unexpected expenditure e.g. the purchase of PPE, additional homeworking costs, cleaning and overtime. The majority of additional costs have been reimbursed by the Home Office. There will also be a need to consider the lessons learnt from managing service delivery in a crisis to improve both the efficiency and effectiveness of the Force.

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

Signed:

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Jo Farrell

Chief Constable of Durham

Date:

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## **COVID Governance Response**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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