



# **Chief Constable for Dorset**

## **Statement of Accounts**

**For the year ended 31 March 2021**

**Unaudited**



## Officers of the Chief Constable

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



Chief Constable  
James Vaughan



Chief Financial Officer to the Chief Constable  
Steven Mackenzie

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Winfrith  
Dorchester  
DT2 8DZ

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# Statement of Accounts 2020/21

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# **Statement of Accounts 2020/21**

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# Accompanying Reports

## **NARRATIVE REPORT by STEVEN MACKENZIE, CHIEF FINANCE OFFICER**

### **1. INTRODUCTION**

- 1.1 Welcome to the Chief Constable's Statement of Accounts for 2020/21. This narrative report aims to provide the context for the Chief Constable's financial statements and to demonstrate how the resources have been allocated in line with intended outcomes for the 2020/21 financial year.
- 1.2 The Financial Statements provide information on the Chief Constable's financial activities for the year ending 31 March 2021. They are prepared in accordance with proper accounting practices (as defined in the Code of Practice on Local Authority Accounting in the United Kingdom) and are published in accordance with the Accounts and Audit Regulations 2015.
- 1.3 The primary function of the Chief Constable is to provide an efficient and effective police service in Dorset, ensuring that the county remains one of the safest in the country in which to live, work and play. The Chief Constable has a number of operational priorities which are based on today's risks, and on what the local communities and the Police and Crime Commissioner have raised as areas of concern. Each year these priorities are reviewed and throughout the year the Chief Constable works with the Police and Crime Commissioner to ensure the Force is focused on them. The current priorities are:
  - Protecting People at Risk of Harm
  - Working with our Communities
  - Supporting Victims, Witnesses and Reducing Reoffending
  - Transforming for the Future
- 1.4 The Police and Crime Commissioner for Dorset during the 2020/21 year was Martyn Underhill. He stepped down as Police and Crime Commissioner at the elections on 6 May 2021, and was replaced by David Sidwick, who took office on the 13 May 2021. The priorities for the 2020/21 year were set out in the 2017- 2021 Police and Crime Plan. The Police and Crime Plan for 2021 onwards is currently being prepared by the new Police and Crime Commissioner and will be published in due course.
- 1.5 The coronavirus pandemic continued to be a priority for the Chief Constable and the Police and Crime Commissioner in 2020/21. The pandemic resulted in business continuity plans being implemented. Despite the fears of widespread sickness, Dorset Police were able to respond effectively to the pandemic, maintaining most services as normal and taking on the additional emergency powers put in place by the Government.
- 1.6 The Police and Crime Commissioner and the Chief Constable form an accounting group for reporting purposes. These accounts are the Chief Constable's single entity accounts. The single entity accounts for the Police and Crime Commissioner and the accounts for the Group are presented together in a separate booklet.

### **2. RESOURCES AVAILABLE**

- 2.1 The Police and Crime Commissioner for Dorset allocates the majority of the available annual funding to the Chief Constable. In 2020/21, the allocation to the Chief Constable was £139.4m out of the total Police and Crime Commissioner funding of £141.6m.
- 2.2 The Chief Constable works with the Commissioner in agreeing a Medium Term Financial Strategy (MTFS), identifying the budget requirement for the following year and for the subsequent three years.
- 2.3 One of the most significant issues in setting the 2020/21 budget was understanding the implications of the national Police officer uplift programme. This programme has just entered its second year and is ultimately expected to deliver in excess of 160 additional police officers for Dorset.
- 2.4 The additional funding, and costs, of this programme were central to the MTFS, alongside unavoidable cost pressures such as inflation, the increasing costs of pension schemes and capital investment requirements. The budget therefore continued to deliver efficiencies and innovation to ensure maximum value is derived from existing resources. The Police and Crime Commissioner's decision to increase the precept by the maximum £15 (4.3%) enabled a number of key areas to be addressed, including:



## **NARRATIVE REPORT by STEVEN MACKENZIE, CHIEF FINANCE OFFICER**

- Establishment of a dedicated missing people team aimed at reducing the number of missing people in Dorset, protecting vulnerable people from harm, reducing the time people are missing, and supporting the families of missing people during that period.
- Investment in the Force's intelligence capacity and capability, specifically around high risk incidents, crimes, victims and offenders, to improve the effectiveness of response to dynamic serious crime, firearms incidents and missing people.
- Investment in the development of online statements and signatures, allowing statements to be taken at the witnesses' convenience. This delivers a significant efficiency in officer time with an average saving of two hours of officer time for each statement taken. Over 850 statements are now being taken each month online.
- Investment in neighbourhood policing, in particular in a vulnerability team who are involved in complex problem solving with those people who suffer or cause the greatest harm in the communities of Dorset.
- Further investment in forensic collision investigation, with the provision of a specialist scanner for use at the sites of collisions.
- Transformation of domestic abuse services, taking a whole system approach which involves training to all frontline officers and staff, a programme for perpetrators, and working with schools of children in families when there has been an instance of domestic abuse.
- Continued delivery of innovative solutions and developments to key policing issues through a dedicated Innovation Fund. Key successes during the year included:
  - Development of the use of process automation and artificial Intelligence, creating efficiencies.
  - Creation of a Joint Response Unit with the South Western Ambulance Service Trust to deal effectively and sympathetically with people suffering mental health episodes.
  - Introduction of legal support to investigators in obtaining protection orders and other civil sanctions to help protect vulnerable victims from the most serious offenders.
- Significant investment in the force estate, to ensure all premises remain fit for the future, and provide the necessary infrastructure required for the modern operational delivery of Police services.
- Further innovation and investment in technology, including:
  - Investment in a new Command & Control system, allowing improved deployment of resources
  - Digital Speed Cameras, providing a more robust deterrent for, and enforcement of, speeding offences
- Covid resilience
  - Investment in new ways of working
  - Savings achieved and planned into the future

2.5 Due to its timing, the impact of the Covid-19 pandemic was not taken into account in the 2020/21 budget or the longer term financial strategy but did have a considerable impact on finances during the year. In addition to delivering the planned investment and innovation, as set out above, the Force also delivered initiatives such as agile and mobile working, which not only enabled working in the Covid-19 environment but delivered opportunities which are being built on to improve delivery of services in the future.

## NARRATIVE REPORT by STEVEN MACKENZIE, CHIEF FINANCE OFFICER

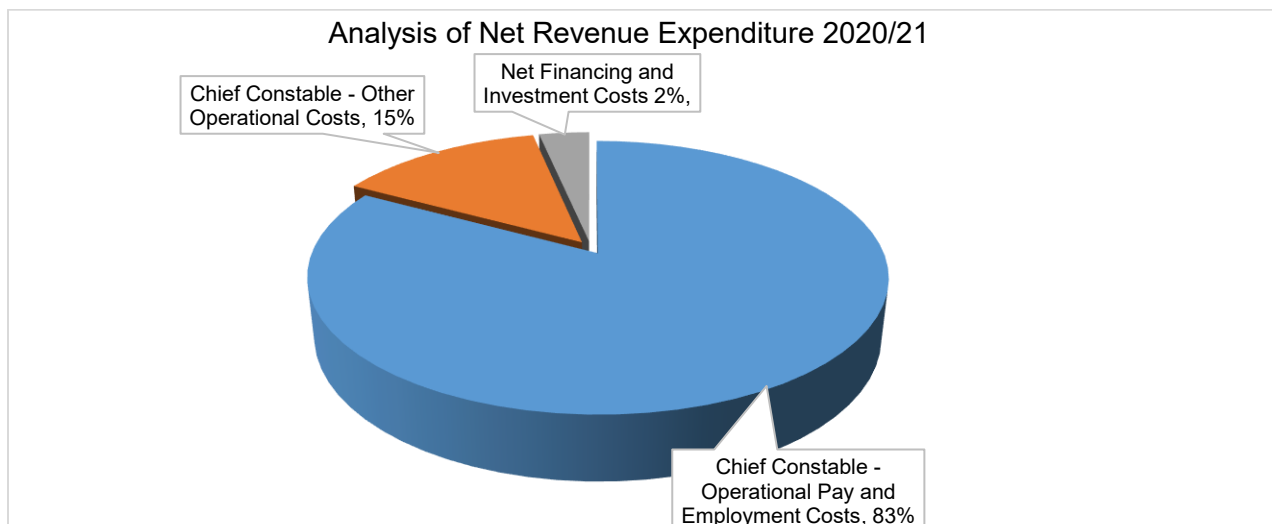
### 3. ACTUAL EXPENDITURE IN 2020/21

- 3.1 The Chief Constable spent £139.4m against the budget allocation of £139.4m, a breakeven position. This final spend is reflected in the Expenditure and Funding Analysis in the accounts.
- 3.2 It has been a challenging and unpredictable year as the pandemic continued. The overtime budget has had different pressures this year with the requirement to deliver 'business as usual' in the context of Covid-19. There were particular pressures as lockdowns were eased and subsequently re-introduced, creating spikes in demand. There were also significant demands during the summer period as international travel was reduced and more people spent the summer in this country, in holiday destinations like Dorset. This is expected to continue in 2021/22, hence the requirement for a carry forward of some budget from this year to meet this exceptional demand.
- 3.3 In previous years the most significant underspends occurred in police staff pay, this year however has seen a change in this with turnover reducing reflecting the changes in the employment market during the year.
- 3.4 Underspends however have been reported in premises related costs, supplies and services and transport related costs. Reduced occupation of buildings has seen a reduction in expenditure on utilities as well as reduced spend on photocopying, stationery and postage as staff continue to work from home. Reduced travelling on non-operational business during the pandemic as well as the free fuel offer from BP, also contributed to fuel savings and reduced travel costs.
- 3.5 Income budgets overall exceeded the anticipated income, mainly due to grants received in relation to Covid-19. A summary of these is given below. The Income Loss grant provided partial reimbursement for the shortfall in Sales, Fees and Charges which is due predominately to the reduction in road safety education provided by the Driver Awareness Scheme (DAS), as well as reduced income from Firearms certificates and Foreign Nationals Registration.

Covid Funding	£
Personal Protective Equipment Re-imbursement	50,951
Income Loss	994,744
Surge Grant	248,842
General Pressures	481,094
<b>Total</b>	<b>1,775,631</b>

The final income loss claim is due to be paid in June 2021 but is included in the figure above.

- 3.6 As part of the Local Government Covid support package for 2021/22 a 75% Tax Income Guarantee compensation scheme was announced. The income will be paid in the form of a grant which is included in 2020/21 and transferred to the budget management fund reserve for use in 2021/22 in accordance with the Code of Practice. The grant to Dorset Police is £140,673.
- 3.7 The chart below shows a breakdown of actual net revenue expenditure for 2020/21 by category of spend.



## NARRATIVE REPORT by STEVEN MACKENZIE, CHIEF FINANCE OFFICER

### 4. CAPITAL PROGRAMME

- 4.1 The table below shows the Chief Constable's capital expenditure, and funding, during 2020/21. The majority of the assets used by the Chief Constable, most significantly its buildings, are owned by the Police and Crime Commissioner. However certain items of equipment, ICT and vehicles are considered to be under the ownership and control of the Chief Constable. Capital expenditure in this respect consists of an ongoing programme of rationalisation, replacement and enhancement of assets, all with an expected life of more than one year, and with an individual or programme value in excess of £10,000.

	£'m
Equipment	0.611
ICT	2.605
Vehicles	1.772
	<u>4.988</u>
<u>Funded by</u>	
Advance from Police and Crime Commissioner	(4.988)
	<u>(4.988)</u>

- 4.2 ICT and equipment across the Force area is replaced when necessary to ensure officers and staff have the most appropriate access to technology and equipment to support them in their roles. Notable expenditure this year includes replacement of the Command and Control system, a Gazetteer, an E-recruitment system in conjunction with Devon and Cornwall Police Force and the upgrade of digital speed cameras.

### 5. WORKFORCE RESOURCES

- 5.1 Workforce costs make up 83% of the annual expenditure of Dorset Police. The full-time equivalents (FTE) of officers and staff employed by Dorset Police at the beginning and end of the year were:

31/03/20 (FTE)		31/03/21 (FTE)
1,223	Police Officers	1,275
1,166	Police Staff (Force)	1,154
31	Police Staff (Transforming Forensics)	46
123	PCSO's	126
<b>2,543</b>	<b>Total</b>	<b>2,601</b>

- 5.2 There was budgeted growth of 33 officers during the year funded through the Police Officer Uplift Programme. However, the actual number of officers at year end was higher than this as the conditions of the Uplift grant were based on headcount of officers as opposed to FTE. This meant that the Force was required to increase its year-end FTE by an extra 19 officers to comply. The national uplift programme is expected to fund a further 50 officers in 2021/22.

### 6. PERFORMANCE INDICATORS

#### External Indicators

- 6.1 The principal independent financial indicators available to the Chief Constable and Police and Crime Commissioner are as follows:
- HMICFRS PEEL Report – Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) review each Force to examine their Efficiency, Effectiveness and Legitimacy. The 2018/19 report concluded that Dorset Police was 'Good' for all three areas reviewed:
    - The extent to which the force is effective at keeping people safe and reducing crime is "Good".
    - The extent to which the force is efficient at keeping people safe and reducing crime is "Good".
    - The extent to which the force is legitimate at keeping people safe and reducing crime is "Good".

## NARRATIVE REPORT by STEVEN MACKENZIE, CHIEF FINANCE OFFICER

- Auditors' Value for Money Opinion – The external auditors last provided a Value for Money conclusion for both the Police and Crime Commissioner and the Chief Constable for the year ending 31 March 2020. This audit concluded that the Police and Crime Commissioner and Chief Constable have, in all significant respects, put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- HMICFRS Value for Money Profile 2020 – this report does not provide an opinion but states key financial and performance information of Dorset Police in comparison to other forces. The report did not indicate any significant areas where Dorset Police is more expensive than other Forces.

### Operational Performance of the Force

- 6.2 The 2020/21 year was particularly challenging due to the exceptional demands of the Covid-19 pandemic. The effect on operational performance was considerable, as the country experienced a number of lockdowns, with different pressures on the Force before, during and after each one. As such, the performance for the year was markedly different than the preceding year.
- 6.3 The following table sets out the key movement in 2020/21 when compared to the previous year.

Contact		
999 Calls	-4.9%	↓
Non-Emergency Calls	-26.3%	↓
Emails and Callbacks	+25.8%	↑
Incidents		
Incidents Recorded	-10.7%	↓
Of which, Anti-Social Behaviour *	+37.4% (+7.0%)	↑
Crime		
All Crime Recorded	-12.8%	↓
Sexual Offences	-16.3%	↓
Of which, Serious Sexual Offences	-17.1%	↓
Violence Against the Person	-5.4%	↓
Of which, Most Serious Violence	-11.7%	↓
Domestic Abuse Crime	-0.3%	↓
Theft	-24%	↓
Other		
Arrests Made	-17.6%	↓
Positive Outcomes	-0.4%	↓
Missing Persons	-24% (High Risk -10%)	↓
Public Protection Notices Issued	+2%	↑

\* Anti-social Behaviour (ASB) includes Covid-19 related ASB. The year on year comparator excluding Covid-19 related ASB was +7.0%.

**7. FUTURE FINANCIAL OUTLOOK**

- 7.1 Dorset Police formally updates its MTFS annually during the budget setting process. The 2020/21 MTFS reflected a significantly improved outlook when compared with the 2020/21 forecasts, with the central case forecast showing a balanced position for all future years of the MTFS. The forecasts rely heavily on estimates and assumptions, reflected in the best and worst case scenarios to give context to the potential future position, and these assumptions will be regularly reviewed.
- 7.2 The 2020/21 MTFS is designed to support the delivery of the Police and Crime Plan which runs until 2021. The new Police and Crime Commissioner will develop a new plan during 2021 which will be used to drive the budget in future years.
- 7.3 The Financial Strategy, including the Capital Strategy, Reserves Strategy and Treasury Management Strategy are used to translate the vision of the Police and Crime Plan into the detailed budget, with the MTFS setting out what this looks like for future years.
- 7.4 The strategic approach taken to balancing the 2021/22 budget was to take a longer term view to ensure decisions taken are sustainable and that the budget starts the decade on firm foundations, to build greater financial resilience and delivering value for money for Dorset residents.
- 7.5 For 2022/23 and beyond there is a great deal of uncertainty around funding levels which will impact on our planning process. This uncertainty is exacerbated by the economic impact of the current coronavirus pandemic, and the effect that this may have on future funding and costs. In addition to this fundamental issue, key areas of uncertainty are:-
- The next Comprehensive Spending Review, which the Government had planned to undertake during 2020, has been delayed. It is currently expected that this will be carried out in 2021 when some of the uncertainty facing the national economy may have become clearer.
  - The anticipated changes to the formula by which Home Office funding is allocated to forces. The timescale for this review is not confirmed, and it is not yet clear whether this may impact on the 2022/23 funding position.
  - Future cost of pension schemes. These schemes have seen increased pressure in recent years, and this pressure is expected to continue at the next triennial valuations due, in part, to changes required to comply with the court's finding of age discrimination in the way changes to public sector pension schemes were implemented in 2015.
  - The impact of any future recession associated with Covid, including the potential local implications on precept, Collection Funds and taxbase.
- 7.6 The continuing pandemic has made the force adapt quickly to new ways of working using new technology. Working from home has continued for many staff during the lockdown and the force continues to explore and build on opportunities for the future.

**8. GOVERNANCE ARRANGEMENTS**

- 8.1 The Annual Governance Statement is published alongside this document. The Annual Governance Statement describes the internal control environment for the Chief Constable. It also comments on the effectiveness of the governance arrangements and identifies issues that require further work.
- 8.2 The Police and Crime Commissioner and the Chief Constable have an effective joint process for managing risk and the details are also provided in the Annual Governance Statement.

## NARRATIVE REPORT by STEVEN MACKENZIE, CHIEF FINANCE OFFICER

### 9. THE STATEMENT OF ACCOUNTS

9.1 A brief explanation of the purpose of each of the four primary statements is provided below:

- **Movement in Reserves Statement** - shows the changes in the Chief Constable's financial resources over the year.
- **Comprehensive Income and Expenditure Statement** - shows the gains and losses that contributed to the changes in resources.
- **Balance Sheet as at 31 March 2021** - shows how the resources available to the Chief Constable are held in the form of assets and liabilities.
- **Cash Flow Statement** - shows how the movement in resources has been reflected in cash flows.

9.2 The notes to the accounts include the accounting policies and give further information on the entries within the main statements as well as supplementary information. These are further supplemented by a glossary of terms.

**Steven Mackenzie MBA FCPFA**  
**Chief Financial Officer to the Chief Constable**  
**21 July 2021**

Further Information:

This publication provides a review of the financial performance of the Chief Constable for 2020/21. It may be read in conjunction with the single entity accounts of the Police and Crime Commissioner, and the Group Accounts within the same document, and the Police and Crime Plan. Further information on these publications can be obtained by writing to the Chief Financial Officer to the Chief Constable, Dorset Police Headquarters, Winfrith, Dorset, DT2 8DZ

## **Independent Auditor's Report to the Chief Constable for Dorset**

**These Financial Statements have not yet been audited.**











# **Statement of Responsibilities**

## **The Chief Constable's Responsibilities**

The Chief Constable is required to:

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

## **Approval of the Accounts**

I approve the Statement of Accounts.

**James Vaughan**  
**Chief Constable**

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

The Chief Financial Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom 2020/21" (the Code).

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

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

## **Chief Financial Officer's Certificate**

I certify that this Statement of Accounts for the year ended 31 March 2021 gives a true and fair view of the financial position of the Chief Constable for Dorset at the accounting date and of the income and expenditure for the year ended 31 March 2021.

**Steven Mackenzie MBA FCPFA**  
**Chief Financial Officer to the Chief Constable**  
**21 July 2021**



# Financial Statements



## Movement in Reserves Statement

This statement only shows the pension related transactions from the start of the year to the end of the year for 2019/20 and 2020/21 as all reserves are managed by the Police and Crime Commissioner. The financial consequences of the operational activities undertaken by the Chief Constable is shown in the Comprehensive Income and Expenditure Statement.

Current Year	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>		0	0	0	0	0	0	0
<b>Movement in Reserves</b> (Surplus) or Deficit on the Provision of Services		411,488	0	0	0	411,488	0	411,488
Remeasurement of the net defined benefit liability (asset)		(411,488)	0	0	0	(411,488)	0	(411,488)
<b>Total Comprehensive Income and Expenditure</b>		0	0	0	0	0	0	0
<b>Balance at 31 March 2021</b>		0	0	0	0	0	0	0

Restated Comparative Year*	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019</b>		0	0	0	0	0	0	0
<b>Movement in Reserves</b> (Surplus) or Deficit on the Provision of Services		(137,732)	0	0	0	(137,732)	0	(137,732)
Remeasurement of the net defined benefit liability (asset)		137,732	0	0	0	137,732	0	137,732
<b>Total Comprehensive Income and Expenditure</b>		0	0	0	0	0	0	0
<b>Balance at 31 March 2020</b>		0	0	0	0	0	0	0

\*The Movement in Reserves signage has changed to be consistent with that shown on the Group balance sheet.

## Comprehensive Income and Expenditure Statement

This statement reflects the Police and Crime Commissioner's financial resources consumed by the Chief Constable for 2019/20 and 2020/21. In practice all the respective costs are paid for by the Police and Crime Commissioner. This Statement includes intra-group transactions resulting in a nil balance for Total Comprehensive Income and Expenditure.

2019/20				2020/21			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
190,741	(32,567)	158,174	Chief Constable*	209,978	(46,723)	163,255	8
<b>190,741</b>	<b>(32,567)</b>	<b>158,174</b>	<b>Cost of Services</b>	<b>209,978</b>	<b>(46,723)</b>	<b>163,255</b>	
0	(22,602)	(22,602)	Pensions Top Up Grant	0	(23,026)	(23,026)	
(190,741)	55,169	(135,572)	Intra-Group Transaction	(209,978)	69,749	(140,229)	
0	0	0	<b>Cost of Services Net of Pensions Top Up Grant</b>	0	0	0	
			<b>Financing and Investment Income and Expenditure</b>				
41,492	(4,437)	37,055	Pensions Interest Cost	37,525	(3,414)	34,111	20
(41,492)	4,437	(37,055)	Pensions Interest Cost - Intra-Group Transaction	(37,525)	3,414	(34,111)	
137,732	0	137,732	Actuarial (Gains)/Losses on Pension Funds - Intra-Group Transaction	(411,488)	0	(411,488)	20
<b>137,732</b>	<b>0</b>	<b>137,732</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(411,488)</b>	<b>0</b>	<b>(411,488)</b>	
		(137,732)	Remeasurement of the net defined benefit liability (asset)			411,488	
		<b>0</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>0</b>	
		<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>0</b>	

\* Included within the gross expenditure is an accounting adjustment of £2.148m representing the change to the PFI liability shown on the Group balance sheet. This adjustment does not affect the reported outturn position.

**Steven Mackenzie MBA FCPFA**  
**Chief Financial Officer to the Chief Constable**  
**21 July 2021**



## Balance Sheet

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

31 March 2020 £'000		31 March 2021 £'000	Notes
	<b>Long Term Assets</b>		
10,218	Vehicles, ICT and Equipment	12,994	9
191	Intangible Assets	51	19
1,461,195	Pensions Liabilities - Intra-Group Debtor	1,906,785	20
<b>1,471,604</b>	<b>Total Long Term Assets</b>	<b>1,919,830</b>	
	<b>Current Assets</b>		
18,309	Debtors	20,051	10
162	Inventories	451	
23,112	Short Term Debtors - Intra-Group Debtor	21,100	
<b>41,583</b>	<b>Total Current Assets</b>	<b>41,602</b>	
	<b>Current Liabilities</b>		
(20,771)	Creditors	(17,726)	11
(2,137)	Short Term Accumulated Absences	(3,217)	13
(204)	Short Term Provisions	(157)	12
(18,471)	Short Term Creditor - Intra-Group Creditor	(20,502)	
<b>(41,583)</b>	<b>Total Current Liabilities</b>	<b>(41,602)</b>	
	<b>Long Term Liabilities</b>		
(1,461,195)	Pension Liabilities	(1,906,785)	20
(10,409)	Vehicles, ICT and Equipment - Intra-Group Creditor	(13,045)	9,19
<b>(1,471,604)</b>	<b>Total Long Term Liabilities</b>	<b>(1,919,830)</b>	
<b>0</b>	<b>Net Assets</b>	<b>0</b>	

Steven Mackenzie MBA FCPFA  
Chief Financial Officer to the Chief Constable  
21 July 2021

## Cash Flow Statement

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

2019/20 £'000		2020/21 £'000
137,732	<b>Net (Surplus) or Deficit on the Provision of Services</b>	(411,488)
	<b>Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements</b>	
(137,732)	(Increase)/Decrease in pensions liability	411,488
0	<b>Net Cash (Inflows)/Outflows from Operating Activities</b>	0
0	<b>Cash and Cash Equivalents at the end of the reporting period</b>	0



# Notes to the Financial Statements



## **Note 1     Accounting Policies**

### **1.        GENERAL PRINCIPLES**

The statement of accounts summarises the Chief Constable's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Chief Constable is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Sections 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

### **2.        ACCRUALS OF INCOME AND EXPENDITURE**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### **3.        ACCOUNTING POLICY DEVELOPMENTS AND CHANGES**

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

### **4.        PRIOR PERIOD ADJUSTMENTS, ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **5.        EVENTS AFTER THE REPORTING PERIOD**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events

## **Note 1     Accounting Policies Continued**

- those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### **6.        CONTINGENT LIABILITIES**

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

### **7.        JOINT OPERATIONS**

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

### **8.        OVERHEADS AND SUPPORT SERVICES**

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

### **9.        EMPLOYEE BENEFITS**

#### **9.1 Benefits Payable during Employment**

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the absence occurs.

#### **9.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate an employee's employment before the normal retirement date. The amount is charged on an accruals basis to the comprehensive income and expenditure statement (CIES) when the Chief Constable is demonstrably committed to the termination of the employment of an employee. Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Chief Constable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards (this only applies to compulsory redundancies).

In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

## **Note 1     Accounting Policies Continued**

### **9.3 Post-Employment Benefits**

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

- The Police Officer 1987 Scheme (PPS)
- The Police Officer 2006 Scheme (NPPS)
- The Police Officer 2015 Scheme (CARE)
- The Local Government Pensions Scheme (CARE)

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

#### **9.3.1 Police Officers' Pension Schemes**

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

The liabilities of the Police Officers' Pension Schemes are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projected earnings for current employees.

An estimate of the employer's future cashflows is made using notional cashflows based on the estimated duration of all Police Schemes. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

#### **9.3.2 The Local Government Pension Scheme**

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

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration of the past service liability. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

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

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

#### **9.3.3 Net Pensions Liability Analysed**

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

Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the provision of services in the CIES.

## **Note 1     Accounting Policies Continued**

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Chief Constable - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period and taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

Actuarial gains and losses are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are charged to the pensions reserve as other comprehensive income and expenditure.

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

- cash paid as to pensioners including injury pension payments.

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

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

### **9.3.4 Police Officers' Injury Benefits**

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

### **9.3.5 Impact on Reserves**

For all of the Pension Schemes, statutory provisions require the general fund balance to be charged with the amount payable by the Chief Constable to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the movement of reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **9.4 Discretionary Benefits**

The Chief Constable also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **10.    PROVISIONS**

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

Provisions are charged as an expense to the appropriate service line in the CIES when the Chief Constable has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account the relevant risks and uncertainties.



## Note 1 Accounting Policies Continued

When payments are eventually made they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed (or reduced) and credited back to the CIES.

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

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

### 11. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the supply of services or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment. Property is accounted for in the Police and Crime Commissioner accounts whilst ICT, Plant and Equipment are included within the Chief Constable accounts. These operational assets are offset on the balance sheet by a long term liability representing the requirement that the Chief Constable pays for these assets over their operational life. The long term liability will be written down in line with the depreciation policy as set out in the note.

The expenditure within the CIES of the Chief Constable includes a charge for use of property, plant and equipment and intangible assets based on the fair value of the assets used by the Chief Constable to deliver a policing service. The accounting policies of the Group in relation to depreciation are set out within the financial statements of the Police and Crime Commissioner.

#### 11.1 Recognition

Expenditure on the acquisition, creation or enhancement is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Chief Constable for more than one year and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

#### 11.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

• ICT	-	depreciated historical cost
• Equipment	-	depreciated historical cost
• Plant	-	depreciated historical cost
• Vehicles	-	depreciated historical cost

#### 11.3 Depreciation

Depreciation is provided for all ICT, equipment and plant assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (i.e. asset under construction).

## **Note 1     Accounting Policies Continued**

Depreciation is calculated on the following bases:

- Information and Communications Technology (ICT) – depreciation is charged monthly from the first of the month of acquisition starting in the year of acquisition. The asset life of individual groups of assets has been assessed and each group is depreciated individually according to asset life.
- Plant and equipment – These assets are given specific asset lives and are depreciated monthly.
- Vehicles – are depreciated monthly over the forecast useful life of the vehicle and the depreciation in the first year will reflect the number of months that the vehicle has been registered.

### **11.4 Disposals**

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

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

The written off value of disposals is not charged against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing as shown in the Police and Crime Commissioner Group accounts together with the amounts that are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

## **12.    INTANGIBLE ASSETS**

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

### **12.1 Measurement**

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

### **12.2 Amortisation**

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

### **12.3 Impairment**

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

## **13.    VAT**

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

## **14.    EXCEPTIONAL ITEMS**

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

## **Note 1     Accounting Policies Continued**

### **15.    CHARGES TO REVENUE NON-CURRENT ASSETS**

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

- depreciation attributable to the assets used by the relevant service
- amortisation of intangible assets attributable to the service.

The Police and Crime Commissioner is not required to raise council tax to fund the depreciation and amortisation that is charged against the Chief Constable's CIES. However, there is a requirement to make an annual contribution from revenue to contribute towards the reduction in the overall borrowing requirement (calculated on a prudent basis determined by the Group in accordance with statutory guidance). Depreciation and amortisation is therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two as shown in the Police and Crime Commissioner Group accounts.

### **16.    COST AND INTRA-GROUP RECOGNITION**

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

## **Note 2     Accounting Standards Issued, Not Adopted**

Appendix C of the CIPFA code requires Local Authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced in the 2021/22 Code do not apply to the Chief Constable accounts.

## **Note 3     Critical Judgements in Applying Accounting Policies**

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

- The Police and Crime Commissioner Group has had to make judgements about the allocation of expenditure between the Police and Crime Commissioner and the Chief Constable. The basis adopted was arrived at after considering the CIPFA Service Reporting Code of Practice and the Police Reform and Social Responsibility Act.
- A long term debtor has been established in the Chief Constable's Balance Sheet to reflect the continuing requirement on an elected policing body, as required under the Police Reform and Social responsibility Act 2011, to provide funds to the Chief Constable from the Police and Crime Commissioner for the payment of pensions and other employee benefits. Should the Police and Crime Commissioner be required to settle future pension liabilities, there is no long-term expectation that the Home Office will provide this funding. Similarly, the Chief Constable could not be expected to fund the liability as the Chief Constable (the current grant arrangements notwithstanding) has no assets, cash reserves, income receipts or other sources of funding. It is reasonable to expect that should the Police and Crime Commissioner Group be required to settle future pension liabilities (however unlikely this may be), then settlement would result in an outflow of resources from the Police and Crime Commissioner.
- Estimation of the pension element of the provision (set out above) is on the basis of apportionment of the total actuarially assessed liability for future pensions benefits for the Group between the two corporate bodies on the basis of current cashflows.

### **Note 3 Critical Judgements in Applying Accounting Policies Continued**

- The contingent liability note describes liabilities with regard to potential claims against the Chief Constable. Judgement has been applied in determining that for each of these actual or potential claims, either the outflow of resources is not probable or the obligation cannot be estimated with sufficient reliability. For this reason the appropriate accounting treatment is judged to be disclosure of a contingent liability rather than the making of a provision.
- Judgements are made by professional advisors in valuing pensions. Management have accepted these judgements.
- A judgement has been made to include the impact of the McCloud/Sargeant ruling. Whilst the regulations underpinning the Local Government Pension Scheme (LGPS) and police pension schemes have not yet been amended, a change to the remedy is not anticipated.

### **Note 4 The Chief Constable as an Accounting Entity**

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

The Police and Crime Commissioner receives all government funding and income and the Chief Constable does not hold any cash or reserves. When the Police and Crime Commissioner's resources are consumed at the request of the Chief Constable all payments are made by the Police and Crime Commissioner from the Police Fund and no cash movements occur between the two bodies.

For accounting and regulatory purposes the Police and Crime Commissioner and the Chief Constable are classed as local authorities and are covered by the CIPFA Code of Practice for Local Authority Accounting 2020/21.

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

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

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

## Note 4 The Chief Constable as an Accounting Entity Continued

Intra-Group Transactions	2019/20		2020/21	
Comprehensive Income and Expenditure Statements	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000
Net Cost of Policing	(135,572)	135,572	(140,229)	140,229
Pensions Interest Cost and Pensions Top Up Grant	(37,055)	37,055	(34,111)	34,111
Actuarial gains/(losses) on pensions funds	137,732	(137,732)	(411,488)	411,488
Balance Sheet	Chief Constable £'000	Police and Crime Commissioner £'000	Chief Constable £'000	Police and Crime Commissioner £'000
<b>Non-Current Assets/Liabilities</b>				
Pensions Long Term Intra-Group Debtor	1,461,195	0	1,906,785	0
Pensions Long Term Liabilities	(1,461,195)	0	(1,906,785)	0
Pensions Long Term Intra-Group Creditor	0	(1,461,195)	0	(1,906,785)
ICT and Equipment Assets	10,409	0	13,045	0
ICT and Equipment Intra-Group Creditor	(10,409)	0	(13,045)	0
ICT and Equipment Intra-Group Debtor	0	10,409	0	13,045
<b>Current Assets/Liabilities</b>				
Current Liabilities	(23,112)	0	(21,100)	0
Intra-Group Debtor	23,112	0	21,100	0
Intra- Group Creditor	0	(23,112)	0	(21,100)
Current Assets	18,471	0	20,502	0
Intra-Group Creditor	(18,471)	0	(20,502)	0
Intra-Group Debtor	0	18,471	0	20,502
<b>Unusable Reserves</b>				
Intra-Group Transactions	0	(1,455,427)	0	(1,894,338)

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

## Note 5 Events after the Reporting Period

The Statement of Accounts were authorised for issue on 21 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Police and Crime Commissioner Group about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Chief Constable's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

### **6.1      Pensions Liability**

#### **Uncertainties**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Pension fund assets (relevant in the case of the Local Government Pension Scheme) are measured at fair value which requires reference to the market conditions held at the measurement date. As a result of the Covid-19 pandemic, the market has been subject to volatility during 2020/21, however markets have continued trading and information was available to measure the fund assets at the measurement date. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

#### **Valuation Assumption**

A remedy process to resolve the age discrimination of the pension changes resulting from the reform of public service pension schemes has been published by HM Treasury. The Treasury has confirmed that: legacy schemes would be closed from 31 March 2022; a remedy would be introduced for the period 2015-2022 based on a deferred choice underpin basis; and eligibility criteria for members to access the remedy. The estimated impact of McCloud/Sargeant has been factored into the IAS19 pension valuations estimates since 2018/19. These estimates have evolved as assumptions underpinning them have evolved. The resulting outcome from the HM Treasury consultation is not expected to have a significant impact on the IAS19 estimation approach.

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

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

## Note 7 Expenditure and Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used by the Chief Constable. All costs are paid for by the Police and Crime Commissioner which is funded from government grants, council tax and other income. The Police and Crime Commissioner meets the Chief Constable's expenditure in full by an intra-group transaction. There is no net expenditure chargeable to the General Fund.

2020/21								
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Outturn	Adjustments	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				
				Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Intra-Group Funding	Total Adjustments
				(Note 7.1)	(Note 7.2)	(Note 7.3)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Constable	139,350	23,905	163,255	(5,703)	23,014	6,594	(23,905)	0
<b>Net Cost of Services</b>	<b>139,350</b>	<b>23,905</b>	<b>163,255</b>	<b>(5,703)</b>	<b>23,014</b>	<b>6,594</b>	<b>(23,905)</b>	<b>0</b>
Other Income and Expenditure from the Funding analysis	0	(23,026)	(23,026)	0	(23,026)	0	23,026	0
Intra-Group Transaction	(139,350)	(879)	(140,229)	0	0	0	0	0
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,703)</b>	<b>(12)</b>	<b>6,594</b>	<b>(879)</b>	<b>0</b>
<b>Opening Revenue Reserve Balance as at 31 March 2020</b>	<b>0</b>							
Less/Plus Surplus or (Deficit) on the General Fund in Year	0							
Transfer (to)/from Other Reserves	0							
<b>Closing Revenue Reserve Balance as at 31 March 2021</b>	<b>0</b>							

## Note 7 Expenditure and Funding Analysis Continued

2019/20								
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Outturn	Adjustments	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				
				Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Intra-Group Funding	Total Adjustments
				(Note 7.1)	(Note 7.2)	(Note 7.3)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Constable	132,414	25,760	158,174	1,078	26,070	(1,388)	(25,760)	0
<b>Net Cost of Services</b>	<b>132,414</b>	<b>25,760</b>	<b>158,174</b>	<b>1,078</b>	<b>26,070</b>	<b>(1,388)</b>	<b>(25,760)</b>	<b>0</b>
Other Income and Expenditure from the Funding analysis	0	(22,602)	(22,602)	0	(22,602)	0	22,602	0
Intra-Group Transaction	(132,414)	(3,158)	(135,572)	0	0	0	0	0
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,078</b>	<b>3,468</b>	<b>(1,388)</b>	<b>(3,158)</b>	<b>0</b>
<b>Opening Revenue Reserve Balance as at 31 March 2019</b>	<b>0</b>							
Less/Plus Surplus or (Deficit) on the General Fund in Year	0							
Transfer (to)/from Other Reserves	0							
<b>Closing Revenue Reserve Balance as at 31 March 2020</b>	<b>0</b>							



## **Note 7     Expenditure and Funding Analysis Continued**

### **7.1     Adjustment for Capital Purposes**

This column deducts the depreciation, amortisation, minimum revenue provision, finance lease and revenue contributions gains and losses in the services line from the cost of the Chief Constable's services

### **7.2     Net Change for Pensions' Adjustments**

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

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

### **7.3     Other Differences**

Other differences between amounts debited/credited to the CIES and the amounts payable/receivable to be recognised under statute such as accumulated absences.

### **7.4     Chief Constable Outturn**

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

## Note 8 Expenditure and Income Analysed by Nature

2019/20 £'000	Expenditure/Income	2020/21 £'000
	<b>Expenditure</b>	
139,684	Employee benefit expenses	148,413
48,848	Other service expense	59,239
2,209	Depreciation, amortisation, impairment	2,326
<b>190,741</b>	<b>Total Expenditure</b>	<b>209,978</b>
	<b>Income</b>	
(32,567)	Fees charges and other service income	(46,723)
(22,602)	Pension Top Up Grant	(23,026)
<b>(55,169)</b>	<b>Total Income</b>	<b>(69,749)</b>
	<b>Cost on the Provision of Service including Pension Top Up Grant</b>	
<b>135,572</b>		<b>140,229</b>

## Note 9 Vehicles, ICT and Equipment

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

2019/20		Movements	2020/21	
Vehicles, ICT and Equipment	Vehicles, ICT and Equipment Under Construction		Vehicles, ICT and Equipment Under Construction	Vehicles, ICT and Equipment
£'000	£'000	Cost	£'000	£'000
<b>49,943</b>	<b>0</b>	<b>Balance at 1 April</b>	<b>0</b>	<b>33,762</b>
5,858	0	Additions	1,552	3,436
(22,039)	0	Disposals	0	(10,715)
0	0	Reclassification	0	0
<b>33,762</b>	<b>0</b>	<b>Balance at 31 March</b>	<b>1,552</b>	<b>26,483</b>
		<b>Accumulated Depreciation</b>		
<b>(43,647)</b>	<b>0</b>	<b>Balance at 1 April</b>	<b>0</b>	<b>(23,544)</b>
(1,861)	0	Depreciation Charge	0	(2,186)
21,964	0	Derecognition-Disposals	0	10,689
0	0	Reclassification	0	0
<b>(23,544)</b>	<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(15,041)</b>
		<b>Net Book Value</b>		
<b>6,295</b>	<b>0</b>	<b>Balance at 31 March 2019</b>		
<b>10,218</b>	<b>0</b>	<b>Balance at 31 March 2020</b>	<b>0</b>	<b>10,218</b>
		<b>Balance at 31 March 2021</b>	<b>1,552</b>	<b>11,442</b>

The asset under construction total additions of £1.552m comprises of £1.074m for vehicles and £0.478m for ICT.

## Note 9 Vehicles, ICT and Equipment Continued

## 9.1 Recognition

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

- ICT £10k
- Plant and Equipment £10k
- Vehicles £10k

## 9.2 Depreciation

A review of asset lives has taken place in 2020/21 and the useful life for some assets have been amended. The following useful lives and approaches to depreciation have been used to calculate depreciation charges:

### 9.2.1 Information and Communications Technology (ICT)

Classes of ICT assets are given specific asset lives these are within the range 3-20 years. ICT assets are depreciated in equal annual instalments over the forecast useful life of the asset.

### 9.2.2 Plant and Equipment

Classes of plant and equipment assets are given specific asset lives these are within the range 3-25 years. These assets are depreciated in equal annual instalments over the forecast useful life of the asset.

### 9.2.3 Vehicles

Classes of vehicle are given specific asset lives within the range of 3-18 years. Vehicles are depreciated monthly over the forecast useful life of the vehicle and the depreciation in the first year will reflect the number of months that the vehicle has been registered.

### 9.3 Asset Transfers

No assets have been transferred from the PCC to the CC in 2020/21.

## 9.4 Componentisation

Component assets are recognised separately from the main asset that they are associated with when the value of the component is more than 25% and greater than £1m of the main asset value. No assets have met the criteria in 2020/21

## 9.5 De-recognition

An annual review of assets classed as Vehicles, ICT, and Plant and Equipment has been undertaken which has resulted in the derecognition of a number of assets that have reached the end of their useful lives or which have been disposed.

## Note 10 Debtors

31 March 2020		31 March 2021
£'000		£'000
9,179	Central government bodies	12,002
3,819	Other local authorities	2,827
0	National Health Service	0
5,311	Other entities and individuals	5,222
<b>18,309</b>	<b>Total Debtors</b>	<b>20,051</b>

## Note 11 Creditors

31 March 2020		31 March 2021
£'000		£'000
(2,650)	Central government bodies	(1,835)
(7,328)	Other local authorities	(5,123)
(569)	National Health Service	(400)
(10,224)	Other entities and individuals	(10,368)
<b>(20,771)</b>	<b>Total Creditors</b>	<b>(17,726)</b>

## Note 12 Provisions

2020/21	Other £'000
<b>Current Liabilities</b>	
<b>Balance at 1 April 2020</b>	<b>(204)</b>
Additional provisions made	(12)
Amounts used/no longer required	59
<b>Balance at 31 March 2021</b>	<b>(157)</b>

2019/20	Other £'000
<b>Current Liabilities</b>	
<b>Balance at 1 April 2019</b>	<b>(287)</b>
Additional provisions made	(59)
Amounts used	142
<b>Balance at 31 March 2020</b>	<b>(204)</b>

### 12.1 Remuneration Provision

#### 12.1.1 Contractual pay claims

The current level of the provision is estimated to be sufficient to meet known claims. These payments are expected to be made in 2021/22 and amount to £145k.

#### 12.1.2 Employment tribunal

Judgements are applied in determining the level of the employment tribunal provision. This has been estimated at £12k.

## Note 13 Accumulated Absences

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

2019/20 £'000		2020/21 £'000
(2,597)	<b>Balance at 1 April</b>	<b>(2,137)</b>
2,597	Settlement or cancellation of accrual made at the end of the preceding year	2,137
(2,137)	Amounts accrued at the end of the current year	(3,217)
<b>460</b>	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>(1,080)</b>
<b>(2,137)</b>	<b>Balance at 31 March</b>	<b>(3,217)</b>

The increase in the year can be explained by officers and staff carrying forward more leave than in previous years due to the Covid-19 pandemic. There has also been an increase in officers as a result of the officer uplift programme. Information on the programme can be found in the narrative report.

## Note 14 External Audit Costs

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

2019/20 £'000		2020/21 £'000
28	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	18
0	Fees payable to external auditors for other services	0
<b>28</b>		<b>18</b>

The 2019/20 audit fee disclosed was an estimated figure provided by Grant Thornton UK LLP. The actual fee is yet to be approved by the Public Sector Audit Appointments (PSAA); the body responsible for appointing the auditors. Grant Thornton UK LLP have also provided the estimated figure for 2020/21.

## Note 15 Officers' Remuneration

### 15.1 Remuneration

This note shows the officer remuneration costs for officers and staff employed by the Chief Constable above the rank of Superintendent and the staff equivalent:

2020/21		Salary, Fees and Allowances £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Compensation for loss of employment £	Total Remuneration incl Pension Contributions £
	Note							
<b><u>Chief Constable</u></b>								
<b><u>Salary £150,000 plus per year</u></b>								
Chief Constable - James Vaughan		176,516	0	0	176,516	50,602	0	227,118
<b><u>Salary £50,000 to £149,999 per year</u></b>								
Deputy Chief Constable from 01/04/20 to 21/10/20	1	74,208	0	2,209	76,417	26,747	0	103,164
Deputy Chief Constable from 05/10/20 to 31/03/21	1	66,323	0	5,564	71,887	20,031	0	91,918
Assistant Chief Constable from 01/04/20 to 01/11/20		76,252	0	0	76,252	21,286	0	97,538
Assistant Chief Constable from 01/06/20 to 31/03/21		87,356	7,978	4,791	100,125	27,080	0	127,205
Assistant Chief Constable		117,604	0	0	117,604	28,153	0	145,757
Assistant Chief Constable (Regional) from 01/02/21	2	19,870	2,091	1,019	22,980	6,160	0	29,140
Assistant Chief Officer from 01/04/20 to 07/04/20		14,896	0	490	15,386	333	0	15,719
Interim Chief Financial Officer (part time)		99,940	0	0	99,940	0	0	99,940
Director of Human Resources from 01/04/20 to 07/04/20	3	10,781	0	0	10,781	333	0	11,114
Chief Superintendent		95,575	0	0	95,575	26,378	0	121,953
Chief Superintendent		99,222	0	0	99,222	28,153	0	127,375
Chief Superintendent		95,597	0	0	95,597	27,333	0	122,930
Chief Superintendent – ESN Programme Director	4	94,562	0	0	94,562	28,153	0	122,715
Chief Superintendent - Secondment to College of Policing from 01/04/20 to 31/05/20	5	15,344	0	36	15,380	4,625	0	20,005

## Note 15 Officers' Remuneration Continued

Restated 2019/20*		Salary, Fees and Allowances £	Subsistence and Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Compensation for loss of employment £	Total Remuneration incl Pension Contributions £
	Note							
<b>Chief Constable</b>								
<b>Salary £150,000 plus per year</b>								
Chief Constable - James Vaughan		170,235	0	0	170,235	49,367	0	219,602
<b>Salary £50,000 to £149,999 per year</b>								
Deputy Chief Constable		130,914	0	4,634	135,548	37,016	0	172,564
Chief Superintendent from 01/04/2019 to 17/10/2019 -								
Assistant Chief Constable from 18/10/2019 to 31/03/2020		100,755	0	0	100,755	27,466	0	128,221
Assistant Chief Constable		122,249	0	12,314	134,563	34,597	0	169,160
Assistant Chief Officer		109,375	0	6,399	115,774	16,953	50,000	182,727
Interim Chief Financial Officer from 24/9/2019 to 31/3/2020		41,174	0	0	41,174	0	0	41,174
Director of Human Resources	2	109,375	0	4,700	114,075	16,953	50,000	181,028
Chief Superintendent from 21/10/2019 to 31/03/2020		41,692	0	0	41,692	11,186	0	52,878
Chief Superintendent		93,601	0	0	93,601	27,466	0	121,067
Chief Superintendent from 01/04/2019 to 19/05/2019		13,479	0	596	14,075	3,639	0	17,714
Chief Superintendent from 01/04/2019 to 14/07/2019		24,166	0	0	24,166	6,543	0	30,709
Chief Superintendent		95,123	0	0	95,123	27,466	0	122,589
Chief Superintendent - Secondment to College of Policing		90,705	216	0	90,921	27,328	0	118,249

\*There has been a change to the presentation of the 2019/20 table by grouping the salaries per Senior Officer rather than showing salaries by individual rank.

## Note 15 Officers' Remuneration Continued

### 15.1 Notes

1. The Deputy Chief Constables for Devon and Cornwall Police and Dorset Police provide specific services across both forces. Their employment and associated costs are disclosed within the Statement of Accounts for each of their respective forces.
2. The regional Assistant Chief Constable is employed by Dorset Police.
3. The Director of Human Resources post was shared between Devon and Cornwall Police and Dorset Police. The contract of employment is with Dorset Police and for this reason the remuneration disclosure is made in the Statement of Accounts of Dorset Police. Devon and Cornwall Police refund Dorset 70% of the pay costs and 50% of the settlement and pension strain costs
4. Dorset Police fund 11.76% of the Chief Superintendent ESN Programme Director post.
5. The costs of the Chief Superintendent are 100% funded by the College of Policing.

### 15.2 Termination Costs

The total termination costs (exit costs) shown in the table below are the payments made to individuals plus payments to recompense the pension fund for the strain calculated on an actuarial basis in 2019/20 and 2020/21. They relate to staff employed by the Chief Constable. The costs charged in the Comprehensive Income and Expenditure Statement includes adjustments for the sharing of costs between Dorset Police and Devon and Cornwall Police under the Strategic Alliance Agreement. The adjustments are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £'000	2020/21 £'000
£0 – £20,000	0	0	0	4	0	4	0	40
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£180,001 - £200,000	0	0	1	0	1	0	198	0
£280,001- £300,000	0	0	1	0	1	0	288	0
<b>Total included in bandings and in CIES</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>486</b>	<b>40</b>
<b>Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement</b>								
Redundancy cost recharged from Devon and Cornwall Police to Dorset Police							21	3
Redundancy cost recharged to Devon and Cornwall by Dorset Police							(144)	0
<b>Exit Costs charged to the Comprehensive Income and Expenditure Statement</b>							<b>363</b>	<b>43</b>



## Note 15 Officers' Remuneration Continued

### 15.3 Remuneration Bands

The figures presented below do not include the remuneration of the senior employees and relevant police officers as they have been disclosed separately but do include other police staff and police officers remuneration.

<b>2019/20</b>		<b>2020/21</b>
<b>Number of employees</b>	<b>Remuneration Band</b>	<b>Number of employees</b>
144	£50,000 - £54,999	143
81	£55,000 - £59,999	100
28	£60,000 - £64,999	48
8	£65,000 - £69,999	0
2	£70,000 - £74,999	5
0	£75,000 - £79,999	3
8	£80,000 - £84,999	6
0	£85,000 - £89,999	4
0	£90,000 - £94,999	2
1	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1
<b>273</b>	<b>Total</b>	<b>312</b>

- The Police and Crime Commissioner has chosen to disclose all police officers earning more than £50,000 on a voluntary basis (the legislative requirement is to include only police officers above the rank of superintendent).
- The above table does not include staff and officers paid below £50,000 who make up approximately 91% of the workforce.
- Pay scales for police officers are set nationally.

## Note 16 Related Party Transactions and Collaborations

### 16.1 Related Party Transactions

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

#### 16.1.1 Officers

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

### 16.2 Collaborations

#### 16.2.1 Collaborations

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

2019/20			2020/21
Expenditure £'000	Notes	Joint Operation	Expenditure £'000
954	1	South West Regional Special Branch	955
3,336	2	South West Regional Forensics Services	3,864
201	3	South West Police Procurement Services	217
1,111	4	South West ROCU	1,130
164	5	South West Regional Programme	175
<b>5,766</b>			<b>6,341</b>

#### 16.2.1 South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Devon and Cornwall Police and Wiltshire Police. Each Force has a committed number of staff who are based within their own Force area, but work on behalf of the four Forces. The force cost for the year was £955k. The total cost of £3,997k is split on a percentage basis, with Dorset Police contributing 23.9%, Avon and Somerset contributing 28.4%, Devon and Cornwall contributing 28.9% and Wiltshire Police contributing 18.8%.

#### 16.2.2 South West Regional Forensics Services

South West Regional Forensics Services is a partnership with Avon and Somerset Police, Wiltshire Police and Devon and Cornwall Police as the lead Force. There are bases in all four Forces, with each force employing a number of staff. The Force cost for the year was £3,864k. Most of the £21,075k total cost is split on a percentage basis, with Dorset contributing 18.7%, Avon and Somerset contributing 36.6%, Devon and Cornwall contributing 30.5% and Wiltshire Police contributing 14.2%.

#### 16.2.3 South West Police Procurement Services

South West Police Procurement Services is a partnership with Wiltshire Police, Gloucestershire Police and Devon and Cornwall Police as the host Force. Staff are based across the region, with them all employed by Devon and Cornwall Police. The Force cost for the year was £217k. The total cost of £1,113k is split on a percentage basis with Dorset Police contributing 19.5%, Wiltshire Police contributing 17.2%, Gloucestershire Police contributing 17.0% and Devon and Cornwall Police contributing £46.3%.

## Note 16 Related Party Transactions and Collaborations Continued

### 16.2.4 South West Regional Organised Crime Unit (ROCU)

South West ROCU is a partnership with Devon and Cornwall Police, Wiltshire Police, Gloucestershire Police and Avon and Somerset Police as the lead Force. Staff are employed by each partnering Police Force based within one of two hubs (North and South). The Force cost for the year was £1,130k. The total cost of £9,610k is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall contributing 33.3%, Wiltshire contributing 11.68%, Gloucestershire contributing 10.83% and Avon and Somerset contributing 32.43%.

### 16.2.5 South West Regional Programme

The South West Regional Programme is a partnership with Dorset Police, Devon and Cornwall Police, Gloucestershire Police, Wiltshire Police with Avon and Somerset Police as the lead Force. The Programme consists of a range of teams that manage the implementation of collaboration business change projects. Costs are shared with the Forces that are involved in each project. The Force cost for the year was £175k. Most of the £1,374k total cost is split on a percentage basis with Dorset Police contributing 11.76%, Devon and Cornwall contributing 33.3%, Wiltshire contributing 11.68%, Gloucestershire contributing 10.83% and Avon and Somerset contributing 32.43%.

## Note 17 Contingent Liabilities

### 17.1 Compensation Claims

Claimants have lodged claims for compensation regarding the public service pension scheme reform. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts. It is anticipated that funding will be received from the Home Office to settle successful claims.

## Note 18 Capital Expenditure and Financing

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

2019/20		2020/21
£'000		£'000
0	<b>Opening Capital Financing Requirement</b>	0
	<b>Capital Investment:</b>	
1,157	Vehicles	1,772
4,702	Plant, Equipment and ICT	3,216
42	Intangibles	0
3,594	Revenue Expenditure Funded from Capital Under Statute	5,626
9,495		10,614
	<b>Less Sources of Finance:</b>	
(9,495)	Police and Crime Commissioner	(10,614)
(9,495)		(10,614)
0	Increase/(Decrease) in Capital Financing Requirement	0
0	<b>Closing Capital Financing Requirement</b>	0

## Note 19 Intangible Assets

All of the intangible assets held are ICT software and are recognised separately from the tangible asset with which they are associated. Where the value of the intangible asset is more than 25% and greater than £100k of the main asset value.

### 19.1 Amortisation

All intangible assets are given a finite life, based on assessments of the period that the software is expected to be of use to the Group. Asset lives range from 3-10 years and the carrying amount is amortised on a straight-line basis.

### 19.2 Derecognition

An annual review of intangible assets has been undertaken which resulted in the derecognition of a number of assets that have reached the end of their useful lives or which were disposed during the year.

2019/20 Non- Operational Assets £'000		2020/21 Non-Operational Assets £'000
	<b>Balance at start of year</b>	
2,759	Gross carrying amounts	2,142
(2,261)	Accumulated amortisation	(1,951)
<b>498</b>	<b>Net carrying amount at start of year</b>	<b>191</b>
42	Additions	0
(659)	Derecognition - Gross Value	0
0	Write up of the Gross Value	506
(349)	Amortisation for the period	(140)
0	Amortisation associated with the Gross Value write up	(506)
659	Derecognition - Gross Amortisation	0
<b>191</b>	<b>Net carrying amount at end of year</b>	<b>51</b>
	<b>Comprising:</b>	
2,142	Gross carrying amounts	2,648
(1,951)	Accumulated Amortisation	(2,597)
<b>191</b>		<b>51</b>

## **Note 20 Defined Benefit Pension Schemes**

As part of the terms and conditions of employment of its officers and staff, the Chief Constable makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. The Chief Constable operates four pension schemes, three for police officers and one for police staff. All are defined benefits schemes, providing members with benefits based on their pensionable pay and length of service. The disclosures on pensions use specialist terminology. Definitions are provided in the glossary.

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

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

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

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

Giving full transitional protection to members would lead to an increase in the Police Pension Scheme liabilities. In 2018/19, scheme actuaries estimated the potential increase in scheme liabilities to be £33.174m. This increase was reflected in the IAS 19 disclosure as a past service cost. In 2019/20, scheme actuaries reviewed these assumptions at a force level. The proposed remedy reduced the liability in 2019/20 by £5.642m.

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

With regard to the LGPS a similar adjustment was made in the 2018/19 accounts to reflect an increase in the present value of the defined benefit obligation. This increase was shown as a past service cost and amounted to £3.341m. In 2019/20 and 2020/21, the scheme actuaries reviewed the assumptions at a force level. The change in assumptions is reported in Other Comprehensive Income and Expenditure in the CIES.

## Note 20 Defined Benefit Pension Schemes Continued

### 20.1 Police Officer Schemes

#### 20.1.1 Participation in Pension Schemes

From 1 April 2015 both the 1987 and 2006 Police Officers' pension schemes were replaced by a new scheme with a future accrual based on the career average (CARE) model for new entrants. Both final salary police schemes closed from April 2015, however, there is protection for those who were members of the scheme prior to April 2012 who will be entitled to the benefits which would have accrued in their legacy scheme up to April 2022, at the point of their retirement. The new scheme is open to all newly recruited officers. The police officer pension schemes are unfunded defined benefit final salary schemes administered by the Chief Constable for Dorset, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Pensions are financed from the Chief Constable and employee's (police officers) contributions. Any deficit is met by the Home Office in the form of a top up grant. The Chief Constable's and the employee contributions are paid into a separate Police Officers' Pension Fund Account.

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

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

2019/20 £'000		2020/21 £'000
<b>(1,439,638)</b>	<b>Opening balance at 1 April</b>	<b>(1,349,345)</b>
(35,063)	Current service cost	(29,596)
(34,089)	Interest cost	(31,244)
(6,215)	Contributions from scheme participants	(6,571)
	Remeasurement gains and (losses):	
(9,550)	• Actuarial gains/(losses) arising from changes in demographic assumptions	22,504
124,619	• Actuarial gains/(losses) arising from changes in financial assumptions	(330,131)
0	• Experience gains/(losses) on defined benefit obligation	(47,930)
43,517	Benefits paid	45,001
5,642	Past service costs, including curtailments	0
1,432	Injury pension payments	1,390
<b>(1,349,345)</b>	<b>Closing balance at 31 March</b>	<b>(1,725,922)</b>

#### 20.1.3 Transactions relating to Retirement Benefits

The Chief Constable recognises the cost of retirement benefits for police officers in the reported cost of services when they are earned by police officers rather than when the benefits are eventually paid as pensions. These costs are reflected in the intra-group transactions between the Chief Constable and the Police and Crime Commissioner Group. The impact of these transfers is that the pension liabilities on the Chief Constable's Balance Sheet are matched by intra-group debtors which reflect the Police and Crime Commissioner's long-term responsibility to provide funds to enable the Chief Constable to administer police pensions.

## Note 20 Defined Benefit Pension Schemes Continued

2019/20 £'000	Comprehensive Income and Expenditure Account	2020/21 £'000
	<b>Cost of Services</b>	
35,063	Current service cost	29,596
(5,642)	Past service cost	0
	<b>Financing and Investment Income and Expenditure</b>	
34,089	Net interest expense	31,244
<b>63,510</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>60,840</b>
	<b>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising:	
9,550	• Actuarial (gains) and losses arising on changes in demographic assumptions	(22,504)
(124,619)	• Actuarial (gains) and losses arising on changes in financial assumptions	330,131
0	Experience (gain)/loss on defined benefit obligation	47,930
<b>(51,559)</b>	<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statements</b>	<b>416,397</b>
	<b>Movement In Reserves Statement</b>	
(63,510)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(60,840)
	<b>Actual amounts charged against the General Fund Balance for pensions in the year:</b>	
16,132	Employers' contributions payable to scheme	16,794
22,602	Home Office Top Up Grant	23,026

The 2019/20 past service cost reflects the impact of the proposed remedy, which is a reduction to the liability of £5.642m.

### 20.1.4 Impact on the Chief Constable's Cashflow

The liabilities show the underlying commitments that arise from the fact that the Chief Constable has to pay retirement benefits over a long-term period. The total liability of £1,726m has a substantial impact on the net worth of the as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position remains healthy, as:

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

The total contributions expected to be made to the Police Pension Fund Account in the year to 31 March 2022 is £15.767m.

## Note 20 Defined Benefit Pension Schemes Continued

### 20.1.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels.

The Police Officer Pension Scheme liabilities have been estimated for by Barnett Waddingham LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2020.

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

The significant assumptions used by the actuary have been:

2019/20	Mortality Assumptions:	2020/21
	<b>Longevity at 65 for current pensioners:</b>	
21.6	Men	21.1
23.7	Women	23.3
	<b>Longevity at 65 for future pensioners:</b>	
23.3	Men	22.3
25.5	Women	24.8
	<b>Financial Assumptions:</b>	
1.90%	Rate of Inflation	2.85%
3.40%	Rate of increase in salaries	3.85%
1.90%	Rate of increase in pensions	2.85%
2.35%	Rate for discounting scheme liabilities	2.00%

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

The estimated weighted average duration of the Police Officer schemes is 18 years, and it is this duration that has been used to derive the assumptions. The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. Changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Mortality age rating assumption (increase or decrease in 1 year)	82,855	(78,994)
Rate of increase in salaries (increase or decrease by 0.1%)	3,141	(3,123)
Rate of increase in pensions (increase or decrease by 0.1%)	28,560	(28,003)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(31,352)	31,998



## Note 20 Defined Benefit Pension Schemes Continued

### 20.2 Police Staff Scheme

#### 20.2.1 Participation in Pension Schemes

Police Staff are part of the Local Government Pension Scheme administered by Dorset Council. This is a funded defined benefit career average scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities over time with investment assets. In addition to the above scheme there are arrangements for the award of discretionary post-employment benefits upon early retirement – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. As these benefits are unfunded cash has to be generated to meet actual pension payments as they fall due.

#### 20.2.2 Transactions Relating to Retirement Benefits

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

2019/20 £'000	Comprehensive Income and Expenditure Account	2020/21 £'000
	<b>Cost of Services</b>	
	Service cost comprising:	
13,047	• Current service cost	16,371
0	• Past service cost	576
5,403	• (Gain)/loss from settlements	0
134	• Administration Expenses	124
0	• (Gain)/loss from settlements	0
	<b>Financing and Investment Income and Expenditure</b>	
2,967	Net interest expense	2,869
<b>21,551</b>	<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>19,940</b>
	<b>Other Post Employment Benefits Charged to Comprehensive Income and Expenditure Statement</b>	
	Remeasurement of the net defined benefit liability comprising:	
22,444	• Return on plan assets (excluding the amount included in the net interest expense)	(35,336)
(6,507)	• Actuarial (gains) and losses arising on changes in demographic assumptions	(2,978)
(35,362)	• Actuarial (gains) and losses arising on changes in financial assumptions	97,180
(315)	Apportionment Adjustment	219
(90)	Other Actuarial Gains/Losses	0
(2,834)	Experience (gain)/loss on defined benefit obligation	(3,153)
<b>(1,113)</b>	<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>75,872</b>

## Note 20 Defined Benefit Pension Schemes Continued

2019/20 £'000	Movement in Reserves Statement	2020/21 £'000
(21,551)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(19,940)
	<b>Funded Liabilities</b>	
<b>£'000</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	<b>£'000</b>
5,788	Employers' contributions payable to scheme	6,842
	<b>Unfunded Liabilities</b>	
<b>£'000</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	<b>£'000</b>
17	Retirement benefits payable to pensioners	18

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

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

31 March 2020 £'000		31 March 2021 £'000
(276,069)	Present value of the defined benefit obligation	(386,998)
164,219	Fair value of plan assets	206,135
<b>(111,850)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(180,863)</b>

Incorporated within the asset and liability figures is an allowance for the settlement of the ongoing Dorset Police and Devon and Cornwall Police bulk transfers of staff pensions that have arisen as a consequence of the Alliance arrangements.

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

31 March 2020 £'000		31 March 2021 £'000
<b>172,478</b>	<b>Opening fair value of scheme assets</b>	<b>164,219</b>
4,436	Interest income	3,413
	Remeasurement gain/(loss):	
(22,444)	• The return on plan assets, excluding the amount included in the net interest expense	35,336
(572)	Apportionment Adjustment	316
(134)	Administration expenses	(124)
5,805	Contributions from employer	6,860
2,186	Contributions from employees into the scheme	2,614
(5,258)	Benefits paid	(6,499)
7,632	Settlement prices received/(paid)	0
90	Other actuarial gains and (losses)	0
<b>164,219</b>	<b>Closing fair value of scheme assets</b>	<b>206,135</b>

## Note 20 Defined Benefit Pension Schemes Continued

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

31 March 2020		31 March 2021
£'000		£'000
<b>(291,248)</b>	<b>Opening balance at 1 April</b>	<b>(276,069)</b>
(13,047)	Current service cost	(16,371)
(7,403)	Interest cost	(6,281)
(2,186)	Contributions from scheme participants	(2,616)
	Remeasurement gain/(loss):	
6,508	• Actuarial gains/(losses) arising from changes in demographic assumptions	2,978
35,362	• Actuarial gains/(losses) arising from changes in financial assumptions	(97,180)
2,834	• Experience gain/(loss) on defined benefit obligation	3,153
(13,034)	Liabilities assumed/(extinguished) on settlements	0
887	Apportionment Adjustment	(535)
0	Past service cost including gains/(losses) on curtailments	(576)
5,258	Benefits paid	6,499
<b>(276,069)</b>	<b>Closing balance at 31 March</b>	<b>(386,998)</b>

Amendments to the IAS19 standard now requires that, when determining any past service cost or gain or loss on settlement, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. These events are referred to as “special events”. During the year there were two former employees that were entitled to unreduced early retirement benefits that have been classed as special events. The cost of these additional benefits on IAS19 compliant assumptions has been calculated at £588k and is shown in the table above.

The Chief Constable’s contribution to the Local Government Pension Scheme for the accounting period to 31 March 2022 is estimated to be £7.031m. This estimation excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021. These projections are based on the assumptions as at 31 March 2021.

### 20.2.6 Local Government Pension Scheme assets comprised

31 March 2020		31 March 2021
£'000	Fair Value of Scheme assets	£'000
	<b>Cash and cash equivalents</b>	
81,726	UK Equities	110,895
9,314	Diversified Growth Fund	10,330
18,706	Gilts	23,131
13,449	Other Bonds	15,301
18,899	Property	18,895
11,358	Infrastructure	12,652
3,426	Cash	4,402
0	Secured Income Funds	1,039
7,341	Multi Asset Credit	9,490
<b>164,219</b>	<b>Total</b>	<b>206,135</b>

## Note 20 Defined Benefit Pension Schemes Continued

### 20.2.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

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

The significant assumptions used by the actuary have been:

2019/20		2020/21
	<b>Long-term expected rate of return on assets in the scheme:</b>	
2.35%	Equity investments	2.00%
2.35%	Bonds	2.00%
2.35%	Other	2.00%
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
23.3	Men	23.1
24.7	Women	24.6
	<b>Longevity at 65 for future pensioners:</b>	
24.7	Men	24.4
26.2	Women	26.0
	<b>Financial Assumptions:</b>	
1.85%	Rate of inflation	2.80%
2.85%	Rate of increase in salaries	3.80%
1.85%	Rate of increase in pensions	2.80%
2.35%	Rate for discounting scheme liabilities	2.00%

The past service liability duration has been estimated at 24 years. This duration has been calculated based on the membership data provided for the most recent full valuation of the liabilities at 31 March 2019. The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	<b>Increase in Assumption</b>	<b>Decrease in Assumption</b>
	<b>£'000</b>	<b>£'000</b>
Mortality age rating assumption (increase or decrease in 1 year)	16,305	(15,619)
Rate of increase in salaries (increase or decrease by 0.1%)	1,137	(1,126)
Rate of increase in pensions (increase or decrease by 0.1%)	8,011	(7,818)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(9,005)	9,229

## **Note 20 Defined Benefit Pension Schemes Continued**

### **20.2.9 Other Assumptions**

It is assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 contribution option at the previous valuation date will remain the same.

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

The objectives of the scheme, as administered by Dorset Council, are to keep employer's contributions at as constant a rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 24 years. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

Dorset Council publishes details of the Fund's performance. They can be contacted at Dorset Council, County Hall, Dorchester, Dorset DT1 1XJ. More detail can be found on their website <https://dorsetpensionfund.org/>





# Pension Fund Accounting Statements





## Police Officers' Pension Fund Statement

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

31 March 2020		31 March 2021
£'000	FUND ACCOUNT	£'000
	<b>Contributions Receivable</b>	
(14,210)	Employers (normal)	(15,052)
(6,215)	Employees (normal)	(6,571)
(489)	Ill Health capital charge	(352)
	<b>Transfers In</b>	
(331)	Individual transfers from other schemes	(300)
	<b>Benefits payable</b>	
37,063	Pensions	37,580
6,784	Commutations & lump sum retirement benefits	7,721
	<b>Payment to and on account of leavers</b>	
0	Individual transfers to other schemes	0
<b>22,602</b>	<b>Net amount paid during the year</b>	<b>23,026</b>
<b>(22,602)</b>	<b>Transfer from Police Fund*</b>	<b>(23,026)</b>
<b>0</b>	<b>Net amount payable / receivable for the year</b>	<b>0</b>
*Additional contribution funded from the Police Fund is met by a top up grant from the Home Office as follows:		
17,788	Received in year	18,623
4,814	Debtor	4,403
<b>22,602</b>		<b>23,026</b>

The Police Officer Pension Fund is unfunded and has no investment assets. Short term assets or liabilities are not material and have not been disclosed for this reason.

The Police Officer Pension Fund which is administered by the Chief Constable has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and the refund to central government for the balance outstanding for each year. The fund does not hold any investment assets nor does it reflect the liabilities of both Schemes to pay present and future pensioners.

The main benefits payable are police officer pensions, lump sums that represent the commutation of pensions and other lump sum payments. The Chief Constable paid a contribution equal to 31.0% of police officer pay for 2020/21. As this contribution was insufficient to meet the net costs of benefits after employees' contributions, the account was balanced to nil at the year-end by the Home Office top up grant.

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

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

This Financial Statement does not take account of liabilities to pay pensions and other benefits after the 31 March 2021.





# Glossary



## Glossary

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

## Glossary Continued

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

## Glossary Continued

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

## Glossary Continued

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