

Chief Constable for Dorset

Statement of Accounts for the year ended 31 March 2018 Audited



Dorset Police



Chief Constable for Dorset
Officers of the Chief Constable

The statutory officers of the Office of the Chief Constable and contact details are as follows:

James Vaughan	Chief Constable
John Jones	Chief Finance Officer to the Chief Constable
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Chief Constable for Dorset
Statement of Accounts 2017/18

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Accompanying Reports

Dorset Police



Chief Constable for Dorset

Chief Finance Officer's Narrative Report

1. INTRODUCTION

- 1.1. Welcome to the Chief Constable's Statement of Accounts for 2017/18. The statement of accounts reports the income and expenditure on service provision for the year and the value of the Chief Constable's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices as defined in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2. The primary function of the Chief Constable is to provide an efficient and effective police service in Dorset, ensuring that the county remains one of the safest in the country in which to live. The Chief Constable has a number of operational priorities which are based on today's risks, and on what the local communities and the Police and Crime Commissioner have raised as areas of concern. Each year these priorities are reviewed and throughout the year the Chief Constable works with the Police and Crime Commissioner to ensure the Force is focused on them. The current priorities are:
 - Protecting people at risk of harm
 - Working with our communities
 - Supporting victims, witnesses and reducing reoffending
 - Transforming for the future
- 1.3. The Police and Crime Commissioner and the Chief Constable form an accounting group for reporting purposes. These accounts are the Chief Constable's single entity accounts. The single entity accounts for the Police and Crime Commissioner and the accounts for the Group are presented together in a separate booklet.
- 1.4. The aim of this narrative report is to provide an easily understandable explanation of the Chief Constable's financial and non-financial performance in 2017/18 and its position at the end of the year.

2. THE STATEMENT OF ACCOUNTS

- 2.1. A brief explanation of the purpose of each of the four primary statements is provided below:
 - **Movement in Reserves Statement** - for the Chief Constable (page 15), shows the changes in the Chief Constable's financial resources over the year
 - **Comprehensive Income and Expenditure Statement** - for the Chief Constable (page 16) show the gains and losses that contributed to the changes in resources
 - **Balance Sheet as at 31 March 2018** (page 17), shows how the resources available to the Chief Constable are held in the form of assets and liabilities
 - **Cash Flow Statement** (page 18), shows how the movement in resources has been reflected in cash flows
- 2.2. The notes to the accounts include the accounting policies and gives further information on the entries within the main statements as well as supplementary information. These are further supplemented by a glossary of terms.

Changes in Accounting Policies

- 2.3. The accounting policies have been reviewed and revised during the year, with the aim of aligning the policies with those of Devon and Cornwall. Dorset works very closely with Devon and Cornwall, with many services delivered jointly under a 'Strategic Alliance'. Consideration is currently being given to a proposed future merger of the Forces, and Offices of the Police and

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Crime Commissioners. The alignment of accounting policies has taken place in this context to improve consistency of reporting. Dorset Police works very closely with Devon and Cornwall Police, with many services delivered jointly under a 'Strategic Alliance'. Consideration is currently being given to a proposed future merger of the Forces, and Offices of the Police and Crime Commissioners. The accounting policies of both forces have been reviewed and revised during the year in this context.

Change in Format of Accounts

- 2.4. The format of the statement of accounts has been reviewed and significantly updated since the 2016/17 accounts. The new format enables increased clarity and transparency on the financial information, incorporating the changes in accounting policy.
- 2.5. All relevant information from the 2016/17 accounts is included in this revised format for comparative purposes.

3. RESOURCES AVAILABLE IN 2017/18

Setting the Financial Strategy for 2017/18 and Beyond

- 3.1. The Police and Crime Commissioner for Dorset allocates the significant proportion of the available annual funding to the Chief Constable. In 2017/18, the allocation to the Chief Constable was £118.6m out of the total Police and Crime Commissioner funding of £121.3m.
- 3.2. The Chief Constable works with the Commissioner in agreeing a Medium Term Financial Strategy (MTFS), identifying budget requirement for the following year and for the subsequent three years.
- 3.3. A significant factor for the Commissioner in setting the 2017/18 budget was the expectation of continuing real terms reductions in central government funding over the period of the MTFS. The budget was therefore designed to drive out continued efficiencies, primarily through the work with Devon and Cornwall Police on the Strategic Alliance. These efficiencies largely fall within the allocation to the Chief Constable. The Police and Crime Commissioner's decision to increase the Council Tax by 1.96% which, with the programme of efficiencies, enabled the Force to address the following key areas:

Protecting people at risk of harm

- Continued work with partners in providing a multi-agency safeguarding hub and development of this concept to encompass the safeguarding of both adults and children.
- Continued investment in frontline officers to protect those members of our community who have mental health issues arising from harassment and victimisation, and gather evidence to detect and deter perpetrators.

Working with our communities

- Continued investment in safeguarding communities in Dorset, including intelligence gathering, enhancing the ability to counter threats from both domestic and international extremism.
- Enhanced capability to respond to critical incidents, covering the immediate response, tackling the direct threat, subsequent containment and investigations and addressing community concerns and restoring community cohesion.

Supporting victims, witnesses and reducing reoffending

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- Ensuring that Dorset Police is accessible and responsive to the needs of victims and witnesses whilst simultaneously working to reduce the level of reoffending and to rehabilitate offenders.
- Improved response to victims and witnesses with the introduction of an Incident Resolution Team. This further improves the prompt response to victims and witnesses, rapid assessment of the circumstances and more effective tasking of resources.
- Introduction of scheduled appointments by frontline officers to victims and witnesses through utilising 'diary cars' and more focused tasking of Neighbourhood Teams.

Transforming for the future

- Investment in the provision of equipment and technology to the workforce to ensure it remains able to meet increasing demand in the continually changing environment in which the police operate.
- Further investment in the workforce itself, ensuring that the technical, professional and welfare needs are met in order that the workforce continues to deliver outstanding performance.

Actual Expenditure 2017/18

- 3.4. The Chief Constable spent £120.8m against the budget allocation of £118.6m, resulting in an overspend of £2.2m. This final spend is reflected in the Expenditure and Funding Analysis in the accounts, at note 7.
- 3.5. The principle underlying causes of the outturn overspend relate to:
- The deliberate action to maintain police officer recruitment at a higher level than was budgeted while a new policing model was introduced resulted in an overspend of £2.6m. This new policing model, which included the introduction of 'diary cars' and an Incident Resolution Team, will enable officer numbers to reduce throughout 2018/19, and the budget in that year will fully meet the anticipated costs. However, the implementation of these new initiatives was not sufficiently embedded during 2017/18 to allow officer numbers to reduce to the number originally envisaged.
 - Police officer overtime overspend of £1.3m, which 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 further pressure came from the nationally agreed pay award for officers and staff, both of which included a one off, non-consolidated payment of 1% which had not been assumed within the budget. Police officers received this one off payment in monthly instalments September 2017 – August 2018, while staff will receive a lump sum based on staff in post at 1st September 2017, for which an accrual was required in the 2017/18 accounts. The effect of this pay award was covered by a transfer from General Balances.
 - Supplies and services budgets overspent by £1.3m.
 - Partnership and collaboration costs were £0.7m overspent. This is mainly due to additional costs in preventative work, and increases in the cost of insurance.
- 3.6. The above overspending areas were to some degree offset by underspends in the following areas:
- PCSO pay, where actual numbers were significantly lower than budgeted establishment.

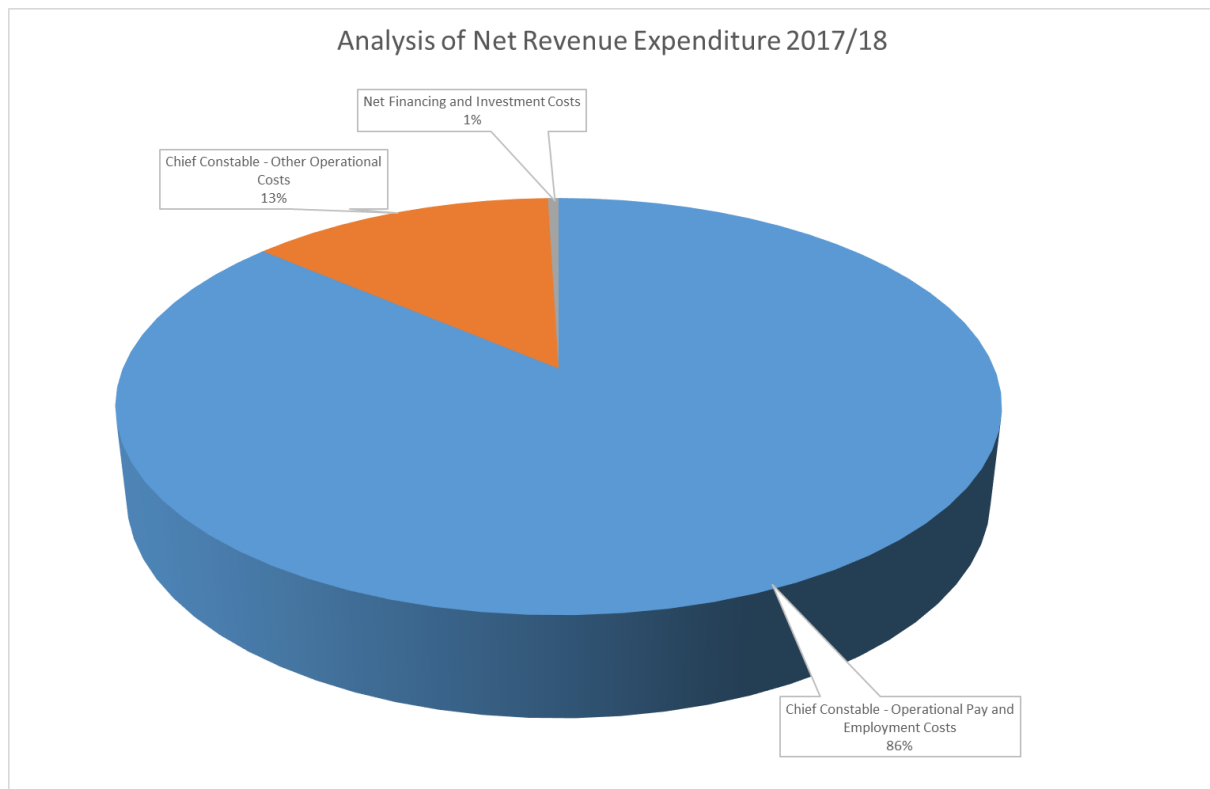
Chief Constable for Dorset

- Savings realised from the Strategic Alliance with Devon and Cornwall Police.
- Underspends on police staff costs due to level of vacancies held.

3.7. In addition, transfers from reserve to support additional expenditure incurred by the Chief Constable during the year were made as follows:

- £729k – transfer back to revenue of funding which related to the reimbursement of costs incurred by Dorset in supporting a national ICT programme.
- £462k – transfer from the Major Ops Reserve to support the additional, unbudgeted, costs of major incidents during the year.
- £500k – transfer from General Balances to fund the non-consolidated pay award, which had not been anticipated when the budget was set for 2017/18.

3.8. The below chart shows a breakdown of actual net revenue expenditure for 2017/18 by category of spend



Capital Programme

3.9. The table below shows the Chief Constable's capital expenditure, and funding, during 2017/18. The majority of the assets of the Chief Constable, most significantly its buildings, are owned by the Police and Crime Commissioner. However certain items of equipment and ICT are considered to be under the ownership and control of the Chief Constable. Capital expenditure in this respect consists of an ongoing programme of rationalisation, replacement and enhancement of 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 2017/18.

	£000's
Equipment and ICT	1,415
	<hr/>
	1,415
<u>Funded by</u>	

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Advance from Police and Crime
Commissioner

1,415
<hr/>
1,415

- 3.10. ICT and capital equipment across the Force area is replaced when necessary to ensure that officers and staff have the most appropriate access to technology and equipment to support them in their roles. The ICT and equipment expenditure also covered the provision and replacement of Taser equipment, and the purchase of ICT hardware to support new system implementation.

Workforce Resources

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

31/03/17 (FTE)		31/03/18 (FTE)
<hr/> 1,246	Police Officers	<hr/> 1,242
1,107	Police Staff (Force, includes PCSOs)	1,173
<hr/> 2,353		<hr/> 2,415

4. PERFORMANCE INDICATORS

External Indicators

- 4.1. The principal independent financial indicators available to Chief Constable and Police and Crime Commissioner 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 2017 report indicated that Dorset Police was ‘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 Police and Crime Commissioner and the Chief Constable for the year ending 31 March 2017. This audit concluded that the Police and Crime Commissioner and Chief Constable have made proper arrangements to ensure they took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- HMICFRS Value for Money Profile 2017 – 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.

Operational Performance of the Force

- 4.2. During the year, the Force dealt with the following level of activity:

- 999 Calls Received – 93,247
- Non-Emergency Calls Received – 420,677
- Incidents Recorded – 178,808

Chief Constable for Dorset

- Crimes Recorded – 49,583
- Arrests Made – 10,876
- Voluntary Attendances Undertaken – 4,317
- Missing Persons
 - o 5,000 Missing Persons Incidents in 2017/18
 - o 23,000 patrol officer hours
- Mental Health Incidents
 - o 6,000 mental health flagged incidents
 - o 22,000 patrol officer hours
- Adults at Risk – 4,600
- Management of Registered Sex Offenders – 999

5. FUTURE FINANCIAL OUTLOOK

- 5.1. Dorset Police formally updates its MTFS annually during the budget setting process. The 2018/19 MTFS reflected an improved outlook when compared with the 2017/18 forecasts, but still further savings will be required to balance the budget in the last two years of the four year period.
- 5.2. The MTFS includes the following areas of development:
- 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 business cases, including cashable savings, under the Strategic Alliance with Devon & Cornwall Police. 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.
- 5.3. Dorset Police continues to work closely with Devon and Cornwall Police on the Strategic Alliance. This Alliance is the source of significant savings over the course of the MTFS. The success of the Alliance has led to discussions of a potential merger of the two forces, and an outline business case has been submitted to the Home Office in this respect. The success or otherwise of this business case and related work could make a significant difference to the financial outlook of the Force. However, in view of the uncertainty regarding these plans, at this stage the assumption remains that the Chief Constable of Dorset Police, and the Police and Crime Commissioner for Dorset continue as distinct organisations to their Devon and Cornwall counterparts on the going concern basis.

6. MANAGING FINANCIAL RISKS

- 6.1. The Police and Crime Commissioner and the Chief Constable have an effective joint process for managing risk and the details are provided in the Annual Governance Statement included within these Accounts.

7. GOVERNANCE ARRANGEMENTS

- 7.1. The Annual Governance Statement is included on pages 51 to 75 of this document. The joint Annual Governance Statement describes the internal control environment for the Police and Crime Commissioner and the Chief Constable. It also comments on its effectiveness and identifies issues that require further work. Reliance is placed on the annual assurance review undertaken by the Chief Constable when drawing up the joint Annual Governance Statement.

Signed by the Chief Financial Officer on 31 May 2018

John Jones, Chief Financial Officer
31 May 2018

Further Information

This publication provides a review of the financial performance of the Chief Constable for 2017/18. It may be read in conjunction with the single entity accounts of the Police and Crime Commissioner, and the Group Accounts within the same document, and the Police and Crime Plan. Further information on these publications can be obtained by writing to the Chief Financial Officer to the Chief Constable, Dorset Police Headquarters, Winfrith, Dorset, DT2 8DZ.

Independent Auditor's Report to the Chief Constable for Dorset

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

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Statement of Responsibilities

The Chief Constable's Responsibilities

The Chief Constable is required to:

- Make arrangements for the proper administration of the financial affairs of Dorset Police 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 Chief Constable;
- Manage the affairs of Dorset Police to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approval of the Accounts

I approve the Statement of Accounts.

James Vaughan
Chief Constable
31 May 2018

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Chief Constable'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 2017/18" (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 2018 gives a true and fair view of the financial position of the Chief Constable for Dorset at the accounting date and of the income and expenditure for the year ended 31 March 2018.

Signed by the Chief Finance Officer to the Chief Constable on 31 May 2018

John Jones
Chief Finance Officer to the Chief Constable
31 May 2018

Financial Statements

Dorset Police



Chief Constable for Dorset

Movement in Reserves Statement

This statement only shows the pension related transactions from the start of the year to the end of the year for 2016/17 and 2017/18 as all reserves are managed by the Police and Crime Commissioner. The financial consequences of the operational activities undertaken by the Chief Constable is shown in the Comprehensive Income and Expenditure Statement.

Current Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2017		0	0	0	0	0	0
Movement in Reserves (Surplus) or Deficit on the Provision of Services	17	41,264			41,264	0	41,264
Other Comprehensive Income and Expenditure		(41,264)	0	0	(41,264)	0	(41,264)
Total Comprehensive Income and Expenditure		0	0	0	0	0	0
Balance at 31 March 2018		0	0	0	0	0	0
Comparative Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016		0	0	0	0	0	0
Movement in Reserves (Surplus) or Deficit on the Provision of Services	17	42,872	0	0	42,872	0	42,872
Other Comprehensive Income and Expenditure		(42,872)	0	0	(42,872)	0	(42,872)
Total Comprehensive Income and Expenditure		0	0	0	0	0	0
Balance at 31 March 2017		0	0	0	0	0	0

Chief Constable for Dorset

Comprehensive Income and Expenditure Statement

This statement reflects the Police and Crime Commissioner's financial resources consumed by the Chief Constable for 2016/17 and 2017/18. In practice all the respective costs are paid for by the Police and Crime Commissioner. This Statement includes intra-group transactions resulting in a nil balance for Total Comprehensive Income and Expenditure.

	2016/17			2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
147,055	(34,818)	112,237	Chief Constable	168,897	(39,118)	129,779
147,055	(34,818)	112,237	Cost of Services	168,897	(39,118)	129,779
		0	Pensions Top Up Grant			0
		(112,237)	Intra-Group Transaction			(129,779)
		0	Cost of Services Net of Pensions Top Up Grant			0
			Financing and Investment Income and Expenditure			
		42,872	Pensions Interest Cost			41,264
		37,313	Pensions Interest Cost - Intra-Group Transaction			39,490
		(37,313)	Actuarial (Gains)/Losses on Pension Funds - Intra-Group Transaction			(39,490)
		42,872	(Surplus)/Deficit on Provision of Services			41,264
		(42,872)	Re-measurement of the net defined benefit liability (asset)			(41,264)
		0	Other Comprehensive Income and Expenditure			0
		0	Total Comprehensive Income and Expenditure			0

Chief Constable for Dorset

Balance Sheet

The Chief Constable owns some operational non-current assets and these are included on the Balance Sheet. The Chief Constable does not hold reserves but he does have current and long term liabilities which relate to employee benefits. The intra-group transaction entries on the Balance Sheet represents the Police and Crime Commissioner's responsibility to provide funds to the Chief Constable over the long term.

31 March 2017 £'000		Note	31 March 2018 £'000
	Long Term Assets		
5,349	Vehicles, Plant and Equipment	9	5,022
1,602	Intangible Assets		920
1,537,079	Pensions Intra-Group Debtor	17	1,499,757
1,544,030	Total Long Term Assets		1,505,699
	Current Assets		
1,119	Short Term Accumulated Absences - Intra-Group Debtor	13	1,514
10,243	Debtors and Payments in advance	10	13,296
192	Inventories		121
11,554	Total Current Assets		14,931
	Current Liabilities		
(1,119)	Short Term Accumulated Absences	13	(1,514)
0	Short Term Provisions	12	(385)
(13,801)	Creditors	11	(16,410)
(14,920)	Total Current Liabilities		(18,309)
	Long Term Liabilities		
(1,537,079)	Pension Liabilities - Intra-Group Transaction	17	(1,499,757)
(3,530)	Intra - group creditor		(2,564)
(55)	Provisions		0
(1,540,664)	Total Long Term Liabilities		(1,502,321)
0	Net Assets		0

Signed by the Chief Finance Officer to the Chief Constable on 31 May 2018

John Jones
Chief Finance Officer to the Chief Constable
31 May 2018

Chief Constable for Dorset

Cash Flow Statement

The surplus or deficit on the provision of services represents the transfer of funds from the Police and Crime Commissioner to cover the actuarial gains/losses arising from the pension's valuation shown against the increase/decrease in pension's liability line.

2016-17			2017-18	
£'000	£'000		£'000	£'000
		Operating Activities		
		Cash Outflows		
129,633		Cash paid to or on behalf of employees	135,060	
28,520		Other operating costs	32,438	
	158,153	Net cash inflow / outflow		167,498
		Other Movements		
	(158,153)	Transfers		(167,498)
	<u>0</u>	Net (increase) / decrease in cash		<u>0</u>

Notes to the Accounts

Dorset Police



Note 1 Accounting Policies

1. General Principles

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; and the Accounts and Audit Regulations 2015 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 when cash payments are made or received.

3. Accounting Policy Developments and Changes

Changes in accounting policies are only made when required by proper accounting practices or the change provides more relevant information about the effect of transactions, other events and conditions on the Chief Constable's financial position or financial performance. Where a change is made it is applied retrospectively by adjusting opening balance and comparative amounts for the prior period as if the new policy had always been applied. For 2017/18, there are no accounting policy changes to the accounts.

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

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

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

6. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Chief Constable 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 Chief Constable.

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. Joint Operations

The Chief Constable participates in a number of partnership activities. These arrangements involve the Chief Constable carrying out activities relevant to their own functions, jointly with others. The Chief Constable accounts only for their share of the jointly controlled assets and the liabilities and expenses that they incur, on their own behalf or jointly with others in respect to their interest in the partnerships and income that they receive in relation to the partnership activities.

Note 1 Accounting Policies

8. Overheads

The cost of overheads and support services are charged to each area that falls under the Chief Constable for accountability and financial performance.

9. Pensions

9.1 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements 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 the accrued leave is charged to revenue in the financial year in which the absence occurs.

9.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Police and Crime Commissioner to terminate an employee's employment before the normal retirement date. The amount is charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Police and Crime Commissioner 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 Chief Constable 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 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.

9.3 Post-Employment Benefits

Employees of the Chief Constable are members of four separate pension schemes:

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

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

9.3.1 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 projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.55% (the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve) which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

9.3.2 The Local Government Pension Scheme

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

Note 1 Accounting Policies

The liabilities of the Dorset County Council Pension Scheme attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – as described for the Police Officer Pension Schemes above.

Liabilities are discounted to their value at current prices, using a discount rate of 2.60% (the annualised yield at the 23 year point on the AA Merrill Lynch Corporate bond curve) which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities.

The assets of the Dorset County Council pension fund attributable to the Chief Constable 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 |

9.3.3 Net Pensions Liability Analysed

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

Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Chief Constable - 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 Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure (only applicable to the Local Government Pension Scheme).
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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.

Note 1 Accounting Policies

9.3.4 Police Officers' Injury Benefits

The Chief Constable 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 per IPSAS 25 Employee Benefits, as the injury benefits may be financially significant with volatile actuarial gains and losses. These have been estimated by the independent actuary.

9.3.5 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 Chief Constable 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.

9.4 Discretionary Benefits

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

10. Provisions

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

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

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where the provision is no longer required or the estimated amount can be decreased, 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 the income for the relevant service if it is virtually certain that the reimbursement will be received if the Chief Constable settles the obligation.

Provision is made for termination payments due to staff resulting from restructuring when the Chief Constable has raised a valid expectation to the staff affected that it will carry out 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.

11. 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.

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Note 1 Accounting Policies

The expenditure within the Comprehensive Income and Expenditure Statement of the Chief Constable includes a charge for 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 Comprehensive Income and Expenditure Statement. The accounting policies of the Group in relation to depreciation are set out within the Financial Statements of the Police and Crime Commissioner.

11.1 Recognition

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

11.2 Measurement

Assets are initially measured at cost, comprising: purchase price and any costs attributable to bringing the asset into working condition.

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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, 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:

11.3 Depreciation

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

Depreciation is calculated on the following bases:

11.3.1 Information Technology (IT)

Classes of IT assets are given specific asset lives these are within the range 4-10 years. IT assets are depreciated in equal annual instalments over the forecast useful life of the asset.

11.3.2 Plant and Equipment

Classes of plant and equipment assets are given specific asset lives these are within the range 4-10 years. These assets are depreciated in equal annual instalments over the forecast useful life of the asset.

11.4 Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement 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).

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.

Note 1 Accounting Policies

12. Intangible Assets

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

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

12.1 Measurement

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

12.2 Amortisation

The depreciable amount of an intangible asset is amortised over its useful life and charged to the Comprehensive Income and Expenditure Statement.

13. VAT

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

14. Exceptional Items

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

15. Charges to Revenue Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the real cost of holding fixed assets during the year:

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

The Chief Constable is not required to raise council tax to cover depreciation or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (calculated on a prudent basis determined by the Group in accordance with statutory guidance). This is known as the Minimum Revenue Provision. Depreciation 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.

16. Cost and Intra-Group Recognition

In practice, all income is received by the Police and Crime Commissioner and all expenditure is paid by the Police and Crime Commissioner from the Police Fund. No actual cash transactions or events take place between the two entities. From an accounting perspective, costs are recognised within the Chief Constable's Accounts to reflect the financial resources consumed at the request of the Chief Constable. The income recognised in the Chief Constable's Accounts is the income collected by the Police and Crime Commissioner on behalf of the Chief Constable.

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:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

All of these standards will be incorporated into the Code from 2018/19 and will be complied with by the Force. However, none are expected to have a material impact for the Group and none warrant specific disclosure in these accounts.

Note 3 Significant Estimates and Judgements

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

- The Chief Constable 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 SeRCOP and the Police Reform and Social Responsibility Act.
- A long term debtor has been established in the Chief Constable'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 receive funds from the Police and Crime Commissioner for the payment of pensions and other employee benefits. Should the Police and Crime Commissioner be required to settle future pension liabilities, there is no long term expectation on the Home Office to provide this funding. Similarly the Chief Constable could not be expected to fund the liability as the Chief Constable (the current grant arrangements notwithstanding) has no assets, cash reserves, income receipts or other sources of funding. In our judgement, it is reasonable to expect that should the PCC Group be required to settle future pension liabilities (however unlikely this may be), 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 cashflows.
- The contingent liability note describes liabilities with regard to potential claims against the Chief Constable. 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.

Note 4 The Chief Constable as an Accounting Entity

The Chief Constable is part of an accounting group along with the Police and Crime Commissioner (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 Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. 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 2017 to 31 March 2018, 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.

Chief Constable for Dorset

Note 4 The Chief Constable as an Accounting Entity

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 2017/18. 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 two 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 and meet any liabilities in relation to accrued leave.

Certain categories of operational non-current assets are shown on the Chief Constable's Balance Sheet. These assets are offset in the Balance Sheet by a longer term creditor.

Intra-Group Transactions		2016/17		2017/18	
Comprehensive Income and Expenditure Statements	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000	
Net Cost of Policing	(112,237)	112,237	(129,779)	129,779	
Pensions Interest Cost and Pensions Top Up Grant	37,313	(37,313)	39,490	(39,490)	
Actuarial gains/(losses) on pensions funds	(37,313)	37,313	(39,490)	39,490	
Balance Sheet	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000	
Non-Current Assets/Liabilities					
Pensions Long Term Intra-Group Debtor	1,537,079		1,499,757		
Pensions Long Term Liabilities	(1,537,079)		(1,499,757)		
Pensions Long Term Intra-Group Creditor		(1,537,079)		(1,499,757)	
IT and Equipment Assets	6,951		5,942		
IT and Equipment Intra-Group Creditor	(6,951)		(5,942)		
IT and Equipment Intra-Group Debtor		6,951		5,942	
Current Assets/Liabilities					
Intra-Group Debtors	1,119		1,514		
Current Liabilities	(1,119)		(1,514)		
Intra-Group Creditors		1,119		(1,514)	
Unusable Reserves for Intra-Group Transactions		(1,529,009)		(1,495,329)	

When the Balance Sheets for the two corporate bodies are consolidated into the Group Balance Sheet these intra-group transactions are eliminated.

Note 5 Events after the Balance Sheet Date

There are no post balance sheet events that impact on the estimates and judgements used to prepare the accounts and hence no adjustments to the accounts were necessary.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Police and Crime Commissioner 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 in the Chief Constable's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

6.1 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. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. The total value of pension liabilities as at 31 March 2018 is £1,503m.

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.

Chief Constable for Dorset

Note 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used by the Chief Constable. All costs are paid for by the Police and Crime Commissioner and are funded from government grants, council tax and other income. The Police and Crime Commissioner meets the Chief Constable's expenditure in full by an intra-group transaction. There is no net expenditure chargeable to the General Fund. The analysis also shows net expenditure accounted for in accordance with generally accepted accounting practices which is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund Balance	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement			Net Expenditure Chargeable to the General Fund Balance	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between Funding and Accounting Basis						Adjustments between Funding and Accounting Basis		
£'000	£'000	£'000				£'000	£'000	£'000	
39,987	72,250	112,237		Chief Constable		43,405	86,374	129,779	
0				Office of the Police and Crime Commissioner					
0				Commissioning and Partnership Working					
39,987	72,250	112,237		Net Cost of Services		43,405	86,338	129,779	
				Other Operating Income & Expenditure					
77,889	(35,017)	42,872		Pensions Interest Cost & Expected Return on Assets		78,568	(37,304)	41,264	
117,876	37,233	155,109	Total Finance	Total Other Income and Expenditure		121,973	49,034	171,043	
(117,876)	(37,233)	(155,109)		Intra Group adjustment		(121,973)	(49,034)	(171,043)	
0	0	0		Deficit for the year		0	0	0	
		0							
0				Opening General Fund Balance as at 31 March 2017		0			
0				Surplus / Deficit on General Fund Balance		0			
0				Closing General Fund Balance as at 31 March 2018		0			

Chief Constable for Dorset

Note 7 Expenditure and Funding Analysis

Note to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis							
Intra Group Funding	2016/17 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	2017/18 Other Differences	Intra Group Funding	Total Adjustments
			(Note 1)	(Note 2)	(Note 3)		
£'000	£'000		£'000	£'000	£'000	£'000	£'000
(72,250)	0	Chief Constable	3,566	82,428	380	(86,374)	0
(72,250)	0	Net Cost of Services	3,566	82,428	380	(86,374)	
35,017	0	Other Income and Expenditure from the Funding analysis		(37,304)		37,304	0
37,233	0	Intra Group Funding				49,070	
0	0						0
0	0	Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	3,566	45,124	380	(0)	0

Note 7 Expenditure and Funding Analysis

Note 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.

Note 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 authority 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.

Note 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.

Note 7 Expenditure and Funding Analysis

7.1 Adjustment for Capital Purposes

This column adds in the depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or 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 year without conditions or for which conditions were satisfied in the year.

7.2 Net Change for Pensions' Adjustments

Net Change for the removal of pension's contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension 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 differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and that which was projected to be received at the start of year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Chief Constable for Dorset

Note 8 Expenditure and Funding Analysed by Nature

2016/17 £'000	Expenditure/Income	2017/18 £'000
	Expenditure	
117,151	Employee benefit expenses	134,041
29,152	Other Service expense	31,291
6,705	Depreciation, amortisation, impairment	3,566
153,009	Total Expenditure	168,897
	Income	
(35,716)	Fees charges and other service income	(39,118)
(35,716)	Total Income	(39,118)
117,293	Cost of Service	129,779

Note 9 Property, Plant and Equipment

This table sets out the assets held by the Chief Constable.

2016/17 Vehicles, IT and Equipment £'000	Cost	2017/18 Vehicles, IT and Equipment £'000
43,232	At 1 April 2017	45,115
1,883	Additions	1,489
45,115	At 31 March 2018	46,604
	Accumulated Depreciation	
(36,960)	At 1 April 2017	(39,766)
(2,806)	Depreciation Charge	(1,816)
(39,766)	At 31 March 2018	(41,582)
	Net Book Value	
5,349	At 31 March 2017	5,349
	At 31 March 2018	5,022

9.1 Recognition

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

- IT £10k
- Equipment £10k

9.2 Depreciation

All depreciation is calculated on a straight-line basis. The following useful lives and approaches to depreciation have been used to calculate depreciation charges:

Chief Constable for Dorset

Note 9 Property, Plant and Equipment

9.2.1 Information Technology (IT)

Classes of IT assets are given specific asset lives these are within the range 4-10 years. IT assets are depreciated in equal annual instalments over the forecast useful life of the asset.

9.2.2 Equipment

Classes of plant and equipment assets are given specific asset lives these are within the range 4-10 years. These assets are depreciated in equal annual instalments over the forecast useful life of the asset.

9.3 Asset Transfers

There were no asset transfers in 2017/18.

Note 10 Debtors

31 March 2017 £'000		31 March 2018 £'000
847	Central government bodies	1,110
5,004	Other local authorities	2,828
4,393	Other entities and individuals	9,358
<u>10,244</u>	Total Debtors	<u>13,296</u>

Note 11 Creditors

31 March 2017 £'000		31 March 2018 £'000
2,759	Central government bodies	250
2,403	Other local authorities	5,452
0	NHS	17
8,639	Other entities and individuals	10,691
<u>13,801</u>	Total Creditors	<u>16,410</u>

Note 12 Provisions

2016/17 £'000	Provision	2017/18 £'000
55	Balance at 1 April 2017	0
(55)	Additional provisions made	407
0	Amounts used	(22)
0	Transfer from long term liabilities	0
<u>0</u>	Balance at 31 March 2018	<u>385</u>

Chief Constable for Dorset

Note 12 Provisions

12.1 Provision

12.1.1 Contractual pay claims

The current level of the provision is estimated to be sufficient to meet known claims. These payments are expected to be made in 2018/19.

Note 13 Accumulated Absences

The Chief Constable provides benefits to employees in the form of annual leave. In addition, staff who work hours in excess of their contract hours may be awarded time off in lieu. These are accumulating absences that may be carried forward for use in future periods. The obligation to make future payments is recognised in the Comprehensive Income and Expenditure Statement and is a liability on the Chief Constable's Balance Sheet as follows:

2016/17 £'000 (790)	Accumulated Absences Account Balance at 1 April	2017/18 £'000 1,150
790	Settlement or cancellation of accrual made at the end of the preceding year	(1,150)
1,477	Amounts accrued at the end of the current year	1,883
(327)	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	(369)
1,150	Balance at 31 March	1,514

The Chief Constable has a policy of reducing the amount of time police officers can hold "on card" relating to time off in lieu. This policy involves paying any time off in lieu that is above the agreed threshold, it will lead to a reduction in the amount of accumulated absence arising for this reason.

Note 14 External Audit Costs

The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts:

2016/17 £'000		2017/18 £'000
15	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	15
4	Fees payable to external auditors for other services	0
19		15

Chief Constable for Dorset

Note 15 Officers' Remuneration

13.1 Remuneration

This note shows the officer remuneration costs for the Chief Constable.

	Year	Note	Salary, Fees and Allowances £	Bonuses £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Compensation for loss of Employment £	Total Remuneration incl Pension Contributions £
<u>Chief Constable</u>										
<u>Salary £150,000 plus per year</u>										
Chief Constable – Debbie Simpson	2017/18		155,124	0	0	6,782	161,905	0	0	161,905
Chief Constable – Debbie Simpson	2016/17		153,583	0	0	6,064	159,648	0	0	159,648
<u>Salary £50,000 to £149,999 per year</u>										
Deputy Chief Constable	2017/18		121,017	0	0	2,286	123,304	27,807	0	151,111
Deputy Chief Constable	2016/17		117,254	0	0	3,608	120,862	27,532	0	148,394
Assistant Chief Constable from 01/04/17 to 31/10/17	2017/18		62,610	0	0	2,791	65,401	12,000	0	77,401
Assistant Chief Constable from 16/10/17 to 31/03/18	2017/18		47,433	0	0	1,338	48,771	10,962	0	59,733
Assistant Chief Constable	2016/17		101,677	0	0	2,915	104,592	20,428	0	125,020
Assistant Chief Constable	2017/18	1	114,276	0	0	4,986	119,262	26,811	0	146,073
Assistant Chief Constable	2016/17	1	113,179	0	0	3,047	116,226	26,546	0	142,772
Assistant Chief Officer	2017/18		105,251	0	0	3,500	108,751	13,946	0	122,696
Assistant Chief Officer	2016/17		104,209	0	0	2,722	106,931	12,922	0	119,853
Director of Human Resources	2017/18	2	105,251	0	0	3,600	108,851	13,946	0	122,796
Director of Human Resources	2016/17	2	104,209	0	0	2,834	107,043	12,922	0	119,965
Chief Superintendent - Territorial Policing	2017/18		88,753	0	0	1,688	90,441	20,633	0	111,074
Chief Superintendent - Territorial Policing from 01/04/16 to 29/01/17	2016/17		71,535	0	0	0	71,535	17,010	0	88,545
Chief Superintendent - Territorial Policing from 30/01/17 to 31/03/18	2016/17		14,377	0	0	588	14,965	3,419	0	18,384

Chief Constable for Dorset

Chief Superintendent - Crime & Criminal Justice	2017/18	84,771	0	0	2,394	87,165	20,321	0	107,485
Chief Superintendent - Crime & Criminal Justice	2016/17	80,678	0	0	1,362	82,040	19,524	0	101,564
Chief Superintendent - Seconded to College of Policing	2017/18	91,850	0	216	0	92,066	20,633	0	112,699
Chief Superintendent - Seconded to College of Policing	2016/17	89,270	0	216	0	89,486	20,407	0	109,893
Chief Superintendent - Project from 01/04/17 to 07/09/17	2017/18	38,193	0	0	0	38,193	8,950	0	47,143
Chief Superintendent - Project from 30/01/17 to 31/03/17	2016/17	14,377	0	0	0	14,377	3,419	0	17,796
Chief Superintendent - Seconded to College of Policing	2017/18	0	0	0	0	0	0	0	0
Chief Superintendent - Seconded to College of Policing from 01/04/16 to 31/07/16	2016/17	29,094	0	0	0	29,094	6,770	0	35,864
Chief Superintendent - Project	2017/18	0	0	0	0	0	0	0	0
Chief Superintendent - Project from 01/08/16 to 29/01/17	2016/17	43,061	0	0	1,177	44,238	10,240	0	54,478
Chief Superintendent - Corporate Development from 29/07/17 to 31/03/18	2017/18	56,807	0	0	2,204	59,010	13,234	0	72,244
Chief Superintendent - Corporate Development	2016/17	0	0	0	0	0	0	0	0
Chief Superintendent - Secondment to College of Policing 03/07/17 to 31/03/18	2017/18	62,670	0	161	620	63,451	14,593	0	78,044
Chief Superintendent - Secondment to College of Policing	2016/17	0	0	0	0	0	0	0	0
Chief Superintendent - Project from 01/11/17 to 31/03/18	2017/18	37,203	0	0	0	37,203	8,633	0	45,836
Chief Superintendent - Project	2016/17	0	0	0	0	0	0	0	0

Chief Constable for Dorset

Note 15 Officers' Remuneration

15.1 Notes

1. This is a regional Assistant Chief Constable post but the Assistant Chief Constable is employed by Dorset Police. The Dorset Police contribution for this post is 11.76%
2. The Director of Human Resources post is shared between Devon & 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 for Dorset Police. Devon & Cornwall Police refund Dorset 60% of the costs of the post.

15.2 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 payments that have been calculated on an actuarial basis in 2016/17 and 2017/18. They relate to staff employed by the Chief Constable. The costs charged in the Comprehensive Income and Expenditure Statement include adjustments for the sharing of cost with Dorset Police under the Strategic Alliance Agreement, these adjustments are set out below the table.

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 £'000	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
£0 – £20,000	0	0	1	6	1	6	7	57
£20,001 - £40,000	0	0	5	2	5	2	135	62
£40,001 - £60,000	0	1	0	2	0	3	0	153
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001- £120,000	0	0	0	0	0	0	0	0
£120,001- £140,000	0	0	0	0	0	0	0	0
£140,001- £160,000	0	0	0	0	0	0	0	0
£160,001- £180,000	0	0	0	0	0	0	0	0
£180,001- £200,000	0	0	1	0	1	0	188	0
Total included in bandings and in CIES	0	1	7	10	7	11	330	272
Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement								
Redundancy cost recharged from Devon and Cornwall Police as part of Strategic Alliance agreement							36	21
Redundancy cost recharged to Devon and Cornwall Police as part of Strategic Alliance agreement							(230)	(178)
Exit Costs charged to the Comprehensive Income and Expenditure Statement							136	115

15.3 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. The Police and Crime Commissioner has chosen to disclose all those earning more than £50,000.

The remuneration includes exit costs as set out in the table above.

Employees that have transferred between Forces as part of the Strategic Alliance have been recorded at their year-end Force, with their total remuneration throughout the year disclosed.

Note 15 Officers' Remuneration

15.4 Remuneration Bands

<u>2016/17</u>		<u>2017/18</u>
Number of employees	Remuneration Band	Number of employees
71	£50,000 - £54,999	96
47	£55,000 - £59,999	57
9	£60,000 - £64,999	13
4	£65,000 - £69,999	5
3	£70,000 - £74,999	2
5	£75,000 - £79,999	3
4	£80,000 - £84,999	3
1	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	1
144	Total	180

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

- 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.
- Employees that have transferred between the forces as part of the Strategic Alliance have been recorded at their Year-End Force, with their total remuneration throughout the year disclosed.

Note 16 Related Party Transactions, Commissioning, Partnerships and Collaborations

The Chief Constable is required to disclose material transactions with related parties, including central government, other local authorities, members, senior officers and their close families. At present all transactions are managed through the Police and Crime Commissioner's Fund Account and are reported in the Group accounts. For this reason the Chief Constable does not have any transactions with external bodies. Details of the related parties in terms of transactions undertaken at the request of the Chief Constable are as follows:

16.1 Officers

The Chief Executive of the Office of the Police and Crime Commissioner has written to all senior officers explaining the need for disclosure.

Chief Constable for Dorset

Note 16 Related Party Transactions, Commissioning, Partnerships and Collaborations

The Director of Finance and Resources is a member of the South West Audit Partnership that supplies Internal Audit services to the Force. In order to receive the services, Forces have to nominate a member. No personal benefit is received by the Director of Finance and Resources.

16.2 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 groups regional activities.

2016/17			2017/18
Expenditure £'000	Notes	Joint Operation	Expenditure £'000
862	1	South West Regional Special Branch	874
3,406	2	South West Regional Forensics Services	3,273
180	3	South West Procurement Services	193
852	4	Zephyr	889
	5	Regional Programme	112
5,300			5,341

16.2.1 South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Wiltshire Police and Devon and Cornwall Police as the lead Force. 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 £874k. The total cost of £3,658k is split on a percentage basis, with Dorset Police contributing 23.9%, Avon and Somerset contributing 28.4%, Wiltshire Police contributing 18.8% and Devon and Cornwall Police contributing 28.9%.

16.2.2 South West Regional Forensics Services

South West Regional Forensics Services is a partnership with Avon and Somerset Police, Wiltshire Police and Devon & 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 £3,273k. Most of the £17,846k total cost is split on a percentage basis, with Dorset contributing 18.7%, Avon and Somerset contributing 36.6%, Wiltshire Police contributing 14.2% and Devon and Cornwall contributing 30.5%.

16.2.3 South West Regional 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 and Cornwall Police. The Force cost for the year was £193k. The total cost of £991k is 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%.

16.2.4 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. Two additional units were added part way through 2017/18 hence the increase in contribution. Staff are employed by each partnering Police Force and based within one of two hubs (North & South). The force cost for the year was £889k. The total cost of £7,561k 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%.

Chief Constable for Dorset

Note 16 Related Party Transactions, Commissioning, Partnerships and Collaborations

16.2.5 South West Collaboration Programme

The South West Police Collaboration Programme is a partnership with Devon and Cornwall Police, Gloucestershire Police, Wiltshire Police and Avon and Somerset Police 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 £112k. Most of the £1,015k total cost is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall contributing 33.3%, Wiltshire contributing 11.68%, Gloucestershire contributing 10.83% and Avon and Somerset contributing 32.43%.

Note 17 Contingent Liabilities

The Chief Constable of Dorset Police, along with other Chief Constables and the Home Office, currently has 58 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

Note 18 Capital Expenditure and Financing

Within the Group's four-year financial planning model, the Police and Crime Commissioner approves an annual capital programme to provide buildings, vehicles and other equipment for the Force. Part of the capital programme relates to non-current assets under the ownership and control of the Chief Constable. The table below shows what was spent on assets owned by the Chief Constable. Finance was provided by an advance from the Police and Crime Commissioner.

2016/17		2017/18
£'000		£'000
0	Opening Capital Financing Requirement	0
	Capital Investment:	
2,333	Vehicles, plant and Equipment	2,487
1,256	Intangibles	128
3,589		2,615
	Less Sources of Finance:	
(3,589)	Advance from Police and Crime Commissioner	(2,615)
(3,589)		(2,615)
0	Increase/(Decrease) in Capital Financing Requirement	0
0	Closing Capital Financing Requirement	0

Note 19 Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Chief Constable offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments. This needs to be disclosed at the time that the employees earn their future entitlement. The Chief Constable 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 final pensionable pay and length of service. The disclosures on pensions use specialist terminology. Definitions are provided in the glossary.

19.1 Police Officer Schemes

19.1.1 Participation in Pension Schemes

Police Staff are part of the Local Government Pension Scheme administered by Devon County Council – this is a funded defined benefit career average 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. 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 Commissioner's to transfer a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March from the Police and Crime Commissioners 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 Chief Constable 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.

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

Reconciliation of present value of the scheme liabilities:

2016/17 £'000		2017/18 £'000
(1,100,935)	Opening balance at 1 April	(1,423,684)
(19,187)	Current service cost	(30,369)
(40,238)	Interest cost	(38,069)
(6,132)	Contributions from scheme participants	(6,291)
	Remeasurement (gains) and losses:	
0	• Actuarial gains/(losses) arising from changes in demographic assumptions	0
(295,214)	• Actuarial gains/(losses) arising from changes in financial assumptions	66,802
0	• Experience gains/(losses) on defined benefit obligation	0
0	(Gains)/losses on curtailment (where relevant)	0
0	Liabilities assumed on entity combinations	0
36,962	Benefits paid	39,249
1,060	Injury pension payments	1,038
(1,423,684)	Closing balance at 31 March	(1,391,324)

Chief Constable for Dorset

Note 19 Defined Benefit Pension Schemes

19.1.3 Transactions relating to Retirement Benefits

The Chief Constable 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. These costs are reflected in the intra-group transactions between the Chief Constable and the Police and Crime Commissioner Group. The impact of these transfers is that the pension liabilities on the Chief Constable's Balance Sheet are matched by intra-group debtors which reflect the Police and Crime Commissioner's long term responsibility to provide funds to enable the Chief Constable to administer police pensions.

Previously, the 1987 scheme and 2006 scheme have been reported separately in the accounts. With the introduction of the 2015 scheme, it has been decided to combine all three schemes.

2016/17 £'000	Comprehensive Income and Expenditure Account	2017/18 £'000
	Cost of Services	
19,187	Current service cost	30,369
	Financing and Investment Income and Expenditure	
40,238	Net interest expense	38,069
59,425	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	68,438
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
0	• Actuarial (gains) and losses arising on changes in demographic assumptions	0
295,214	• Actuarial (gains) and losses arising on changes in financial assumptions	(66,802)
0	• Other	0
354,639	Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statements	1,636
	Movement In Reserves Statement	
59,425	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	68,438
	Actual amounts charged against the General Fund Balance for pensions in the year:	
12,181	Employers' contributions payable to scheme	12,743
19,712	Home Office Top Up Grant	21,253

Chief Constable for Dorset

Note 19 Defined Benefit Pension Schemes

19.1.4 Impact on the Chief Constable's Cashflow

The liabilities show the underlying commitments that arise from the fact that the Chief Constable has to pay retirement benefits over a long-term period. The total liability of £1.503m 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 2019 is £11m.

19.1.5 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 2018.

The significant assumptions used by the actuary have been:

2016/17	Mortality Assumptions:	2017/18
	Longevity at 65 for current pensioners:	
22.2	Men	22.3
24.7	Women	24.8
	Longevity at 65 for future pensioners:	
24.4	Men	24.5
27.1	Women	27.2
	Financial Assumptions:	
2.7%	Rate of Inflation	2.3%
4.9%	Rate of increase in salaries	3.8%
2.7%	Rate of increase in pensions	2.3%
2.7%	Rate for discounting scheme liabilities	2.6%

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. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme 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.

Note 19 Defined Benefit Pension Schemes

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)	55,337	(53,159)
Rate of increase in salaries (increase or decrease by 0.1%)	372	(371)
Rate of increase in pensions (increase or decrease by 0.1%)	27,656	(27,106)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(27,384)	27,986

19.2 Police Staff Scheme

19.2.1 Participation in Pension Schemes

Police Staff are part of the Local Government Pension Scheme administered by Dorset County Council – this is a funded defined benefit final salary scheme, meaning that the Chief Constable 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.

19.2.2 Participation in Pension Schemes

The Chief Constable 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.

Chief Constable for Dorset

Note 19 Defined Benefit Pension Schemes

2016/17 £'000	Comprehensive Income and Expenditure Account	2017/18 £'000
	Cost of Services	
	Service cost comprising:	
7,565	• Current service cost	12,631
417	• Past service cost	90
98	• Administration Expenses	108
0	• (Gain)/loss from settlements	0
	Financing and Investment Income and Expenditure	
2,571	Net interest expense	3,104
10,650	Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	15,933
	Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(21,016)	• Return on plan assets (excluding the amount included in the net interest expense)	(3,464)
4,525	• Actuarial (gains) and losses arising on changes in demographic assumptions	0
59,280	• Actuarial (gains) and losses arising on changes in financial assumptions	(12,648)
(5,272)	• Other	0
0	Apportionment Adjustment	(511)
(370)	Experience (gain)/loss on defined benefit obligation	0
47,797	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(690)

2016/17 £'000	Movement in Reserves Statement	2017/18 £'000
(10,650)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(15,933)
	Funded Liabilities	
£'000	Actual amount charged against the General Fund Balance for pensions in the year:	£'000
3,877	Employers' contributions payable to scheme	4,258
	Unfunded Liabilities	
£'000	Actual amount charged against the General Fund Balance for pensions in the year:	£'000
16	Retirement benefits payable to pensioners	16

Chief Constable for Dorset

Note 19 Defined Benefit Pension Schemes

19.2.3 Pension Assets and Liabilities recognised in the Balance Sheet

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

31 March 2017		31 March 2018
£'000		£'000
(266,108)	Present value of the defined benefit obligation	(269,760)
152,715	Fair value of plan assets	161,327
(113,393)	Net liability arising from defined benefit obligation	(108,433)

19.2.4 Reconciliation of the Movements in the Fair Value of Scheme (Plan)

31 March 2017		31 March 2018
£'000		£'000
120,115	Opening fair value of scheme assets	152,715
4,599	Interest income	4,280
	Remeasurment gain/(loss):	
21,016	• The return on plan assets, excluding the amount included in the net interest expense	3,464
0	Apportionment Adjustment	(688)
(97)	Administration expenses	(108)
3,892	Contributions from employer	4,273
1,947	Contributions from employees into the scheme	2,052
(4,029)	Benefits paid	(4,660)
5,271	Other actuarial gains and (losses)	0
152,715	Closing fair value of scheme assets	161,327

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

31 March 2017		31 March 2018
£'000		£'000
(189,605)	Opening balance at 1 April	(266,109)
(7,565)	Current service cost	(12,631)
(7,170)	Interest cost	(7,384)
(1,947)	Contributions from scheme participants	(2,052)
	Remeasurement gain/(loss):	
(4,525)	• Actuarial gains/(losses) arising from changes in demographic assumptions	0
(59,280)	• Actuarial gains/(losses) arising from changes in financial assumptions	12,647
371	• Experience gain/(loss) on defined benefit obligation	0
0	Apportionment Adjustment	1,200
(417)	Past service cost including gains/(losses) on curtailments	(91)
4,029	Benefits paid	4,660
(266,109)	Closing balance at 31 March	(269,760)

Note 19 Defined Benefit Pension Schemes

19.2.6 Local Government Pension Scheme assets comprised

31 March 2017		31 March 2018
£'000	Fair Value of Scheme assets	£'000
	Cash and cash equivalents	
85,674	UK Equities	87,201
6,620	Diversified Growth Fund	9,754
22,670	Gilts	21,123
17,503	Other Bonds	11,307
13,428	Property	16,262
5,102	Infrastructure	5,823
24	Hedge Fund	0
1,694	Cash	2,266
0	Multi Asset Credit	7,592
152,715	Total	161,327

19.2.7 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 2018.

The significant assumptions used by the actuary have been:

2016/17		2017/18
	Long-term expected rate of return on assets in the scheme:	
2.8%	Equity investments	2.6%
2.8%	Bonds	2.6%
2.8%	Other	2.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.9	Men	24.0
26.0	Women	26.1
	Longevity at 65 for future pensioners:	
26.1	Men	26.2
28.3	Women	28.4
	Financial Assumptions:	
2.7%	Rate of inflation	2.3%
4.2%	Rate of increase in salaries	3.8%
2.7%	Rate of increase in pensions	2.3%
2.8%	Rate for discounting scheme liabilities	2.6%

Note 19 Defined Benefit Pension Schemes

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. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme 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.

19.2.8 Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
PCC		
Mortality age rating assumption (increase or decrease in 1 year)	279	(269)
Rate of increase in salaries (increase or decrease by 0.1%)	25	(21)
Rate of increase in pensions (increase or decrease by 0.1%)	156	(129)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(177)	153
PCC Group		
Mortality age rating assumption (increase or decrease in 1 year)	9,820	(9,476)
Rate of increase in salaries (increase or decrease by 0.1%)	881	(876)
Rate of increase in pensions (increase or decrease by 0.1%)	5,502	(5,372)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(6,223)	6,371

	Increase in Assumption £'000	Decrease in Assumption £'000
Mortality age rating assumption (increase or decrease in 1 year)	9,541	(9,207)
Rate of increase in salaries (increase or decrease by 0.1%)	856	(851)
Rate of increase in pensions (increase or decrease by 0.1%)	5,346	(5,219)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(6,046)	6,190

19.2.9 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.

Note 19 Defined Benefit Pension Schemes

19.2.10 Impact on the Police and Crime Commissioner's Cash Flows

The objectives of the scheme, as administered by Dorset County 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 2018.

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

Pension Fund Accounting Statements

Dorset Police



Chief Constable 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 2017 £'000	Fund Account	31 March 2018 £'000
	Contributions Receivable	
(10,817)	Employers (normal)	(11,172)
(6,127)	Employees (normal)	(6,291)
(302)	Ill Health capital charge	(533)
	Transfers In	
(355)	Individual transfers from other schemes	(241)
	Benefits payable	
31,681	Pensions	32,670
5,632	Commutations & lump sum retirement benefits	6,820
	Payment to and on account of leavers	
0	Individual transfers to other schemes	0
19,712	Net amount paid during the year	21,253
(19,712)	Transfer from Police Fund*	(21,253)
0	Net amount payable / receivable for the year	0
*Additional contribution funded from the Police Fund is met by a top up grant from the Home Office as follows:		
18,939	Received in year	20,218
773	Debtor	1,035
19,712		21,253

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.

The 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 24.2% of police officer pay for 2017/18. (GAD valuation calculated this contribution to now be 21.3% but Home Office regulations state that the Chief Constable should maintain contributions at 24.2%). 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. Recoverable overpayments have been estimated by Kier according to scheme regulations.

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 2018.

Annual Governance Statement

Dorset Police





THE ANNUAL GOVERNANCE STATEMENT

THE ANNUAL GOVERNANCE STATEMENT 2017-2018

This statement is written on behalf of the Chief Constable for Dorset Police. It sets out the position as at 31st March 2018 including plans for the financial year 2018/2019.

Governance refers to the arrangements put in place to ensure that outcomes for stakeholders are achieved as defined and intended.

To deliver good governance the force must try to achieve its objectives while working in the public interest at all times. Acting in the public interest implies a primary consideration of the benefits to society.

The Annual Governance Statement is written in two parts. Part one describes the governance arrangements in place during 2017-2018. Part two reports on the review and outcomes of these arrangements.

PART ONE

1. THE GOVERNANCE FRAMEWORK

Policing governance in Dorset

There are three main bodies which make up local police governance: The Chief Constable, The Police and Crime Commissioner (PCC), and the Police & Crime Panel (PCP).

- The Chief Constable is accountable in law for the exercise of police powers. He is responsible for keeping our communities safe and secure. He is statutorily responsible for the delivery of efficient and effective policing through the management of resources and expenditure by the Force. He is operationally independent and free from political interference. He is required to appoint a Chief Financial Officer to oversee the proper administration of Dorset Police's financial affairs.
- The PCC was re-elected by the people of Dorset on a mandate to deliver his police and crime plan. The role of the PCC is to represent the voice of the people and hold the Chief Constable to account for the delivery of policing. He has the power to appoint or dismiss the Chief Constable, set the police budget, and is responsible for the totality of policing.
- The PCP is a scrutiny body composed of locally elected councillors and independent lay members. It exists to examine the actions and decisions of the PCC, to promote openness in the transaction of police business and also to support the PCC in the effective exercise of their functions.

Dorset Police

1.1 The Law and Regulations

The Police and Crime Commissioner and Chief Constable are the two separate legal entities who govern both jointly and separately to ensure that Dorset Police is "doing the right things, in the right way, for the right people in an open inclusive and accountable way".

Their legal responsibilities are clearly defined within the statutory framework that comprises of the following:

[Police Reform and Social Responsibility Act 2011](#)

[Policing Protocol Order 2011](#)



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[Financial Management Code of Practice for the Police 2013](#)

[Strategic Policing Requirement 2015](#)

[Local Government, England and Wales: The Accounts and Audit Regulations 2015](#)

[The role of the Chief Financial Officer in local government CIPFA 2016](#)

[Code of Ethics \(College of Policing 2014\)](#)

[Public Sector Equality Duty - Equality Act 2010](#)

This framework sets out the systems, processes, culture and values by which the affairs of the Police and Crime Commissioner and Chief Constable should be managed to provide good performance, good public engagement, good stewardship of public money and ultimately good outcomes for the people of Dorset, and those who come into contact with the Force.

1.2 The Corporate Governance Framework

The structures described in this Corporate Governance Framework are those in place during the financial year 2017-2018. It should be noted that these continue to evolve as the Strategic Alliance with Devon & Cornwall develops.

Together the Police the Commissioner and Chief Constable have established a corporate governance framework to support the delivery of their legal responsibilities.

The joint corporate framework consists of the following:-

[Code of Corporate Governance Framework](#) this incorporates:

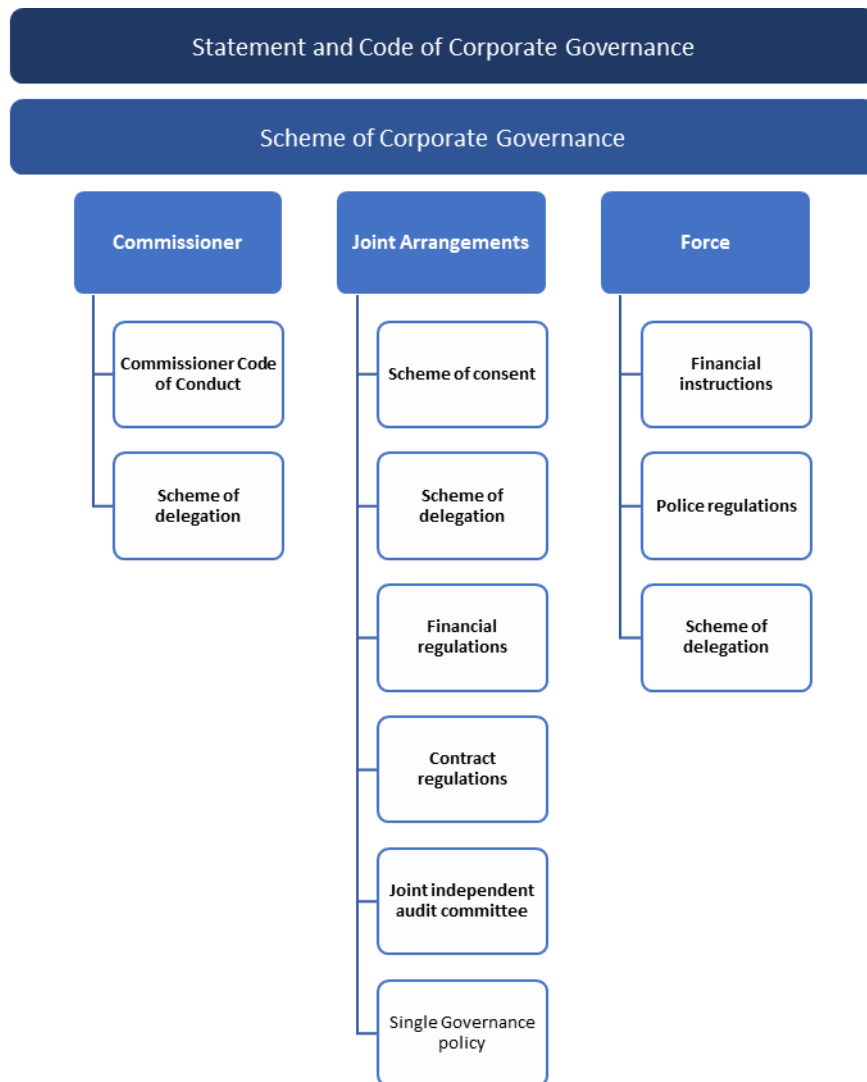
- the Statement of Corporate Governance
- Code of Corporate Governance
- Scheme of Corporate Governance
- Financial Regulations and Instructions
- Contract Standing Orders
- Scheme of Consent; and
- Scheme of Delegation.

[Single Governance Policy](#)

[Policies and procedures](#)

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The responsibilities for these are assigned in the framework structure below.



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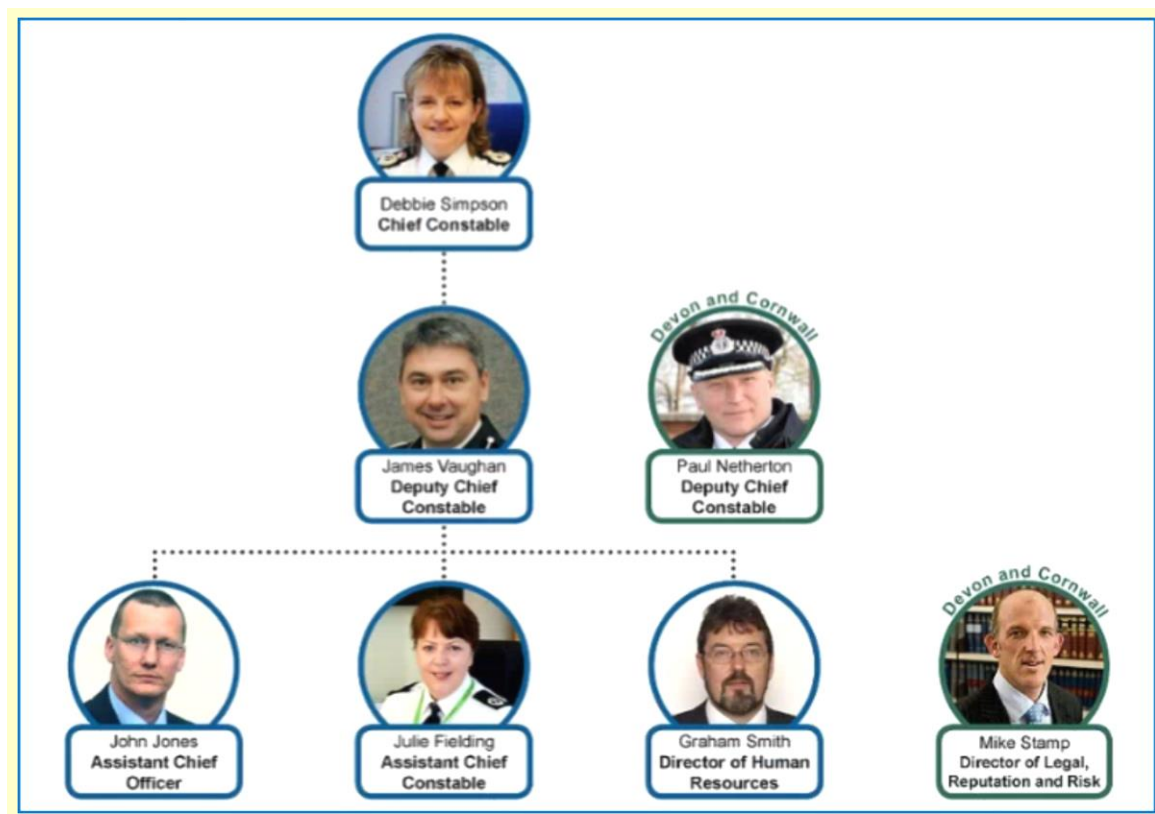
1.3 Governance Responsibilities and Management

The Chief Constable is supported by a team of specialist Chief Officers who have individual and collective responsibility for the delivery of effective governance for the Force.

James Vaughan replaced Debbie Simpson as Dorset's Chief Constable on the 6th April 2018. Prior to the he was the Deputy Chief Constable for Dorset Police and for Devon & Cornwall Police as part of the Alliance arrangements. The Chief Constables appointment is a temporary position whilst a potential merger with Devon & Cornwall Police continues to be explored.

Mr Vaughan was replaced as Deputy Chief Constable by David Lewis who has previously held the position of the Assistant Chief Constable for Dorset Police. More recently Mr Lewis was appointed as the Assistant Chief Constable for South West Police collaborations whereby Julie Fielding was successful in her application to become the Assistant Chief Constable for Dorset Police.

The chart below is reflective of the governance structure over the period of the annual governance statement 1st April 2017 to 31st March 2018.





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Role	Responsibility
Chief Constable	Responsible for the delivery of an effective and sustainable local police service and the delivery of the objectives of the police and crime plan for the people of Dorset. This includes legislative responsibilities including the public sector equality duty.
Deputy Chief Constable PRISM	Responsible for the delivery of the PRISM transformational change programme created on behalf of the Alliance to design an effective operational police service for Dorset and Devon & Cornwall into the future
Deputy Chief Constable Operations	Responsible for the delivery of strategic policing across the Alliance of Dorset and Devon & Cornwall Police
Assistance Chief Constable	Responsible for the delivery of effective local policing across the Dorset
Assistant Chief Officer	Responsible for effective financial management in Dorset
Director of People	Responsible for all staff related functions, welfare, recruitment, employment policy and compliance to employment legislation and equality across Dorset and Devon & Cornwall Police.
Director of Legal, Reputation and Risk Services	The Alliance Senior Information Risk Owner (SIRO) is responsible for the provision of legal services and information management across Dorset and Devon & Cornwall Police.

1.4 Decision Making

The delivery of operational policing is supported by a number of departments managed and directed by the Executive.

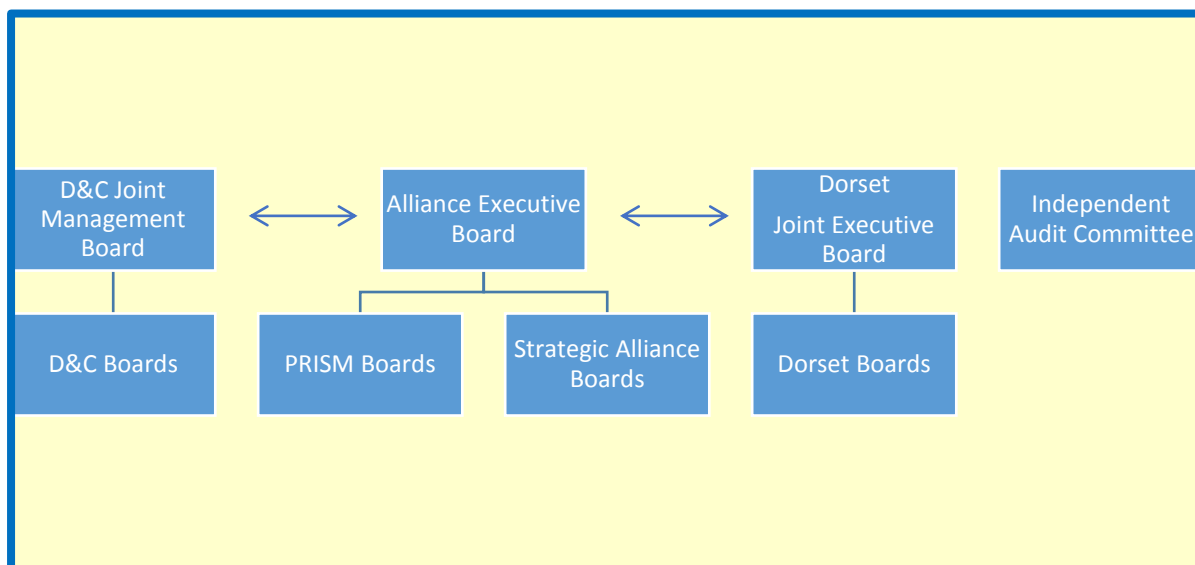
The Strategic Alliance programme has brought departments together across Dorset and Devon & Cornwall Police in the delivery of shared services. This has produced substantial cost savings and increased efficiencies across the Forces.

Due to the size and complexities of some departments a phased approach to implementation has been adopted which has meant that governance arrangements have needed to be flexible in order to support effective decision making.

Information is shared and decisions are made through a series of strategic board meetings. These culminate in the Alliance Executive Board (Dorset and D&C) attended by both Chief Constables and Police & Crime Commissioners and the Joint Executive Board (Dorset) attended the Chief Constable and Police and Crime Commissioner of Dorset only.

The creation of the Police Response Investigation & Safeguarding Model (PRISM) transformational change programme across the alliance will require further changes to the governance process to enable a clear reporting and decision making structure to be established. PRISM will redesign operational policing and service delivery across the alliance.

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Departments that report into the Dorset Executive Boards

Below are a list of the key departments and the functions that are reported into the Dorset Executive Boards.

	Department	Function
Strategic Alliance	Professional Standards	Complaints, confidential reporting, and vetting (Alliance phased implementation)
	Operational Support Command	Roads policing, dogs, ANPR, operational planning, alcohol licensing
	Prevention	Crime reduction, reduced offending, reduced victimisation, licensing, problem solving and volunteering
	Information management	Information assurance, freedom of information and data protection, records management, disclosure and data sharing
	Finance and Business Support Services	Financial planning, accountancy, budget management, payroll, purchasing, exchequer and transactional services
	Legal Services	Legal advice and representation
	People Services	Workforce planning, recruitment, training, absence management, contracts, employment legislation
	Business Change	PRISM, regional and national change programmes
	Fleet	Fleet safety & compliance, vehicle capacity & capability
	ICT	ICT Systems support through design, development, implementation, repair and maintenance including the Airwave communication system
	Audit, Insurance & Risk	Business management providing organisational and public assurance
	Department	Function
Dorset	Crime and Criminal Justice	Major crime, serious and organised crime, public protection, intelligence, criminal justice, custody and special branch
	Territorial Policing	The delivery of local policing initiatives, Safer Neighbourhood Teams, the Special Constabulary, Rural Crime Teams and the Victims Bureau
	Contact Management	Call handling and police deployment
	Corporate Development	Performance and demand, equality and diversity including public sector equality, internal and external inspections, data



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		submission, data recording and accuracy managed by the Force Crime Registrar
	Professional Standards (Dorset)	Complaints & misconduct and the disclosure and barring service for Dorset (DBS)
	Communication and Engagement	Internal communications and public engagement including social media
	Standards & Ethics Committee	Complaints & misconduct, custody visits
	Estates	Building repairs & maintenance and capital assets. There is an Alliance Estates strategy that assesses future operational requirements across the three counties

1.5 The Independent Audit Committee

The Financial Management Code of Practice for Policing sets out a requirement for the establishment of an independent audit committee who provide assurance on governance arrangements through scrutiny and challenge. This was provided to both the force and the PCC through the Joint Independent Audit Committee (JIAC).

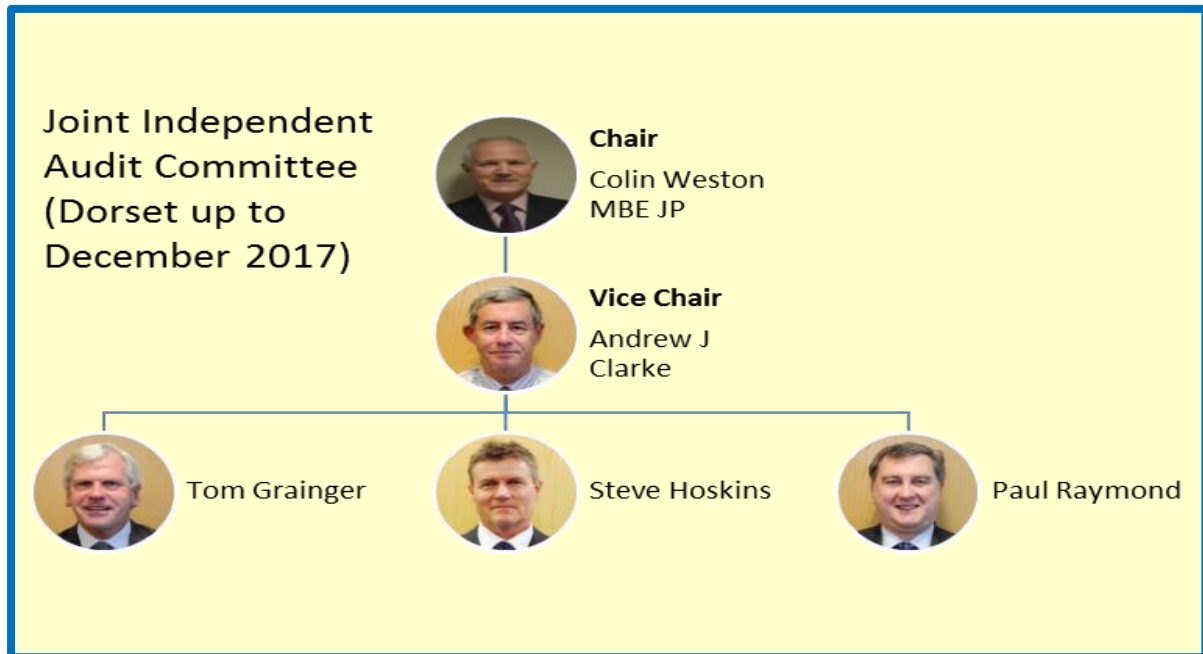
A joint Strategic Alliance Audit Committee (SAAC) was also established to provide assurance on alliance governance arrangements. This committee comprised the full membership of the two independent audit committees of Devon & Cornwall and Dorset and ran parallel to them for a transitional period until the SAAC became the sole Audit Committee on 8th June 2017.

Due to the size of this committee the membership and terms of reference were reviewed leading to the creation of the new Independent Audit Committee (IAC) responsible for serving both Dorset and Devon & Cornwall Police Forces and OPCC. The members of IAC were recruited from across the three counties for their blend of knowledge, experience and skills.

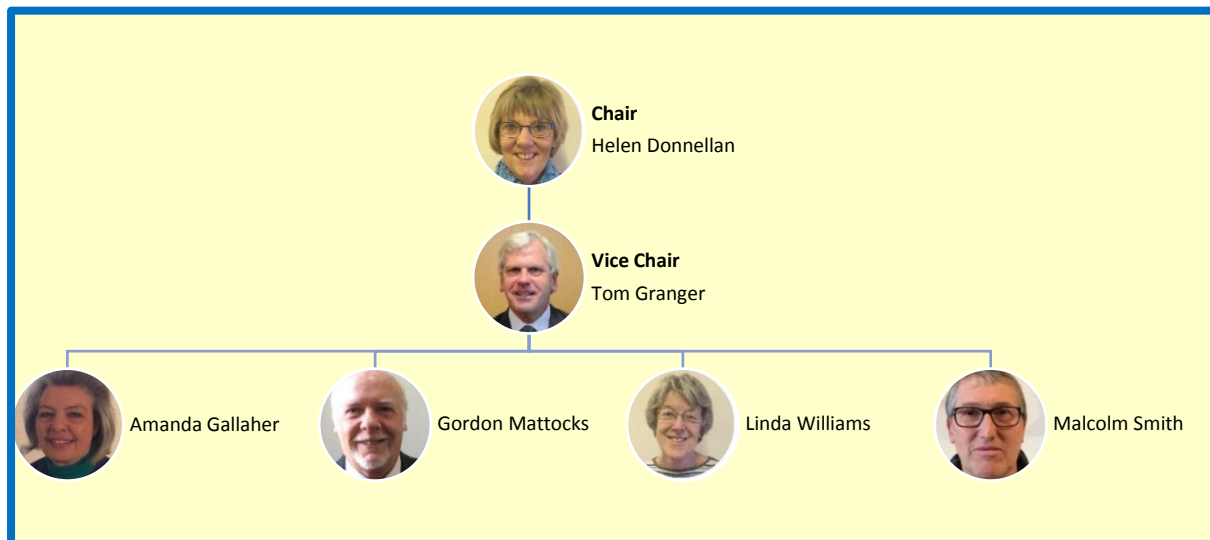
Recruitment to the IAC took place from September 2017 with the first meeting of the new committee taking place on the 8th December 2017.

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The audit committee structures chart is recorded below.



The Independent Audit Committee post December 2017



1.6 Internal Audit

The Audit Committee is informed by the work of the appointed internal auditors currently the South West Audit Partnership (SWAP). They deliver an annually agreed risk based internal audit plan across Dorset and Devon & Cornwall Police Forces and OPCC. The audit reports provide assurance on working practices across all four legal entities.



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1.7 External Audit

The external audit function is delivered by an independent body appointed to provide oversight of the annual financial accounts.

The current external auditors are KPMG who are Chartered Accountants and work to national and international accounting standards. On the 28th September 2017 KPMG issued an unqualified opinion on the Dorset and PCC and CC's financial statements. This was provided through the Annual Audit Letter that provides the public with assurance that the financial statements give a fair and true view of the financial position of the Force and its value for money, income and expenditure for the year. The letter is issued in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

The external auditors are appointed by an independent body known as the Public Sector Auditor Appointments (PSAA), who also reviews the quality of their work.

2. THE STRATEGIC ALLIANCE

In March 2015 an agreement was signed between Devon & Cornwall Police and Dorset Police and their respective PCCs formally entering them into a Strategic Alliance. The four legal entities of the alliance support a commitment to work together as a single team to support the delivery of an efficient and effective police service across the three counties.

2.1 The Alliance Governance Framework

As a transformational programme the Alliance senior management team is accountable to the four legal entities for the delivery of the programme objectives. When the programme was designed a "bottom up" approach for implementation was agreed. This enabled the appointment of a joint departmental head to stabilise the structure in each new department and to align the working practices. This supported a flexible approach to decision making allowing either the strategic alliance executive or force executive to make decisions as appropriate.

2.2 Alliance Governance Responsibilities and Management

The Alliance Senior Management team is supported by a team of specialist officers who have individual responsibilities for the delivery of the programme.

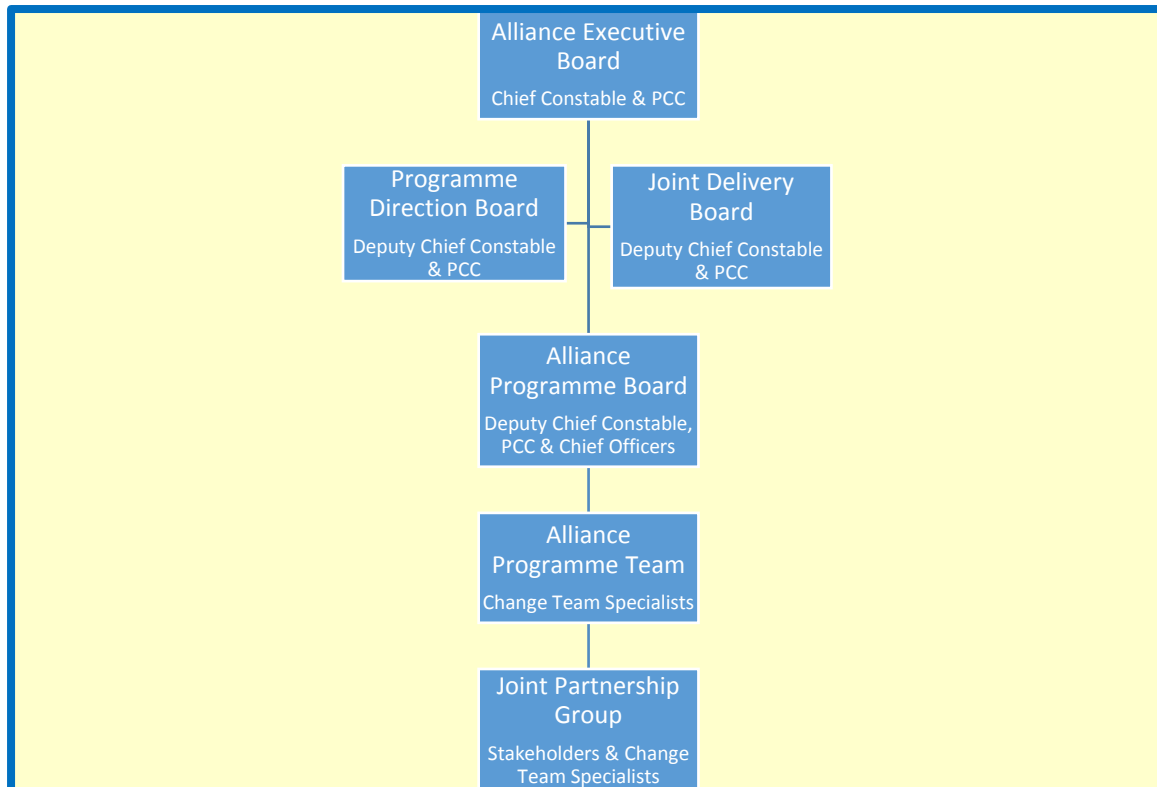
2.3 Alliance Strategic Management Board Structure

The Chief Officer team assigned to the Alliance programme monitor governance arrangements through a series of meetings. Each board has a set membership and terms of reference that defines their purpose and agenda. Oversight of the programme is carried out by the attendance of the PCC at a number of Alliance board meetings and through reports submitted to the Audit Committee.

The Alliance board meeting structure is recorded below.

It should be noted that the Alliance programme has integrated with the Police Response Investigation & Safeguarding Model (PRISM) transformational change programme and although independent is now shown as a delivery strand in the PRISM governance structure. See following section 3

The Alliance Board Meeting Structure



EXECUTIVE	Alliance Executive Board This board provides strategic direction, finances and resources for the delivery of the defined portfolio of change and in addition provides final sign off and oversight of Alliance detailed business cases
	Programme Direction Group The decision making group for business cases during implementation
	Joint Delivery Board The decision making forum for business cases post implementation
	Alliance Programme Board Scrutinises detailed business cases prior to sign off at the executive board
PRACTITIONER	Alliance Programme Team The specialist change team responsible for the implementation of business cases following sign off
	Joint Partnership Group All business case stakeholders including trade unions who scrutinise detailed business cases during development and prior to review at the programme board

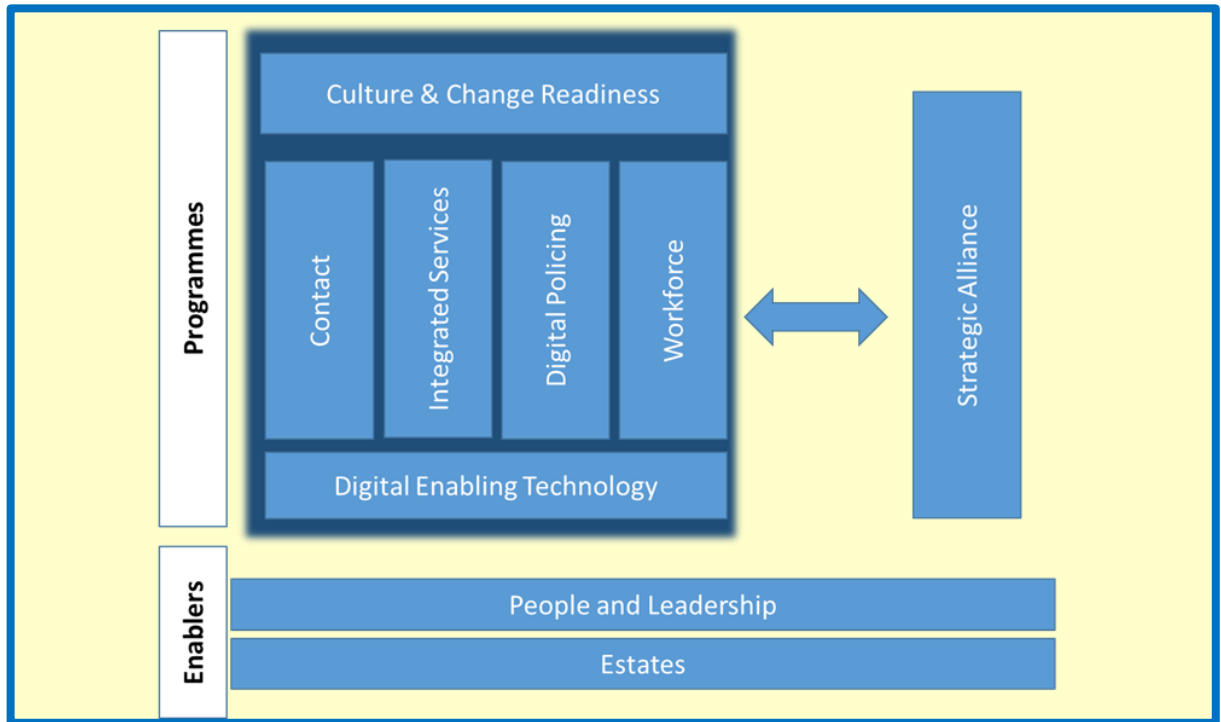
3. THE POLICE RESPONSE INVESTIGATION & SAFEGUARDING MODEL (PRISM) Transformational Change Programme

Further to the Strategic Alliance programme changing demands and reducing resources have required the organisation to transform rather than reform all aspects of service delivery.

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A joint PRISM transformational portfolio has been agreed to provide a consistent governance structure for all change activity across Dorset and Devon & Cornwall and has been designed to continue improving service delivery beyond 2025.

3.1 The PRISM Framework

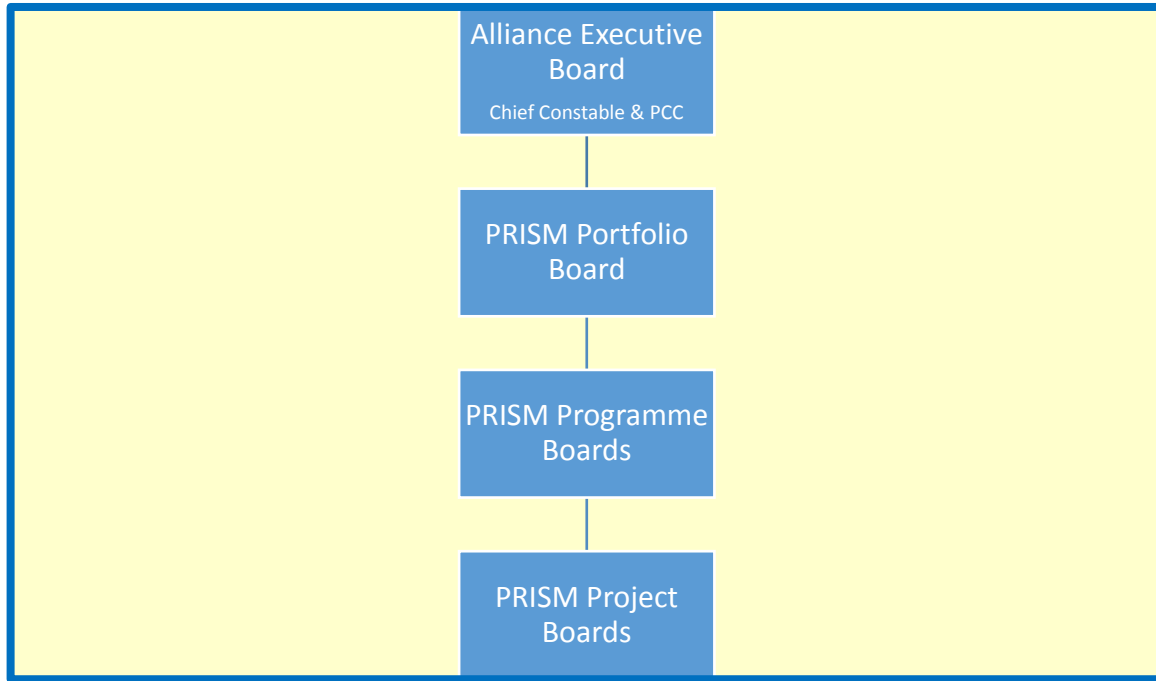


PRISM Programme Objectives

The primary objectives of the PRISM change programme are shown below.

Programme	Objective
Integrated Services	To introduce Force-wide tasking of activities to front line or specialist resources to improve service delivery to the public.
Contact	To determine and implement processes to deliver joined up contact and communication channels to improve connectivity with the public.
Workforce	To deliver a joined up affordable workforce that places the right people with the right skills in the right place at the right time.
Digital Policing	To deliver a long term coherent digital strategy.

3.2 PRISM Governance Board Structure



Alliance Executive Board	This board provides strategic direction, finances and resources for the delivery of the defined portfolio of change.
PRISM Portfolio Board	The portfolio board is responsible for monitoring progress against the delivery plan.
PRISM Programme Board	Programme boards are responsible for resolving issues between projects and delivery within their strand of the programme.
PRISM Project Boards	Project boards will ensure the outputs of the project are delivered in line with the business case.

4. MERGER EXPLORATION

In September 2017, a joint statement from the Chief Constables of Devon and Cornwall and Dorset announced plans to develop a 'closer relationship' between the two forces.

One of the options being considered is a full merger between the two forces into one force, building on the strategic alliance programme to further progress an improvement in effectiveness and efficiency of policing.

An initial outline business case for a merger between the two Forces was commissioned by the four corporations sole. This has been drafted by an independent agency and was submitted to the Home Office for consideration in mid-April 2018. It is anticipated that the Home Office will ask for the submission of a detailed business case by the end of the year. This will require an extensive programme of stakeholder engagement which will take place

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both internally and externally. Both Chief Constables and PCC's will be actively involved in this alongside other senior leaders.

PART TWO

5. THE ANNUAL GOVERNANCE FRAMEWORK REVIEW

This statement is written on behalf of Dorset Police. It sets out the position as at 31st March 2018 including plans for the financial year 2018/2019.

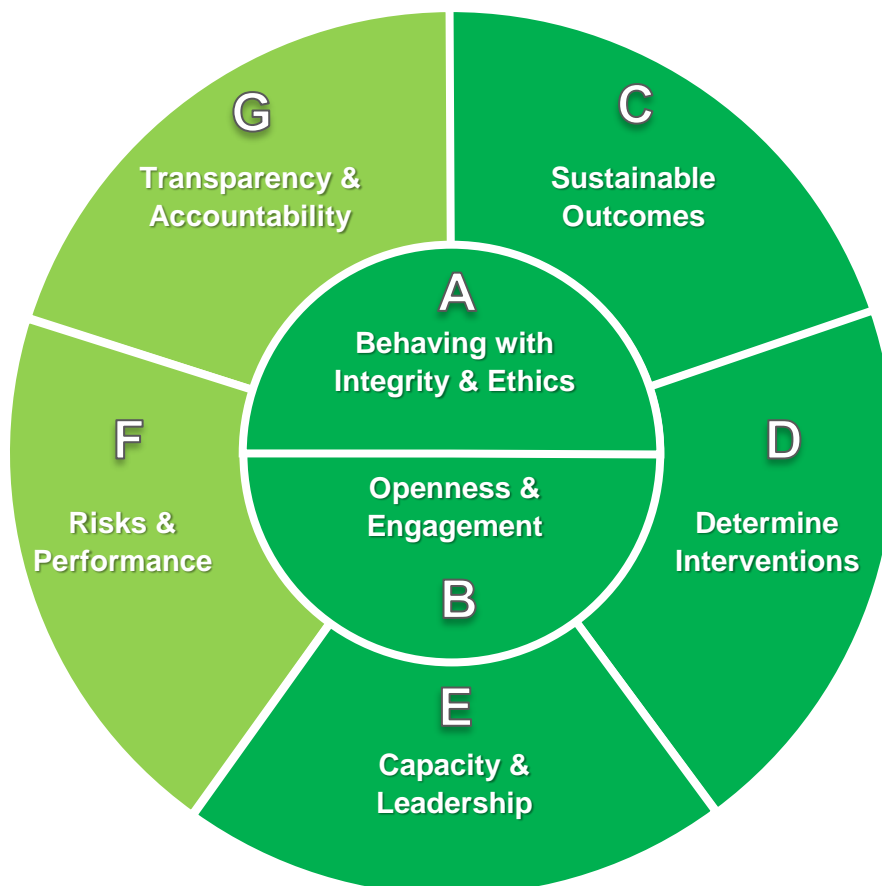
Each year the Force reviews its current governance arrangements against the delivery of service.

This review provides the public with assurance on current practice, long term delivery and the Force commitment to work in the public's best interest at all times.

The assessment framework below is taken from the CIPFA guidance 'delivering good governance: guidance for policing bodies in England and Wales 2016 edition'. This framework ensures that all aspects of governance are reviewed for their effectiveness.

5.1 The Corporate Governance Framework Review 2017-2018

The diagram below is taken from the guidance and shows the relationship between the seven core principles of good governance. The central two principles underpin the whole framework and relate to 'acting in the public interest'. These two are implicit in the remaining five which concern 'achieving good governance'.





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The assessment of effectiveness considered the range of evidence available: internal and externally published material, professional independent opinion and the views of senior management and professional leads.

Links to publically available supporting documentation are provided in appendix A.

A summary of that assessment is shown below. Further details on the review of effectiveness are recorded under Section 5 below.

Good Governance Category		Assurance
Acting in the Public Interest	Behaving with Integrity & Ethics	Substantial
	Openness & Engagement	Substantial
Achieving Good Governance	Sustainable Outcomes	Substantial
	Determine Interventions	Substantial
	Capacity & Leadership	Substantial
	Risks & Performance	Reasonable
	Transparency & Accountability	Reasonable

Assurance definitions	
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

6. THE REVIEW OF EFFECTIVENESS

In support of compliance with the Accounts and Audit Regulations 2003 the Chief Constable of Dorset Police has reviewed the evidence in support of this statement and judged the governance arrangements and controls in place to be effective.

While no significant governance issues were identified it is recognised that the significant change programmes currently being undertaken by the Force have impacted on the agility of these governance arrangements and that there are opportunities to widen the publication of Force papers.

Below is a summary of the evidence captured under each category of the statement.

Category A: Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law

- *Organisations are accountable not only for how much they spend but also for how they use the resources under their stewardship.*
- *This includes accountability for outputs both positive and negative and for outcomes achieved.*
- *They have overarching responsibility to serve the public interest in adhering to the requirements of legislation and governance practices.*
- *As a whole they must demonstrate the appropriateness of their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.*

Dorset Police Evidence: Substantial

Annual reviews of police effectiveness, efficiency, legitimacy and leadership (PEEL) are undertaken by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

HMICFRS assessed Dorset Police's legitimacy as '**good**' in their report dated December 2017. Policing by consent is vital to ensure that we continue to be effective and efficient in keeping our local communities safe. HMICFRS considers a police force to be legitimate if it has the consent of the public, and if those working in the force consistently behave in a way that is fair, ethical, and within the law. As part of the inspection, aspects of leadership were also assessed as the two areas are considered to be closely linked. The report provides assurance that the Force remains dedicated to providing a good service to the residents of Dorset, and operates with fairness and respect, providing a strong commitment to equality and diversity, both within the organisation and in the service provided. Officers and staff are well trained in effective communication and use their coercive powers fairly, and only when necessary. Dorset Police was found to be good at ensuring its workforce behaves ethically and lawfully, with an established process for referring ethical problems. The Force was also noted for its efforts in making it easy for members of the public to make a complaint, and is good at keeping complainants updated on the progress of their complaint.

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The national gender pay gap review identified the Dorset Police 'mean' average of 14.41 percent which is better than the recorded national average of 18.4 per cent for police forces in England and Wales. It is recognised that the 'median' figure further prompts Dorset Police to look at what is causing the imbalance when compared to other Forces. There is a strong women's network and positive action team that are helping to put measures in place to encourage female officers and staff to reach their fullest potential.

Category B: Ensuring Openness and comprehensive stakeholder engagement

- *The Force is run for the public good and must therefore ensure openness in their activities.*
- *Clear trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, individual citizens and institutional stakeholders.*

Dorset Police Evidence : Substantial

Over the past year there has been an active campaign to engage with the public through social media and electronic mediums which has seen a significant increase in on line communication during 2017-2018. There is clear policy and guidance available to officers and staff to ensure that robust controls are in place to provide privacy and protection to all stakeholders.

The HMIC PEEL review of Dorset Police Effectiveness dated March 2017 provided an overall rating of '**good**'. It reported that Dorset Police recognises the importance of working with communities to understand their policing needs. The twelve Neighbourhood Policing Teams (NPT) and Police Community Support Officers (PCSO) seek the views of local people while on patrol, at regular meetings and during visits to community venues so that they understand the problems that affect local people and act accordingly.

Community engagement training has provided officers and staff with a better understanding of neighbourhood policing objectives, their personal responsibilities and new methods of working with the public that make the most of both traditional and modern tactics.

The Crime Survey of England and Wales (CSEW) indicate that Dorset residents consistently rate Dorset Police as providing high levels of satisfaction and public confidence.

Category C: Defining Outcomes in terms of sustainable economic social and environmental benefits

- *The long term nature and impact of many Force responsibilities mean that it should define and plan outcomes and these should be sustainable.*
- *Decisions should further the Forces purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.*
- *Input from all groups of stakeholders, including citizens, service users and institutional stakeholders is vital to the success of this process and in balancing*

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competing demands when determining priorities for the finite resources available.

Dorset Police Evidence : Substantial

The police & crime plan (P&CP) is the five year corporate plan set by the commissioner for delivery by the Force.

A clear planning cycle incorporates demand data, short and long term strategic assessments and the objectives of the P&CP. The Force has produced a ten year strategic assessment 2016-26 that indicates the changing nature of Dorset and its communities to prioritise its activities.

The Force is investing in the completion of the strategic alliance work through the PRISM programme including the development of integrated service delivery across Dorset and Devon & Cornwall. This will incorporate the modernisation of the police estate and the digitalisation work-stream that supports information and communication technological convergence across the forces.

The HMICFRS PEEL efficiency review of Dorset Police dated November 2017 graded the force as **'good'** in its future planning. In particular its work to identify potential future demand and the development of a transformational approach to its future policing service that incorporates joint working, public feedback and the effect of technology.

Discussions are held on a regular basis between the Chief Constable, senior officers and the PCC regarding the information needs to support effective decision making. A record of decisions (decision log) is maintained on the OPCC website.

Category D: Determine the interventions necessary to optimise the achievement of the intended outcomes

- *The Force achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions (courses of action).*
- *Determining the right mix of these courses of action is a critically important strategic choice that the Force has to make to ensure intended outcomes are achieved.*
- *The Force requires robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.*
- *Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.*

Dorset Police Evidence : Substantial

The Force produces a capability assessment in conjunction with its demand assessment to ensure that it understands the type and number of resources and skills required to meet current and future demand for service.



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The Force is agile in its use of resources and responds flexibly to different types of demand. Resources are moved around the force on a daily basis in response to immediate operational need. The principle of total resource management is applied to ensure all resources are used appropriately.

Dorset Police has explored all opportunities to work in collaboration with others to increase efficiency and provide better more resilient services.

The PEEL efficiency report dated November 2017 graded Dorset Police as **'good'** in its use of police resources with a good understanding of the skills needed to operate effectively and well developed plans for recruitment and training. In addition to its close working relationship with Devon & Cornwall Police it has collaborative working arrangements with other police and partnerships across the region. There is a clear understanding of the benefits of joint working and it is open to new ideas and innovation to improve its operations.

The Medium Term Financial Strategy is reviewed annually to ensure that it is fit for purpose.

Category E: Developing the Forces capacity, including the capability of its leadership and the individuals within it

- *The Force needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods.*
- *A public organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.*
- *Both the individuals involved and the environment in which the Police operate will change over time and there will be a continuous need to develop its capacity as well as the skills and experience of the leadership and individual staff members.*
- *Leadership in the Police service is strengthened by the participation of people with many different types of background, reflecting the structure and diversity of communities.*
- *Successful outcomes depend on the calibre of the people within the organisation and it is essential that they have the appropriate skills and support.*

Dorset Police Evidence : Substantial

The HMICFRS introduced a new self- assessment of demand process for all Forces titled the Force Management Statement. This evaluated current and predicted demand for the next four years. The information was provided by senior operational and departmental managers with analysis being undertaken prior to publication during May 2018.

Once predicted demand has been effectively analysed it will be used by workforce and succession planning to ensure that recruitment and training are undertaken so that the

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Force remains sustainable for the future. As a key driver the workforce plan is linked directly to the medium term financial strategy.

The integrated service delivery strand of the PRISM transformational change programme will review the structures, roles and systems that support the overall organisational business design for the future. This major change programme is robustly governed by the Executive Officers of both Forces and the four corporations sole. It supports the completion of the strategic alliance programme and links directly to the potential merger of Dorset and Devon & Cornwall Police.

Category F: Managing risk and performance through robust internal control and strong public financial management

- *Public bodies need to ensure that the organisations and governance structures that they oversee have implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services.*
- *Risk Management, business continuity and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes.*
- *This consists of an ongoing process designed to identify and address significant risks involved in achievement outcomes.*
- *A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.*
- *All public bodies spend money raised by tax payers and use assets which have been paid for by tax payers in order to maintain high quality services.*
- *The public is entitled to expect high standards of control and the continuous oversight of performance to correct shortfalls and to identify factors which could undermine achievement*

Dorset Police Evidence : Reasonable

Overall the governance structure is operating well, however it is recognised that with any significant change programme, such as the alliance and now a potential merger, the additional mechanisms which are necessary to support the change programme impede the previous agility and responsiveness of the Force. Work has therefore commenced to review the meeting structure across the alliance and to propose options that would speed up the decision making process and sustain the Force through a potential merger.

A programme risk review within Dorset Police and a risk harmonisation programme for risk management practices and procedures across Dorset and Devon & Cornwall Police have commenced and will be implemented over the current year as part of the change programme.

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This will further strengthen the wider governance arrangements and further support the decision making process moving forwards.

The Annual Audit Letter summarises the outcome of the annual audit of accounts and financial controls independently undertaken by KPMG. The value for money aspect of the review concluded that the strategic alliance has been well managed and has successfully delivered the cost savings critical to achieving the objectives of the medium term financial plan (MTFP). The robustness of the MTFP is critical to the delivery of operational policing and since staff costs are a large proportion of the cost base effective workforce planning is essential. KPMG considered both the implementation of the alliance and workforce planning to be effective and controls in place to be reasonable.

An unqualified opinion of the financial arrangements was published on 28th September 2017 that concluded that the financial statements provide a true and fair view of the financial position of the PCC and Chief Constable and of the expenditure and income for the year.

Enhanced budget monitoring procedures have been agreed with the PCC and work will continue during 2018/19 to maximise effectiveness.

Category G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

- *Accountability is about ensuring that those making decisions and delivering services are for them.*
- *Effective accountability is concerned only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the Force plans and carries out its activities in a transparent manner.*
- *Both external and internal audit contribute to effective accountability.*
- *It is easy to pay lip service to the principles of accountability. Aspirations that are not followed through and actions which are not explained to those who are affected by them undermine confidence.*
-

Dorset Police Evidence : Reasonable

The PCC holds the Chief Constable to account for the delivery of the objectives of the Police & Crime Plan. In turn the Commissioner reports to Police & Crime Panel who represent the local communities served by the Commissioner and who hold him to account.

Both internal and external audit opinions were returned as unqualified providing robust assurance on the strength of financial management and controls across the Force. These are published alongside the financial accounts.

The Force undertakes extensive consultation exercises with the public and stakeholders alongside the Crime Survey of England and Wales which provides assurance on public



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satisfaction and confidence.

The HMICFRS and other regulatory agencies review Force effectiveness and report to the Police and Crime Commissioner and in turn the Police & Crime Panel.

The Dorset Police website has been updated and is operationally based on local service delivery. It is recognised that there is an opportunity to consider wider publication of Force papers as part of the potential merger.

OPINION

Based upon the above review of the governance framework in accordance with the assurance definitions listed (see 3.1 above) the overall assurance opinion is **substantial**.

The force has all the elements of good governance, which are working well; however, in recognition of the Strategic Alliance and transitional change arising from this there is need for ongoing work in order to maintain the effectiveness of the system.

The force is committed to a process of continual improvement of governance and will monitor the implementation of the risk management framework and the continued programme of transparency as part of next annual review.

Signed

Chief Constable: James Vaughan

Assistant Chief Officer: John Jones

APPENDIX A: LINKS TO SUPPORTING INFORMATION

Dorset Police Links

- [Do it Online](#)
 - [Make a Complaint](#)
- [News & Information](#)
 - [About Dorset Police](#)
 - [Our Priorities](#)
 - [Force Structure](#)
 - [Departments & Sections](#)
 - [Policies](#)
 - [Crime Statistics](#)
 - [Reports & Publications](#)
 - [People, Confidence & Equality](#)
 - [Accessing Information](#)
 - [Facts about the Force](#)
 - [Strategic Alliance](#)
 - [Use of Force](#)
- [Contact us](#)

Office of the Police & Crime Commissioner for Dorset Links

- [Police & Crime Plan](#)
- [Contact Us](#)
- [About](#)
 - [PCC - Martyn Underhill](#)
 - [Our Structure](#)
 - [Meet the OPCC Team](#)
 - [Police and Crime Panel](#)
 - [Community Volunteers](#)
- [The Police and Crime Plan](#)
- [Get Involved](#)
- [News & Blog](#)
- [Events](#)
- [Working in Partnership](#)
- [Transparency](#)

Independent Office for Police Conduct: Dorset information

- [Who we are](#)
- [Complaints and Appeals](#)
- [Research and Learning](#)
- [Investigations](#)
- [News](#)

Her Majesty's Inspectorate of Constabulary (HMIC)

- [Dorset Police Profile](#)
- [PEEL: assessment 2017 – Dorset Police](#)

Glossary

Dorset Police



Glossary

Accounting Period	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.
Accrual	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.)
Actuarial Gains and Losses	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.
Actuarial Valuation	An independent report on the financial status of a Pension Fund, which shows the estimated cost today of providing benefits in the future.
Agency Services	Services provided by one body (the agent) on behalf of, and generally with payment from, the responsible body.
Amortised Cost	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.
Appropriation	Charges to the revenue account that build up funds and reserves in the balance sheet.
Asset	Physical assets such as equipment and financial assets such as cash and amounts owed by debtors.
Bid Price	A valuation of financial assets based on the highest price a buyer is willing to offer.
Budget	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.
Capital Expenditure	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>
Capital Grants	Grants received by the Office of the Police and Crime Commissioner that can only be used to pay for capital projects.
Capital Receipts	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.
Carrying Amount	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.
Cash Flow Statement	This statement summarises the inflows and outflows of cash.
CIPFA	The Chartered Institute of Public Finance and Accountancy, the professional body that sets accounting standards for the public sector.
Collection Fund	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.
Contingency	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.
Contingent Liability	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.)

Glossary

Council Tax	A tax based on the value of property, which is administered by District and Unitary authorities.
Creditors	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.
Current Assets and Liabilities	Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.
Current Service Cost	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.
Curtailments	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.
Debtors	Amounts due to the Police and Crime Commissioner but unpaid by the end of the accounting period.
Deferred Charges	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.
Defined Benefit Scheme	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.
Depreciation	The accounting principle that spreads the cost of a fixed asset over its useful working life.
Discretionary Benefits	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.
Earmarked Reserves	These reserves represent monies set aside to be used for a specific purpose.
Exit Costs	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.
Expected Return on Assets	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.
Experience Gains and Losses (IAS 19 Pensions disclosure)	This shows the impact of actual experience differing from the accounting assumptions, such as pension increases differing from those assumed and unexpected membership movements.
Fair Value	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.
Fixed Assets	Something of practical use that can be measured in cash terms, e.g. land and buildings, or computer and radio equipment.
International Financial Reporting Standards (IFRS)	Accounting standards issued by the International Accounting Standards Board and from which the CIPFA code of Practice on Local Authority Accounting is derived.
Home Office Grant	A central government grant paid by the Home Office to Police and Crime Commissioner's in support of their day to day expenditure.

Impairment	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.
Intangible Asset	An identifiable asset that has no physical substance can be measured reliably and is used for a period of more than one year.
Interest Cost	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.
LAAP	Local Authority Accounting Panel sets accounting rules for the public sector.
Loans and Receivables	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.
Medium Term Financial Strategy	Often referred to as MTFS, it is the financial plan and management of funding, spending and savings over a four year period.
Mid-Price	A valuation of financial assets based on the mid-point between bid and offered prices.
Minimum Revenue Provision	The minimum amount of the Police and Crime Commissioner's outstanding financing commitments that must be charged to the General Fund each year.
Non Distributed Costs (NDC)	For the Police and Crime Commissioner these are principally past service costs relating to pensions benefits earned in prior periods.
Non-Operational Assets	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.
Past Service Cost	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.
Pension Commutation	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.
Pension Scheme (Defined Benefit)	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.
Pension Scheme (Funded)	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.
Pension Scheme (unfunded)	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.
Precept	A levy collected by District and Unitary Councils from council taxpayers on behalf of the Police and Crime Commissioner.
Present value (or Net Present Value)	The amount of money that must be put aside today to pay for a cost in the future, allowing for inflation and interest rates.
Principal	The amount of a loan that was actually borrowed, before interest is added.
Provisions	Amounts set aside to meet costs that are likely to be incurred, but where the actual amount and timing are uncertain.
Related Parties	Individuals or other bodies who have significant control and influence over the financial and operating policies of an entity.
Reserves	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.

Revaluation Reserve	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.
Revenue Support Grant (RSG)	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.
Running Costs	Costs from the use of premises, transport and equipment, and other general expenditure needed to provide a service.
Specific Grants	Grants (usually from the Home Office) that can only be spent on named services and projects.
Statement of Standard Accounting Practice	Guidance issued by the Financial Reporting Council (FRC) on how to use and apply accounting standards.
Termination Benefits	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.
Third Party Payments	Payments made to outside contractors and other bodies who provide specialist or support services to the Police and Crime Commissioner.