



# Annual Accounts 2015/2016



Statement  
of Accounts  
2015-16

## CONTENTS

	Pages
Audit Opinion .....	2 - 4
Narrative Statement .....	5 - 8
Statement of Accounting Policies .....	9 - 14
Statement of Responsibilities / Further Information.....	15
Comprehensive Income and Expenditure Account - PCC Group.....	16
Balance Sheet PCC Group and PCC.....	17 - 18
Movement in Reserves Statement PCC Group.....	19- 20
Cash Flow Statement PCC Group.....	21
Notes to the Core Financial Statements .....	22 - 43
(These notes provide an integral part of the financial statements)	
Pension Fund Account and Notes .....	44
Annual Governance Statement .....	45 - 62
Glossary of Terms .....	63 - 65

# AUDIT OPINION

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

We have audited the financial statements of Police and Crime Commissioner for Dorset for the year ended 31 March 2016 on pages 9 to 14 and 16 to 44. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2016 and of the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 45 to 62 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Explanatory Framework for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

## AUDIT OPINION

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

### **Conclusion on the Police and Crime Commissioner for Dorset's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **The Police and Crime Commissioner for Dorset's responsibilities**

The Police and Crime Commissioner for Dorset is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner for Dorset has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner for Dorset has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner for Dorset's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether the Police and Crime Commissioner for Dorset had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Dorset put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

# AUDIT OPINION

## **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Dorset has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

## **Certificate**

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Dorset in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



**Darren Gilbert**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

3 Assembly Square,

Britannia Quay,

Cardiff,

CF10 4AX

Date: 29 September 2016

# **NARRATIVE STATEMENT TO THE ACCOUNTS**

## **Introduction**

The primary function of the Police and Crime Commissioner is to secure the maintenance of an efficient and effective police force in Dorset, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

All the financial transactions incurred during 2015-16 for policing Dorset have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of PCC Dorset and Group accounts incorporating the Chief Constable for the year ended 31 March 2016. The Group position 'PCC Dorset Group' reflects the consolidated accounts of the Police and Crime Commissioner for Dorset and its subsidiary Chief Constable accounts. Where the Group position differs from PCC Dorset position this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

This Foreword provides an overview of the new accounting arrangements and outlines the financial performance of PCC Dorset and PCC Dorset Group during 2015-16.

## **The Statement of Accounts**

The 2015-16 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015-16.

The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Local Audit and Accountability Act 2014;
- Accounts & Audit Regulations 2015
- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012;
- Scheme of Delegation between the Police and Crime Commissioner for Dorset and the Chief Constable;
- PCC Dorset Financial Regulations – Police and Crime Commissioner and Chief Constable;
- PCC Dorset Standing Orders on Contracts - Police and Crime Commissioner and Chief Constable.

The accounting arrangements between PCC Dorset and the Chief Constable are such that PCC Dorset is responsible for the finances of the whole Group and controls all assets, liabilities and reserves. PCC Dorset receives all income and funding and makes all the payments for the Group from the Police Fund. Since 1 April 2014 staff have been split between PCC Dorset and the Chief Constable, with PCC Dorset retaining only those staff running the office of the Commissioner. In turn the Chief Constable fulfils its functions under the Act within an annual budget set by PCC Dorset in consultation with the Chief Constable. A scheme of delegation is in operation between the two bodies determining their respective responsibilities.

## **Revenue Budget**

In February 2015 the Police and Crime Commissioner set the revenue budget for 2015-16 at £110.9 million. As part of efforts to tackle the national deficit, the Government announced significant spending cuts in October 2010 in its Comprehensive Spending Review (CSR). As

## NARRATIVE STATEMENT TO THE ACCOUNTS

a result, Government funding for the police service in Dorset for 2015-16 was cut by £3.17million, representing a cash reduction on the previous years police funding of 5.1. Over the CSR to 2015-16 the overall grant reduction resulted in the need to reduce costs by £22.5 million in real terms. The Band D council tax was frozen at £187.11 for 2015-16. The Policing share of the average council tax bill for the year was about 11%.

### ***Comparison of Actual Expenditure with Budget***

Actual spending for the year was £110.761 million compared to the funding of £110.9 million, resulting in an underspend of £0.139 million.

Savings were achieved during the year due to strict financial controls on all areas of spending and additional income, but these were fully reinvested into the provision of policing services during the year. The reinvestment included the recruitment of additional police officers to address short term operational performance.

*The main variations were:*

- Overall Police officer pay costs were £1,637k underspent. The main reason for this was that there was a far higher number of leavers than budgeted for (45 FTE). The underspend was partly mitigated by additional intakes but recruitment timeframes meant that costs were reduced.
- Included in the figures is expenditure of £100k arising as a result of the recent UK Employment Appeals Tribunal in the case of Bear Scotland Ltd v Fulton and Others. Additional costs of an estimated £200k per annum have been built in to the 2016/17 budget and MTFS.
- Savings were also realised in the Estates Premises budgets due to lower than expected inflation and the Transport budget due to lower utility costs and fuel prices. Savings were also made in maintenance costs as the average age of the vehicle fleets is reduced.
- Income also increased in 2015/16 due to a number of high cost operations. As well as this the return on investments was also higher than budgeted (£150k compared to a budget of £40k).

Overall, the revenue outturn position shows an underspend of £0.139 million, which results in an increase in general balances.

This small variance from the original budget, as amended during the year by the PCC, indicates sound financial management within the Force during a difficult financial year.

### ***Additional Funding Streams***

During 2015-16 additional funding was allocated to the PCC from the Ministry of Justice in respect of local commissioning of Victims Services. This was the third year for which such grants were made available, and the grants totalled £0.8 million including funding brought forward from the previous year.



# **NARRATIVE STATEMENT TO THE ACCOUNTS**

## ***Capital Expenditure***

The capital programme for 2015-16 was £9.77 million, including schemes brought forward from previous years. Final capital expenditure was £4.8 million, which was funded by Home Office and other grants of £1.9 million and Capital reserves of £2.9 million, which leaves no capital unfinanced at 31 March 2016.

The underspend on the capital budget, detailed in the notes on *page 31*, arises in part due to slippage on ICT system replacements and vehicle purchases but also to delays in relocation of functions from the Ferndown HQ. Work is ongoing on this scheme with significant spend anticipated in 2016/17.

The Code of Practice under which these accounts are prepared requires that fixed assets are revalued at least every five years. Generally 25% of the Authorities properties are revalued each year in a rolling programme to achieve this, which is reflected in the valuations detailed in the Balance Sheet and the table on page 32.

## ***General Reserves***

The PCC's general balances at the start of the year were £3.9 million. Following the 2015 PEEL inspection in which comments were made about the level of balances, a review took place and a restructure of reserves and balances was made to better reflect the risks and liabilities faced by the Force.

The restructuring of the Insurance reserves in particular and PFI reserve has seen the general balance increase to £7.314m which represents 6.1% of the budget requirement for 2015/16. Specific reserves total £5.691m.

## ***Pensions***

The figures returned by the actuary in the Pensions IAS19 note on pages 37-40 indicate a decrease in the overall deficit for police staff in the Local Government Pension Scheme (LGPS). They also show a decrease in the liability for the unfunded officers' scheme. The significant liability in respect of the unfunded police pension scheme is the amount assessed by the actuary as necessary to meet the pension costs of current pensioners and existing employees over their expected lives. This liability will be met by the revenue budget and the Home Office specific grant under the funding arrangements for police pensions referred to below, as and when the pensions become payable in future years.

Actual expenditure on pensions, including both the officers' flat-rate employer's contribution and the employer's contributions to the Local Government Pension Scheme for police staff, totals £14.8 million, or 12.6% of the total budget for 2015-16.

## ***Other Information***

The accounts are prepared in accordance with the Accounts & Audit Regulations 2015 including the Annual Governance Statement on pages 45-62, the Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

The Financial Statements for Dorset Police and Crime Commissioner have been prepared on an IFRS basis.

## NARRATIVE STATEMENT TO THE ACCOUNTS

The accounts that follow show the Dorset Police and Crime Commissioner's financial outturn for the year 2015-16. The accounts comprise: -

- the comprehensive income and expenditure account. These figures are compared with the estimates that were updated continuously throughout the year and with the actual expenditure for 2014-15;
- the balance sheets which show the consolidated assets and liabilities of the PCC and Chief Constable, as well as the assets and liabilities of the PCC;
- the movement in reserves statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year split between usable and unusable reserves;
- the cash-flow statement, which shows the sources and applications of the PCC's funds during the year;
- the notes to the above Core Statements, which provide further explanations and disclosures relating to the accounts.

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Police and Crime Commissioner as at 31 March 2016, and its income and expenditure for that year.

These Financial Statements were authorised for issue as draft, subject to Audit, on 30<sup>th</sup> June 2016 and authorised again as a final, audited set of financial statements on 26<sup>th</sup> September 2016.



Richard Bates BA (Hons) CPFA  
Treasurer to the Police and Crime Commissioner

26 September 2016

# ACCOUNTING POLICIES

## **1. Introduction**

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

## **2. Accounting Conventions**

The Financial Statements of the PCC are prepared on the basis of historic cost except where disclosed otherwise in Accounting Policies or notes, where required by IFRS. Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories and certain financial assets and liabilities.

The financial statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

## **3. Change of Accounting Policies**

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements. An entity is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. If the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

Additionally, any accounting changes required by a new standard that have been issued but not adopted by 1 January prior to the

Balance Sheet date must be covered by a disclosure note, setting out the impact of the change.

## **4. Prior Period Adjustments**

Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

## **5. Events after the Balance Sheet Date**

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. Non-adjusting events are disclosed in the Financial Statements if it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

## **6. Contingent Liabilities**

In accordance with IAS 37, a contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or;
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or;
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

No provision is made in the accounts for contingent liabilities. Details of any other

## ACCOUNTING POLICIES

liabilities are disclosed in the notes to the Financial Statements.

### **7. Agency Accounting**

Council Tax revenue is reported in the Comprehensive Income and Expenditure Statement on a full accruals basis. The PCC also shows a share of the Billing Authorities debtors and creditors for Council Tax, proportionate to the relative demand on the Collection Fund.

### **8. Revenue Expenditure funded from Capital Under Statute**

Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the PCC, the expenditure is charged to the income and expenditure account and written out in the year of account.

### **9. Foreign Currency Translation**

In accordance with IAS 21, income or expenditure arising from a transaction in a foreign currency is translated into £sterling at the exchange rate in operation on the date on which the transaction occurred.

### **10. Grants and Third Party Contributions**

All grants and contributions are realised in the Comprehensive Income & Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled in accordance with IAS 20. Where the associated expenditure has been incurred, the grant is reversed out of the Comprehensive Income & Expenditure Statement and taken to the Capital Adjustment Account. Where the expenditure has not been incurred, the reversal is taken to the Capital Grants Unapplied Account.

### **11. Interest**

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest related to its actual borrowing.

### **12. Investments**

The PCC holds no investments in companies or marketable securities. Short-term cash surpluses are invested with other Local Authorities, banks and building societies in accordance with the CIPFA Code on Treasury Management as detailed in the notes to the Financial Statements.

### **13. Leases**

In accordance with IAS 17, leases are classified as finance leases when substantially all the risks and rewards of ownership transfer to the lessee. All other leases are classified as operating leases.

For operating leases where PCC is the lessee, lease payments are recognised as an expense in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.

For finance leases where PCC is the lessee, at the start of the lease term, the PCC records an asset and a corresponding liability at the lower of the fair value of the asset and the present value of the minimum lease payments.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Depreciation on finance leases is consistent with that for other property, plant and equipment.

For operating leases, where PCC is the lessor, lease receipts are recognised as income in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.

Where the PCC is the lessor of a finance lease, at the commencement of the lease term, the PCC records a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease.

The PCC recognises finance income based on a pattern reflecting a constant periodic return on its net investment outstanding in respect of the finance lease.

Land and buildings elements of a lease of land and buildings are classified and accounted for separately. Leased land is always treated as an operating lease; buildings are assessed separately to determine whether they are finance or operating leases.

### **14. Lease Type Arrangements**

IFRIC4 sets out the principle that in recent years, arrangements have developed that do not take the legal form of a lease, but which convey rights to use assets in return for a payment, or series of payments. Such arrangements are deemed to be leases where:

## ACCOUNTING POLICIES

- fulfilment of the arrangement depends on a specific asset
- the arrangement conveys a right to control the use of the asset.

In such cases, the transaction is deemed to be a lease and is assessed as to whether it is an operating or finance lease and accounted for accordingly.

### **15. Long Term Contracts**

The PCC is party to two long term contracts under the Private Finance Initiative (PFI). The PCC accounts for both of these schemes in accordance with IFRIC 12 (Service Concessions). Both schemes are recorded as assets in the PCC's Balance Sheet with corresponding liabilities which are discharged over the period of the contract.

### **16. Overheads**

Support Services are corporate activities of a professional, technical and administrative nature that are carried out in support of the direct service provision of the PCC. The Best Value Accounting Code of Practice requires Authorities to adopt consistent policies when allocating the costs of these services to users. These activities are fully allocated over all services on the basis of use.

Some overheads are not apportioned, recognising the PCC's status as a multi-functional democratic organisation. These costs are shown as part of the Net Cost of Services under the Corporate and Democratic Core heading in the Comprehensive Income & Expenditure Statement, along with certain other non-distributed costs relating to pension benefits.

### **17. Pensions**

Officer pensions are funded by flat rate employee and employer contributions, and a Home Office top-up grant. Any deficit or surplus is adjusted by claiming additional grant from, or refunding excess to, the Home Office.

Liabilities in relation to retirement benefits were recognised only when employer's contributions became payable to the pension fund. IAS 19 reflects our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The overall amount to be met from Government grants and local taxpayers remains unchanged, but the costs reported for

individual services are adjusted by the difference between the employer's contributions and the current service costs defined under IAS 19. This adjustment is reversed in the Movement in Reserves Statement.

The attributable liabilities of both pension schemes are measured on an actuarial basis using the projected unit method.

The current service costs are included within the 'Net Cost of Services' and the net total of interest cost and expected return on assets is included in 'Net Operating Expenditure' in the Comprehensive Income & Expenditure Statement, in respect of the County and Police scheme. Actuarial gains and losses arising from new valuations or revaluations are also recognised in the Comprehensive Income & Expenditure Statement. The independent actuary has determined these amounts in accordance with the IAS and government regulations.

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

### **18. Provisions**

In accordance with IAS 37, the PCC maintains a provision to meet a liability that will arise in future years. These relate to taxation in respect of rent allowances, time held in lieu and additionally Insurance and are detailed in Note 33 to the Core Financial Statements.

### **19. Reserves**

A number of earmarked reserves have been established to meet future expenditure. These include capital reserves relating to particular projects and reserves to smooth irregular expenditure. New reserves have also been established with the transition to IFRS, due to the change in accounting policy for grants and other contributions.

### **20. Tangible Fixed Assets**

**a) Recognition** - The Code of Practice on Local Authority Accounting requires Local Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IAS 16. A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:

## ACCOUNTING POLICIES

- it is held for use in delivering services or for administrative purposes; and
- it is probable that future economic benefits will flow to, or service potential will be supplied to the PCC; and
- it has a useful economic life of more than one year; and
- the cost of the item can be measured reliably.

**b) Measurement** - A full revaluation of the property assets was carried out during 1999-2000. Values are updated based on the results of annual revaluations of a representative sample of 25% of properties. The value of assets for the purposes of the capital accounting requirements does not purport to be the market value of assets owned by the PCC.

**c) Impairment** - Assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a non-current asset below the amount at which it is being carried in the Balance Sheet. It can be the result of physical damage, use, obsolescence or the passing of time. If any indication of impairment exists, the recoverable amount is estimated. Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised. Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

**d) Reversal of Impairment** - Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an

asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

**e) Disposals** - Capital receipts from the disposal of property and other assets owned by the PCC, less the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

**f) Gains and losses on disposal of assets** - A gain or loss arises when the proceeds of the sale of an asset differs from the net book value of that asset in the Balance Sheet. The gain or loss is charged to the Net Operating Expenditure section of the Income & Expenditure Account, and reversed out in the Statement of Movement on the General Fund Balance.

**g) Depreciation** - Tangible fixed asset depreciation is charged to the Income & Expenditure Account where the assets have a finite useful life. This includes buildings in accordance with the requirements of IFRS. As part of the annual valuation of assets, the Valuation and Estates Manager determines the estimated useful life of the properties. The depreciation charge is based on equal annual instalments over the expected life of the asset with no allowance for residual value. For guideline purposes, vehicles and equipment are depreciated over periods of 2 to 10 years, infrastructure assets over 20 years and buildings over periods of 20 to 60 years. No depreciation charge is made for land or community assets.

### **h) Subsequent Expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised.

## ACCOUNTING POLICIES

Subsequent expenditure which does not add to the future economic benefits or service potential of the asset is charged as operating expenditure.

### **i) Componentisation**

Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (ie as if each component was a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Significant is when the component is 25% of the total asset with a minimum total asset value of £1m. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

### **21. VAT**

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

### **22. Investment Property**

Investment property is defined by IAS 40 as property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recorded in the Balance Sheet at fair value.

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account. Dorset Police and Crime Commissioner has no Investment Property at the Balance Sheet date.

### **23. Surplus Assets**

Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale are classified as Surplus Assets within Property, Plant and Equipment.

Surplus assets can be categorised as either fixed assets or current assets, depending on

their nature; so a separate classification of current, surplus assets is available.

### **24. Assets Held for Sale**

In accordance with IFRS 5 and the Code, the following conditions must be met for an asset (or disposal group) to be classified as held for sale:

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer has been initiated
- the sale is highly probable within 12 months
- the asset is being actively marketed with a sales price which is reasonable to its fair value
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Assets held for sale are valued at the lower of their carrying value and fair value less costs to sell. Where the carrying amount is lower, this will lead to a different valuation when compared to the valuation under the SORP which required the asset to be measured at market value less expected selling costs. This change in accounting policy will potentially result in more gains being recognised in the Comprehensive Income and Expenditure Statement. Non-current assets classified as held for sale are not depreciated (or amortised in relation to intangible assets). This is a change in accounting policy as the SORP stated that assets held for sale were not exempt from depreciation. A gain for any subsequent increase in fair value less costs to sell of an asset, is recognised in the Surplus or Deficit on the Provision of Services to the extent that it is not in excess of the cumulative impairment loss that has been already been recognised. Any initial or subsequent decrease to fair value less costs to sell following classification as an asset held for sale, is recognised in the Surplus or Deficit on the Provision of Services (even where there is balance on the Revaluation Reserve). This is a change in accounting policy as the SORP required impairment or revaluation losses to be recognised in the Revaluation Reserve.

## ACCOUNTING POLICIES

### **25. Short Term Employee Benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services, in accordance with IAS 19.

### **26. Cash and Cash Equivalents**

Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **27. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the PCC's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **28. Critical Judgements in Applying Accounting Policies**

The critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the entity's accounting policies are disclosed in the individual notes to the accounts, where appropriate.

### **29. Key Sources of Estimation Uncertainty**

The main assumption concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Asset Lives:** The age and remaining lives of buildings and their elements have been

advised by the PCC's Valuer and assessed as at the valuation date. Asset lives have been provided based on the assumption that building elements will continue to be maintained normally over the period from the date of inspection to the valuation date and that there will be no untoward changes.

**Provisions:** Provisions are made for known about 'live cases' which are still ongoing under the review and appeal processes. Provisions are made based on a list of the known cases as at 31 March each year.

**Other:** All other key sources of estimation and uncertainty are disclosed as appropriate within the notes to the Financial Statements.

**30. Financial Instruments** In accordance with IFRS 7 and IFRS 9, financial assets and financial liabilities are recognised in the PCC's Balance Sheet when the PCC becomes a party to the contractual provisions of the instrument.

**Financial assets** - The PCC has three classes of financial assets being:

- (i) cash and cash equivalents (ii) investments (iii) trade receivables.

**Impairment of financial assets** Financial assets are assessed for indicators of impairment at each Balance Sheet date.

**Cash and cash equivalents** Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Financial liabilities** The PCC's financial liabilities are classified within the other creditor or liability headings as appropriate and disclosed within the notes to the Financial Statements.

**Short term financial liabilities** Short term liabilities including short term borrowing and trade payables are carried at fair value.

**Long term financial liabilities** Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.



## STATEMENT OF RESPONSIBILITIES

### **The Police and Crime Commissioner is responsible for: -**

- ◆ securing appropriate arrangements for the proper administration of its financial affairs and ensuring that the nominated officer, namely the Treasurer, has the responsibility for them;
- ◆ managing its affairs so as to ensure the economic, effective, and efficient use of resources and the safeguarding of assets; and
- ◆ approving the statement of accounts.

### **The Treasurer is responsible for: -**

- ◆ the preparation of the Police and Crime Commissioner's statement of accounts so as to present fairly the financial position at the accounting date, and its income and expenditure for the year;
- ◆ selecting suitable accounting policies and applying them consistently;
- ◆ making reasonable and prudent judgments and estimates;
- ◆ complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain;
- ◆ ensuring that proper, up to date, accounting records are kept, and
- ◆ taking reasonable steps for the prevention and detection of fraud and other irregularities.

---

## FURTHER INFORMATION

This report concentrates on the financial aspect of the Police and Crime Commissioner. The Force's Corporate Governance Policy, the Annual Police and Crime Plan, and other reports are all available on the Dorset Police web-site, which can be visited at [www.dorset.police.uk](http://www.dorset.police.uk)

The Annual Report and Accounts of the Dorset County Pension Fund, which Police Support Staff are eligible to join, can be obtained from the Chief Financial Officer, County Hall, Dorchester, Dorset DT1 1XJ.

### **Access to Information Act 1985**

The public and press are able to attend all meetings of the Dorset Police and Crime Commissioner and most of its committees, and to have access to reports and background papers, subject to the exemptions and confidentiality provisions of the Local Government Act 1972.

### **Questions and Comments**

Any questions or comments about the Dorset Police and Crime Commissioner, or requests for further information, should be directed either to the Chief Executive and Monitoring Officer of the Police and Crime Commissioner, Police HQ, Winfrith, Dorset, DT2 8DZ, or to the Chief Constable at the same address or by e-mail to [council.tax@dorset.pnn.police.uk](mailto:council.tax@dorset.pnn.police.uk)

### **Complaints**

Persons who consider they have a justified complaint against the conduct of Officers of the Dorset Police Force should submit their complaint to the Deputy Chief Constable, Police HQ, Winfrith, Dorset, DT2 8DZ. Resulting enquiries are reviewed by the Independent Police Complaints Commission.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This page shows the Comprehensive Income and Expenditure Account of the Police and Crime Commissioner.

The figures for the Cost of Service section are allocated in the format required under the Service Reporting Code of Practice (SERCOP).

2014-15 Net Spending £'000		Gross Spending £'000	Income £'000	2015-16 Specific Grants £'000	Net Spending £'000
	<b>Division of Service</b>				
50,379	Local Policing	63,196	(1,578)	(15,842)	45,776
13,551	Dealing with the Public	12,943	(46)	(1,003)	11,894
11,660	Criminal Justice Arrangements	13,791	(977)	(2,206)	10,608
2,470	Road Policing	7,318	(3,689)	(1,456)	2,173
8,072	Operations Support	11,666	(489)	(2,291)	8,886
6,629	Intelligence	7,371	(19)	(1,520)	5,832
21,655	Specialist Investigation	27,054	(379)	(6,277)	20,398
4,157	Investigative Support	5,505	(258)	(89)	5,158
1,690	National Policing	6,688	(1,827)	(3,573)	1,288
838	Corporate and Democratic Core	888		(13)	875
0	Non Distributed Costs				0
121,101	<b>Deficit on Provision of Service</b>	156,420	(9,262)	(34,270)	112,888
	<b>Other Operating Income &amp; Expenditure</b>				
(544)	Net (gain) / loss on disposal of non-current assets				(43)
(156)	Trading Account Deficit / (Surplus)				383
309	Impairment Icelandic Banks				0
	<b>Financing &amp; Investment Income &amp; Expenditure</b>				
6	Interest Payable				6
(147)	Interest and Investment Income				(191)
44,085	Pensions Interest Cost & Expected Return on Assets				41,982
164,654	<b>Net Operating Expenditure</b>				155,025
	<b>Taxation &amp; Non-Specific Grant Income</b>				
(44,176)	Home Office Grant				(41,472)
0	Revenue Support Grant				0
(17,900)	Non Domestic Rates				(17,432)
(52,042)	Council Tax Precept				(52,335)
(7,340)	Council Tax Legacy Grants				(7,340)
(1,610)	Capital Grants				(1,919)
(123,068)	<b>Total Finance</b>				(120,498)
41,586	<b>Deficit for the year</b>				34,528
(2,394)	Revaluation (Gains)				(6,785)
210,691	Actuarial Loss (gain) on Pension Fund Assets & Liabilities				(113,115)
249,883	<b>Total Comprehensive Income &amp; Expenditure</b>				(85,372)

## GROUP BALANCE SHEET

This Balance Sheet is a record of the consolidated financial position of the Police and Crime Commissioner and Chief Constable as at 31 March 2016, with comparative figures for 31 March 2015. Detailed supporting notes are shown on the following pages.

The total pension liability of £1.172bn has a substantial impact on the net worth of the PCC as recorded in the balance sheet, resulting in a negative overall balance of £1.130bn. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.

31 March 2015		Notes	31 March 2016	
£'000	£'000		£'000	£'000
0		21	924	
	<b>Intangible Assets</b>			
	<b>Tangible Fixed Assets</b>	21		
	Operational Assets			
47,844	Land & Buildings		45,602	
7,037	Vehicles, Plant & Equipment		6,272	
	Non-operational Assets			
0	Surplus assets, held for disposal		4,429	
	<u>54,881</u>			<u>57,227</u>
	<b>Current Assets</b>			
308	Inventories	27	320	
15,894	Debtors & Payments in advance	28	16,960	
8,005	Temporary Investments	29	9,005	
9,330	Cash and Cash Equivalents	31	5,505	
<u>33,537</u>			<u>31,790</u>	
	<b>Current Liabilities</b>			
(15,502)	Creditors & Receipts in advance	30	(12,839)	
<u>(15,502)</u>			<u>(12,839)</u>	
18,035	<b>Net Current Assets</b>			<b>18,951</b>
72,916	<b>Total Assets less Current Liabilities</b>			<b>76,178</b>
(35,759)	Long Term Liabilities	8,32	(34,020)	
(51)	Provisions	33	(766)	
(1,253,219)	Pensions Liability	34,38	(1,172,133)	
<u>(1,216,113)</u>	<b>Total Net Liability</b>		<u>(1,130,741)</u>	
	<b>Financed by :-</b>			
	<b>Unusable Reserves</b>			
13,136	Capital Adjustment Account	34 (i)	11,226	
5,986	Revaluation Reserve	34 (ii)	11,981	
1,753	Collection Fund Adjustment Account	34 (v)	2,102	
(1,053)	Accumulated Absences Account	34 (vi)	(799)	
(1,253,219)	Pensions Reserve	34 (vii)	(1,172,133)	
	<b>Usable Reserves</b>			
0	Capital Grants Unapplied Account	34 (iii)	0	
4,806	Usable Capital Receipts Reserve	34 (iv)	3,877	
8,634	Specific Reserves	34 (viii)	5,691	
3,844	Revenue Balances	37	7,314	
<u>(1,216,113)</u>			<u>(1,130,741)</u>	

# OFFICE OF POLICE AND CRIME COMMISSIONER BALANCE SHEET

This Balance Sheet is a record of the financial position of the Office of the Police and Crime Commissioner as at 31 March 2016, with comparative figures for 31 March 2015.

Restated		Notes	31 March 2016	
31 March 2015			£'000	£'000
£'000	£'000			
0			0	
	<b>Intangible Assets</b>			
	<b>Tangible Fixed Assets</b>	21		
	Operational Assets			
47,844	Land & Buildings		45,602	
0	Vehicles, Plant & Equipment		0	
	Non-operational Assets			
0	Surplus assets, held for disposal		4,429	
				50,031
	<b>Current Assets</b>			
0	Inventories	27	0	
4,802	Debtors & Payments in advance	28	4,864	
0	Accumulated Absences Inter-group Debtor		0	
5,155	Inter-group Debtor		7,833	
8,005	Temporary Investments		9,005	
9,330	Cash and Cash Equivalents		5,505	
27,292			27,207	
	<b>Current Liabilities</b>			
(2,271)	Creditors & Receipts in advance	30	(1,115)	
0	Accumulated Absences	34 (vi)	0	
(2,271)			(1,115)	
	<b>Net Current Assets</b>			26,092
25,021				
72,865	<b>Total Assets less Current Liabilities</b>			76,123
(35,759)	Long Term Liabilities	8,32		(34,020)
(1,251,110)	Inter-group creditor - Pensions			(1,170,467)
0	Inter-group creditor - Accumulated Absences			0
0	Provisions	33		(711)
(2,109)	Pensions Asset / (Liability)	34,38		(1,666)
(1,216,113)	<b>Total Net Assets / (Liability)</b>			(1,130,741)
	<b>Financed by :-</b>			
	<b>Unusable Reserves</b>			
13,136	Capital Adjustment Account	34 (i)		11,226
5,986	Revaluation Reserve	34 (ii)		11,981
1,753	Collection Fund Adjustment Account	34 (v)		2,102
(1,053)	Accumulated Absences Account	34 (vi)		(799)
(1,253,219)	Pensions Reserve	34 (vii)		(1,172,133)
	<b>Usable Reserves</b>			
0	Capital Grants Unapplied Account	34 (iii)		0
4,806	Usable Capital Receipts Reserve	34 (iv)		3,877
8,634	Specific Reserves	34 (viii)		5,691
3,844	Revenue Balances	37		7,314
(1,216,113)				(1,130,741)

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Accumulated Absences Account	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2014</b>	<b>(4,507)</b>	<b>(7,978)</b>	<b>(2,243)</b>	<b>0</b>	<b>(14,728)</b>	<b>(1,037)</b>	<b>(4,673)</b>	997,321	<b>(11,771)</b>	1,119	980,959	966,231
<b>Movement in reserves during 2014-15</b>												
(Surplus) /Deficit on Provision of Services	41,586				41,586						0	41,586
<b>Other Comprehensive Income &amp; Expenditure</b>												
Revaluation Losses / (Gains)							(2,394)				(2,394)	(2,394)
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities								210,691			210,691	210,691
	41,586	0	0	0	41,586	0	(2,394)	210,691	0	0	208,297	249,883
<b>Adjustments between accounting basis and funding basis under regulations</b>												
Charges for depreciation & impairment of non-current assets	(4,596)				(4,596)		42		4,554		4,596	0
Net Gain / (Loss) on disposal of non current assets	544		(3,223)		(2,679)				2,679		2,679	0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(81,625)				(81,625)			81,625			81,625	0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	716				716	(716)					(716)	0
Statutory provision for financing of capital investment	2,279				2,279				(2,279)		(2,279)	0
Voluntary provision for repayment of debt	120				120				(120)		(120)	0
Capital Expenditure charged to the General Fund Balance	2,888				2,888				(2,888)		(2,888)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	36,418				36,418			(36,418)			(36,418)	0
Usable Capital Receipts funding revenue income from finance leases					0						0	0
Transfer Capital Grants to Capital Adjustment Account	1,610				1,610				(1,610)		(1,610)	0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	66				66					(66)	(66)	0
<b>Total Adjustments</b>	<b>(41,580)</b>	<b>0</b>	<b>(3,223)</b>	<b>0</b>	<b>(44,803)</b>	<b>(716)</b>	<b>42</b>	<b>45,207</b>	<b>336</b>	<b>(66)</b>	<b>44,803</b>	<b>0</b>
Transfer to Capital Grants Unapplied Reserves					0						0	0
Net transfer to / (from) Earmarked Reserves	657	(657)			0				(2)		(2)	(2)
Other transfers		1	660		661				(660)		(660)	1
Transfer between Capital Reserves and Earmarked Reserves					0		1,039		(1,039)		0	0
<b>Total Transfers</b>	<b>657</b>	<b>(656)</b>	<b>660</b>	<b>0</b>	<b>661</b>	<b>0</b>	<b>1,039</b>	<b>0</b>	<b>(1,701)</b>	<b>0</b>	<b>(662)</b>	<b>(1)</b>
(Increase) / Decrease in year	663	(656)	(2,563)	0	(2,556)	(716)	(1,313)	255,898	(1,365)	(66)	252,438	249,882
<b>Balance as at 31 March 2015</b>	<b>(3,844)</b>	<b>(8,634)</b>	<b>(4,806)</b>	<b>0</b>	<b>(17,284)</b>	<b>(1,753)</b>	<b>(5,986)</b>	<b>1,253,219</b>	<b>(13,136)</b>	<b>1,053</b>	<b>1,233,397</b>	<b>1,216,113</b>

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Accumulated Absences Account	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2015</b>	<b>(3,844)</b>	<b>(8,634)</b>	<b>(4,806)</b>	<b>0</b>	<b>(17,284)</b>	<b>(1,753)</b>	<b>(5,986)</b>	<b>1,253,219</b>	<b>(13,136)</b>	<b>1,053</b>	<b>1,233,397</b>	<b>1,216,113</b>
<b>Movement in reserves during 2015-16</b>												
(Surplus) / Deficit on Provision of Services	34,528				34,528						0	34,528
<b>Other Comprehensive Income &amp; Expenditure</b>												
Revaluation Losses / (Gains)							(6,785)				(6,785)	(6,785)
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities							(113,115)				(113,115)	(113,115)
	34,528	0	0	0	34,528	0	(6,785)	(113,115)	0	0	(119,900)	(85,372)
<b>Adjustments between accounting basis and funding basis under regulations</b>												
Charges for depreciation & impairment of non-current assets	(7,991)				(7,991)		73		7,918		7,991	0
Net Gain / (Loss) on disposal of non current assets	43		929		972				(972)		(972)	0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(73,953)				(73,953)			73,953			73,953	0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	349				349	(349)					(349)	0
Statutory provision for financing of capital investment	2,280				2,280				(2,280)		(2,280)	0
Voluntary provision for repayment of debt	120				120				(120)		(120)	0
Capital Expenditure charged to the General Fund Balance	0				0				0		0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	41,924				41,924			(41,924)			(41,924)	0
Usable Capital Receipts funding revenue income from finance leases					0						0	0
Transfer Capital Grants to Capital Adjustment Account	1,919				1,919				(1,919)		(1,919)	0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	254				254					(254)	(254)	0
<b>Total Adjustments</b>	<b>(35,055)</b>	<b>0</b>	<b>929</b>	<b>0</b>	<b>(34,126)</b>	<b>(349)</b>	<b>73</b>	<b>32,029</b>	<b>2,627</b>	<b>(254)</b>	<b>34,126</b>	<b>0</b>
Transfer from Capital Grants Unapplied to CAA					0						0	0
Net transfer to / (from) Earmarked Reserves	(2,943)	2,943			0						0	0
Other transfers		0			0						0	0
Transfer between Capital Receipts Reserve and Capital Adjustment Account			0		0				0		0	0
Transfer between Capital Reserves and Earmarked Reserves					0		717		(717)		0	0
<b>Total Transfers</b>	<b>(2,943)</b>	<b>2,943</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>717</b>	<b>0</b>	<b>(717)</b>	<b>0</b>	<b>0</b>	<b>0</b>
(Increase) / Decrease in year	(3,470)	2,943	929	0	402	(349)	(5,995)	(81,086)	1,910	(254)	(85,774)	(85,372)
<b>Balance as at 31 March 2016</b>	<b>(7,314)</b>	<b>(5,691)</b>	<b>(3,877)</b>	<b>0</b>	<b>(16,882)</b>	<b>(2,102)</b>	<b>(11,981)</b>	<b>1,172,133</b>	<b>(11,226)</b>	<b>799</b>	<b>1,147,623</b>	<b>1,130,741</b>

## GROUP CASH FLOW STATEMENT

2014-15		Notes	2015-16	
£'000	£'000	39	£'000	£'000
<b>Operating Activities</b>				
133,782				
27,311				
	161,093			167,161
(52,042)			(52,334)	
(17,900)			(17,432)	
(79,785)		42	(83,082)	
(16,012)			(12,225)	
	(165,739)			(165,073)
	(4,646)			2,088
<b>Servicing of Finance</b>				
0			0	
(147)			(191)	
	(147)			(191)
<b>Investing Activities</b>				
		22		
5,158			4,828	
(3,223)			929	
(1,610)			(1,919)	
	325			3,838
<b>Management of liquid resources</b>				
38,546			42,546	
(38,501)			(41,546)	
<b>Financing</b>				
0			0	
0			0	
	45			1,000
	(4,423)			6,735
<b>Other Movements</b>				
	(663)			(2,910)
	(5,086)	39		3,825

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

Appendix C of the 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:

**IAS 19 Employee Benefits**

**Annual Improvement to IFRSs 2010-2012 cycle**

**IFRS 11 - Joint Arrangements**

**Amendment to IAS 16 - Property, Plant and equipment**

**IAS 38 - Intangible Assets**

**Annual Improvement to IFRSs 2010-2012 cycle**

**amendment to IAS 1 - presentation of Financial Statements**

All of these standards will be incorporated into the Code from 2015-16 and will be complied with by the PCC. However, none have material impact for the PCC and none warrant specific disclosure in these accounts.

### **2. EVENTS AFTER THE BALANCE SHEET DATE**

There were no material events after the Balance Sheet date

### **3. ACQUIRED AND DISCONTINUED OPERATIONS**

There were no acquired or discontinued operations in the year.

### **4. ICELANDIC BANKS IMPAIRMENT**

There was an impairment in the accounts for 2014-15 (and in the preceding five years), due to the collapse of Icelandic banks. The loans are now fully impaired and have been written out of the Accounts.

	2010-11 £'000	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Impairment Charge	38	(292)	108	(186)	309	0

### **5. PRIOR PERIOD ADJUSTMENTS**

There are no prior period adjustments to disclose for the 2015/16 Accounts.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 6. COMPARISON OF OUTTURN WITH BUDGET

The Group Comprehensive Income and Expenditure account is shown here in subjective format, with a comparison between actual spending for the year and budgets agreed by the Police and Crime Commissioner.

2014-15		2015-16			
Actual		Original	Final	Difference	
£'000		Estimate	Estimate	( ) = over	
		£'000	£'000	£'000	
2,486	<u>Police and Crime Commissioner</u>	2,754	2,834	2,916	(82)
	<u>Police Force</u>				
126,365	Employees	102,716	102,852	120,266	(17,414)
4,629	Premises Related Expenses	4,682	4,664	4,533	131
1,788	Transport Related Expenses	1,670	1,669	1,510	159
7,119	Supplies and Services	6,731	6,482	7,534	(1,052)
10,313	Third Party Payments	12,267	13,733	11,673	2,060
4,596	Capital Charges	0	0	7,990	(7,990)
157,296		130,820	132,234	156,422	(24,188)
	<u>Income</u>				
(27,904)	Specific Grants	(8,344)	(8,279)	(34,270)	25,991
(3,107)	Reimbursements & Contributions	(2,001)	(1,920)	(3,276)	1,356
(5,184)	Customer & Client Receipts	(4,556)	(4,398)	(5,987)	1,589
121,101	<b>Net Cost of Service</b>	115,919	117,637	112,889	4,748
(544)	Net (gain) / loss on disposal of non-current assets	0	0	(43)	43
(156)	Trading Account Deficit / (Surplus)	0	0	383	(383)
6	Interest Payable	8	8	6	2
(147)	Interest on balances	(42)	(42)	(191)	149
44,085	Pensions Interest Cost & Expected Return on Assets	0	0	41,982	(41,982)
309	Impairment - Icelandic Banks	0	0	0	0
164,654	<b>Net Operating Expenditure</b>	115,885	117,603	155,026	(37,423)
	<b>Principal Sources of Finance</b>				
(44,176)	Home Office Grant	(41,472)	(41,472)	(41,472)	0
0	Revenue Support Grant	0	0	0	0
(17,900)	Non Domestic Rates	(17,432)	(17,432)	(17,432)	0
(52,042)	Council Tax Precept	(51,950)	(51,950)	(52,335)	385
(7,340)	Legacy Council Tax Grants	(7,340)	(7,340)	(7,340)	0
(121,458)	<b>Total Funding</b>	(118,194)	(118,194)	(118,579)	385
43,196	<b>(Surplus) / Deficit for the year</b>	(2,309)	(591)	36,447	(37,038)
(4,596)	Depreciation and impairment of fixed assets	0	0	(7,990)	7,990
544	Net gain / (loss) on disposal of fixed assets	0	(29)	43	(72)
2,888	Revenue Financing of Capital	1,200	0	0	0
2,279	Statutory provision for repayment of debt	0	0	2,280	(2,280)
120	Voluntary provision for repayment of debt	120	120	120	0
716	Collection Fund Adjustment Account	0	0	349	(349)
(45,207)	Appropriations to / (from) Pensions Reserve	0	0	(32,029)	32,029
66	Appropriations to / (from) Accumulated absences Account	0	0	254	(254)
657	Transfers to / (from) Specific Reserves	989	(2,830)	(2,943)	113
663	<b>Reduction / (Increase) in General Balances</b>	0	(3,330)	(3,469)	139

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6.1. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

#### a) Management Information

The analysis of income and expenditure by division and subdivision of service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Police and Crime Commissioner and Chief Constable on the basis of budget reports for the service as a whole, prepared on a different basis from the accounting policies used in the Statement of Accounts. In particular:

- no charges are made for capital expenditure (revenue financing, revaluation losses, etc.) or credits for capital grants
- the cost of retirement benefits is based on payment of employer's contributions rather than the current cost of benefits accrued in the year
- the minimum revenue provision is included

2014/15 £000's		2015/16 £000's
	<u>Operational Commands</u>	
802	Territorial Policing	1,139
837	Crime & Criminal Justice	912
(1,912)	Operational Support	(1,942)
<b>(274)</b>	<b>Operational Commands Total</b>	<b>109</b>
	<u>Support Services</u>	
6,437	Estates (including PFI)	6,351
1,586	Transport	1,247
3,958	Information Systems	4,246
605	Organisational Development Unit	588
1,130	Governance	1,316
495	Personnel	404
3,854	Procurement	3,992
<b>18,066</b>	<b>Support Services Total</b>	<b>18,144</b>
	<u>Central Budgets</u>	
99,425	Employees	98,132
246	Travel and Subsistence	306
768	Supplies and Services	964
644	Major Operations	591
1,020	Partnerships and Collaboration	1,893
(270)	Carry Forward from prior year	0
3,166	Capital Financing	125
(11,547)	Grants and Other Income	(11,999)
<b>93,453</b>	<b>Central Budgets Total</b>	<b>90,012</b>
880	Office of the Police & Crime Commissioner	880
888	Commissioning and OPCC Initiatives	1,235
262	Transfers to Reserve	500
<b>113,275</b>	<b>Net Expenditure</b>	<b>110,880</b>
5,718	Amounts in the CIES not reported to management	(2,671)
2,109	Amounts in the management statements not reported in the CIES	4,680
<b>121,102</b>	<b>Cost of Services in the CIES</b>	<b>112,889</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Analysis and reconciliation to the Comprehensive Income and Expenditure Statement

The table below shows the income and expenditure of the PCC in the form presented for management purposes during the year, reconciled to the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)

2014/15 £000's	2015/16 £000's	Amounts not reported to Management	Amounts not in Cost of Service	Cost of Services	Other Corporate Amounts	Total
<u>Operational Commands</u>						
802 Territorial Policing	1,139			1,139		1,139
837 Crime & Criminal Justice	912			912		912
(1,912) Operational Support	(1,942)			(1,942)		(1,942)
<b>(274) Operational Commands Total</b>	<b>109</b>	<b>0</b>	<b>0</b>	<b>109</b>	<b>0</b>	<b>109</b>
<u>Support Services</u>						
6,437 Estates (including PFI)	6,351		(2,278)	4,073		4,073
1,586 Transport	1,247			1,247		1,247
3,958 Information Systems	4,246			4,246		4,246
605 Organisational Development Unit	588			588		588
1,130 Governance	1,316			1,316		1,316
495 Personnel	404			404		404
3,854 Procurement	3,992			3,992		3,992
<b>18,066 Support Services Total</b>	<b>18,144</b>	<b>0</b>	<b>(2,278)</b>	<b>15,866</b>	<b>0</b>	<b>15,866</b>
<u>Central Budgets</u>						
99,425 Employees	98,132	(10,375)		87,757		87,757
246 Travel and Subsistence	306			306		306
768 Supplies and Services	964	(16)		948		948
644 Major Operations	591			591		591
1,020 Partnerships and Collaboration	1,893			1,893		1,893
(270) Carry Forward from prior year	0			0		0
3,166 Capital Financing	125	7,990	(125)	7,990		7,990
(11,547) Grants and Other Income	(11,999)	(223)	7,585	(4,637)		(4,637)
<b>93,453 Central Budgets Total</b>	<b>90,012</b>	<b>(2,624)</b>	<b>7,460</b>	<b>94,848</b>	<b>0</b>	<b>94,848</b>
880 Office of the Police & Crime Commissioner	880			880		880
888 Commissioning and OPCC Initiatives	1,235	(49)		1,186		1,186
262 Transfers to Reserve	500		(500)	0		0
<b>113,275 Net Expenditure</b>	<b>110,880</b>	<b>(2,673)</b>	<b>4,682</b>	<b>112,889</b>	<b>0</b>	<b>112,889</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. OPERATING COST STATEMENT

The operating cost statement shows the resources consumed by the Chief Constable in undertaking operation policing activities. These costs have been funded through the Police and Crime Commissioner through an intra group adjustment.

2014-15 Net Spending £'000	Division of Service	2015-16 Net Spending £'000
50,379	Local Policing	45,776
13,551	Dealing with the Public	11,894
11,660	Criminal Justice Arrangements	10,608
2,470	Road Policing	2,173
8,072	Operations Support	8,886
6,629	Intelligence	5,832
21,655	Specialist Investigation	20,398
4,157	Investigative Support	5,158
1,690	National Policing	1,288
838	Corporate and Democratic Core	875
0	Non Distributed Costs	0
121,101	<b>Total financial resources of the PCC utilised at the request of the Chief Constable</b>	112,888
(121,101)	<b>Intra Group adjustment</b>	(112,888)
0	<b>Net Cost of Service</b>	0

### 8. LONG TERM CONTRACTS - (Private Finance Initiative)

The PCC has entered contracts for the provision of two schemes under the Government's Private Finance Initiative (PFI). The first is for the replacement of the Western Division Headquarters and certain section stations, signed in March 2000. Occupation of the facilities and payments commenced in 2001-02 and continue for 30 years.

The second contract was signed in July 2007 and relates to the provision of a new facility in Poole as part of a joint PFI scheme between Dorset Police and Dorset Fire and Rescue Services. Occupation of the Wimborne Road site was on 17 December 2009 and will continue for 25 years. Initial guidance issued by Central Government Departments and CIPFA was that the property was regarded as an asset of the PFI provider and accordingly was not recorded on the Authority's Balance Sheet. However, SORP 2009 reflected the move toward International Financial Reporting Standards and the asset was brought back onto the PCC's Balance Sheet from 1 April 2009.

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

Payments 2014-15 £'000	Grants 2014-15 £'000		Payments 2015-16 £'000	Grants 2015-16 £'000
3,435	(2,346)	Western Scheme	2,898	(2,346)
4,194	(2,892)	DESPI	4,830	(2,892)
7,629	(5,238)		7,728	(5,238)

Repayments to be made (to the end of the contracts) under PFI arrangements are analysed as follows:

	Western £'000	DESPI £'000
Capital Repayment	14,065	31,850
Interest Charges	4,995	13,936
Service Charges	34,415	38,606
	53,475	84,392

## NOTES TO THE CORE FINANCIAL STATEMENTS

Movements of PFI asset and liability balances are analysed as follows:

<b>Assets</b>	<b>Western £'000</b>	<b>DESPI £'000</b>
Opening balance	5,231	6,373
Additions/developments/lifecycle	517	143
Revaluations	739	197
Impairments	-	-
Depreciation	(97)	(105)
Closing balance	6,390	6,608

<b>Liabilities</b>	<b>Western £'000</b>	<b>DESPI £'000</b>
Opening balance	(7,005)	(27,190)
Additions/developments/lifecycle	(517)	(143)
Repayments	887	1,393
Closing balance	(6,635)	(25,940)

### 9. OPERATING LEASES

The PCC leases a small number of properties for operational purposes, the costs of which are included in the Comprehensive Income and Expenditure Account. The following table shows the total expenditure and the future commitment. The table also shows rental income from property, mainly surplus police housing leased to Housing Associations and mobile telephone aerial sites.

2014-15 £'000		2015-16 £'000
197	Expenditure	182
95	Commitment - 1 year	96
290	Commitment - 2 to 5 years	316
334	Commitment - over 5 years	528
141	Rental Income	141

### 10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

The Capital Expenditure in the table below includes expenditure, referred to as Revenue Expenditure Funded from Capital Under Statute, on assets, which the PCC does not own and which are not included in its fixed asset register. This expenditure is charged to the Comprehensive Income and Expenditure account in the year it is incurred with the necessary appropriations in the Movement in Reserves Statement and the Capital Adjustment Account.

2014-15 £'000		2015-16 £'000
141	Expenditure in year	100
(141)	Charged to Income and Expenditure Account	(100)
0	Balance carried forward	0

### 11. DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972 gave a general power to Authorities to incur limited expenditure on areas not covered by other legislation, subject to a maximum of £5.30 per elector for the area covered. The main type of expenditure under this heading is grants to voluntary bodies including Victim Support and the Streetwise interactive safety centre. Some other grants, not covered by the same legislation and not reported here, are also distributed from the proceeds of disposal of property other than found under the Police (Disposal of Property) Regulations 1975.

2014-15 £'000		2015-16 £'000
35	Expenditure	33

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. AGENCY WORK

The PCC has an agency agreement with the Criminal Records Bureau (an Executive Agency of the Home Office) whereby the Authority is responsible for processing security checks. The expenditure noted below is included in the Income and Expenditure Account and is fully reimbursed by the Home Office.

2014-15		<u>2015-16</u>
£'000		£'000
180	Expenditure	238

### 14. COLLABORATION

Special Branch policing for the 4 forces in the region is delivered through a collaborative approach under a section 22A agreement to deliver consistent and resilient counter terrorism policing for the region. The service is delivered as a joint service agreement rather than a lead force model. The overall cost for the year was £3,619k which is split based on numbers of posts (Officers and staff) in each force.

2014-15		<u>2015-16</u>
£'000		£'000
996	Avon and Somerset Police (28%)	1,013
1,031	Devon and Cornwall Police (29%)	1,050
853	Dorset Police (24%)	868
675	Wiltshire Police (19%)	688
<u>3,555</u>	<b>Total</b>	<u>3,619</u>

South West Regional Organised Crime Unit (ROCU - Zephyr) - A regional response to serious and organised crime involving staff from all forces and a number of related agencies including UK Border Agency and Border Forces, Serious & Organised Crime Agency, HM Revenue & Customs & Crown Prosecution Service. The contributions for 2014-15 and 2015-16 are set out in the table below

2014-15		<u>2015-16</u>
£'000		£'000
1,495	Avon and Somerset Police (32.4%)	1,379
1,250	Devon and Cornwall Police (33.3%)	1,417
517	Dorset Police (11.8%)	502
461	Gloucestershire Police (10.8%)	460
522	Wiltshire Police (11.7%)	498
<u>4,245</u>	<b>Total</b>	<u>4,256</u>

South West Procurement Services is a partnership between Devon and Cornwall Police, Dorset Police, Wiltshire Police and Gloucestershire Police. Staff are based across the region and are all employed by Devon and Cornwall. Dorset's contribution to this service was £188k in 2015/16 (19.5%). In 2014/15 their contribution was £173k.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. STAFFING STATEMENT

The staff numbers for Police Officers, Police Staff and Community Support Officers are expressed as whole time equivalents, while the number for the Special Constabulary and Volunteers are the number of individuals.

2014-15		2015-16
In post		In post
1,251	Police Officers	1,205
916	Police Staff	916
162	Community Support Officers	136
<u>2,329</u>		<u>2,257</u>
249	Special Constabulary	197
188	Volunteers	234

### 16. REMUNERATION OF SENIOR STAFF

The accounts and audit regulations cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum to be reported. The figures below represent the amounts paid in each year taking account of starting and leaving dates where retiring staff have been replaced during the year, and include officers seconded to other Forces. The figures derive from gross pay and do not include employers pensions contributions.

2014-15		2015-16
38	£50,000 - £54,999	44
48	£55,000 - £59,999	38
6	£60,000 - £64,999	8
8	£65,000 - £69,999	5
4	£70,000 - £74,999	9
3	£75,000 - £79,999	0
3	£80,000 - £84,999	3
3	£85,000 - £89,999	4
1	£90,000 - £94,999	0
1	£95,000 - £99,999	1
1	£100,000 - £104,999	1
1	£105,000 - £109,999	1
0	£110,000 - £114,999	0
1	£115,000 - £119,999	1
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
1	£150,000 - £154,999	1

Police salary scales and conditions of service are negotiated and agreed at national level.

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE PER YEAR (ENGLAND) 2014-15

Post Holder Information	Salary (including fees and allowances)	Bonuses	Expenses Allowances	Benefits in Kind (Car Allowances)	Total Remuneration Excluding Pensions Contributions	Pensions Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Constable Miss Debbie Simpson	150,593			6,858	157,451	14,907	172,358

## NOTES TO THE CORE FINANCIAL STATEMENTS

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE PER YEAR (ENGLAND) 2015-16

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration Excluding Pensions Contributions £	Pensions Contributions £	Total Remuneration £
Chief Constable Miss Debbie Simpson	152,081		0	6,858	158,939	0	158,939

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2014-15

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration Excluding Pensions Contributions £	Pensions Contributions £	Total Remuneration £
Deputy Chief Constable	115,014			3,159	118,173	26,990	145,163
Assistant Chief Constable	101,806			3,859	105,665	23,793	129,458
Chief Superintendent (Operational Support)	82,373			1,393	83,766	18,764	102,530
Chief Superintendent (Crime and Criminal Justice)	23,448			510	23,958	4,867	28,825
Chief Superintendent (Territorial Policing)	79,941			6,902	86,843	18,983	105,826
Chief Superintendent (Seconded to HMIC)	86,109			0	86,109	20,026	106,135
Chief Superintendent (Crime and Criminal Justice)	87,401			4,464	91,865	18,983	110,848
Chief Superintendent (Seconded to HMIC)	80,998			1,239	82,237	19,167	101,404
Chief Superintendent (Operational Support until 10/09/2014)	37,920			1,949	39,869	8,854	48,723
Assistant Chief Officer	91,100			5,479	96,579	11,372	107,951
Director of Human Resources	98,827			4,285	103,112	13,003	116,115
Police and Crime Commissioner	70,000			6,286	76,286	8,680	84,966
Chief Executive	82,821			6,502	89,323	10,308	99,631
	1,037,758	0		46,027	1,083,785	203,790	1,287,575

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2015-16

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration Excluding Pensions Contributions £	Pensions Contributions £	Total Remuneration £
Deputy Chief Constable	116,129		0	3,159	119,288	23,993	143,281
Assistant Chief Constable	105,884			3,859	109,743	21,811	131,554
Assistant Chief Constable (Seconded to Wiltshire Police from 04/01/16)	24,095			0	24,095	4,238	28,333
Chief Superintendent (Operational Support)	63,027			923	63,949	12,832	76,781
Chief Superintendent (Territorial Policing)	83,185			2,770	85,955	17,447	103,401
Chief Superintendent (Seconded to HMIC)	86,937			0	86,937	17,802	104,739
Chief Superintendent (Crime and Criminal Justice to 04/01/16)	64,059			2,247	66,306	13,208	79,515
Chief Superintendent (Crime and Criminal Justice from 04/01/16)	19,248			300	19,547	0	19,547
Chief Superintendent (Seconded to HMIC)	86,765			1,239	88,004	17,447	105,450
Assistant Chief Officer	96,861			5,057	101,918	12,794	114,712
Director of Human Resources	102,267			3,402	105,669	12,794	118,463
Police and Crime Commissioner	70,000			5,970	75,970	8,680	84,650
Chief Executive	84,645			6,141	90,786	10,496	101,282
	1,003,102	0	0	35,066	1,038,168	173,542	1,211,710

The Treasurer of the Police and Crime Commissioner is employed by Dorset County Council. The PCC purchases this service from the County Council (see note 19). In 2015-16 the cost of the Treasurer was £43,700 and the cost in 2014-15 was £42,919.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. EXIT PACKAGES & TERMINATION BENEFITS

The revised Code requires the PCC to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Retirements on the grounds of health are not required to be disclosed.

Value of exit package	Number of compulsory redundancies		Number of other departures		Total Cost £'000	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Up to £20,000	2	0	11	3	150	25
£20,001 to £40,000	2	3	7	2	248	141
£40,001 to £60,000	1	1	1	0	103	56
£60,001 to £80,000	0	0	1	1	63	61
£80,001 to £100,000	0	0	1	0	84	0
£100,001 to £120,000	0	0	1	0	101	0
£120,001 to £140,000	0	1	1	0	129	132
<b>Total</b>	<b>5</b>	<b>5</b>	<b>23</b>	<b>6</b>	<b>878</b>	<b>415</b>

	£'000	
Redundancy cost recharged from Devon and Cornwall Police as part of Strategic Alliance agreement	0	27
Redundancy cost recharged to Devon and Cornwall Police as part of Strategic Alliance agreement	0	-199
Exit Costs charged to the Comprehensive Income and Expenditure Statement	<b>0</b>	<b>243</b>

Of the exit packages for 2015-16 all relate to the force.

### 19. RELATED PARTIES

Police and Crime Commissioners are required to disclose details of material transactions with related parties, including Central Government, other Local Authorities, and Members and Senior Officers and their close families.

Grants from the Home Office are shown in the Comprehensive Income and Expenditure Account on page 16 and page 43.

The Treasurer to the Police and Crime Commissioner is also the Chief Financial Services at Dorset County Council. The PCC purchases some financial and other services from the County Council.

The Chief Executive to the PCC has written to all Members and Senior Officers explaining the requirements. No instances of transactions involving these related parties have been declared.

### 20. AUDIT FEES

Fees payable to the PCC's external auditors, KPMG for 2015-16 relating to the year of account are as follows.

2014-15 £'000		2015-16 £'000
44	External Audit Services	54
0	Statutory Inspections	0
0	Certification of grant claims	0
<b>44</b>		<b>54</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 21. PROPERTY, PLANT AND EQUIPMENT

The following table shows the overall movements in property, plant and equipment during the year. Intangible assets are computer software licences which have a useful economic life of more than one financial year. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans.

	<u>Intangible Assets</u>	<u>Operational Assets</u>	<u>Non-operational Assets</u>		<u>Total Assets</u>
	Land and Buildings	Vehicles, Plant & Equipment	Under construct-ion	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000
<b>2015-16</b>					
Gross Book Value 1 April	1,719	66,365	39,454	-	107,538
Accumulated Depreciation	(1,719)	(18,521)	(32,417)	-	(52,657)
Net Book Value 1 April	-	47,844	7,037	-	54,881
Transfers	-	(6,366)	-	6,366	-
Additions	1,108	1,769	2,611	-	5,488
Disposals	-	-	(552)	(2,089)	(2,641)
Revaluations	-	4,876	-	-	4,876
Depreciation for the year	(184)	(1,412)	(3,376)	-	(4,972)
Impairment (non enhancing exp)	-	(1,109)	-	-	(1,109)
Depreciation on assets sold	-	-	552	152	704
Impairment	-	-	-	-	-
Net Book Value 31 March	<b>924</b>	<b>45,602</b>	<b>6,272</b>	<b>0</b>	<b>57,227</b>
<u>Asset Financing</u>					
Owned	924	32,604	6,272	-	44,229
Leased	-	-	-	-	-
PFI	-	12,998	-	-	12,998

Comparative movements for 2014-15 are as follows:

	<u>Intangible Assets</u>	<u>Operational Assets</u>	<u>Non-operational Assets</u>		<u>Total Assets</u>
	Land and Buildings	Vehicles, Plant & Equipment	Under construct-ion	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000
<b>2014-15</b>					
Gross Book Value 1 April	1,719	65,711	35,796	670	103,896
Accumulated Depreciation	(1,719)	(17,516)	(30,223)	-	(49,458)
Net Book Value 1 April	-	48,195	5,573	670	54,438
Transfers	-	(1,979)	-	1,979	-
Additions	-	693	4,629	-	5,322
Disposals	-	-	(922)	(2,917)	(3,839)
Revaluations	-	2,207	-	-	2,207
Depreciation for the year	-	(744)	(3,135)	-	(3,879)
Impairment (non enhancing exp)	-	(528)	-	-	(528)
Depreciation on assets sold	-	-	892	268	1,160
Impairment	-	-	-	-	-
Net Book Value 31 March	<b>0</b>	<b>47,844</b>	<b>7,037</b>	<b>0</b>	<b>54,881</b>
<u>Asset Financing</u>					
Owned	-	36,240	7,037	-	43,277
Leased	-	-	-	-	-
PFI	-	11,604	-	-	11,604

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

This table shows capital spending, the sources of funding used to finance it and, for 2015-16, a comparison with the estimated spending and funding. The underspend relates to the carried forward projects referred to in note 23 below.

2014-15		2015-16		
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000
0	Major Schemes	320	2,019	113
529	Minor works to buildings	0	0	996
1,241	Vehicles	1,000	1,831	1,317
3,194	IT equipment and software	1,620	5,924	2,310
194	Other equipment	0	0	92
<u>5,158</u>	<b>Total Payments</b>	<u>2,940</u>	<u>9,774</u>	<u>4,828</u>
660	Use of Capital Receipts	2,785	2,882	-
394	Other Contributions	-	0	1,115
1,216	Home Office Grants	-	884	804
0	Use of Capital Reserves	(729)	6,008	2,909
2,888	Revenue Financing	-	0	0
0	Borrowing	-	0	-
0	Unfinanced Capital Payments b/f	-	0	-
0	Unfinanced Capital Payments c/f	-	0	-
<u>5,158</u>		<u>2,940</u>	<u>9,774</u>	<u>4,828</u>

### 23. FUTURE CAPITAL COMMITMENTS

The nature of capital expenditure is such that long lead times and significant programmes of work often result in slippage in incurring expenditure. The unspent capital funding in 2015/16 will be carried forward to meet the cost of future and ongoing schemes that were provided for in that year. Most significantly is the cost of developing the technology infrastructure of Dorset Police. Work has commenced to replace the Command and Control system with replacement anticipated in 2016/17, and to procure a duties management system. Both are vital as the Force continues to seek further efficiencies throughout its services. An ongoing scheme to replace the communication system in the Force Command Centre will ensure Dorset Police continues to provide emergency and non emergency tasking as efficiently as possible. Other significant carry forwards relate to the purchase of replacement vehicles, and the ongoing work in ensuring that the Force estate is as lean and efficient as possible, while remaining fully fit for purpose to support operational policing.

### 24. ASSET REGISTER

The following table shows the properties held by Dorset Police and Crime Commissioner.

2014-15 No.		2015-16 No.
27	Stations including HQ	26
20	Houses	15
15	Other	15
<u>62</u>		<u>56</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. PROPERTY, PLANT AND EQUIPMENT VALUATION

The freehold and leasehold assets in the PCC's Asset Register are valued initially by the Estates and Assets Group within Dorset Property. Assets are required to be valued at a minimum of every five years but in any event with sufficient regularity to ensure that the carrying amount (net book value) of an asset does not differ materially from that which would be determined at the end of the financial year in which the report is prepared. Generally 25% of the Authority's properties are valued each year in a rolling programme in order to achieve this.

The Valuer has also carried out a review of the properties and confirms that none are affected by impairment as at the valuation date.

#### Basis of Valuation

Fair Value - FV  
Current value (Existing use value) - EUV  
Current Value (Depreciated Replacement Cost) - CVDRC

#### Valuation Method

Comparative  
Comparative  
Cost of replacement adjusted for age and obsolescence

### 26. LONG TERM DEBTORS

The PCC does not have any long term debtors, those repayable over a period of more than one year.

### 27. INVENTORIES

The PCC holds a number of stocks and stores. Stocks are regularly reviewed to ensure that only necessary items are held.

2014-15 £'000		2015-16 £'000
128	Uniform Stocks	155
31	Fuel Stocks	10
104	Vehicle Parts	108
39	Stationery Stocks	41
0	Machine Consumable Stocks	0
6	Forensic Consumable Stocks	6
<u>308</u>		<u>320</u>

### 28. DEBTORS AND PAYMENTS IN ADVANCE

An analysis of the amounts due to the PCC at 31 March 2016 is shown below. The accounts include a provision for potential bad debts.

2014-15 £'000		2015-16 £'000
6,325	Central Government Departments	6,827
4,315	Other PCC's and Local Authorities	4,671
5,254	Others	5,462
<u>15,894</u>		<u>16,960</u>

### 29. TEMPORARY INVESTMENTS

The Police and Crime Commissioner (PCC) has contracted with the Dorset County Council Financial Services for the provision of this facility. The CIPFA Code of Practice for Treasury Management in Local Authorities, which governs the way in which surplus cash is invested, has been adopted. The PCC's surplus cash is invested with approved commercial banks and building societies. The total amount of investments with individual institutions and sectors is strictly controlled and regularly reviewed. All loans are to approved commercial banks and building societies in accordance with the code of practice.

#### Icelandic Investment

In October 2014, the Dorset Police and Crime Commissioner sold its outstanding claim brokered through Deutsche Bank, aided by legal advice from Bevan Brittan at the sale price of 92.76%. The proceeds of the sale of £1,95M was received by the Dorset Police and Crime Commissioner on 19 November 2014 giving an overall total of £4,6M. A small sum £46k is still held in Icelandic Krona, this will remain in the escrow account in Iceland. We are keeping under review the options for repatriating that amount to the UK. Following the successful auction of the PCC's Landsbanki debt we no longer carry any values in its balance sheet for Landsbanki deposits. A further £81K was received in 2015/16 which was credited to Interest on Balances.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. CREDITORS AND RECEIPTS IN ADVANCE

An analysis of the amounts owed by the PCC at 31 March 2016 is shown below.

2014-15 £'000		2015-16 £'000
2,188	Central Government Departments	2,504
2,990	Other PCC's and Local Authorities	2,757
10,324	Others	7,578
<u>15,502</u>		<u>12,839</u>

### 31. CASH (AND CASH EQUIVALENTS) AND BANK BALANCES

Cash in hand includes imprest accounts held by accounting officers. The bank figure includes the value of outstanding cheques drawn shortly before the end of the financial year and which were unrepresented as at 31 March 2016.

### 32. LONG TERM LIABILITIES

Part of this balance £1.445M in 2015-16 (£1.565M 2014-15) originates from the system of Capital Financing and Home Office Capital Grant Aid in use until 1990. There is a commitment to repay this sum to Dorset County Council over the life of the relevant assets that were built or purchased prior to 1990. The balance £32.575M in 2015-16 (£34.195M in 2014-15) is the value of liabilities due to the PFI providers over the life of the Western and DESPI PFI Schemes (see note 8).

### 33. PROVISIONS & CONTINGENT LIABILITIES

#### Provisions

The PCC has made provision in respect of payments to officers who are in receipt of a Rent Allowance. It relates to the Compensatory Grant payable under their conditions of service, and is in respect of the additional tax liability payable in the following financial year. There is also a provision for time in lieu that will be paid during 2016-17.

Following a review of reserves and balances a new Insurance provision has been created which represents actual anticipated insurance liabilities as at 31 March 2016.

	Balance 2014-15 £'000	Income £'000	Expenditure £'000	Balance 2015-16 £'000
Taxation	0	22	22	0
Time in lieu of payment	51	4	0	55
Insurance	0			711
	<u>51</u>			<u>766</u>

#### Contingent Liabilities

There are no Contingent Liabilities to note in this statement of Accounts

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34. MOVEMENTS ON RESERVES

#### (i) Capital Adjustment Account

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing. The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the IFRS Code and are financed through the capital control system.

2014-15 £'000		2015-16 £'000
11,771	Balance as at 1 April	13,136
2,888	Capital Financing	2,909
660	Capital Receipts Applied	0
1,610	Capital Grants	1,919
(4,367)	Depreciation and Impairment	(6,008)
(186)	Impairment - Price Decreases / Fall in Market Value	(1,909)
(2,678)	Book Value of Disposals & Transfers	(1,938)
120	Reduction in Deferred Liability	120
2,279	Minimum Revenue Provision	2,280
1,039	Transfer of gains from disposal of assets from Revaluation Reserve	717
<u>13,136</u>	Balance at 31 March	<u>11,226</u>

#### (ii) Revaluation Reserve

The Revaluation Reserve records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets.

2014-15 £'000		2015-16 £'000
4,673	Balance as at 1 April	5,986
2,394	Gains / (Losses) - Fixed Asset Revaluation	6,785
(42)	Depreciation and Impairment	(73)
(1,039)	Transfer of gains from disposal of assets to Capital Adjustment Account	(717)
<u>5,986</u>	Balance at 31 March	<u>11,981</u>

#### (iii) Movements in capital grants unapplied

Where the acquisition of a non-current asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account.

2014-15 £'000		2015-16 £'000
0	Balance as at 1 April	0
0	Grants used for Capital Financing	0
0	Release of Government Grant	0
<u>0</u>	Balance at 31 March	<u>0</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## (iv) Usable Capital Receipts Reserve

Capital receipts from the sale of capital assets (chiefly surplus police housing stock) can be used to finance new capital expenditure.

2014-15 £'000		2015-16 £'000
2,243	Balance as at 1 April	4,806
3,223	Receipts in the year	(929)
0	Transfer to Capital Reserve	0
(660)	Less Applied during the year	0
<u>4,806</u>	Balance at 31 March	<u>3,877</u>

## (v) Collection Fund Adjustment Account

The Collection Fund Adjustment Account holds the movement between the Council Tax income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Movement in Reserves Statement. This is an unusable reserve for the PCC.

2014-15 £'000		2015-16 £'000
1,037	Balance as at 1 April	1,753
<u>716</u>	Movement during the year	<u>349</u>
<u>1,753</u>	Balance at 31 March	<u>2,102</u>

## (vi) Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc. The balance on this account at the end of the year is mirrored by a creditor in the balance sheet. As with other changes in provisions, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of service.

2014-15 £'000		2015-16 £'000
(1,119)	Balance as at 1 April	(1,053)
1,119	Reverse previous year provision	1,053
(987)	Current year provision	(545)
(66)	Charge / (Credit) to I&E	(254)
<u>(1,053)</u>	Balance at 31 March	<u>(799)</u>

## (vii) Movements in pensions reserve (See also Note 38)

Analysis of the attributable movements in the surplus / (deficit) in the schemes during the year: -

2014-15			2015-16	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
(946,822)	(50,499)	Surplus / (Deficit) as at 1 April	(1,177,094)	(76,125)
(30,341)	(7,116)	Service Cost	(23,449)	(8,435)
31,344	5,074	Employer Contributions	38,102	3,822
0	(83)	Administration Expenses	0	(87)
(41,910)	(2,175)	Net interest on the defined liability (asset)	(39,458)	(2,524)
(189,365)	(21,326)	Actuarial gain / (loss)	100,964	12,151
<u>(1,177,094)</u>	<u>(76,125)</u>	Surplus / (Deficit) as at 31 March	<u>(1,100,935)</u>	<u>(71,198)</u>

The LGPS actuarial gains or losses identified in the above table can be analysed into the following categories, shown as cash amounts and as a percentage of assets or liabilities as at 31 March

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (viii) Other Earmarked Reserves

The following reserves have been set up to fund future spending.

	Balance 2014-15 £'000	Income / Transfers £'000	Expenditure / Transfers £'000	Balance 2015-16 £'000
<b>For Capital Purposes</b>				
Capital	1,826	0	0	<b>1,826</b>
<b>For Revenue Purposes</b>				
Insurance	3,678	(3,720)	(42)	<b>0</b>
Major Operations	1,200	0	0	<b>1,200</b>
PFI	500	(500)	0	<b>0</b>
Pensions	203	(203)	0	<b>0</b>
Other Reserves	1,227	1,438	0	<b>2,665</b>
	<b>8,634</b>	<b>(2,985)</b>	<b>(42)</b>	<b>5,691</b>

A review of the reserves position took place both as part of the Medium Term Financial Plan and also in light of the HMIC report. The review recommended that reserves and balances be restructured to better reflect risks and liabilities faced by the force and to increase the level of General Balances.

### Insurance Reserve

The PCC operates an internal insurance fund, with external policies covering larger and catastrophic losses. This reserve is to cater for claims against the PCC that have arisen or may arise and which are not covered by the external insurance. This reserve has been restructured with an amount released to General Balances.

### Pensions Reserve

This reserve was deemed to be no longer required and released to General Balances.

### Other Reserves

These include a reserve for major operations and a Workforce change reserve. The Workforce Change reserve is for use in funding the implementation costs of the Strategic Alliance and other expected costs of change over the next three years.

## 35. AUTHORISATION

This Statement of Accounts was authorised for issue by Richard Bates, Treasurer to the Police and Crime Commissioner, on 30th June 2016.

## 36. TRUST FUNDS

The PCC administers the Dorset Police Scholarship Trust fund. This was established to provide scholarships that enable officers of the Force to gain experience of work practices in other Police Forces, for the benefit of this PCC. Although the PCC holds this fund as Trustee, it does not belong to the PCC and does not form part of the annual accounts.

## 37. MOVEMENT IN BALANCES

The level of general balances has increased by the general fund balance of £3.469M, to a total of £7.313M. This means that uncommitted general balances are £7.313M or 6.1% of the budget requirement.

### Analysis of Movement in Balances

2014-15		General Balances £'000	2015-16 Cost Centre £'000	Total Balances £'000
Total Balances £'000				
4,507	Balances as at 1 April	3,844	0	<b>3,844</b>
(493)	Use of accumulated balances	3,330	0	<b>3,330</b>
(170)	Surplus / (Deficit) in year	140	0	<b>140</b>
<b>3,844</b>	Balances as at 31 March	<b>7,314</b>	<b>0</b>	<b>7,314</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. RETIREMENT BENEFITS (See also Note 34(vii))

The PCC participates in two different pension schemes that meet the needs of employees in particular services. Both are defined benefit schemes providing members with benefits related to pay and length of service. The schemes are as follows: -

a) The Local Government Pension Scheme (LGPS) for police staff, is administered by Dorset County Council. This is a funded scheme, meaning that the PCC and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

b) The Police Pension Scheme for police officers. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due.

The 2013-14 CIPFA Code of Practice follows amendments to IAS19, and requires more detailed disclosures as included below in this note. A reconciliation of opening and closing balances of the present value of the defined benefit obligation, and a reconciliation between the opening and closing balances of the fair value of the scheme assets is now included at the end of this note.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Comprehensive Income and Expenditure Account: -

2014-15			2015-16	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
		<b>Net Cost of Services</b>		
30,341	7,116	Service Cost	23,449	8,435
41,910	2,175	Net interest on the defined liability (asset)	39,458	2,524
0	83	Administration Expenses	0	87
(40,907)	(4,300)	Movement on Pensions Reserve	(24,805)	(7,224)
		<b>Actual amount charged against council tax for pensions in the year</b>		
0	(5,056)	Employer's contributions payable	0	(3,822)
0	(18)	Unfunded Pension Payments	0	0
(31,344)	0	Retirement benefits payable to pensioners	(38,102)	0

The underlying assets and liabilities for retirement benefits attributable to the PCC as at 31 March each year are shown in the following table, which also shows the distribution of its share of Local Government Pension Scheme (LGPS) assets by proportion of the total and the expected long-term return. The Police Pension Scheme has no assets to cover its liabilities. The LGPS assets are valued at fair value, principally market value for investments, and consist of the following categories: -

2014-15			2015-16	
% of Assets	£'000		% of Assets	£'000
57%	70,387	Equities	56%	69,338
12%	14,511	Gilts	10%	11,984
12%	15,239	Bonds	13%	15,475
5%	5,987	Diversified Growth Fund	5%	5,868
10%	11,696	Property	11%	13,576
1%	1,343	Infrastructure	1%	1,613
0%	473	Hedge Fund	0%	106
3%	3,149	Cash	4%	5,109
0%	0	Target Return Portfolio	0%	0
	122,785	Estimated Assets in the LGPS		123,069
	198,734	Present value of liabilities in the LGPS		194,101
	176	Present value of unfunded liabilities		166
	198,910	Total value of LGPS liabilities		194,267
	(76,125)	Net Staff Pensions (Deficit)		(71,198)
	(1,177,094)	Estimated Liabilities in Police Pension Scheme		(1,100,935)
	(1,253,219)	Net Pensions (Deficit)		(1,172,133)

## NOTES TO THE CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £1172m has a substantial impact on the net worth of the PCC as recorded in the balance sheet, resulting in a negative overall balance of £1131m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.

The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid.

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2013, as updated for changes in numbers of staff and pensioners. The next full valuation takes effect from 31 March 2016.

The main assumptions used in their calculations are: -

2014-15		Local Government Pension Scheme	2015-16	
% p.a.	Real		% p.a.	Real
3.3%		RPI Increases	3.4%	
2.5%	-0.8%	CPI Increases	2.5%	-0.9%
4.0%	0.7%	Rate of increase in salaries	4.0%	0.6%
2.5%	-0.8%	Rate of increase in pensions	2.5%	-0.9%
3.4%	0.1%	Rate for discounting scheme liabilities	3.8%	0.4%
10.0%		Proportion of LGPS employees opting to take a commuted lump sum	10.0%	

Changes to the LGPS permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows: -

2014-15		Local Government Pension Scheme	2015-16	
Male	Female		Male	Female
22.8	25.2	Retiring today	22.9	25.3
25.1	27.6	Retiring in 20 years	25.2	27.7

The main financial assumptions used in their calculations are: -

2014-15		Police Pension Scheme	2015-16	
% p.a.	Real		% p.a.	Real
3.3%		Rate of inflation	3.3%	
2.5%	-0.8%	CPI Increases	2.4%	-0.9%
4.3%	1.0%	Rate of increase in salaries	4.2%	0.9%
2.5%	-0.8%	Rate of increase in pensions	2.4%	-0.9%
3.4%	0.8%	Rate for discounting scheme liabilities	3.7%	0.4%

The assumed life expectations from age 65 are as follows: -

2014-15		Police Pension Scheme	2015-16	
Male	Female		Male	Female
22.6	24.9	Retiring today	22.1	24.6
24.8	27.2	Retiring in 20 years	24.3	27.0

## NOTES TO THE CORE FINANCIAL STATEMENTS

The PCC is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2014-15			2015-16	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
946,822	158,500	Opening defined benefit obligation	1,177,094	198,910
30,341	6,624	Current service cost	23,449	8,435
41,910	7,115	Interest cost	39,458	6,725
147,845	27,646	Change in financial assumptions	(88,952)	(17,537)
41,520	0	Change in demographic assumptions	3,666	0
0	5	Experience loss/(gain) on defined benefit obligation	(15,678)	7
0	0	Liabilities assumed/(extinguished) on settlements	0	0
(37,079)	(3,202)	Estimated benefits paid (net of transfers in)	(43,285)	(4,065)
0	492	Past service costs including curtailments	0	0
6,661	1,748	Contributions by scheme participants	6,188	1,808
(926)	(18)	Unfunded pension payments	(1,005)	(16)
1,177,094	198,910	Closing defined benefit obligation	1,100,935	194,267

The PCC is also required to provide a reconciliation between the opening and closing balances of the fair value of the LGPS scheme assets:

2014-15			2015-16	
	LGPS £'000			LGPS £'000
	108,001	Opening fair value of scheme assets		122,785
	4,940	Interest on assets		4,201
	6,325	Return on assets less interest		(5,379)
	0	Other actuarial gains (losses)		0
	(83)	Administration expenses		(87)
	5,074	Contributions by employer (including unfunded)		3,822
	1,748	Contributions by scheme participants		1,808
	(3,220)	Estimated benefits paid		(4,081)
	0	Settlement prices received/(paid)		0
	122,785	Fair value of scheme assets at end of period		123,069

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. MOVEMENT IN CASH AND CASH EQUIVALENTS

This table reconciles the net revenue account surplus or deficit to the net increase or decrease in cash.

2014-15			2015-16	
£'000	£'000		£'000	£'000
	663	Net (surplus) / deficit on Revenue Account		(3,469)
	0	Net (surplus) / deficit on Capital Account		0
		Movement in accruals items:-		
0		Long Term Debtors	0	
(202)		Stocks	12	
943		Debtors	1,066	
(2,123)		Creditors	2,663	
562		Provisions	(715)	
	(820)			3,026
		Movement in non-cash items:-		
(656)		Specific Reserves	2,943	
(716)		Collection Fund Adjustment Account	(350)	
(66)		Accumulated Absences Account	(254)	
(2,563)		Capital Receipts Reserve	929	
	(4,001)			3,268
		Movement in financing items:-		
0		Repayment of Internal Borrowing	0	
(264)		Short Term Loans	1,000	
	(264)			1,000
	(4,422)	(Increase) / Decrease in Cash		3,825

### 40. MOVEMENT IN NET FUNDS

Net funds are cash and other liquid resources (e.g. temporary investments), less any borrowings. This table shows the movement during the year.

	Balance 1 April 2015 £'000	Movement in year £'000	Balance 31 March 2016 £'000
Cash in hand and at bank	9,330	(3,825)	5,505
Temporary investments and borrowing	8,005	1,000	9,005
	17,335	(2,825)	14,510

### 41. MOVEMENT IN LIQUID RESOURCES

Liquid resources are current assets that are readily convertible into known amounts of cash. For the PCC these are the temporary investments.

2014-15 £'000		2015-16 £'000
8,269	Temporary Investments as at 1 April	8,005
(264)	Increase / (Decrease) in Temporary Investments	1,000
8,005	Temporary Investments as at 31 March	9,005

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. ANALYSIS OF GOVERNMENT GRANTS

This table gives details of the specific grants received from central government departments.

2014-15		2015-16
£'000		£'000
0	Neighbourhood Policing Fund	0
(64)	Pre 1990 Loan Charges Grant	(64)
(5,238)	PFI Grant	(5,238)
(1,611)	Security Grant	(1,380)
(20,039)	Pensions Specific Grant	(26,073)
(55)	Prison Intelligence Officer Grant	(45)
(150)	Police Innovation Fund	0
(560)	PCC Specific Grants - Victims Support	(637)
(83)	PCC Specific Grants - Restorative Justice	(170)
(80)	Dedicated Security Grant (Regional)	(80)
0	Council Tax Freeze Grant	(579)
(24)	Crime Fighting Fund Grant	(4)
0	Community Safety Fund Grant	0
0	Miscellaneous Home Office Grants	0
<u>(27,904)</u>		<u>(34,270)</u>

### 43. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the policies set out in the Statement of Accounting Policies, the PCC has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a continuing high degree of uncertainty about future funding for Police. The PCC has a risk assessed level of general balances which is reviewed on an annual basis as part of the Medium Term Financial Planning Process.

### 44. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain some estimated figures that are based on assumptions made by the PCC about the future that are otherwise uncertain. Estimates are made 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 made.

The age and remaining lives of buildings and their elements have been advised by the PCC's Valuer and assessed as at the valuation date. Asset lives have been provided based on the assumption that building elements will continue to be maintained normally over the period from the date of inspection to the valuation date and that there will be no untoward changes.

## PENSION FUND ACCOUNT

This account collects all the costs relating to retired police officer pensioners, the income from current contributors and any transfer values. The balance is recharged to the Comprehensive Income and Expenditure Account where it is funded by Home Office top-up grant.

<b>PENSION FUND ACCOUNT</b>		
2014-15		<b>2015-16</b>
£'000		£'000
(11,530)	Employers flat rate contribution	<b>(11,465)</b>
(6,294)	Employees contributions	<b>(6,188)</b>
(19)	Transfer values in	<b>(169)</b>
-	Recharges To Other Account Heads	-
-	Interest Receivable	-
<b>(17,843)</b>	<b>Contributions Receivable</b>	<b>(17,822)</b>
29,905	Pension Payments	<b>35,654</b>
7,253	Retirement Grants	<b>8,034</b>
724	Transfer Values out	<b>207</b>
-	Interest Payable	-
<b>37,882</b>	<b>Benefits Payable</b>	<b>43,895</b>
<b>20,039</b>	<b>Net Deficit</b>	<b>26,073</b>
<b>(20,039)</b>	<b>Recharged To I &amp; E Account</b>	<b>(26,073)</b>
-	<b>Net Expenditure</b>	<b>-</b>

<b>NET ASSETS STATEMENT</b>		
2014-15		<b>2015-16</b>
£'000		£'000
	<b>Current Assets and Liabilities</b>	
2,656	Debtors and Payments in Advance	-
-	Creditors and Receipts in Advance	-
<b>2,656</b>	<b>Net Assets as at 31 March</b>	<b>-</b>

## NOTES TO THE PENSION FUND ACCOUNT

(i) The police officer pension scheme is unfunded, which means that there are no investment assets to provide for future pensions.

(ii) The cost of these pensions is met each year by a combination of contributions from current employees, the new employer's flat rate contribution and Home Office top-up grant. The account is balanced to zero each year by recharging any deficit or surplus to the Income & Expenditure Account. The Home Office top-up grant is also credited to the Comprehensive Income & Expenditure Account, and additional top-up grant is claimed in respect of a deficit, or any surplus repaid, as appropriate.

(iii) These financial statements do not take account of liabilities to pay pensions and other benefits after the end of the 2015-16 year.



## **ANNUAL GOVERNANCE STATEMENT**

This statement is written on behalf of the Police and Crime Commissioner (PCC) and the Office of the Police and Crime Commissioner (OPCC). It sets out the position as at 31 March 2016 including plans for the financial year 2016/17

## **SCOPE AND RESPONSIBILITIES**

The PCC is responsible for ensuring that Dorset Police conducts its business in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which Dorset Police functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of Dorset Police affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The OPCC and Dorset Police have approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy of the code has been published in the ['Information Hub'](#) section of our website or is available from the Chief Executive of the OPCC. This statement explains how Dorset Police and the Police and Crime Commissioner has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an annual governance statement.

## **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, and engages with, its communities. It enables the PCC to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place for the OPCC for the year ended 31 March 2016 and up to the date of approval of the Annual Report and statement of accounts.



## THE GOVERNANCE FRAMEWORK

The Police Reform and Social Responsibility Act 2011 defines the role of a PCC to be elected and held accountable by the public and community that they represent.

The PCC is responsible for the publication of a Police and Crime Plan setting out their objectives, informed through engagement and communication with the public that they serve. The Chief Constable is accountable to the PCC for the delivery of a policing service that will achieve the objectives of this Plan.

The Chief Constable is responsible for putting in place proper governance arrangements for Dorset Police and has overall direction and control of all police personnel and operational policing matters. The PCC is responsible for holding the Chief Constable to account for the exercise of these functions. It therefore follows that the PCC must satisfy himself that the Chief Constable has appropriate mechanisms in place for the maintenance and operation of good governance practices.

The PCC has approved a single governance model outlined in the Statement of Corporate Governance as part of a joint Code of Governance.

The key elements of the systems and processes that comprise the governance arrangements that have been put in place for the OPCC and Dorset Police are:

***Focusing on the purpose of the PCC and Dorset Police, and on outcomes for local people, and on creating a vision for the local area.***

The Police Reform and Social Responsibility Act 2011 determines the responsibilities of the PCC in setting the objectives of the Police and Crime Plan and sets out arrangements for public accountability through an independent Police and Crime Panel. Home Office guidelines state that the Panel must consist of at least ten members, with one elected representative from each local authority within the area, plus two independent members. Dorset's panel consists of 15 County, Borough and District council representatives and two independent members who examine the actions and decisions of the PCC and ensure that all relevant information is made available to the public so that they can hold him to account.

The PCC appoints the Chief Constable and holds them to account for delivering the objectives of the Police and Crime Plan. The Plan objectives are jointly determined using a number of sources including the Force Strategic Assessment, which reviews past performance against the Plan's priorities, as well as identifying emergent threats to policing, along with the annual demand assessment which looks at longer term changes in the volumes and types of demand on policing resources. The PCC considers this information in conjunction with issues highlighted during his annual community engagement programme, which includes public forums and surgeries held across the County, to inform the Plan and its key objectives and priorities.

Whilst the statutory requirement is for the current Police and Crime Plan to cover the period April 2013 to March 2017, the PCC has taken the decision locally to review the Plan annually to ensure that it remains current and fit for purpose.

Both Dorset Police and the OPCC undertake extensive consultation surveys that contribute to the setting of priorities and inform policy and decision-making for the development and planning of police services. The findings are reported to the PCC who uses the information to assess public confidence and the delivery of the Police and Crime Plan objectives. Specific consultation exercises, for example on the setting of the annual police precept element of Council Tax, are also conducted.

The joint Code of Corporate Governance outlines the governance structure for boards and committees and the process by which the PCC holds the Chief Constable to account for achieving the Police and Crime Plan objectives.

The Chief Constable holds Managers and Chief Officers to account for performance and local outcomes at the weekly Force Control Board which reports significant issues to the Joint Executive Board (JEB). The JEB and monthly Strategic Performance Board (SPB) meetings are jointly attended and chaired with the PCC. The reports and performance information submitted to these meetings is received from a structured network of sub boards that are allocated to senior managers within Dorset Police and also include PCC/OPCC representation as appropriate.

The PCC is responsible for setting the annual Dorset Police budget including the local policing precept element of the Council Tax in Dorset. A Medium Term Financial Plan (MTFP) is jointly approved by the PCC and Chief Constable annually and provides the framework for resource allocation and control. The annual accounts are approved by the Joint Independent Audit Committee (JIAC) and are published with the Financial Statement on the OPCC website.

The PCC is responsible for commissioning local policing services, crime reduction and community safety initiatives, and for working with a broad range of partners to deliver all aspects of the Police and Crime Plan. A Commissioning Strategy and process is in place to support the PCC in meeting these obligations to the local community and a review of this Strategy was completed in 2015/16 to further enhance these arrangements.

The Dorset Management Information System (DorMIS) is an intranet based framework that provides organisational data at strategic, tactical and operational levels that support the identification of achieved performance based on the Force Control Strategy and plan priorities. DorMIS allows the PCC and OPCC staff to review changes in performance against the Plan priorities and other policing activity including crime and incident levels, repeat victimisation, stop and search, satisfaction and crime outcomes. Value for Money and performance are independently assessed through thematic reviews undertaken by Her Majesty's Inspectorate of Constabulary (HMIC), the College of Policing and independent external and internal audit providers.

Thematic inspection reports are then benchmarked and compared nationally to other police forces to ensure effective and efficient processes are in place.

All individual partnerships are required to produce an annually reviewed terms of reference to outline their purpose and clearly define their vision. Partnership arrangements are underpinned and controlled by the Dorset Police Partnership Policy. The Commissioning and Partnerships Manager oversees day-to-day arrangements with partnerships affecting the OPCC directly, reporting to the Chief Executive.

***Leaders and officers and partners working together to achieve a common purpose with clearly defined functions and roles***

The Police Reform and Social Responsibility Act 2011 clearly defines the role and responsibilities of the PCC and sets out arrangements for public accountability. The Act determines the functions and power of delegation assigned to the PCC and establishes the protocols and provisions relating to policing, crime and disorder. This provides a solid foundation from which a professional working relationship with the Chief Constable can be established.

The Policing Protocol 2011, issued in accordance with the Police Reform and Social Responsibility Act 2011, sets out how the functions of the PCC, the Chief Constable and the Police and Crime Panel will be exercised in relation to each other. An effective constructive working relationship is more likely to be achieved where communication and clarity of understanding are at their highest and it is recognised that mutual understanding and respect of each party's statutory functions will serve to enhance policing for local communities.

The Association of Police and Crime Commissioners (APCC) is a national body that helps PCCs influence change at a national level. The APCC shares best practice and identifies opportunities that enable the PCC to be more effective and efficient through membership of national governance organisations such as the College of Policing and the National Crime Agency (NCA). The Association of Police and Crime Chief Executives (APACE) provides professional support, advice and guidance to the Chief Executive and to staff within the OPCC.

All personnel within the OPCC have individual job descriptions and allocated responsibilities that will be subject to annual performance and development reviews, linked to supporting the Police and Crime Plan objectives.

The PCC sets the annual policing budget including the policing precept element of the Council Tax. In setting the precept for the year the PCC ensures that Dorset Police is adequately resourced to meet the needs of the public, within the context of reduced national funding. A key element of the PCC role relates to the commissioning of local services relevant to policing, community safety and criminal justice. The Police Reform and Social Responsibility Act 2011 places a duty on the PCC to co-operate with community safety partnerships, and with those partners responsible for the operation of the criminal justice system. He also works closely with a broad

range of partners and stakeholders to achieve an efficient commissioning process.

The Scheme of Corporate Governance provides the framework that determines Dorset Police Financial Regulations. This includes separate Schemes of Delegation and Consent and Standing Orders regarding Dorset Police contracts. Alongside Dorset Police Financial Instruction these clearly define responsibilities for all Dorset Police financial arrangements and are annually reviewed, monitored and controlled by the Joint Independent Audit Committee.

The Treasurer is the Chief Financial Officer and Section 151 Officer to the Commissioner and has a legal and statutory obligation to report any financial irregularities and unlawful expenditure to the PCC, the Chief Constable, the Chief Executive and external audit to maintain compliance with the Financial Management Code of Practice (FMCP) and ensure high standards of professional conduct. The single governance model and joint Code of Corporate Governance determine the meeting structure for all Force strategic boards and committees and outlines those jointly chaired by the PCC and Chief Constable/Chief Officer. All Force boards and committees have annually reviewed terms of reference which define their purpose and link to the objectives of the Police and Crime Plan.

The objectives of the Police and Crime Plan set for 2013/17 are reviewed annually by the PCC and disseminated to all Police Officers and Staff through a series of briefings presented jointly by the PCC and the Chief Constable. This is to ensure that all staff are aware of their roles and responsibilities when working individually or in partnership to achieve the PCC's priorities and objectives. Following the PCC election in May 2016, a new Police and Crime Plan will be required to be published by 31 March 2017.

A formal Section 22A agreement to enter into a Strategic Alliance has been signed between the four legal entities that comprise of Dorset Police, the Dorset PCC, Devon & Cornwall Police and the Devon & Cornwall PCC. The Alliance is designed to deliver mutual benefit across both force areas through efficiency and financial savings. A separate governance structure is in place for this programme of work with PCC/OPCC representation at all levels of this structure. Reports are also provided locally through the JEB and Strategic Change Board (SCB) arrangements.

***Promoting the values for the PCC and Dorset Police and demonstrating the values of good governance through upholding high standards of conduct and behaviour.***

The Policing Protocol 2011 requires the PCC to comply with the principles determined in the Standards in Public Office Act 2001. This requires the PCC to demonstrate high standards of personal and professional conduct. The College of Policing has launched a Code of Ethics, setting out standards of behaviour for everyone who works in policing, and the PCC has agreed that OPCC sign up to the Code alongside our Dorset Police colleagues.

Upon election the PCC was required to swear an Oath of Office which set out the standards and integrity expected during his term of office. The Police Reform and Social Responsibility Act 2011 contains a Code of Conduct that defines the standards expected of elected local policing bodies which includes the PCC and members of the Police and Crime Panel. To create a climate of openness and transparency the PCC publishes details of personal financial interests including gifts and hospitality, salary and expenses which are made available on the PCC's website.

The APCC and APACE are professional bodies specifically established to uphold high standards of conduct and behaviour. Their aim is to provide support and guidance on technical, legal and procedural matters to ensure delivery of the Commissioners objectives.

A Commissioning Strategy and associated processes are in place to ensure that all commissioning arrangements undertaken by the PCC or his staff are subject to stringent reviews and controls. A review of these arrangements and implementation of any required improvements has been completed in 2015/16. Commissioning services will be scrutinised as part of the joint Code of Governance arrangements.

The PCC and the staff within the OPCC have generally adopted the principles of all Dorset Police policies and procedures to ensure high standards of ethics and conduct are maintained under his term of office. In some cases, OPCC specific policies and procedures have been developed where this is more appropriate. A Memorandum of Understanding between the PCC and the Chief Constable has been approved and implemented, meeting the Home Office requirements for a stage 2 transfer of staff following the establishment of the Chief Constable and the PCC as separate corporation soles. Individual protocols specific to the PCC will be reviewed and developed as required.

The Elected Local Policing Bodies (Specified Information) Order 2011 is a statutory instrument that requires the PCC to publish specified information in an open and transparent manner, including information relating to decision making, performance, expenditure and budgetary arrangements. This has been further enhanced by the Model Publication Scheme developed for PCCs by the Information Commissioner's Office (ICO). The PCC website is the primary means of discharging these responsibilities and for making relevant information easily accessible.

The Standards and Ethics Board which monitors and scrutinises the work of the Professional Standards Department is attended and jointly chaired by the PCC and the Chief Constable. The board has oversight of any disciplinary procedures brought by the Complaints and Misconduct Department or the Anti-Fraud and Corruption Unit. .

The Ethics and Appeals Sub-Committee provides independent scrutiny of the decisions made by the Standards and Ethics Board to ensure transparency and to uphold the principles of good governance. In addition, it scrutinises the

business interests and gifts and hospitality declarations for the PCC and OPCC.

Assurance reports are also presented to JEB and JIAC (which is attended by the internal and external auditors). JIAC also acts as the body to comment upon the Chief Officers' remuneration policy.

In relation to the Strategic Alliance, a shadow Strategic Alliance Audit Committee (SAAC) has been created – essentially a joint meeting of the Dorset and Devon & Cornwall independent audit committees – specifically to promote independent scrutiny and challenge for the Alliance programme of work.

The single governance model and joint Code of Corporate Governance require terms of reference for all boards and committees which define their purpose and link to the objectives of the Police and Crime Plan. The Police Reforms and Social Responsibility Act 2011 determine the PCC's responsibility for monitoring Dorset Police complaints handling arrangements. Attendance as joint chair with the Chief Constable of the Standards and Ethics Board provides the basis of a positive, open and trusting relationship between the Chief Constable, the PCC and stakeholders.

***Taking informed and transparent decisions, which are subject to scrutiny and managing risk.***

Independent professional internal and external auditors provide objective assurance on governance, risk management and control processes. The risk based annual audit programme reports on compliance to regulation and legislation and offers opinion and assurance on the effective use of resources. The single governance model and structure determined in the joint Code of Corporate Governance provides the framework for the submission of reports and recommendations from the boards and auditors that offer assurance that Dorset Police will achieve the objectives defined in the Police and Crime Plan.

The Chief Executive has responsibility for risks specific to the functions of the OPCC which are monitored through a risk register designed to aid the achievement of the Police and Crime Plan objectives. Strategic risks are identified, scored and recorded on the risk register with any escalating risks considered for reporting to the Strategic Risk Management Board. All significant corporate risks are reported quarterly to JIAC and the Joint Executive Board for discussion and consideration.

As part of the Elected Local Policing Bodies (Specified Information) Order 2011 the PCC is required to publish a log of all decisions made to ensure that he is publicly accountable.

The Police and Crime Panel are responsible for handling any complaints made against the PCC. Any incidents of complaint or misconduct which involve alleged criminality will be referred to the Independent Police Complaints Commission (IPCC) for investigation. All non-criminal complaints

will be investigated and informally resolved by the Panel in accordance with their formally approved Complaints Monitoring Protocol which includes an initial investigation by the Chief Executive as Monitoring Officer. All complaints or allegations of misconduct regarding a member of the OPCC will be investigated by the Chief Executive and Monitoring Officer and resolved in accordance with Dorset Police policy and procedures.

The Financial Management Code of Practice (FMCP) requires the establishment of an Independent Audit Committee to provide assurance with regards to financial compliance, risks and probity. The Dorset Joint Independent Audit Committee (JIAC) consists of five suitably qualified independent members of the public whose responsibilities are clearly defined within the terms of reference available on the PCC website. The Committee meets quarterly and provides assurance and challenge to the PCC and Chief Constable on financial and internal control matters. The SAAC provides scrutiny and challenge to the Strategic Alliance governance structure and work programme.

Financial Regulations, the Standing Orders for Contracts and the Schemes of Consent and Delegation define the legislative and financial limits for decision making. The Chief Finance Officer for Dorset Police has a legal duty to report any financial irregularities or misappropriation of funds to the Treasurer and the Monitoring Officer (OPCC Chief Executive). This is in accordance with section 151 of the Local Government Act 1972. To ensure compliance to legislation a comprehensive range of legal advice is available to the Chief Finance Officer, the Treasurer, the Chief Constable and the PCC.

***Developing the capacity and capability of the PCC, Officers of the PCC and Dorset Police to be effective in their roles.***

The role and responsibilities for the elected PCC are clearly defined within the Police Reform and Social Responsibility Act 2011. In order for the PCC to successfully undertake his duties he is supported by a team of suitably qualified staff collectively known as the Office of the Police and Crime Commissioner (OPCC). All members of the OPCC team have a specific job description which is available for scrutiny on the OPCC website. All of the OPCC staff are subject to a competency based recruitment process. Thereafter annual performance appraisal reviews will be undertaken by all members of staff to support professional development and maintain key skills.

A review of the current structure and functions of the OPCC will be undertaken by the Chief Executive following the PCC election in May 2016 to ensure that OPCC staffing and resourcing is aligned to the priorities and working preferences of the elected PCC.

The College of Policing provides information, evidence, guidance and support to the PCC to help gain a good understanding of national performance standards and current national policing issues. Authorised Professional Practice (APP) standards determined by the College of Policing set the

standards of professional practice for Dorset Police and are used by the PCC to assist in holding them to account.

The APCC provides information, advice and guidance on a range of relevant subjects. They also identify training opportunities and provide peer support for all PCCs.

The PCC will provide the Chief Constable with the resources to ensure that statutory officers receive the training required to maintain their skills and perform effectively in their roles. All officers and staff, including the OPCC have an obligation to maintain their professional development as part of any membership to external professional bodies, as appropriate.

A Workforce Plan is informed by the Force Strategic Assessment and annual demand assessment, the former of which defines the current threats and long term and emerging risks affecting our communities. The assessment also informs the Police and Crime Plan priorities and the Force Control Strategy which sets the strategic direction of Dorset Police. As the Strategic Alliance programme continues then joint workforce planning between Devon & Cornwall and Dorset forces will be further enhanced.

***Engaging with local people and other stakeholders to ensure robust public accountability.***

As an elected representative, the PCC is ultimately accountable to the public and communities that they represent through the ballot box. The Policing Protocol 2011 determines that the PCC is responsible for identifying and setting the objectives of the strategic four year Police and Crime Plan and that the Chief Constable is responsible for delivering a policing service that achieves those objectives.

In accordance with the Police Reform and Social Responsibilities Act 2011, the Police and Crime Panel has been established to examine the actions and decisions of the PCC. It is responsible for ensuring all relevant information is made available to the public so that they can effectively hold the PCC to account.

The Police Reform and Social Responsibility Act 2011 requires the PCC to provide an Annual Report on the performance of the PCC in achieving the outcomes and objectives of the Police and Crime Plan. This report will be submitted to the Police and Crime Panel and is made available to the public on the OPCC website. The Specified Information Order and the ICO Model Publication Scheme places a number of specific duties on the PCC regarding openness, transparency and the provision of information.

A comprehensive programme of engagement events has been established to ensure all Dorset residents have direct access to the PCC. Community Days and other events held regularly across the county provide an opportunity for members of the public, victims of crime, community groups and partnerships to raise specific policing issues related to their community. Information



obtained in this way, along with User Satisfaction, Community Safety Surveys and public opinion obtained through on-line consultation is used to define the objectives of the Police and Crime Plan. Digital engagement arrangements for the PCC and OPCC have also been enhanced through improvements to our website provision and social media presence.

The PCC has a responsibility under the Equality Act 2010 to promote and endorse equality and diversity issues and to provide effective community consultation and engagement with minority groups. The PCC is represented at the joint Equality and Confidence Board to support him in the delivery of his responsibilities under the Equality Act 2010 and enable him to hold the Chief Constable to account for the exercise of her duties relating to equality and diversity.

## **REVIEW OF EFFECTIVENESS**

The PCC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within Dorset Police who have responsibility for the development and maintenance of the governance environment, the head of internal audits annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The PCC appoints the Chief Constable who is responsible for the delivery of a policing service that achieves the objectives of the Police and Crime Plan to the satisfaction of the Commissioner and the public he represents. The Commissioner provides the mechanism for the local community to decide how it is policed and sets community priorities into the Police and Crime Plan.

The joint Code of Corporate Governance defines a governance process and structure that involves the review of Dorset Police governance arrangements by independent agencies and inspectorates, the details of which are recorded below:

### **The Police and Crime Panel**

In accordance with the Police Reform and Social Responsibilities Act 2011 Dorset's Police and Crime Panel has been established to examine the actions and decisions of the Commissioner. It is responsible for ensuring all relevant information is made available to the public so that they can effectively hold the Commissioner to account. The Home Office guidelines state that the panel must consist of at least ten members, with one elected representative from each local authority plus two independent members. Dorset's panel consists of fifteen borough and district council representatives and two independent members who hold regular quarterly meetings to examine the actions and decisions of the Commissioner to enable public accountability.

### **The Joint Independent Audit Committee**

The Joint Independent Audit Committee consists of five independent members of the public recruited for their professional knowledge and skills to monitor Dorset Police financial arrangements and ensure the efficient management of resources. The Committee reviews the Annual Statement of Accounts which includes the Annual Governance Statement and ensures compliance to policies relating to anti-fraud and corruption arrangements, gifts and hospitality and declarations of interest. It is also responsible for the annual review of the internal control framework with assurance provided through a risk based internal audit programme and external audit opinion that is published in the annual audit letter. The Committee also conducts an annual self-assessment review of effectiveness to identify any achievements or areas of weakness. There have been no significant weaknesses in controls or governance issues identified or reported in the previous year.

Committee Members are also now working closely with their Devon & Cornwall counterparts through the shadow Strategic Alliance Audit Committee

to provide external scrutiny to this significant programme across both force areas.

### **The Ethics and Appeals Sub-Committee**

The Ethics and Appeals Sub-Committee is a sub-committee of the Joint Independent Audit Committee whose purpose is to support the Chief Constable and Commissioner through independent scrutiny of the work of the Professional Standards department. This provides assurance of transparency in Dorset Police complaint handling arrangements including the appeals process and upholds the principles of good governance. The Sub-Committee has been the subject of a review but will remain in its current format pending the outcome of proposed legislative changes to statutory police complaints handling processes and procedures.

### **Internal Audit**

Qualified professional internal auditors provide objective assurance and opinion on governance and control processes. The audit process examines, evaluates and reports on the adequacy of controls and the efficient use of resources. An annual audit programme is produced to include all significant financial and non-financial risks and is considered by the Treasurer and the Chief Financial Officer before approval by the Joint Independent Audit Committee. The work of internal audit includes the investigation of any financial irregularities identified by the Treasurer. The Head of Internal Audit issued an unqualified audit opinion for the year which brings significant assurance of the governance framework and internal control arrangements.

### **External Audit**

External audit delivered by KPMG review the Annual Accounts and consider Dorset Police and OPCC value for money arrangements. An unqualified audit opinion has been reported to the Joint Independent Audit Committee providing significant assurance on Dorset Police compliance to Financial Regulations and value for money arrangements.

### **Other agencies**

Her Majesty's Inspector of Constabulary (HMIC) conduct thematic and force specific inspections and reviews, with detailed reports published that offer assurance against national performance measures and recommendations for service improvements.

The Home Office Professional Standards Unit documents lessons learned and identifies best practice.

The Independent Police Complaints Commission (IPCC) reports lessons learned, identifies best practice and offers independent assurance of internal complaints handling processes.

The College of Policing is working to raise the professional status of Police officers and staff by setting standards of professional practice and promoting evidence based best practice. It has issued the Code of Ethics which sets national standards for professional conduct.

The Health and Safety Executive (HSE) offers independent inspections and reviews in respect of reportable accidents.

### **The Annual Governance Statement Working Group**

A working group has been established to research and produce the statement. This is led by the Head of Governance for Dorset Police and the Information Research Officer from the OPCC, supported by the Dorset Police Quality Assurance Officer. The PCC will sign the approved Annual Governance Statement that is published with the Annual Statement of Accounts. The statement will include an action plan to rectify any significant internal control weaknesses identified through the reviews.

The PCC has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Annual Governance Statement Working Group and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

### **SIGNIFICANT GOVERNANCE ISSUES**

The PCC and the Chief Executive propose over the coming year to take steps to address the below matters to further enhance our governance arrangements. The PCC is satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Using definition provided in guidance to support compliance with the Accounts and Audit Regulations 2015, the Commissioner has judged the following to be control issues appropriate for comment. While no significant governance issues were identified, the two issues that cut across all review areas were the accessibility of meeting papers supporting historical decisions and the subsequent transparency to the PCC and the public and the PCC's commissioning arrangements.

### ***Areas for review***

### **PCC Election Outcome 2016**

The outcome of the 2016 PCC Election will have a significant bearing on the focus and priorities for the PCC and OPCC over the next term of office. The Chief Executive will engage with the elected PCC at an early stage to understand their priorities and preferred working style. This will inform any required review of OPCC staffing, structure, and resources to ensure that the OPCC is fit for purpose and able to support the PCC and delivery of the Police and Crime Plan as efficiently and effectively as possible. A new Police and Crime Plan will need to be published by 31 March 2017 at the latest.

**Action:** Finalise and implement any recommended changes resulting from any review of OPCC staffing and resources in support of the elected PCC.

## **Financial Context and Strategic Alliance**

Reductions in public sector funding nationally means there is a continued need for prudence and an increasing requirement to identify cashable savings within the police service, The Dorset Police One Team programme initially enabled significant cash savings to be achieved, primarily through reduced recruitment, but it became clear that further reductions were required in line with the Government's policy of austerity in subsequent years. This was one of the key drivers behind the Strategic Alliance with Devon and Cornwall.

**Action:** As the Strategic Alliance programme moves from the design to implementation phase there will need to be close monitoring and scrutiny to ensure that it delivers the required financial benefits without diversely affecting existing service delivery, systems and controls.

As each individual Detailed Business Case (DBC) is produced and implemented through the programme the cumulative impact of the changes will need to be monitored and controls tested to ensure that any unanticipated governance and control weaknesses have not been created.

## **Governance Context**

The Police Reform and Social Responsibility Act 2011 and consequential election of Police and Crime Commissioners changed the governance arrangements for Police Services and required the creation of a new internal governance structure. This has been subject to a further consideration and review following the transfer of the responsibility for staff from the PCC to the Chief Constable under the terms of the second stage implementation determined in the act. These changes highlighted that more work is required to ensure the continued transparency of decision making and how the PCC is holding the Chief Constable to account.

**Action:** The single governance policy and framework has been reviewed but will require further revision as the recommendations from the Strategic Alliance business cases are implemented. There is also an ongoing need to maximise technology and use of the website and other on-line tools to ensure continued improvement in transparency and accountability to the public surrounding our decision making processes.

The outcome of the PCC Election may also necessitate work commencing on the development of alternative models of policing governance, depending on the personal style of the elected PCC.

## **Partnership and Commissioning**

Partnership and commissioning arrangements continue to be an opportunity and a risk to the PCC, particularly in light of the significant and on-going

constraints on all public sector budgets. The PCC works closely with public sector partners and other stakeholders to maximise opportunities created through partnership working. Following an audit by the South West Audit Partnership of OPCC commissioning arrangements a number of recommendations were progressed and implemented during 2015/16.

A Commissioning and Partnerships Manager is employed within the OPCC to lead on this area of work.

**Action:** Finalise the implementation of the recommendations of the SWAP internal audit to further enhance the robustness and transparency of the OPCC commissioning arrangements and processes.

### **Complaints and Discipline**

In March 2015 the Home Office published the paper “Improving Police Integrity: reforming the police complaints and disciplinary systems”. This makes a number of recommendations that will potentially affect the roles and responsibilities of Dorset Police, the IPCC and the PCC with regard to complaints and disciplinary matters, including the potential for PCCs to take on responsibility for handling of police complaints locally.

These recommendations are being progressed through the Policing and Crime Bill 2015-16 although the full implications still remain unclear at this stage.

**Action:** This area of work will require careful monitoring and consideration as the recommendations are enacted and required to be implemented. Dorset Police and the OPCC will need to work closely together to assess the relevant options and develop the most appropriate structures for implementation locally. The implications for the implementation of the joint Alliance Professional Standards Department will also need to be considered.

### **Further Enhancement of the PCC Role**

In addition to Complaints and Discipline, the Policing and Crime Bill 2015-16 also proposes further extensions to the role and responsibilities of PCCs, including increased collaboration and oversight of other blue light emergency services – and in particular the Fire and Rescue Service.

There are also suggestions that the PCC role across the Criminal Justice Sector (CJS) may also be enhanced.

**Action:** Any approved changes to the PCC role will need to be considered and discharged as required. This will naturally involve close engagement with the PCC to ensure that their personal preferences and views are taken into account as appropriate.

## **Risk Management**

Existing risk management arrangements remain effective although consideration is being made to realign existing processes to include assurance mapping. This should support a better informed and focused task based audit programme and broader assurance testing on specific strategic risks.

As part of the arrangements for the creation of a single Alliance Audit, Insurance and Strategic Risk Department, which launched on 1 April 2016, the Dorset OPCC became the host authority for this department.

**Action:** Continue to develop and enhance the OPCC risk register and ongoing review and monitoring processes. Work closely with Dorset Police and colleagues in Devon & Cornwall around the potential development of joint risk registers, assurance mapping and other related initiatives.

**Signed:**



Police and Crime Commissioner

26<sup>th</sup> September 2016

## **Alphabetical List of References**

Accounts and Audit (Amendment) (England) Regulations 2006  
Association of Police and Crime Commissioners  
Association of the Police and Crime Chief Executives  
Chartered Institute of Public Finance and Accountancy (CIPFA)  
CIPFA/SOLCE Framework: Delivering Good Governance in Local Government.  
College of Policing  
Ethics and Appeals Sub-Committee  
Joint Code of Governance  
Joint Independent Audit Committee (JIAC)  
Financial Management Code of Practice, Police Act 1996  
Health and Safety Executive  
Her Majesty's Inspector of Constabulary (HMIC)  
Home Office Police Crime Standards Directorate  
Home Office Professional Standards Unit  
Home Office Standards for Professional Behaviour  
Independent Police Complaints Commission (IPCC)  
KPMG  
Local Government Act 1972 (section 151)  
Local Government Act 1999  
National Police Chiefs Council (NPCC)  
National Police Staff Council  
Nolan Principles  
Office of the Police and Crime Commissioner (OPCC)  
Police and Crime Commissioner (PCC)  
Police and Crime Panel  
Police and Crime Plan  
Police Reform Act 2002  
Police Reform and Social Responsibility Act 2011  
Policing and Crime Bill 2015-16  
Policing Plan (Amendment) Regulation 2010  
Practical Guidance for Local Authorities (CIPFA)  
Strategic Alliance (SA)  
Strategic Alliance Audit Committee (SAAC)  
South West Audit Partnership (SWAP)



## GLOSSARY OF FINANCIAL TERMS

The following definitions of technical terms used in these accounts may be of assistance.

<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts, which for this PCC means a period of twelve months commencing on 1 April.
<b>ACCOUNTING POLICIES</b>	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
<b>ACCRUAL</b>	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
<b>ACTUARIAL VALUATION</b>	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
<b>AGENCY SERVICES</b>	The provision of services by one body (the agent) on behalf of, and generally with reimbursement from, the responsible body.
<b>AMORTISATION</b>	Amortisation is the equivalent of depreciation for intangible assets.
<b>APPROPRIATION</b>	A transfer of monies between the revenue account and the balance sheet.
<b>ASSET</b>	Something of worth that is measured in monetary terms e.g. land and buildings (also referred to as capital assets or fixed assets).
<b>BALANCES</b>	The accumulated surplus of income over expenditure.
<b>BUDGET</b>	A statement of the PCC's plans expressed in financial terms for a specified period of time.
<b>CAPITAL CHARGE</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition or construction of significant assets (e.g. land and buildings) which have a long term value to the PCC (also referred to as capital spending or capital payments).
<b>CAPITAL GRANTS</b>	Grants paid to the PCC in support of approved capital projects.
<b>CAPITAL RECEIPTS</b>	Income from the sale of capital assets (land, buildings, etc.).
<b>CARRYING AMOUNT</b>	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle, less the accumulated depreciation.
<b>COLLECTION FUND</b>	A fund maintained by district, unitary and borough councils for the collection and distribution of local tax receipts. County, police, fire, district, unitary and parish council precepts are met from these funds.
<b>CONSISTENCY</b>	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>CONTINGENCY</b>	A sum of money set aside to meet unforeseen expenditure.
<b>CONTINGENT LIABILITY</b>	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
<b>CORPORATE &amp; DEMOCRATIC CORE</b>	Those activities which police authorities engage in specifically because they are elected authorities. There is no basis for apportioning these costs over services.
<b>COST CENTRE</b>	A specific area of activity where control of certain budgets has been delegated.
<b>COUNCIL TAX</b>	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
<b>CREDITORS</b>	Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
<b>CURRENT ASSETS</b>	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.

## GLOSSARY OF FINANCIAL TERMS

<b>CURRENT LIABILITIES</b>	Amounts owed by the Local Authority which are due to be settled within 12 months.
<b>CUSTOMER &amp; CLIENT RECEIPTS</b>	Income derived from services provided by the PCC, from sales (excluding land & buildings), and from rents.
<b>DEBTORS</b>	Amounts due to the PCC but unpaid by the end of the accounting period.
<b>DEPRECIATION</b>	The measure of the use of a fixed asset over its economic life.
<b>EMOLUMENTS</b>	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
<b>ESTIMATION TECHNIQUES</b>	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
<b>FIXED ASSETS</b>	Assets that provide benefits to the PCC and the services it provides, for a period of more than one year.
<b>HOME OFFICE GRANT</b>	A central government grant paid by the Home Office to Police Authorities in support of their day to day expenditure, allocated by means of the four block model.
<b>IAS</b>	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all Local Authorities are now required to comply.
<b>IFRS</b>	International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.
<b>IMPAIRMENT</b>	A reduction in the value of a fixed asset or financial instrument, arising from physical damage such as a major fire, or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
<b>INVENTORIES</b>	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
<b>LEASE (FINANCE LEASE)</b>	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
<b>LEASE (OPERATING LEASE)</b>	Any lease which is not a finance lease.
<b>NATIONAL NON-DOMESTIC RATES (NNDR)</b>	District and Unitary councils collect this tax locally and pay it to the Government. It is then re-distributed to Police and other Local Authorities on the basis of resident population.
<b>NON-CURRENT ASSETS</b>	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
<b>NON DISTRIBUTED COSTS (NDC)</b>	Overheads for which no user benefits, and therefore not apportioned over services. Previously this was called Unapportionable Central Overheads (UCO).
<b>NON-OPERATIONAL ASSETS</b>	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
<b>PENSION FUND</b>	For staff other than police officers, contributions from both employers and employees are invested for the time being, and used to provide pension benefits to contributors and their dependants. Police officer pensions are not paid into an investment fund, but are paid directly from revenue expenditure.
<b>PRECEPT</b>	A levy requiring the District, Borough and Unitary Councils to collect income from council taxpayers on behalf of the PCC.

## GLOSSARY OF FINANCIAL TERMS

<b>PROVISIONS</b>	Amounts set aside to meet liabilities or losses which are likely to be incurred, but where the actual sum and timing are uncertain.
<b>RESERVES</b>	Sums set aside to meet the cost of specific future expenditure.
<b>REVENUE EXPENDITURE</b>	The day to day costs incurred by the PCC in providing services.
<b>REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (FORMALLY) DEFERRED CHARGES</b>	Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the PCC, the expenditure is charged directly to the income and expenditure account in the year it occurs with the necessary appropriations in the Statement of Movement on the General Fund Balance and the Capital Adjustment Account.
<b>REVENUE SUPPORT GRANT (RSG)</b>	A general central government grant paid to the PCC, in addition to Home Office Grant, in support of its day to day expenditure.
<b>RUNNING COSTS</b>	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
<b>SPECIFIC GRANTS</b>	Grants from the Home Office, additional to other grants, for specific projects.
<b>STOCKS</b>	The amount of unused or unconsumed stocks held in expectation of future use. Examples include consumable stores and services in intermediate stages of completion.
<b>THIRD PARTY PAYMENTS</b>	The cost of specialist or support services purchased by the PCC from outside contractors and other bodies.
<b>TOTAL COST</b>	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
<b>TRUST FUNDS</b>	Funds administered by the PCC for such purposes as prizes, charities and special projects.

