



# **The Office of the Police and Crime Commissioner for Dorset**

**Statement of Accounts for the year ended 31 March 2020**

**UNAUDITED**



## **Officers of the Police and Crime Commissioner**

**The statutory officers of the Police and Crime Commissioner and contact details are as follows:**

Martyn Underhill	Police and Crime Commissioner
Simon Bullock	Chief Executive to the Police and Crime Commissioner
Julie Strange	Chief Finance Officer to the Police and Crime Commissioner
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**The statutory officers of the Office of the Chief Constable and contact details are as follows:**

James Vaughan	Chief Constable
Steven Mackenzie	Chief Finance Officer to the Chief Constable
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# Police and Crime Commissioner for Dorset

## Statement of Accounts 2019/20

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# **Police and Crime Commissioner for Dorset**

## **Statement of Accounts 2019/20**

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# **ACCOMPANYING REPORTS**

## **PREFACE**

### **by Dorset Police and Crime Commissioner Martyn Underhill**



This last year has been a turbulent one for policing, both financially and in terms of demand, but these accounts show that Dorset is in a good position to face the future.

I have spoken a great deal in previous years about the cuts which forces including our own have faced. Dorset Police has seen its budget slashed over the last decade, while also being forced to absorb other costs including inflation, pensions, and a more expensive training regime, while at the same time experiencing huge increases in demand.

Many of you will know that I recently announced I would not stand at the next election, having served two terms as Police and Crime Commissioner. I am now confident that having led the Force through a period of austerity, along with Chief Constable James Vaughan, I will finish my time in Dorset leading them out of austerity.

In February 2019, along with other Police and Crime Commissioners, I reluctantly went to the public to ask for more money in the policing precept – having been given no choice by the Government than to raise it by £24 on an average band D property, or the maximum amount possible.

I held a consultation and Dorset residents overwhelmingly told me they would be willing to pay extra – demonstrating how important an effective police service is to them.

This money came with a number of promises, which I am glad to say have been delivered.

I promised that, in spite of the financial difficulties we faced, this increase would enable us to deliver a balanced budget. I am glad to say we have achieved that, with final variance within one per cent of the £134.7m total budget.

We also made some investments in other areas. This last financial year saw the introduction of a Bobby Van to help vulnerable and older people who are at risk of being targeted by burglars, as well as the introduction of a volunteer police cadet service to help engage young people with their local community and with policing. This scheme was so popular among young people we had to create two units, with others being planned.

Our £1m innovation fund – which came from a combination of recurring efficiencies and a surplus of uncollected council tax receipts – is driving forward improvements in a range of areas, including putting extra officers into the rural and marine crime units, improving road safety, providing more help to homeless people and putting extra resources into tackling County Lines drug gangs.

My commissioning team has also funded some exciting projects, which will make a lasting difference to the people of Dorset.

This included the creation of a fly tipping coordinator post, due to an increase in this crime in rural parts of the country. The new role will bring together agencies dealing with fly tipping, analyse data and run targeted work to tackle the issue and help identify offenders.

We've also commissioned several youth charities to deliver mentoring schemes to children and young people who have committed low level offences to tackle their behaviour. This work will hopefully reduce the likelihood of these young people reoffending and getting drawn into a life of crime.



My team has been working with several charities to provide support to veterans who are showing destructive behaviour, and we have commissioned specialist organisations to provide temporary accommodation to help homeless veterans get back on their feet.

Due to a concern that hate crimes and incidents in the night time economy go unreported, I commissioned Citizens Advice BCP to carry out an awareness raising campaign among taxi drivers and people working in bars and takeaways, and providing training to various black and minority ethnic groups about how to report these issues.

We have also funded Circles South West to provide a scheme reducing the risk of reoffending among sex offenders being released from The Verne.

This money came from a part of my office's budget specifically set aside to support work helping make the county a better and safer place by meeting the objectives of Dorset's Police and Crime Plan: protecting people at risk of harm; working with our communities; supporting victims, witnesses and reducing reoffending; and transforming for the future.

Last December's General Election saw the Conservatives win a huge majority on their manifesto pledge of recruiting an additional 20,000 police officers.

That work is well underway in Dorset, with 17 new officers recruited in the 2019/20 financial year and a further 33 – the Government's own allocation of what our county required – recruited in 2020/21.

It remains unclear exactly how the remaining new officers will be funded, as myself and other PCCs had to go into the current 2020/21 financial year asking perplexed residents for their support to raise the precept yet again in order to pay for this increase.

However, I will spend my remaining months in office insisting the Government not only keeps to its commitment, but also finds a fairer funding settlement for smaller and financially disadvantaged forces like Dorset. I hope whoever succeeds me in the role does the same.

Of course, the final quarter of this financial year saw forces across the country dealing with a situation that few in policing had seen coming.

The COVID-19 emergency meant that forces such as ours were responsible for enforcing a lockdown to prevent the virus spreading.

My own office addressed the issues thrown up by coronavirus by rapidly introducing the Safer Dorset Fund COVID-19 grants to help local charities that were struggling as a result of the lockdown either continuing to provide existing services or launch new projects.

A total of 21 charities successfully applied for more than £65,000 within weeks of the grants being launched, demonstrating a huge need for this funding locally.

In spite of the many challenges that were faced throughout the first months of the outbreak, I am proud of how officers, staff and volunteers across Dorset Police responded.

They continue to represent the best of UK policing and give me great confidence that the people of this county are in safe hands. I will be urging the Government to remember the vital contribution they have made over the last few months when it comes to future funding arrangements.

We remain in difficult and uncertain times, and we are still dealing with the legacy of years of government underfunding. But when I see the resourceful and confident individuals both in the leadership and on the front line at Dorset Police, as well as within our communities and in my own office, I have no doubt that we are in the strongest position possible.

# Police and Crime Commissioner for Dorset

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER

### 1. INTRODUCTION

- 1.1. This narrative report aims to provide the context for the Police and Crime Commissioner (PCC) and Group financial statements and to demonstrate how the PCC has allocated its resources in line with intended outcomes for the 2019/20 financial year.
- 1.2. The financial statements provide information on the PCC's and the Group's (incorporating the Chief Constable) financial activities for the year ending 31 March 2020. They are prepared in accordance with proper accounting practices (as defined in the Code of Practice on Local Authority Accounting in the United Kingdom) and are published in accordance with the Accounts and Audit Regulations 2015.
- 1.3. The Chief Constable has prepared a separate statement of accounts reflecting how the resources provided by the PCC have been used to deliver operational policing services. These are published separately.

### 2. EXPLANATION OF THE PCC AND GROUP

- 2.1. The PCC and the Chief Constable are separate legal entities. The PCC is elected by the public every four years with a responsibility to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in Dorset.
- 2.2. The Chief Constable is accountable to the PCC for the delivery of efficient and effective policing, the delivery of the PCC priorities and the management of resources and expenditure by the Force.
- 2.3. The PCC for Dorset is Martyn Underhill. He was first elected on 15 November 2012 as an Independent candidate and re-elected for a second term of office on 5 May 2016. He has set out his key priorities in the Police and Crime Plan.
- 2.4. The [Police and Crime Plan](#) is a statement of strategic intent for policing in Dorset, set around four key themes:
  - Protecting People at Risk of Harm
  - Working with our Communities
  - Supporting Victims, Witnesses and Reducing Reoffending
  - Transforming for the Future
- 2.5. During the latter part of 2019/20 the response to the coronavirus pandemic became a further priority for the chief Constable and the Police and Crime Commissioner. The pandemic resulted in business continuity plans being implemented. Despite the fears of widespread sickness, Dorset Police were able to respond effectively to the pandemic, maintaining most services as normal and taking on the additional emergency powers put in place by the Government. The Office of the Police and Crime Commissioner have been successfully operating remotely since the lockdown began on 23 March 2020.
- 2.6. The PCC is scrutinised by the Police and Crime Panel. The Panel's primary focus is on important strategic actions and decisions made by the PCC. These include whether they have:
  - achieved the aims set out in the Police and Crime Plan and the Annual Report
  - considered the priorities of community safety partners
  - consulted appropriately with the public and victims of crime
- 2.7. The PCC provides an Annual Report to the Police and Crime Panel in June each year which provides more detailed performance information in relation to the financial year just ended

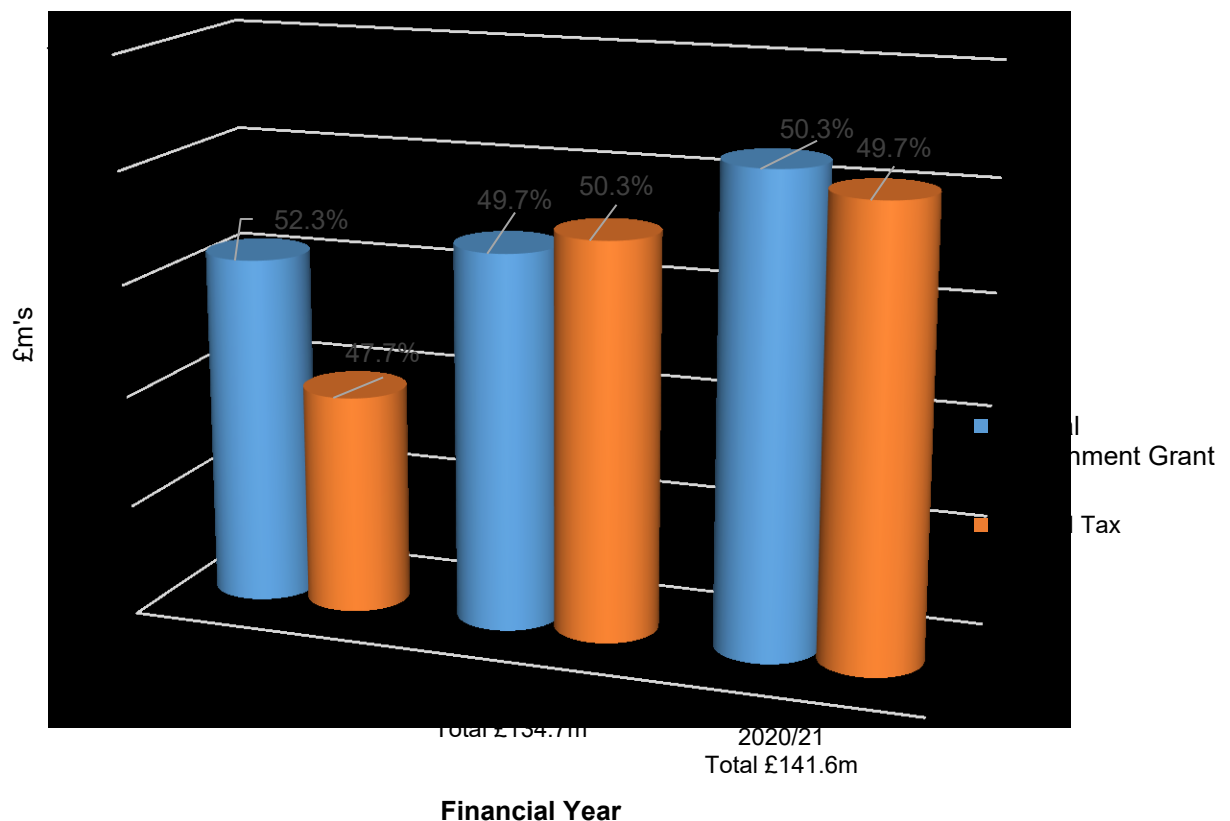
### 3. RESOURCES AVAILABLE IN 2019/20

- 3.1. The budget for 2019/20 was set in the context of a 1.9% increase in central Government funding, the first increase in a number of years, and a similar modest increase was assumed into future years. Although this represented a cash increase in funding, this below inflation increase continued to represent a decrease in central funding in real terms. No account of any potential future formula funding review was taken in the projections.

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

- 3.2. The Commissioner, after public consultation, and ratified by the Police and Crime Panel, increased the council tax element for policing by the maximum allowed of £24 so that services to the public could be maintained against this backdrop of real terms reductions in central funding. Council tax was set at £230.58 for a band D property. The overall impact of this Home Office grant position and Council Tax increase was that overall funding in 2019/20 was £9.15m more than it was in 2018/19.
- 3.3. The revenue budget income graph below shows main funding sources in 2019/20 as well as the funding in the previous and following year for comparative purposes. In 2018/19 central government grant was 52.3% of revenue funding, in 2019/20 it fell to 49.7%, and in 2020/21 it increased to 50.3%, including the provision of additional funding in that year to increase officer numbers nationally, due to the relative size of the increase compared to the precept increase.

**Revenue Budget funding 2018/19 – 2020/21**



## 4. SETTING THE FINANCIAL STRATEGY FOR 2019/20 AND BEYOND

- 4.1. The PCC takes a multi-year approach to financial planning, considering the budget year and the subsequent three years.
- 4.2. A significant factor in setting the 2019/20 budget was the expectation of continuing real terms reductions in central government funding over the period of the Medium Term Financial Strategy (MTFS), in the form of future grant increases below the level of potential pay awards and inflation, and the increasing cost of pension schemes. The budget was therefore designed to drive out continued efficiencies, primarily through service area reviews. The PCC's decision to increase the Council Tax by 11.62%, alongside the programme of efficiencies, enabled the following key areas to be addressed:

# Police and Crime Commissioner for Dorset

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

- Full implementation of the Operational Business Design (OBD) model, which is designed to reduce demand on front line officers by adopting a new approach, including a new deployment allocation system for certain types of activity. OBD improves the workforce allocation and workforce mix to better deliver the required Police and Crime Plan outcomes.
- Funding for the PRISM change programme, including the roll out of body worn video, a new Command and Control system, and other technological developments such as a common Command Centre platform with Devon and Cornwall Police. PRISM will deliver vital change to improve operational efficiency and effectiveness.
- Continued delivery of the Strategic Alliance with Devon and Cornwall Police, including realisation of cashable savings. The Alliance increases operational capacity and capability, while delivering efficiencies in support service delivery.
- Revenue funding of the capital programme, to ensure a sustainable core capital programme, maintaining Force assets to an appropriate level.
- A £1m 'Innovation Fund' was made available for specific areas of investment such as:
  - o Additional police officers in the rural and marine crime teams, and enhancing offender management capability
  - o Introduction of a 'Bobby Van', addressing crime prevention / target hardening issues
  - o Investment in the new Volunteer Police Cadet scheme
  - o Further development of the 'No Excuse' capability, targeted at improving road safety
  - o Investment in tackling issues associated with homelessness, working alongside with homeless individuals and related agencies to help understand and address demand
  - o Creation of an 'Efficiency Officer' designed to identify and drive out future efficiencies
  - o Funding for new and emerging threats

### Additional Officers

- 4.3. During the course of the year the government announced plans to increase police officer numbers nationally by 20,000 by 31 March 2023. The first tranche of these was agreed and funded in 2019/20, with 17 additional officers taken on in Dorset.

### Police Pensions

- 4.4. The most significant issue that affected Force funding in 2019/20 was the increased cost of the Police Officer pension scheme, following changes to the way in which these pensions are calculated. For Dorset Police, the Treasury provided an additional £1.4m specific pensions grant in addition to a £1.2m increase in core grant funding from the Home Office towards this additional cost. The increased cost for Dorset Police was £3.1m, meaning that the precept increase was required to meet the shortfall of £0.5m, as well as pressures such as inflation and pay awards, before funding the above developments.

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

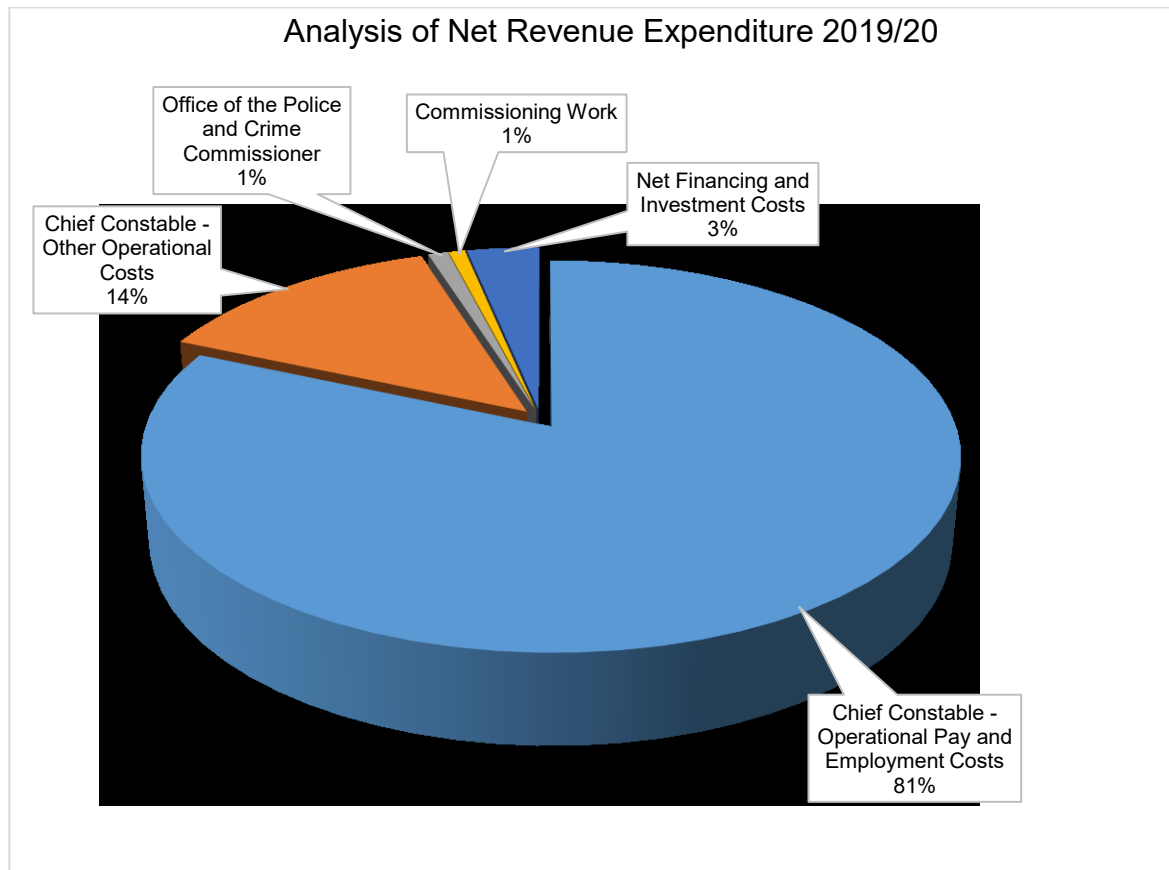
- 4.5. The 2019/20 MTFS projected a continued tough financial outlook, with the years beyond 2019/20 showing continued pressure, and further savings being required:

	2019/20	2020/21	2021/22	2022/23
	£m's	£m's	£m's	£m's
Projected Budget Requirement	134.7	137.4	141.4	144.5
Projected Funding	134.7	135.8	137.9	140.0
<b>Projected Shortfall</b>	<b>0.0</b>	<b>1.6</b>	<b>3.5</b>	<b>4.5</b>

- 4.6. The 2020/21 budget settlement, and ability of PCC's to increase their precept by up to £10 for a Band D property (without a referendum) has subsequently mitigated the forecast slightly, but the position remains one of forecast real terms reductions, and significant future year budget pressure.

### Actual Expenditure 2019/20

- 4.7. The final outturn position for the PCC Group for 2019/20 is expenditure of £181,000 less than the original budgeted plan. Included within this amount was £1.068m additional transfers to reserves during the year, leaving £1.249m as the final Group underspend position at the year end. This final underspend equates to 0.9% of the total annual budget of £134.7m.
- 4.8. There were significant pressures on the budget during the year, most notably police officer overtime. The use of overtime included policing major operations during the year, providing a local response to national incidents, and responding to the significant demands on policing, particularly over the summer period. A new resourcing model was introduced during the year to help mitigate overtime expenditure, and to endeavour to best match available resources to expected demand.
- 4.9. The most significant underspends occurred in police staff vacancies, and from over-recovery of income. There were a greater than anticipated level of police staff vacancies during the year, with some difficulties experienced in recruiting to a number of positions. Some vacancies were also held open pending restructures. Assumptions in respect of the level of expected vacancies have been revised for 2020/21 to recognise this trend.
- 4.10. Income budgets exceeded the income anticipated, due partly to recovery of costs from officers deployed to other Forces, events, and national policing requirements. Grant income for specific projects was also higher than anticipated, including the new police officer uplift programme grant of £238,000 announced part way through the year.
- 4.11. Expenditure against the Office of the PCC's office and commissioning costs ended the year £389,000 under the allocated budget due to the timing of some commissioning work, and one off legal work undertaken. The commissioning element of this variance was transferred to reserves, and will be carried forward to meet future costs, and commitments under the Police and Crime Plan.
- 4.12. The effect of the coronavirus pandemic was clearly neither factored into the 2019/20 MTFS forecasts, nor for 2020/21. The pandemic resulted in some additional costs on such things as personal protective equipment for front line officers and staff and a reduction in income. However, it also resulted in a reduction in the normal demands for policing so that officer and staff costs did not increase significantly, despite the additional responsibilities placed on policing.
- 4.13. The financial effect of the pandemic, including the eventual impact on valuations, is expected to have a far more significant impact on the 2020/21 year.
- 4.14. The chart below shows a breakdown of actual net revenue expenditure for 2019/20 by category of spend.



### National Transforming Forensics Programme

- 4.15. Dorset Police is the financial lead for the National Transforming Forensics programme and in 2019/20 the grant and expenditure for the programme will be accounted for within the Force Accounts. Revenue and Capital expenditure is fully funded by the grant received and therefore does not affect the overall forecast variance.
- 4.16. Total grant funding received and spent in 2019/20 was £16.3m

### Reserves

- 4.17. The PCC maintains reserves for 3 main purposes:
- I. As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general fund balance;
  - II. As a contingency to cushion the impact of unexpected events or emergencies: also part of the general fund balance;
  - III. As a means of building up funds to meet known or predicted requirements; earmarked reserves.
- 4.18. The PCC's Policy for the maintenance of reserves includes the following key principles:

**General Balances** - The PCC will seek to maintain a general reserve at between 3% and 5% of Net Revenue Expenditure. This will be supported by an annual budget risk assessment which will also identify the need for any specific earmarked reserves.

# Police and Crime Commissioner for Dorset

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

**Earmarked Reserves** - The need for earmarked reserves will be assessed annually through the budget setting process, to confirm the continuing relevance and adequacy of each earmarked reserve in addition to identifying any new reserves that may be required.

- 4.19. Total Usable Reserves at 31 March 2020 amounted to £8.7m comprising; General Fund Balance £4.6m and Earmarked Reserves £4.1m. These balances are in line with the policy on reserves. Whilst additional costs have been incurred during 2019/20 relating to the pandemic, the level of general reserves are still considered to be adequate.

### Capital Expenditure

- 4.20. The table below shows the PCC's capital expenditure, and funding, during 2019/20. This consists of an ongoing programme of rationalisation, replacement and enhancement of property and other assets, all with an expected life of more than one year, and with a value in excess of £10,000. There were no individual acquisitions or disposals that are material in 2019/20.

	£000's
<b>Capital Programme</b>	
Land and Buildings	941
Vehicles and Other Transport	1,157
Equipment and ICT	4,702
Intangible Assets	42
Revenue Expenditure funded by Capital under statue	3,715
<b>Total Expenditure</b>	<b>10,557</b>
<b>Funded by</b>	
Government Grants and Contributions	4,336
Capital Receipts	684
Reserves and Provisions	1,795
Internal Borrowing	3,742
<b>Total Funding</b>	<b>10,557</b>

- 4.21. Note 28 to the accounts puts the above programme in the context of the Capital Financing Requirement.

### Workforce Resources

- 4.22. Workforce costs make up 85% of the annual expenditure of the Group. The full time equivalents (FTE) of officers and staff employed by Dorset Police at the beginning and end of the period were:

31/03/19 (FTE)		31/03/20 (FTE)
1,201	Police Officers	1,223
1,206	Police Staff (Force, includes PCSOs)	1,320
19	Office of the Police and Crime Commissioner	18
<b>2,426</b>	<b>Total</b>	<b>2,561</b>

# Police and Crime Commissioner for Dorset

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

- 4.23. There was growth of 22 officers during the year. Of these officers, 17 officers were funded by the Government under the new, national, Police Officer Uplift Programme. This programme is expected to fund a further 33 officers in 2020/21.

### 5. PERFORMANCE INDICATORS

#### External Indicators

- 5.1. The principal independent financial indicators available to the PCC are as follows:
- HMICFRS PEEL Report – Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) review each Force to examine their Efficiency, Effectiveness and Legitimacy. The 2018/19 report showed that Dorset Police was graded 'good' for all three areas reviewed:
    - The extent to which the force is effective at keeping people safe and reducing crime is **good**.
    - The extent to which the force is efficient at keeping people safe and reducing crime is **good**.
    - The extent to which the force is legitimate at keeping people safe and reducing crime is **good**.
  - Auditors Value for Money Opinion – External auditors last provided a Value for Money conclusion for both the PCC and the Chief Constable for the year ending 31 March 2019. This audit concluded that the PCC and Chief Constable have each put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
  - HMICFRS Value for Money Profile 2019 – this report does not provide an opinion, but states key financial and performance information of Dorset Police in comparison to other forces. The report did not indicate any significant outliers within Dorset Police's information.

#### Operational Performance of the Force

- 5.2. During the year, the Force dealt with the following levels of activity:

2018/19		2019/20
104,028	999 Calls Received	117,040
391,439	Non-Emergency Calls Received	232,442
183,412	Incidents Recorded	182,915
55,028	Crimes Recorded	54,399
10,515	Arrests Made	10,298
3,795	Voluntary Attendances Undertaken	3,388
5,832	Missing Persons Incidents	6,532
7,426	Mental Health Flagged Incidents	7,695
4,000	Adults at Risk	3,514
28,808	Public Protection Notices Completed	30,084



# Police and Crime Commissioner for Dorset

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

### 6. FUTURE FINANCIAL OUTLOOK

- 6.1. The PCC formally updates the MTFS annually during the budget setting process. The 2020/21 MTFS reflected an improved outlook when compared with the 2019/20 forecasts, but still further savings will be required to balance the budget in the last two years of the four year period.
- 6.2. The 2020/21 MTFS designed to support the delivery of the Police and Crime Plan which runs until 2021. A new plan will be developed during 2021 which will be used to drive the budget in future years.
- 6.3. The Financial Strategy, including the Capital Strategy, Reserves Strategy and Treasury Management Strategy are used to translate the vision of the Police and Crime Plan into the detailed budget, with the MTFS setting out what this looks like for future years.
- 6.4. The strategic approach taken to balancing the 2020/21 budget is to take a longer term view to ensure that decisions taken are sustainable and that the budget starts the decade on firm foundations, to build greater financial resilience and delivering value for money for Dorset residents.
- 6.5. For 2021/22 and beyond there is a great deal of uncertainty around funding levels which will impact on our planning process. The uncertainty is exacerbated by the economic impact of the current coronavirus pandemic, and the effect that this will have on future funding and costs. In addition to this fundamental issue, key areas of uncertainty are:-
- The next Comprehensive Spending Review, which the Government had planned to undertake during 2020, has been delayed. It is currently expected that this will be carried out in 2021.
  - The anticipated changes to the formula by which Home Office funding is allocated to forces. The timescale for this review is not confirmed, although seems highly unlikely to be implemented in 2021/22 as previously planned.
  - Future cost of pension schemes. These schemes have seen increased pressure in recent years, with significant additional costs in 2019/20.
  - The impact of the anticipated future recession, including the potential local implications on precept, Collection Funds and taxbase.
- 6.6. The Police and Crime Commissioner and the Chief Constable are determined to learn lessons from the coronavirus pandemic. In particular the pandemic has forced new ways of working and training to be implemented very quickly. There are benefits to this, particularly as the need to replace the Force Headquarters building becomes more urgent and its scale has been discussed. A recovery group has been convened to learn the lessons about what went well and what might have gone better so that changes in working practices can be safely implemented.

### 7. GOVERNANCE ARRANGEMENTS

- 7.1. The Annual Governance Statement is published alongside this document. The Annual Governance Statement describes the internal control environment for the PCC and sets out the arrangements for managing risk. The Chief Constable also published his own Annual Governance Statement.

### 8. THE STATEMENT OF ACCOUNTS

- 8.1. A brief explanation of the purpose of each of the four primary statements is provided below:
- **Movement in Reserves Statement** - for the Group and for the PCC as a single entity, shows the changes in the PCC's financial resources over the year.
  - **Comprehensive Income and Expenditure Statement** - for the Group and for the PCC as a single entity, these show the surpluses or deficits that contributed to the changes in resources.
  - **Balance Sheet as at 31 March 2020** shows how the resources available to the Group and the PCC are held in the form of assets and liabilities.

# Police and Crime Commissioner for Dorset

## NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCE OFFICER CONTINUED

- **Cash Flow Statement** shows how the movement in resources has been reflected in cash flows.

8.2. The notes to the accounts include the accounting policies and give further information on the entries within the main statements as well as supplementary information. All notes relate to the Group Statements unless it is otherwise specified. These are further supplemented by a glossary of terms.

**Julie Strange, CPFA**  
**Chief Finance Officer**  
**8 June 2020**

### Further Information:

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2019/20. It may be read in conjunction with; the single entity accounts of the Chief Constable, the Police and Crime Plan and the Police and Crime Commissioner's Annual Report that show a wide range of measures of performance. Further information on these publications can be obtained by writing to the Chief Executive or Chief Finance Officer at the Police and Crime Commissioner Offices, Dorset Police Headquarters, Winfrith, Dorset, DT2 8DZ

## **Police and Crime Commissioner for Dorset**

### **Independent Auditor's report to the Police and Crime Commissioner for Dorset**

**These Financial Statements have not yet been audited. The audited accounts will be presented to the Independent Audit Committee, in accordance with the required statutory timescales.**





# **Police and Crime Commissioner for Dorset**

## **Statement of Responsibilities**

### **The Police and Crime Commissioner's Responsibilities**

The Commissioner is required to:

- Make arrangements for the proper administration of the financial affairs of the Office of the Police and Crime Commissioner and to secure that one of his officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer to the Police and Crime Commissioner;
- Manage the affairs of the Office of the Police and Crime Commissioner to secure economic, efficient and effective use of resources and to safeguard its assets;
- Approve the Statement of Accounts.

### **Approval of the Accounts**

I approve the Statement of Accounts.

**Martyn Underhill**  
**Police and Crime Commissioner**

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Police and Crime Commissioner's Annual Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom 2019/20" (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice;
- Kept proper accounting records which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Chief Finance Officer's Certificate**

I certify that this Statement of Accounts for the year ended 31 March 2020 gives a true and fair view of the financial position of the Police and Crime Commissioner for Dorset at the accounting date and of the income and expenditure for the year ended 31 March 2020.

**Julie Strange CPFA**  
**Chief Finance Officer to the Police and Crime Commissioner**  
**8 June 2020**

# **FINANCIAL STATEMENTS**

# Police and Crime Commissioner for Dorset

## Group Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year on the different reserves held by the Police and Crime Commissioner Group, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves'. The Statement shows how the movements in 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 return to the amounts chargeable to council tax for the year. The net (increase)/decrease shows the statutory General Fund Balance movements in the year following those adjustments.

Current Year	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019</b>		(3,957)	(4,057)	(1,123)	0	(9,137)	1,532,971	1,523,834
<b>Movement in Reserves</b>								
Total Comprehensive Income and Expenditure		39,838	0	0	0	39,838	(130,083)	(90,245)
Adjustments between accounting basis and funding basis under regulations	9	(40,722)	0	168	0	(40,554)	40,554	0
Transfers (to)/from Earmarked Reserves	10	95	(95)	0	0	0	0	0
<b>(Increase)/Decrease</b>		(789)	(95)	168	0	(716)	(89,529)	(90,245)
<b>Balance at 31 March 2020</b>		(4,746)	(4,152)	(955)	0	(9,853)	1,443,442	1,433,589

Comparative Year	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>		(4,974)	(3,808)	(1,211)	0	(9,993)	1,475,024	1,465,031
<b>Movement in Reserves</b>								
Total Comprehensive Income and Expenditure		73,420	0	0	0	73,420	(14,617)	58,803
Adjustments between accounting basis and funding basis under regulations	9	(72,652)	0	88	0	(72,564)	72,564	0
Transfers (to)/from Earmarked Reserves	10	249	(249)	0	0	0	0	0
<b>(Increase)/Decrease</b>		1,017	(249)	88	0	856	57,947	58,804
<b>Balance at 31 March 2019</b>		(3,957)	(4,057)	(1,123)	0	(9,137)	1,532,971	1,523,834



# Police and Crime Commissioner for Dorset

## PCC Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Police and Crime Commissioner, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves'. The Statement shows how the movements in year of the Police and Crime Commissioner's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (increase)/decrease shows the statutory General Fund Balance movements in the year following those adjustments.

Current Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2019</b>		(3,957)	(4,057)	(1,123)	0	(9,137)	1,532,971	1,523,834
<b>Movement in Reserves</b>								
Total Comprehensive Income and Expenditure		(85,395)	0	0	0	(85,395)	(4,850)	(90,245)
Adjustments between accounting basis and funding basis under regulations	9	84,511	0	168	0	84,679	(84,679)	0
Transfers (to)/from Earmarked Reserves	10	95	(95)	0	0	0	0	0
<b>(Increase)/Decrease</b>		(789)	(95)	168	0	(716)	(89,529)	(90,245)
<b>Balance at 31 March 2020</b>		(4,746)	(4,152)	(955)	0	(9,853)	1,443,442	1,433,589

Comparative Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2018</b>		(4,974)	(3,808)	(1,211)	0	(9,993)	1,475,024	1,465,031
<b>Movement in Reserves</b>								
Total Comprehensive Income and Expenditure		62,233	0	0	0	62,233	(3,430)	58,803
Adjustments between accounting basis and funding basis under regulations	9	(61,465)	0	88	0	(61,377)	61,377	0
Transfers (to)/from Earmarked Reserves	10	249	(249)	0	0	0	0	0
<b>(Increase)/Decrease</b>		1,017	(249)	88	0	856	57,948	58,803
<b>Balance at 31 March 2019</b>		(3,957)	(4,057)	(1,123)	0	(9,137)	1,532,971	1,523,834

# Police and Crime Commissioner for Dorset

## Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioner's raise taxation (Precepts) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19			2019/20			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
211,016	(25,040)	185,976	190,981	(32,567)	158,414	
3,135	0	3,135	4,050	0	4,050	29
2,225	(985)	1,240	1,902	(890)	1,012	26
<b>216,376</b>	<b>(26,025)</b>	<b>190,351</b>	<b>196,933</b>	<b>(33,457)</b>	<b>163,476</b>	
<b>Net Cost of Services*</b>						
<b>Other Operating Income and Expenditure</b>						
16	0	16	61	0	61	
0	0	0	0	0	0	
0	(26,078)	(26,078)	0	(22,602)	(22,602)	25
<b>Financing and Investment Income and Expenditure</b>						
8	0	8	9	0	9	
0	(100)	(100)	0	(105)	(105)	
0	(43)	(43)	75	0	75	
37,819	0	37,819	41,325	(4,342)	36,983	31
<b>Taxation and Non-Specific Grant Income</b>						
0	(40,659)	(40,659)	0	(41,544)	(41,544)	25
0	(25,008)	(25,008)	0	(25,337)	(25,337)	25
0	(60,398)	(60,398)	0	(66,842)	(66,842)	26
0	(2,488)	(2,488)	0	(4,336)	(4,336)	25
<b>254,219</b>	<b>(180,799)</b>	<b>73,420</b>	<b>238,403</b>	<b>(198,565)</b>	<b>39,838</b>	
<b>(Surplus)/Deficit on Provision of Services</b>						
(2,319)			(Surplus)/Deficit on Revaluation of Non-Current Assets			11
(12,298)			Remeasurement of the Net Defined Benefit Liability/(Asset)			31
<b>(14,617)</b>			<b>Other Comprehensive Income and Expenditure</b>			
<b>58,803</b>			<b>Total Comprehensive Income and Expenditure</b>			

\*The 2018/19 net cost of services includes an allowance for the impact of the McCloud/Sargeant ruling. There is no equivalent allowance in the net costs of services section in 2019/20; changes to the valuation of this allowance are included within the Remeasurement of the Net Defined Benefit Liability/(Asset).

# Police and Crime Commissioner for Dorset

## PCC Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services for the Police and Crime Commissioner in accordance with generally accepted accounting practices, rather than the amount of funding from taxation. Police and Crime Commissioner's raise taxation (Precepts) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19				2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
211,016	(51,118)	159,898	Chief Constable - Intra-group transaction	190,981	(55,169)	135,812	
3,135	0	3,135	Office of the Police and Crime Commissioner	4,050	0	4,050	29
2,225	(985)	1,240	Commissioning	1,902	(890)	1,012	26
216,376	(52,103)	164,273	Net Cost of Services*	196,933	(56,059)	140,874	
			Other Operating Income and Expenditure				
16	0	16	Net (Surplus)/Deficit from the Sale of Non-Current Assets	61	0	61	
0	0	0	(Gain)/Loss on Revaluation of Non-Current Assets	0	0	0	
			Financing and Investment Income and Expenditure				
8	0	8	Interest Payable	9	0	9	
0	(100)	(100)	Interest and Investment Income	0	(105)	(105)	
0	(43)	(43)	(Gain)/Loss on Financial Instruments	75	0	75	
874	(95)	779	Pensions Interest Cost and Expected Return on Pension Assets	153	(92)	61	31
41,292	(4,252)	37,040	Pensions interest cost - Intra-Group Transaction	41,172	(4,250)	36,922	31
			Taxation and Non-Specific Grant Income				
0	(40,659)	(40,659)	Police Grant	0	(41,544)	(41,544)	25
0	(25,008)	(25,008)	Council Tax Support Grants	0	(25,337)	(25,337)	25
0	(60,398)	(60,398)	Council Tax Precept	0	(66,842)	(66,842)	26
0	(2,488)	(2,488)	Capital Grants and Contributions	0	(4,336)	(4,336)	25
(11,187)	0	(11,187)	Actuarial (Gains)/Losses on Pension Funds - Intra-Group Transaction	(125,233)	0	(125,233)	
247,379	(185,146)	62,233	(Surplus)/Deficit on Provision of Services	113,170	(198,565)	(85,395)	
		(2,319)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(4,834)	11
		(1,111)	Remeasurement of the Net Defined Benefit Liability (asset)			(16)	31
		(3,430)	Other Comprehensive Income and Expenditure			(4,850)	
		58,803	Total Comprehensive Income and Expenditure			(90,245)	

\*The 2018/19 net cost of services includes an allowance for the impact of the McCloud/Sargeant ruling. There is no equivalent allowance in the net costs of services section in 2019/20; changes to the valuation of this allowance are included within the Remeasurement of the Net Defined Benefit Liability/(Asset).

# Police and Crime Commissioner for Dorset

## Group and PCC Balance Sheet

The Balance Sheet shows the value as at 31 March 2019 and 31 March 2020 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner. The net assets of the Group/Police and Crime Commissioner (assets and liabilities) are matched by the reserves held by the Group/Police and Crime Commissioner.

As at PCC £'000	31 March 2019 PCC Group £'000		As at PCC £'000	31 March 2020 PCC Group £'000	Notes
		<b>Long Term Assets</b>			
49,461	49,461	Land & Buildings	52,158	52,158	11
0	498	Intangible Assets	0	191	12
116	116	Surplus Assets	473	473	11
0	6,295	Vehicle, Plant & Equipment	0	10,218	11
6,793	0	Long Term Debtor - Intra-Group Debtor	10,409	0	
<b>56,370</b>	<b>56,370</b>	<b>Total Long Term Assets</b>	<b>63,040</b>	<b>63,040</b>	
		<b>Current Assets</b>			
3,469	3,469	Short Term Investments	3,001	3,001	17
3,005	3,005	Assets Held for Sale	2,563	2,563	15
0	147	Inventories	0	162	
3,531	21,377	Short Term Debtors	3,770	22,079	13
1,470	0	Short Term Debtors - Intra-Group Debtor	18,471	0	
2,052	2,052	Cash and Cash Equivalents	9,355	9,355	14
<b>13,527</b>	<b>30,050</b>	<b>Total Current Assets</b>	<b>37,160</b>	<b>37,160</b>	
		<b>Current Liabilities</b>			
0	0	Short Term Borrowing	(5,500)	(5,500)	
0	(287)	Provisions	(292)	(496)	18
(839)	(19,672)	Short Term Creditors	(1,089)	(23,997)	16
(2,597)	0	Short Term Creditors - Intra-Group Creditor	(23,112)	0	
<b>(3,436)</b>	<b>(19,959)</b>	<b>Total Current Liabilities</b>	<b>(29,993)</b>	<b>(29,993)</b>	
		<b>Long Term Liabilities</b>			
(466)	(466)	Provisions	(421)	(421)	18
(29,064)	(29,064)	Borrowing	(27,012)	(27,012)	32
(3,101)	(121,127)	Pensions Liability - Staff	(2,562)	(121,376)	31
0	(1,439,638)	Pensions Liability - Officers	0	(1,354,987)	31
(1,557,664)	0	Pension Liabilities - Intra-Group Creditor	(1,473,801)	0	
<b>(1,590,295)</b>	<b>(1,590,295)</b>	<b>Total Long Term Liabilities</b>	<b>(1,503,796)</b>	<b>(1,503,796)</b>	
<b>(1,523,834)</b>	<b>(1,523,834)</b>	<b>Net Liabilities</b>	<b>(1,433,589)</b>	<b>(1,433,589)</b>	
		<b>Represented by</b>			
(1,532,971)	(1,532,971)	Unusable Reserves	(1,443,442)	(1,443,442)	19
9,137	9,137	Usable Reserves	9,853	9,853	
<b>(1,523,834)</b>	<b>(1,523,834)</b>	<b>Total Reserves</b>	<b>(1,433,589)</b>	<b>(1,433,589)</b>	

Julie Strange CPFA  
Chief Finance Officer to the Police and Crime Commissioner  
8 June 2020

# Police and Crime Commissioner for Dorset

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the Police and Crime Commissioner during the reporting period. As there is no distinction between the Group and the Police and Crime Commissioner, there is no separate Statement for the Police and Crime Commissioner. The statement shows how the Group 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 way the Group has managed its cash outflows against the monies received by way of grant income and from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities consist of short and long term borrowing in addition to repayment of finance lease liabilities and other payments for financing activities and are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2018/19 £'000		2019/20 £'000	Notes
73,420	<b>Net (Surplus) or Deficit on the Provision of Services</b>	39,838	
	<b>Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements</b>		
(70,135)	(Increase)/Decrease in pensions liability	(40,848)	
(4,812)	Depreciation and amortisation	(4,870)	
141	(Increase)/Decrease in provisions	(164)	
4,159	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	580	
(428)	Surplus/(Loss) on revaluation of non-current assets	0	
5,894	Movement in relevant assets/liabilities	3,247	
<b>8,239</b>	<b>Net Cash (Inflows)/Outflows from Operating Activities</b>	<b>(2,217)</b>	20
(3,525)	<b>Investing Activities</b>	296	21
0	<b>Financing Activities</b>	(5,382)	22
<b>4,714</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(7,303)</b>	
<b>(6,766)</b>	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	<b>(2,052)</b>	
<b>(2,052)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>(9,355)</b>	14



# **Notes to the Financial Statements**

## Note 1 Accounting Policies

### 1. General Principles

The statement of accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and the Accounts and Audit Regulations 2015 and **the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020** supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost modified by the revaluation for certain categories of non-current assets and financial instruments. The financial statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place and 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.

### 3. Accounting Policy Developments and Changes

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balance and comparative amounts for the prior period as if the new policy had always been applied.

### 4. Prior Period Adjustments, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 5. Events after the Balance Sheet Date

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 affect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.



## Note 1 Accounting Policies Continued

### 6. Contingent Liabilities

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

Contingent liabilities also arise in circumstances 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 liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

### 7. Council Tax

The council tax income included in the comprehensive income and expenditure statement (CIES) is the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

The Group recognises its share of the council tax debtor and creditor balances and impairment allowances in its balance sheet. The Group also recognises:

- a creditor in its balance sheet for cash received from the billing authority in advance of the Police and Crime Commissioner receiving the cash from council tax debtors or;
- a debtor in its balance sheet for its attributable share of net cash collected from council tax debtors by the billing authority but not paid over to it at the balance sheet date.

### 8. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of non-current asset has been charged as expenditure to the relevant service in the CIES in the year.

Where the Group has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reversed out the amounts charged so that there is no impact on the level of council tax.

### 9. Foreign Currency Translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

### 10. Government Grants and Contributions

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

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

Amounts recognised as due to the Group are not credited to the CIES 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 in the form of 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 CIES.

## Note 1 Accounting Policies Continued

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the movement of reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Amounts in the capital grants unapplied reserve are transferred to the capital adjustments account once they have been applied to fund capital expenditure.

### 11. Financial Instruments

#### 11.1 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 are 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 estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Group has, 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.

#### 11.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Group holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Group's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### 11.3 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 in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, 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 in the year.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

#### 11.4 Expected Credit Loss Model

The Group recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets, however where appropriate the simplified approach model is used to recognise expected credit losses for lease receivables and contract as assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## Note 1 Accounting Policies Continued

### 11.5 Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### 11.6 Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the surplus or deficit on the provision of services.

### 11.7 Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the financial assets are provided by the Group Treasury advisors.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES.

## 12. 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 short term investments that are readily convertible to known amounts of cash without penalty and with insignificant risk of change in value.

In the cash flow 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.

## 13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### 13.1 The Group as Lessee

#### 13.1.1 Finance Leases

Property, plant and equipment held under a finance lease is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Group are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge debited to the CIES.

## **Note 1     Accounting Policies Continued**

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

The Group is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

### **13.1.2 Operating Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **13.2 The Group as Lessor**

### **13.2.1 Operating Leases**

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

## **14.     Joint Operations**

The Group participates in a number of partnership activities. These arrangements involve the Group carrying out activities relevant to its own functions jointly with others. The Group accounts only for its share of the jointly controlled assets; and the liabilities expenses and income that the Group incurs in respect to their interest in the partnerships.

## **Overheads**

The cost of overheads and support services are charged to service segments in accordance with the Group's arrangements for accountability and financial performance.

## **15.     Employee Benefits**

### **16.1 Benefits Payable during Employment**

Short term employee benefits are those due to be settled wholly 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 (e.g. cars) 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday entitlements are charged to revenue in the financial year in which the absence occurs.

### **16.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Police and Crime Commissioner or Chief Constable to terminate an employee's employment before the normal retirement date. The amount is charged on an accruals basis to the CIES when the Police and Crime Commissioner or Chief Constable is demonstrably committed to the termination of the employment of an employee. Where 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 (this only applies to compulsory redundancies). In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the

## Note 1 Accounting Policies Continued

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.

### 16.3 Post-Employment Benefits

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

- The Police Officer 1987 Scheme (PPS)
- The Police Officer 2006 Scheme (NPPS)
- The Police Officer 2015 Scheme (CARE)
- The Local Government Pensions Scheme, administered by Dorset Council (CARE)

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

#### 16.3.1 Police Officers' Pension Schemes

All Police Officers' Pension Schemes are accounted for as defined benefits schemes:

The liabilities of the Police Officers' Pension Schemes 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 projected earnings for current employees.

An estimate of the employer's future cash flows is made using notional cash flows based on the estimated duration of all Police Schemes. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date which has been chosen to meet the requirements of IAS19.

#### 16.3.2 The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

An estimate of the employer's future cash flows is made using notional cash flows based on the estimated duration of the past service liability. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date which has been chosen to meet the requirements of IAS19.

The assets of the Dorset Council pension fund attributable to the Group are included in the balance sheet at their fair value:

- |   |                     |   |                       |
|---|---------------------|---|-----------------------|
| • | quoted securities   | - | current bid price     |
| • | unquoted securities | - | professional estimate |
| • | unitised securities | - | current bid price     |
| • | property securities | - | current bid price     |
| • | property            | - | market value          |

#### 16.3.3 Net Pensions Liability Analysed

The changes in the net pension's liability for the Pension Schemes are analysed into the following components:

Service cost comprising:

## Note 1 Accounting Policies Continued

- current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked. Current service cost includes interest on the current service cost which is excluded from net interest on the net defined liability.
- past service cost – 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 CIES.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Group - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the CIES - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

The return on plan assets excludes the amounts included in net interest on the net defined benefit liability (asset) which is charged to the pensions reserve as other comprehensive income and expenditure. This is only applicable to the Local Government Pension Scheme.

Actuarial gains and losses are 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. These changes are charged to the pensions reserve as other comprehensive income and expenditure.

Benefits paid (only applicable to the Police Officer Pension Schemes):

- cash paid as to pensioners including injury pension payments.

Contributions paid (only applicable to the Local Government Pension Scheme):

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

### 16.3.4 Police Officers' Injury Benefits

The Group makes payment under the Police Injury Benefits Regulations. These payments are accounted for in the same way as payments under the main police officers' pension schemes. The figures are included within the unfunded pension calculation, as the injury benefits may be financially significant with volatile actuarial gains and losses. These have been estimated by the independent actuary.

### 16.3.5 Impact on Reserves

For all of the Pension Schemes, statutory provisions require the general fund balance to be charged with the amount payable by the Group to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the movement of 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 fund 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 general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### 16.4 Discretionary Benefits

The Group also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year

## Note 1 Accounting Policies Continued

of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 16. Provisions

Provisions are made where an event has taken place that gives the Group 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 CIES when the Chief Constable has an obligation and the expenditure required to settle the obligation is estimated taking into account the relevant risks and uncertainties, at the balance sheet date.

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. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed (or reduced) and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Group settles the obligation.

Provision is made for termination payments due to staff resulting from restructuring when the Group has raised a valid expectation to the staff affected that it will carry out a restructuring by starting to implement a particular restructuring plan or announcing its main features to those affected by it. Each element of the Force restructuring plan will be treated separately and provision made of the estimated termination payments as and when each element of the plan is announced.

### 17. Reserves

The Group 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 in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the CIES. The reserve is then transferred back to the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirements and employee benefits and do not represent usable resources for the Group – these reserves are explained in the relevant policies.

### 18. Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of services or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment. Property, plant and equipment and intangible assets are accounted for in the Police and Crime Commissioner Accounts with the exception of certain operational assets, which are set out in the Scheme of Consent. Assets held by the Police and Crime Commissioner before 1 April 2014 were transferred to the Chief Constable on this date. These operational assets together with any additional operational assets since this date are offset on the Balance Sheet by a long term liability representing the requirement that the Chief Constable pays for these assets over their operational life. The long term liability will be written down in line with the depreciation policy as set out in the note.

The expenditure within the CIES of the Chief Constable includes a charge for the use of vehicles, plant and equipment and intangible assets based on the fair value of the assets used by the Chief Constable to deliver a policing service. This “asset charge” is exactly equal to the depreciation recognised in the Police and Crime Commissioner’s CIES.

## Note 1 Accounting Policies Continued

### 19.1 Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Group for more than one year and the cost of the item 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 as it is incurred.

### 19.2 Measurement

Assets are initially measured at cost, comprising: purchase price and 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 Group does not capitalise borrowing costs incurred whilst the assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the CIES, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:

- |                       |   |   |
|-----------------------|---|---|
| • specialised assets  | - | depreciated replacement cost (DRC)  |
| • non-property assets | - | depreciated historical cost   |
| • surplus assets      | - | fair value, estimated at highest and best use from a market participant's perspective |

Property assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end but as a minimum every three years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service).

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 against the relevant service line(s) in the CIES.

### 19.3 Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where 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 in the CIES.



## Note 1 Accounting Policies Continued

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 19.4 Depreciation

Depreciation is provided for on all property, plant and equipment assets by spreading the cost over their useful working life. An exception is made for assets without a determinable finite useful life (i.e. land) and assets that are not yet available for use (i.e. asset under construction).

Depreciation is calculated on the following bases:

- Vehicles – are depreciated in equal annual instalments over the forecast useful life of the vehicle.
- Land and Buildings – the useful life of each building is assessed by the value and depreciated in equal annual instalments over the forecast useful life; the land value is not depreciated. Where an asset comprises two or more major components with substantially different useful lives, each component is accounted for separately.
- Enhancements/Adaptions to leasehold buildings – are depreciated in equal annual instalments over the life of the asset.
- Information and Communications Technology – Depreciation is charged in equal annual instalments over the forecast useful life. The asset life of individual groups of assets has been assessed and each group is depreciated individually according to asset life.
- Plant and Equipment – These assets are given specific asset lives and are depreciated monthly.

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.

### 19.5 Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. Receipts are credited to the usable capital receipts reserve. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written off value of disposals is not charged against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

### 19.6 Non-Current Assets Held for Sale

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 fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised 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

## Note 1 Accounting Policies Continued

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 the decision not to sell.

### 19.7 Surplus Assets

Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as investment property, or assets held for sale are classified as surplus assets within property, plant and equipment. Surplus assets can be categorised as either non-current assets or current assets, depending on their nature.

### 19. 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 (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Software that is integral to the operating of hardware is capitalised as part of the relevant item of property, plant and equipment.

#### 20.1 Measurement

Intangible assets are measured initially at cost. Assets are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. No intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost.

#### 20.2 Amortisation

The depreciable amount of an intangible asset is amortised over its useful life and charged to the CIES.

#### 20.3 Impairment

Where there is an indication that the asset might be impaired – any losses recognised are posted to the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to other operating expenditure in the CIES.

### 21. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

### 22. Inventories

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using an average cost formula.

### 23. Long Term Contracts

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

### 24. Exceptional Items

When items of expenditure are outside the normal type of expenditure incurred by the Group they will be disclosed separately on the face of the CIES if they are material and separate disclosure would be made to aid the understanding of the Group's financial performance.

### 25. Charges to Revenue Non-Current Assets

The CIES is debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service

## Note 1 Accounting Policies Continued

- 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 the overall borrowing requirement (calculated on a prudent basis determined by the Group in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

### 26. Private Finance Initiatives (PFI)

PFI are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its balance sheet as part of property, plant and equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES.
- finance cost – the interest cost on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the CIES.
- contingent rent – increase in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the CIES.
- payment towards liability – applied to write down the balance sheet liability towards the PFI operator.
- lifecycle replacement costs – proportion of the amounts payable is posted to the balance sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

## Note 2 Accounting Standards Issued, Not Adopted

Appendix C of the CIPFA code requires Local Authorities to 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 by the Code for the relevant financial year. Standards that fall into this category are:

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

All of these standards will be incorporated in the Code from 2020/21 and will be complied with. However, none have material impact for the Group and none warrant disclosure in these accounts.

IFRS 16 Leases is an accounting standard that was due to be implemented on the 1 April 2020. However it has been delayed nationally to 1 April 2021 in response to the COVID-19 pandemic. The new IFRS introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The impact of IFRS 16 is not yet known; work is in progress to assess the impact in readiness for the 2020/21 Statement of Accounts.

## Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Police and Crime Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements in the Statement of Accounts are:

- The PCC Group has had to make judgements about the allocation of expenditure between Police and Crime Commissioner and the Chief Constable. The basis adopted was arrived at after considering the CIPFA Service Reporting Code of Practice and the Police Reform and Social Responsibility Act.
- As required, a provision has been established in the Police and Crime Commissioner's Balance Sheet to reflect the continuing requirement on an elected policing body, as required under the Police Reform and Social responsibility Act 2011, to provide funds to the Chief Constable from the Police Fund for the payment of pensions and other employee benefits. It is reasonable to expect that should the PCC Group be required to settle future pension liabilities, then settlement would result in an outflow of resources from the Police and Crime Commissioner.
- Estimation of the pension element of the provision (set out above) is on the basis of apportionment of the total actuarially assessed liability for future pensions benefits for the Group between the two corporate bodies on the basis of current cash flows.
- The contingent liability note describes liabilities with regard to potential claims against the Police and Crime Commissioner Group. Judgement has been applied in determining that for each of these actual or potential claims, either the outflow of resources is not probable or the obligation cannot be estimated with sufficient reliability. For this reason the appropriate accounting treatment is judged to be disclosure of a contingent liability rather than the making of a provision.
- There is a high degree of uncertainty about future levels of funding for the Police. The Police and Crime Commissioner has made a judgement on the level of general balances which is reviewed on an annual basis as part of the Medium Term Financial Strategy process.
- In light of market conditions arising from COVID-19, a judgement has been made to use the actual conditions as at 31 March to value the Police Staff pensions rather than the usual practice of using a forecast from the end of February. This step has been taken to mitigate some of the uncertainty arising from the current volatility in the markets.
- Judgements are made by professional advisors in valuing assets, pensions and financial instruments. Management have accepted these judgements.
- A judgement has been made to include the impact of the McCloud/Sargeant ruling. Whilst the regulations underpinning the Local Government Pension Scheme (LGPS) and police pension schemes have not yet been amended, the outcome of the McCloud and Sargeant tribunals have been deemed to provide evidence that a legal obligation has been created, resulting in a potential liability.

# Police and Crime Commissioner for Dorset

## Note 4 The Police and Crime Commissioner as an Accounting Entity

The Police and Crime Commissioner is part of an accounting group along with the Chief Constable (referred to below as the PCC Group). The accounting recognition of the Group's assets, liabilities and reserves reflects the powers and responsibilities of the Police and Crime Commissioner and the Chief Constable as designated by the Police Reform and Social Responsibility Act 2011 and the Revised Home Office Financial Management Code of Practice for the Police Service, England and Wales 2018. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice.

The Police and Crime Commissioner receives all government funding and income and the Chief Constable while fulfilling his responsibilities under the 2011 Act does not hold any cash or reserves. For the period 1 April 2019 to 31 March 2020, all contracts were in the name of the Police and Crime Commissioner. When Police and Crime Commissioner's resources are consumed at the request of the Chief Constable all payments are made by the Police and Crime Commissioner from the Police Fund and no cash movements occur between the two bodies.

For accounting and regulatory purposes the Police and Crime Commissioner and the Chief Constable are classed as local authorities and are covered by the CIPFA Code of Practice for Local Authority Accounting 2019/20.

The financial consequences of the activity under the control of the Chief Constable are shown in the Chief Constable's single entity accounts which are published separately. As the Chief Constable does not hold reserves, the Chief Constable's Comprehensive Income and Expenditure Statement shows the gross cost of policing which is offset by intra-group adjustments to reflect the payments and accruals made by the Police and Crime Commissioner at the request of the Chief Constable. The result of these adjustments, is that the Chief Constable has a nil balance on his General Fund. The intra-group adjustments are mirrored in the Police and Crime Commissioner's Accounts.

All of the assets and liabilities and reserves of the PCC Group with the following exceptions are recognised on the Police and Crime Commissioner's Balance Sheet. The exceptions are:

- Employment liabilities for officers and staff under the direction of the Chief Constable are recognised on the Chief Constable's Balance Sheet. The liability in the Chief Constable's Balance Sheet for these items is offset by a long term debtor reflecting the Police and Crime Commissioner's responsibility to provide funds from the Police Fund each year to enable the Chief Constable to administer police pensions.
- Certain categories of operational non-current and current assets are shown on the Chief Constable's Balance Sheet. These assets are offset in the Balance Sheet by a long term and short term creditor respectively.
- Certain categories of current liabilities are shown on the Chief Constable Balance Sheet. These liabilities are offset in the Balance Sheet by a debtor.

## Note 5 Events after the Balance Sheet Date

The Financial Statements were authorised for issue on 31 May 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The volatility in asset valuation has continued after the balance sheet date as a result of the ongoing COVID-19 pandemic as evidenced by the valuers, NPS Group. They have assessed the changes and advised that there is currently no basis for altering valuations, but that this should be kept under review.

## Note 6 Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items at the balance sheet date for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## **Note 6 Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty Continued**

### **6.1 Property, Plant and Equipment**

#### **Uncertainties**

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 Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, affecting the useful lives assigned to assets. The estimated value of property, plant and equipment as at 31 March 2020 is £52m.

#### **Valuation Uncertainty**

COVID-19 has had an impact on market activity. A valuation was provided by our valuers as at 1 January 2020 with a further review conducted at 31 March 2020. The valuation has been reported on the basis of "material valuation uncertainty" as it has been prepared under extraordinary circumstances; therefore comparison to historical market data is less reliable.

#### **Effect if Actual Results Differ from Assumptions**

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by approximately £147k for every year that useful lives had to be reduced.

### **6.2 Provisions**

#### **Uncertainties**

A provision of £713k to cover the cost of self-insured public and employers' liability claims. The cost of these claims has been estimated by the Force Legal Team, the nature of these claims means that the amounts on settlement could fluctuate.

#### **Effect if Actual Results Differ from Assumptions**

A 10 percent increase in the cost of the outstanding claims would increase the charge to the Comprehensive Income and Expenditure Account by £72k.

### **6.3 Pensions Liability**

#### **Uncertainties**

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. Pension fund assets are measured at fair value which requires reference to the market conditions held at the measurement date. As a result of the COVID-19 pandemic, the market has been subject to volatility, however markets have continued trading and information was available to measure the fund assets at the measurement date. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

#### **Valuation Assumption**

A remedy process is underway to resolve the age discrimination of the pension changes resulting from the reform of public service pensions schemes. Although the LGPS and Police Pension Scheme regulations have not yet been amended, an allowance has been made for the impact of the McCloud/Sargeant ruling. This allowance was made on the assumption that all those who were previously members of a final salary scheme will remain in that scheme and only new staff joining after 1 April 2015 join the 2015 CARE scheme.

#### **Effect if Actual Results Differ from Assumptions**

The effects on the net pension's liability of changes in individual assumptions are shown in the Defined Benefit Pension Schemes Note.

## **Note 6     Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty Continued**

### **6.4     Financial Instruments**

#### **Investment Valuation Uncertainty**

Estimating a loss allowance for expected credit losses on investments has been impacted by the volatility in the market as a result of COVID-19. The valuation of the investments held as at 31 March have been prepared using the 2020 average forecast rates provided by the Groups' Treasury Advisor and the impact shown in the Financial Instrument Note.

#### **Trade Receivables Assumption:**

COVID-19 may have an impact on the ability of organisations to make payments in lieu of services provided. An assumption has been made that income due from Central Government, Local Authorities, other Police Forces and the NHS will not be affected. A 2% loss allowance has been made in addition to the bad debt provision for income due from other entities and individuals.

# Police and Crime Commissioner for Dorset

## Note 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants and council tax) by the Police and Crime Commissioner Group in comparison with those resources consumed or earned by the Police and Crime Commissioner Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20								
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Outturn	Adjustments	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				
				Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Intra-Group Funding	Total Adjustments
				(Note 7.1)	(Note 7.2)	(Note 7.3)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Constable	132,414	26,000	158,414	1,078	26,310	(1,388)	(26,000)	0
Office for Police and Crime Commissioner	1,234	2,816	4,050	2,660	152	4	26,000	28,816
Commissioning	1,042	(30)	1,012	0	7	(37)	0	(30)
<b>Net Cost of Services</b>	<b>134,690</b>	<b>28,786</b>	<b>163,476</b>	<b>3,738</b>	<b>26,469</b>	<b>(1,421)</b>	<b>0</b>	<b>28,786</b>
Other Operating Income and Expenditure	0	(22,540)	(22,540)	62	(22,602)	0	0	(22,540)
Financing and Investment Income and Expenditure	(22)	36,984	36,962	0	36,984	0	0	36,984
Taxation and Non-Specific Grant Income	(134,668)	(3,392)	(138,060)	(3,392)	0	0	0	(3,392)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>39,838</b>	<b>39,838</b>	<b>408</b>	<b>40,851</b>	<b>(1,421)</b>	<b>0</b>	<b>39,838</b>
<b>Opening Revenue Reserve Balance as at 31 March 2019</b>	<b>(3,957)</b>							
Less/Plus Surplus or (Deficit) on the General Fund in Year	(789)							
Transfer (to)/from Other Reserves	0							
<b>Closing Revenue Reserve Balance as at 31 March 2020</b>	<b>(4,746)</b>							



# Police and Crime Commissioner for Dorset

## Note 7 Expenditure and Funding Analysis Continued

2018/19								
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Outturn	Adjustments	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				
				Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Intra-Group Funding	Total Adjustments
				(Note 7.1)	(Note 7.2)	(Note 7.3)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Constable	123,395	62,581	185,976	1,476	60,022	1,083	(62,581)	0
Office for Police and Crime Commissioner	1,035	2,100	3,135	1,914	173	13	62,581	64,681
Commissioning	1,175	65	1,240	0	65	0	0	65
<b>Net Cost of Services</b>	<b>125,605</b>	<b>64,746</b>	<b>190,351</b>	<b>3,390</b>	<b>60,260</b>	<b>1,096</b>	<b>0</b>	<b>64,746</b>
Other Operating Income and Expenditure	0	(26,062)	(26,062)	16	(26,078)	0	0	(26,062)
Financing and Investment Income and Expenditure	(90)	37,775	37,685	0	37,818	(43)	0	37,775
Taxation and Non-Specific Grant Income	(125,515)	(3,039)	(128,554)	0	0	(3,039)	0	(3,039)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>73,420</b>	<b>73,420</b>	<b>3,406</b>	<b>72,000</b>	<b>(1,986)</b>	<b>0</b>	<b>73,420</b>
<b>Opening Revenue Reserve Balance as at 31 March 2018</b>	<b>(4,974)</b>							
Less/Plus Surplus or (Deficit) on the General Fund in Year	1,017							
Transfer (to)/from Other Reserves	0							
<b>Closing Revenue Reserve Balance as at 31 March 2019</b>	<b>(3,957)</b>							

# Police and Crime Commissioner for Dorset

## Note 7 Expenditure and Funding Analysis Continued

**7.1 Adjustment for Capital Purposes** – this column adds in the depreciation and impairment and revaluation gains and losses in the service line and for:

- **Other operating expenditure** - adjust for capital disposals with a transfer of income on disposals of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory changes for capital financing i.e. Minimum Revenue Provision and other revenue contribution and deducted for other income and expenditure as these are not chargeable under generally accepted accounting practice.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting policies. Revenue grants are adjusted for those receivable without conditions for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the years without condition or for which conditions were satisfied in the year.

**7.2 Net Change for the Pensions Adjustments** - this Net Change is for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- **For Services** – this represents the removal of the employer pension's contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

**7.3 Other Differences** – Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the amounts payable/receivable to be recognised under statute:

- **For Financing and Investment Income and Expenditure** – the other difference column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **Taxation and non-specific grant income and expenditure** – this charge represents the difference between what is chargeable under statutory regulations for council tax and that was projected to be received at the start of the year and the income recognised under generally accepted accounting policies in the code. This is a timing difference as any difference will be brought forward in future surplus or deficits on the Collection Fund.

### 7.4 Chief Constable Outturn

The Chief Constable reported outturn is the sum of the amount disclosed against the Chief Constable line and the amount shown against the Financing and Investment Income and Expenditure line. In the Statement of Accounts, the Financing and Investment Income and Expenditure line is under the control of the PCC and is excluded from the Chief Constable's CIES and Expenditure and Funding Analysis Statement but shown in the equivalent PCC statements.

# Police and Crime Commissioner for Dorset

## Note 8 Expenditure and Income Analysed by Nature

2018/19 £'000	Expenditure/Income	2019/20 £'000
	<b>Expenditure</b>	
169,111	Employee benefit expenses	136,716
42,975	Other service expense	55,347
5,240	Depreciation, amortisation, impairment	4,870
8	Interest payments	9
0	Loss on financial instruments	75
16	Loss on the disposal of assets	61
37,819	Pensions Interest cost and Expected return on assets	41,325
<b>255,169</b>	<b>Total Expenditure</b>	<b>238,403</b>
	<b>Income</b>	
(26,025)	Fees charges and other service income	(33,457)
(43)	Gain on financial instruments	0
(100)	Pension interest and investment income	(4,447)
(60,398)	Income from council tax	(66,842)
(95,183)	Government grants and contributions	(93,819)
<b>(181,749)</b>	<b>Total Income</b>	<b>(198,565)</b>
<b>73,420</b>	<b>Deficit on the Provision of Services</b>	<b>39,838</b>

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Police and Crime Commissioner in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### 9.1 General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Group are required to be paid and out of which all liabilities of the Group are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Group is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Group is required to recover) at the end of the financial year.

### 9.2 Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

# Police and Crime Commissioner for Dorset

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations continued

Current Year	2019/20			Unusable Reserves
	Usable Reserves			
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to ( or from) the Pensions Reserve)	(40,848)	0	0	40,848
Financial instruments (transferred to the Pooled Fund Adjustments Account)	(50)	0	0	50
Council Tax and NDR (transfers to or from Collection Fund)	(945)	0	0	945
Holiday pay (transferred to the Accumulated Absences Reserve)	456	0	0	(456)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA):	(8,648)	121	0	8,527
<b>Total Adjustments to Revenue Resources</b>	(50,035)	121	0	49,914
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(516)	0	516
Transfer of Grants from Revenue to the Capital Grant Reserve	0	0	0	0
Statutory provision for the repayment of debt (transfer from the CAA)	3,182	0	0	(3,182)
Capital expenditure financed from revenue balances (transfer to the CAA)	1,795	0	0	(1,795)
<b>Total Adjustments between Revenue and Capital Resources</b>	4,977	(516)	0	(4,461)
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	563	0	(563)
Application of capital grants to finance capital expenditure	4,336	0	0	(4,336)
<b>Total Adjustments to Capital Resources</b>	4,336	563	0	(4,899)
<b>Total Adjustments excluding Earmarked Adjustments</b>	(40,722)	168	0	40,554
<b>Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis</b>				
<b>Total Adjustments including Earmarked Adjustments</b>				0
				40,554

# Police and Crime Commissioner for Dorset

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations Continued

Comparative Year	2018/19			Unusable Reserves
	Usable Reserves			
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:.				
Pensions costs <b>(transferred to ( or from) the Pensions Reserve)</b>	(70,138)	0	0	70,138
Financial instruments <b>(transferred to the Pooled Fund Adjustments Account)</b>	43	0	0	(43)
Council Tax and NDR <b>(transfers to or from Collection Fund)</b>	551	0	0	(551)
Holiday pay <b>(transferred to the Accumulated Absences Reserve)</b>	(1,095)	0	0	1,095
Equal pay settlements <b>(transferred to the Unequal Pay/Back Pay AC</b>	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure <b>(these items are charged to the Capital Adjustment Account (CAA):</b>	(11,662)	0	0	11,662
<b>Total Adjustments to Revenue Resources</b>	(82,301)	0	0	82,301
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,142	(4,142)	0	0
Transfer of Grants from Revenue to the Capital Grant Reserve	(58)	58	0	0
Statutory provision for the repayment of debt <b>(transfer from the CAA)</b>	3,077	0	0	(3,077)
Capital expenditure financed from revenue balances <b>(transfer to the CAA)</b>	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	7,161	(4,084)	0	(3,077)
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	4,172	0	(4,172)
Application of capital grants to finance capital expenditure	2,488	0	0	(2,488)
<b>Total Adjustments to Capital Resources</b>	2,488	4,172	0	(6,660)
<b>Total Adjustments excluding Earmarked Adjustments</b>	(72,652)	88	0	72,564
<b>Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis</b>				0
<b>Total Adjustments including Earmarked Adjustments</b>				72,564

## Police and Crime Commissioner for Dorset

### Note 10 Movement in Earmarked Reserves

This note sets out the amounts set aside from the Earmarked Reserves to provide financing for future expenditure plans and amounts posted from Earmarked Reserves to meet General Fund expenditure in the year.

	<b>Balance at 1 April 2018</b>	Transfer Out 2018/19	Transfer In 2018/19	<b>Balance at 31 March 2019</b>	Transfer Out 2019/20	Transfer In 2019/20	<b>Balance at 31 March 2020</b>
	<b>£'000</b>	£'000	£'000	<b>£'000</b>	£'000	£'000	<b>£'000</b>
Budget Management Fund	<b>200</b>	(200)	27	<b>27</b>	(27)	914	<b>914</b>
Regional Collaboration Reserve	<b>0</b>	0	231	<b>231</b>	(157)	271	<b>345</b>
Workforce Change Reserve	<b>1,810</b>	(477)	0	<b>1,333</b>	(407)	0	<b>926</b>
Capital Financing Reserve	<b>203</b>	(203)	665	<b>665</b>	(1,795)	1,130	<b>0</b>
Major Operations Reserve	<b>738</b>	0	0	<b>738</b>	0	250	<b>988</b>
PEQF Reserve	<b>0</b>	0	0	<b>0</b>	0	157	<b>157</b>
Learning & Development Reserve	<b>0</b>	0	0	<b>0</b>	0	46	<b>46</b>
Police and Crime Plan	<b>857</b>	0	206	<b>1,063</b>	(757)	470	<b>776</b>
<b>Total</b>	<b>3,808</b>	<b>(880)</b>	<b>1,129</b>	<b>4,057</b>	<b>(3,143)</b>	<b>3,238</b>	<b>4,152</b>

The purpose of the Funds and Reserves are set out below:

<b>Budget Management Fund</b>	To hold year end under-spends for carry-forward to the following year.
<b>Capital Financing Reserve</b>	To fund capital investment.
<b>Major Operations Reserve</b>	To meet the costs of major policing operations.
<b>Police and Crime Plan</b>	To fund planned Police and Crime Plan developments.
<b>Regional Collaboration Reserve</b>	To hold funds related to past underspends for future planned spending for regional collaborations.
<b>Workforce Change Reserve</b>	To fund one-off and transitional costs of change programmes.
<b>PEQF Reserve</b>	To fund costs of the Policing Education Qualification Framework.
<b>Learning and Development Reserve</b>	To fund training and development.

# Police and Crime Commissioner for Dorset

## Note 11 Property, Plant and Equipment

These tables set out the property, plant and equipment for the PCC Group.

<b>Movements for 2019/20</b>				
	<b>Operational and Non-Operational Assets</b>		<b>Surplus Assets</b>	<b>Total</b>
	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2019</b>	<b>75,794</b>	<b>49,943</b>	<b>120</b>	<b>125,857</b>
Additions	941	5,858	0	6,799
Revaluation recognised in the Revaluation Reserve	3,904	0	3	3,907
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-Disposals	(968)	(22,039)	0	(23,007)
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	(415)	0	415	0
<b>Balance at 31 March 2020</b>	<b>79,256</b>	<b>33,762</b>	<b>538</b>	<b>113,556</b>
<b>Accumulated Depreciation and Impairments</b>				
<b>Balance at 1 April 2019</b>	<b>(26,333)</b>	<b>(43,648)</b>	<b>(4)</b>	<b>(69,985)</b>
Depreciation Charge	(2,652)	(1,860)	(6)	(4,518)
Depreciation written out to the Revaluation Reserve	864	0	0	864
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-Disposals	968	21,964	0	22,932
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	55	0	(55)	0
<b>Balance at 31 March 2020</b>	<b>(27,098)</b>	<b>(23,544)</b>	<b>(65)</b>	<b>(50,707)</b>
<b>Net Book Value</b>				
<b>Balance at 31 March 2019</b>	<b>49,461</b>	<b>6,295</b>	<b>116</b>	<b>55,872</b>
<b>Balance at 31 March 2020</b>	<b>52,158</b>	<b>10,218</b>	<b>473</b>	<b>62,849</b>

# Police and Crime Commissioner for Dorset

## Note 11 Property, Plant and Equipment Continued

<b>Movements for 2018/19</b>				
	<b>Operational and Non-Operational Assets</b>		<b>Surplus Assets</b>	<b>Total</b>
	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2018</b>	<b>74,105</b>	<b>46,604</b>	<b>520</b>	<b>121,229</b>
Additions	661	3,933	0	4,594
Revaluation recognised in the Revaluation Reserve	2,031	0	0	2,031
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-Disposals	(378)	(594)	(520)	(1,492)
Reclassification (to)/from Held for Sale	(505)	0	0	(505)
Other Reclassification	(120)	0	120	0
<b>Balance at 31 March 2019</b>	<b>75,794</b>	<b>49,943</b>	<b>120</b>	<b>125,857</b>
<b>Accumulated Depreciation and Impairments</b>				
<b>Balance at 1 April 2018</b>	<b>(25,112)</b>	<b>(41,583)</b>	<b>(14)</b>	<b>(66,709)</b>
Depreciation Charge	(1,486)	(2,636)	0	(4,122)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(140)	0	0	(140)
Derecognition-Disposals	401	571	14	986
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	4	0	(4)	0
<b>Balance at 31 March 2019</b>	<b>(26,333)</b>	<b>(43,648)</b>	<b>(4)</b>	<b>(69,985)</b>
<b>Net Book Value</b>				
<b>Balance at 31 March 2018</b>	<b>48,993</b>	<b>5,022</b>	<b>506</b>	<b>54,520</b>
<b>Balance at 31 March 2019</b>	<b>49,461</b>	<b>6,295</b>	<b>116</b>	<b>55,872</b>



# Police and Crime Commissioner for Dorset

## Note 11 Property, Plant and Equipment Continued

These tables set out the property, plant and equipment for the PCC.

<b>Movements for 2019/20</b>			
	<b>Operational and Non-Operational Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>Land &amp; Buildings</b>	<b>Surplus Assets</b>	
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2019</b>	<b>75,794</b>	<b>120</b>	<b>75,914</b>
Additions	941	0	941
Revaluation recognised in the Revaluation Reserve	3,904	3	3,907
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition-Disposals	(968)	0	(968)
Reclassification (to)/from Held for Sale	0	0	0
Other Reclassification	(415)	415	0
<b>Balance at 31 March 2020</b>	<b>79,256</b>	<b>538</b>	<b>79,794</b>
<b>Accumulated Depreciation and Impairments</b>			
<b>Balance at 1 April 2019</b>	<b>(26,333)</b>	<b>(4)</b>	<b>(26,337)</b>
Depreciation Charge	(2,652)	(6)	(2,658)
Depreciation written out to the Revaluation Reserve	864	0	864
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition-Disposals	968	0	968
Reclassification (to)/from Held for Sale	0	0	0
Other Reclassification	55	(55)	0
<b>Balance at 31 March 2020</b>	<b>(27,098)</b>	<b>(65)</b>	<b>(27,163)</b>
<b>Net Book Value</b>			
<b>Balance at 31 March 2019</b>	<b>49,461</b>	<b>116</b>	<b>49,577</b>
<b>Balance at 31 March 2020</b>	<b>52,158</b>	<b>473</b>	<b>52,631</b>

# Police and Crime Commissioner for Dorset

## Note 11 Property, Plant and Equipment Continued

<b>Movements for 2018/19</b>			
	<b>Operational and Non-Operational Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>Land &amp; Buildings</b>	<b>Surplus Assets</b>	
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2018</b>	<b>74,105</b>	<b>520</b>	<b>74,625</b>
Additions	661	0	661
Revaluation recognised in the Revaluation Reserve	2,031	0	2,031
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition-Disposals	(378)	(520)	(898)
Reclassification (to)/from Held for Sale	(505)	0	(505)
Other Reclassification	(120)	120	0
<b>Balance at 31 March 2019</b>	<b>75,794</b>	<b>120</b>	<b>75,914</b>
<b>Accumulated Depreciation and Impairments</b>			
<b>Balance at 1 April 2018</b>	<b>(25,112)</b>	<b>(14)</b>	<b>(25,126)</b>
Depreciation Charge	(1,486)	0	(1,486)
Depreciation written out to the Revaluation Reserve	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(140)	0	(140)
Derecognition-Disposals	401	14	415
Reclassification (to)/from Held for Sale	0	0	0
Other Reclassification	4	(4)	0
<b>Balance at 31 March 2019</b>	<b>(26,333)</b>	<b>(4)</b>	<b>(26,337)</b>
<b>Net Book Value</b>			
<b>Balance at 31 March 2018</b>	<b>48,993</b>	<b>506</b>	<b>49,499</b>
<b>Balance at 31 March 2019</b>	<b>49,461</b>	<b>116</b>	<b>49,577</b>

### 11.1 Recognition

Expenditure on an individual item or a project or programme of work is capitalised when the following de-minimus levels are met:-

- Land and buildings £25k
- All other assets £10k

### 11.2 Surplus Assets

Two properties have been classed as a Surplus Asset within 2019/20.

### 11.3 Depreciation

All depreciation is calculated on a straight-line basis. A review of asset lives has taken place in 2019/20 and the useful life for some assets has been amended. The following useful lives and approaches to depreciation have been used to calculate depreciation charges:

# Police and Crime Commissioner for Dorset

## Note 11 Property, Plant and Equipment Continued

### 11.3.1 Land and Buildings

The asset lives for individual buildings are assessed by the valuer, asset lives are within the range 6–100 years.

### 11.3.2 Vehicles

Classes of vehicle are given specific asset lives these are within the range 3-12 years. Vehicles are depreciated monthly over the forecast useful life of the vehicle and the depreciation in the first year will reflect the number of months that the vehicle has been registered.

### 11.3.3 Information and Communications Technology (ICT)

Classes of ICT assets are given specific asset lives these are within the range 3-12 years. ICT assets are depreciated in equal annual instalments over the forecast useful life of the asset.

### 11.3.4 Plant and Equipment

Classes of plant and equipment assets are given specific asset lives these are within the range 3-12 years. These assets are depreciated in equal annual instalments over the forecast useful life of the asset.

All depreciation is calculated on a straight-line basis.

### 11.3.5 De-recognition

In 2019/20 a review of lives for assets classed as Vehicles, ICT, Plant, Equipment and Intangibles has been undertaken which has resulted in de-recognition of a number of assets that have reached the end of their useful life or have been disposed of. The gross value of these assets amounted to £22.260m with an equivalent value for accumulated depreciation. The figure also includes sales of vehicles that took place in the year as part of vehicle disposal programme. The net book value of these disposed assets resulted in a loss of £75,000 which has been charged to the CIES.

## 11.4 Significant Capital Commitments

As at 31 March 2020 the Police and Crime Commissioner had significant capital commitments of £1.184m in relation to vehicles, operational activity and ICT.

## 11.5 Revaluations

Land and buildings were revalued by qualified external valuers, NPS. The valuations have been carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A full revaluation exercise was undertaken in 2019/20 with inspections being undertaken internally and externally on all properties with the exception of 4 which could not be inspected due to restrictions in place in response to COVID-19. Desktop valuations were performed for these assets.

## Note 12 Intangible Assets

Intangible assets are recognised separately from the tangible asset with which they are associated with where the value of the intangible asset is more than 25% and greater than £100k of the main asset value.

# Police and Crime Commissioner for Dorset

## Note 12 Intangible Assets Continued

2018/19 Non-Operational Assets £'000		2019/20 Non-Operational Assets £'000
	<b>Balance at start of year</b>	
2,491	Gross carrying amounts	2,759
(1,571)	Accumulated amortisation	(2,261)
<b>920</b>	<b>Net carrying amount at start of year</b>	<b>498</b>
268	Additions	42
0	Derecognition - Gross Value	(659)
(690)	Amortisation for the period	(349)
0	Derecognition - Gross Amortisation	659
<b>498</b>	<b>Net carrying amount at end of year</b>	<b>191</b>
	<b>Comprising:</b>	
2,759	Gross carrying amounts	2,142
(2,261)	Accumulated Amortisation	(1,951)
<b>498</b>		<b>191</b>

### 12.1 Amortisation

All intangible assets are given a finite life, based on assessments of the period that the software is expected to be of use to the Group.

### 12.2 Depreciation

The carrying amount of intangible assets is amortised on a straight-line basis.

## Note 13 Debtors

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
1,536	13,709	Central government bodies	2,432	11,611
1,995	2,643	Other local authorities	1,338	5,157
0	0	National Health Service	0	0
0	5,025	Other entities and individuals	0	5,311
<b>3,531</b>	<b>21,377</b>	<b>Total Debtors</b>	<b>3,770</b>	<b>22,079</b>

## Note 14 Cash and Cash Equivalents

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
91	91	Cash held by the PCC	78	78
626	626	Bank current accounts	2,081	2,081
1,335	1,335	Short-term deposits	7,196	7,196
<b>2,052</b>	<b>2,052</b>	<b>Total Cash and Cash Equivalents</b>	<b>9,355</b>	<b>9,355</b>

# Police and Crime Commissioner for Dorset

## Note 15 Assets Held for Sale

2018/19		2019/20
£'000		£'000
6,096	Balance outstanding at start of year	3,005
505	Assets newly classified as held for sale	0
(3,596)	Assets Sold	(442)
<b>3005</b>	<b>Balance outstanding at year end</b>	<b>2,563</b>

## Note 16 Creditors

31 March 2019			31 March 2020	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
(772)	(2,349)	Central government bodies	(1,060)	(3,710)
0	(3,824)	Other local authorities	0	(7,328)
0	(280)	National Health Service	0	(569)
(67)	(13,219)	Other entities and individuals	(29)	(12,390)
<b>(839)</b>	<b>(19,672)</b>	<b>Total Creditors</b>	<b>(1,089)</b>	<b>(23,997)</b>

# Police and Crime Commissioner for Dorset

## Note 17 Financial Instruments

### 17.1 Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long Term		Current	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
<b>Investments</b>				
Loans and receivables	0	0	0	0
Available for sale Financial Instruments	0	0	0	0
Fair value through profit or loss	0	0	3,469	3,001
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>3,469</b>	<b>3,001</b>
<b>Cash and Cash Equivalents</b>				
Amortised Cost	0	0	2,052	9,355
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>2,052</b>	<b>9,355</b>
<b>Debtors (Trade Receivables)</b>				
Amortised Cost	0	0	5,025	5,311
<b>Total included in Debtors</b>	<b>0</b>	<b>0</b>	<b>5,025</b>	<b>5,311</b>
<b>Long-Term Liabilities</b>				
Financial liabilities at amortised cost	(1,086)	(966)	0	0
PFI	(27,978)	(25,974)	0	0
<b>Total Long-Term Liabilities</b>	<b>(29,064)</b>	<b>(26,940)</b>	<b>0</b>	<b>0</b>
<b>Finance Lease</b>				
Amortised Cost	0	(72)	0	(29)
<b>Total Finance Lease</b>	<b>0</b>	<b>(72)</b>	<b>0</b>	<b>(29)</b>
<b>Borrowing</b>				
Borrowing	0	0	0	(5,500)
<b>Total Finance Lease</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,500)</b>
<b>Creditors (Trade Payables)</b>				
Amortised Cost	0	0	(13,219)	(12,390)
<b>Total included in Creditors</b>	<b>0</b>	<b>0</b>	<b>(13,219)</b>	<b>(12,390)</b>

### 17.2 Borrowing

The other long term liabilities relates to two schemes under the government's Private Finance Initiatives (PFI). The first was for the replacement of the Western Division HQ and certain section stations. Occupation of the facilities and payments commenced in 2001 and will continue for 30 years. The second relates to the provision of a new facility at Poole as part of a joint PFI between Dorset Police and Dorset Fire and Rescue Services. Occupation was in 2009 and payments will continue for 25 years. Government grants are received annually towards the costs of these schemes.

### 17.3 Financial assets

Financial assets at fair value through Profit and Loss consist of deposits with external fund managers. These are valued by reference to quoted market price.

# Police and Crime Commissioner for Dorset

## Note 17 Financial Instruments Continued

### 17.4 Cash and cash equivalents

Cash and cash equivalents consist of the bank current account, on call accounts and money market funds all of which are repayable at 24 hours' notice without penalty.

### 17.5 Income, Expense, Gains and Losses

	2018/19 Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure £'000	2019/20 £'000
<b>Net (gains)/losses on:</b>		
Financial assets measured at fair value through profit and loss	(43)	7
Financial assets measured at amortised	1	1
Financial liabilities	0	0
<b>Total net (gains)/losses</b>	<b>(43)</b>	<b>8</b>
<b>Interest revenue</b>		
Financial assets measured at amortised	(100)	(105)
<b>Total Interest revenue</b>	<b>(100)</b>	<b>(105)</b>
<b>Interest expense</b>		
Financial liabilities at amortised cost	1	9
<b>Total Interest expense</b>	<b>1</b>	<b>9</b>

### 17.6 Fair Value of Financial Assets and Financial Liabilities

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

- The fair value balances for financial assets as at 31 March 2020 have been calculated using interest rates in force as at 31 March 2019 and 2020.
- The long-term borrowing as at 31 March 2019 and 31 March 2020 have been calculated by reference to the premature repayment set of rates in force as at the respective dates.
- The fair value of trade or other receivables is taken to be the invoiced or the billed amount.

# Police and Crime Commissioner for Dorset

## Note 17 Financial Instruments Continued

<b>Financial Assets</b>	<b>31 March 2019 Carrying Amount £'000</b>	<b>31 March 2019 Fair Value £'000</b>	<b>31 March 2020 Carrying Amount £'000</b>	<b>31 March 2020 Fair Value £'000</b>
Short term investments				
Investments held at Amortised Cost	0	0	0	0
Investments held at FVPL	0	3,469	0	3,001
Cash and cash equivalents				
Investments held at Amortised Cost	2,052	2,052	2,081	2,159
Investments held at FVPL	0	0	0	7,196
Debtors (Trade Receivables)	5,025	5,025	5,311	5,311
	<b>7,077</b>	<b>10,546</b>	<b>7,392</b>	<b>17,667</b>
<b>Financial Liabilities</b>	<b>31 March 2019 Carrying Amount £'000</b>	<b>31 March 2019 Fair Value £'000</b>	<b>31 March 2020 Carrying Amount £'000</b>	<b>31 March 2020 Fair Value £'000</b>
Short Term Borrowing	0	0	(5,500)	(5,504)
Long Term Liabilities	(29,064)	(29,064)	(26,940)	(21,901)
Creditors (Trade Payables)	(13,219)	(13,219)	(12,390)	(12,390)
Finance Lease	0	0	(101)	(97)
	<b>(42,283)</b>	<b>(42,283)</b>	<b>(44,931)</b>	<b>(39,892)</b>

### 17.7 Nature and extent of risks arising from financial instruments

The Police and Crime Commissioner's activities expose it to a variety of financial risks, including:

- credit risk the possibility that other parties might fail to pay amounts due to the Police and Crime Commissioner.
- liquidity risk the possibility that the Police and Crime Commissioner might not have funds available to meet its commitments to make payments
- market risk the possibility that financial loss may arise for the Police and Crime Commissioner as a result of changes in measures such as interest rates and stock market movements.

The Police and Crime Commissioner overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Alliance Treasury Team in consultation with Arlingclose (Treasury Advisors), under policies approved by the PCC in the Treasury Management Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### 17.8 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Police and Crime Commissioner's customers.

This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Police and Crime Commissioner are contained within the Treasury Management Strategy which is published on the Police and Crime Commissioner website.

The Police and Crime Commissioner exposure to credit risk is an average credit rating of A+.



# Police and Crime Commissioner for Dorset

## Note 17 Financial Instruments Continued

### 17.8.1 Credit Risk Management Practices

The Police and Crime Commissioner's credit risk management practices are set out in the Treasury Management Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

### 17.8.2 Amounts Arising from Expected Credit Losses

The changes in the loss allowance during the year are as follows:

	12 month expected credit losses £'000
<b>Amounts Arising from Expected Credit Losses</b>	
Interest revenue	1
Financial assets measured at amortised cost	23
<b>Total loss allowance</b>	<b>24</b>

### 17.9 Liquidity Risk

The Police and Crime Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Police and Crime Commissioner has access to funds held with money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Police and Crime Commissioner will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates.

At 31 March 2020 the PCC held £5.16m (31 March 2019 £2.05m) in on-call and money market fund accounts to manage short term liquidity requirements.

### 17.10 Market Risk

#### 17.10.1 Interest Rate Risk

The PCC is exposed to risk in terms of interest rate movements on investments. Movements in interest rates have a complex impact on the Police and Crime Commissioner. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates      the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates      the fair value of the liabilities borrowings will fall
- investments at variable rates      the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates      the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus

# **Police and Crime Commissioner for Dorset**

## **Note 17 Financial Instruments Continued**

or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Police and Crime Commissioner manages interest rate risk by setting indicators to control the exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasurer assesses interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Short term borrowing was held at 31 March 2020 with fixed interest rates. All investments held have variable rates. If interest rates had been 1% higher with all other variables held constant, the financial effect on interest receivable on investments would be £1k. This would have an impact on the Surplus or Deficit on the Provision of Services. The impact of 1% fall in interest rates would be as above but with the movements being reversed.

### **17.10.2 Price Risk**

The Police and Crime Commissioner is exposed to price risk in terms of movement in the value of pooled investments and financial assets valued at fair value through profit and loss. Controls for this exposure is set out in the Treasury Management Strategy.

# Police and Crime Commissioner for Dorset

## Note 18 Provisions

2019/20	Insurance £'000	Other £'000	Total £'000
<b>Current Liabilities</b>			
<b>Balance at 1 April 2019</b>	<b>0</b>	<b>(287)</b>	<b>(287)</b>
Additional provisions made	(149)	(59)	(208)
Amounts used	192	142	334
Transfer from long term liabilities	(335)	0	(335)
<b>Balance at 31 March 2020</b>	<b>(292)</b>	<b>(204)</b>	<b>(496)</b>
<b>Long Term Liabilities</b>			
<b>Balance at 1 April 2019</b>	<b>(466)</b>	<b>0</b>	<b>(466)</b>
Additional provisions made	(290)	0	(290)
Amounts used	0	0	0
Transfer from long term liabilities	335	0	335
<b>Balance at 31 March 2020</b>	<b>(421)</b>	<b>0</b>	<b>(421)</b>
<b>Total Provisions Balance</b>	<b>(713)</b>	<b>(204)</b>	<b>(917)</b>

2018/19	Insurance £'000	Other £'000	Total £'000
<b>Current Liabilities</b>			
<b>Balance at 1 April 2018</b>	<b>0</b>	<b>(385)</b>	<b>(385)</b>
Additional provisions made	0	0	0
Amounts used	0	98	98
Transfer from long term liabilities	0	0	0
<b>Balance at 31 March 2019</b>	<b>0</b>	<b>(287)</b>	<b>(287)</b>
<b>Long Term Liabilities</b>			
<b>Balance at 1 April 2018</b>	<b>(509)</b>	<b>0</b>	<b>(509)</b>
Additional provisions made	0	0	0
Amounts used	43	0	43
Transfer from long term liabilities	0	0	0
<b>Balance at 31 March 2019</b>	<b>(466)</b>	<b>0</b>	<b>(466)</b>
<b>Total Provisions Balance</b>	<b>(466)</b>	<b>(287)</b>	<b>(753)</b>

### 18.1 Insurance Provision

The Police and Crime Commissioner is uninsured for the first £0.1m of each public and employers liability claim up to a total stop loss of £0.8m for claims. The insurance provision is to cover any claims from 2019/20 and previous years. The majority of payments from the provision are expected to be made over the next five years. An assessment of liabilities as at 31 March 2020 has been undertaken and the provision has been increased to a level estimated to be sufficient to meet all the forecast obligations.

# Police and Crime Commissioner for Dorset

## Note 18 Provisions Continued

### 18.2 Other Provisions

A provision has been made for compensation for distress for the originating claimants regarding the public service pension scheme reform.

## Note 19 Unusable Reserves

31 March 2019			31 March 2020
£'000	Note		£'000
8,673	20.1 Capital Adjustment Account		9,635
20,477	20.2 Revaluation Reserve		25,181
43	20.3 Pooled Investment Fund Adjustment Account		(7)
(1,560,765)	20.4 Pensions Reserve		(1,476,363)
1,223	20.5 Collection Fund Adjustment Account		278
(2,622)	20.6 Accumulated Absences Account		(2,166)
<b>(1,532,971)</b>	<b>Total Unusable Reserves</b>		<b>(1,443,442)</b>

### 19.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Police and Crime Commissioner arising from increases in the value of its Property, Plant and Equipment. 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

2018/19		Revaluation Reserve	2019/20	
£'000	£'000		£'000	£'000
	<b>19,820</b>	<b>Balance at 1 April</b>		<b>20,477</b>
	2,319	Upward/(Downward) revaluation of assets and impairment losses not posted to the Surplus/Deficit on the Provision of Services		4,834
(44)		Difference between fair value depreciation and historical cost depreciation	(130)	
(1,618)		Accumulated gains on assets sold or scrapped	0	
	(1,662)	Amount written off to the Capital Adjustment Account		(130)
	<b>20,477</b>	<b>Balance at 31 March</b>		<b>25,181</b>

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

# Police and Crime Commissioner for Dorset

## Note 19 Unusable Reserves Continued

### 19.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Police and Crime Commissioner as finance for the costs of acquisition and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2018/19 £'000	Capital Adjustment Account	2019/20 £'000
8,936	<b>Balance at 1 April</b>	8,673
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(2,163)	• Charges for depreciation and impairment of non-current assets	(4,518)
(288)	• Revaluation losses on Property, Plant and Equipment	0
(1,269)	• Revaluation losses on Assets Held for Sale	0
(1,476)	• Amortisation of intangible assets	(349)
(2,321)	• Revenue expenditure funded from capital under statute	(3,594)
(4,101)	• 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	(577)
<b>(11,618)</b>		<b>(9,038)</b>
1,618	Adjusting amounts written out of the Revaluation Reserve	130
<b>(10,000)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(8,908)</b>
	<b>Capital Financing applied in the year:</b>	
4,172	Use of the Capital Receipts Reserve to finance new capital expenditure	563
2,488	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,336
2,957	Statutory provision for the financing of capital investment charged against the General Fund balances	3,057
120	Capital expenditure charged against the General Fund balances	1,914
<b>9,737</b>		<b>9,870</b>
<b>8,673</b>	<b>Balance at 31 March</b>	<b>9,635</b>

### 19.3 Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Police and Crime Commissioner accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Police and Crime Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Police and Crime Commissioner has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

# Police and Crime Commissioner for Dorset

## Note 19 Unusable Reserves Continued

2018/19		Pension Reserve	2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(1,502,928)	(1,502,928)	<b>Balance at 1 April</b>	(1,560,765)	(1,560,765)
(59,245)	0	Intra-Group Adjustments	83,915	0
1,108	12,298	Re-measurements of the net defined benefit liability/(asset)	16	125,249
413	(114,314)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	345	(85,512)
(113)	44,179	Employer's pensions contributions and direct payments to pensioners payable in the year	126	44,665
<b>(1,560,765)</b>	<b>(1,560,765)</b>	<b>Balance at 31 March</b>	<b>(1,476,363)</b>	<b>(1,476,363)</b>

### 19.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19	Collection Fund Adjustment Account	2019/20
£'000		£'000
672	<b>Balance at 1 April</b>	1,223
551	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(945)
<b>1,223</b>	<b>Balance at 31 March</b>	<b>278</b>

### 19.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

# Police and Crime Commissioner for Dorset

## Note 19 Unusable Reserves Continued

2018/19		Accumulated Absences Account	2019/20	
PCC £'000 (13)	PCC Group £'000 (1,527)		PCC £'000 (25)	PCC Group £'000 (2,622)
		Balance at 1 April		
13	1,527	Settlement or cancellation of accrual made at the end of the preceding year	25	2,622
(25)	(2,622)	Amounts accrued at the end of the current year	(29)	(2,166)
(12)	(1,095)	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	(4)	456
(25)	(2,622)	Balance at 31 March	(29)	(2,166)

### 19.6 Pooled Investment Fund Adjustment Account Reserve

The Pooled Investment Fund Adjustment Account Reserve contains the gains and losses made by the Police and Crime Commissioner arising from changes in the value of investments in pooled funds.

2018/19 £'000	Pooled Investment Fund Adjustment Account	2019/20 £'000
0	Balance at 1 April	43
43	Upward revaluation of investments	0
0	Downward revaluation of investments	(50)
43	Balance at 31 March	(7)

## Note 20 Cash Flow Statement – Operating Activities

2018/19 £'000		2019/20 £'000
8,332	Net cash receipts/(payments) from operating activities excluding interest receipts and payments	(2,121)
(100)	Interest received	(105)
7	Interest paid	9
8,239	Net cash flows from operating activities	(2,217)

## Police and Crime Commissioner for Dorset

### Note 21 Cash Flow Statement – Investing Activities

2018/19 £'000		2019/20 £'000
3,723	Purchase of property, plant and equipment, investment property and intangible assets	5,011
(3,106)	Net movement in short-term and long term investments	(4,196)
(4,143)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(519)
<b>(3,525)</b>	<b>Net cash flows from investing activities</b>	<b>296</b>

### Note 22 Cash Flow Statement – Financing Activities

2018/19 £'000		2019/20 £'000
0	Cash receipts from short term borrowing	(5,500)
(2,026)	Other receipts from financial activities	(2,124)
0	Net movement in long term borrowing	101
0	Cash payments to reduce finance lease liabilities	17
2,026	Cash payments to reduce on balance sheet liabilities	2,124
<b>0</b>	<b>Net cash flows from financing activities</b>	<b>(5,382)</b>

### Note 23 External Audit Costs

The Police and Crime Commissioner has incurred the following costs in relation to the audit of the Statement of Accounts:

2018/19			2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
23	34	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	26	39
0	2	Proposed additional fees in respect of assessing the impact of the McCloud ruling on age discrimination on pensions liabilities. *	0	0
<b>23</b>	<b>36</b>		<b>26</b>	<b>39</b>



# Police and Crime Commissioner for Dorset

## Note 24 Officers' Remuneration

### 24.1 Remuneration

This note shows the officer remuneration costs for the Office of the Police and Crime Commissioner and for the Chief Constable. The Police and Crime Commissioner (PCC) is an elected official and is excluded from this note and shown within the Office of the Police and Crime Commissioner Cost note.

2019/20	Note	Salary, Fees and Allowances £	Subsistence, Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Compensation for loss of employment £	Total Remuneration incl Pension Contributions £
<b><u>Office of the Police &amp; Crime Commissioner</u></b>								
<b><u>Salary £50,000 to £149,999 per year</u></b>								
OPCC Chief Executive		94,200	0	0	94,200	13,439	0	107,639
OPCC Treasurer from 02/09/2019 to 31/03/2020		29,225	0	0	29,225	3,855	0	33,080
OPCC Treasurer from 01/04/2019 to 31/07/2019		16,780	0	0	16,780	2,213	0	18,993
<b><u>Chief Constable</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
Chief Constable		170,235	0	0	170,235	49,367	0	219,602
<b><u>Salary £50,000 to £149,999 per year</u></b>								
Deputy Chief Constable		130,914	0	4,634	135,548	37,016	0	172,564
Assistant Chief Constable from 18/10/2019 to 31/03/2020		50,544	0	0	50,544	12,606	0	63,150
Assistant Chief Constable		122,249	0	12,314	134,563	34,597	0	169,160
Assistant Chief Officer		109,375	0	6,399	115,774	16,953	50,000	182,727
Interim Chief Financial Officer from 24/9/2019 to 31/3/2020		41,174	0	0	41,174	0	0	41,174
Director of Human Resources	2	109,375	0	4,700	114,075	16,953	50,000	181,028
Chief Superintendent - Territorial Policing from 21/10/2019 to 31/03/2020		41,692	0	0	41,692	11,186	0	52,878
Chief Superintendent - Territorial Policing from 01/04/2019 to 17/10/2019		50,210	0	0	50,210	14,860	0	65,070
Chief Superintendent - Crime & Criminal Justice from 15/07/2019 to 31/03/2020		67,447	0	0	67,447	19,680	0	87,127
Chief Superintendent - Crime & Criminal Justice from 01/04/2019 to 14/07/2019		24,166	0	0	24,166	6,543	0	30,709
Chief Superintendent - Crime & Criminal Justice from 01/04/2019 to 19/05/2019		13,479	0	596	14,075	3,639	0	17,714
Chief Superintendent - Corporate Development from 01/04/2019 to 14/07/2019		26,154	0	0	26,154	7,787	0	33,941
Chief Superintendent - ESN Programme Director		95,123	0	0	95,123	27,466	0	122,589
Chief Superintendent - Secondment to College of Policing		90,705	216	0	90,921	27,328	0	118,249

## Police and Crime Commissioner for Dorset

### Note 24      Officers' Remuneration Continued

2018/19		Salary, Fees and Allowances £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Total Remuneration incl Pension Contributions £
	Note						
<b><u>Office of the Police &amp; Crime Commissioner</u></b>							
<b><u>Salary £50,000 to £149,999 per year</u></b>							
OPCC Chief Executive		94,058	0	0	94,058	12,421	106,479
OPCC Treasurer		64,527	0	0	64,527	8,183	72,710
<b><u>Chief Constable</u></b>							
<b><u>Salary £150,000 plus per year</u></b>							
Chief Constable - James Vaughan from 07/04/18 to 31/03/19		163,914	0	0	163,914	37,053	200,967
Chief Constable - Deborah Simpson from 01/04/18 to 06/04/18		2,596	0	0	2,596	0	2,596
<b><u>Salary £50,000 to £149,999 per year</u></b>							
Deputy Chief Constable from 07/04/18 to 31/03/19	3	126,059	0	3,765	129,824	28,227	158,051
Deputy Chief Constable from 01/04/18 to 06/04/18	3	2,106	0	0	2,106	465	2,571
Assistant Chief Constable		113,309	0	14,958	128,267	24,845	153,112
Assistant Chief Constable from 01/04/18 to 06/04/18	1	1,912	0	0	1,912	449	2,361
Assistant Chief Officer		107,008	0	5,114	112,122	15,356	127,478
Director of Human Resources	2	107,008	0	5,138	112,146	15,356	127,502
Chief Superintendent - Territorial Policing from 27/05/18 to 31/03/19		74,803	0	3,916	78,719	17,786	96,505
Chief Superintendent - Territorial Policing from 01/04/18 to 26/05/18		14,029	0	0	14,029	3,175	17,204
Chief Superintendent - Crime & Criminal Justice from 11/12/18 to 31/03/19		25,747	0	0	25,747	5,212	30,959
Chief Superintendent - Crime & Criminal Justice from 27/05/18 to 31/03/19		76,255	0	4,031	80,286	17,786	98,072
Chief Superintendent - Crime & Criminal Justice from 01/04/18 to 26/05/18		13,425	0	0	13,425	3,175	16,600
Chief Superintendent - Seconded to College of Policing from 01/04/18 to 28/02/19		85,276	198	0	85,474	19,199	104,673
Chief Superintendent - Project from 01/04/18 to 26/05/18		13,707	0	0	13,707	3,175	16,882
Chief Superintendent - Corporate Development		88,826	0	0	88,826	20,541	109,367
Chief Superintendent - Secondment to College of Policing		87,069	216	0	87,285	20,371	107,656
Chief Superintendent - Project from 27/05/18 to 31/03/19		78,035	0	0	78,035	17,786	95,821

# Police and Crime Commissioner for Dorset

## Note 24 Officers' Remuneration Continued

### 24.1 Notes

1. This is a regional Assistant Chief Constable post. The Assistant Chief Constable was employed by Dorset Police until 06/04/18. Dorset Police fund 11.76% of this post.
2. The Director of Human Resources post is shared between Devon and Cornwall Police and Dorset Police. The contract of employment is with Dorset Police and for this reason the remuneration disclosure is made in the Statement of Accounts of Dorset Police. Devon and Cornwall Police refund Dorset 70% of the pay costs and 50% of the settlement and pension strain costs.
3. The Deputy Chief Constable for Dorset Police is working across Dorset Police and Devon and Cornwall Police. His employment and associated costs are disclosed within this Statement of Accounts as his employing force.

### 24.2 Group Termination Costs

The total termination costs (exit costs) shown in the table below are the payments made to individuals plus payments to recompense the pension fund for the strain calculated on an actuarial basis in 2018/19 and 2019/20. They relate to staff employed by the Group. The costs charged in the Comprehensive Income and Expenditure Statement include adjustments for the sharing of cost between Dorset Police and Devon and Cornwall Police under the Strategic Alliance Agreement, these adjustments are set out below the table.

### 24.3 Remuneration Bands

These figures presented below do not include the remuneration of the senior employees and relevant police officers as they have been disclosed separately but do include other police staff and police officers remuneration. The legislative requirement is to include only police officers above the rank of superintendent. All those earning about £50,000 are disclosed below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £'000	2019/20 £'000
£0 – £20,000	0	0	6	0	6	0	50	0
£20,001 - £40,000	0	0	6	0	6	0	165	0
£40,001 - £60,000	0	0	2	0	2	0	93	0
£180,001 - £200,000	0	0	0	1	0	1	0	198
£280,001- £300,000	0	0	0	1	0	1	0	288
<b>Total included in bandings and in CIES</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>2</b>	<b>14</b>	<b>2</b>	<b>308</b>	<b>486</b>
<b>Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement</b>								
Redundancy cost recharged from Devon and Cornwall Police to Dorset Police							1	21
Redundancy cost recharged to Devon and Cornwall by Dorset Police							(53)	(144)
<b>Exit Costs charged to the Comprehensive Income and Expenditure Statement</b>							<b>256</b>	<b>363</b>
All of the exit packages in 2019/20 relate to the Force.								

# Police and Crime Commissioner for Dorset

## Note 24 Officers' Remuneration Continued

### 24.4 Remuneration Bands

2018/19		2019/20
Number of employees	Remuneration Band	Number of employees
119	£50,000 - £54,999	144
58	£55,000 - £59,999	82
23	£60,000 - £64,999	28
5	£65,000 - £69,999	9
4	£70,000 - £74,999	2
2	£75,000 - £79,999	0
5	£80,000 - £84,999	8
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
1	£95,000 - £99,999	1
0	£100,000 - £104,999	0
0	£105,000 - £109,999	1
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
<b>217</b>	<b>Total</b>	<b>275</b>

These figures do not include the remuneration of the senior employees and relevant police officers who have been disclosed separately.

- The banding figures include both police staff and police officers remuneration.
- The Police and Crime Commissioner has chosen to disclose all police officers earning more than £50,000 on a voluntary basis (the legislative requirement is to include only police officers above the rank of superintendent).
- Remuneration includes exit costs as set out in the table above.
- The above table does not include staff paid below £50,000. These staff make up approximately 91% of the workforce.
- The Government agreed a 2.5% pay award for police officers in 2019/20, coming into effect from 1 September 2019. This was the highest award received since 2010, and resulted in a number of officers' salaries increasing above £50,000.

# Police and Crime Commissioner for Dorset

## Note 25 Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2018/19 £'000		2019/20 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(40,659)	Police Grant	(41,544)
(25,008)	Council Tax Support Grants	(25,337)
(2,488)	Recognised Capital Grant and Contributions	(4,336)
<b>(68,155)</b>	<b>Total</b>	<b>(71,217)</b>
	<b>Credited to Services</b>	
(7,371)	Police Transformation Fund - Transforming Forensics	(12,648)
(5,238)	PFI Grant	(5,238)
(859)	Other Local Grants	(2,740)
(835)	PCC Specific Grants - Victims Support	(890)
(226)	Criminal Record Bureau Grant	(221)
(65)	Pre 90 Loan Charges Grant	(64)
(62)	PCC Specific Grants - Domestic Violence	0
(50)	Police Transformation Fund	0
<b>(14,706)</b>	<b>Total</b>	<b>(21,801)</b>
	<b>Credited to Other Operating Income and Expenditure</b>	
<b>(26,078)</b>	Pensions Top Up Grant	<b>(22,602)</b>

## Note 26 Related Party Transactions, Commissioning, Partnerships and Collaborations

### 26.1 Related Party Transactions

The Police and Crime Commissioner is required to disclose material transactions with related parties, including central government, other local authorities, members, senior officers and their close families.

#### 26.1.1 Central Government

The United Kingdom Government has effective control over the general operations of the Police and Crime Commissioner – it is responsible for providing the statutory framework, within which the Police and Crime Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Police and Crime Commissioner has with other parties (e.g. council tax bills). Grants received from government departments are set out in the Grant Income Note. Outstanding balances are set out in the Debtors and Creditors Notes.

#### 26.1.2 Members

The Chief Executive of the Office of the Police and Crime Commissioner has written to all members explaining the need for disclosure. Independent Officers' interests are also publicly reported on the Police and Crime Commissioner's website. There are no disclosures required.

#### 26.1.3 Officers

The Chief Executive of the Office of the Police and Crime Commissioner has written to all senior officers explaining the need for disclosure. There are no disclosures required.

# Police and Crime Commissioner for Dorset

## Note 26 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

### 26.2 Commissioning and Partnerships

There are a number of partnerships in which the Police and Crime Commissioner participates. These are arrangements where the Police and Crime Commissioner carries out activities relevant to its own functions jointly with others. For a number of the partnerships a formal partnership agreement is in place. The Police and Crime Commissioner accounts only for its share of the jointly controlled assets, liabilities and expenses that it incurs in relation to partnership activities. The main commissioning and partnership working is shown in the table.

2018/19			Notes	OPCC Commissioning and Partnerships	2019/20	
Expenditure £'000	Income £'000				Expenditure £'000	Income £'000
890	0	1		Commissioner's Safety Fund	694	0
282	0	2		Local Innovation Fund	310	0
951	(947)	3		Victims Services	890	(890)
38	(38)	4		Other Local Grants	60	(59)
64	0			Pension Cost	7	0
<b>2,225</b>	<b>(985)</b>				<b>1,961</b>	<b>(949)</b>

Full details of the Police and Crime Commissioner's future plans and intentions with regard to commissioning and partnerships can be found in the Commissioning Intentions Plan and the Police and Crime Plan on the OPCC website. The funding mechanisms for partnerships are complex, and the table above shows expenditure that has passed through the Police and Crime Commissioner's accounts. There are no significant jointly controlled assets or liabilities as at 31 March 2020.

#### 26.2.1 Commissioner's Safety Fund

This fund covers numerous community based projects and the key initiatives covered in the above expenditure include:

**The Maple Project** - Domestic Abuse Advisors, employed by Dorset Police. This service ensures that women, men and children whose lives are affected by domestic abuse receive a high level of support and protection and perpetrators are held accountable for their actions and behaviour - *also part funded by the Victims Services budget.*

**Drug Intervention Programme** - Provision of appropriate support to people within the criminal justice system with substance misuse issues.

**SSCT - Safe Schools & Communities Team** - SSCT provide targeted interventions to young people and the wider community, helping to reduce and prevent crime and ASB - core contributor to the SSCT.

**Combined Dorset YOS** - Supporting the YOS to provide interventions that reduce and prevent offending/reoffending by children & young people within the criminal justice system - *core contributor to the Youth Offending Service for pan Dorset.*

**Restorative Justice Service** - Providing a pan-Dorset Restorative Justice (RJ) and restorative mediation capability for victims of crime and anti-social behaviour - *also part funded by the Victims Services budget.*

**ISVA Post** - Part of the contribution towards an additional ISVA role.

**Crest Analytics** - Enabling the analysis of local data from different datasets, in order to increase effectiveness across multi-agency criminal justice organisations.

## Police and Crime Commissioner for Dorset

### Note 26 Related Party Transactions, Commissioning, Partnerships and Collaboration Continued

**Circles South-West** - To provide Circles of Support to known perpetrators of sexual offences, to reduce offending behaviours and therefore prevent further sexual abuse. Circles are delivered to adults convicted of serious sexual offences who have been assessed as high or very high risk of re-offending and/or serious harm.

**Street Sex Case Manager** - Helping to reduce the impact on the local community and to help individual sex workers wishing to live offence free lives.

**Learning Disability Advisors** - Providing targeted support to victims of crime with learning difficulties, including providing advice regarding the criminal justice process.

**Police Consultation Groups** - Enabling Dorset Police to consult with appropriate and experienced organisations representing harder to reach communities.

**National Chaplaincy** - Contribution towards a National Chaplaincy programme.

**Electronic Tagging scheme** - Lease of electronic tags to be issued to offenders as a part of their bail conditions.

**Weymouth CSAS** - Accrediting council staff to use certain police and council powers reduce anti-social behaviour, street drinking, rough sleeping & begging in Weymouth, primarily in the Melcombe Regis area of the town.

**Firearms Licensing Officers** - To employ 2 temporary Firearms Licensing Officers to assist with backlog and workload.

**Stop / Search Disproportionality Review** - Consultant to carry out a review of Stop & Search processes in Dorset due to disproportionality of individuals subjected to this procedure.

**AED for Poole Marine Section** - Purchase of a new Automated External Defibrillator in Poole Marine Section due to damage/wear to previous device.

**National Rural Crime Survey** - National Domestic Abuse Research.

**Targeted Enforcement and Community Safety Analyst** - Funding for one partnership analyst to enable an evidence based approach to enforcement activities and support the strategic and tactical management of ASB, crime and disorder in Bournemouth.

**Winter Shelter Scheme – Weymouth** - Partnership funding to provide overnight accommodation for rough sleepers in Weymouth during the winter months.

**Unconscious Bias Training** - Venue hire and refreshments costs.

#### 26.2.2 Local Innovation Fund

This fund covers numerous community based projects and the key initiatives covered in the above expenditure include:

**Victims Bureau** - funding towards the running costs of a team dedicated to supporting victims of crime Enabling direct contact by Dorset Police with victims of crime, including providing updates on progress of relevant cases through the Criminal Justice System.

**Boscombe Community Safety Accreditation Scheme** - Enabling accreditation of Bournemouth Council employed staff in order to enhance the delivery of community safety interventions within Boscombe.

**Hampton Trust** - Early intervention program designed to give perpetrators of low level domestic offending the opportunity to understand the wider context of domestic abuse, the impact on their victims, and reduce reoffending and victim harm.

## Police and Crime Commissioner for Dorset

### Note 26 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

**Footprints** - Provision of an experienced female support worker to support female offenders across Dorset to facilitate a bespoke service plan to reduce re-offending. Footprints will mentor, provide support, and ensure the female is safeguarded and has access to services.

**Exeter City Futures** - Facilitation of a 12 week immersion project with 6 companies to develop software & hardware to reduce the time the roads are closed and reduce officer time at RTCs by 50%.

**Safewise Reorganisation** - Funding for the reorganisation of Safewise and delivery of preventative training in Road Safety, D&A, Cyber Crime, etc.

**Force Wellbeing Fund** - PCC funding to Dorset Police to deliver additional wellbeing activities for Officers and Staff to reduce sickness levels and increase morale.

#### 26.2.3 Victims Services, CSA and Police Transformation Funding

**Independent Sexual Violence Advisors (ISVA)** - Sub-contract of the SARC - Provision of ISVAs to provide targeted support to victims of sexual violence, including providing advice regarding the criminal justice process.

**Victims Services** - Providing emotional and practical support to victims of crime in Dorset.

**Dorset Rape Crisis Counselling Services** - Providing immediate and ongoing support to victims and survivors of sexual violence, including longer-term specialist support.

#### 26.2.4 Other Local Grants (SDF)

Safer Dorset Fund is a Community Grant Scheme which offers the ability for Charities and CIC's to apply for small grants, up to £3,000, to carry out projects which benefit Dorset's communities and in-line with the Police and Crime Plan objectives.

#### 26.3 Collaborations

The Police and Crime Commissioner's Group are signed up to a number of joint operations. This involves joint working with specified Police Forces as part of a collaborative agreement. Part of the joint arrangement is to share control and have rights to net assets. Only significant partnerships where gross expenditure is £100k are disclosed. The table below shows the regional activity.

2018/19		2019/20	
Expenditure £'000	Notes	Joint Operation	Expenditure £'000
882	1	South West Regional Special Branch	954
3,227	2	South West Regional Forensics Services	3,336
196	3	South West Procurement Services	201
1,093	4	ROCU	1,111
145	5	Regional Programme	164
<b>5,543</b>			<b>5,766</b>



## Police and Crime Commissioner for Dorset

### **Note 26      Related Party Transactions, Commissioning, Partnerships and Collaborations Continued**

#### **26.3.1    South West Regional Special Branch**

South West Regional Special Branch is a partnership with Avon and Somerset Police, Devon and Cornwall Police and Wiltshire Police. Each Force has a committed number of staff who are based within their own Force area, but work on behalf of the four Forces. The force cost for the year was £954k. The total cost of £3,993k is split on a percentage basis, with Dorset Police contributing 23.9%, Avon and Somerset contributing 28.4%, Devon and Cornwall contributing 28.9% and Wiltshire Police contributing 18.8%.

#### **26.3.2    South West Regional Forensics Services**

South West Regional Forensics Services is a partnership with Avon and Somerset Police, Wiltshire Police and Devon and Cornwall Police as the lead Force. There are bases in all four Forces, with each force employing a number of staff. The Force cost for the year was £3,336k. Most of the £18,171k total cost is split on a percentage basis, with Dorset contributing 18.7%, Avon and Somerset contributing 36.6%, Devon and Cornwall contributing 30.5% and Wiltshire Police contributing 14.2%

#### **26.3.3    South West Procurement Services**

South West Procurement Services is a partnership with Wiltshire Police, Gloucestershire Police and Devon and Cornwall Police as the host Force. Staff are based across the region, with them all employed by Devon & Cornwall Police. The Force cost for the year was £201k. The total cost of £1,028k was split on a percentage basis with Dorset Police contributing 19.5%, Wiltshire Police contributing 17.2%, Gloucestershire Police contributing 17.0% and Devon and Cornwall Police contributing 46.3%.

#### **26.3.4    South West Regional Organised Crime Unit (ROCU)**

ROCU is a partnership with Devon and Cornwall Police, Wiltshire Police, Gloucestershire Police and Avon and Somerset Police as the lead Force. Staff are employed by each partnering Police Force and based within one of two hubs (North & South). The Force cost for the year was £1,111k. The total cost of £9,447k is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall contributing 33.3%, Wiltshire Police contributing 11.68%, Gloucestershire Police contributing 10.83%

#### **26.3.5    South West Collaboration Programme**

The South West Police Collaboration Programme is a partnership with Devon and Cornwall, Gloucestershire Police and Wiltshire Police with Avon and Somerset as the lead force. The Programme consists of a range of teams that manage the implementation of collaboration business change projects. Costs are shared with the Forces that are involved in each project. The Force cost for the year was £164k. Most of the £1,319k total cost is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall Police contributing 33.3%, Wiltshire Police contributing 11.68%, Gloucestershire Police contributing 10.83% and Avon and Somerset contributing 32.43%.

#### **26.4      Other Public Bodies**

Most of the revenue to pay for the costs of policing comes from government grants co-ordinated nationally. District councils, borough councils and unitary authorities collect the balance by charging their council tax payers a police precept. With effect from 1 April 2019, the county of Dorset created two Unitary Councils, which replaced the eight Borough and District councils listed below.

## Police and Crime Commissioner for Dorset

### Note 26 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

31 March 2019		31 March 2020
£'000	Billing Authority	£'000
13,051	Bournemouth	0
4,159	Christchurch	0
7,852	East Dorset	0
5,458	North Dorset	0
11,967	Poole	0
3,977	Purbeck	0
8,858	West Dorset	0
4,525	Weymouth & Portland	0
0	Dorset Council	35,069
0	Bournemouth, Christchurch & Poole	32,718
<b>59,847</b>		<b>67,787</b>
551	Adjusted for accruals	(945)
<b>60,398</b>		<b>66,842</b>

The Police and Crime Commissioner purchases the pension administration services from Dorset Council. Transactions within the pension fund are shown in the Defined Benefit Pension Schemes Note. Outstanding balances with other public bodies are shown in the Debtors and Creditors Notes.

### Note 27 Contingent Liabilities

#### Pension Guarantee

The PCC has along with all other PCC's provided a pension guarantee of £21k for the APCC pension fund which is currently held by Merseyside LGPS.

# Police and Crime Commissioner for Dorset

## Note 28 Capital Expenditure and Financing

Within its four-year financial planning model, the Police and Crime Commissioner approves an annual capital programme to provide and maintain buildings, vehicles and other equipment for the Force. The report below shows what was spent and how the spending was financed.

2018/19			2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
32,781	32,781	<b>Opening Capital Financing Requirement</b>	30,225	30,225
		<b>Capital Investment:</b>		
661	661	Land and buildings	941	941
0	992	Vehicles and Other Transport	0	1,157
0	2,940	Equipment and ICT	0	4,702
0	268	Intangible Assets	0	42
263	2,321	Revenue Expenditure Funded from Capital Under Statute	121	3,715
0	0	Intra-Group Transaction	9,495	0
924	7,182		10,557	10,557
		<b>Less Sources of Finance:</b>		
(402)	(2,488)	Government Grants	(421)	(4,336)
0	(4,172)	Capital Receipts	(121)	(684)
(530)	(530)	Minimum Revenue Provision	0	(530)
(2,547)	(2,547)	PFI/Loan Charge Repayments	(2,635)	(2,635)
0	0	Reserves and Provisions	0	(1,795)
0	0	Intra-Group Transaction	(6,803)	0
(3,479)	(9,737)		(9,980)	(9,980)
<b>30,225</b>	<b>30,225</b>	<b>Closing Capital Financing Requirement</b>	<b>30,802</b>	<b>30,802</b>
		<b>Represented by:</b>		
29,064	29,064	PFI and Other Long Term Liabilities	26,940	26,940
1,161	1,161	Internal Borrowing	3,744	3,744
0	0	Finance Lease Liabilities	118	118
<b>30,225</b>	<b>30,225</b>		<b>30,802</b>	<b>30,802</b>
		<b>Borrowing During the Year</b>		
(2,026)	(2,026)	PFI and Other Long Term Liabilities	(2,124)	(2,124)
(530)	(530)	Internal Borrowing	2,583	2,583
0	0	Finance Lease	118	118
<b>(2,556)</b>	<b>(2,556)</b>		<b>577</b>	<b>577</b>

**Police and Crime Commissioner for Dorset**  
**Note 29 Office of the Police and Crime Commissioner**

2018/19		2019/20
£'000	Office of the Police and Crime Commissioner	£'000
14	Independent members and advisors costs	12
138	Police and Crime Commissioner including reimbursements	130
727	Statutory and other OPCC staff	835
157	Other costs	256
0	Income	0
<b>1,036</b>	<b>Sub-total</b>	<b>1,233</b>
173	Pension costs	152
12	Accumulated Absence	4
1,914	Depreciation	2,661
<b>3,135</b>	<b>Total</b>	<b>4,050</b>

Disclosed below are the PCC remuneration costs which are included within the above table.

2018/19		2019/20
£'000	Police and Crime Commissioner	£'000
83	Salary, Fees and Allowances	79
0	Benefits in Kind	0
<b>83</b>	<b>Total excluding pension contributions</b>	<b>79</b>
10	Employer's Pension	11
<b>93</b>	<b>Total</b>	<b>90</b>

**Note 30 Operating Leases**

The Police and Crime Commissioner leases some properties used to provide operational services. The total future minimum lease payments under non-cancellable leases in future years are:

31 March 2019		31 March 2020
£'000		£'000
90	Not later than one year	230
202	Later than one year and not later than five years	740
160	Later than five years	1,313
<b>452</b>		<b>2,283</b>

The expenditure charged to the CIES during the year in relation to these leases was:

31 March 2019		31 March 2020
£'000		£'000
18	Minimum lease payment	214
<b>18</b>		<b>214</b>

## Police and Crime Commissioner for Dorset

### Note 30 Operating Leases Continued

With the exception of dilapidation clauses, there are no significant terms attached to the Police and Crime Commissioners property leases which lead to potential future assets or liabilities for the Police and Crime Commissioner over and above those disclosed above.

### Note 31 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the 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. This needs to be disclosed at the time that the employees earn their future entitlement. The Police and Crime Commissioner Group operates four pension schemes, three for police officers and one for police staff. All are defined benefits schemes, providing members with benefits based on their pensionable pay and length of service. The disclosures on pensions use specialist terminology. Definitions are provided in the glossary. The police officer pension's disclosures below apply to the Group Accounts only, this is because all of the police officers are under the control of the Chief Constable and for this reason there are no charges to the Police and Crime Commissioner single entity accounts other than the intra-group transfers.

The Chief Constable, along with other Chief Constables and the Home Office, currently has claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant ruling, but were lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, a Written Ministerial Statement on 25 March 2020 made clear that non-claimants who are in the same position as claimants will also be entitled to remedy. It is anticipated the Treasury will consult on proposals to implement a remedy in the coming months to be followed by primary legislation and scheme regulation. As the outcome for the remedy, and where the burden for that remedy lies, has not yet been made giving rise to a possible obligation on the PCC Group.

For giving full transitional protection to members would lead to an increase in the Police Pension Scheme liabilities. Last year, scheme actuaries estimated the potential increase in scheme liabilities to be £33.174m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. In 2019/20, scheme actuaries have reviewed these assumptions at a force level. The change in assumptions is reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant ruling will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change. Funding arrangements are under consideration by the Home Office.

With regard to the LGPS a similar adjustment was made in the 2018/19 accounts to reflect an increase in the present value of the defined benefit obligation. This increase was shown as a past service cost and amounted to £3.341m. In 2019/20, scheme actuaries have reviewed these assumptions at a force level. The change in assumptions is reported in the Comprehensive Income and Expenditure Statement (CIES).

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

### 31.1 Police Officer Schemes

#### 31.1.1 Participation in Pension Schemes

From 1 April 2015 both the 1987 and 2006 Police Officers' pension schemes were replaced by a new scheme with future accrual based on the new career average (CARE) model. Both final salary police schemes closed from April 2015, however, there is protection for those closest to retirement, who will be entitled to remain in their current police pension scheme beyond 2015. The new scheme is open to all new recruits. The police officer pension schemes are unfunded defined benefit final salary schemes administered by the Chief Constable for Dorset, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Pensions are financed from the Group's and employee's (police officers) contributions. Any deficit is met by the Home Office in the form of a top up grant. The Group's and the employee contributions are paid into a separate Police Officers' Pension Fund Account.

Police Pension Fund Regulations require Police and Crime Commissioners to transfer a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March from the Police and Crime Commissioner's General Fund in to the Police Pensions Fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up-grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, which then must repay the amount to central government. The Group makes payments under the Police Injury Benefits Regulations. These payments are accounted for in the same way as payments under the main police officer pension scheme, the independent actuary has estimated the costs and they are included within Police Officers scheme disclosure.

#### 31.1.2 Reconciliation of Present Value of the Scheme of Liabilities (Defined Benefit Obligation)

Reconciliation of present value of the scheme liabilities:

2018/19		2019/20
£'000		£'000
<b>(1,391,324)</b>	<b>Opening balance at 1 April</b>	<b>(1,439,638)</b>
(27,309)	Current service cost	(35,063)
(34,984)	Interest cost	(34,089)
(6,215)	Contributions from scheme participants	(6,215)
	Remeasurement gains and (losses):	
75,950	• Actuarial gains/(losses) arising from changes in demographic assumptions	(9,550)
(67,804)	• Actuarial gains/(losses) arising from changes in financial assumptions	124,619
0	• Experience gains/(losses) on defined benefit obligation	0
44,034	Benefits paid	43,517
(33,174)	Past service costs, including curtailments	0
1,188	Injury pension payments	1,432
<b>(1,439,638)</b>	<b>Closing balance at 31 March</b>	<b>(1,354,987)</b>

#### 31.1.3 Transactions relating to Retirement Benefits

The Group recognises the cost of retirement benefits for police officers in the reported cost of services when they are earned by police officers rather than when the benefits are eventually paid as pensions. However the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made for the police officer schemes in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

2018/19 £'000	Comprehensive Income and Expenditure Account	2019/20 £'000
	<b>Cost of Services</b>	
27,309	Current service cost	35,063
33,174	Past service cost	0
	<b>Financing and Investment Income and Expenditure</b>	
34,984	Net interest expense	34,089
<b>95,467</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>69,152</b>
	<b>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising:	
(75,950)	• Actuarial (gains) and losses arising on changes in demographic assumptions	9,550
67,804	• Actuarial (gains) and losses arising on changes in financial assumptions	(124,619)
0	Experience (gain)/loss on defined benefit obligation	0
<b>87,321</b>	<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statements</b>	<b>(45,917)</b>
	<b>Movement In Reserves Statement</b>	
95,467	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(69,152)
	<b>Actual amounts charged against the General Fund Balance for pensions in the year:</b>	
12,930	Employers' contributions payable to scheme	16,132
26,078	Home Office Top Up Grant	22,602

The past service cost of £33.174m in 2018/19 relates to the McCloud/Sargeant ruling. Changes in the valuation of this cost has been reflected in the actuarial gains/(losses) arising from changes in financial assumptions line.

### 31.1.4 Impact on the Police and Crime Commissioner's Cashflow

The liabilities show the underlying commitments that arise from the fact that Police and Crime Commissioner has to pay retirement benefits over a long-term period. The total liability of £1,355m has a substantial impact on the net worth of the Group as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Police and Crime Commissioner remains healthy:

- scheme deficits are met by the Home Office
- finance is only required to be raised to cover police pensions when the pensions are actually paid, not when they are earned

The total contributions expected to be made to the Police Pension Fund Account by the Police and Crime Commissioner in the year to 31 March 2021 is £14.96m.

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

### 31.1.5 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 and salary levels.

The Police Officer Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

Employer contributions are set every four years as a result of the combined actuarial valuation of the Scheme required by the Home Office on behalf of the Home Secretary. The last combined actuarial valuation was completed at 31 March 2016 which set the contributions for the period from 1 April 2019 to 31 March 2023. The next combined actuarial valuation will be carried out as at 31 March 2020.

The significant assumptions used by the actuary have been:

2018/19	Mortality Assumptions:	2019/20
	<b>Longevity at 65 for current pensioners:</b>	
21.3	Men	21.6
23.7	Women	23.7
	<b>Longevity at 65 for future pensioners:</b>	
23.0	Men	23.3
25.5	Women	25.5
	<b>Financial Assumptions:</b>	
2.40%	Rate of Inflation	1.90%
3.90%	Rate of increase in salaries	3.40%
2.40%	Rate of increase in pensions	1.90%
2.40%	Rate for discounting scheme liabilities	2.35%

It is assumed that members do not transfer any of their lump sum for pension and that active members will retire when they are first able to do so without reduction.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. 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 methods 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 Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Mortality age rating assumption (increase or decrease in 1 year)	53,732	(51,604)
Rate of increase in salaries (increase or decrease by 0.1%)	2,793	(2,778)
Rate of increase in pensions (increase or decrease by 0.1%)	24,201	(23,699)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(26,336)	26,901



# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

### 31.2 Police Staff Scheme

#### 31.2.1 Participation in Pension Schemes

Police Staff are part of the Local Government Pension Scheme administered by Dorset Council – this is a funded defined benefit final salary scheme, meaning that the Police and Crime Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities over time with investment assets.

In addition to the above scheme there are arrangements for the award of discretionary post-employment benefits upon early retirement – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. As these benefits are unfunded cash has to be generated to meet actual pension payments as they fall due.

#### 31.2.2 Transactions Relating to Retirement Benefits

The Group recognises the cost of retirement benefits for police staff in the reported cost of services when they are earned by police staff rather than when the benefits are eventually paid as pensions. However the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made for the police staff scheme in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2018/19		Comprehensive Income and Expenditure Account	2019/20	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
		<b>Cost of Services</b>		
		Service cost comprising:		
274	12,496	• Current service cost	281	13,328
74	3,383	• Past service cost	0	0
3	133	• Administration Expenses	3	137
		<b>Financing and Investment Income and Expenditure</b>		
62	2,835	Net interest expense	61	2,895
<b>413</b>	<b>18,847</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>345</b>	<b>16,360</b>
		<b>Other Post-Employment Benefits Charged to Comprehensive Income and Expenditure Statement</b>		
		Remeasurement of the net defined benefit liability comprising:		
(71)	(3,236)	• Return on plan assets (excluding the amount included in the net interest expense)	463	21,936
(378)	(17,256)	• Actuarial (gains) and losses arising on changes in demographic assumptions	(140)	(6,647)
359	16,341	• Actuarial (gains) and losses arising on changes in financial assumptions	(762)	(36,124)
(1,020)	0	Apportionment Adjustment	198	0
0	0	Other Actuarial Gains/Losses	(2)	(93)
0	0	Experience (gain)/loss on defined benefit obligation	227	10,747
<b>(697)</b>	<b>14,696</b>	<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>329</b>	<b>6,179</b>

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

Included within the 2018/19 past service cost is £3.341m which relates to the McCloud/Sargeant ruling. Changes in the valuation of this cost has been reflected in the actuarial gains/(losses) arising from changes in financial assumptions line.

2018/19			2019/20		
PCC £'000	PCC Group £'000	Movement in Reserves Statement	PCC £'000	PCC Group £'000	
(413)	(18,847)		(345)	(16,360)	
Funded Liabilities			Funded Liabilities		
PCC	PCC Group		PCC	PCC Group	
£'000	£'000	Actual amount charged against the General Fund Balance for pensions in the year:	£'000	£'000	
113	5,154	Employers' contributions payable to scheme	125	5,913	
Unfunded Liabilities			Unfunded Liabilities		
PCC	PCC Group		PCC	PCC Group	
£'000	£'000	Actual amount charged against the General Fund Balance for pensions in the year:	£'000	£'000	
0	16	Retirement benefits payable to pensioners	0	17	

### 31.2.3 Pension Assets and Liabilities recognised in the Balance Sheet

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

31 March 2019			31 March 2020		
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000	
(5,658)	(296,906)		(5,958)	(282,308)	
3,302	175,779	Fair value of plan assets	3,396	160,932	
<b>(2,356)</b>	<b>(121,127)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(2,562)</b>	<b>(121,376)</b>	

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

### 31.2.4 Reconciliation of the Movements in the Fair Value of Scheme (Plan)

31 March 2019			31 March 2020		
PCC	PCC Group		PCC	PCC Group	
£'000	£'000		£'000	£'000	
<b>4,716</b>	<b>166,043</b>	<b>Opening fair value of scheme assets</b>	<b>3,302</b>	<b>175,779</b>	
95	4,347	Interest income	92	4,341	
		Remeasurement gain/(loss):			
71	3,236	• The return on plan assets, excluding the amount included in the net interest expense	(463)	(21,936)	
(1,628)	0	Apportionment Adjustment	408	0	
(2)	(132)	Administration expenses	(3)	(137)	
113	5,169	Contributions from employer	125	5,930	
48	2,181	Contributions from employees into the scheme	47	2,233	
(111)	(5,065)	Benefits paid	(113)	(5,371)	
0	0	Other actuarial gains and (losses)	1	93	
<b>3,302</b>	<b>175,779</b>	<b>Closing fair value of scheme assets</b>	<b>3,396</b>	<b>160,932</b>	

### 31.2.5 Reconciliation of present Value of the Scheme of Liabilities (Defined Benefit Obligation)

31 March 2019			31 March 2020		
PCC	PCC Group		PCC	PCC Group	
£'000	£'000		£'000	£'000	
<b>(7,885)</b>	<b>(277,645)</b>	<b>Opening balance at 1 April</b>	<b>(5,658)</b>	<b>(296,906)</b>	
(274)	(12,496)	Current service cost	(281)	(13,328)	
(157)	(7,182)	Interest cost	(153)	(7,236)	
(48)	(2,181)	Contributions from scheme participants	(47)	(2,233)	
		Remeasurement gain/(loss):			
378	17,256	• Actuarial gains/(losses) arising from changes in demographic assumptions	140	6,647	
(358)	(16,340)	• Actuarial gains/(losses) arising from changes in financial assumptions	762	36,124	
0	0	• Experience gain/(loss) on defined benefit obligation	(227)	(10,747)	
2,648	0	Apportionment Adjustment	(606)	0	
(74)	(3,384)	Past service cost including gains/(losses) on curtailments	0	0	
111	5,065	Benefits paid	112	5,371	
<b>(5,658)</b>	<b>(296,906)</b>	<b>Closing balance at 31 March</b>	<b>(5,958)</b>	<b>(282,308)</b>	

The Police and Crime Commissioner's Group contribution to the Local Government Pension Scheme for the accounting period to 31 March 2021 is estimated to be £5.91m.

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

### 31.2.6 Local Government Pension Scheme assets comprised

31 March 2019			31 March 2020	
PCC £'000	PCC Group £'000	Fair Value of Scheme assets	PCC £'000	PCC Group £'000
<b>Cash and cash equivalents</b>				
1,953	89,189	UK Equities	1,692	80,171
229	10,446	Diversified Growth Fund	192	9,119
499	22,806	Gilts	386	18,313
273	12,464	Other Bonds	278	13,167
420	19,186	Property	390	18,502
177	8,082	Infrastructure	235	11,120
116	5,278	Cash	71	3,354
182	8,328	Multi Asset Credit	152	7,186
<b>3,850</b>	<b>175,779</b>	<b>Total</b>	<b>3,396</b>	<b>160,932</b>

### 31.2.7 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.

The liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full triennial valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

2018/19		2019/20
<b>Long-term expected rate of return on assets in the scheme:</b>		
2.45%	Equity investments	2.35%
2.45%	Bonds	2.35%
2.45%	Other	2.35%
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
22.9	Men	23.3
24.8	Women	24.7
<b>Longevity at 65 for future pensioners:</b>		
24.6	Men	24.7
26.6	Women	26.2
<b>Financial Assumptions:</b>		
2.40%	Rate of inflation	1.85%
3.90%	Rate of increase in salaries	2.85%
2.40%	Rate of increase in pensions	1.85%
2.45%	Rate for discounting scheme liabilities	2.35%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. 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 methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

# Police and Crime Commissioner for Dorset

## Note 31 Defined Benefit Pension Schemes Continued

### 31.2.8 Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
<b>PCC</b>		
Mortality age rating assumption (increase or decrease in 1 year)	217	(209)
Rate of increase in salaries (increase or decrease by 0.1%)	17	(17)
Rate of increase in pensions (increase or decrease by 0.1%)	125	(122)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(138)	142
<b>PCC Group</b>		
Mortality age rating assumption (increase or decrease in 1 year)	10,271	(9,888)
Rate of increase in salaries (increase or decrease by 0.1%)	827	(818)
Rate of increase in pensions (increase or decrease by 0.1%)	5,910	(5,766)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(6,547)	6,709

### 31.2.9 Other Assumptions

It is assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- It is assumed that members opted-in to the 50:50 section at the previous valuation date will continue in this section.

### 31.2.10 Impact on the Police and Crime Commissioner's Cash Flows

The objectives of the scheme, as administered by Dorset Council, are to keep employer's contributions at as constant a rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The next triennial valuation will be as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

Dorset Council publishes annual details of the Fund's performance. They can be contacted at Dorset Council, County Hall, Dorchester, Dorset DT1 1XJ.

## Note 32 Private Finance Initiative

Payments made and PFI Grants receivable to support the schemes are as follows:

### Value of Assets under PFI Contract

The value of assets held under PFI contracts and their movements during the year is set out in Note 11. The movement in the value of liabilities resulting from the contract is as follows:

# Police and Crime Commissioner for Dorset

## Note 32 Private Finance Initiative Continued

2018/19		2019/20
£'000	Assets	£'000
<b>13,592</b>	<b>Opening Balance</b>	<b>13,694</b>
521	Additions/Development/Lifecycle	511
(193)	Revaluations	363
(226)	Depreciation	(221)
<b>13,694</b>	<b>Closing Balance</b>	<b>14,347</b>

### Payments

An agreed payment (or unitary charge) is made each year which comprises both fixed and variable elements. Payments remaining to be made under the service concession contract at 31 March 2020 are as follows:

2018/19				2019/20			
Payment for Services	Reimb. Of Capital Exp	Interest	Total	Payment for Services	Reimb. Of Capital Exp	Interest	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,752	2,515	1,539	7,806	4,048	2,634	1,484	8,166
16,165	10,603	5,564	32,332	16,782	10,809	9,285	36,876
21,961	13,252	4,562	39,775	21,786	12,930	4,060	38,776
18,853	10,995	1,902	31,750	16,034	9,874	1,338	27,246
1,946	1,397	52	3,395	0	0	0	0
<b>62,677</b>	<b>38,762</b>	<b>13,619</b>	<b>115,058</b>	<b>58,650</b>	<b>36,247</b>	<b>16,167</b>	<b>111,064</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2018/19	2019/20
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>(29,884)</b>	<b>(27,978)</b>
Payments during the year	2,427	2,515
Capital Expenditure incurred in the year	(521)	(511)
<b>Balance outstanding at year-end</b>	<b>(27,978)</b>	<b>(25,974)</b>

# **POLICE OFFICER'S PENSION FUND STATEMENT**

# Police and Crime Commissioner for Dorset

## Police Officers' Pension Fund Statement

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the Police and Crime Commissioner Group Police Fund. The statement shows income and expenditure for the Police Pension Scheme, this expenditure is not consolidated into the Police and Crime Commissioner Group Accounts.

31 March 2019 £'000		31 March 2020 £'000
	<b>Contributions Receivable</b>	
(11,066)	Employers (normal)	(14,210)
(6,215)	Employees (normal)	(6,215)
(676)	Ill Health capital charge	(489)
	<b>Transfers In</b>	
(117)	Individual transfers from other schemes	(331)
	<b>Benefits payable</b>	
34,451	Pensions	37,063
9,672	Commutations & lump sum retirement benefits	6,784
	<b>Payment to and on account of leavers</b>	
29	Individual transfers to other schemes	0
<b>26,078</b>	<b>Net amount paid during the year</b>	<b>22,602</b>
<b>(26,078)</b>	<b>Transfer from Police Fund*</b>	<b>(22,602)</b>
<b>0</b>	<b>Net amount payable / receivable for the year</b>	<b>0</b>
<b>*Additional contribution funded from the Police Fund is met by a top up grant from the Home Office</b>		
18,964	Received in year	17,788
7,114	Debtor	4,814
<b>26,078</b>		<b>22,602</b>

The Police Officer Pension Fund is unfunded and has no investment assets. Short term assets or liabilities are not material and have not been disclosed for this reason. Police Officer Pension Fund which is administered by the Chief Constable has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and the refund to central government for the balance outstanding for each year. The fund does not hold any investment assets nor does it reflect the liabilities of both Schemes to pay present and future pensioners.

The main benefits payable are police officer pensions, lump sums that represent the commutation of pensions and other lump sum payments. The Chief Constable paid a contribution equal to 31% of police officer pay for 2019/20. As this contribution was insufficient to meet the net costs of benefits after employees' contributions, the account was balanced to nil at the year-end by the Home Office top up grant.

The above accounting statement complies with the accounting policies where applicable.

Further information can be found in the Defined Benefits Pension Schemes Note.

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2020.



# **GLOSSARY**

# Police and Crime Commissioner for Dorset

## Glossary

<b>Accounting Period</b>	The period of time covered by the accounts, usually a full year, which for the Office of the Police and Crime Commissioner runs from 1 April to 31 March.
<b>Accrual</b>	Amounts included in the final accounts to cover income and expenditure relating to the accounting period but neither paid nor received by 31 March. (For example, goods delivered in March but not invoiced by suppliers until April.)
<b>Actuarial Gains and Losses</b>	Changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
<b>Actuarial Valuation</b>	An independent report on the financial status of a Pension Fund, which shows the estimated cost today of providing benefits in the future.
<b>Agency Services</b>	Services provided by one body (the agent) on behalf of, and generally with payment from, the responsible body.
<b>Amortised Cost</b>	This method applies to both financial assets and liabilities. It is a method of determining the Balance Sheet carrying amount and periodic charges or credits to the Income and Expenditure Account of a financial instrument from the expected cash flows. This approach sees through the contractual terms (for example discounts and premiums) to measure the real cost that a Police and Crime Commissioner bears each year from entering into a financial liability. The Office of the Police and Crime Commissioner does not currently have any complex financial instruments where the contractual terms vary significantly from the real cost. For this reason the amortised cost of financial instruments is close to contractual cost.
<b>Appropriation</b>	Charges to the revenue account that build up funds and reserves in the balance sheet.
<b>Asset</b>	Physical assets such as equipment and financial assets such as cash and amounts owed by debtors.
<b>Bid Price</b>	A valuation of financial assets based on the highest price a buyer is willing to offer.
<b>Budget</b>	The Police and Crime Commissioner's plan for providing resources to meet its service obligations. The Office of the Police and Crime Commissioner sets an annual budget within a four year financial strategy.
<b>Capital Expenditure</b>	The cost of buying or building significant assets (e.g. land and buildings) which have a long-term value to the Office of the Police and Crime Commissioner. <i>(Also referred to as capital spending or capital payments).</i>
<b>Capital Grants</b>	Grants received by the Office of the Police and Crime Commissioner that can only be used to pay for capital projects.
<b>Capital Receipts</b>	Income from the sale of capital assets (land, buildings, etc.). In the public sector, there are generally strict rules on what the receipts can be spent on.
<b>Carrying Amount</b>	This is the amount of a financial asset or liability that should be recorded in the Balance Sheet for a given date based upon the correct measurement approach for the financial asset or liability.
<b>Cash Flow Statement</b>	This statement summarises the inflows and outflows of cash.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy, the professional body that sets accounting standards for the public sector.
<b>Collection Fund</b>	District and unitary councils pay all receipts from local taxpayers into a "collection fund". They then pay county, police, fire, district, unitary and parish council precepts from the fund.
<b>Contingency</b>	A reserve set aside to meet unexpected costs. For example, the Force always has major operations every year, but can never tell how many will happen or how much each will cost.
<b>Contingent Liability</b>	A possible cost of past events where the amount to be paid is not certain, or when the payment may not actually be made. (For example, where a court case is still undecided.)

## Police and Crime Commissioner for Dorset

<b>Council Tax</b>	A tax based on the value of property, which is administered by District and Unitary authorities.
<b>Creditors</b>	Amounts owed by the Police and Crime Commissioner for work done, goods received or services received, but for which payment has not been made by the end of the accounting period.
<b>Current Assets and Liabilities</b>	Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.
<b>Current Service Cost</b>	The increase in the benefits earned by employees in the current period based on their pay and length of service. This is charged to the net cost of services.
<b>Curtailments</b>	Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency or redundancy or where the Employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.
<b>DCLG</b>	Department for Communities and Local Government. This was renamed MHCLG (Ministry of Housing, Communities and Local Government) in January 2018 as part of a cabinet reshuffle.
<b>Debtors</b>	Amounts due to the Police and Crime Commissioner but unpaid by the end of the accounting period.
<b>Deferred Charges</b>	Costs built up when preparing for a capital project that does not eventually create or buy a fixed asset. Deferred charges are written out of the accounts in the year they are incurred.
<b>Defined Benefit Scheme</b>	A pension scheme which defines the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.
<b>Depreciation</b>	The accounting principle that spreads the cost of a fixed asset over its useful working life.
<b>Discretionary Benefits</b>	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Police and Crime Commissioner's discretionary powers.
<b>Earmarked Reserves</b>	These reserves represent monies set aside to be used for a specific purpose.
<b>Exit Costs</b>	These are costs of packages for which the Police and Crime Commissioner is demonstrably committed to. The cost of the package includes the termination benefits, all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.
<b>Expected Return on Assets</b>	The average rate of return expected over the remaining life of the pension scheme from the actual investments held by the scheme. Fees charged by investment managers are taken out. The net income is credited to net operating expenditure.
<b>Experience Gains and Losses (IAS 19 Pensions disclosure)</b>	This shows the impact of actual experience differing from the accounting assumptions, such as pension increases differing from those assumed and unexpected membership movements.
<b>Fair Value</b>	This is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In most cases, this amount will be the transaction price, e.g. the amount of a loan made.
<b>Fixed Assets</b>	Something of practical use that can be measured in cash terms, e.g. land and buildings, or computer and radio equipment.
<b>FVOCI</b>	Classification of Financial asset. FVOCI stands for, Fair Value through other Comprehensive Income.
<b>FVPL</b>	Classification of Financial asset. FVPL stands for, Fair Value through profit or loss.

## Police and Crime Commissioner for Dorset

<b>International Financial Reporting Standards (IFRS)</b>	Accounting standards issued by the International Accounting Standards Board and from which the CIPFA code of Practice on Local Authority Accounting is derived.
<b>Home Office Grant</b>	A central government grant paid by the Home Office to Police and Crime Commissioner's in support of their day to day expenditure.
<b>Impairment</b>	A loss in the value of a fixed asset, caused by physical damage (such as a major fire) or a significant reduction in market value.
<b>Intangible Asset</b>	An identifiable asset that has no physical substance can be measured reliably and is used for a period of more than one year.
<b>Interest Cost</b>	The expected increase during the period in the present value of the scheme liabilities because members of the scheme are one year closer to retirement. This is charged to net operating expenditure.
<b>LAAP</b>	Local Authority Accounting Panel sets accounting rules for the public sector.
<b>Loans and Receivables</b>	These occur when money, goods or services are provided to a debtor and payment or repayment will be by fixed determinable payments. Such arrangements are not normally tradable.
<b>Medium Term Financial Strategy</b>	Often referred to as MTFS, it is the financial plan and management of funding, spending and savings over a four year period.
<b>Mid-Price</b>	A valuation of financial assets based on the mid-point between bid and offered prices.
<b>Minimum Revenue Provision</b>	The minimum amount of the Police and Crime Commissioner's outstanding financing commitments that must be charged to the General Fund each year.
<b>Non Distributed Costs (NDC)</b>	For the Police and Crime Commissioner these are principally past service costs relating to pensions benefits earned in prior periods.
<b>Non-Operational Assets</b>	Fixed assets that are not used to deliver direct services. For example, police houses, or assets that are still being built or are no longer used and about to be sold.
<b>Past Service Cost</b>	The increase in the benefits earned by employees from their service in previous years arising because of improved retirement benefits. These costs are paid directly by the employer and are charged to the net cost of services.
<b>Pension Commutation</b>	Commutation is where part of the entitlement to a pension for life is exchanged for a lump sum payable on retirement. This requires a calculation of the current value of the entitlement given up. The calculation is done using actuarial advice. The advice is set out in tables containing 'factors'. The level of the factors depends on age and life expectancy.
<b>Pension Scheme (Defined Benefit)</b>	A pension scheme that pays benefits to members based on the rules of the scheme and not on the value of the pension fund. Benefits are usually based on pay and length of service.
<b>Pension Scheme (Funded)</b>	Each year both employers and members pay standard contributions that are invested in a separate pension fund. Benefits to contributors and their dependants are paid out of investments held in the fund.
<b>Pension Scheme (unfunded)</b>	Members pay a standard contribution each year. The employer then pays the cash difference between members' annual contributions and the annual cost of benefits to contributors and their dependants.
<b>Precept</b>	A levy collected by District and Unitary Councils from council taxpayers on behalf of the Police and Crime Commissioner.
<b>Present value ( or Net Present Value)</b>	The amount of money that must be put aside today to pay for a cost in the future, allowing for inflation and interest rates.
<b>Principal</b>	The amount of a loan that was actually borrowed, before interest is added.
<b>Provisions</b>	Amounts set aside to meet costs that are likely to be incurred, but where the actual amount and timing are uncertain.
<b>Related Parties</b>	Individuals or other bodies who have significant control and influence over the financial and operating policies of an entity.

## Police and Crime Commissioner for Dorset

<b>Reserves</b>	Amounts set aside to meet the cost of specific future expenditure. The Police and Crime Commissioner plans its reserves as part of a four year strategy.
<b>Revaluation Reserve</b>	The Reserve records the accumulated gains on the fixed assets held by the Police and Crime Commissioner arising from increases in value. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.
<b>Revenue Support Grant (RSG)</b>	A general central government grant paid to the Police and Crime Commissioner, as well as the Home Office Grant, to support its day to day expenditure.
<b>Running Costs</b>	Costs from the use of premises, transport and equipment, and other general expenditure needed to provide a service.
<b>Specific Grants</b>	Grants (usually from the Home Office) that can only be spent on named services and projects.
<b>Statement of Standard Accounting Practice</b>	Guidance issued by the Financial Reporting Council (FRC) on how to use and apply accounting standards.
<b>Termination Benefits</b>	These are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits excluding any voluntary early retirements.
<b>Third Party Payments</b>	Payments made to outside contractors and other bodies who provide specialist or support services to the Police and Crime Commissioner.