Office of the
Police and Crime Commissioner
For Durham

Statement of Accounts

for the year ended 31 March 2026

DURHAM POLICE
AND CRIME
COMMISSIONER'S OFFICE

The status of the statement of accounts for the year ended 31 March 2026 is draft and unaudited and the statement of accounts as published may be subject to change.

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2025/26 Narrative Report

Message from Rachel Allsop, Chief Finance Officer

Organisational Overview

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

The main role of the PCC is to:

- Hold the Chief Constable to account,
- Issue a police crime and justice plan and keep it under review,
- Set the budget and precept for the forthcoming financial year,
- Secure an efficient and effective police service,
- Contribute to national policing capabilities set out by the Home Secretary.

A new Police, Crime and Justice Plan for 2025–2029 was approved during at the start of the year, setting out the Commissioner's strategic priorities for policing, crime prevention, victim support and community safety across County Durham and Darlington. All financial and operational activity undertaken by the Group is aligned to support delivery of these priorities.

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

External Environment

During 2025/26, the OPCC and Group continued to operate within a challenging and evolving external environment. Financial sustainability remains influenced by wider economic conditions, including ongoing inflationary pressures affecting pay awards, contractual costs and the overall cost of service delivery. These pressures continue to place demand on available resources and require careful financial management.

The Group operates within the national policing and local government framework, with funding determined through the Police Funding Settlement, specific grant allocations and local council tax precept decisions. While funding has remained relatively stable in the short term, there continues to be uncertainty regarding future settlements and the longer-term sustainability of current funding levels. This includes renewed consideration of the police funding formula at a national level, which could result in a redistribution of resources between forces. The potential impact of any revised funding formula remains uncertain but could be significant for the Group over the medium to long term.

The national policing landscape is also undergoing significant reform. The Government has announced its intention to abolish Police and Crime Commissioners (PCCs), although detailed arrangements regarding successor governance structures and transition timelines have not yet been confirmed. In addition, discussions are ongoing regarding potential police force mergers and wider structural reform. While the scope and timing of these changes remain uncertain, they introduce increased complexity and risk in relation to future governance, funding arrangements and organisational structures.

Alongside these factors, the Group continues to respond to increasing demand and complexity across policing services, particularly in relation to vulnerability, safeguarding and partnership working. The OPCC and the Force work closely with partners across local government, health and criminal justice agencies to deliver joined-up services and manage system-wide pressures that impact on community safety and service delivery.

Governance

The Annual Governance Statements (AGS) for the PCC and Chief Constable have been prepared in accordance with CIPFA guidance and will be approved by the Executive Board prior to publication of the audited accounts.

The main governance issues to note are as follows:

Finance

The latest Medium-Term Financial Plan (MTFP) indicates that an increased level of efficiency and cashable savings will be required. Work is underway to identify and develop savings proposals, improve efficiency and increase income where appropriate. Once agreed, these plans will require robust management and oversight to ensure that financial sustainability is maintained while continuing to support delivery of the Police and Crime and Justice Plan.

Key financial information for 2025/26 is as follows:

Revenue Budget

	Original Budget	Actual	Variance
	£'000	**£'000**	**£'000**
Employees	157,516	158,530	(1,014)
Premises & Transport	10,902	11,309	(407)
Other Supplies & Services	21,349	23,199	(1,850)
Less income	(8,846)	(13,041)	4,195
Police Constabulary Costs	180,921	179,997	924
PCC office	2,132	2,202	(70)
Commissioning	3,513	4,332	(819)
Capital Financing	979	622	357
Capital finance from Reserves	-	-	-
PCC income	(12,057)	(16,069)	4,013
Reserves	(6,424)	(2,019)	(4,405)
Net Expenditure	169,064	169,064	-
Financed by			
Core grants	(106,792)	(106,792)	-
Other grants	(10,013)	(10,013)	-
Precept income	(52,259)	(52,259)	-
Net Expenditure	(169,064)	(169,064)	-

The net expenditure budget for 2025/26 was set at £169m and included a planned contribution from reserves of £6.4m. Actual net expenditure for the year was £169m, including a £2.0m net contribution from reserves.

The main budget variations include:

- **Employees**
  The overspend is primarily attributable to Police overtime, largely driven by a major incident that occurred early in the year. This was partially offset by savings from vacancies.

- **Other supplies and services**
  Whilst most areas, particularly agency services exceeded their budget allocation, the Supplies and Services overspend relates to an increase to the police insurance provision.

- **Special Grants and Other Income**
  Additional income was received for reimbursement of expenditure incurred by the Constabulary for the Police Uplift Programme and to cover the larger than budgeted pay rises and other grants. Additional income was also received for extra training carried out which exceed the budgeted figure there were also more officers than expected being on secondment.

- **Commissioning**
  Grants were received (shown under special grants and other income) to allow additional commissioning activities to be carried out.

Cash Flow

Cash flows are managed through active treasury management arrangements, ensuring that that cash is available to support operational requirements, including the payment of employees and suppliers. The Group's cash flow position for the year is reported in the Cash Flow Statement, which summarises movements in cash and cash equivalents arising from operating activities, investing activities and financing activities.

Financial sustainability and liquidity are monitored through regular budget monitoring, medium-term financial planning and reserve management. Based upon current forecasts, there are no indications that the Group is at risk of being unable to meet its financial obligations as they fall due.

Capital Budget

Project	Original Budget plus carry forward and grants	Actual	Variance
	£'000	£'000	£'000
Expenditure			
Property	2,799	1,487	1,312
IT	3,000	2,971	29
Vehicles	1,900	1,212	688
Equipment	300	354	(54)
	7,999	6,024	1,975
Written off capital expenditure		(132)	
Additions to Fixed Assets		5,892	
Financed by:			
Specific grant		-	
Capital Grant		933	
Capital Receipt		3,318	
Funded by PCC		-	
Reserve contribution		-	
Prudential Borrowing		1,641	
		5,892	

The original capital budget plus carry forward and grants was £7.9m. Actual capital spend during 2025/26 was £5.9m. Most of the underspend (£2.0m) was due to slippage in the Estates and Fleet projects.

Funding Formula

Previous work from central government has indicated that any revised funding formula could adversely impact the income received by the PCC. The implementation of a new formula is not expected to be an immediate risk, but in the medium-term, any reduction in income would require savings to be made.

Collaboration

While the Constabulary does operate under a formal collaboration policy, opportunities are continually reviewed where they enhance resilience, capacity or value for money. A number of initiatives continue to exist, joint fingerprint unit with Cleveland Police and also Evolve Legal Services with Cleveland and North Yorkshire Police Forces. Work is also expanding in respect of income generation with other Forces and central government

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 2026/27 budget.

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. At the end of 2025-26 the Uplift target was achieved. This was the final year of the uplift target.

Increase in officer numbers in line with Neighbourhood Policing Guarantee

The PCC has received additional grant funding to increase officer numbers in line with the Neighbourhood Policing Guarantee Detailed, as at the end of 2025/26 the force achieved its target.

Business Model

The Group employed 1,407 officers as of 31 March 2026, 1,114 staff and 136 PCSOs. This was across the following main areas of policing:

Command Area	Headcount		
	POL	Staff	PCSO
Crime and Justice Command	335	334	2
Digital Data and Technology	4	78	-
EXEC Executive	9	6	-
Governance and Insights Command	56	94	-
NE Regional Special Operations Unit	34	1	-
Office of the PCC Durham and Darlington	-	43	-
Operations Command	195	291	-
People Standards and Development Command	120	119	5
Response Command	486	26	-
Neighbourhoods	150	-	129
Secondments	18	1	-
Support Services Command	-	121	-
Group	**1,407**	**1,114**	**136**

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

Risks and Opportunities

The main risks are as described above and in addition:

Ageing Estate

There are several key assets which continue to depreciate. Work has been ongoing to ensure that they remain operational whilst a longer-term solution is sought.

Key issues relate to:

- Re-provision of the Sexual Assault Referral Centre which requires ISO accreditation,
- Affordability of minor estates improvements,
- Affordability of backlog maintenance issues.

The Estates and Assets Delivery Group is a strategic governance group established in 2024/25. Meetings are chaired by the Assistant Chief Officer and focus on the strategic alignment of priorities, performance, and legislation of the Estate.

Strategy & Resource Allocation

The medium-term financial plan includes a balanced budget for 2026/27, which is supported by the use of reserves and an in-year savings requirement. Future deficits are forecast from 2027/28 onwards. Work is underway to identify and deliver sustainable savings, efficiencies and increased income generation to address this position. Ongoing work is focused on ensuring that resources remain aligned to current organisational priorities and demand.

The medium-term financial plan is based on the following key assumptions:

- An increase in central Government grant funding in line with current expectations, although this remains subject to confirmation through future funding settlements
- Pay awards of 3.0% in 2026/27, 2.5% in 2027/28 and 2028/29, and 2.0% per annum from 2029/30 onwards
- A Band D council tax precept increase of £18.50 in 2026/27 and £15 per annum thereafter, based on the assumption that current council tax referendum principles will remain in place
- Additional officers supported by the Neighbourhood guarantee funded by a £4.1m grant.

The Neighbourhood Policing Guarantee is a four-year Government programme which commenced in 2024/25. 2025/26 represents the second year of the programme, with funding allocated to support increased neighbourhood policing capacity across County Durham and Darlington. Grant funding of £4.1m has been confirmed for 2026/27 to further support delivery.

Opportunities

Alongside the risks and financial pressures facing policing, there are a number of opportunities to support service delivery and support financial resilience over the medium-term. These include:

- Continued investment in information technology to improve productivity and service delivery.
- Enhancing data quality and analytical capability to support data-led, solution focused decision making and prioritisation.
- Continued collaboration to strengthen capability and maximise the efficient use of shared resources.
- Maximising the use of external funding streams and grant opportunities where available.
- Ongoing review and optimisation of processes to drive efficiency and reduce costs.
- Ensuring that workforce resources are aligned to organisational priorities and emerging demand.

Performance

Comparing reporting year 2024/25 with 2025/26, performance indicators show:

- Neighbourhood crime – **8% decrease**
- All Theft offences **– 6.3% decrease**
- Domestic-related crime – **2.4% increase**
- Criminal Damage & Arson – **no change**
- Violence against the Person – **3.8% increase**
- Drug offences **– 3.3% decrease**
- Anti-Social Behaviour (ASB) incidents - **15.8% increase**
- 'Positive Outcome' Rate:

2023/24	**15.0%**
2024/25	**16.4%**
2025/26	**15.6%**

2025-2026 Summary of Achievements

Use of funding

- **Op DRIVE:** Now fully embedded across all localities. Training and the provision of drug wipe kits for Response officers supported through funded resources has reduced waiting times for Roads Policing Unit support and contributing to the prevention of KSI collisions. A total of 30 officers have now completed the training.
- **ResetU App:** Funding has been secured to support the launch of Oscar Kilo's new wellbeing app, with Durham selected as a pilot Force. The app was launched in April 2026.
- **Op Short Circuit:** Funding was secured through the OPCC's Hotspot Action Fund to deploy four autonomous Safer Pods targeting retail crime over a four-month period.

The initiative delivered a 71% overall crime reduction, including a 75% reduction at Tindale Retail Park. The funded approach is now being expanded to tackle issues such as arson, rural crime, and VAWG, has gained national interest, and has been submitted to the College of Policing Practice Bank and the National Problem-Solving Awards.

- **Dementia Wristbands:** The OPCC provided funding to support the introduction of dementia wristbands as a safeguarding measure to reduce 'missing from home' incidents. SPOCs have been identified and trained in each locality to oversee distribution.
- **Reach Out:** OPCC funding enabled the purchase of updated community engagement equipment, including gazebos, branded tablecloths, and children's games, to support visibility and reduce ASB in hotspot areas. Each locality received funded equipment, which has already been used at events such as a recent Op DRIVE engagement in Chester-le-Street.
- **Knife Angel Event:** OPCC funding supported the display of the Knife Angel in Newton Aycliffe for a two-day awareness event focused on the risks and consequences of knife and violent crime. Additional funding supported the development of educational packages for delivery in schools across Newton Aycliffe and the wider force area.
- **Prevention and Problem-Solving Training:** Funded by the OPCC through the Hotspot Action Fund, UCL delivered training to the Prevention & Problem-Solving Team, Community Safety Coordinators, and Local Authority partners (DCC and DBC). This has developed 'champions' with enhanced problem-solving capability to support colleagues.
- **Niche Implementation:** Funding has been secured to implement Niche, delivering an integrated system that will reduce ICT demand, improve data quality, support joined-up working, and ensure compliance with DCF.
- **SharePoint Development:** Funding has been secured to implement a modern, force-wide SharePoint intranet to improve employee engagement, strengthen organisational communication, and provide access to up-to-date information.
- **Data Transformation Programme:** Funding has been secured for the SCOUT system as part of the Data Transformation Programme, improving user experience, enhancing data quality, and strengthening data literacy across the organisation.

Shift Patterns

- **Crime Scene Coordinators – Efficiency Savings:** The shift pattern was amended from 1st January 2026, reducing allowances and delivering financial savings. Following centralisation to the Hub in May, two CSI vans were returned to Fleet, with a further vehicle scheduled for return next month, generating additional efficiencies.
- **Force Control Room (FCR):** A dedicated training day is being incorporated into the shift pattern to enhance capability and continuous development. In addition, work is underway to explore the use of AI tools to identify potential threats within calls, supported by the VFR option

Awards

- **Chief Constable Commendations:** Between January 2025 and April 2026, a total of 80 Chief Constable Commendations were awarded across the force, recognising outstanding contributions and performance.
- **Durham Difference Awards 2025:** The Origin Team was recognised as the 'Most Outstanding Team of the Year', highlighting their exceptional work and impact.
- **Prevention and Problem-Solving Recognition:** The Durham City Operational Group (COG) was named the winner at the Force's annual Prevention and Problem-Solving Conference 2025. The initiative also achieved national recognition as runner-up in the 'Police Initiative of the Year' category at the National ASB Awards. COG has successfully brought together partners to address the root causes of anti-social behaviour in Durham City, combining collaboration, shared powers, and a balanced focus on support and enforcement to deliver measurable outcomes, strengthen community confidence, and enhance partnership legitimacy.

Training

- **Wellbeing:** A total of 1,101 serving colleagues have received Trauma-Informed Training Programme (TITP) input, including dedicated trauma awareness sessions to strengthen understanding and support across the workforce.
- **Training Delivery:** Agreed training modules are now being rolled out. Firearms ERP training has become business as usual (BAU) for new recruits, with further development opportunities being explored, including a digital learning module accessible at any time.
- **PLP Training:** The PLP training programme is scheduled through to the end of 2027, with Stage 1 courses delivered monthly and Stages 2 and 3 provided on a demand-led basis. Since its launch in June 2025, 165 attendees have completed the training.
- **PCSO Development:** The Prevention and Problem-Solving Team delivers a two-week attachment for new PCSOs, including two days of training and an 18-week problem-solving project using the O'SARA methodology, contributing towards their Level 4 qualification, with the team also supporting assessment
- **Protecting Against Exploitation and Vulnerability:** 'DA Matters' training has been completed to upskill staff, with further domestic abuse training provision currently being scoped for 2027

Partnerships

- **Local Policing Command:** Continues to maintain strong and effective partnership working, with well-established information-sharing protocols supporting joint activity and outcomes.
- **Op Pave:** Ongoing joint working with partners has delivered high-visibility foot patrols in hotspot areas. Between April 2025 and March 2026, Police and partners collectively conducted over 19,000 hours of additional patrols.
- **Public Confidence Research:** A report on *"Measuring Public Confidence in Relation to Dealing with ASB in Durham and Darlington"* has been completed by Northumbria

University. This was delivered in partnership with the OPCC and the Police to support improved understanding and response to ASB.
- **Sleep Pod Initiative:** Innovative sleep pods are now being deployed by all neighbourhood policing teams to support some of the most vulnerable individuals. This initiative originated through a partnership between Bishop Auckland NPT and Cornerstone Supported Housing, combining frontline support with proactive policing to create a stronger safety net for those most at risk.

New Schemes

- **Fraud Process Map:** A new process map has been developed to support officers in navigating fraud reports and ensuring they are handled correctly. This guidance is readily accessible to all officers and staff via the force intranet.
- **ASB Risk Management (AIR):** A new tool (AIR) has been introduced to improve the risk management of ASB victims, ensuring a higher quality of service. It enhances the force's ability to manage ASB investigations, supports bringing offenders to justice, and addresses previous issues in the recording of ASB incidents.
- **Intranet Transformation – 'The Link':** The force intranet is evolving into a new SharePoint-based platform, 'The Link'. Each command and business area now has ownership of their site pages and responsibility for maintaining relevant and up-to-date content.
- **SCOUT Analytics Portal:** Successfully launched in December 2025, the SCOUT analytics portal provides enhanced data insight. Multiple dashboards have completed UAT and are ready for release, including reports on outstanding suspects, crime performance, outcomes, custody performance, Origin duties, and Storm performance.

Outlook

The OPCC and the Group continue to operate in a challenging environment with increasing demand pressures, evolving crime trends and increasing complexity of investigations. The Police and Crime Commissioner and Chief Constable will continue to focus resources towards delivery of the Police Crime and Justice Plan and national policing priorities, while maintaining financial sustainability and operational resilience.

The medium-term outlook remains subject to uncertainty, particularly in relation to future levels of government funding, the sustainability of the police funding settlement, inflationary impacts on pay and non-pay budgets, and the affordability of the capital programme required to maintain and modernise the estate and invest in digital technology. The Commissioner's financial strategy remains focused on robust medium-term financial planning, ensuring that savings plans are deliverable, and that reserves are maintained at a prudent level to support the management of identified risks. Work is ongoing to identify further efficiencies and productivity improvements to support a balanced financial position in the medium term, whilst sustaining service performance and outcomes for communities across County Durham and Darlington.

Basis of Preparation

The Statement of Accounts has been prepared in accordance with proper accounting practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), which is based on International Financial Reporting Standards (IFRS), and in accordance with the Accounts and Audit Regulations 2015. The accounts present the financial position of the OPCC as at 31 March 2026 and the income and expenditure for the year ended on that date.

The Statement of Accounts comprises the OPCC's single-entity financial statements and the Group financial statements, which consolidate the financial results of the Chief Constable and other entities within the Group boundary as required by the Code. The accounts have been prepared on an accruals basis and are prepared on the assumption that the Group will continue to operate for the foreseeable future and are a going concern. The Narrative Report provides a fair, balanced and understandable commentary on the Group's financial performance and position during 2025/26, together with an overview of key risks and future prospects.

Independent auditor's report to the Police and Crime Commissioner for Durham and Group

Report on the audit of the financial statements

To follow

Statement of Responsibilities for the Statement of Accounts

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Police and Crime Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26. In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimates that were reasonable and prudent,
- Complied with the Local Authority Code.

The Chief Finance Officer has:

- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Finance Officer's Certificate

I certify that the accounts present a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Durham and of the Group on 31 March 2026 and of the income and expenditure for the year ended 31 March 2026.

R Allsop ACA BA Hons **Date** 30th June 2026

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

Police and Crime Commissioner's Certificate

I confirm I have approved these accounts

Joy Allen MBA MSc BA Hons **Date**

Group Comprehensive Income and Expenditure Statement for the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2026

2024/25 Gross Expenditure £'000	2024/25 Income £'000	2024/25 Net Expenditure £'000		2025/26 Gross Expenditure £'000	2025/26 Income £'000	2025/26 Net Expenditure £'000
133,918	-	133,918	Employee costs	138,163	-	138,163
29,325	-	29,325	Non employee costs	32,674	-	32,674
7,730	-	7,730	PCC costs	7,070	-	7,070
5,405	-	5,405	Capital charges	4,639	-	4,639
-	(29,549)	(29,549)	Income	-	(31,175)	(31,175)
176,378	**(29,549)**	**146,828**	**Net Cost of Services**	**182,546**	**(31,175)**	**151,372**
			Other Operating Expenditure			
28,363	(28,363)	-	Police Pension Top Up Grant	32,142	(32,142)	-
		1,488	Levies			1,768
		474	Loss/(Gain) on the Disposal of Non-current Assets			111
			Financing and Investment Income and Expenditure			
		0	Interest payable and similar charges (Note 13)			1
		59,029	Net interest on defined benefit liability (Note 29)			60,959
		(1,495)	Interest receivable and similar income (Note 13)			(1,137)
			Taxation and non-specific grant income			
		(45,628)	Ex - DCLG Formula Grant (Note 25)			(47,319)
		(57,339)	Police Grants (Note 25)			(59,473)
		(48,755)	Precepts (Note 25)			(52,044)
		(6,110)	Council Tax Support Grant (Note 25)			(6,110)
		(1,173)	Capital Grants and Contributions (Note 25)			(319)
		47,319	**Group deficit on Provision of Services**			**47,808**
		(826)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets (Note 11)			32
		(172,442)	Re-measurements of the defined benefit liability (Note 29)			(44,015)
		(173,268)	**Other Comprehensive Income and Expenditure**			**(43,983)**
		(125,949)	**Total Comprehensive Income and Expenditure**			**3,826**

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

Comprehensive Income and Expenditure Statement for the Office of the Durham Police and Crime Commissioner for the year ended 31 March 2026

2024/25 Gross Expenditure £'000	2024/25 Income £'000	2024/25 Net Expenditure £'000		2025/26 Gross Expenditure £'000	2025/26 Income £'000	202526 Net Expenditure £'000
2,943	-	2,943	Employee costs	3,233	-	3,233
4,787	-	4,787	Non employee costs	3,835	-	3,835
5,405	-	5,405	Capital charges	4,639	-	4,639
-	(15,829)	(15,829)	Income	-	(17,893)	(17,893)
-	(5,405)	(5,405)	Charge for use of assets	-	(4,639)	(4,639)
168,827	-	168,827	PCC funding for resources consumed by the CC	183,007	-	183,007
181,961	**(21,233)**	**160,728**	**Net Cost of Services**	**194,715**	**(22,532)**	**172,183**
			Other Operating Expenditure			
28,363	(28,363)	-	Police Pension Top Up Grant	32,142	(32,142)	-
		60	Levies			60
		474	Loss/(Gain) on the Disposal of Non-current Assets			111
			Financing and Investment Income and Expenditure			
		0	Interest payable and similar charges (Note 13)			1
		(1)	Net interest on defined benefit liability (Note 30)			(41)
		(1,491)	Interest receivable and similar income (Note 13)			(1,136)
			Taxation and non-specific grant income			
		(45,628)	Ex - DCLG Formula Grant (Note 25)			(47,319)
		(57,339)	Police Grants (Note 25)			(59,473)
		(48,755)	Precepts (Note 25)			(52,044)
		(6,110)	Council Tax Support Grant (Note 25)			(6,110)
		(1,173)	Capital Grants and Contributions (Note 25)			(319)
		765	**(Surplus)/Deficit on Provision of Services**			**5,912**
		(826)	(Surplus)/Deficit on revaluation of non current assets (Note 11)			32
		(97)	Re-measurements of the defined benefit liability (Note 30)			139
		(923)	**Other Comprehensive Income and Expenditure**			**171**
		(158)	**Total Comprehensive Income and Expenditure**			**6,083**

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

Current year	Police Fund Balances £'000	Earmarked Reserves £'000	Capital Grants and Contrib'ns Unapplied £'000	Capital Receipts Reserves £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2025	6,559	16,878	952	7,759	32,148	(1,104,283)	(1,072,135)
Movement in reserves during 2025/26							
Total Comprehensive Income and Expenditure	**(47,808)**	**-**	**-**	**-**	**(47,808)**	**43,983**	**(3,826)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	45,789	-	(614)	(3,219)	41,957	(41,957)	-
Earmarked Reserves movements (Note 10)	2,019	(2,019)	-	-	-	-	-
Increase/(Decrease) in year	-	(2,019)	(614)	(3,219)	(5,852)	2,026	(3,826)
Balance at 31 March 2026 carried forward	**6,559**	**14,859**	**338**	**4,540**	**26,296**	**(1,102,257)**	**(1,075,961)**
Comparative year							
Balance at 31 March 2024	6,559	14,204	2,559	8,794	32,116	(1,230,199)	(1,198,083)
Movement in reserves during 2024/25							
Total Comprehensive Income and Expenditure	**(47,319)**	**-**	**-**	**-**	**(47,319)**	**173,268**	**125,949**
Adjustments between accounting basis & funding basis under regulations (Note 9)	49,994	-	(1,607)	(1,035)	47,352	(47,352)	-
Earmarked Reserves movements (Note 10)	(2,674)	2,674	-	-	-	-	-
Increase/(Decrease) in year	**-**	**2,674**	**(1,607)**	**(1,035)**	**32**	**125,916**	**125,949**
Balance at 31 March 2025 carried forward	**6,559**	**16,878**	**952**	**7,759**	**32,148**	**(1,104,283)**	**(1,072,134)**

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

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

Current year	Police Fund Balances	Earmarked Reserves	Capital Grants and Contrib'ns Unapplied	Capital Receipts Reserves	Total Useable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	6,559	16,878	952	7,759	32,148	42,123	74,271
Movement in reserves during 2025/26							
Total Comprehensive Income and Expenditure	**(5,912)**	**-**	**-**	**-**	**(5,912)**	**(171)**	**(6,083)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,893	-	(614)	(3,219)	60	(60)	0
Earmarked Reserves movements (Note 10)	2,019	(2,019)	-	-	-	-	-
Increase/(Decrease) in year	-	(2,019)	(614)	(3,219)	(5,852)	(231)	(6,083)
Balance at 31 March 2026 carried forward	**6,559**	**14,859**	**338**	**4,540**	**26,296**	**41,892**	**68,188**
Comparative year							
Balance at 31 March 2024	6,559	14,204	2,559	8,794	32,116	41,998	74,112
Movement in reserves during 2024/25							
Total Comprehensive Income and Expenditure	**(765)**	**-**	**-**	**-**	(765)	**923**	**158**
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,440	-	(1,607)	(1,035)	798	(798)	-
Earmarked Reserves movements (Note 10)	(2,674)	2,674	-	-	-	-	-
Increase/(Decrease) in year	**-**	**2,674**	**(1,607)**	**(1,035)**	**32**	**125**	**157**
Balance at 31 March 2025	**6,559**	**16,878**	**952**	**7,759**	**32,148**	**42,123**	**74,269**

Group Balance Sheet for the Group of the Office of the Police and Crime Commissioner for Durham on 31 March 2026

31 March 2025				31 March 2026	
£'000	£'000		Notes	£'000	£'000
63,312		Property, Plant and Equipment	11	62,487	
2,062		Intangible Assets	12	3,692	
-		Long Term Debtors	13	-	
	65,374	**Total Long Term Assets**			**66,180**
2,326		Short Term Investments	13	-	
1,259		Inventories		1,114	
22,933		Short Term Debtors	14	19,147	
2,191		Cash and Cash Equivalents	15	2,418	
	28,709	**Total Current Assets**			**22,680**
-		Short Term Borrowings		-	
(23,661)		Short Term Creditors	16	(24,861)	
	(23,661)	**Total Current Liabilities**			**(24,861)**
(2,559)		Provisions	17	(2,670)	
(37)		Long term lease Liabilities		-	
-		Long Term Borrowings		-	
(1,139,960)		Pensions Liability	18	(1,137,290)	
	(1,142,556)	**Total Long Term Liabilities**			**(1,139,960)**
	(1,072,134)	**Net Assets**			**(1,075,961)**
	32,148	Usable Reserves	19		26,296
	(1,104,283)	Unusable Reserves	19		(1,102,257)
	(1,072,134)	**Total Reserves**			**(1,075,961)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories.

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

Balance Sheet for the Office of the Police and Crime Commissioner for Durham on 31 March 2026

31 March 2025				31 March 2026	
£'000	£'000		Notes	£'000	£'000
63,312		Property, Plant and Equipment	11	62,487	
2,062		Intangible Assets	12	3,692	
-		Long Term Debtors	13	-	
	65,374	**Total Long Term Assets**			**66,180**
2,326		Short Term Investments	13	-	
16,272		Short Term Debtors	14	13,637	
2,191		Cash and Cash Equivalents	15	2,418	
	20,789	**Total Current Assets**			**16,056**
-		Short Term Borrowings		-	
(11,857)		Short Term Creditors	16	(14,048)	
	(11,857)	**Total Current Liabilities**			**(14,048)**
-		Long Term Borrowings		-	
(37)		Long term lease Liabilities		-	
-		Pensions Liability	18	-	
	(37)	**Total Long Term Liabilities**			**-**
	74,270	**Net Assets**			**68,188**
	32,148	Usable Reserves	19		26,296
	42,121	Unusable Reserves	19		41,892
	74,269	**Total Reserves**			**68,188**

Cashflow Statement for the Group of the Office of the Durham Police and Crime Commissioner for the year to 31 March 2026

2024/25			2025/26	
£'000	£'000		£'000	£'000
		Cash Inflow		
112,811		Specific Grants	115,210	
45,628		Redistributed Non-Domestic Rates	47,319	
48,403		Council Tax Receipts	52,259	
36,369		Cash received for goods and services	36,727	
1,562		Interest received	1,204	
	244,773	**Cash Inflows generated from operating activities**		252,719
		Cash Outflow		
(201,582)		Cash paid to employees	(208,940)	
(0)		Interest paid	(1)	
(38,376)		Cash paid to suppliers of goods and services	(41,060)	
	(239,957)	**Cash outflows generated from operating activities**		(250,001)
	4,816	**Net cash flows from operating activities**		**2,719**
		INVESTING ACTIVITIES		
144		Proceeds from the sale of Property, Plant and Equipment	99	
(773)		Capital grants/contributions received	(74)	
(2,326)		Purchase of short term investments	-	
718		Proceeds from short term investments	2,319	
(8,308)		Purchase of Property, Plant and Equipment	(4,836)	
	(10,545)	**Net cash flows from investing activities**		(2,492)
		FINANCING ACTIVITIES		
(520)		Cash receipts of short term borrowing	-	
520		Repayments of short and long term borrowing	-	
	-	**Net cash flows from financing activities**		-
	(5,729)	**Net increase or decrease in cash and cash equivalent**		**227**
	7,920	Cash and cash equivalents at the beginning of the reporting period		2,191
		Less		
	2,191	Cash and cash equivalents at the end of the reporting period (Note 15)		2,418
	5,729			**(227)**

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

Cashflow Statement for the Office of the Police and Crime Commissioner for Durham for the year to 31 March 2026

2024/25			2025/26	
£'000	£'000		£'000	£'000
		Cash Inflow		
101,394		Specific Grants	113,686	
45,628		Redistributed Non-Domestic Rates	47,319	
48,403		Council Tax Receipts	52,259	
18,784		Cash received for goods and services	24,970	
1,562		Interest received	1,204	
	215,771	**Cash Inflows generated from operating activities**		239,438
		Cash Outflow		
(2,966)		Cash paid to employees	(3,224)	
(0)		Interest paid	(1)	
(3,402)		Cash paid to suppliers of goods and services	(3,837)	
(204,587)		Contribution from PCC to CC for Operating activities	(229,657)	
	(210,955)	**Cash outflows generated from operating activities**		(236,719)
	4,816	**Net cash flows from operating activities**		**2,719**
		INVESTING ACTIVITIES		
144		Proceeds from the sale of Property, Plant and Equipment	99	
(773)		Capital grants/contributions received	(74)	
(2,326)		Purchase of short term investments	-	
718		Proceeds from short term investments	2,319	
(8,308)		Purchase of Property, Plant and Equipment	(4,836)	
	(10,545)	**Net cash flows from investing activities**	(2,492)	(2,492)
		FINANCING ACTIVITIES		
(520)		Cash receipts of short term borrowing	-	
520		Repayments of short and long term borrowing	-	
	-	**Net cash flows from financing activities**		-
	(5,729)	**Net increase or decrease in cash and cash equivalent**		**227**
	7,920	Cash and cash equivalents at the beginning of the reporting period		2,191
		Less		
	2,191	Cash and cash equivalents at the end of the reporting period (Note 15)		2,418
	5,729			**(227)**

Notes to the Financial Statements for the Office of the Police and Crime Commissioner for Durham and for the Group for the year to 31 March 2026

1. ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the PCC's and the Group's transactions for the 2025/26 financial year and the position at the year-end of 31 March 2026. The PCC 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 19 schedule 6 of the Local Audit & Accountancy Act 2014 act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 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 22nd November 2012, Durham Police Authority was replaced by two corporation sole bodies: the Office of the Police and Crime Commissioner for Durham and the Chief Constable for Durham. Both bodies are required to prepare separate Statements of Accounts.

The Financial Statements included here represent the accounts for the PCC and also those for the Group. The financial statements cover the 12 months to 31 March 2026. The term 'Group' is used to indicate individual transactions and policies of the Office of the Police and Crime Commissioner for Durham and the Chief Constable for Durham for the year ended 31 March 2026. The identification of the Office of the Police and Crime Commissioner for Durham as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities under the Police Reform and Social Responsibility Act 2011.

1.2 Revenue and Expenditure Recognition

Since 1st 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:

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

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet,
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made,
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract,
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- There is a de minimis level of £1k for accruals.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.5 Charges to Revenue for Non-Current Assets

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

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

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

1.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service segment at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

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

Post Employment Benefits

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

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

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

The Police Pension Scheme for Police Officers

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

Injury Awards

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

The Local Government Pension Scheme

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

Aspects of the Schemes

The main aspects of both these pension schemes are:

i. The liabilities of each scheme attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees,
ii. Liabilities are discounted to their value at current prices at a rate that is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds,
iii. The attributable assets of each scheme are included in the Balance Sheet at fair value,
iv. The change in the net pensions liability for each scheme is analysed into the following components:
    - Current service cost - the increase in liabilities as a result of years of service earned this year. The current service cost is stated net of employees’ contributions, so as

to reflect the part of the total pensions liabilities that are to be funded by the Group - allocated in the Comprehensive Income and Expenditure Statement to employee costs,

- Past service costs - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement,
- Net interest on the net defined benefit liability, ie net interest expense for the Group - the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

v. Remeasurements comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
- Contributions paid to the funds - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group to the pension funds or directly to pensioners in the year, not the amount calculated in accordance with relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension funds and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

A separate statement of Police Pension Fund Accounts is prepared to reflect the transactions in respect of funding for the Police Pension Schemes. The Police Pension Fund Accounts do not take account of liabilities to pay pensions and other benefits after the period end. Details of the liabilities for retirement benefits attributable to the Group on 31 March 2025, and of the basis for assessing those liabilities, are included in Notes 29 & 30 to the Statement of Accounts.

1.7 Events after the Reporting Period

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

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

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

1.8 Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

Financial Assets Measured at Amortised Cost

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

1.9 Government Grants and Contributions

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

- The PCC will comply with the conditions attached to the payments,
- The grants or contributions will be received.

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

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

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

1.10 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted under Other Operating Expenditure in the

Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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

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

Depreciation

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

Vehicles, plant and equipment, are valued at current written down value. Annual depreciation is calculated as original cost less residual value, divided by the estimated useful life of the asset. The useful lives of vehicles vary from 3 to 5 years except for specialist vehicles. Equipment useful lives vary between 3 to 10 years depending on the type of asset. Buildings useful life vary between 0 to 65 years.

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

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

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

1.11 Intangible Assets

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

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

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

1.12 Capital De Minimis Level

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

1.13 Inventories

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

1.14 Accounting for Leases

a. Leases

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

Lease payments are apportioned between:

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

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

b. Leases

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

1.15 Overheads and Support Services

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

1.16 Provisions and contingent assets

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

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

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.17 Reserves

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

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

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

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

1.18 VAT

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

1.19 Council Tax Income

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

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

2 ACCOUNTING STANDARDS ISSUED NOT ADOPTED

In accordance with the Code, the PCC and Group shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing after 31 March 2026.

The following standards have been issued but have not yet been adopted on 31 March 2026:

a) Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024.
b) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024.
c) Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024.
d) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

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

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the PCC 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 CC as if it were a local authority from 1 April 2013.

On 1st 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 Crime and Justice Plan of the PCC and is funded by the PCC. The PCC retains all long-term assets, the major revenue streams and useable reserves. The CC holds some current assets and liabilities and unusable reserves relating to pensions and staff absences.

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

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

The Police and Crime Commissioner for Durham and Group's Statement of Accounts contains estimated figures that are based on assumptions made by the PCC about the future or that are otherwise uncertain. Estimates are made considering 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 PCC and Group's Balance Sheets on 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.142m for every year that useful lives had to be reduced.

4.2 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied. The effects of changes in individual assumptions on the total pension liability can be measured. Examples of how changes in assumptions would impact upon the Police Officer pension liability are shown in notes 29 and 30.

The CC, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them arising from the Transitional Provisions in the Police Regulations 2015. This is disclosed in more detail in Note 29.

4.3 Stage 2 Transfer on 1st April 2014

The allocation of some minor streams of income along with some associated debtors and creditors have been allocated to the CC in accordance with the governance framework. If all income was allocated to the PCC, there would be no effect on the Group accounts. However, in the PCC's accounts, the income would increase by £13.2m (£13.7m 2024/25).

5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

6 EVENTS AFTER THE REPORTING PERIOD

The Office of the Police and Crime Commissioner for Durham and Group's Statement of Accounts was authorised for issue by the Chief Finance Officer on 30th June 2026. 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 on 31 March 2026, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

The Pension Schemes Bill 2026, came into force on the 29th April 2026, the bill is expected to have a significant impact on the UK pension landscape. These changes are part of a broader effort to create a more efficient and effective pension system, ensuring that every pound saved is used to support individuals in their retirement.

While it is known there is potential for additional pension liabilities to be recognised, the impact in monetary terms is not known and it is reasonable to form the view that it is not reasonably estimable.

7 GROUP EXPENDITURE AND FUNDING ANALYSIS FOR THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR DURHAM FOR THE YEAR ENDED 31 March 2026

2024/25 Net Expenditure Chargeable to the General Fund £'000	2024/25 Adjustments between the Funding and Accounting Basis £'000	2024/25 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		2025/26 Net Expenditure Chargeable to the General Fund £'000	2025/26 Adjustments between the Funding and Accounting Basis £'000	2025/26 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
146,394	(12,476)	133,918	Employee costs	157,266	(19,103)	138,163
29,325	-	29,325	Non employee costs	32,674	-	32,674
7,742	(12)	7,730	PCC costs	7,160	(90)	7,070
1,601	3,804	5,405	Capital charges	831	3,809	4,639
(29,549)	-	(29,549)	Income	(31,175)	-	(31,175)
155,512	**(8,684)**	**146,828**	**Net Cost of Services**	**166,756**	**(15,384)**	**151,372**
-	59,029	59,029	**Pension liability costs**	-	60,959	60,959
(158,186)	(352)	(158,538)	**Other Income and Expenditure**	(164,737)	215	(164,522)
(2,674)	**49,994**	**47,319**	**Group deficit on Provision of Services**	**2,019**	**45,789**	**47,808**
(20,763)			**Opening General fund and Earmarked Reserves Balance**	(23,437)		
(2,674)			**Less deficit on General Fund and Earmarked Reserves Balance**	2,019		
(23,437)			**Closing General fund and Earmarked Reserves Balance**	(21,418)		

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

EXPENDITURE AND FUNDING ANALYSIS FOR THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR DURHAM FOR THE YEAR ENDED 31 March 2026

2024/25	2024/25	2024/25		2025/26	2025/26	202526
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
2,955	(12)	2,943	Employee costs	3,323	(90)	3,233
4,787	-	4,787	Non employee costs	3,835	-	3,835
1,600	3,804	5,405	Capital charges	830	3,809	4,638
(15,829)		(15,829)	Income	(17,893)		(17,893)
(5,404)	-	(5,405)	Charge for use of assets	(4,638)	-	(4,638)
168,827	-	168,827	PCC funding for resources consumed by the CC	183,007	-	183,007
156,935	**3,792**	**160,728**	**Net Cost of Services**	**168,464**	**3,719**	**172,183**
	(1)	(1)	**Pension liability costs**		(41)	(41)
(159,610)	(352)	(159,962)	**Other Income and Expenditure**	(166,445)	215	(166,230)
(2,674)	**3,440**	**765**	**PCC deficit/ (surplus) on Provision of Services**	**2,019**	**3,893**	**5,912**
(20,763)			**Opening General fund and Earmarked Reserves Balance**	(23,437)		
(2,674)			**Less deficit on General Fund and Earmarked Reserves Balance**	2,019		
(23,437)			**Closing General fund and Earmarked Reserves Balance**	(21,418)		

7A GROUP NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Year ended 31 March 2026 **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Employee costs	-	19,519	(415)	19,103
Non employee costs	-	-	-	-
PCC costs	-	96	(6)	90
Capital charges	(3,809)	-	-	(3,809)
Net Cost of Services	(3,809)	19,615	(422)	15,384
Pension liability costs	-	(60,959)	-	(60,959)
Other income and expenditure from the Expenditure and Funding Analysis	-	-	(215)	(215)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(3,809)	(41,344)	(636)	(45,789)

Year ended 31 March 2025 **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Employee costs	-	13,045	(569)	12,476
Non employee costs	-	-	-	-
PCC costs	-	11	1	12
Capital charges	(3,804)	-	-	(3,804)
Net Cost of Services	(3,804)	13,056	(568)	8,684
Pension liability costs	-	(59,029)		(59,029)
Other income and expenditure from the Expenditure and Funding Analysis	-	-	352	352
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(3,804)	(45,973)	(217)	(49,994)

PCC NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Year ended 31 March 2026 **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	Original Budget **Adjustments for Capital Purposes**	Actual 2025/26 **Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Employee costs	-	96	(6)	90
Non employee costs	-	-	-	-
Capital charges	(3,809)	-	-	(3,809)
Charge for the use of assets	-	-	-	-
PCC funding for resources consumed by the CC	-	-	-	-
Net Cost of Services	(3,809)	96	(6)	(3,719)
Pension liability costs	-	41	-	41
Other income and expenditure from the Expenditure and Funding Analysis	-	-	(215)	(215)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(3,809)	137	(221)	(3,893)

Year ended 31 March 2025 **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Employee costs		11	1	12
Non employee costs	-	-	-	-
Capital charges	(3,804)			(3,804)
Charge for the use of assets	-	-	-	-
PCC funding for resources consumed by the CC	-	-	-	-
Net Cost of Services	(3,804)	11	1	(3,792)
Pension liability costs	-	1	-	1
Other income and expenditure from the Expenditure and Funding Analysis	-	-	352	352
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(3,804)	12	352	3,440

7B GROUP SEGMENTAL INCOME

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

8 GROUP EXPENDITURE AND INCOME ANALYSED BY NATURE

	2024/25 £'000	2025/26 £'000
Expenditure		
Employee benefits expenses	136,861	141,398
Other services expenses	34,112	36,509
Depreciation, amortisation & impairment	5,405	4,639
Interest payments (including defined benefit liability)	59,029	60,960
Levies	1,488	1,768
Loss on the disposal of assets	474	111
Total Expenditure	237,369	245,386
Income		
Fees, charges and other service income	(29,549)	(31,175)
Interest and investment income	(1,495)	(1,137)
Precepts	(48,755)	(52,044)
Government grants and contributions	(110,250)	(113,221)
Total Income	(190,050)	(197,577)
Deficit on the Provision of Services	47,319	47,808

PCC EXPENDITURE AND INCOME ANALYSED BY NATURE

	2024/25 £'000	2025/26 £'000
Expenditure		
Employee benefits expenses	2,943	3,233
Other services expenses	173,614	186,843
Depreciation, amortisation & impairment	5,405	4,639
Interest payments (including defined benefit liability)	(1)	(40)
Levies	60	60
Loss on the disposal of assets	474	111
Total Expenditure	182,494	194,846
Income		
Fees, charges and other service income	(21,233)	(22,532)
Interest and investment income	(1,491)	(1,136)
Precepts	(48,755)	(52,044)
Government grants and contributions	(110,250)	(113,221)
Total Income	(181,729)	(188,934)
Deficit on the Provision of Services	765	5,912

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

Group

Year ended 31 March 2026	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with **statutory** requirements:						
Pension Costs *(transferred to or from the Pension Reserve)* :						
- Retirement benefits	(72,140)	-	-	-	(72,140)	72,140
- Employer's pensions contributions and direct payments to pensioners payable in the year	30,796	-	-	-	30,796	(30,796)
Council tax *(transferred to or from the Collection Fund)*	(215)	-	-	-	(215)	215
Holiday Pay *(transferred to the Accumulated Absences Reserve)*	(422)	-	-	-	(422)	422
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure *(these items are charged to the Capital Adjustment Account):*						
- Charges for depreciation and amortisation of non-current assets	(4,561)	-	-	-	(4,561)	4,561
- Charges for impairment of non-current assets	(78)	-	-	-	(78)	78
- Amounts of non-current assets written off on disposal	(209)	-	-	-	(209)	209
- Capital grants and contributions unapplied	319	-	(319)	-	-	-
Total Adjustments to Revenue Resources	(46,510)	-	(319)	-	(46,829)	46,829
Adjustments between Revenue & Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	99	(99)	-		-	-
Statutory provision for repayment of debt	622	-	-	-	622	(622)
Capital expenditure financed from revenue balances					-	-
Total Adjustments between Revenue & Capital Resources	721	(99)	-	-	622	(622)
Adjustments to Capital Resources						
Use of reserves to finance capital expenditure	-	-	-	-	-	-
Application of Capital grants and contributions to finance capital expenditure	-	3,318	933	-	4,251	(4,251)
Cash Payments in relation to Deferred Capital Receipts	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	3,318	933	-	4,251	(4,251)
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	**(45,789)**	**3,219**	**614**	**-**	**(41,957)**	**41,957**

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

Group

Year ended 31 March 2025	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with **statutory** requirements:						
Pension Costs *(transferred to or from the Pension Reserve)* :						
- Retirement benefits	(75,314)	-	-	-	(75,314)	75,314
- Employer's pensions contributions and direct payments to pensioners payable in the year	29,341	-	-	-	29,341	(29,341)
Council tax *(transferred to or from the Collection Fund)*	352	-	-	-	352	(352)
Holiday Pay *(transferred to the Accumulated Absences Reserve)*	(568)	-	-	-	(568)	568
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure *(these items are charged to the Capital Adjustment Account)* :						
- Charges for depreciation and amortisation of non-current assets	(4,766)	-	-	-	(4,766)	4,766
- Charges for impairment of non-current assets	(639)	-	-	-	(639)	639
- Amounts of non-current assets written off on disposal	(610)	-	-	-	(610)	610
- Capital grants and contributions unapplied	1,173	-	(932)	(241)	-	-
Total Adjustments to Revenue Resources	(51,032)	-	(932)	(241)	(52,205)	52,205
Adjustments between Revenue & Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	136	(136)	-	-	-	-
Statutory provision for repayment of debt	370	-	-	-	370	(370)
Capital expenditure financed from revenue balances		-		-	-	-
Total Adjustments between Revenue & Capital Resources	506	(136)	-	-	370	(370)
Adjustments to Capital Resources						
Use of reserves to finance capital expenditure	532	-	-	-	532	(532)
Application of Capital grants and contributions to finance capital expenditure	-	1,809	2,470	311	4,589	(4,589)
Cash Payments in relation to Deferred Capital Receipts	-	(638)	-	-	(638)	638
Total Adjustments to Capital Resources	532	1,171	2,470	311	4,483	(4,483)
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	**(49,994)**	**1,035**	**1,538**	**70**	**(47,352)**	**47,352**

PCC

Year ended 31 March 2026	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension Costs *(transferred to or from the Pension Reserve)* :						
- Retirement benefits	(170)	-	-	-	(170)	170
- Employer's pensions contributions and direct payments to pensioners payable in the year	307	-	-	-	307	(307)
Council tax *(transferred to or from the Collection Fund)*	(215)	-	-	-	(215)	215
Holiday Pay *(transferred to the Accumulated Absences Reserve)*	(6)	-	-	-	(6)	6
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure *(these items are charged to the Capital Adjustment Account):*						
- Charges for depreciation and amortisation of non-current assets	(4,561)	-	-	-	(4,561)	4,561
- Charges for impairment of non-current assets	(78)	-	-	-	(78)	78
- Amounts of non-current assets written off on disposal	(209)	-	-	-	(209)	209
- Capital grants and contributions unapplied	319	-	(319)	-	-	-)
Total Adjustments to Revenue Resources	(4,614)	-	(319)	-	(4,933)	4,933
Adjustments between Revenue & Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	99	(99)	-	-	-	-
Statutory provision for repayment of debt	622	-	-	-	622	(622)
Capital expenditure financed from revenue balances	-	-	-	-	-	-
Total Adjustments between Revenue & Capital Resources	721	(99)	-	-	622	(622)
Adjustments to Capital Resources						
Use of reserves to finance capital expenditure	-	-	-	-	-	-
Application of Capital grants and contributions to finance capital expenditure	-	3,318	933	-	4,251	(4,251)
Cash Payments in relation to Deferred Capital Receipts	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	3,318	933	-	4,251	(4,251)
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	**(3,893)**	**3,219**	**614**	**-**	**(60)**	**60**

Year ended 31 March 2025	USABLE RESERVES					
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Capital Contribution Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with **statutory** requirements:						
Pension Costs *(transferred to or from the Pension Reserve)* :						
- Retirement benefits	(284)	-	-	-	(284)	284
- Employer's pensions contributions and direct payments to pensioners payable in the year	296	-	-	-	296	(296)
Council tax *(transferred to or from the Collection Fund)*	352	-	-	-	352	(352)
Holiday Pay *(transferred to the Accumulated Absences Reserve)*	1	-	-	-	1	(1)
Reversal of entries included in the Surplus and Deficit on the provision of services in relation to Capital Expenditure *(these items are charged to the Capital Adjustment Account):*						
- Charges for depreciation and amortisation of non-current assets	(4,766)	-	-	-	(4,766)	4,766
- Charges for impairment of non-current assets	(639)	-	-	-	(639)	639
- Amounts of non-current assets written off on disposal	(610)	-	-	-	(610)	610
- Capital grants and contributions unapplied	1,173	-	(932)	(241)	-	-
Total Adjustments to Revenue Resources	(4,477)	-	(932)	(241)	(5,651)	5,651
Adjustments between Revenue & Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	136	(136)	-	-	-	-
Statutory provision for repayment of debt	370	-	-	-	370	(370)
Capital expenditure financed from revenue balances					-	-
Total Adjustments between Revenue & Capital Resources	506	(136)	-	-	370	(370)
Adjustments to Capital Resources						
Use of reserves to finance capital expenditure	532				532	(532)
Application of Capital grants and contributions to finance capital expenditure	-	1,809	2,470	311	4,589	(4,589)
Cash Payments in relation to Deferred Capital Receipts	-	(638)	-	-	(638)	638
Total Adjustments to Capital Resources	532	1,171	2,470	311	4,483	(4,483)
TOTAL ADJUSTMENTS (Movement in Reserves Statement)	**(3,440)**	**1,035**	**1,538**	**70**	**(798)**	**798**

10 TRANSFERS TO/FROM EARMARKED RESERVES

Group and PCC

	Balance at 31 March 2024	Transfers In 2024/25	Transfers Out 2024/25	Balance at 31 March 2025	Transfers In 2025/26	Transfers Out 2025/26	Balance at 31 March 2026
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Capital Modernisation	-	-	-	-	-	-	-
Collaboration reserves	(402)	-	8	(394)	(319)	-	(713)
Revenue Grants Unapplied	(1,291)	(1,118)	1,020	(1,389)	(188)	-	(1,577)
Road Safety Initiative Management	(527)	-	-	(527)	-	-	(527)
Estates	(2,250)	-	-	(2,250)	-	-	(2,250)
Court Forfeiture	(255)	(255)	255	(255)	-	-	(255)
POCA	(322)	(322)	322	(322)	-	50	(272)
Covid Funding	(971)	-	-	(971)	-	971	(0)
Uplift Reserve	(1,200)	-	-	(1,200)	-	1,200	-
Police and Crime Commissioner	(1,197)	(50)	-	(1,247)	(506)	-	(1,753)
PCC Community Safety Reserve	(1,902)	(1,975)	2,127	(1,750)	-	-	(1,750)
Sustainability	(2,000)	-	-	(2,000)	-	-	(2,000)
Data Analytics	(1,817)	-	-	(1,817)	-	-	(1,817)
Financial Resilience	-	(2,686)	-	(2,686)	-	811	(1,875)
PCC Strategic Communications and Technology Reserve	(70)	-	-	(70)	-	-	(70)
	(14,204)	**(6,406)**	**3,732**	**(16,878)**	**(1,013)**	**3,031**	**(14,859)**

Revenue Reserve Purposes

Collaboration Reserves: To meet costs associated with the following reserves:

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

Revenue Grants Unapplied Account: To meet costs identified but not to be incurred until later years.

Road Safety Initiative Management Reserve: To meet the administration of future road casualty reduction initiatives.

Estates: To meet future estates costs.

Court Forfeiture Reserve: Reserve created from underspends on forfeiture funds that will be utilised in future years

Proceeds of Crime Act (POCA): Created by funds received under POCA that were not utilised in the current year but will be used in future years.

Covid Funding: To meet the ongoing expenses of the Covid pandemic in future years.

Uplift Reserve: To cover uplift costs delayed by the Covid pandemic.

Police and Crime Commissioner Reserve: To meet costs identified but not to be incurred until later years.

PCC Community Safety Reserve: To meet the objectives of the Police Crime and Victims' Commissioner in relation to reducing harm in the community.
Sustainability Reserve: Reserve created to fund future sustainability projects.
Data Analytics: To fund investment to improve the collection, quality and analysis of data.
Financial Resilience: To help manage future financial risk.
PCC ICT Reserve: To meet costs identified but not to be incurred until later years.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Vehicles, Plant & Equipment	Right of Use IFRS16	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2025	52,034	28,997	275	2,473	83,779
Additions	1,379	1,832	-	528	3,739
Acc Dep & Imp WO to GCA	(2,660)	-	-	-	(2,660)
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	(32)	-	-	-	(32)
Revaluations increases/ (decreases) recognised in the Surplus /Deficit on the Provision of Services	(284)	-	-	-	(284)
Derecognition - Disposals	-	(794)	-	-	(794)
Derecognition - Other	-	-	-	-	-
Other movement in cost or valuation	-	1,780	-	(1,780)	-
At 31 March 2026	**50,437**	**31,814**	**275**	**1,221**	**83,747**
Accumulated Depreciation and					
At 1 April 2025	(1,654)	(18,602)	(7)	(203)	(20,466)
Depreciation charge	(1,007)	(3,024)	(8)	-	(4,039)
Acc. Depreciation WO to GCA	2,156	-	-	-	2,156
Acc. Impairment WO to GCA	505	-	-	-	505
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition - Disposals	-	584	-	-	584
Derecognition - Other	-	-	-	-	-
Other movements in	-	(193)	-	193	-
At 31 March 2026	**-**	**(21,235)**	**(15)**	**(10)**	**(21,260)**
Net Book Value					
At 31 March 2026	**50,437**	**10,579**	**260**	**1,211**	**62,487**
At 31 March 2025	**50,380**	**10,395**	**268**	**2,270**	**63,313**

Capital Commitments

On 31 March 2026, the PCC was contractually committed to capital works which are budgeted to cost £4.177m (on 31 March 2025 the figure was £1.881m).

Comparative figures for 2024/25 are as follows:

	Buildings	Vehicles, Plant & Equipment	Right of Use IFRS16	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2024	23,982	31,604		28,074	83,660
Additions	266	2,232	275	4,924	7,698
Acc Dep & Imp WO to GCA	(360)	-	-	-	(360)
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	1,043	-	-	-	1,043
Revaluations increases/ (decreases)	(658)				(658)
Derecognition - Disposals		(7,602)		-	(7,602)
Derecognition - Other	-	-	-	-	-
Other movement in cost or valuation	27,762	2,763	-	(30,525)	-
At 31 March 2025	**52,034**	**28,997**	**275**	**2,473**	**83,780**
Accumulated Depreciation and					
At 1 April 2024	(776)	(22,540)		(67)	(23,383)
Depreciation charge	(972)	(2,873)	(7)	(335)	(4,188)
Acc. Depreciation WO to GCA	274	-	-	-	274
Acc. Impairment WO to GCA	86	-	-		86
Impairment Losses/(Reversals)	(216)				(216)
Impairment losses recognised in the	(50)				(50)
Derecognition - Disposals	-	7,010		-	7,010
Derecognition - Other	-	-	-	-	-
Other movements in depreciation		(199)	-	199	-
At 31 March 2025	**(1,654)**	**(18,602)**	**(7)**	**(203)**	**(20,467)**
Net Book Value					
At 31 March 2025	**50,380**	**10,394**	**268**	**2,270**	**63,312**
At 31 March 2024	**23,206**	**9,065**	**-**	**28,007**	**60,278**

Revaluations

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years, with annual indexation applied to assets during the four intervening years.

For 2025/26, annual indexation has been applied to assets not subject to a full revaluation during the year, using the appropriate indices shown in the table below. The resulting movement in asset values overall is not material to the financial statements but has been recognised in accordance with the code.

Index	Avg Change %	Valuation Change £'000
BCIS - Specialist Building Assets	2.76%	859
MSCI UK Annual Property Index - Office	-8.80%	(1,284)
MSCI UK Annual Property Index - Industrial	2.60%	109
Total Indexation applied in 2025-26	**-1.15%**	**(316)**

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Right of Use IFRS 16 £'000	Total £'000
Carried at Historical Cost	-	31,814	275	**32,089**
Valued at Current Value as at :				
31 March 2026	-	-	-	**-**
31 March 2025	28,053	-	-	**28,053**
31 March 2024	22,700	-	-	**22,700**
31 March 2023	-	-	-	**-**
31 March 2022	-	-	-	**-**
Indexation applied to valuations above	(316)	-	-	**(316)**
	50,437	**31,814**	**275**	**82,526**

12 INTANGIBLE ASSETS

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

	£'000
Gross carrying amount at 31 March 2025	7,539
Accumulated amortisation	(5,477)
Net carrying amount at 31 March 2025	**2,062**
Additions	2,153
Disposals	-
Amortisation	(523)
Accumulated Amortisation on disposals	-
Other Movements	-
Net carrying amount at 31 March 2026	**3,692**
Comprising	
Gross carrying amount	**9,692**
Accumulated amortisation	**(6,000)**

Comparative figures for 2024/25

	£'000
Gross carrying amount at 31 March 2024	7,460
Accumulated amortisation	(5,968)
Net carrying amount at 31 March 2024	**1,492**
Additions	1,165
Disposals	(17)
Amortisation	(578)
Accumulated Amortisation on disposals	0
Other Movements	-
Net carrying amount at 31 March 2025	**2,062**
Comprising	
Gross carrying amount	**7,539**
Accumulated amortisation	**(5,477)**

13 FINANCIAL INSTRUMENTS

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

Financial Assets

	Non Current Group		Current Group				Total
	Debtors		Investments		Debtors		
	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	-	-	4,517	2,418	14,262	10,826	13,245
Total financial assets	-	-	4,517	2,418	14,262	10,826	13,245
Non-financial assets	-	-	-	-	8,671	8,321	8,321
Total	-	**-**	**4,517**	**2,418**	**22,933**	**19,147**	**21,566**

	Non Current PCC		Current PCC				Total
	Debtors		Investments		Debtors		
	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	-	-	4,517	2,418	11,485	8,561	10,980
Total financial assets	-	-	4,517	2,418	11,485	8,561	10,980
Non-financial assets	-	-	-	-	4,788	5,077	5,077
Total	-	**-**	**4,517**	**2,418**	**16,273**	**13,638**	**16,057**

Financial Liabilities

	Current Creditors	
	Group	
	31 March 2025	31 March 2026
	£'000	£'000
Amortised Cost	16,001	15,637
Total financial liabilities	16,001	15,637
Non-financial liabilities	7,660	9,225
Total	**23,661**	**24,861**

	Current Creditors	
	PCC	
	31 March 2025	31 March 2026
	£'000	£'000
Amortised Cost	7,519	8,945
Total financial liabilities	7,519	8,945
Non-financial liabilities	4,338	5,102
Total	**11,857**	**14,048**

Income, Expense, Gains and Losses

	Group & PCC	Group & PCC
	2024/25	2025/26
	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	(1,495)	(1,137)
Total interest revenue	(1,495)	(1,137)
Interest Expense	-	1
Total fee expense	-	1

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

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

There has been no change in the valuation technique used during the year for the financial instruments.

The liquidity risk is that the financial assets are not received, the Group has a robust credit control process that is monitored closely and so debt write offs are rare. All debt write offs must be authorised by the Chief Finance Officer. The level of financial impairment has not changed significantly over the 12 months. The impairment amount is disclosed in note 14. A large proportion of the assets are due from other public bodies who do not typically represent a payment risk. For other bodies, unless they are an existing customer, payment is usually requested in advance of the goods or services being provided. The extent of the risk is the carrying value.

The credit risk is that the Group does not discharge the amounts it owes which could impact upon the Group's credit rating. Third payment terms are adhered to and would only not be met if goods or services were in dispute. The aged creditor report is reviewed regularly to ensure payments are made within the terms. The extent of the risk is the carrying value.

There is no market risk as all are valued at amortised cost.

Financial Liabilities

	Group		Group	
	2024/25		2025/26	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(16,001)	(16,001)	(15,637)	(15,637)
Total Financial Liabilities	(16,001)	(16,001)	(15,637)	(15,637)

	PCC		PCC	
	2024/25		2025/26	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Creditors held at amortised cost	(7,519)	(7,519)	(8,945)	(8,945)
Total Financial Liabilities	(7,519)	(7,519)	(8,945)	(8,945)

Financial Assets – Loans and receivables

	Group		Group	
	2024/25		2025/26	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,191	2,191	2,418	2,418
Short term investments	2,326	2,326	-	-
Receivables held at amortised cost	14,262	14,262	10,826	10,826
Long term debtors	-	-	-	-
Total Financial Assets	18,779	18,779	13,245	13,245

	PCC		PCC	
	2024/25		2025/26	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,191	2,191	2,418	2,418
Short term investments	2,326	2,326	-	-
Receivables held at amortised cost	11,485	11,485	8,561	8,561
Long term debtors	-	-	-	-
Total Financial Assets	16,002	16,002	10,980	10,980

14 DEBTORS

	Group		PCC	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
Trade receivables	6,952	5,524	4,196	3,262
Prepayments	2,277	2,907	63	44
Other receivable amounts				
Council tax	7,085	7,582	7,085	7,582
Other	9,826	6,138	7,996	5,594
Less:Impairment Allowance				
Council tax	(3,068)	(2,843)	(3,068)	(2,843)
Trade receivables	(139)	(160)	-	-
Total debtors	22,933	19,147	16,273	13,638

15 CASH AND CASH EQUIVALENTS

	Group and PCC	
	31 March 2025	31 March 2026
	£'000	£'000
Cash held by the Commissioner	42	30
Bank current accounts	2,150	2,388
Short term deposits	0	-
Total Cash and Cash Equivalents	2,191	2,418

16 CREDITORS

	Group		PCC	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
Trade payables	7,060	5,681	2,354	2,680
Other payables	16,601	19,180	9,503	11,368
Total creditors	23,661	24,861	11,857	14,048

17 PROVISIONS

	Group		
	Insurance	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2025	591	1,967	2,559
Increase/ (decrease) during the year	1,435	(1,324)	111
Balance at 31 March 2026	2,026	643	2,670

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 CC. All other provisions are individually insignificant.

18 PENSIONS LIABILITY

	Group		PCC	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
Police Pension Scheme liability	1,139,880	1,137,230	-	-
Local Government Pension Scheme liability	80	60	-	-
Total liability	1,139,960	1,137,290	-	-

19 RESERVES

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

Group

Reserve	1 April 2025	Net Movement in year	31 March 2026	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
Police Fund	6,559	-	6,559	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	7,759	(3,219)	4,541	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	951	(614)	337	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	-	-	-	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	16,878	(2,019)	14,859	Note 10	Note 10
TOTAL USABLE RESERVES	**32,148**	**(5,852)**	**26,296**		
UNUSABLE RESERVES					
Capital Adjustment Account	33,708	301	34,009	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	8,425	(309)	8,116	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	0	-	0	Capital receipt not yet received	
Pensions Reserve (IAS 19)	(1,139,958)	2,670	(1,137,288)	Account to allow inclusion of pensions liability in the balance sheet	Note 29
Accumulated Absences Account	(6,502)	(423)	(6,925)	Account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	45	(215)	(170)	Shows relationship between the PCC and Billing Authorities	
TOTAL UNUSABLE RESERVES	**(1,104,282)**	**2,025**	**(1,102,257)**		
TOTAL RESERVES	**(1,072,134)**	**(3,827)**	**(1,075,961)**		

Reserve	1 April 2024	Net Movement in year	31 March 2025	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
Police Fund	6,559	0	6,559	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	8,794	(1,035)	7,759	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	2,489	(1,538)	951	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	70	(70)	0	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	14,204	2,674	16,878	Note 10	Note 10
TOTAL USABLE RESERVES	**32,116**	**32**	**32,148**		
UNUSABLE RESERVES					
Capital Adjustment Account	33,752	(44)	33,708	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	8,078	347	8,425	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	638	(638)	0	Capital receipt not yet received	
Pensions Reserve (IAS 19)	(1,266,427)	126,469	(1,139,958)	Account to allow inclusion of pensions liability in the balance sheet	Note 29
Accumulated Absences Account	(5,933)	(569)	(6,502)	Account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	(307)	352	45	Shows relationship between the PCC and Billing Authorities	
TOTAL UNUSABLE RESERVES	**(1,230,199)**	**125,916**	**(1,104,283)**		
TOTAL RESERVES	**(1,198,083)**	**125,949**	**(1,072,134)**		

PCC

Reserve	1 April 2025	Net Movement in year	31 March 2026	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
Police Fund	6,559	-	6,559	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	7,759	(3,219)	4,540	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	951	(614)	337	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	-	-	-	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	16,878	(2,019)	14,860	Note 10	Note 10
TOTAL USABLE RESERVES	**32,147**	**(5,852)**	**26,296**		
UNUSABLE RESERVES					
Capital Adjustment Account	33,708	301	34,009	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	8,425	(309)	8,116	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	-	-	-	Capital receipt not yet received	
Pensions Reserve (IAS 19)	-	-	-	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 30
Accumulated Absences Account	(56)	(6)	(63)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	45	(215)	(170)	Shows relationship between the PCC and Billing Authorities	
TOTAL UNUSABLE RESERVES	**42,122**	**(229)**	**41,892**		
TOTAL RESERVES	**74,269**	**(6,081)**	**68,188**		

Reserve	1 April 2024	Net Movement in year	31 March 2025	Purpose of Reserve	Further details of movement
	£'000	£'000	£'000		
USABLE RESERVES					
Police Fund	6,559	-	6,559	Resources available to meet future running costs	Statement of Movement in Reserves
Usable Capital Receipts	8,794	(1,035)	7,759	Proceeds of fixed asset sales available to meet future capital investment	Statement of Movement in Reserves
Capital Grants Unapplied	2,489	(1,538)	951	Capital grants not yet applied to capital investment	Statement of Movement in Reserves
Capital Contributions Unapplied	70	(70)	-	Capital contributions not yet applied to capital investment	Statement of Movement in Reserves
Earmarked Reserves	14,204	2,674	16,878	Note 10	Note 10
TOTAL USABLE RESERVES	**32,116**	**32**	**32,148**		
UNUSABLE RESERVES					
Capital Adjustment Account	33,752	(44)	33,708	Store of capital resources set aside to meet past expenditure	See below
Revaluation Reserve	8,078	347	8,425	Gains on revaluation of fixed assets	See below
Deferred capital receipt reserve	638	(638)	-	Capital receipt not yet received	
Pensions Reserve (IAS 19)	(109)	109	0	Balancing account to allow inclusion of pensions liability in the balance sheet	Note 30
Accumulated Absences Account	(57)	1	(56)	Balancing account to allow inclusion of police officers and other employees liability in the balance sheet	
Council Tax Adjustment Account	(307)	352	45	Shows relationship between the PCC and Billing Authorities	
TOTAL UNUSABLE RESERVES	**41,996**	**126**	**42,121**		
TOTAL RESERVES	**74,112**	**158**	**74,269**		

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	Group and PCC	
	31-March 2025	31-March 2026
	£'000	£'000
Balance at 1 April	8,078	8,425
Upward Revaluation of Assets	1,042	878
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(216)	(910)
Difference between fair value depreciation and historical cost depreciation	(479)	(277)
Accumulated gains on assets sold or scrapped	-	-
Balance at 31 March	**8,425**	**8,116**

Capital Adjustment Account

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

	Group and PCC	
	31 March 2025	31 March 2026
	£'000	£'000
Balance at 1 April	33,752	33,708
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets and Amortisation of intangible assets	(4,816)	(4,561)
Revaluation losses on Plant Property and Equipment	(658)	(284)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(610)	(209)
Movement in value of liabilities relating to finance leases	69	206
Adjusting amounts written out of the revaluation Reserve	479	277
Capital Financing applied in the year		
Use of Capital Receipts to finance new Capital Expenditure	-	3,318
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,513	892
Application of grants to capital financing from the Capital Grants Unapplied Account	2,077	42
Statutory provision for the financing of capital investment charged against the General Fund	370	622
Capital Expenditure charged against the General Fund	-	-
Use of Reserves	532	-
Balance at 31 March	33,708	34,009

Deferred Capital Receipts Reserve

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

	Group and PCC	
	31 March 2025	**31 March 2026**
	£'000	£'000
Balance at 1 April	638	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(638)	-
Balance at 31 March	-	-

General Reserve

The net accumulated unapplied General Reserve balance is £6.559m and this represents 4.1% of the 2025/26 Budget Requirement. The corresponding balance on 31 March 2025 was £6.559M.

20 PROCEEDS OF CRIME ACT 2002

The PCC has a separate bank account for temporarily holding third party funds seized as suspected proceeds of crime in relation to the Proceeds of Crime Act 2002. On 31 March 2025 the balance on this account was £1,866,580 (£1,389,819 on 31 March 2025). This balance is not included in the Financial Statements.

During 2025/26 the PCC received £207,000 from the Home Office through the Proceeds of Crime "Incentivisation Fund" (£467,918 in 2024/25).

The PCC administers the Delivery Landscape Reform Programme on behalf of the Home Office. The income, expenditure and balances are not reflected in the financial statements. The cash balance held as at 31 March 2026 was £2,681,062 (£2,674,408 as at 31 March 2025).

21 REGIONAL COLLABORATION

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

- **Cleveland and Durham Fingerprint Bureau (CDFB)**
  Contribution for 2025/26 was £463,922 (£445,203 in 2024/25). Durham's proportionate share is 50% as set out in the collaborative agreement.

- **Forensic Collision Investigation (FCI)**

Contribution for 2025/26 was £576,850 (£531,399 in 2024/25). Durham's proportionate share is 50% as set out in the collaborative agreement.

- **Tactical Training Centre (TTC)**
  Contribution for 2025/26 was £662,333 at 50% (2024/25 was £623,650), 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 2025/26 was 22.81%

	31 March 2025	**31 March 2026**
	£'000	**£'000**
Employees	17,863	19,843
Premises	511	481
Transport	492	501
Supplies and Services	1,528	1,234
Gross Expenditure	20,394	22,059
Funded by :-		
Income	(7,004)	(9,210)
The Office of the Police and Crime Commissioner for Durham	(3,042)	(3,258)
The Police and Crime Commissioner for Cleveland	(3,252)	(3,440)
The Police and Crime Commissioner for Northumbria	(7,087)	(7,588)
Contribution to/(from) Reserves	(9)	1,437
	-	-

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%

22 MEMBERS' ALLOWANCES

Expenses of £4,557 were paid in the year ending 31 March 2026 to the members of the Police and Crime Panel and the Joint Audit Committee (£5,705 in the year to 31 March 2025).

23 OFFICERS' REMUNERATION

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

31 March 2026	Salary	Benefits in kind	Allowances / Other	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - J Allen	76,123	2,345	-	10,816	89,285
Deputy Police and Crime Commissioner	59,376	-	-	9,619	68,995
Chief Constable - R Bacon	184,752	-	-	65,217	249,969
Deputy Chief Constable	154,854	-	2,403	53,815	211,072
Assistant Chief Constable	133,069	-	-	46,973	180,043
Assistant Chief Constable	129,761	61,514	-	45,806	237,081
Assistant Chief Officer	131,331	-	4,803	21,276	157,409
Chief of Staff	84,170	-	-	13,636	97,806
PCC Chief Finance Officer	57,347	-	-	8,488	65,835

31 March 2025	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - J Allen	73,300	707	-	11,243	85,250
Deputy Police and Crime Commissioner from 05/08/2024	37,501	-	-	6,075	43,576
Chief Constable - R Bacon	171,622	82,281	-	60,583	314,486
Deouty Chief Constable	141,793	-	2,403	50,053	194,250
Assistant Chief Constable up to 12/06/2024	25,859	-	-	9,128	34,987
Assistant Chief Constable	119,833	-	-	42,301	162,134
Assistant Chief Constable from 01/06/2024	99,042	37,694	-	34,962	171,697
Assistant Chief Constable fom 24/02/2025	10,525	-	388	3,579	14,492
Assistant Chief Officer	110,793	-	1,601	17,948	130,342
Chief of Staff	80,605	-	-	13,058	93,663
PCC Chief Finance Officer from 02/04/2024	44,804	-	-	7,258	52,061

The 2024-25 remuneration has been restated to include benefit in kind not previously included.

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

Remuneration Band	Number of Employees	
	2024/25	2025/26
£50,000 - £54,999	256	267
£55,000 - £59,999	176	209
£60,000 - £64,999	107	108
£65,000 - £69,999	82	109
£70,000 - £74,999	8	38
£75,000 - £79,999	7	9
£80,000 - £84,999	8	6
£85,000 - £89,999	8	7
£90,000 - £94,999	7	2
£95,000 - £99,999	1	2
£100,000 - £104,999	-	2
£105,000 - £109,999	2	3
£110,000 - £114,999	1	1

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

31 March 2026	Salary	Benefits in kind	Allowances /Other	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - J Allen	76,123	2,345	-	10,816	89,285
Deputy Police and Crime Commissioner	59,376	-	-	9,619	68,995
Chief of Staff	84,170	-	-	13,636	97,806
PCC Chief Finance Officer	57,347	-	-	9,290	66,637

31 March 2025	Salary	Benefits in kind	Allowances	Employers Pension Contributions	Total
	£	£	£	£	£
Police and Crime Commissioner - J Allen	73,300	707	-	11,243	85,250
Deputy Police and Crime Commissioner from 05/08/2024	37,501	-	-	6,075	43,576
Chief of Staff	80,605	-	-	13,058	93,663
PCC Chief Finance Officer from 02/04/2024	44,804	-	-	7,258	52,062

The PCC'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	
	2024/25	2025/26
£50,000 - £54,999	1	1
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	3	1
£70,000 - £74,999	-	1

Group

There were no exit packages for the group during 2025/26 or 2024/25.

PCC

There were no exit packages for the PCC during 2025/26 or 2024/25.

24 EXTERNAL AUDIT COSTS

	Group		PCC	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	181	181	120	120

25 GRANT INCOME

The Group and PCC credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2025/26.

	Group	
	2024/25	**2025/26**
Credited to Taxation and Non-Specific Grant Income	**£'000**	**£'000**
Police Grant	57,339	59,473
Ex - DCLG Formula Grant	45,628	47,319
Precepts	48,755	52,044
Retirement Benefits Grant	28,363	32,142
Council Tax Support Grant	6,110	6,110
Capital Grants	1,173	319
	187,368	197,408
Credited to Services		
Other	18,224	18,862
	18,224	18,862

	PCC	
	2024/25	**2025/26**
Credited to Taxation and Non-Specific Grant Income	**£'000**	**£'000**
Police Grant	57,339	59,473
Ex - DCLG Formula Grant	45,628	47,319
Precepts	48,755	52,044
Retirement Benefits Grant	28,363	32,142
Council Tax Support Grant	6,110	6,110
Capital Grants	1,173	319
	187,368	197,408
Credited to Services		
Other	15,795	17,337
	15,795	17,337

26 RELATED PARTIES

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

The Chief Constable is considered to be a related party of the Police and Crime Commissioner due to the statutory relationship between the two corporations sole and the nature of the financial transactions between them.

Central Government

Central government has effective control over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Grants received from Government departments are included within the Comprehensive Income and Expenditure Statement. An analysis of government grants is shown above in Note 25.

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

Precepts	Group and PCC	
	Receipts	
	2024/25	2025/26
	£'000	£'000
Durham County Council	39,048	42,185
Darlington Borough Council	9,355	10,074
	48,403	52,259

On 31 March 2026, Durham County Council was owed £3,268,133by the Group in respect of the Collection Fund and owed the Group £3,788,452 in respect of amounts due from council taxpayers.

On 31 March 2026, Darlington Borough Council was owed £976,019 by the Group in respect of the Collection Fund and owed the Group £950,192 in respect of amounts due from council taxpayers.

Durham County Council (DCC) provides some financial services to the Group at a cost of £86,195, various safeguarding and community safety services at a cost of £1,0441,099. Darlington Borough Council also provided various safeguarding and community safety services at a cost of £275,816.

27 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

The requirement has increased from £32,984 to £34,003 as follows:

	Group and PCC	
	2024/25	2025/26
	£'000	£'000
Opening Capital Financing Requirement	**29,081**	**32,984**
Capital Investment		
Property, Plant and Equipment	7,698	3,739
Intangible Assets	1,165	2,153
Sources of Finance		
Government Grants and Contributions	(4,590)	(933)
Sums set aside from revenue:		
Capital Expenditure charged against the General Fund	-	-
Capital Receipts	-	(3,318)
MRP	(370)	(622)
Closing Capital Financing Requirement	**32,984**	**34,003**
Explanation of movements in the year		
(Reduction)/Increase in underlying need to borrow	3,903	1,019
(Decrease)/Increase in Capital Financing Requirement	**3,903**	**1,019**

28 LEASES

	Net Book Value at 1 April 2025	Adjustments on transition to IFRS 16	Additions / (Disposals) in year	Depreciation in year	Net Book Value at 31 March 2026
Land and Buildings	268	0	0	-8	260
Vehicles, Plant & Equipment	0	0	0	0	0
Total	**268**	**0**	**0**	**-8**	**260**

29 GROUP - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Group participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Durham County Council – this is a funded defined benefit scheme, meaning that the 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 scheme meaning that there are no investment assets built up to meet the pensions

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

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

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

Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Police Pension Scheme	
	2024/25	2025/26	2024/25	2025/26
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement (CIES)				
Net Cost of Service				
Current service cost	5,905	3,948	10,060	6,870
Past service cost	-	233	320	130
Finance and Investment Income and Expenditure				-
Net Interest Expense	(1)	(2,071)	59,030	63,030
Total post employment benefit charged to provision of services	5,904	2,110	69,410	70,030
Other post employment benefit charged to the CIES				
Remeasurement of net defined benefit comprising of:				
Return on plan assets	5,791	(11,802)	(28,690)	(32,372)
Actuarial gain/loss from changes in demographic assumptions	(1,444)	297	(1,950)	-
Actuarial gain/loss from changes in financial assumptions	(39,734)	(2,748)	(139,600)	(38,810)
Other:	286	15,886	470	22,670
Adjustment gain /loss due to restriction surplus	32,429	2,864	-	-
Net Charge to the CIES	3,232	6,607	(100,360)	21,518
Movement in the Reserves Statement				
Reversal of net charges made for retirement benefits accordance with IAS19	(5,904)	(2,110)	(69,410)	(70,030)
Actual amount charged against the General Fund Balance for pensions the year				
Employer's contributions payable to scheme	6,170	6,598	21,634	22,530
Retirement benefits payable to pensioners	31	30	1,506	1,638

Reconciliation of the present value of the liabilities in the scheme

2024/25						2025/26				
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**
(1,102,450)	(23,120)	(22,460)	(115,350)	(1,263,380)	Opening present value of liabilities	(986,890)	(19,830)	(19,020)	(114,140)	(1,139,880)
(470)	(350)	-	(9,240)	(10,060)	Current service cost	(350)	(300)	-	(6,220)	(6,870)
(51,030)	(1,070)	(1,060)	(5,870)	(59,030)	Interest cost	(54,040)	(1,080)	(1,070)	(6,840)	(63,030)
-	-	-	(7,990)	(7,990)	Contributions by participants	-	-	-	(8,410)	(8,410)
					Remeasurement gains and losses:					-
1,230	90	80	550	1,950	Actuarial gain /(loss) arising from changes to demographic assumptions	-	-	-	-	-
110,210	1,890	4,320	23,180	139,600	Actuarial gain / (loss) arising from changes to financial assumptions	32,340	660	1,520	4,290	38,810
(1,620)	1,200	(150)	100	(470)	Actuarial gain / (loss) arising from changes to other assumptions	(63,840)	(110)	(16,000)	57,280	(22,670)
-	-	(10)	(310)	(320)	Past service cost	-	-	(10)	(120)	(130)
-	-	-	-	-	Loss on curtailments	-				-
57,240	1,530	260	790	59,820	Net benefits paid out	62,190	1,640	250	870	64,950
(986,890)	(19,830)	(19,020)	(114,140)	(1,139,880)	**Closing present value of liabilities**	(1,010,590)	(19,020)	(34,330)	(73,290)	(1,137,230)

Reconciliation of the present value of the assets in the scheme

2024/25						2025/26				
Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total		Police Scheme 1987	Injury Awards	Police Scheme 2006	Police Scheme 2015	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
-	-	-	-	-	Opening fair value of asset	-	-	-	-	-
-	-	-	-	-	Interest Income	-	-	-	-	-
					Remeasurement gains and losses:					
56,549	24	260	(28,143)	28,690	The return on plan assets, excluding the amount included in the net interest expense	61,498	2	250	(29,378)	32,372
691	1,506	-	20,943	23,140	Contributions by employer	692	1,638	-	21,838	24,168
-	-	-	7,990	7,990	Contributions by participants	-	-	-	8,410	8,410
(57,240)	(1,530)	(260)	(790)	(59,820)	Net benefits paid out	(62,190)	(1,640)	(250)	(870)	(64,950)
-	-	-	-	-	**Closing fair value of assets**	-	-	-	-	-

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

2024/25						2025/26				
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
(1,102,450)	(23,120)	(22,460)	(115,350)	(1,263,380)	Opening surplus(deficit)	(986,890)	(19,830)	(19,020)	(114,140)	(1,139,880)
(470)	(350)	-	(9,240)	(10,060)	Current service cost	(350)	(300)	-	(6,220)	(6,870)
691	1,506	-	20,943	23,140	Contributions by employer	692	1,638	-	21,838	24,168
-	-	-	-	-	Contributions by participants	-	-	-	-	-
-	-	(10)	(310)	(320)	Past Service cost	-	-	(10)	(120)	(130)
(51,030)	(1,070)	(1,060)	(5,870)	(59,030)	Interest cost	(54,040)	(1,080)	(1,070)	(6,840)	(63,030)
-				-	Expected return on assets	-	-	-	-	-
				-	Loss on curtailments	-	-	-	-	-
					Remeasurement of net defined benefit liability comprising:					
56,549	24	260	(28,143)	28,690	Return on plan assets	61,498	2	250	(29,378)	32,372
1,230	90	80	550	1,950	Actuarial gain / (loss) arising from changes to demographic assumptions	-	-	-	-	-
110,210	1,890	4,320	23,180	139,600	Actuarial gain / (loss) arising from changes to financial assumptions	32,340	660	1,520	4,290	38,810
(1,620)	1,200	(150)	100	(470)	Actuarial gain / (loss) arising from changes to other assumptions	(63,840)	(110)	(16,000)	57,280	(22,670)
(986,890)	(19,830)	(19,020)	(114,140)	(1,139,880)	**Closing surplus(deficit)**	(1,010,590)	(19,020)	(34,330)	(73,290)	(1,137,230)

Durham County Council Pension Fund

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2024/25	2025/26
	£'000	£'000
Opening present value	(195,704)	(163,798)
Current service cost	(5,905)	(3,948)
Interest cost	(9,248)	(9,344)
Contributions by scheme participants	(2,400)	(2,569)
Remeasurement gains and losses:		
Actuarial gains / losses from changes in demographic assumptions	1,444	(297)
Actuarial gains / losses from changes in financial assumptions	39,734	2,748
Other:	(286)	(15,886)
Past service costs	-	(233)
Liability assumed on entity combinations	-	-
Benefits paid	8,567	8,134
Closing present value	(163,798)	(185,193)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2024/25	2025/26
	£'000	£'000
Opening fair value	192,655	196,147
Interest Income	9,249	11,415
Remeasurement gain / loss - Return on plan assets	(5,791)	11,802
Employer contributions	6,201	6,628
Contributions by scheme participants	2,400	2,569
Benefit paid	(8,567)	(8,134)
Closing fair value	196,147	220,427

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

	Local Government Pension Scheme	
	2024/25	2025/26
		£'000
Opening deficit	(3,049)	32,349
Current Service Cost	(5,905)	(3,948)
Contributions by employer	6,201	6,628
Contributions by participants	-	-
Past service cost	-	(233)
Interest cost	(9,248)	(9,344)
Expected return on assets	9,249	11,415
Remeasurement gains and losses:		
Return on plan assets	(5,791)	11,802
Actuarial gains / (losses) from changes in demographic assumptions	1,444	(297)
Actuarial gains / (losses) from changes in financial assumptions	39,734	2,748
Other	(286)	(15,886)
Closing fair value	32,349	35,234

Pension assets and liabilities recognised in the Balance Sheet

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

	2024/25	2025/26
	£'000	£'000
Present value of liabilities		
Local Government Pension Scheme	(163,798)	(185,193)
Police Pension Scheme	(1,139,880)	(1,137,230)
Fair value of assets in the Local Government Pension Scheme	196,147	220,427
Unrecognised Asset	(32,429)	(35,294)
Surplus / (deficit) in the scheme		
Local Government Pension Scheme	(80)	(60)
Police Pension Scheme	(1,139,880)	(1,137,230)
Total	(1,139,960)	(1,137,290)

The above table has been updated to be compliant with the requirements of International Accounting Standard 19 for the disclosure of any unrecognised assets when detailing the position held on the balance sheet in relation to the pension fund.

The Chief Constable and Group account for pensions under IAS 19, this standard stipulates that when an entity has a surplus in a defined benefit plan that it should measure the net defined benefit asset as the lower of the surplus in the defined benefit plan and the asset ceiling.

The definition given of an asset ceiling is the future economic benefits available to the entity in the form of reduced future contributions or a cash refund.

Prior to the financial year 2023/24 the fund has never been in a surplus position and actuaries have applied FRS 102 for recognition of the defined benefit obligation on an entities balance sheet, within FRS 102 the following is noted for dealing with a surplus.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The impact of this approach for the 2023/24 accounts was that a defined benefit asset was recognised on the balance sheet in full as there was no guidance on ‘reduced future contributions’ or ‘refunds’ for which an asset ceiling could be calculated. The assumption had been that the employer could cease contributions into the scheme at the accounting date and gain economic benefit equal to the value of prospective service costs.

This assumption has been reconsidered and AON, in line with increasing industry wide practice, have moved to applying the principles of IFRIC 14 which requires an allowance be made for a minimum funding requirement. This limits the amount of economic benefit from reduced contributions to the excess of the value of the prospective current service costs above the funding requirement.

The impact for the Chief Constable is that the asset in relation to the funded scheme has been reduced to nil.

Local Government Pension Scheme assets comprised:

	2024/25	2025/26
	£'000	£'000
Cash and Cash equivalents	4,315	4,409
Equity instruments	107,488	125,863
Bonds by sector:		
Corporate	17,457	15,871
Government	21,380	21,381
Sub-total bonds	38,837	37,252
Multi Asset Credit Fund	30,403	32,403
Property	12,946	18,075
Other	2,158	2,425
Total assets	196,147	220,427

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Police Scheme and the Local Government Fund liabilities have been assessed by independent actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme on 31 March 2022.

The significant assumptions used by the actuaries are detailed below:

	Local Government Pension Scheme		Police Pension Scheme	
	2024/25	2025/26	2024/25	2025/26
Mortality assumptions				
Longevity at 65 for current pensioners				
Men (years)	21.6	21.9	21.9	22.0
Women (years)	23.9	24.4	23.9	24.0
Longevity at 45 for future pensioners				
Men (years)	22.5	22.8	23.3	23.4
Women (years)	24.7	25.1	25.2	25.3
Rate of inflation (CPI)	2.5%	2.8%	2.7%	3.0%
Rate of increase of salaries	3.5%	3.8%	3.5%	3.7%
Rate of increase to pensions in payment	2.5%	2.8%	2.7%	3.0%
Rate of increase to deferred pensions	2.5%	2.8%	2.7%	3.0%
Rate for discounting scheme liabilities	5.8%	6.2%	5.7%	6.1%

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, i.e. 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)	181,060	189,206
Rate of increase in salaries (increase or decrease by 0.1%)	185,502	184,764
Rate of increase in pensions (increase or decrease by 0.1%)	188,096	182,360
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	181,982	188,464

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)	1,159,230	1,105,230
Rate of increase in salaries (increase or decrease by 0.5%)	1,140,230	1,124,230
Rate of increase in pensions (increase or decrease by 0.5%)	1,211,230	1,053,230
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,054,230	1,210,230

Duration of Liabilities

The weighted average of the defined benefit obligation to scheme members in the LGPS for 2025/26 is provided in the number of years this figure is 17.4 years, (prior year 2024/25 was 17.8 years).
The weighted average of the defined benefit obligation to members in the Police Pension scheme is 15 years for 2025/26 (prior year 2024/25 was 16 years).

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 (57% of scheme assets) and bonds (17%). 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 a constant a 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 2026.

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

The Group is expecting to pay £5.4m plus £260k for PCC contributions to the scheme in 2026/27.

There is a similar process for determining contributions for the Police Pension Scheme. In this case the Government Actuary Department (GAD) determine the contributions that must be paid. This is based on their actuarial calculations.

The Group is expecting to pay £22.9m contributions to the scheme in 2026/27.

In respect of the McCloud Pension case, claimants have lodged claims for compensation under two active sets of litigation:

Aarons & Ors

Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from the 1st October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent, therefore no liability in respect of compensation claims is recognised in these accounts.

Penningtons

As at 31st March 2026, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of the compensation claims is recognised in these accounts.

Pension Remedy

The public service Pensions and Judicial Office Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members. The main elements of the Act are:

- Changes implemented across the main public service pension schemes in response to the Court of Appeal judgement in the McCloud and Sargeant cases.
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension scheme, ensuring equal treatment form that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on Pension Liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. For Durham Constabulary, this effects 1170 members.

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 2025/26, 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.

30 PCC - DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

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

The Office of the Durham Police and Crime Commissioner participates in the Local Government Pension Scheme for civilian employees, administered by Durham County Council – this is a funded defined benefit final salary scheme, meaning that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Transactions Relating to Retirement Benefits

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

	2024/25	2025/26
	£'000	**£'000**
Comprehensive Income and Expenditure Statement		
Net Cost of Service		
Current service cost	285	208
Past service cost	-	3
Finance and Investment Income and Expenditure		
Net Interest expense	(1)	(41)
Total post employment benefit charged to provision of services	284	170
Other post employment benefit charged to the CIES		
Remeasurement of net defined benefit comprising of:		
Return on plan assets	116	407
Actuarial gain/loss from changes in demographic assumptions	(24)	7
Actuarial gain/loss from changes in financial assumptions	(764)	(48)
Other:	6	(184)
Adjustment gain /loss due to restriction surplus	569	(43)
Total post employment benefits charged to the CIES	187	309
Movement in the Reserves Statement		
Reversal of net charges for retirement benefits accordance with IAS19	(284)	(170)
Actual amount charged against the General Fund Balance for pensions in the year		
Employer’s contributions payable to scheme	296	307
Benefits paid direct to beneficiaries	-	-

Reconciliation of present value of the scheme liabilities:

	2024/25	2025/26
	£'000	£'000
Opening present value	(2,934)	(2,588)
Current service cost	(285)	(208)
Interest cost	(138)	(154)
Contributions by scheme participants	(110)	(119)
Remeasurement gains and losses:		
Actuarial gains / losses from changes in demographic assumptions	24	(7)
Actuarial gains / losses from changes in financial assumptions	764	48
Other:	(6)	184
Past service costs	-	(3)
Liabilities assumed on entity combinations	-	-
Benefit paid	97	4
Closing present value	(2,588)	(2,843)

Reconciliation of fair value of the scheme assets:

	2024/25	2025/26
	£'000	£'000
Opening fair value	2,825	3,157
Expected rate of return	139	195
Remeasurement gain / loss - Return on plan assets	(116)	(407)
Employer contributions	296	307
Contributions by scheme participants	110	119
Benefit paid	(97)	(4)
Assets assumed on entity combinations	-	-
Closing fair value	3,157	3,367

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

	2024/25	2025/26
	£'000	£'000
Opening surplus (deficit)	(109)	569
Current Service Cost	(285)	(208)
Contributions by employer	296	307
Contributions by participants	-	-
Past service cost	-	(3)
Interest cost	(138)	(154)
Expected return on assets	139	195
Remeasurement gains and losses:		
Return on plan assets	(116)	(407)
Actuarial gains / losses from changes in demographic assumptions	24	(7)
Actuarial gains / losses from changes in financial assumptions	764	48
Other: Liability Experience	(6)	184
Net assets/ liabilities assumed on entity combinations	-	-
Closing fair value	569	524

Pension assets and liabilities recognised in the balance sheet

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

	2024/25	2025/26
	£'000	£'000
Present value of liabilities	(2,588)	(2,843)
Fair value of assets in the Local Government Pension Scheme	3,157	3,367
Unrecognised Asset	(569)	(524)
Surplus / (deficit) in the scheme	0	0

The above table has been updated to be compliant with the requirements of International Accounting Standard 19 for the disclosure of any unrecognised assets when detailing the position held on the balance sheet in relation to the pension fund.

The Chief Constable and Group account for pensions under IAS 19, this standard stipulates that when an entity has a surplus in a defined benefit plan that it should measure the net defined benefit asset as the lower of the surplus in the defined benefit plan and the asset ceiling.

The definition given of an asset ceiling is the future economic benefits available to the entity in the form of reduced future contributions or a cash refund.

Prior to the financial year 2023/24 the fund has never been in a surplus position and actuaries have applied FRS 102 for recognition of the defined benefit obligation on an entities balance sheet, within FRS 102 the following is noted for dealing with a surplus.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The impact of this approach for the 2023/24 accounts was that a defined benefit asset was recognised on the balance sheet in full as there was no guidance on ‘reduced future contributions’ or ‘refunds’ for which an asset ceiling could be calculated. The assumption had been that the employer could cease contributions into the scheme at the accounting date and gain economic benefit equal to the value of prospective service costs.

This assumption has been reconsidered and AON, in line with increasing industry wide practice, have moved to applying the principles of IFRIC 14 which requires an allowance be made for a minimum funding requirement. This limits the amount of economic benefit from reduced contributions to the excess of the value of the prospective current service costs above the funding requirement.

The impact for the Chief Constable is that the asset in relation to the funded scheme has been reduced to nil.

Local Government Pension Scheme assets comprised:

	2024/25	2025/26
	£'000	£'000
Cash and Cash equivalents	70	67
Equity instruments	1,730	1,923
Bonds by sector:		
Corporate	281	242
Government	344	327
Sub-total bonds	625	569
Multi Asset Credit Fund	489	495
Property	208	276
Other	35	37
Total assets	3,157	3,367

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Police Scheme and the County Council Fund liabilities have been assessed by independent actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme on 31 March 2022.

The significant assumptions used by the actuary are detailed below:

	2024/25	2025/26
Mortality assumptions		
Longevity at 65 for current pensioners		
Men (years)	21.6	21.9
Women (years)	23.9	24.4
Longevity at 45 for future pensioners		
Men (years)	22.5	22.8
Women (years)	24.7	25.1
Rate of Inflation (CPI)	2.5%	2.8%
Rate of increase of salaries	3.5%	3.8%
Rate of increase to pensions in payment	2.5%	2.8%
Rate of increase to deferred pensions	2.5%	2.8%
Rate for discounting scheme liabilities	5.8%	6.2%

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

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

	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	2,780	2,906
Rate of increase in salaries (increase or decrease by 0.1%)	2,852	2,834
Rate of increase in pensions (increase or decrease by 0.1%)	2,886	2,800
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,792	2,894

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 (54% of scheme assets) and bonds (20%). The scheme also invests in properties as a part of the diversification of the scheme’s 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 2028.

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

The PCC is expecting to pay £260k contributions to the scheme in 2026/27

PENSION FUND ACCOUNTS

The funding arrangements for the Police Pension Scheme in England and Wales changed from 1 April 2006. Before 1 April 2006 each Police Authority was responsible for paying the pensions of its former officers on a pay as you go basis rather than a percentage of pensionable earnings as employer's contributions. Under the current funding arrangements, the Scheme remains unfunded but no longer on a pay-as-you-go basis as far as an individual CC is concerned. The CC 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 CC 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 CC'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 CC's Balance Sheet.

Police Officer Pension Fund Account 2025/26

2024/25	2024/25		2025/26	2025/26
£'000	£'000		£'000	£'000
		Contributions receivable		
(21,487)		From local policing body	(22,505)	
-		Additional funding payable by local policing body to meet the deficit for the year.	-	
-		Reimbursement of unabated pensions (30+ police officers)	-	
(8,160)		From Officers	(8,504)	
	(29,647)			(31,009)
		Transfers in		
	(313)	Transfers in from other schemes		(176)
		Recharges to other local Authorities		
	(30)	Net recharges		(20)
		Benefits payable		
49,889		Pensions	51,409	
8,367		Commutations and lump sum retirement benefits	11,782	
-		Lump Sum Death Benefit	-	
	58,256			63,191
		Payments to and on account of leavers		
56		Transfers out to other schemes	78	
41	97	Refunds of Contributions	78	156
	28,363	**Net amount payable for the year**		32,142
	(28,363)	**Contribution from policing body in respect of the deficit**		(32,142)
	-	**Year end balance**		-

Police Officer Pension Fund Net Asset Statement

As at 31 March 2025		As at 31 March 2026
£'000		£'000
	Current Assets	
-	Funding to meet deficit due from the local policing body	-
-	Cash Held	-
	Current Liabilities	
36	Unpaid Pension Benefits	37
-	Recharges to other Authorities	-
-	Surplus for the year owing to the local policing body	-
36	**Net Current Assets/Liabilities**	37

Net Current Assets

The carrying amounts of current assets is shown below:

	As at 31 March 2025	As at 31 March 2026
	£'000	£'000
Debtors		
Government Departments	-	-
Local Authorities	-	-
	-	-

Net Current Liabilities

	As at 31 March 2025	As at 31 March 2026
	£'000	£'000
Payables		
Government Departments	-	-
Local Authorities	-	-
Others	36	37
	36	37

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 2025/26**.**

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

The Net Assets Statement does not include liabilities to pay pension and other benefits after the Balance Sheet date. The liabilities of the Pension scheme are accounted for under IAS19 and details can be found above. Details of the long-term pension fund obligation are provided in Notes 18 and 19 of the main statements.

2 Accounting Policies

The principal accounting policies are as follows:

Contributions
Contributions represent the total amount receivable from the CC 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 35.3% pensionable pay. For 2025/26 the employee’s contributions are dependent on salary: 12.44% or 13.44% and 13.78% for the Police Officers' Pension Scheme 2015.

The CC 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.
Actuarial Gains and Losses
For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.
Actuarial Valuation
A valuation by an actuary on behalf of a pension fund of assets held, estimate of the present value of benefits to be paid and estimate of required future contributions.
Amortisation
The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible fixed asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.
Budget
The Commissioner and Group's plans and policies expressed in financial terms.
Capital Adjustment Account
A capital reserve that reflects the difference between the cost of property, plant and equipment consumed and the capital financing set aside to pay for them.
Capital Charge
A charge to the revenue account to reflect the cost of property, plant and equipment used.
Capital Expenditure
Expenditure on the acquisition of property, plant and equipment or expenditure which adds to and not merely maintains the value of existing property, plant and equipment.
Capital Grant
Grant from Central Government used to finance capital schemes.
Capital Receipts
Proceeds from the sale of property, plant and equipment.
Cash
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.
Cash Equivalents
Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
Chartered Institute of Public Finance and Accountancy (CIPFA)
The principal accountancy body dealing with local authority finance.
Collection Funds
Funds administered by Durham County Council and Darlington Borough Council into which individuals' Council Tax payments are paid. The Commissioner raises precepts on the funds to finance part of net revenue expenditure.
Collection Fund Adjustment Account

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

Component Accounting

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

Contingency

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

Contingent Liabilities

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

Contingent Assets

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

Council Tax

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

Current Assets

Items that can be readily converted into cash.

Current Liabilities

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

Debtors

Persons or bodies who owe sums to the Commissioner or Group

Deferred Liabilities

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

Depreciation

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

Earmarked Reserves

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

Employee Benefits

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

Financial Instruments

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

GAD - The Government Actuary's Department

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

Government Grants

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

Impairment

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

Interest Income

The money earned from the investment of surplus cash.

International Financial Reporting Standards (IFRS)

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

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

Indexation

The adjustment of asset values to reflect changes in price levels over time, typically by applying an appropriate index.

Leasing

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

Minimum Revenue Provision

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Net Current Replacement Cost

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

Non-Operational Assets

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

Operational Assets

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

Outturn

The actual amount spent in the financial year.

Payables

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

Payments in Advance

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

Precept Income

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

Property, Plant and Equipment

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

Provisions

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

Receipts in Advance

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

Reserves

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

Retirement Benefits

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

Revaluation Reserve

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

Revenue Contributions to Capital

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

Running Expenses

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

Termination Benefits

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

UK GAAP – Generally Accepted Accounting Standards

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

Unusable Reserves

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

Usable Reserves

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

DURHAM POLICE AND CRIME COMMISSIONER'S OFFICE

DURHAM POLICE AND CRIME COMMISSIONER

DRAFT ANNUAL GOVERNANCE STATEMENT 2025/26

EXECUTIVE SUMMARY

The Annual Governance Statement (AGS) provides an overview of the governance arrangements for the Police and Crime Commissioner (PCC) throughout the financial year to 31st March 2026, and up to the date of the approval of the Statement of Accounts.

The PCC is responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively in accordance with the law and proper standards.

The PCC has established a governance framework aligned to the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* Framework (2016) and the 2025 addendum, which emphasises outcomes, effectiveness and forward-looking governance.

The annual review of effectiveness, informed by internal audit, external audit, inspection findings and oversight bodies including the Joint Independent Audit Committee, provides limited assurance that the governance framework is operating effectively. Whilst core arrangements are in place, weaknesses have been identified in the design and/or consistent operation of internal controls which require improvement.

Key governance challenges during the year relate to:

- financial sustainability and medium-term deficits
- capital funding pressures and reliance on reserves
- managing long-term financial uncertainty
- internal control effectiveness and responsiveness to audit findings
- wider national reform of policing governance and funding

The PCC is partially satisfied that the Force's governance arrangements are fit for purpose. This reflects the need to ensure that improvement areas set out in this statement are delivered at pace, and that systems, processes and internal controls are demonstrably robust and operating consistently in practice.

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the PCC ensures:

- proper arrangements for governance
- a sound system of internal control
- effective risk management arrangements

The PCC works closely with the Chief Constable (CC), who is responsible for operational policing. However, the PCC retains overall accountability for the stewardship of public funds and for holding the Chief Constable to account.

The governance framework is consistent with relevant legislation and guidance including the Police Reform and Social Responsibility Act 2011, the Policing Protocol Order 2023 and the Accounts and Audit Regulations 2015.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the PCC directs and controls activities and discharges accountability to the public.

It enables the PCC to:

- deliver strategic priorities set out in the Police, Crime and Justice Plan
- ensure value for money
- manage risk effectively
- maintain accountability and transparency

The framework supports informed decision-making and oversight of performance, ensuring that resources are aligned to priorities and that intended outcomes are achieved.

The system of internal control forms a key part of this framework and is designed to manage risk to a reasonable level. It provides reasonable, but not absolute, assurance of effectiveness.

3. THE GOVERNANCE FRAMEWORK

The PCC's governance arrangements are aligned to the seven principles of the CIPFA/SOLACE framework and are supported by key governance documents including the Scheme of Delegation, Financial Regulations, decision-making framework and codes of conduct.

Overview of Effectiveness

The PCC has assessed governance arrangements against the seven principles and concludes that:

- Ethical standards and behaviours are well established, supported by codes of conduct, policies and oversight arrangements
- Decision-making is transparent, evidence-based and appropriately documented
- Stakeholder engagement mechanisms are embedded and effective in informing priorities
- Performance management arrangements enable effective oversight of delivery against strategic priorities
- Whilst financial management has improved, the Medium-Term Financial Plan identifies a requirement to deliver further savings over the planning period. While a proportion of these savings has been identified, further work is required to fully develop and deliver sustainable savings proposals. This represents a recognised financial sustainability risk which is being actively managed through established governance and oversight arrangements.
- The PCC requires significant improvement in the effectiveness and consistency of internal control arrangements, particularly in relation to responding to internal audit findings and key governance processes, including workforce planning. Improvements have been noted in external audit arrangements.
- Risk management processes are embedded, though further development of maturity continues
- Additional governance through Strategic and Operational meetings and Boards are in place for key areas of work
- Accountability arrangements, including scrutiny by the Joint Independent Audit Committee and Police and Crime Panel, are becoming more effective

Overall, governance arrangements are established but are not yet operating consistently or effectively. Further strengthening and embedding of internal controls is required before the PCC can conclude that the governance framework is fully effective.

Areas for Development

The review has identified areas where governance arrangements will continue to be strengthened:

- Delivering long-term financial sustainability
- Enhancing risk management maturity and strategic alignment
- Maintaining robust internal and external audit assurance
- Ensuring governance remains adaptable to national policing reforms

4. REVIEW OF EFFECTIVENESS

The PCC has conducted an annual review of the effectiveness of governance arrangements.

Sources of Assurance

This review is informed by:

- Head of Internal Audit annual opinion
- External audit findings
- HMICFRS inspections
- Joint Independent Audit Committee scrutiny
- Risk management processes
- Financial monitoring and the Medium-Term Financial Plan
- Police and Crime Panel oversight

These sources are utilised to provide triangulated assurance across governance, risk management and internal control.

Internal Audit

The Internal Audit function provides independent assurance on the adequacy and effectiveness of the PCC's framework of governance, risk management and internal control.

The Head of Internal Audit's Annual Report for 2025/26 provides a Limited (report to be received but indication that assurance level will be limited) assurance opinion. This indicates that, whilst elements of the framework are in place, significant weaknesses have been identified in the design and/or operation of key internal controls, such that there is an increased risk that objectives may not be achieved.

Internal Audit work has been delivered in accordance with the approved audit plan and has included reviews of key financial systems, governance arrangements and risk management processes.

Force Management has accepted the findings and recommendations arising from Internal Audit work. Actions to address these recommendations have been agreed and are being monitored through established governance processes, including regular reporting to the Joint Independent Audit Committee and through the PCC raising these issues directly with the Chief Constable.

The PCC recognises that further work is required and requires a focused and sustained programme of improvement to strengthen internal control arrangements and ensure that recommendations are implemented effectively and in a timely manner.

External Audit Assurance

External audit assurance had previously been affected by the national public sector audit backlog, which resulted in disclaimed audit opinions for earlier years.

During 2025/26, additional audit work has been undertaken on outstanding accounts, resulting in the issuance of an unqualified audit opinion for 2024/25.

This represents a significant improvement and confirms that appropriate financial reporting and governance arrangements are in place. The PCC is now operating within a more stable and sustainable audit cycle.

The focus going forward is to maintain this position through continued strong governance, robust financial management and effective engagement with external audit.

Inspection and Review Activity

HMICFRS inspections form a key source of independent assurance.

During the year, an HMICFRS inspection on integrity identified areas of concern, including aspects assessed as inadequate.

An action plan has been developed to address the issues identified and strengthen arrangements in this area. Progress against this plan is being monitored through established PCC and Force governance structures, including oversight by senior leaders and reporting to the Police and Crime Panel and Joint Independent Audit Committee.

The findings from this inspection have been considered as part of the overall review of governance effectiveness.

Joint Independent Audit Committee

The Joint Independent Audit Committee (JIAC) provides independent oversight of governance, risk management and internal control arrangements for both the PCC and the Chief Constable.

The Committee receives regular reports throughout the year, including:

- Internal Audit reports and annual opinion
- External Audit updates
- Risk management reports
- Financial monitoring
- Governance reports, including the AGS

The JIAC reviews and challenges these reports and provides recommendations for improvement where required.

The Committee produces an annual report summarising its work and confirming that it has been able to discharge its responsibilities effectively.

The PCC has considered the work and conclusions of the JIAC as a key component of the overall assurance framework.

Police and Crime Panel (PCP)

The Police and Crime Panel (PCP) provides statutory scrutiny of the PCC and plays a key role in enhancing public accountability.

The Panel reviews key PCC decisions and responsibilities, including:

- the Police Crime and Justice Plan
- the precept
- the PCC's Annual Report
- key strategic decisions

The Panel provides challenge and feedback on the PCC's performance and decision-making and acts as an important independent check within the governance framework.

The PCC values the scrutiny provided by the Panel and has taken account of its feedback throughout the year. The work of the PCP forms an important element of the overall assurance framework and supports the conclusion that governance arrangements are partially effective and need to be further embedded.

5. SIGNIFICANT GOVERNANCE ISSUES

Significant governance issues are defined as those matters which have, or could have, a material impact on the PCC's ability to achieve their objectives, maintain effective governance arrangements, or deliver value for money.

The following issues have been identified through the annual review of effectiveness, informed by internal and external audit, financial planning, risk management processes, and scrutiny by the Joint Independent Audit Committee and Police and Crime Panel.

These issues are largely strategic and long-term in nature and will continue to require active management and oversight.

Financial Sustainability

While the 2026/27 budget is balanced, this relies on £1m use of reserves and delivery of £2m of efficiencies.

The Medium-Term Financial Plan identifies projected deficits of:

- £3m in 2027/28
- £2m in 2028/29
- £3m in 2029/30

These pressures are driven by inflation, demand and limited funding growth as well as having a low tax base from which funding can be maximised.

Use of Reserves

Reserves have strengthened in the short-term; however, their use to support the revenue budget is not sustainable.

Reserves are forecast to reduce over the medium-term, reducing financial flexibility. A revised reserves strategy has been implemented to support prudent financial management.
The Chief Constable is not yet able to provide the PCC with a sustainable funding model for the next three years.

Capital Sustainability

The absence of central government capital funding presents a significant challenge.

Capital reserves are forecast to reduce substantially by 2027/28, resulting in increased reliance on borrowing and revenue contributions, placing additional pressure on future budgets.

Future Financial and Operational Pressures

Future pressures may arise from requirements not yet fully reflected within financial plans, including Emergency Services Network (ESN) transition costs, sustainability and decarbonisation requirements, major estates investment and ongoing ICT pressures. Additional precept flexibility was provided by government for Durham Constabulary recognising that it had below average precept. This was provided for 2026/27, however it is not known if this will be available for any future years.

Funding Uncertainty

Uncertainty remains in relation to future including police reform and reform of police structures, police funding settlements, potential changes to the police funding formula and future precept flexibility decisions. These factors may materially impact future financial sustainability.

Governance Structure and Board Arrangements

During the year, changes to the governance structure were implemented through the establishment of additional boards to strengthen oversight, coordination and decision-making across key areas of business.

The revised arrangements provide clearer lines of accountability, improve the management of cross-cutting risks and support more effective challenge and assurance. The boards are operating within defined terms of reference and are embedded within the wider governance framework.

The PCC acknowledges that the introduction of these boards has strengthened governance arrangements, and their effectiveness will continue to be kept under review as part of the ongoing assessment of governance effectiveness.

HMICFRS Integrity Inspection

A HMICFRS inspection on integrity undertaken during the year identified weaknesses in arrangements, including areas assessed as inadequate.

Integrity and ethical standards are fundamental to effective governance. In response to the findings, an action plan has been developed and is being implemented to address identified issues and strengthen governance arrangements.

Progress is subject to ongoing monitoring through established governance structures, with oversight provided by senior leadership and reporting to the Police and Crime Panel and the Joint Independent Audit Committee.

The PCC will continue to monitor progress closely to ensure that improvements are embedded and that governance arrangements in this area are strengthened.

Police Reform and Future Governance Arrangements

The Government has announced its intention to abolish Police and Crime Commissioners from May 2028, subject to further legislation and the development of detailed transition arrangements.

At this stage, there is limited clarity regarding the replacement governance model, transitional accountability arrangements, or the implications for staff, assets and liabilities. This creates a level of strategic uncertainty for medium-term governance, financial planning and organisational arrangements.

While no immediate changes are required, this issue has been identified as a significant governance consideration. The PCC will continue to monitor developments closely and engage with national guidance as it emerges to ensure that governance arrangements remain robust and that the organisation is suitably prepared for any future transition.

6. PROGRESS AGAINST PRIOR YEAR ISSUES

This section provides an update on progress made in relation to the significant governance issues identified in the 2024–25 Annual Governance Statement. Many of these issues are structural and long-term in nature and therefore remain relevant, although progress has been made during the year.

Financial Sustainability and Delivery of Savings

The financial sustainability challenges identified in the previous year continue to be actively managed.

In the short-term, budgets have been balanced through the managed use of reserves and improved in-year financial performance, providing stability while longer-term arrangements continue to be developed.

A strategic workforce plan has been completed during the year to provide assurance that workforce capacity and capability are correctly aligned to organisational priorities, demand and risk. In parallel, process reviews are being undertaken across key areas of activity to identify opportunities to improve efficiency, reduce duplication and ensure resources are deployed appropriately. Together, these approaches support financial sustainability while seeking to mitigate operational impact and maintain effective service delivery.

Despite this progress, the Medium-Term Financial Plan continues to identify deficits in later years, and the delivery of sustainable, recurring savings remains a key ongoing risk.

Income Generation and Financial Resilience

Alongside expenditure controls, work has continued to explore opportunities for income generation and maximisation to support financial resilience. This includes the international training programme which under the circumstances of conflict in some parts of the world recognises the Force's positive position and the esteem it is held in for this area of work.

While these measures contribute positively to the overall financial position, they are not sufficient in isolation to offset medium-term financial pressures. Income generation therefore remains a supporting rather than primary mechanism within the financial strategy.

Use of Reserves

Revenue reserves have continued to support short-term financial balance. The reserves position strengthened in-year due to improved financial performance, providing additional resilience entering 2026–27.

However, reliance on reserves is not sustainable in the longer term. Capital reserves are forecast to be depleted by 2027–28, driven by the absence of central government capital funding and ongoing investment requirements. Long-life assets are increasingly funded through self-financed borrowing, creating additional pressure on future revenue budgets.

A comprehensive review of the reserves strategy has been undertaken to improve transparency and ensure reserves are aligned to current organisational priorities. Nevertheless, reserves usage remains a significant governance issue requiring ongoing oversight.

Further Real-Terms Funding Reductions

The PCC and Force have maintained a robust Medium-Term Financial Plan, with regular monitoring of savings delivery through established governance processes.

While the short-term position is balanced, the MTFP continues to show medium-term deficits. These pressures are exacerbated by uncertainty relating to future grant levels, pay awards and precept flexibility, and continue to represent a significant governance challenge.

Police Funding Formula Review

The potential review of the police funding formula remains a strategic risk.

Although no immediate changes are anticipated, any reform could adversely affect Durham's funding allocation, particularly in the context of existing financial pressures. This issue remains unresolved and continues to be monitored.

Collaboration with Other Forces and Organisations

Collaborative arrangements with neighbouring forces and partner organisations, including Cleveland, Nort-+humbria and County Durham and Darlington Fire & Rescue Service, remain in place.

While no material expansion of collaboration has been implemented during the year, existing arrangements continue to operate and provide opportunities to share capacity, capability and resilience where appropriate.

The Government continues to place increased emphasis on collaboration across policing and the wider public sector. The PCC and Force continue to keep collaborative opportunities under review to ensure that existing arrangements remain effective and that further collaboration is pursued where it demonstrates clear operational or financial benefit.

Estates Strategy

The ageing estate continues to place pressure on both revenue and capital budgets.

To strengthen governance arrangements in this area, an Estates and Asset Delivery Group has been established, chaired by the Assistant Chief Officer and comprising senior leaders from both the Office of the PCC and the Force. The Group owns the estates strategy, oversees delivery plans and reports to Executive Board.

While this has improved governance oversight, future investment requirements remain a significant medium-term risk. In addition, a planning condition exists which requires the PCC to re-erect the disused Grade II Listed Telecommunications Mast which is recognised as a risk due to the unknown costs which could be well beyond £1m.

Strategic Policing Requirement (SPR)

The Force has undertaken internal assessments against the Strategic Policing Requirement and maintains appropriate business continuity arrangements.

Although there is a sound understanding of SPR requirements, ensuring that all elements can be adequately resourced remains an ongoing governance consideration.

Overall Assessment

Progress has been made during the year in strengthening governance arrangements, particularly in relation to financial monitoring, reserves management, collaboration and oversight.

However, many of the issues identified in the 2024–25 Annual Governance Statement remain ongoing and structural in nature, especially those relating to financial sustainability, funding uncertainty and capital pressures. These issues continue to require active management and are reflected elsewhere in this Annual Governance Statement.

7. FUTURE GOVERNANCE CHALLENGES AND OUTLOOK

The PCC recognises that the governance environment will continue to evolve over the medium-term, with a number of significant factors likely to shape future arrangements and require continued oversight.

Key areas of focus include:

Maintaining strengthened external audit assurance, following the successful restoration of an unqualified audit opinion for 2024/25, and ensuring that governance and financial reporting arrangements remain robust and timely in future years.

Ensuring there is a consistent and proactive approach to working with Internal Audit and that the Force are responsive to audit findings and track improvements.

Ensuring governance arrangements are effective in supporting delivery of long-term financial sustainability, including effective oversight of medium-term deficit recovery plans and efficiency programmes identified within the Medium-Term Financial Plan.

Managing future capital and asset sustainability, including the implications of declining capital reserves, increased reliance on borrowing and revenue contributions, and the ongoing absence of central government capital funding.

Preparing governance and accountability arrangements for potential transition arising from national police reform, including the Government's announced intention to abolish Police and Crime Commissioners from May 2028. While detailed implementation arrangements are yet to be confirmed, this represents a key area of strategic uncertainty requiring active monitoring.

Responding to potential changes in police force structures, including increased collaboration or merger proposals, which may have implications for future governance, accountability and financial arrangements.

Anticipating the impact of future funding reform, including potential changes to the police funding formula and precept flexibility, and ensuring that the organisation remains resilient to different funding scenarios.

Planning for emerging financial and operational pressures, including Emergency Services Network requirements, estates investment, sustainability and decarbonisation commitments, and ongoing ICT pressures, as greater clarity becomes available.

Preparing for the forthcoming HMICFRS PEEL inspection expected during 2026, which will provide an important source of independent assurance. The PCC and Force will continue to strengthen governance, performance and internal control arrangements to support effective engagement with external scrutiny.

Overseeing any other HMICFRS Inspections eg Child Protection Inspection which identified a 'Requires Improvement' outcome for Investigating child abuse, neglect and exploitation.

The PCC will continue to monitor developments closely and ensure that governance arrangements remain robust, flexible and capable of adapting to change.

Oversight and assurance will continue to be provided through established governance structures, including the Joint Independent Audit Committee and the Police and Crime Panel.

8. CONCLUSION

Based on the review of effectiveness, the PCC is partially assured by the arrangements in place and has outlined the need for them to be further embedded.

A trajectory to improvement has been outlined by the Chief Constable in relation to the areas outlined within this Annual Governance Statement. The PCC has provided her support and challenge to the Chief Constable through funding, support and through holding to account mechanisms throughout the year.

The limited assurance opinion reflects the need to continue strengthening arrangements in relation to financial sustainability and long-term planning.

The PCC is committed to addressing these matters and will monitor progress throughout 2026/27 to ensure continuous improvement.

Signed: **Date:**

Joy Allen
Police and Crime Commissioner for Durham