

Police and Crime Commissioner for Dorset

Statement of Accounts

for the year ended 31 March 2021

Audited

Officers of the Police and Crime Commissioner Group

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



Police and Crime Commissioner
David Sidwick



Chief Executive to the Police and Crime Commissioner
Simon Bullock



Chief Financial Officer to the Police and Crime Commissioner
Julie Strange

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



Chief Constable
Scott Chilton



Chief Financial Officer to the Chief Constable
Neal Butterworth
(from 2 January 2023)



Chief Financial Officer to the Chief Constable
Tim Newman
(6 September 2021 to 1 January 2023)



Chief Financial Officer to the Chief Constable
Steven Mackenzie
(24 October 2019 to 5 September 2021)

Statement of Accounts 2020/21

Contents

Accompanying Reports	Page
Chief Financial Officer's Narrative Report	6
Independent Auditor's Report	17
Statement of Responsibilities	24
 Financial Statements	
Group Movement in Reserves Statement	28
PCC Movement in Reserves Statement	29
Group Comprehensive Income and Expenditure Statement	30
PCC Comprehensive Income and Expenditure Statement	31
Group and PCC Balance Sheet	32
Group Cash Flow Statement	33
 Notes to the Financial Statements	
Note 1 Accounting Policies	35
Note 2 Accounting Standards Issued, Not Adopted	47
Note 3 Critical Judgements in Applying Accounting Policies	47
Note 4 The Police and Crime Commissioner as an Accounting Entity	48
Note 5 Events After the Reporting Period	49
Note 6 Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty	49
Note 7 Expenditure and Funding Analysis	51
Note 8 Expenditure and Income Analysed by Nature	54
Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations	54
Note 10 Movements in Earmarked Reserves	57
Note 11 Property, Plant and Equipment	58
Note 12 Intangible Assets	63
Note 13 Debtors	64

Statement of Accounts 2020/21

Contents

Notes to the Financial Statements continued	Page
Note 14 Cash and Cash Equivalents	64
Note 15 Assets Held for Sale	64
Note 16 Creditors	64
Note 17 Financial Instruments	65
Note 18 Provisions	69
Note 19 Unusable Reserves	71
Note 20 Cash Flow Statement – Operating Activities	74
Note 21 Cash Flow Statement – Investing Activities	74
Note 22 Cash Flow Statement – Financing Activities	75
Note 23 External Audit Costs	75
Note 24 Officers' Remuneration	76
Note 25 Grant Income	80
Note 26 Related Party Transactions, Commissioning, Partnerships and Collaborations	80
Note 27 Contingent Liabilities	85
Note 28 Capital Expenditure and Financing	86
Note 29 Office of the Police and Crime Commissioner Costs	87
Note 30 Operating Leases	87
Note 31 Defined Benefit Pension Schemes	88
Note 32 Private Finance Initiative	97
 Police Officers' Pension Fund Statement	 100
Glossary	104

Accompanying Reports

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER

1. INTRODUCTION

- 1.1 This narrative report aims to provide the context for the Police and Crime Commissioner and Group financial statements and to demonstrate how the Police and Crime Commissioner has allocated its resources in line with intended outcomes for the 2020/21 financial year.
- 1.2 The Financial Statements provide information on the Police and Crime Commissioner's (PCC) and the Group's (incorporating the Chief Constable) 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 Chief Constable has prepared a separate statement of accounts reflecting how the resources provided by the PCC have been used to deliver operational policing services. These are published separately.

2. EXPLANATION OF THE PCC AND GROUP

- 2.1 The Police and Crime Commissioner and the Chief Constable are separate legal entities. The PCC is elected by the public every four years with a responsibility to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in Dorset.
- 2.2 The Chief Constable is accountable to the PCC for the delivery of efficient and effective policing, the delivery of the PCC priorities and the management of resources and expenditure by the Force.
- 2.3 The PCC for Dorset during the 2020/21 year was Martyn Underhill. He stepped down as PCC 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 PCC and will be published in due course.
- 2.4 The [Police and Crime Plan](#) is a statement of strategic intent for policing in Dorset, set around four key themes:
 - Protecting People at Risk of Harm
 - Working with our Communities
 - Supporting Victims, Witnesses and Reducing Reoffending
 - Transforming for the Future
- 2.5 The PCC is scrutinised by the Police and Crime Panel. The Panel's primary focus is on important strategic actions and decisions made by the PCC. These include whether they have:
 - achieved the aims set out in the Police and Crime Plan and the Annual Report
 - considered the priorities of community safety partners
 - consulted appropriately with the public and victims of crime
- 2.6 The PCC provides an Annual Report to the Police and Crime Panel in the Summer each year which provides more detailed performance information in relation to the financial year just ended.

3. RESOURCES AVAILABLE IN 2020/21

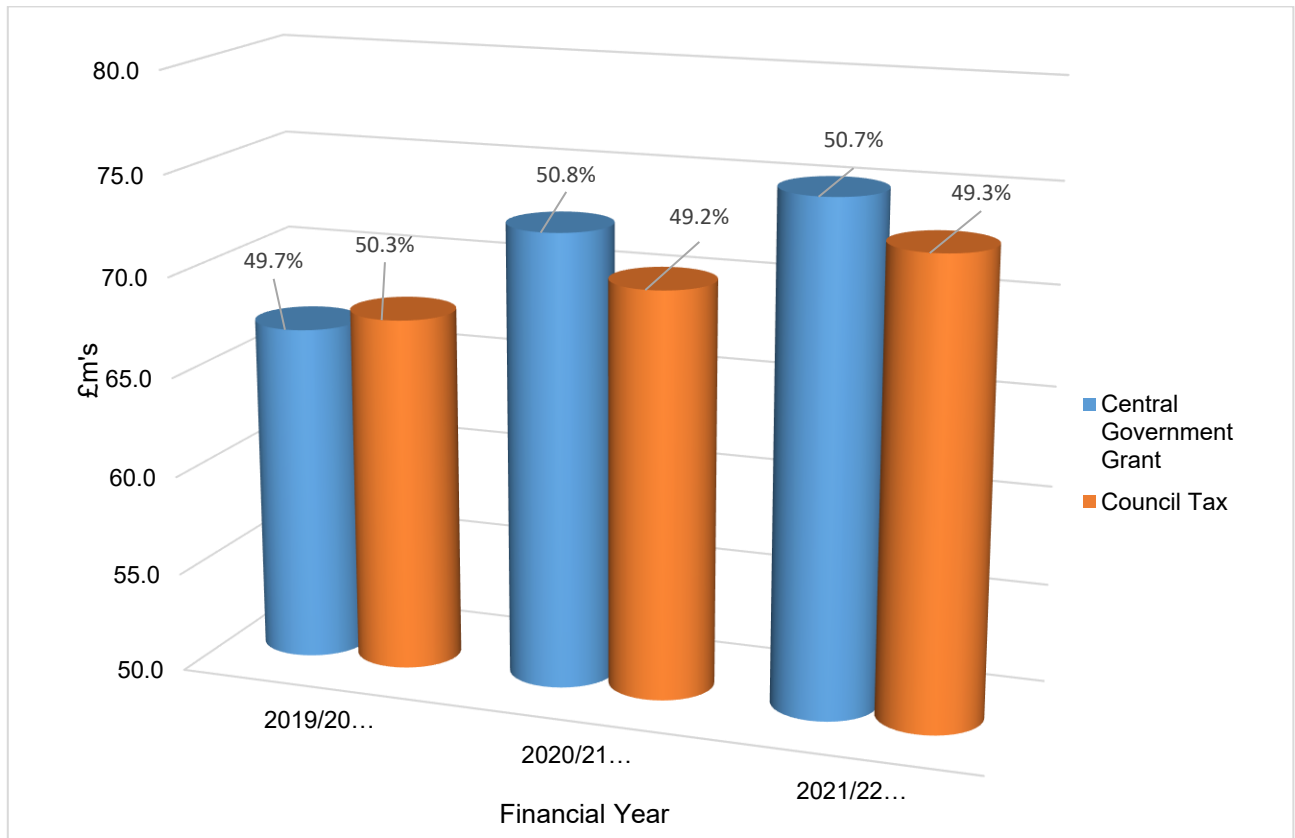
- 3.1 The budget for 2020/21 included additional central Government funding towards the recruitment of additional police officers. The Police Officer Uplift programme is designed to deliver an additional 20,000 officers nationally by the end of 2022/23, and the first phase was to deliver an additional 6,000 officers by the end of 2020/21. Dorset received funding for 50 of these officers, and associated infrastructure, in 2020/21.
- 3.2 The Commissioner, after public consultation, and ratified by the Police and Crime Panel, increased the council tax element for policing by 4.3%, which included provision for unavoidable cost increases such as inflation, but also to provide investment and innovation to improve services further in a number of key areas.

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

Council tax was set at £240.58 for a band D property. The overall impact of this Home Office grant position and Council Tax increase was that overall funding in 2020/21 was £8.3m more than it was in 2019/20.

- 3.3 The revenue budget income graph below shows main funding sources in 2020/21 as well as the funding in the previous and following year for comparative purposes. In 2019/20 central government grant was 49.7% of revenue funding, in 2020/21 it increased to 50.8% and in 2021/22 it reduced again, only slightly, to 50.7%.

Revenue Budget funding 2019/20 – 2021/22



- 3.4 The 2020/21 budget was set before the first Covid-19 lockdown commenced in March 2020, and with little understanding of the implications of the pandemic for policing during the year. Additional funding was made available by Central Government to address the physical requirements, and the exceptional operational demands experienced during the year.

4. SETTING THE FINANCIAL STRATEGY FOR 2020/21 AND BEYOND

- 4.1 The Police and Crime Commissioner takes a multi-year approach to financial planning, considering the budget year and the subsequent three years.
- 4.2 One of the most significant issues in setting the 2020/21 budget was understanding the financial 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.
- 4.3 The additional funding, and costs, of this programme was central to the Medium Term Financial Strategy (MTFS), alongside unavoidable cost pressures such as inflation, and the increasing cost of pension schemes and capital investment requirements. The budget therefore continued to deliver efficiencies and innovation to ensure that maximum value is derived from existing resources. The Police and Crime Commissioner's decision to increase the Council Tax by 4.3%, alongside the delivery of efficiencies, enabled a number of key areas to be addressed, including:

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

- 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 and 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

4.4 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 JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

- 4.5 The 2020/21 MTFS projected a continued tough financial outlook, with the years beyond 2020/21 showing continued pressure, and further savings being required:

	2020/21	2021/22	2022/23	2023/24
	£'m	£'m	£'m	£'m
Projected Funding	141.6	144.9	148.3	151.9
Projected Budget Requirement	141.6	147.0	153.1	158.7
Projected Shortfall	0.0	(2.1)	(4.8)	(6.8)

- 4.6 The 2021/22 budget settlement, with the increased central Government funding, and the ability of Police and Crime Commissioners to increase their precept by up to £15 for a Band D property (without a referendum), has subsequently fully mitigated the above projected shortfalls. The 2021/22 MTFS presents a forecast balanced budget position until at least 2024/25, although this is subject to numerous assumptions and the financial outlook will be monitored closely and revised as necessary.

5. ACTUAL EXPENDITURE IN 2020/21

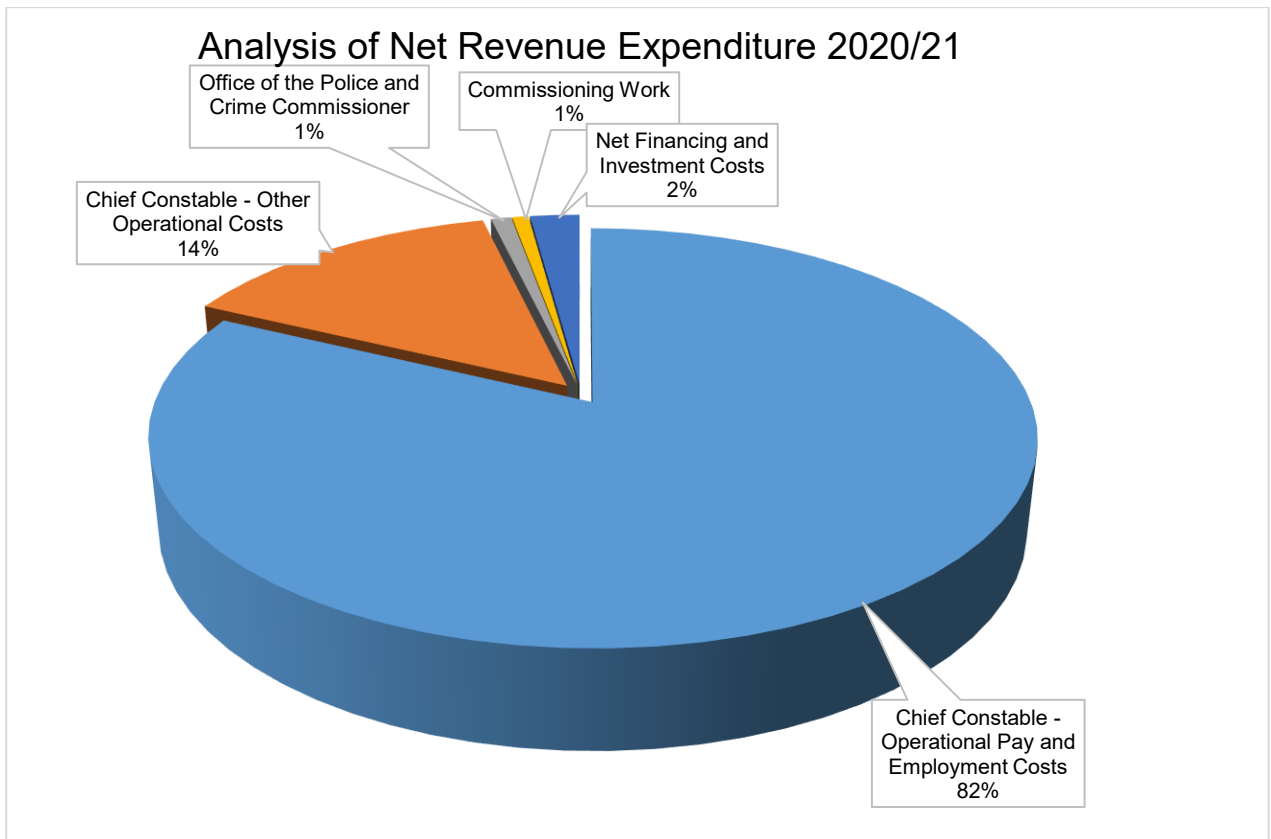
- 5.1 The final outturn position for the Police and Crime Commissioner Group for 2020/21 is a breakeven position with £141.615m of funding meeting all the expenditure and transfers to reserves incurred in the year. This is following year end transfer to reserves of £760,100 including £420,000 to provide for the 2021 Summer Policing operations.
- 5.2 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.
- 5.3 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.
- 5.4 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.
- 5.5 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
Total	1,775,631

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

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

- 5.6 The OPCC outturn for the year was on budget, after allowing for two transfers to reserves. The first was a transfer of £96,000 to a new OPCC Legal Reserve to cover future costs of legal support to officers. These costs have been deferred to future years as a result of the pandemic. The second transfer was in relation to underspends within the commissioning and core budget areas totalling just over £141,000, which have been transferred to the Police and Crime Plan reserve to fund existing commitments and to provide additional commissioning budget for the new Commissioner.
- 5.7 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.
- 5.8 The chart below shows a breakdown of actual net revenue expenditure for 2020/21 by category of spend.



6. NATIONAL TRANSFORMING FORENSICS PROGRAMME

- 6.1 Dorset Police is the financial lead for the National Transforming Forensics programme and in 2020/21 the grant and expenditure for the programme is accounted for within the Group Accounts. Revenue and Capital expenditure is fully funded by the grant received and therefore does not affect the overall variance.
- 6.2 Total grant funding received and spent in 2020/21 totalled £23.841m

7. RESERVES

- 7.1 The PCC maintains reserves for 3 main purposes:
- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general fund balance;
 - As a contingency to cushion the impact of unexpected events or emergencies: also part of the general fund balance;
 - As a means of building up funds to meet known or predicted requirements; earmarked reserves.

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

- 7.2 The PCC's Policy for the maintenance of reserves includes the following key principles:

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

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

- 7.3 Total Usable Reserves at 31 March 2021 amounted to £9.364m comprising; General Fund Balance £5.699m and Earmarked Reserves £3.665m. These balances are in line with the policy on reserves.
- 7.4 During 2020/21 the decision was taken to close the Major Operations reserve after £250,000 was used to support Summer Policing with the remaining £738,000 transferred to the General Fund.

8. CAPITAL PROGRAMME

- 8.1 The table below shows the Police and Crime Commissioner's capital expenditure, and funding, during 2020/21. This consists of an ongoing programme of rationalisation, replacement and enhancement of property and other assets, all with an expected life of more than one year, and with an individual or programme value in excess of £10,000.
- 8.2 Work commenced this year on the Ferndown re-investment project, and this will continue into 2021/22 with a total budget of £1.4m. This work is part of the Estates futures programme which also includes the A10 project.
- 8.3 Spend within Equipment and ICT included the replacement of the Command and Control system (STORM), PC replacement scheme and digital camera upgrades. This excludes the expenditure and funding of the Transforming Forensics Programme.

	£'m
Capital Programme	
Land and Buildings	1.103
Vehicles and Other Transport	1.853
Equipment and ICT	3.334
Intangible Assets	0
Total Expenditure	6.290
Funded by	
Grants	1.034
Capital Receipts reserve	0.226
Revenue Funding	2.432
Borrowing	2.598
Total Funding	6.290

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

9. WORKFORCE RESOURCES

- 9.1 Workforce costs make up 82% of the annual expenditure of the Group. The full-time equivalents (FTE) of officers and staff employed by Dorset Police at the beginning and end of the 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
18	Office of the Police and Crime Commissioner	16
2,561	Total	2,617

- 9.2 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.

10. PERFORMANCE INDICATORS

External Indicators

- 10.1 The principal independent financial indicators available to 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 concluded that Dorset Police was graded 'Good' for all three areas reviewed:
 - The extent to which the force is effective at keeping people safe and reducing crime is "Good".
 - The extent to which the force is efficient at keeping people safe and reducing crime is "Good".
 - The extent to which the force is legitimate at keeping people safe and reducing crime is "Good".
 - Auditors Value for Money Opinion – The external auditors last provided a Value for Money conclusion for both the PCC and the Chief Constable for the year ending 31 March 2020. This audit concluded that the Police and Crime Commissioner and Chief Constable have each put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
 - HMICFRS Value for Money Profile 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

- 10.2 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.

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

10.3 The following table sets out the key movement in activity 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 ASB related was +7.0%.

11 FUTURE FINANCIAL OUTLOOK

- 11.1 The Police and Crime Commissioner formally updates its MTFS annually during the budget setting process. The 2021/22 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.
- 11.2 The 2021/22 MTFS is designed to support the delivery of the Police and Crime Plan which is in its final year. The new Police and Crime Commissioner will develop a new Plan during 2021 which will be used to drive the budget in future years.

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

- 11.3 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.
- 11.4 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.
- 11.5 For 2022/23 and beyond there is a great deal of uncertainty around funding levels, as central Government funding is agreed for only one year at a time, as is the precept flexibility provided to the Police and Crime Commissioner. This impacts on the future planning process, and wider economic uncertainty, particularly that arising from the Covid-19 pandemic, exacerbate the planning challenges.
- 11.6 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.
- 11.7 The continuing pandemic has made the Police and Crime Commissioner adapt quickly to new ways of working using new technology. Working from home has continued for many staff during the lockdown and the Police and Crime Commissioner continues to explore and build on opportunities for the future.

12 GOVERNANCE ARRANGEMENTS

- 12.1 The Annual Governance Statement is published alongside this document. The Annual Governance Statement describes the internal control environment for the Police and Crime Commissioner. It also comments on the effectiveness of the governance arrangements and identifies issues that require further work.
- 12.2 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.

13 THE STATEMENT OF ACCOUNTS

- 13.1 A brief explanation of the purpose of each of the four primary statements is provided below together with a high-level summary.

Movement in Reserves Statement for the Group and for the Police and Crime Commissioner as a single entity - shows the changes in the Police and Crime Commissioner's financial resources over the year. The statement shows the different reserves held which have been analysed into "Usable" and "Unusable" Reserves. Usable reserves can be used to fund expenditure during the year and in future years or to reduce the amount that needs to be raised in council tax. Unusable reserves are technical accounting adjustments that are required to be reported at year end.

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

The table below is a summary of the movement in reserves:

Summary Movement in Reserves	Balance as at 31/03/2020 £'m	Movements £'m	Balance as at 31/03/2021 £'m
General Fund	4.746	0.953	5.699
Earmarked Reserves	4.152	(0.487)	3.665
Capital Receipts	0.955	(0.199)	0.756
Capital Grants	0	0	0
Total Usable Reserves	9.853	0.267	10.120
Unusable Reserves	(1,428.013)	(450.204)	(1,878.217)
Total Reserves	(1,418.160)	(449.937)	(1,868.097)

The significant movements during the year have been within unusable reserves, specifically for pensions and revaluation. The accounting adjustments applied have been prepared in accordance with generally accepted accounting practices and are not chargeable against council tax for the year.

Comprehensive Income and Expenditure Statement for the Group and for the Police and Crime Commissioner as a single entity – this statement shows the accounting cost in the year of providing services in accordance with accounting standards. This amount is different to the amount funded by taxation due to the accounting treatment of certain costs such as depreciation and pensions.

The table below is a summary of the Comprehensive Income and Expenditure Statement:

Summary Comprehensive Income and Expenditure Statement	Gross Expenditure 2020/21 £'000	Gross Income 2020/21 £'000	Net Expenditure 2020/21 £'000
Net Cost of Services	214.415	(48.091)	166.324
Other Operating Income and Expenditure	4.099	(23.272)	(19.173)
Financing and Investment Income and Expenditure	37.698	(3.526)	34.172
Taxation and Non-Specific Grant Income	0	(146.323)	(146.323)
(Surplus)/Deficit on Provision of Services	256.212	(221.212)	35.000
Other Comprehensive Income and Expenditure	414.937	0	414.937
Total Comprehensive Income and Expenditure	671.149	(221.212)	449.937

The statement highlights that the expenditure is dominated by the net cost of providing services which is predominantly the costs of policing. The other most significant cost is shown in the Financing Investment Income and Expenditure section and mainly relates to pensions interest cost (£34.170m). This cost is calculated in accordance with generally accepted accounting practices and reflects the cost of the pensions at the time employees earn their retirement benefits even though the benefits will not actually be payable until employees retire.

A further accounting adjustment of £414.937m is shown under “Other Comprehensive Income and Expenditure” which reflects the net movement in the revaluation of assets and the valuation of the pension liabilities.

NARRATIVE REPORT by JULIE STRANGE, CHIEF FINANCIAL OFFICER CONTINUED

Balance Sheet as at 31 March 2021, shows how the resources available to the Group and the Police and Crime Commissioner are held in the form of assets and liabilities.

The table below is a summary of the balance sheet:

Summary Balance Sheet	Balance as at 31/03/2020 £'000	Balance as at 31/03/2021 £'000	Movement £'000
Long Term Assets	65.832	63.497	(2.335)
Current Assets	37.160	41.558	4.398
Current Liabilities	(29.993)	(38.511)	(8.518)
Long Term Liabilities	(1,491.159)	(1,934.641)	(443.482)
Net Liabilities	(1,418.160)	(1,868.097)	(449.937)
Unusable Reserves	(1,428.013)	(1,878.217)	(450.204)
Usable Reserves	9.853	10.120	0.267
Total Reserves	(1,418.160)	(1,868.097)	(449.937)

The significant movements in the balance sheet correspond to the areas highlighted above. The total reserves deficit is mainly due to the police officer and staff pension liabilities. In practice, in year pension costs for police officers are being met by the Home Office.

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

The table below is a summary of the cash flow position:

Summary Cash Flow Statement	Cash Flows 2019/20 £'000	Cash Flows 2020/21 £'000	Movement £'000
Cash and Cash Equivalents as at 01 April 2020	(2.052)	(9.355)	(7.303)
Net Cash Flow from:			
Operating Activities	(2.217)	(4.524)	(2.307)
Investing Activities	0.296	7.781	7.485
Financing Activities	(5.382)	(7.029)	(1.647)
Movement	(7.303)	(3.772)	3.531
Cash and Cash Equivalents as at 31 March 2021	(9.355)	(13.127)	(3.772)

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

Julie Strange, CPFA
Chief Financial Officer
9 January 2023

Further Information:

This publication provides a review of the financial performance of the Police and Crime Commissioner for 2020/21. It complements the information in: the single entity accounts of the Chief Constable; the Police and Crime Plan; and the Police and Crime Commissioner's Annual Report. Further information on these publications can be obtained by writing to the Chief Executive or Chief Financial Officer at the Police and Crime Commissioner Offices, Dorset Police Headquarters, Winfrith, Dorset, DT2 8DZ.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Dorset (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2021 which comprise the Group Movement in Reserves Statement, the PCC Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the PCC Comprehensive Income and Expenditure Statement, the Group and PCC Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officers' Pension Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2021 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Financial Officer with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer for the financial statements' section of this report.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 6.1 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Group's land and buildings as at 31 March 2021. As disclosed in note 6.1 to the financial statements, the potential impact of the Coronavirus pandemic on property values has led to a material valuation uncertainty on property valuation being disclosed in the Group's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge of the Police and Crime Commissioner and the group obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011. We also identified the following additional regulatory frameworks in respect of the police pension fund: Public Service Pensions Act 2013, the Police Pension Fund Regulations 2007, the Police Pensions Regulations 2015 and the Police Pensions Regulations 2006.
- We enquired of senior officers and the Police and Crime Commissioner, concerning the Police and Crime Commissioner and group's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and revenue and expenditure recognition. We determined that the principal risks were in relation to:
 - Journals and transactions outside the course of business; and
 - The significant accounting estimates in the financial statements, including those related to the valuation of property, plant and equipment, the net pension fund liability and significant year-end accruals.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Financial Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual journals;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of property, plant and equipment, the net pension liability and significant year-end accruals;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to related to the valuation of property, plant and equipment, the net pension liability and significant year-end accruals.
- Assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the police sector
 - understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements - the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Police and Crime Commissioner

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

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Police and Crime Commissioner for Dorset for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2021.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Alex Walling, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

10 January 2023

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

In our auditor's report issued on 10 January 2023, we explained that we could not formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for the year ended 31 March 2021, in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice, until we had:

- Completed our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have now completed this work, and the results of our work are set out below.
- Completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2021. We have now completed this work.

Opinion on the financial statements

In our auditor's report for the year ended 31 March 2021 issued on 10 January 2023 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the group and the Police and Crime Commissioner as at 31 March 2021 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave this opinion.

Report on other legal and regulatory requirements - the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter.

Responsibilities of the Police and Crime Commissioner

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

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of the Police and Crime Commissioner for Dorset for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Alex Walling, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

16 January 2023

Statement of Responsibilities

The Police and Crime Commissioner's Responsibilities

The Commissioner is required to:

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

Approval of the Accounts

I approve the Statement of Accounts.

David Sidwick
Police and Crime Commissioner
9 January 2023

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Police and Crime Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA/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 Police and Crime Commissioner for Dorset at the accounting date and of the income and expenditure for the year ended 31 March 2021.

Julie Strange CPFA
Chief Financial Officer to the Police and Crime Commissioner
9 January 2023



DORSET
POLICE & CRIME
COMMISSIONER
DAVID SIDWICK

Financial Statements

Group Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year for 2019/20 and 2020/21 on the different reserves held by the Police and Crime Commissioner Group, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/(decrease) shows the statutory General Fund Balance movements in the year following those adjustments.

Current Year	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		4,746	4,152	955	0	9,853	(1,428,013)	(1,418,160)
Movement in Reserves								
Total Comprehensive Income and Expenditure		(35,000)	0	0	0	(35,000)	(414,937)	(449,937)
Adjustments between accounting basis and funding basis under regulations	9	35,466	0	(199)	0	35,267	(35,267)	0
Transfers to/(from) Earmarked Reserves	10	487	(487)	0	0	0	0	0
Increase/(Decrease)		953	(487)	(199)	0	267	(450,204)	(449,937)
Balance at 31 March 2021		5,699	3,665	756	0	10,120	(1,878,217)	(1,868,097)

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
Balance at 31 March 2019		3,957	4,057	1,123	0	9,137	(1,532,971)	(1,523,834)
Movement in Reserves								
Total Comprehensive Income and Expenditure		(39,892)	0	0	0	(39,892)	145,566	105,674
Adjustments between accounting basis and funding basis under regulations	9	40,776	0	(168)	0	40,608	(40,608)	0
Transfers to/(from) Earmarked Reserves	10	(95)	95	0	0	0	0	0
Increase/(Decrease)		789	95	(168)	0	716	104,958	105,674
Balance at 31 March 2020		4,746	4,152	955	0	9,853	(1,428,013)	(1,418,160)

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

PCC Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year for 2019/20 and 2020/21 on the different reserves held by the Police and Crime Commissioner, analysed into other 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves'. The Statement shows how the movements in year of the Police and Crime Commissioner's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/(decrease) shows the statutory General Fund Balance movements in the year following those adjustments.

Current Year	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020		4,746	4,152	955	0	9,853	(1,428,013)	(1,418,160)
Movement in Reserves								
Total Comprehensive Income and Expenditure		(446,488)	0	0	0	(446,488)	(3,449)	(449,937)
Adjustments between accounting basis and funding basis under regulations	9	446,954	0	(199)	0	446,755	(446,755)	0
Transfers to/(from) Earmarked Reserves	10	487	(487)	0	0	0	0	0
Increase/(Decrease)		953	(487)	(199)	0	267	(450,204)	(449,937)
Balance at 31 March 2021		5,699	3,665	756	0	10,120	(1,878,217)	(1,868,097)

Restated Comparative Year*	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2019		3,957	4,057	1,123	0	9,137	(1,532,971)	(1,523,834)
Movement in Reserves								
Total Comprehensive Income and Expenditure		97,840	0	0	0	97,840	7,834	105,674
Adjustments between accounting basis and funding basis under regulations	9	(96,956)	0	(168)	0	(97,124)	97,124	0
Transfers to/(from) Earmarked Reserves	10	(95)	95	0	0	0	0	0
Increase/(Decrease)		789	95	(168)	0	716	104,958	105,674
Balance at 31 March 2020		4,746	4,152	955	0	9,853	(1,428,013)	(1,418,160)

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

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the years 2019/20 and 2020/21 of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation (Precepts) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis Note.

2019/20				2020/21			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
190,741	(32,567)	158,174	Chief Constable*	209,661	(46,406)	163,255	
4,208	0	4,208	Office of the Police and Crime Commissioner	2,790	(657)	2,133	29
1,902	(890)	1,012	Commissioning	1,964	(1,028)	936	26
196,851	(33,457)	163,394	Net Cost of Services	214,415	(48,091)	166,324	
			Other Operating Income and Expenditure				
61	0	61	Net (Surplus)/Deficit from the Sale of Non-Current Assets	24	0	24	
0	0	0	(Gain)/Loss on Revaluation of Non-Current Assets	4,075	(246)	3,829	
0	(22,602)	(22,602)	Pensions Top Up Grant	0	(23,026)	(23,026)	25
			Financing and Investment Income and Expenditure				
9	0	9	Interest Payable	12	0	12	
0	(105)	(105)	Interest and Investment Income	0	(35)	(35)	
75	0	75	(Gain)/Loss on Financial Instruments	32	(7)	25	
41,652	(4,533)	37,119	Pensions Interest Cost	37,654	(3,484)	34,170	31
			Taxation and Non-Specific Grant Income				
0	(41,544)	(41,544)	Police Grant	0	(44,805)	(44,805)	25
0	(25,337)	(25,337)	Council Tax Support Grants	0	(26,488)	(26,488)	25
0	(66,842)	(66,842)	Council Tax Precept	0	(69,030)	(69,030)	26
0	(4,336)	(4,336)	Capital Grants and Contributions	0	(6,000)	(6,000)	25
238,648	(198,756)	39,892	(Surplus)/Deficit on Provision of Services	256,212	(221,212)	35,000	
		(7,668)	(Surplus)/Deficit on Revaluation of Non-Current Assets			2,518	11
		(137,898)	Remeasurement of the Net Defined Benefit Liability/(Asset)			412,419	31
		(145,566)	Other Comprehensive Income and Expenditure			414,937	
		(105,674)	Total Comprehensive Income and Expenditure			449,937	

* 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.

Julie Strange CPFA
Chief Financial Officer to the Police and Crime Commissioner
9 January 2023

PCC Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the years 2019/20 and 2020/21 of providing services for the Police and Crime Commissioner in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation (Precepts) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis Note.

2019/20				2020/21			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
190,741	(55,169)	135,572	Chief Constable - Intra-group transaction*	209,661	(69,432)	140,229	
4,208	0	4,208	Office of the Police and Crime Commissioner	2,790	(657)	2,133	29
1,902	(890)	1,012	Commissioning	1,964	(1,028)	936	26
196,851	(56,059)	140,792	Net Cost of Services	214,415	(71,117)	143,298	
			Other Operating Income and Expenditure				
61	0	61	Net (Surplus)/Deficit from the Sale of Non-Current Assets	24	0	24	
0	0	0	(Gain)/Loss on Revaluation of Non-Current Assets	4,075	(246)	3,829	
			Financing and Investment Income and Expenditure				
9	0	9	Interest Payable	12	0	12	
0	(105)	(105)	Interest and Investment Income	0	(35)	(35)	
75	0	75	(Gain)/Loss on Financial Instruments	32	(7)	25	
160	(96)	64	Pensions Interest Cost	129	(70)	59	31
41,492	(4,437)	37,055	Pensions interest cost - Intra-Group Transaction	37,525	(3,414)	34,111	31
			Taxation and Non-Specific Grant Income				
0	(41,544)	(41,544)	Police Grant	0	(44,805)	(44,805)	25
0	(25,337)	(25,337)	Council Tax Support Grants	0	(26,488)	(26,488)	25
0	(66,842)	(66,842)	Council Tax Precept	0	(69,030)	(69,030)	26
0	(4,336)	(4,336)	Capital Grants and Contributions	0	(6,000)	(6,000)	25
(137,732)	0	(137,732)	Actuarial (Gains)/Losses on Pension Funds - Intra-Group Transaction	411,488	0	411,488	
100,916	(198,756)	(97,840)	(Surplus)/Deficit on Provision of Services	667,700	(221,212)	446,488	
		(7,668)	(Surplus)/Deficit on Revaluation of Non-Current Assets			2,518	11
		(166)	Remeasurement of the Net Defined Benefit Liability (asset)			931	31
		(7,834)	Other Comprehensive Income and Expenditure			3,449	
		(105,674)	Total Comprehensive Income and Expenditure			449,937	

* 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.

Julie Strange CPFA
Chief Financial Officer to the Police and Crime Commissioner
9 January 2023

Group and PCC Balance Sheet

The Balance Sheet shows the value as at 31 March 2020 and 31 March 2021 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner. The net assets of the Group/Police and Crime Commissioner (assets less liabilities) are matched by the reserves held by the Group/Police and Crime Commissioner.

As at PCC £'000	31 March 2020 PCC Group £'000		As at PCC £'000	31 March 2021 PCC Group £'000	Notes
		Long Term Assets			
54,950	54,950	Land & Buildings	50,303	50,303	11
0	191	Intangible Assets	0	51	12
473	473	Surplus Assets	149	149	11
0	10,218	Vehicle, Plant & Equipment	0	12,994	11
10,409	0	Long Term Debtor - Intra-Group Debtor	13,045	0	
65,832	65,832	Total Long Term Assets	63,497	63,497	
		Current Assets			
3,001	3,001	Short Term Investments	4,000	4,000	17
2,563	2,563	Assets Held for Sale	2,879	2,879	15
0	162	Inventories	0	451	
3,770	22,079	Short Term Debtors	1,367	21,101	13
18,471	0	Short Term Debtors - Intra-Group Debtor	20,185	0	
9,355	9,355	Cash and Cash Equivalents	13,127	13,127	14
37,160	37,160	Total Current Assets	41,558	41,558	
		Current Liabilities			
(5,500)	(5,500)	Short Term Borrowing	(16,000)	(16,000)	
(292)	(496)	Provisions	(432)	(589)	18
(1,089)	(23,997)	Short Term Creditors	(1,296)	(21,922)	16
(23,112)	0	Short Term Creditors - Intra-Group Creditor	(20,783)	0	
(29,993)	(29,993)	Total Current Liabilities	(38,511)	(38,511)	
		Long Term Liabilities			
(421)	(421)	Provisions	(585)	(585)	18
(27,012)	(27,012)	Borrowing*	(23,542)	(23,542)	17
(2,531)	(114,381)	Pensions Liability - Staff	(3,729)	(184,592)	31
0	(1,349,345)	Pensions Liability - Officers	0	(1,725,922)	31
(1,461,195)	0	Pension Liabilities - Intra-Group Creditor	(1,906,785)	0	
(1,491,159)	(1,491,159)	Total Long Term Liabilities	(1,934,641)	(1,934,641)	
(1,418,160)	(1,418,160)	Net Liabilities	(1,868,097)	(1,868,097)	
		Represented by			
(1,428,013)	(1,428,013)	Unusable Reserves	(1,878,217)	(1,878,217)	19
9,853	9,853	Usable Reserves	10,120	10,120	
(1,418,160)	(1,418,160)	Total Reserves	(1,868,097)	(1,868,097)	

*A review of the PFI liability identified that the liability was overstated by £2.148m as the proceeds from the sale of land transferred to the operator had not been deducted from the liability at the outset of the arrangement. The 2020/21 liability balance includes this adjustment.

Julie Strange CPFA
Chief Financial Officer to the Police and Crime Commissioner
9 January 2023

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the Police and Crime Commissioner during the reporting period. As there is no distinction between the Group and the Police and Crime Commissioner, there is no separate Statement for the Police and Crime Commissioner. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the way the Group has managed its cash outflows against the monies received by way of taxation, grant income and from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2019/20 £'000		2020/21 £'000	Notes
39,892	Net (Surplus) or Deficit on the Provision of Services	35,000	
	Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements		
(40,860)	(Increase)/Decrease in pensions liability	(34,370)	
(4,912)	Depreciation and amortisation	(3,182)	
(164)	(Increase)/Decrease in provisions	(257)	
0	Surplus/(Loss) on sales of non-current assets	(24)	
580	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	0	
0	Surplus/(Loss) on revaluation of non-current assets	(3,829)	
3,247	Movement in relevant assets/liabilities	2,138	
(2,217)	Net Cash (Inflows)/Outflows from Operating Activities	(4,524)	20
296	Investing Activities	7,781	21
(5,382)	Financing Activities	(7,029)	22
(7,303)	Net (Increase)/Decrease in Cash and Cash Equivalents	(3,772)	
(2,052)	Cash and Cash Equivalents at the beginning of the reporting period	(9,355)	
(9,355)	Cash and Cash Equivalents at the end of the reporting period	(13,127)	14



DORSET
POLICE & CRIME
COMMISSIONER
DAVID SIDWICK

Notes to the Financial Statements

Note 1 Accounting Policies

1. GENERAL PRINCIPLES

The statement of accounts summarises the Groups transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Group 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue 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 Group'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.

Note 1 Accounting Policies Continued

5. EVENTS AFTER THE REPORTING PERIOD

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

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events. 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 Group a possible obligation whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

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

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

7. COUNCIL TAX

The council tax income included in the comprehensive income and expenditure statement (CIES) is the Group's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the Group's general fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

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

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

8. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Local Authority accounting regulations allow some items of expenditure, which do not result in the creation of a non-current asset for the PCC Group, to be funded as capital expenditure. Such expenditure is charged to the relevant service in the CIES in the year. Where the Group has determined to meet the cost of this expenditure from capital resources, a matching transfer is made in the movement in reserves statement from the capital adjustment account to the general fund balance so that there is no impact in the level of council tax.

Note 1 Accounting Policies Continued

9. FOREIGN CURRENCY TRANSLATION

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the CIES.

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

11. FINANCIAL INSTRUMENTS

11.1 Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Group has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

11.2 Financial Assets

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

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

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

Note 1 Accounting Policies Continued

11.3 Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the year.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

11.4 Expected Credit Loss Model

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

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

11.5 Financial Assets Measured at Fair Value through Other Comprehensive Income

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

11.6 Financial Assets Measured at Fair Value through Profit or Loss

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

11.7 Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are provided by the Group Treasury advisors.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset.

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

12. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are held no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Note 1 Accounting Policies Continued

13. LEASES

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

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

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

13.1 The Group as Lessee

13.1.1 Finance Leases

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

Lease payments are apportioned between:

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

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

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

13.1.2 Operating Leases

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

13.2 The Group as Lessor

13.2.1 Operating Leases

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

14. JOINT OPERATIONS

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

Note 1 Accounting Policies Continued

15. OVERHEADS AND SUPPORT SERVICES

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

16. EMPLOYEE BENEFITS

16.1 Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end 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 holiday absence occurs.

16.2 Termination Benefits

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

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

16.3 Post-Employment Benefits

Employees of the Police and Crime Commissioner are members of the Local Government Pensions Scheme (CARE).

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 Group.

16.3.1 Police Officers' Pension Schemes

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

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

An estimate of the employer's future 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

Note 1 Accounting Policies Continued

bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

16.3.2 The Local Government Pension Scheme

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

An estimate of the Employer's future 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 County pension fund attributable to the Group are included in the balance sheet at their fair value:

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

16.3.3 Net Pensions Liability Analysed

The change in the net pension's liability for the Pension Schemes is 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.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Group - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period 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 to pensioners including injury pension payments.

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

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

Note 1 Accounting Policies Continued

16.3.4 Police Officers' Injury Benefits

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

16.3.5 Impact on Reserves

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

16.4 Discretionary Benefits

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

17. PROVISIONS

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

Provisions are charged as an expense to the appropriate service line in the CIES when the Group 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.

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 Group settles the obligation.

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

18. RESERVES

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the general fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the CIES. The reserve is then transferred back to the general fund balance so that there is no net charge against council tax for the expenditure.

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

Note 1 Accounting Policies Continued

19. 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.

19.1 Recognition

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

19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Property assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end but as a minimum every three years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

(Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

19.3 Impairment

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

Note 1 Accounting Policies Continued

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down in the CIES.

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

19.4 Depreciation

Depreciation is provided for all property, plant and equipment 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 (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- 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.
- Land and Buildings – the useful life of each building is assessed by the value and depreciated individually from the first of the month of acquisition; the land value is not depreciated. Where an asset comprises two or more major components with substantially different useful lives, each component is accounted for separately.
- Enhancements/Adaptions to leasehold buildings – are depreciated monthly over the life of the lease.
- Information and Communications Technology – 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.

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

19.5 Disposals

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

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

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

Note 1 Accounting Policies Continued

19.6 Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued when reclassified and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

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

19.7 Surplus Assets

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

20. INTANGIBLE ASSETS

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

20.1 Measurement

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

20.2 Amortisation

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

20.3 Impairment

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

21. VAT

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

22. INVENTORIES

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

23. LONG TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Note 1 Accounting Policies Continued

24. EXCEPTIONAL ITEMS

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

25. CHARGES TO REVENUE NON-CURRENT ASSETS

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

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

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Group in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

26. PRIVATE FINANCE INITIATIVES (PFI)

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

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

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

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

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

27. DONATED INVENTORIES

Where inventories are acquired through a non-exchange transaction, their cost is deemed to be their fair value as at the date of acquisition. In the event that the inventories are not distributed, they are recognised in the donated inventories account. When inventories are distributed, the carrying amount of those inventories are recognised as an expense in the period when distribution occurred.

Note 2 Accounting Standards Issued, Not Adopted

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

- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16.

All of these standards will be incorporated in the Code from 2021/22. However, none have material impact for the Group and none warrant disclosure in these accounts.

IFRS 16 Leases is an accounting standard that was due to be implemented on the 1 April 2020. However, it has been delayed nationally to 1 April 2022 in response to pressures on council finance teams as a result of the Covid-19 pandemic. The new IFRS introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. Work is in progress to assess the impact of this standard in readiness for the 2022/23 Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

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

- The PCC Group has had to make judgements about the allocation of expenditure between 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.
- As required, a provision has been established in the Police and Crime Commissioner's Balance Sheet to reflect the continuing requirement on an elected policing body, as required under the Police Reform and Social Responsibility Act 2011, to provide funds to the Chief Constable from the Police Fund for the payment of pensions, other employee benefits and creditors. It is reasonable to expect that should the PCC Group be required to settle future liabilities, then settlement would result in an outflow of resources from the Police and Crime Commissioner.
- Estimation of the pension element of the provision (set out above) is on the basis of apportionment of the total actuarially assessed liability for future pensions benefits for the Group between the two corporate bodies on the basis of current cash flows.
- The contingent liability note describes liabilities with regard to potential claims against the Police and Crime Commissioner Group. Judgement has been applied in determining that for each of these actual or potential claims, either the outflow of resources is not probable or the obligation cannot be estimated with sufficient reliability. For this reason the appropriate accounting treatment is judged to be disclosure of a contingent liability rather than the making of a provision.
- There is a high degree of uncertainty about future levels of funding for the Police. The Police and Crime Commissioner has made a judgement on the level of general balances which is reviewed on an annual basis as part of the Medium Term Financial Strategy process.
- Judgements are made by professional advisors in valuing assets, pensions and financial instruments. Management have accepted these judgements.
- A judgement has been made to include the impact of the McCloud/Sargeant ruling. Whilst the regulations underpinning the Local Government Pension Scheme (LGPS) and police pension schemes have not yet been amended, a change to the remedy is not anticipated.

Note 4 The Police and Crime Commissioner as an Accounting Entity

The Police and Crime Commissioner is part of an accounting group along with the Chief Constable (referred to 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 the Chief Constable's single entity accounts which are published separately. As the Chief Constable does not hold reserves, the Chief Constable's Comprehensive Income and Expenditure Statement shows the gross cost of policing which is offset by intra-group adjustments to reflect the payments and accruals made by the Police and Crime Commissioner at the request of the Chief Constable. The result of these adjustments, is that the Chief Constable has a nil balance on his General Fund. The intra-group adjustments are mirrored in the Police and Crime Commissioner's Accounts. The intra-group transactions are summarised in the table below.

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 the 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's Balance Sheet. These liabilities are offset in the Balance Sheet by a debtor.

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

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

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
Non-Current Assets/Liabilities				
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
Current Assets/Liabilities				
Current Liabilities	(23,112)	0	(20,783)	0
Intra-Group Debtor	23,112	0	20,783	0
Intra- Group Creditor	0	(23,112)	0	(20,783)
Current Assets	18,471	0	20,185	0
Intra-Group Creditor	(18,471)	0	(20,185)	0
Intra-Group Debtor	0	18,471	0	20,185
Unusable Reserves				
Intra-Group Transactions	0	(1,455,427)	0	(1,894,338)

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 Group 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 Property, Plant and Equipment

Valuation Uncertainty

Covid-19 and the measures taken to tackle the pandemic continue to affect economies. The valuers report comments on the unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base their judgements. Consequently, the valuations of the assets have been reported as being subject to “material valuation uncertainty” as at 31 March 2021. This uncertainty is entirely due to the circumstances and disclosure of it ensures transparency and provides an insight as to the market context under which the valuation opinion was prepared.

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

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
Office for Police and Crime Commissioner	1,253	880	2,133	828	201	(149)	23,905	24,785
Commissioning	1,004	(68)	936	0	10	(78)	0	(68)
Net Cost of Services	141,607	24,717	166,324	(4,875)	23,225	6,367	0	24,717
Other Operating Income and Expenditure	0	(19,173)	(19,173)	3,853	(23,026)	0	0	(19,173)
Financing and Investment Income and Expenditure	8	34,164	34,172	0	34,171	(7)	0	34,164
Taxation and Non-Specific Grant Income	(141,615)	(4,708)	(146,323)	(6,000)	0	1,292	0	(4,708)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services	0	35,000	35,000	(7,022)	34,370	7,652	0	35,000
Opening Revenue Reserve Balance as at 31 March 2020	4,746							
Less/Plus Surplus or (Deficit) on the General Fund in Year	953							
Transfer (to)/from Other Reserves	0							
Closing Revenue Reserve Balance as at 31 March 2021	5,699							

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
Office for Police and Crime Commissioner	1,234	2,974	4,208	2,702	268	4	25,760	28,734
Commissioning	1,042	(30)	1,012	0	7	(37)	0	(30)
Net Cost of Services	134,690	28,704	163,394	3,780	26,345	(1,421)	0	28,704
Other Operating Income and Expenditure	0	(22,540)	(22,540)	62	(22,602)	0	0	(22,540)
Financing and Investment Income and Expenditure	(22)	37,120	37,098	0	37,120	0	0	37,120
Taxation and Non-Specific Grant Income	(134,668)	(3,392)	(138,060)	(4,336)	0	944	0	(3,392)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services	0	39,892	39,892	(494)	40,863	(477)	0	39,892
Opening Revenue Reserve Balance as at 31 March 2019	3,957							
Less/Plus Surplus or (Deficit) on the General Fund in Year	789							
Transfer (to)/from Other Reserves	0							
Closing Revenue Reserve Balance as at 31 March 2020	4,746							

Note 7 Expenditure and Funding Analysis Continued

7.1 Adjustment for Capital Purposes

This column deducts the depreciation, amortisation, minimum revenue provision, finance lease, revenue contributions, and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposals of assets and the amounts written off for those assets.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

7.2 Net Change for the 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:

- **For financing and investment income and expenditure** the other difference column recognises adjustments to the General Fund that do not fall into one of the above categories, such as gains/losses on financial instruments.
- The charge under **taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax that was projected to be received at the start of the year and the income recognised under generally accepted accounting policies in the code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.

7.4 Chief Constable Outturn

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

Note 8 Expenditure and Income Analysed by Nature

The Group's expenditure and income is analysed as follows:

2019/20 £'000	Expenditure/Income	2020/21 £'000
	Expenditure	
140,934	Employee benefit expenses	149,751
51,006	Other service expense	61,485
4,911	Depreciation, amortisation, impairment	3,179
9	Interest payments	12
75	Loss on financial instruments	32
61	Loss on the disposal of assets and revaluation	4,099
41,652	Pensions Interest cost and Expected return on assets	37,654
238,648	Total Expenditure	256,212
	Income	
(11,656)	Fees charges and other service income	(9,955)
0	Gain on revaluation	(246)
0	Gain on financial instruments	(7)
(4,638)	Pension interest and investment income	(3,519)
(66,842)	Income from council tax	(69,030)
(115,620)	Government grants and contributions	(138,455)
(198,756)	Total Income	(221,212)
39,892	Deficit on the Provision of Services	35,000

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

9.1 General Fund Balance

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

9.2 Capital Receipts Reserve

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

9.3 Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the group has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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

Current Year	2020/21			Unusable Reserves
	Usable Reserves			
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	34,370	0	0	(34,370)
Financial instruments (transferred to the Pooled Fund Adjustments Account)	(6)	0	0	6
Council Tax and NDR (transfers to or from Collection Fund)	1,292	0	0	(1,292)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,092	0	0	(1,092)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA):	10,624	(113)	(5,626)	(4,885)
Total Adjustments to Revenue Resources	47,372	(113)	(5,626)	(41,633)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	2	0	(2)
Transfer of Grants from Revenue to the Capital Grant Reserve	0	33	5,967	(6,000)
Statutory provision for the repayment of debt (transfer from the CAA)	(2,892)	0	0	2,892
Capital expenditure financed from revenue balances (transfer to the CAA)	(3,014)	0	0	3,014
Total Adjustments between Revenue and Capital Resources	(5,906)	35	5,967	(96)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(121)	0	121
Application of capital grants to finance capital expenditure	(6,000)	0	(341)	6,341
Total Adjustments to Capital Resources	(6,000)	(121)	(341)	6,462
Total Adjustments excluding Earmarked Adjustments	35,466	(199)	0	(35,267)
Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis				
Total Adjustments including Earmarked Adjustments				0
				(35,267)

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

Restated Comparative Year*	2019/20			Unusable Reserves
	Usable Reserves			
	General Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				£'000
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:.				
Pensions costs (transferred to (or from) the Pensions Reserve)	40,860	0	0	(40,860)
Financial instruments (transferred to the Pooled Fund Adjustments Account)	50	0	0	(50)
Council Tax and NDR (transfers to or from Collection Fund)	945	0	0	(945)
Holiday pay (transferred to the Accumulated Absences Reserve)	(456)	0	0	456
Equal pay settlements (transferred to the Unequal Pay/Back Pay AC)	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA):	8,690	(121)	0	(8,569)
Total Adjustments to Revenue Resources	50,089	(121)	0	(49,968)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	516	0	(516)
Transfer of Grants from Revenue to the Capital Grant Reserve	0	0	0	0
Statutory provision for the repayment of debt (transfer from the CAA)	(3,182)	0	0	3,182
Capital expenditure financed from revenue balances (transfer to the CAA)	(1,795)	0	0	1,795
Total Adjustments between Revenue and Capital Resources	(4,977)	516	0	4,461
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(563)	0	563
Application of capital grants to finance capital expenditure	(4,336)	0	0	4,336
Total Adjustments to Capital Resources	(4,336)	(563)	0	4,899
Total Adjustments excluding Earmarked Adjustments	40,776	(168)	0	(40,608)
Earmarked Adjustments from Income and Expenditure charged under the Accounting Basis to the Funding Basis				0
Total Adjustments including Earmarked Adjustments				(40,608)

*The signage has changed to be consistent with that shown in the movement in reserves statement.

Note 10 Movement in Earmarked Reserves

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

	Balance at 1 April 2019	Transfer Out 2019/20	Transfer In 2019/20	Balance at 31 March 2020	Transfer Out 2020/21	Transfer In 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget Management Fund	27	(27)	914	914	(967)	1,291	1,238
Regional Collaboration Reserve	231	(157)	271	345	(286)	201	260
Workforce Change Reserve	1,333	(407)	0	926	(283)	0	643
Capital Financing Reserve	665	(1,795)	1,130	0	0	0	0
Major Operations Reserve	738	0	250	988	(988)	0	0
PEQF Reserve	0	0	157	157	(45)	153	265
Learning & Development Reserve	0	0	46	46	0	0	46
Uplift Reserve	0	0	0	0	0	200	200
Office of the PCC Legal Reserve	0	0	0	0	0	96	96
Police and Crime Plan	1,063	(757)	470	776	0	141	917
Total	4,057	(3,143)	3,238	4,152	(2,569)	2,082	3,665

The purpose of the Funds and Reserves held at 31 March 2021 are set out below:

Budget Management Fund	This is a fund to allow the transfer of carry-forward requests to the following year.
Regional Collaboration Reserve	To hold funds related to past underspends for future planned spending for regional collaborations.
Workforce Change Reserve	To fund one-off and transitional costs of change programmes including the Strategic Alliance with Devon and Cornwall Police.
Major Operations Reserve	To meet the costs of major policing operations.
PEQF Reserve	To fund costs of the Policing Education Qualification Framework.
Learning and Development Reserve	Used for the benefit of Police Officers and Staff for training and development purposes.
Uplift Reserve	To hold funds for infrastructure relating to the future years uplift programme.
Office of the PCC Legal Reserve	To fund legal costs as required by the OPCC.
Police and Crime Plan	To fund planned Police and Crime Plan developments.

Note 11 Property, Plant and Equipment

This table sets out the 2020/21 property, plant and equipment for the PCC Group.

Movements for 2020/21						
	Operational and Non-Operational Assets		Assets Under Construction		Surplus Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	82,090	33,762	0	0	538	116,390
Additions	2,442	3,436	105	1,552	0	7,535
Revaluation recognised in the Revaluation Reserve	(21,808)	0	0	0	(144)	(21,952)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(11,460)	0	0	0	0	(11,460)
Derecognition-Disposals	(926)	(10,715)	0	0	0	(11,641)
Reclassification (to)/from Held for Sale	0	0	0	0	0	0
Other Reclassification	(140)	0	0	0	(245)	(385)
Balance at 31 March 2021	50,198	26,483	105	1,552	149	78,487
Accumulated Depreciation and Impairments						
Balance at 1 April 2020	(27,140)	(23,544)	0	0	(65)	(50,749)
Depreciation Charge	(855)	(2,186)	0	0	(1)	(3,042)
Depreciation written out to the Revaluation Reserve	19,291	0	0	0	143	19,434
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,641	0	0	0	0	7,641
Derecognition-Disposals	926	10,689	0	0	0	11,615
Reclassification (to)/from Held for Sale	0	0	0	0	0	0
Other Reclassification	137	0	0	0	(77)	60
Balance at 31 March 2021	0	(15,041)	0	0	0	(15,041)
Net Book Value						
Balance at 31 March 2020	54,950	10,218	0	0	473	65,641
Balance at 31 March 2021	50,198	11,442	105	1,552	149	63,446

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

Note 11 Property, Plant and Equipment Continued

This table sets out the 2019/20 property, plant and equipment for the PCC Group.

Movements for 2019/20						
	Operational and Non-Operational Assets		Assets Under Construction		Surplus Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	75,794	49,943	0	0	120	125,857
Additions	941	5,858	0	0	0	6,799
Revaluation recognised in the Revaluation Reserve	6,738	0	0	0	3	6,741
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	(968)	(22,039)	0	0	0	(23,007)
Reclassification (to)/from Held for Sale	0	0	0	0	0	0
Other Reclassification	(415)	0	0	0	415	0
Balance at 31 March 2020	82,090	33,762	0	0	538	116,390
Accumulated Depreciation and Impairments						
Balance at 1 April 2019	(26,333)	(43,648)	0	0	(4)	(69,985)
Depreciation Charge	(2,694)	(1,860)	0	0	(6)	(4,560)
Depreciation written out to the Revaluation Reserve	864	0	0	0	0	864
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition-Disposals	968	21,964	0	0	0	22,932
Reclassification (to)/from Held for Sale	0	0	0	0	0	0
Other Reclassification	55	0	0	0	(55)	0
Balance at 31 March 2020	(27,140)	(23,544)	0	0	(65)	(50,749)
Net Book Value						
Balance at 31 March 2019	49,461	6,295	0	0	116	55,872
Balance at 31 March 2020	54,950	10,218	0	0	473	65,641

Note 11 Property, Plant and Equipment Continued

This table sets out the 2020/21 property, plant and equipment for the PCC.

Movements for 2020/21				
	Operational and Non-Operational Assets	Assets under Construction	Surplus Assets	Total
	Land & Buildings	Land & Buildings	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000
Balance at 1 April 2020	82,090	0	538	82,628
Additions	2,442	105	0	2,547
Revaluation recognised in the Revaluation Reserve	(21,808)	0	(144)	(21,952)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(11,460)	0	0	(11,460)
Derecognition-Disposals	(926)	0	0	(926)
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	(140)	0	(245)	(385)
Balance at 31 March 2021	50,198	105	149	50,452
Accumulated Depreciation and Impairments				
Balance at 1 April 2020	(27,140)	0	(65)	(27,205)
Depreciation Charge	(855)	0	(1)	(856)
Depreciation written out to the Revaluation Reserve	19,291	0	143	19,434
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,641	0	0	7,641
Derecognition-Disposals	926	0	0	926
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	137	0	(77)	60
Balance at 31 March 2021	0	0	0	0
Net Book Value				
Balance at 31 March 2020	54,950	0	473	55,423
Balance at 31 March 2021	50,198	105	149	50,452

Note 11 Property, Plant and Equipment Continued

This table sets out the 2019/20 property, plant and equipment for the PCC.

Movements for 2019/20				
	Operational and Non-Operational Assets	Assets under Construction	Surplus Assets	Total
	Land & Buildings	Land & Buildings	Surplus Assets	
Cost or Valuation	£'000	£'000	£'000	£'000
Balance at 1 April 2019	75,794	0	120	75,914
Additions	941	0	0	941
Revaluation recognised in the Revaluation Reserve	6,738	0	3	6,741
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-Disposals	(968)	0	0	(968)
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	(415)	0	415	0
Balance at 31 March 2020	82,090	0	538	82,628
Accumulated Depreciation and Impairments				
Balance at 1 April 2019	(26,333)	0	(4)	(26,337)
Depreciation Charge	(2,694)	0	(6)	(2,700)
Depreciation written out to the Revaluation Reserve	864	0	0	864
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-Disposals	968	0	0	968
Reclassification (to)/from Held for Sale	0	0	0	0
Other Reclassification	55	0	(55)	0
Balance at 31 March 2020	(27,140)	0	(65)	(27,205)
Net Book Value				
Balance at 31 March 2019	49,461	0	116	49,577
Balance at 31 March 2020	54,950	0	473	55,423

11.1 Recognition

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

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

11.2 Surplus Assets

One property has been classed as a Surplus Asset as at the 31 March 2021.

Note 11 Property, Plant and Equipment Continued

11.3 Depreciation

A review of asset lives has taken place during 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 the depreciation charges:

11.3.1 Land and Buildings

The asset lives for individual buildings are assessed by the valuer and are within the range of 8–100 years. Buildings are depreciated monthly over the forecast useful life of the asset.

11.3.2 Vehicles

Classes of vehicle are given specific asset lives. These are within the range 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.

11.3.3 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.

11.3.4 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.

11.4 Significant Capital Commitments

The nature of capital expenditure is such that long lead times and significant programmes of work often result in slippage in incurring expenditure. The unspent capital funding in 2020/21 will be carried forward to meet the cost of future and ongoing schemes that were provided for in that year, and the ongoing work in ensuring that the Force Estate, ICT and Fleet are as lean and efficient as possible, while remaining fully fit for purpose to support operational policing. As at 31 March 2021, significant capital commitments amounted to £2.804m.

11.5 Revaluations

The majority of the land and buildings have been revalued by qualified external valuers, NPS South West Limited; and two properties were valued by an internal qualified valuer. The valuations have been carried out in accordance with the methodologies and basis for estimation set out in the updated professional standards of the Royal Institution of Chartered Surveyors (RICS). A revaluation exercise was undertaken on 83% of the properties with inspections conducted internally and externally. The remaining 17% of properties were valued using the desktop exercise approach. All valuations were provided as at 31 March 2021 and has resulted in an overall reduction in the value of properties of £1.901m.

11.6 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.

11.7 Derecognition

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 12 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.

2019/20 Non- Operational Assets £'000		2020/21 Non-Operational Assets £'000
	Balance at start of year	
2,759	Gross carrying amounts	2,142
(2,261)	Accumulated amortisation	(1,951)
498	Net carrying amount at start of year	191
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
191	Net carrying amount at end of year	51
	Comprising:	
2,142	Gross carrying amounts	2,648
(1,951)	Accumulated Amortisation	(2,597)
191		51

12.1 Amortisation

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

12.2 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.

Note 13 Debtors

31 March 2020			31 March 2021	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
2,432	11,611	Central government bodies	1,156	12,841
1,338	5,157	Other local authorities	211	3,038
0	0	National Health Service	0	0
0	5,311	Other entities and individuals	0	5,222
3,770	22,079	Total Debtors	1,367	21,101

Note 14 Cash and Cash Equivalents

31 March 2020			31 March 2021	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
78	78	Cash held by the PCC	43	43
2,081	2,081	Bank current accounts	1,560	1,560
7,196	7,196	Short-term deposits	11,524	11,524
9,355	9,355	Total Cash and Cash Equivalents	13,127	13,127

Note 15 Assets Held for Sale

2019/20		2020/21
£'000		£'000
3,005	Balance outstanding at start of year	2,563
0	Assets newly classified as held for sale	325
0	Revaluation	(9)
(442)	Assets Sold	0
2,563	Balance outstanding at year end	2,879

Note 16 Creditors

31 March 2020			31 March 2021	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
(1,060)	(3,710)	Central government bodies	(1,226)	(3,061)
0	(7,328)	Other local authorities	0	(5,123)
0	(569)	National Health Service	0	(400)
(29)	(12,390)	Other entities and individuals	(70)	(13,338)
(1,089)	(23,997)	Total Creditors	(1,296)	(21,922)

Note 17 Financial Instruments

17.1 Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Investments (17.1.1)				
Fair value through profit or loss	0	0	3,001	4,000
Total Investments	0	0	3,001	4,000
Cash and Cash Equivalents (17.1.2)				
Amortised Cost	0	0	2,159	1,603
Fair value through profit or loss	0	0	7,196	11,524
Total Cash and Cash Equivalents	0	0	9,355	13,127
Debtors (Trade Receivables)				
Amortised Cost	0	0	886	985
Total included in Debtors	0	0	886	985
Long-Term Liabilities (17.1.3)				
Financial liabilities at amortised cost	(966)	(846)	0	0
PFI	(25,974)	(22,653)	0	0
Total Long-Term Liabilities	(26,940)	(23,499)	0	0
Finance Lease				
Amortised Cost	(72)	(43)	(29)	(29)
Total Finance Lease	(72)	(43)	(29)	(29)
Borrowing (17.1.4)				
Amortised Cost	0	0	(5,500)	(16,000)
Total Borrowing	0	0	(5,500)	(16,000)
Creditors (Trade Payables)				
Amortised Cost	0	0	(9,181)	(9,965)
Total included in Creditors	0	0	(9,181)	(9,965)

17.1.1 Investments

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

17.1.2 Cash and cash equivalents

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

Note 17 Financial Instruments Continued

17.1.3 Long-Term Liabilities

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

17.1.4 Borrowing

All current borrowing was arranged from Local Authorities to cover short term fluctuations in cash.

17.2 Income, Expense, Gains and Losses

	2019/20 Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure £'000	2020/21 £'000
Net (gains)/losses on:		
Financial assets measured at fair value through profit and loss	7	(1)
Financial assets measured at amortised	1	1
Financial liabilities	0	0
Total net (gains)/losses	8	0
Interest revenue		
Financial assets measured at amortised	(105)	(35)
Total Interest revenue	(105)	(35)
Interest expense		
Financial liabilities at amortised cost	9	12
Total Interest expense	9	12

17.3 Fair Value of Financial Assets and Financial Liabilities

Financial liabilities and financial assets can be assessed by calculating the present value of the cash flow that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value balances for financial assets as at 31 March 2021 have been calculated using interest rates in force and with reference to quoted markets where appropriate as at 31 March 2020 and 2021.
- The long-term borrowing as at 31 March 2020 and 31 March 2021 have been calculated by reference to market interest rates.
- The fair value of trade receivables and payables is taken to be the invoiced or the billed amount.
- The fair value of the PFI's and finance lease liabilities have been calculated by reference to AA-rated corporate bond yields for use as discount rates.
- Level 1 input has been used to measure the fair value of the financial assets which uses quoted prices in active markets for identical assets as a basis of valuation.

Note 17 Financial Instruments Continued

Financial Assets	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000	31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000
Short term investments				
Investments held at FVPL	0	3,001	0	4,000
Cash and cash equivalents				
Investments held at Amortised Cost	2,159	2,159	1,603	1,603
Investments held at FVPL	0	7,196	0	11,524
Debtors (Trade Receivables)	886	886	985	985
	3,045	13,242	2,588	18,112
Financial Liabilities	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000	31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000
Short Term Borrowing	(5,500)	(5,504)	(16,000)	(16,000)
Long Term Liabilities	(26,940)	(21,901)	(23,499)	(21,230)
Creditors (Trade Payables)	(9,181)	(9,181)	(9,965)	(9,965)
Finance Lease	(101)	(97)	(72)	(71)
	(41,722)	(36,683)	(49,536)	(47,266)

17.4 Nature and extent of risks arising from financial instruments

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

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

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

17.4.1 Credit Risk

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

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

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

Note 17 Financial Instruments Continued

17.4.2 Credit Risk Management Practices

The Police and Crime Commissioner's credit risk management practices are set out in the Treasury Management Strategy.

For 2020/21, a 1% loss allowance of trade receivables has been calculated as well as the 12 month expected credit loss on investments held with banks.

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

Amounts Arising from Expected Credit Losses	12 month expected credit losses £'000
Interest revenue	1
Financial assets measured at amortised cost	31
Total loss allowance	32

17.4.3 Liquidity Risk

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

At 31 March 2021 the PCC held £12.525m (31 March 2020 £5.16m) in on-call and money market fund accounts to manage short term liquidity requirements.

17.4.4 Market Risk

17.4.4.1 Interest Rate Risk

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

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

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

Note 17 Financial Instruments Continued

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

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

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

Short term borrowing was held at 31 March 2021 with fixed interest rates. All investments held have variable rates. If interest rates had been 1% higher with all other variables held constant, the financial effect on interest receivable on investments would be £125k. This would have an impact on the Surplus or Deficit on the Provision of Services. The impact of 1% fall in interest rates would be as above but with the movements being reversed.

17.4.4.2 Price Risk

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

Note 18 Provisions

2020/21	Insurance £'000	Other £'000	Total £'000
Current Liabilities			
Balance at 1 April 2020	(292)	(204)	(496)
Additional provisions made	(342)	(12)	(354)
Amounts used/no longer required	202	59	261
Balance at 31 March 2021	(432)	(157)	(589)
Long Term Liabilities			
Balance at 1 April 2020	(421)	0	(421)
Additional provisions made	(402)	0	(402)
Amounts used/no longer required	238	0	238
Balance at 31 March 2021	(585)	0	(585)
Total Provisions Balance	(1,017)	(157)	(1,174)

Note 18 Provisions Continued

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

18.1 Insurance Provision

Police and Crime Commissioner is uninsured for the first £0.5m of the majority of individual public and employer's liability claims up to a total stop loss of £2.75m for claims. The insurance provision is to cover any claims from 2020/21 and previous years. The payments from the provision are expected to be made over the next five years. An assessment of liabilities as at 31 March 2021 has been undertaken and the provision has been increased to a level estimated to be sufficient to meet all the forecast obligations.

18.2 Other Provisions

18.2.1 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.

18.2.2 Employment tribunal

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

Note 19 Unusable Reserves

31 March 2020			31 March 2021
£'000	Note		£'000
27,977	19.1	Revaluation Reserve	25,459
9,631	19.3	Capital Adjustment Account	11,111
(1,463,726)	19.4	Pensions Reserve	(1,910,514)
278	19.5	Collection Fund Adjustment Account	(1,014)
(2,166)	19.6	Accumulated Absences Account	(3,258)
(7)	19.2	Pooled Investment Fund Adjustment Account	(1)
(1,428,013)		Total Unusable Reserves	(1,878,217)

19.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Police and Crime Commissioner arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

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

2019/20			2020/21
£'000	£'000		£'000
	20,477	Balance at 1 April	27,977
	7,668	Upward/(Downward) revaluation of assets and impairment losses not posted to the Surplus/Deficit on the Provision of Services	(2,518)
(168)		Difference between fair value depreciation and historical cost depreciation	0
0		Accumulated gains on assets sold or scrapped	0
	(168)	Amount written off to the Capital Adjustment Account	0
	27,977	Balance at 31 March	25,459

19.2 Pooled Investment Fund Adjustment Account Reserve

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

2019/20			2020/21
£'000			£'000
43		Balance at 1 April	(7)
0		Upward revaluation of investments	6
(50)		Downward revaluation of investments	0
(7)		Balance at 31 March	(1)

Note 19 Unusable Reserves Continued

19.3 Capital Adjustment Account

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

2019/20 £'000	Capital Adjustment Account	2020/21 £'000
8,673	Balance at 1 April	9,631
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,560)	• Charges for depreciation and impairment of non-current assets	(3,039)
0	• Revaluation losses on Property, Plant and Equipment	(4,076)
0	• Revaluation losses on Assets Held for Sale	0
(349)	• Amortisation of intangible assets	(140)
0	• PFI Adjustment	2,148
(3,594)	• Revenue expenditure funded from capital under statute	(5,739)
(577)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(26)
(9,080)		(10,872)
168	Adjusting amounts written out of the Revaluation Reserve	246
(8,912)	Net written out amount of the cost of non-current assets consumed in the year	(10,626)
	Capital Financing applied in the year:	
563	Use of the Capital Receipts Reserve to finance new capital expenditure	234
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,967
4,336	Statutory provision for the financing of capital investment charged against the General Fund balances	2,891
3,057	Capital expenditure charged against the General Fund balances	3,014
1,914		
9,870		12,106
9,631	Balance at 31 March	11,111

Note 19 Unusable Reserves Continued

19.4 Pension Reserve

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

2019/20		Pension Reserve	2020/21	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(1,560,765)	(1,560,765)	Balance at 1 April	(1,463,726)	(1,463,726)
96,399	0	Intra-Group Adjustments	(446,409)	0
166	137,898	Re-measurements of the net defined benefit liability/(asset)	(931)	(412,419)
348	(85,524)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	411	(81,190)
126	44,665	Employer's pensions contributions and direct payments to pensioners payable in the year	141	46,821
(1,463,726)	(1,463,726)	Balance at 31 March	(1,910,514)	(1,910,514)

19.5 Collection Fund Adjustment Account

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

2019/20 £'000	Collection Fund Adjustment Account	2020/21 £'000
1,223	Balance at 1 April	278
(945)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,292)
278	Balance at 31 March	(1,014)

Note 19 Unusable Reserves Continued

19.6 Accumulated Absences Account

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

2019/20		Accumulated Absences Account	2020/21	
PCC £'000 (25)	PCC Group £'000 (2,622)		PCC £'000 (29)	PCC Group £'000 (2,166)
		Balance at 1 April		
25	2,622	Settlement or cancellation of accrual made at the end of the preceding year	29	2,166
(29)	(2,166)	Amounts accrued at the end of the current year	(41)	(3,258)
(4)	456	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	(12)	(1,092)
(29)	(2,166)	Balance at 31 March	(41)	(3,258)

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 20 Cash Flow Statement – Operating Activities

2019/20 £'000		2020/21 £'000
(2,121)	Net cash receipts/(payments) from operating activities excluding interest receipts and payments	(4,500)
(105)	Interest received	(35)
9	Interest paid	12
(2,217)	Net cash flows from operating activities	(4,523)

Note 21 Cash Flow Statement – Investing Activities

2019/20 £'000		2020/21 £'000
5,011	Purchase of property, plant and equipment, investment property and intangible assets	6,784
(4,196)	Net movement in short-term and long term investments	999
(519)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2)
296	Net cash flows from investing activities	7,781

Note 22 Cash Flow Statement – Financing Activities

2019/20		2020/21
£'000		£'000
(5,500)	Cash receipts from short term borrowing	0
(2,124)	Other receipts from financial activities	0
0	Net movement in short term borrowing	(10,500)
101	Net movement in long term borrowing	0
17	Cash payments to reduce finance lease liabilities	30
2,124	Cash payments to reduce on balance sheet liabilities	3,441
(5,382)	Net cash flows from financing activities	(7,029)

Note 23 External Audit Costs

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

2019/20			2020/21	
PCC	PCC Group		PCC	PCC Group
£'000	£'000		£'000	£'000
30	58	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	36	54
0	0	Additional fees in respect of assessing the impact of the McCloud ruling on age discrimination on pensions liabilities.	0	0
30	58		36	54

The 2019/20 fee was approved, in July 2021, 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 24 Officers' Remuneration

24.1 Remuneration

This note shows the officer remuneration costs for officers and staff employed by the Office of the Police and Crime Commissioner and the Chief Constable above the rank of Superintendent and the staff equivalent. The Police and Crime Commissioner (PCC) is an elected official and is excluded from this note and shown within the Office of the Police and Crime Commissioner Cost note.

2020/21		Salary, Fees and Allowances £	Subsistence, Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Compensation for loss of employment £	Total Remuneration incl Pension Contributions £
Note								
<u>Office of the Police & Crime Commissioner</u>								
<u>Salary £50,000 to £149,999 per year</u>								
OPCC Chief Executive		99,843	0	0	99,843	15,364	0	115,207
OPCC Chief Financial Officer		58,355	0	0	58,355	7,542	0	65,897
<u>Chief Constable</u>								
<u>Salary £150,000 plus per year</u>								
Chief Constable - James Vaughan		176,516	0	0	176,516	50,602	0	227,118
<u>Salary £50,000 to £149,999 per year</u>								
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	4,291	99,625	27,080	0	126,705
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	36	0	15,380	4,625	0	20,005

Note 24 Officers' Remuneration Continued

Restated 2019/20*		Salary, Fees and Allowances £	Subsistence, Expenses Allowances £	Benefits in Kind £	Total Remuneration excl Pension Contributions £	Employers Pension Contributions £	Compensation for loss of employment £	Total Remuneration incl Pension Contributions £
	Note							
<u>Office of the Police & Crime Commissioner</u>								
<u>Salary £50,000 to £149,999 per year</u>								
OPCC Chief Executive		94,200	0	0	94,200	13,439	0	107,639
OPCC Chief Financial Officer from 02/09/2019 to 31/03/2020		29,225	0	0	29,225	3,855	0	33,080
OPCC Chief Financial Officer from 01/04/2019 to 31/07/2019		16,780	0	0	16,780	2,213	0	18,993
<u>Chief Constable</u>								
<u>Salary £150,000 plus per year</u>								
Chief Constable - James Vaughan		170,235	0	0	170,235	49,367	0	219,602
<u>Salary £50,000 to £149,999 per year</u>								
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 24 Officers' Remuneration Continued

24.1 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.

24.2 Group Termination Costs

The total termination costs (exit costs) shown in the table below are the payments made to individuals plus payments to recompense the pension fund for the strain calculated on an actuarial basis in 2019/20 and 2020/21. They relate to staff employed by the Group. The costs charged in the Comprehensive Income and Expenditure Statement include 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
Total included in bandings and in CIES	0	0	2	4	2	4	486	40
Adjustments to reflect costs charged in Comprehensive Income and Expenditure Statement								
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
Exit Costs charged to the Comprehensive Income and Expenditure Statement							363	43

Note 24 Officers' Remuneration Continued

24.3 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.

2019/20		2020/21
Number of employees	Remuneration Band	Number of employees
144	£50,000 - £54,999	143
82	£55,000 - £59,999	100
28	£60,000 - £64,999	48
9	£65,000 - £69,999	0
2	£70,000 - £74,999	6
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
275	Total	313

- 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 25 Grant Income

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

Restated 2019/20*		2020/21
£'000		£'000
	Credited to Taxation and Non Specific Grant Income	
(41,544)	Police Grant	(44,805)
(25,337)	Council Tax Support Grants	(26,488)
(4,336)	Recognised Capital Grant and Contributions	(6,000)
(71,217)	Total	(77,293)
	Credited to Services	
(12,648)	Police Transformation Fund - Transforming Forensics	(17,831)
(5,238)	PFI Grant	(6,865)
(1,361)	Other Local Grants	(1,081)
(890)	Commissioning	(1,579)
(221)	Criminal Record Bureau Grant	0
0	Projects	(3,945)
0	Forensics Capability Network	(5,414)
(1,379)	Pension Support Grant	(1,379)
(64)	Pre 90 Loan Charges Grant	0
(21,801)	Total	(38,094)
	Credited to Other Operating Income and Expenditure	
(22,602)	Pensions Top Up Grant	(23,026)
	Donated Inventories Account	
0	Donation of PPE Stock	(41)

*The 2019/20 Pension Support Grant was included within Other Local Grants but is now shown separately to enable year on year comparison.

Note 26 Related Party Transactions, Commissioning, Partnerships and Collaborations

26.1 Related Party Transactions

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

26.1.1 Central Government

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

26.1.2 Independent Officers

The Chief Executive of the Office of the Police and Crime Commissioner has written to all members explaining the need for disclosure. Independent Officers' interests are also publicly reported on the Police and Crime Commissioner's website. No relevant transactions have been reported.

26.1.3 Officers

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

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

26.2 Commissioning and Partnerships

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

2019/20			2020/21		
Expenditure £'000	Income £'000	Notes	Expenditure £'000	Income £'000	
OPCC Commissioning and Partnerships					
694	0	1	Commissioner's Safety Fund	677	0
310	0	2	Local Innovation Fund	343	(18)
890	(890)	3	Victims Services	933	(933)
60	(59)	4	Other Local Grants and Funding	0	0
1,954	(949)		Sub-total	1,953	(951)
7	0		Pension Cost	10	0
0	0		Transfer to/(from) reserves	0	(77)
0	0		Accumulated Absence	1	0
1,962	(949)		Total	1,964	(1,028)

Full details of the Police and Crime Commissioner's future plans and intentions with regard to commissioning and partnerships can be found in the Commissioning Intentions Plan and the Police and Crime Plan on the OPCC website.

The funding mechanisms for partnerships are complex, and the table above shows expenditure that has passed through the Police and Crime Commissioner's accounts. There are no significant jointly controlled assets or liabilities as at 31 March 2021.

26.2.1 Commissioner's Safety Fund

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

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

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

Safe Schools and Communities Team (SSCT) - SSCT provide targeted interventions to young people and the wider community, helping to reduce and prevent crime and Anti Social Behaviour (ASB) - core contributor to the SSCT.

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

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

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

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

Victim Support – Support for victims of domestic abuse – *primarily funded from the Victim Services budget*

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

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

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

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

Stalking Co-ordinator – Funding for an Independent Stalking Advocate post to reduce risk and increase safety by providing an effective service to all high-risk victims of stalking.

26.2.2 Local Innovation Fund

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

Adult Return Home Interview Pilot - A service for vulnerable adults who return home or to an appropriate place of safety following a missing episode, to understand the reasons for them going missing and put appropriate support in place.

Weymouth Community Safety Accreditation Scheme (CSAS) - Accrediting council staff to use certain police and council powers reduce anti-social behaviour, street drinking, rough sleeping and begging in Weymouth, primarily in the Melcombe Regis area of the town.

Poole CSAS - Enabling accreditation of Bournemouth Christchurch and Poole Council employed staff in order to enhance the delivery of community safety interventions within Poole Town Centre and the bus station.

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

Regional Re-offending – Collaborative funding with SW forces for a Re-Offending Co-ordinator to explore potential opportunities for commissioning or co-commissioning of services to reduce re-offending.

AFC Bournemouth County Lines Programme – The ‘Own Goal’ Diversionary programme is delivered by AFC Bournemouth Football club, and targets youths involved or at risk of being exploited by County Lines Gangs. The scheme identifies youths through an educational setting and offers the programme.

BID ASB Fund – a targeted fund for BIDS and Crime Prevention Panels to apply for funding to help tackle business related anti-social behaviour in their areas. Bids were received for shop watch schemes, improved CCTV infrastructure, and physical security.

Covid 19 Grants – The Covid-19 Grant was a financial resource provided by the PCC to support charities during the global pandemic, and was to be used as emergency funding to help charities struggling financially, to provide support for the emergence of new issues, or to support during the recovery from covid-19 and social isolation.

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

26.2.3 Victims Services, CSA and Police Transformation Funding

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

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

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

26.2.4 Other Local Grants

Safer Dorset Fund is a Community Grant Scheme which offers the ability for Charities and CIC's to apply for small grants, up to £3,000, to carry out projects which benefit Dorset's communities and in-line with the Police and Crime Plan objectives. In 2020/21 this was replaced by the Covid 19 grant scheme within the Local Innovation Fund.

Grants totalling £289,000 were provided by Ministry of Justice to provide additional support for charities working with victims of domestic abuse and sexual violence. The fund was to be used to:

- 1) address short term income disruption.
- 2) meet essential costs of sustaining current activities, such the purchasing of assets to support the move to remote and digital working, and additional staff to cover those unable to work for reasons related to the pandemic; and
- 3) address increased demand.

Safer Streets Funding totalling £266,000 was provided by the Home Office to improve the areas of Boscombe and Pokesdown disproportionately affected by acquisitive crime and burglary. The funding was used for:

- improved CCTV infrastructure throughout the bid area, especially in blind spots.
- a second Bobby Van, designated to the area to provide target hardening, advice, and practical approaches to security to victims of burglary and vulnerable people.
- community capacity building, through neighbourhood watches, events, and engagement.

26.3 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		Notes	Joint Operation	2020/21
Expenditure £'000				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
5,766				6,341

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

26.3.1 South West Regional Special Branch

South West Regional Special Branch is a partnership with Avon and Somerset Police, Devon and Cornwall Police and Wiltshire Police. Each Force has a committed number of staff who are based within their own Force area, but work on behalf of the four Forces. The force cost for the year was £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%.

26.3.2 South West Regional Forensics Services

South West Regional Forensics Services is a partnership with Avon and Somerset Police, Wiltshire Police and Devon and Cornwall Police as the lead Force. There are bases in all four Forces, with each force employing a number of staff. The Force cost for the year was £3,864k. 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%.

26.3.3 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%.

26.3.4 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%.

26.3.5 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 26 Related Party Transactions, Commissioning, Partnerships and Collaborations Continued

26.4 Other Public Bodies

Most of the revenue to pay for the costs of policing comes from government grants co-ordinated nationally. District councils, borough councils and unitary authorities collect the balance by charging their council tax payers a police precept. The amounts collected (adjusted for surpluses or shortfalls collected for previous years) are shown below.

31 March 2020		31 March 2021
£'000	Billing Authority	£'000
35,069	Dorset Council	35,705
32,718	Bournemouth, Christchurch & Poole	34,617
67,787		70,322
(945)	Adjusted for accruals	(1,292)
66,842		69,030

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

Note 27 Contingent Liabilities

27.1 Pension Guarantee

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

27.2 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 28 Capital Expenditure and Financing

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

2019/20			2020/21	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
30,225	30,225	Opening Capital Financing Requirement	30,802	30,802
		Capital Investment:		
941	941	Land and buildings	2,547	2,547
0	1,157	Vehicles and Other Transport	0	1,772
0	4,702	Plant, Equipment and ICT	0	3,216
0	42	Intangible Assets	0	0
121	3,715	Revenue Expenditure Funded from Capital Under Statute	113	5,739
9,495	0	Intra-Group Transaction	10,614	0
10,557	10,557		13,274	13,274
		Less Sources of Finance:		
(421)	(4,336)	Government Grants	0	(5,967)
(121)	(684)	Capital Receipts	(113)	(234)
0	(530)	Borrowing: Minimum Revenue Provision	0	(110)
0	0	Finance Lease: Minimum Revenue Provision	0	(46)
(2,635)	(2,635)	PFI/Loan Charge: Minimum Revenue Provision	(2,754)	(2,754)
0	0	PFI Adjustment	(2,148)	(2,148)
0	(1,795)	Reserves and Provisions	0	(3,014)
(6,803)	0	Intra-Group Transaction	(9,258)	0
(9,980)	(9,980)		(14,273)	(14,273)
30,802	30,802	Closing Capital Financing Requirement	29,803	29,803
		Represented by:		
26,940	26,940	PFI and Other Long Term Liabilities	23,499	23,499
3,744	3,744	Internal Borrowing	6,232	6,232
118	118	Finance Lease Liabilities	72	72
30,802	30,802		29,803	29,803
		Borrowing During the Year		
0	0	External Borrowing	0	0
(2,124)	(2,124)	PFI and Other Long Term Liabilities	(3,441)	(3,441)
2,583	2,583	Internal Borrowing	2,488	2,488
118	118	Finance Lease	(46)	(46)
577	577		(999)	(999)

Note 29 Office of the Police and Crime Commissioner

2019/20		2020/21
£'000	Office of the Police and Crime Commissioner	£'000
12	Independent members and advisors costs	12
130	Police and Crime Commissioner including reimbursements	139
835	Statutory and other OPCC staff	783
256	Other costs	976
0	Income	(657)
1,233	Sub-total	1,253
268	Pension costs	201
4	Accumulated Absence	11
0	Revenue Contribution to Capital	(25)
0	Transfer to/(from) reserves	(160)
2,703	Depreciation	853
4,208	Total	2,133

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

2019/20		2020/21
£'000	Police and Crime Commissioner	£'000
79	Salary, Fees and Allowances	81
0	Benefits in Kind	0
79	Total excluding pension contributions	81
11	Employer's Pension	12
90	Total	93

Note 30 Operating Leases

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

31 March 2020		31 March 2021
£'000		£'000
230	Not later than one year	224
740	Later than one year and not later than five years	704
1,313	Later than five years	1,485
2,283		2,413

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

31 March 2020		31 March 2021
£'000		£'000
214	Minimum lease payment	172
214		172

Note 31 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and staff, the Police and Crime Commissioner Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. The Police and Crime Commissioner Group operates four pension schemes, three for police officers and one for police staff. All are defined benefits schemes, providing members with benefits based on their pensionable pay and length of service. The disclosures on pensions use specialist terminology. Definitions are provided in the glossary. The police officer pension's disclosures below apply to the Group Accounts only, this is because all of the police officers are under the control of the Chief Constable and for this reason there are no charges to the Police and Crime Commissioner single entity accounts other than the intra-group transfers.

The Chief Constable along with other Chief Constables and the Home Office currently has 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 31 Defined Benefit Pension Schemes Continued

31.1 Police Officer Schemes

31.1.1 Participation in Pension Schemes

From 1 April 2015 both the 1987 and 2006 Police Officers' pension schemes were replaced by a new scheme with 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 Group's and employee's (police officers) contributions. Any deficit is met by the Home Office in the form of a top up grant. The Group's and the employee contributions are paid into a separate Police Officers' Pension Fund Account.

Police Pension Fund Regulations require Police and Crime Commissioners to transfer a sum not exceeding the amount that the Police Pensions Fund is in deficit at 31 March from the Police and Crime Commissioner's General Fund 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 Group makes payments under the Police Injury Benefits Regulations. These payments are accounted for in the same way as payments under the main police officer pension scheme. The independent actuary has estimated the costs and they are included within Police Officers scheme disclosure.

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

2019/20 £'000		2020/21 £'000
(1,439,638)	Opening balance at 1 April	(1,349,345)
(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
(1,349,345)	Closing balance at 31 March	(1,725,922)

31.1.3 Transactions relating to Retirement Benefits

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

Note 31 Defined Benefit Pension Schemes Continued

2019/20 £'000	Comprehensive Income and Expenditure Account	2020/21 £'000
	Cost of Services	
35,063	Current service cost	29,596
(5,642)	Past service cost	0
	Financing and Investment Income and Expenditure	
34,089	Net interest expense	31,244
63,510	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	60,840
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	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
(51,559)	Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statements	416,397
	Movement In Reserves Statement	
(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)
	Actual amounts charged against the General Fund Balance for pensions in the year:	
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.

31.1.4 Impact on the Police and Crime Commissioner's Cashflow

The liabilities show the underlying commitments that arise from the fact that the Police and Crime Commissioner 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 Group as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Police and Crime Commissioner remains healthy, 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. 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.

Note 31 Defined Benefit Pension Schemes Continued

31.1.5 Basis for Estimating Assets and Liabilities

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

The Police Officer Pension Scheme liabilities have been estimated by Barnett Waddingham 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
	Longevity at 65 for current pensioners:	
21.6	Men	21.1
23.7	Women	23.3
	Longevity at 65 for future pensioners:	
23.3	Men	22.3
25.5	Women	24.8
	Financial Assumptions:	
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 31 Defined Benefit Pension Schemes Continued

31.2 Police Staff Scheme

31.2.1 Participation in Pension Schemes

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

31.2.2 Transactions Relating to Retirement Benefits

The Group recognises the cost of retirement benefits for police staff in the reported cost of services when they are earned by police staff, rather than when the benefits are eventually paid as pensions. However, the charge that is 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		Comprehensive Income and Expenditure Account	2020/21	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
		Cost of Services		
		Service cost comprising:		
281	13,328	• Current service cost	338	16,709
0	0	• Past service cost	12	588
115	5,518	• (Gain)/loss from settlements	0	0
3	137	• Administration Expenses	3	127
		Financing and Investment Income and Expenditure		
64	3,031	Net interest expense	58	2,927
463	22,014	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	411	20,351
		Other Post-Employment Benefits Charged to Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
484	22,928	• Return on plan assets (excluding the amount included in the net interest expense)	(729)	(36,065)
(140)	(6,647)	• Actuarial (gains) and losses arising on changes in demographic assumptions	(61)	(3,039)
(762)	(36,124)	• Actuarial (gains) and losses arising on changes in financial assumptions	2,003	99,183
315	0	Apportionment Adjustment	(219)	0
(2)	(92)	Other Actuarial Gains/Losses	0	0
(61)	(2,895)	Experience (gain)/loss on defined benefit obligation	(65)	(3,218)
297	(816)	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	1,340	77,212

Note 31 Defined Benefit Pension Schemes Continued

2019/20		Movement in Reserves Statement	2020/21	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(463)	(22,014)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(411)	(20,351)
Funded Liabilities			Funded Liabilities	
PCC £'000	PCC Group £'000	Actual amount charged against the General Fund Balance for pensions in the year:	PCC £'000	PCC Group £'000
125	5,913	Employers' contributions payable to scheme	141	6,983
Unfunded Liabilities			Unfunded Liabilities	
PCC £'000	PCC Group £'000	Actual amount charged against the General Fund Balance for pensions in the year:	PCC £'000	PCC Group £'000
0	17	Retirement benefits payable to pensioners	0	18

31.2.3 Pension Assets and Liabilities recognised in the Balance Sheet

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

31 March 2020			31 March 2021	
PCC £'000	PCC Group £'000		PCC £'000	PCC Group £'000
(6,239)	(282,308)	Present value of the defined benefit obligation	(7,979)	(394,977)
3,708	167,927	Fair value of plan assets	4,250	210,385
(2,531)	(114,381)	Net liability arising from defined benefit obligation	(3,729)	(184,592)

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.

Note 31 Defined Benefit Pension Schemes Continued

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

31 March 2020			31 March 2021		
PCC	PCC Group		PCC	PCC Group	
£'000	£'000		£'000	£'000	
3,302	175,779	Opening fair value of scheme assets	3,708	167,927	
96	4,532	Interest income	70	3,483	
		Remeasurement gain/(loss):			
(484)	(22,928)	• The return on plan assets, excluding the amount included in the net interest expense	729	36,065	
572	0	Apportionment Adjustment	(316)	0	
(3)	(137)	Administration expenses	(3)	(127)	
125	5,930	Contributions from employer	141	7,001	
47	2,233	Contributions from employees into the scheme	54	2,668	
(113)	(5,371)	Benefits paid	(133)	(6,632)	
165	7,797	Settlement prices received/(paid)	0	0	
1	92	Other actuarial gains and (losses)	0	0	
3,708	167,927	Closing fair value of scheme assets	4,250	210,385	

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

31 March 2020			31 March 2021		
PCC	PCC Group		PCC	PCC Group	
£'000	£'000		£'000	£'000	
(5,658)	(296,906)	Opening balance at 1 April	(6,239)	(282,308)	
(281)	(13,328)	Current service cost	(338)	(16,709)	
(160)	(7,563)	Interest cost	(129)	(6,410)	
(47)	(2,233)	Contributions from scheme participants	(53)	(2,668)	
		Remeasurement gain/(loss):			
140	6,647	• Actuarial gains/(losses) arising from changes in demographic assumptions	61	3,038	
762	36,124	• Actuarial gains/(losses) arising from changes in financial assumptions	(2,003)	(99,183)	
61	2,895	• Experience gain/(loss) on defined benefit obligation	65	3,218	
(281)	(13,315)	Liabilities assumed/(extinguished) on settlements	0	0	
(887)	0	Apportionment Adjustment	535	0	
0	0	Past service cost including gains/(losses) on curtailments	(12)	(588)	
112	5,371	Benefits paid	134	6,633	
(6,239)	(282,308)	Closing balance at 31 March	(7,979)	(394,977)	

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 Police and Crime Commissioner's Group contribution to the Local Government Pension Scheme for the accounting period to 31 March 2022 is estimated to be £7.176m of which £0.145m is for the Police and Crime Commissioner. 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.

Note 31 Defined Benefit Pension Schemes Continued

31.2.6 Local Government Pension Scheme assets comprised

31 March 2020			31 March 2021	
PCC £'000	PCC Group £'000	Fair Value of Scheme assets	PCC £'000	PCC Group £'000
		Cash and cash equivalents		
1,930	83,656	UK Equities	2,286	113,181
201	9,515	Diversified Growth Fund	213	10,543
403	19,109	Gilts	477	23,608
290	13,739	Other Bonds	315	15,616
407	19,306	Property	390	19,285
245	11,603	Infrastructure	261	12,913
74	3,500	Cash	91	4,493
0	0	Secured Income Funds	21	1,060
158	7,499	Multi Asset Credit	196	9,686
3,708	167,927	Total	4,250	210,385

31.2.7 Basis for Estimating Assets and Liabilities

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

The liabilities have been estimated by Barnett Waddingham 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
	Long-term expected rate of return on assets in the scheme:	
2.35%	Equity investments	2.00%
2.35%	Bonds	2.00%
2.35%	Other	2.00%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.3	Men	23.1
24.7	Women	24.6
	Longevity at 65 for future pensioners:	
24.7	Men	24.4
26.2	Women	26.0
	Financial Assumptions:	
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 the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Note 31 Defined Benefit Pension Schemes Continued

31.2.8 Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
PCC		
Mortality age rating assumption (increase or decrease in 1 year)	336	(322)
Rate of increase in salaries (increase or decrease by 0.1%)	23	(23)
Rate of increase in pensions (increase or decrease by 0.1%)	165	(161)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(186)	190
PCC Group		
Mortality age rating assumption (increase or decrease in 1 year)	16,641	(15,941)
Rate of increase in salaries (increase or decrease by 0.1%)	1,160	(1,149)
Rate of increase in pensions (increase or decrease by 0.1%)	8,176	(7,979)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(9,191)	9,419

31.2.9 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.

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

The objectives of the scheme, as administered by Dorset Council, are to keep employer's contributions at as constant a rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 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/>

Note 32 Private Finance Initiatives

The majority of the borrowing balance shown in the Balance Sheet relates to two Private Finance Initiatives.

Payments made to support the schemes are as follows:

2019/20					2020/21			
Payment for Services	Reimb. of Capital Exp	Interest	Total		Payment for Services	Reimb. of Capital Exp	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
4,048	2,634	1,484	8,166	Payable within 1 year	3,809	2,721	1,496	8,026
16,782	10,809	9,285	36,876	Payable within 2 to 5 years	17,397	11,109	4,734	33,240
21,786	12,930	4,060	38,776	Payable within 6 to 10 years	22,279	12,305	3,520	38,104
16,034	9,874	1,338	27,246	Payable within 11 to 15 years	11,624	7,478	847	19,949
58,650	36,247	16,167	111,064	Total	55,109	33,613	10,597	99,319

Value of Assets under PFI Contract

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

	2019/20	2020/21
	£'000	£'000
Balance outstanding at start of year	(27,978)	(25,974)
Payments during the year	2,515	2,634
Capital Expenditure incurred in the year	(511)	(1,461)
Adjustment to the liability	0	2,148
Balance outstanding at year-end	(25,974)	(22,653)

A review of the PFI liability identified that the liability was overstated by £2.148m as the proceeds from the sale of land transferred to the operator had not been deducted from the liability at the outset of the arrangement. The 2020/21 liability balance includes this adjustment.

Payments

An agreed payment (or unitary charge) is made each year which comprises both fixed and variable elements. Payments remaining to be made under the service concession contract at 31 March 2021 are as follows:

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

2019/20		2020/21
£'000	Assets	£'000
13,694	Opening Balance	15,128
511	Additions/Development/Lifecycle	1,488
1,157	Revaluations	(1,937)
(234)	Depreciation	(242)
15,128	Closing Balance	14,437



DORSET
POLICE & CRIME
COMMISSIONER
DAVID SIDWICK

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

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% 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.



DORSET
POLICE & CRIME
COMMISSIONER
DAVID SIDWICK

Glossary

Glossary

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

Glossary Continued

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

Glossary Continued

Fixed Assets	Something of practical use that can be measured in cash terms, e.g. land and buildings, or computer and radio equipment.
FVOCI	Classification of Financial asset. FVOCI stands for, Fair Value through other Comprehensive Income.
FVPL	Classification of Financial asset. FVPL stands for, Fair Value through profit or loss.
International Financial Reporting Standards (IFRS)	Accounting standards issued by the International Accounting Standards Board and from which the CIPFA code of Practice on Local Authority Accounting is derived.
Home Office Grant	A central government grant paid by the Home Office to Police and Crime Commissioner's in support of their day to day expenditure.
Impairment	A loss in the value of a fixed asset, caused by physical damage (such as a major fire) or a significant reduction in market value.
Intangible Asset	An identifiable asset that has no physical substance can be measured reliably and is used for a period of more than one year.
Interest Cost	The expected increase during the period in the present value of the scheme liabilities because members of the scheme are one year closer to retirement. This is charged to net operating expenditure.
LAAP	Local Authority Accounting Panel sets accounting rules for the public sector.
Loans and Receivables	These occur when money, goods or services are provided to a debtor and payment or repayment will be by fixed determinable payments. Such arrangements are not normally tradable.
Medium Term Financial Strategy	Often referred to as MTFS, it is the financial plan and management of funding, spending and savings over a four year period.
Mid-Price	A valuation of financial assets based on the mid-point between bid and offered prices.
Minimum Revenue Provision	The minimum amount of the Police and Crime Commissioner's outstanding financing commitments that must be charged to the General Fund each year.
Non Distributed Costs (NDC)	For the Police and Crime Commissioner these are principally past service costs relating to pensions benefits earned in prior periods.
Non-Operational Assets	Fixed assets that are not used to deliver direct services. For example, police houses, or assets that are still being built or are no longer used and about to be sold.
Past Service Cost	The increase in the benefits earned by employees from their service in previous years arising because of improved retirement benefits. These costs are paid directly by the employer and are charged to the net cost of services.
Pension Commutation	Commutation is where part of the entitlement to a pension for life is exchanged for a lump sum payable on retirement. This requires a calculation of the current value of the entitlement given up. The calculation is done using actuarial advice. The advice is set out in tables containing 'factors'. The level of the factors depends on age and life expectancy.
Pension Scheme (Defined Benefit)	A pension scheme that pays benefits to members based on the rules of the scheme and not on the value of the pension fund. Benefits are usually based on pay and length of service.
Pension Scheme (Funded)	Each year both employers and members pay standard contributions that are invested in a separate pension fund. Benefits to contributors and their dependants are paid out of investments held in the fund.
Pension Scheme (unfunded)	Members pay a standard contribution each year. The employer then pays the cash difference between members' annual contributions and the annual cost of benefits to contributors and their dependants.

Glossary Continued

Precept	A levy collected by District and Unitary Councils from council taxpayers on behalf of the Police and Crime Commissioner.
Present value (or Net Present Value)	The amount of money that must be put aside today to pay for a cost in the future, allowing for inflation and interest rates.
Principal	The amount of a loan that was actually borrowed, before interest is added.
Provisions	Amounts set aside to meet costs that are likely to be incurred, but where the actual amount and timing are uncertain.
Related Parties	Individuals or other bodies who have significant control and influence over the financial and operating policies of an entity.
Reserves	Amounts set aside to meet the cost of specific future expenditure. The Police and Crime Commissioner plans its reserves as part of a four year strategy.
Revaluation Reserve	The Reserve records the accumulated gains on the fixed assets held by the Police and Crime Commissioner arising from increases in value. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.
Revenue Support Grant (RSG)	A general central government grant paid to the Police and Crime Commissioner, as well as the Home Office Grant, to support its day to day expenditure.
Running Costs	Costs from the use of premises, transport and equipment, and other general expenditure needed to provide a service.
Specific Grants	Grants (usually from the Home Office) that can only be spent on named services and projects.
Statement of Standard Accounting Practice	Guidance issued by the Financial Reporting Council (FRC) on how to use and apply accounting standards.
Termination Benefits	These are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits excluding any voluntary early retirements.
Third Party Payments	Payments made to outside contractors and other bodies who provide specialist or support services to the Police and Crime Commissioner.