



# Annual Accounts 2013/2014

Dorset Police





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# **AUDIT OPINION**

## **Independent auditor's report to the Dorset Police Chief Constable**

We have audited the financial statements of the Chief Constable for Dorset for the year ended 31 March 2014 on pages 9 to 11 and 13 to 26. 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 2013-14.

This report is made solely to the Chief Constable for Dorset in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Chief Constable for Dorset those matters we are required to state 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 Chief Constable for Dorset for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Finance 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2014 and of the Chief Constable's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

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

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

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- the annual governance statement set out on pages 27 to 36 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

#### **The Chief Constable's responsibilities**

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how he secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and

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effectiveness in the use of resources for the year ended 31 March 2014.

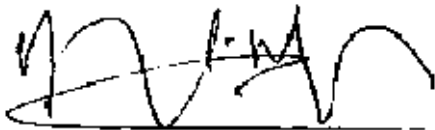
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Corporation Sole of the Chief Constable had put in place proper arrangements to secure economy,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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects the Dorset Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ending 31 March 2014.

### **Certificate**

We certify that we have completed the audit of the financial statements of the Dorset Chief Constable in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

A handwritten signature in black ink, appearing to read 'H. Mears', written over a horizontal line.

**Harry Mears**

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

Chartered Accountants

Dukes Keep, Marsh Lane

Southampton

**30 September 2014**

# **FOREWORD TO THE ACCOUNTS**

## **Introduction**

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament representing a significant shift in the way the police in England and Wales are governed and held accountable.

From midnight on the 21st November 2012 Dorset Police Authority ceased to exist as the legal entity responsible for Policing in Dorset. The successor organisation is the Police and Crime Commissioner for Dorset (PCC Dorset) and the Chief Constable has also become a legal entity, responsible for the Dorset Police Service. All assets, liabilities and staff transferred from the Police Authority to the Police and Crime Commissioner on the 22 November 2012.

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

These are the second Statutory Accounts to be prepared under the new arrangements. All the financial transactions incurred during 2013-14 for policing Dorset have been recognised and recorded within the accounts for the Police and Crime Commissioner for Dorset, which sets out the overall financial position of PCC Dorset and Group accounts incorporating the Chief Constable for the year ended 31 March 2014. The Group position 'PCC Dorset Group' reflects the consolidated accounts of the Police and Crime Commissioner for Dorset and its subsidiary Chief Constable accounts. Where the Group position differs from PCC Dorset position this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

This Foreword provides an overview of the new accounting arrangements and outlines the financial performance of PCC Dorset and PCC Dorset Group during 2013-14.

## **The Statement of Accounts**

The 2013-14 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2013-14.

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

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

The accounts also reflect the Government's intention to phase in the reforms over a number of years. The accounting arrangements between PCC Dorset and the Chief Constable during the first phase of the transition are such that PCC Dorset is responsible for the finances of

## **FOREWORD TO THE ACCOUNTS**

the whole Group and controls the assets, liabilities and reserves which were transferred from the Dorset Police Authority on 22 November 2012. PCC Dorset receives all income and funding and makes all the payments for the Group from the Police Fund. In turn the Chief Constable fulfils its functions under the Act within an annual budget set by PCC Dorset in consultation with the Chief Constable. A scheme of delegation is in operation between the two bodies determining their respective responsibilities during this first phase, as well as local arrangements in respect of the use of PCC Dorset assets and staff. The second stage transfer took place on 1 April 2014 and results in a split of assets, liabilities and staff between PCC Dorset and the Chief Constable. This will be reflected in the 2014-15 Statutory Accounts.

### **Changes since 2012-13**

The transition was accounted for in line with the CIPFA code of Practice for Local Authority Accounting 2012-13 and Police LAAP bulletin 95 Accounting for the impact of Police Reform – the accounting arrangements for the transfer of functions to the Police and Crime Commissioner. Following the guidance included in FRS 6 – acquisitions and mergers, the creation of the PCC Group on the 22 November 2012 has been accounted for using merger accounting principles. These assume that the new corporate entities came into existence at the start of the year in which the transfer was made. As such the PCC Dorset Accounts and Chief Constable's accounts cover the period 1 April 2013 to 31 March 2014 with comparators for the 2012-13 financial year.

Since the preparation, audit and publication of the 2012-13 accounts of police bodies, there have been significant developments which impact on the preparation of 2013-14 accounts. Guidance issued by CIPFA in March 2014 LAAP bulletin 98A - Closure of the 2013-14 Accounts in the Single Entity Financial Statements of Police and Crime Commissioner and Chief Constable and further a Audit Commission briefing in April 2014 have been reflected in the accounts for 2013-14. There have been no significant changes in the PCC group accounts but there have been changes in the Chief Constable accounts which have been reflected in these statutory financial statements.

### **Operating Cost Statement (note 6)**

The Chief Constable (CC) is not the legal employer of any officers or staff nor have they entered into any financial transactions during 2013-14. However, when applying substance over form it is considered that the CC does have delegation and control of officers and staff. As such an operating cost statement has been included in the CC's accounts to reflect the staff costs of policing, supplies and services consumed together with a charge in respect of the assets used. The Operating Cost Statement shows the net cost of providing police services in line with SeRCOP definitions and excluding the costs of administering the PCC. The net costs of providing police services are met by an intergroup transfer from the PCC who receives all funding and controls all financial reserves including the general fund. This transfer is made to meet the cost of resources consumed by the CC in meeting operational policing responsibilities and results in a net nil cost of policing for the CC.

### **Balance Sheet**

The accounting recognition of assets, liabilities and reserves during the first period of transition reflects the powers and responsibilities of the PCC as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the police service in England and Wales 2012. On the transition date of 22 November 2012 all the assets, liabilities and reserves of the former Police Authority were transferred directly to the PCC and pending the formal agreement of any transfers to the CC are deemed to rest under the PCC's control. As such the CC currently holds no reserves and

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does not receive any government funding or income from other sources. All payments for the group are made by the PCC and no cash movements are made between the PCC and CC. The PCC has the responsibility for managing the financial relationship with third parties and has the legal responsibility for discharging the contractual terms and conditions of suppliers.

### **Revenue Budget**

In February 2013 the Police and Crime Commissioner set the revenue budget for 2013-14 at £114.3 million. As part of efforts to tackle the national deficit, the Government announced significant spending cuts in October 2010 in its Comprehensive Spending Review (CSR). As a result, Government funding for the police service in Dorset for 2013-14 was cut by £1.03 million, representing a reduction on the previous years police funding of 1.6%. Additionally, the Council Tax Freeze Grant received for 2012-13 (£1.6M) was not continued, taking grant reductions to £2.6 million. Over the CSR to 2014-15 the overall grant reduction results in the need to reduce costs by £22.5 million from an annual budget of £114.3 million. The Band D council tax was increased by 1.95% to £183.51. The Policing share of the average council tax bill for the year was about 11%.

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

Actual spending for the year was £114.4 million compared to the funding of £114.3 million.

Savings were achieved during the year in respect of employee costs due to the recruitment freeze, strict financial controls on all spending and additional income.

The main variations were:

- Employee costs were lower than budgeted by £800k due to primarily to increased number of leavers and secondment outside of Dorset Police.
- Estates have delivered savings of £161k on utilities costs, partly as a result of the mild winter.
- Further savings were realised during the year in other non staff areas in transport and goods and services this included lower than expected fuel prices and continued savings on the purchase of equipment.
- These savings were re-invested into a number of areas:-
  - One-off projects in 2013-14 and 2014-15 to enhance service delivery and generate future efficiencies;
  - Contribution to Capital Reserves of £1M to meet unfunded liabilities within the capital programme
  - Additional payment of £1.4M into the Local Government Pension Fund towards the past service deficit which stood at £5.8M at the time of the 2013 actuarial valuation. This will facilitate on-going revenue budget savings.
- A Major Operations Reserve (£1.2M) was also created during the year to cover the potential costs of major operations which would not be covered by the Bellwin Scheme or similar government funding. This was funded partly from the Insurance Reserve and partly from General Balances.

Overall, the revenue outturn position shows an overspend of £123k, which results in a decrease in general balances.

## FOREWORD TO THE ACCOUNTS

### **Other Information**

The accounts are prepared in accordance with the Accounts & Audit Regulations 2011 including the Annual Governance Statement on pages 27-36, the Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

The year ended 31 March 2014 is the forth year in which Financial Statements for Dorset Police and Crime Commissioner have been prepared on an IFRS basis.

The accounts that follow show the Dorset Chief Constable's financial outturn for the year 2013-14. The accounts comprise: -

- the comprehensive income and expenditure account with the actual expenditure for 2012-13;
- the balance sheet, which shows the assets and liabilities of the Chief Constable;
- the movement in reserves statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year split between usable and unusable reserves;
- the cash-flow statement, which shows the sources and applications of the CC's funds during the year;
- the notes to the above Core Statements, which provide further explanations and disclosures relating to the accounts.

These Accounts have been audited by the External Auditor, and his opinion will be shown on pages 2-4. I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Dorset Chief Constable as at 31 March 2014, and its income and expenditure for that year.



John Jones CPFA  
Chief Finance Officer to the Chief Constable

30 September 2014

# ACCOUNTING POLICES

## **1. Introduction**

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

## **2. Accounting Conventions**

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

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

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

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

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

prior period presented, and restating them as if the new accounting policy had always been applied.

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

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

## **4. Prior Period Adjustments**

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

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

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

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

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

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

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

All grants and contributions are realised in the Comprehensive Income & Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled in accordance with IAS 20.

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### **7. Interest**

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

### **8. Investments**

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

### **9. Overheads**

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

### **10. Pensions**

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

Liabilities in relation to retirement benefits were recognised only when employer's contributions became payable to the pension fund. IAS19 better reflects our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The overall amount to be met from Government grants and local taxpayers remains unchanged, but the costs reported for individual services are adjusted by the difference between the employer's contributions and the current service costs defined under IAS 19. This adjustment is reversed in the Movement in Reserves Statement.

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

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

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

### **11. Reserves**

A number of earmarked reserves have been established in the PCC's accounts to meet future expenditure. These include capital reserves relating to particular projects and reserves to smooth irregular expenditure. New reserves have also been established with the transition to IFRS, due to the change in accounting policy for grants and other contributions. The CC holds no Reserves.

### **12. Cash and Cash Equivalents**

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

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

In the application of the CC's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual

## ACCOUNTING POLICES

results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

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

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

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

## **STATEMENT OF RESPONSIBILITIES**

### **The Chief Finance Officer is responsible for: -**

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

## **FURTHER INFORMATION**

This report concentrates on the financial aspect of the Chief Constable. Details of organisational and operational matters are contained in the free newspaper 'A Safer Dorset', published annually in the summer and distributed to most households in Dorset. Copies can be obtained from the Chief Constable, Police HQ, Winfrith, Dorset, DT2 8DZ, or viewed in most public libraries in Dorset. The Force's Corporate Governance Policy, the Annual Policing Plan, and Best Value Review reports are all available on the Dorset Police web-site, which can be visited at [www.dorset.police.uk](http://www.dorset.police.uk)

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

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

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

### **Questions and Comments**

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

### **Complaints**

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

## CHIEF CONSTABLES'S COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This page shows the Comprehensive Income and Expenditure Account of the Chief Constable

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

2012-13 Net Spending £'000		2013-14 Net Spending £'000
	<b>Division of Service</b>	
44,032	Local Policing	46,385
14,575	Dealing with the Public	12,684
11,334	Criminal Justice Arrangements	10,484
2,919	Road Policing	2,413
8,517	Specialist Operations	7,886
5,836	Intelligence	6,200
21,210	Specialist Investigation	20,217
5,310	Investigative Support	3,122
3,225	National Policing	394
0	Corporate and Democratic Core	0
91	Non Distributed Costs	0
117,049	<b>Total financial resources of the PCC utilised at the request of the Chief Constable</b>	109,785
(117,049)	Inter-group adjustment	(109,785)
0	<b>Net cost of Police Services</b>	0
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	
39,284	Pensions Interest Cost & Expected Return on Assets	41,826
34,851	Pension Top Up Grant Expenditure	37,333
(34,851)	Pension Top Up Grant Income	(37,333)
39,284	<b>Total Finance</b>	41,826
39,284	<b>Deficit for the year</b>	41,826
30,633	Actuarial Loss on Pension Fund Assets & Liabilities	9,678
(69,917)	Inter- group adjustment actuarial gain / loss on pensions	(51,504)
0	<b>Total Comprehensive Income &amp; Expenditure</b>	0

## CHIEF CONSTABLE'S BALANCE SHEET

This Balance Sheet is a record of the financial position of the Chief Constable as at 31 March 2014, with comparative figures for 31 March 2013. The Chief Constable does not hold any reserves at the year end as these are accounted for in the Police and Crime Commissioner financial statements.

31 March 2013		Notes	31 March 2014	
£'000	£'000		£'000	£'000
0			0	
	<b>Intangible Assets</b>			
	<b>Tangible Fixed Assets</b>	11		
	Operational Assets			
0	Land & Buildings		0	
4,835	Vehicles, Plant & Equipment		5,573	
	Non-operational Assets			
0	Surplus assets, held for disposal		0	
				5,573
	<b>Current Assets</b>			
437	Inventories	12	510	
8,445	Debtors & Payments in advance	13	11,839	
1,824	Accumulated Absences Inter-group Debtor		1,112	
944,832	Pensions Inter-group Debtor		996,538	
0	Temporary Investments		0	
0	Cash and Cash Equivalents		0	
955,538			1,009,999	
	<b>Current Liabilities</b>			
(8,790)	Creditors & Receipts in advance	14	(11,409)	
(1,824)	Accumulated Absences	16	(1,112)	
(10,614)			(12,521)	
	<b>Net Current Assets</b>			997,478
944,924				
949,759	<b>Total Assets less Current Liabilities</b>			1,003,051
0	Long Term Liabilities			0
(4,853)	Inter-group creditor			(5,900)
(74)	Provisions	15		(613)
(944,832)	Pensions Asset / (Liability)	17		(996,538)
0	<b>Total Net Assets / (Liability)</b>			0

## CHIEF CONSTABLE'S MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Accumulated Absences Account	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2012	0	0	0	0	0	0	0	0	0	0	0
<b>Movement in reserves during 2012-13</b>											
(Surplus) / Deficit on Provision of Services	36,398				36,398					0	36,398
<b>Other Comprehensive Income &amp; Expenditure</b>											
Revaluation Losses / (Gains)							0	0		0	0
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities											0
	36,398	0	0	0	36,398	0	0	0	0	0	36,398
<b>Adjustments between accounting basis and funding basis under regulations</b>											
Charges for depreciation & impairment of non-current assets	0				0		0		0	0	0
Net Gain / (Loss) on disposal of non current assets	0		0		0				0	0	0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(36,398)				(36,398)			36,398		(36,398)	0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	0				0	0		(36,398)		(36,398)	0
Other comprehensive income and expenditure IAS19	0				0				0	0	0
Statutory provision for financing of capital investment	0				0				0	0	0
Voluntary provision for repayment of debt	0				0				0	0	0
Capital Expenditure charged to the General Fund Balance	0				0				0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	0				0			0		0	0
Usable Capital Receipts funding revenue income from finance leases	0				0				0	0	0
Transfer Capital Grants to Capital Adjustment Account	0				0				0	0	0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	0				0						0
<b>Total Adjustments</b>	(36,398)	0	0	0	(36,398)	0	0	0	0	0	(36,398)
Transfer to Capital Grants Unapplied Reserves					0					0	0
Net transfer to / (from) Earmarked Reserves	0	0	0		0					0	0
Other transfers			0		0					0	0
Transfer between Capital Reserves and Earmarked Reserves	0	0	0	0	0	0	0	0	0	0	0
<b>Total Transfers</b>	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in year											
Balance as at 31 March 2013	0	0	0	0	0	0	0	0	0	0	0

## CHIEF CONSTABLE'S MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Capital Accumulated Absences Account	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2013</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Movement in reserves during 2013-14</b>												
(Surplus) / Deficit on Provision of Services	41,826				41,826						0	41,826
<b>Other Comprehensive Income &amp; Expenditure</b>												
Revaluation Losses / (Gains)							0	0			0	0
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities												0
	41,826	0	0	0	41,826							41,826
<b>Adjustments between accounting basis and funding basis under regulations</b>												
Charges for depreciation & impairment of non-current assets	0				0		0		0		0	0
Net Gain / (Loss) on disposal of non-current assets	0		0		0				0		0	0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(41,826)				(41,826)			41,826			41,826	0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements						0						0
Other comprehensive income and expenditure IAS 19	0				0			(41,826)	0		(41,826)	(41,826)
Statutory provision for financing of capital investment	0				0				0		0	0
Voluntary provision for repayment of debt	0				0				0		0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	0				0			0			0	0
Usable Capital Receipts funding revenue income from finance leases												0
Transfer Capital Grants to Capital Adjustment Account	0				0				0		0	0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	0				0							0
<b>Total Adjustments</b>	(41,826)	0	0	0	(41,826)		0	0	0	0	0	(41,826)
Transfer from Capital Grants Unapplied to CAA												0
Net transfer to / (from) Earmarked Reserves	0	0			0						0	0
Other transfers												0
Transfer between Capital Receipts Reserve and Capital Adjustment Account			0		0				0		0	0
Transfer between Capital Reserves and Earmarked Reserves	0	0	0	0	0		0	0	0	0	0	0
<b>Total Transfers</b>	0	0	0	0	0		0	0	0	0	0	0
(Increase) / Decrease in year	0	0	0	0	0		0	0	0	0	0	0
<b>Balance as at 31 March 2014</b>	0	0	0	0	0		0	0	0	0	0	0

## CHIEF CONSTABLE'S CASH FLOW STATEMENT

2012-13			2013-14	
£'000	£'000	39	£'000	£'000
		<b>Operating Activities</b>		
		Cash Outflows		
142,543		Cash paid to or on behalf of employees	128,269	
33,668		Other operating costs	25,795	
	176,211			154,063
		Cash Inflows		
0		Precept - Council Tax income	0	
0		Non-Domestic Rate income	0	
0		Revenue Support Grant	0	
0		Home Office Grants	0	
0		Cash received for goods and services	0	
	0			0
	176,211	Operating Activities Net Cash Flow		154,063
		<b>Servicing of Finance</b>		
		Cash Outflows		
0		Interest paid	0	
		Cash Inflows		
0		Interest received	0	
	0			0
		<b>Investing Activities</b>		
		Cash Outflows		
0		Purchase of fixed assets	0	
		Cash Inflows		
0		Sale of fixed assets	0	
0		Capital Grants received	0	
	0			0
		<b>Management of liquid resources</b>		
0		Short Term Lending	0	
0		Short Term Loans Repaid	0	
		<b>Financing</b>		
0		Short Term Borrowing	0	
0		Short Term Borrowing Repaid	0	
	0			0
	176,211	<b>Net cash inflow / outflow</b>		154,063
		<b>Other Movements</b>		
	(176,211)	Adjustment for net surplus or deficit on provision of services		(154,063)
	0	<b>Net (increase) / decrease in cash</b>		0

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **1. GENERAL**

The general principles adopted in compiling the accounts of the DPCC are in accordance with the recommendations of CIPFA. They accord with CIPFA's Code of Practice on Local Authority Accounting 2013-14, the Service Reporting Code Practice (SeRCOP) 2013-14 and the Accounts and Audit Regulations 2011 and are based on the following standards:

Following the introduction of the Police Reform and Social Responsibility Act 2011 and the Home Office guide to financial management code of practice for the police service for England and Wales, Dorset Police Authority was replaced by two corporate entities being the Police and Crime Commissioner for Dorset (PCC) and the Dorset Police Chief Constable (DPCC). Both entities have prepared a statement of accounts for the year 1 April 2013 to 31 March 2014 based on consistent accounting policies.

## **2. COST RECOGNITION**

All expenditure is currently funded by and recognised in the accounts of the PCC Group. This includes the salaries and wages of both police officers and staff. There are no actual cash transactions between the PCC and the DPCC. Costs that are recognised within the DPCC accounts reflect the use of resources and the economic benefit in providing a service to the PCC.

## **3. REVENUE TRANSACTIONS**

Revenue transactions are recorded on an accruals basis. This means that income is recorded in the accounts when it becomes due, rather than when it is received, and the outstanding amounts are included as debtors. Expenditure is included in the accounts when the goods or services are received or supplied and any outstanding amounts are included as creditors.

## **4. VAT**

The OCC does not submit a Value-Added Tax return to HMRC as this is submitted as a single return for the group by the PCC. Expenditure and income in the DPCC's operating cost statement excludes VAT

## **5. PENSION BENEFITS**

There are different pension arrangements for police officers and for police staff. In both cases pensions and other benefits are paid to retired staff which relate to the individual's length of service.

Until 31 March 2006 retired police officers were paid their pensions from the contributions received each year. However, from 1 April 2006, although the PCC makes the payments and collect the contributions, responsibility for the cost of these payments has transferred to the Government.

Police staff including PCSO's are part of the Local Government Pension Scheme, in which case, the PCC and the staff in the scheme pay into the pension fund at agreed rates. When an individual retires the fund pays all the usual benefits. However, occasionally, extra costs have to be met when an employee retires early or retires due to ill health. These costs are charged to the operating cost statement.

Long term pension liabilities have been included fully within the balance sheet of the PCC as the liability to pay these costs is with the PCC. This is a requirement under IAS 19 – Employee benefits. The police pension fund account and disclosures are shown in both the PCC and DPCC accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. OPERATING COST STATEMENT

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

<b>2012-13 Net Spending</b>		<b>2013-14 Net Spending</b>
£'000	<b>Division of Service</b>	£'000
44,032	Local Policing	46,385
14,575	Dealing with the Public	12,684
11,334	Criminal Justice Arrangements	10,484
2,919	Road Policing	2,413
8,517	Specialist Operations	7,886
5,836	Intelligence	6,200
21,210	Specialist Investigation	20,217
5,310	Investigative Support	3,122
3,225	National Policing	394
0	Corporate and Democratic Core	0
91	Non Distributed Costs	0
117,049	<b>Total financial resources of the PCC utilised at the request of the Chief Constable</b>	109,785
(117,049)	<b>Intra Group adjustment</b>	(109,785)
<u>0</u>	<b>Net Cost of Service</b>	<u>0</u>

### 7. STAFFING STATEMENT

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

<b>2012-13 In post</b>		<b>2013-14 In post</b>
1,286	Police Officers	1,218
892	Police Staff	897
138	Community Support Officers	147
<u>2,316</u>		<u>2,262</u>
209	Special Constabulary	214
100	Volunteers	160

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 8. REMUNERATION OF SENIOR STAFF

The PCC is required, under Part 3 of the Accounts & Audit (England) Regulations 2011 [SI 2011 No 817], to report the numbers of staff with remuneration in excess of £50,000 per annum, in multiples of £5,000. The figures below represent the amounts paid in each year taking account of starting and leaving dates where retiring staff have been replaced during the year, and include officers seconded to other Forces. The figures derive from gross pay and do not include employers pensions contributions.

2012-13		2013-14
71	£50,000 - £54,999	46
64	£55,000 - £59,999	47
9	£60,000 - £64,999	8
2	£65,000 - £69,999	5
2	£70,000 - £74,999	3
6	£75,000 - £79,999	2
5	£80,000 - £84,999	4
2	£85,000 - £89,999	3
4	£90,000 - £94,999	3
0	£95,000 - £99,999	1
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
1	£110,000 - £114,999	0
1	£115,000 - £119,999	1
0	£120,000 - £124,999	0
1	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
1	£150,000 - £154,999	1

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

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE PER YEAR (ENGLAND) 2012-13

Post Holder Information	Salary				Total Remuneration		
	(including fees and allowances)	Bonuses	Expenses Allowances	Benefits in Kind (Car Allowances)	Excluding Pensions Contributions	Pensions Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Constable Mr Martin Baker (until 30/09/2012)	114,865		1,878		116,743		116,743
Chief Constable Miss Debbie Simpson (from 01/10/2012)	69,462		1,132		70,594	16,580	87,174

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE PER YEAR (ENGLAND) 2013-14

Post Holder Information	Salary				Total Remuneration		
	(including fees and allowances)	Bonuses	Expenses Allowances	Benefits in Kind (Car Allowances)	Excluding Pensions Contributions	Pensions Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Constable Miss Debbie Simpson	149,120			4,528	153,648	35,628	189,276

## NOTES TO THE CORE FINANCIAL STATEMENTS

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2012-13

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration Excluding Pensions Contributions £	Pensions Contributions £	Total Remuneration £
Chief Superintendent (Crime and Criminal Justice)	88,660	1,000		4,130	93,790	19,278	113,068
Chief Superintendent (Territorial Policing)	87,667	500		3,625	91,792	19,280	111,072
Assistant Chief Constable (from 14/05/2012)	88,407			1,597	90,004	20,651	110,655
Chief Superintendent (Olympics)	88,181	500		0	88,681	19,030	107,711
Assistant Chief Officer	89,973			3,296	93,269	14,036	107,305
Chief Superintendent (Operational Support)	80,134	1,000		2,322	83,456	19,030	102,486
Director of Human Resources	81,906			4,190	86,096	12,777	98,873
Deputy Chief Constable (until 31/09/2012)	55,839			1,132	56,971	16,580	73,551
Deputy Chief Constable (from 01/10/2012)	56,634			853	57,487	12,966	70,453
Assistant Chief Constable (until 31/09/2012)	54,668			853	55,521	4,269	59,790
Chief Superintendent (Territorial Policing from 14/01/2013)	16,321			266	16,587	3,871	20,458
Assistant Chief Constable (until 10/05/2012)	12,050			642	12,692	2,823	15,515
	<b>800,440</b>	<b>3,000</b>	<b>0</b>	<b>22,906</b>	<b>826,346</b>	<b>164,591</b>	<b>990,937</b>

### SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2013-14

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration Excluding Pensions Contributions £	Pensions Contributions £	Total Remuneration £
Deputy Chief Constable	112,191		0	3,671	115,862	26,478	142,340
Chief Superintendent (Operational Support)	89,369			4,481	93,850	19,752	113,602
Chief Superintendent (Crime and Criminal Justice)	87,911	125		3,789	91,825	19,141	110,966
Assistant Chief Officer	90,498			5,400	95,898	14,389	110,287
Chief Superintendent (Territorial Policing)	82,402			6,131	88,533	18,108	106,641
Chief Superintendent (Crime and Criminal Justice)	82,037	125		4,475	86,637	18,058	104,695
Chief Superintendent (Seconded to HMIC)	81,832	500		564	82,896	19,141	102,037
Director of Human Resources	82,384			4,513	86,897	13,099	99,996
Assistant Chief Constable (from 22/07/2013)	70,106			3,882	73,988	16,380	90,368
Deputy Chief Constable (until 24/08/2013)	45,063			4,449	49,512	0	49,512
Chief Superintendent (until 21/4/13)	8,787				8,787	1,110	9,897
	<b>832,580</b>	<b>750</b>	<b>0</b>	<b>41,355</b>	<b>874,685</b>	<b>165,656</b>	<b>1,040,341</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. EXIT PACKAGES & TERMINATION BENEFITS

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

Value of exit package	Number of Packages		2013-14 £'000
	Compulsory redundancies	Other departures	
Up to £20,000	0	5	72
£20,000 to £40,000	1	4	129
£40,000 to £60,000	0	2	97
<b>Total</b>	<b>1</b>	<b>11</b>	<b>298</b>

### 10. AUDIT FEES

Fees payable to the CC's external auditors, KPMG for 2013-14 relating to the year of account are as follows.

2012-13 £'000		2013-14 £'000
20	External Audit Services	20
<b>20</b>		<b>20</b>

### 11. PROPERTY, PLANT AND EQUIPMENT

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

	Intangible Assets	Operational Assets		Non-operational Assets		Total Assets
		Land and Buildings	Vehicles, Plant & Equipment	Under construction	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2013-14</b>						
Gross Book Value 1 April	-	-	38,637	-	-	38,637
Accumulated Depreciation	-	-	(33,802)	-	-	(33,802)
Net Book Value 1 April	-	-	4,835	-	-	4,835
Transfers	-	-	-	-	-	-
Additions	-	-	4,364	-	-	4,364
Disposals	-	-	(3,145)	-	-	(3,145)
Revaluations	-	-	-	-	-	-
Depreciation for the year	-	-	(3,587)	-	-	(3,587)
Impairment (non enhancing exp)	-	-	-	-	-	-
Depreciation on assets sold	-	-	3,106	-	-	3,106
Impairment	-	-	-	-	-	-
Net Book Value 31 March	<b>0</b>	<b>0</b>	<b>5,573</b>	<b>0</b>	<b>0</b>	<b>5,573</b>
<b>Asset Financing</b>						
Owned	-	-	5,573	-	-	5,573
Leased	-	-	-	-	-	-
PFI	-	-	-	-	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. INVENTORIES

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

2012-13 £'000		2013-14 £'000
184	Uniform Stocks	223
55	Fuel Stocks	50
130	Vehicle Parts	112
63	Stationery Stocks	110
0	Machine Consumable Stocks	0
5	Forensic Consumable Stocks	15
<u>437</u>		<u>510</u>

### 13. DEBTORS AND PAYMENTS IN ADVANCE

An analysis of the amounts due to the CC at 31 March 2014 is shown below. The accounts include a provision for potential bad debts.

2012-13 £'000		2013-14 £'000
4,529	Central Government Departments	6,279
742	Other PCC's and Local Authorities	723
3,174	Others	4,837
<u>8,445</u>		<u>11,839</u>

### 14. CREDITORS AND RECEIPTS IN ADVANCE

An analysis of the amounts owed by the CC at 31 March 2014 is shown below.

2012-13 £'000		2013-14 £'000
2,581	Central Government Departments	1,960
1,121	Other PCC's and Local Authorities	1,562
5,088	Others	7,887
<u>8,790</u>		<u>11,409</u>

### 15. PROVISIONS

The CC has made provision in respect of payments to officers who are in receipt of a Rent Allowance. It relates to the Compensatory Grant payable under their conditions of service, and is in respect of the additional tax liability payable in the following financial year. There is also a provision for time on cards that will be paid during 2014-15.

	Balance 2012-13 £'000	Income £'000	Expenditure £'000	Balance 2013-14 £'000
Taxation	74	0	22	52
Time on Cards	<u>0</u>	561	0	<u>561</u>
	<u>74</u>			<u>613</u>

### 16. ACCUMULATED ABSENCES ACCOUNT

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. RETIREMENT BENEFITS

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

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

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

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

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

2012-13		Local Government Pension Scheme	2013-14	
Male	Female		Male	Female
20.1	24.1	Years Retiring today	22.7	25.1
22.1	26.0	Retiring in 20 years	24.9	27.4

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

2012-13		Police Pension Scheme	2013-14	
Male	Female		Male	Female
21.6	24.2	Years Retiring today	21.7	24.3
23.5	26.0	Retiring in 20 years	23.6	26.1

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

2012-13			2013-14	
% of Assets	£'000		% of Assets	£'000
60%	58,161	Equities	57%	60,607
21%	20,357	Gilts	9%	9,569
0%	0	Bonds	10%	10,633
0%	0	Alternative Assets	4%	4,253
0%	0	Absolute Return Portfolio	4%	4,253
9%	8,725	Property	9%	9,569
5%	4,847	Cash	7%	7,443
5%	4,847	Target Return Portfolio	0%	0
	96,937	Estimated Assets in the LGPS		106,327
	142,843	Present value of liabilities in the LGPS		155,876
	107	Present value of unfunded liabilities		167
	142,950	Total value of LGPS liabilities		156,043
	(46,013)	Net Staff Pensions (Deficit)		(49,716)
	(898,816)	Estimated Liabilities in Police Pension Scheme		(946,822)
	(944,829)	Net Pensions (Deficit)		(996,538)

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012-13			2013-14	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
825,549	132,145	Opening defined benefit obligation	898,816	142,950
27,071	6,291	Current service cost	30,387	6,172
37,313	6,044	Interest cost	39,758	6,676
38,008	35	Change in financial assumptions	8,775	11,611
n/a	n/a	Change in demographic assumptions	n/a	(413)
n/a	n/a	Experience loss/(gain) on defined benefit obligation	n/a	(9,104)
0	0	Liabilities assumed/(extinguished) on settlements	0	0
(34,502)	(3,210)	Estimated benefits paid (net of transfers in)	(36,471)	(3,437)
30	31	Past service costs including curtailments	0	0
5,909	1,631	Contributions by scheme participants	6,119	1,598
(562)	(17)	Unfunded pension payments	(562)	(10)
898,816	142,950	Closing defined benefit obligation	946,822	156,043

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

2012-13			2013-14	
	LGPS £'000			LGPS £'000
	73,538	Opening fair value of scheme assets		96,937
	3,652	Interest on assets		4,639
	7,942	Return on assets less interest		518
	0	Other actuarial gains (losses)		673
	(79)	Administration expenses		(70)
	13,480	Contributions by employer (including unfunded)		5,479
	1,631	Contributions by scheme participants		1,598
	(3,227)	Estimated benefits paid		(3,447)
	0	Settlement prices received/(paid)		0
	96,937	Fair value of scheme assets at end of period		106,327

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

2012-13			2013-14	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
(825,549)	(58,606)	Surplus / (Deficit) as at 1 April	(898,817)	(46,014)
(27,071)	(6,292)	Current Service Cost	(30,386)	(6,172)
29,154	13,480	Employer Contributions	30,914	5,479
(30)	(31)	Administration Expenses	0	(70)
(37,313)	(1,940)	Net interest on the defined liability (asset)	(39,758)	(2,036)
(38,008)	7,375	Actuarial gain / (loss)	(8,775)	(903)
(898,817)	(46,014)	Surplus / (Deficit) as at 31 March	(946,822)	(49,716)

## PENSION FUND ACCOUNT

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

<b>PENSION FUND ACCOUNT</b>		
2012-13		<b>2013-14</b>
£'000		£'000
(12,588)	Employers flat rate contribution	<b>(12,213)</b>
(5,909)	Employees contributions	<b>(6,119)</b>
(342)	Transfer values in	<b>(83)</b>
-	Recharges To Other Account Heads	-
-	Interest Receivable	-
<b>(18,839)</b>	<b>Contributions Receivable</b>	<b>(18,415)</b>
26,611	Pension Payments	<b>28,237</b>
7,964	Retirement Grants	<b>8,794</b>
276	Transfer Values out	<b>302</b>
-	Interest Payable	-
<b>34,851</b>	<b>Benefits Payable</b>	<b>37,333</b>
<b>16,012</b>	<b>Net Deficit</b>	<b>18,918</b>
<b>(16,012)</b>	<b>Recharged To I &amp; E Account</b>	<b>(18,918)</b>
-	<b>Net Expenditure</b>	<b>-</b>

<b>NET ASSETS STATEMENT</b>		
2012-13		<b>2013-14</b>
£'000		£'000
	<b>Current Assets and Liabilities</b>	
2,302	Debtors and Payments in Advance	<b>2,668</b>
-	Creditors and Receipts in Advance	-
<b>2,302</b>	<b>Net Assets as at 31 March</b>	<b>2,668</b>

## NOTES TO THE PENSION FUND ACCOUNT

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

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

(iii) These financial statements do not take account of liabilities to pay pensions and other benefits after the end of the 2013-14 year.

(iv) The payment in advance shown in the Net Assets Statement relates to pensions paid on 31st March 2014 which relate to April 2014.

# ANNUAL GOVERNANCE STATEMENT



## **ANNUAL GOVERNANCE STATEMENT**

**This statement is written on behalf of Dorset Police and the Chief Constable.**

**It sets out the position as at 31<sup>st</sup> March 2014 including plans for the financial year 2014-15**

### **1. SCOPE OF RESPONSIBILITIES**

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

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

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

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

## ANNUAL GOVERNANCE STATEMENT

The governance framework has been in place at Dorset Police for the year ended 31 March 2014 and up to the date of approval of the (annual report) and statement of accounts.

### **3. THE GOVERNANCE FRAMEWORK**

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

The Force and Police and Crime Commissioner have approved a single governance model outlined in the Single Governance Policy and Procedure, which is incorporated in the Statement of Corporate Governance and Code of Governance. The Single Governance Policy and the governance meeting structure are regularly reviewed for efficiency and effectiveness.

The key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Office of the Police and Crime Commissioner and Force are:

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

- The Police Reform and Social Responsibility Act 2011 determines the responsibilities of the Commissioner and Chief Constable in setting the objectives of the Police and Crime Plan and sets out scrutiny arrangements through the Police and Crime Panel.
- The Chief Constable is responsible for delivering policing in line with the Commissioners Police and Crime Plan. The plans objectives are jointly determined using a number of sources including the Force Strategic Assessment which reviews past performance against the plans priorities as well as identifying emerging threats to policing and also the annual demand assessment which looks at longer term changes in the volumes and types of demand on policing resources. The Force undertakes extensive consultation surveys that contribute to the setting of priorities and inform policy and decision-making for the development and planning of police services. Detailed priority delivery plans and Departmental service plans prioritise operational and service delivery against the priorities and activities set out in the plan. The joint Code of Corporate Governance outlines the governance structure for boards and committees and the process by which the Commissioner holds the Chief Constable to account for achieving the Police and Crime Plan objectives. The Single Governance Policy and Procedure is regularly reviewed and updated for effectiveness. This outlines the structure of boards and meetings by which the Commissioner holds the Chief Constable to account for the Forces ability to achieve the objectives set in the Police and Crime Plan.
- The Chief Constable holds Managers and Chief Officers to account for performance and local outcomes at the weekly Force Control and Joint Executive Board meetings. The Joint Executive Board and monthly Strategic Performance Board meetings are jointly attended and chaired with the Commissioner. The reports and performance information submitted to these meetings is received from a structured network of sub boards that are allocated to Senior Management.

## ANNUAL GOVERNANCE STATEMENT

- In conjunction with the Commissioner the Chief Constable sets the annual budget in support of the Police and Crime Plan. The medium term financial strategy that is approved by the Commissioner provides the framework for resource allocation and control. The Force annual accounts are approved by the Joint Independent Audit Committee and are published with the Financial Statement on the Commissioner's website.
- The Dorset Management Information System (DorMIS) is an intranet based framework that provides organisational data at strategic, tactical and operational levels that support the identification of achieved performance based on the Force Control Strategy and plan priorities. DorMIS allows officers, staff and members of the Commissioner's office to review changes in performance against the plan priorities and other policing activity including crime and incident levels, repeat victimisation, stop and search, satisfaction and crime outcomes. Value for money processes and performance are independently assessed through detailed reviews undertaken by Her Majesty's Inspectorate of Constabulary, the National College of Policing and independent external and internal audit providers. These reports are then benchmarked and compared nationally to other Forces to ensure effective and efficient processes are in place.
- All individual partnerships are required to produce an annually reviewed terms of reference to outline their purpose and clearly define their vision. Partnership arrangements are underpinned and controlled by the Force Partnership Policy.
- All complaints regarding service delivery and performance are investigated by the Complaints and Misconduct Unit and reported to the Professional Standards Board.

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

- The College of Policing is responsible for defining national standards and professional practice in key areas of policing. This framework provides accountability for Chief Officers around their statutory and professional obligations. The remuneration of the Chief Constable and Police Officers is awarded in line with Police Regulations 2003. All Police Staff are paid in accordance with Police Staff Council Pay and Conditions which are awarded according to job grade and responsibilities.
- All Force personnel have individual job descriptions and allocated responsibilities that are subject to annual performance and development reviews linked through operational and departmental service plans to the Police and Crime Plan objectives.
- The Scheme of Corporate Governance provides the framework that supports Force Financial Regulations. This includes separate Schemes of Delegation and Consent and Standing Orders regarding Force contracts. Alongside Force Financial Instruction these clearly define responsibilities for all Force financial arrangements and are annually reviewed and monitored by the Joint Independent Audit Committee.
- The Chief Financial Officer acting for Dorset Police has a legal and statutory obligation to report any financial irregularities and unlawful expenditure to the Chief Constable, the Treasurer, the Chief Executive and external audit to maintain compliance to the Financial Management Code of Practice issued by the Home Office and the Chartered Institute of Public Finance and Accountancy (CIPFA) financial practice that ensure high standards of professional conduct.

## ANNUAL GOVERNANCE STATEMENT

- The single governance model and joint Code of Corporate Governance determine the meeting structure for all Force strategic boards and committees and outlines those jointly chaired by the Commissioner. All Force boards and committees have annually reviewed terms of reference which define their purpose and link to the objectives of the Police and Crime Plan.
- The objectives of the Police and Crime Plan are reviewed annually by the Commissioner and disseminated to all Police Officers and Staff through a series of briefings presented by the Commissioner and the Chief Constable. This is to ensure that all staff are aware of their roles and responsibilities when working individually or in partnership to achieve the Police and Crime Plan purpose and objectives.

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

- The Policing Protocol 2011 requires the Chief Constable to comply with the principles determined in the Standards in Public Office Act 2001. This requires the Chief Constable through strong leadership to demonstrate high standards of personal and professional conduct. The College of Policing Code of Ethics and the Force values and policies reinforce these standards.
- Police Performance and Conduct Regulations 2012 determine the standards of behaviour for all Police Officers and Special Constables, Police Staff must comply with the standards of professional behaviour set by the Police Staff Council. All staff must uphold the Force values as determined in Force policy and procedure.
- The College of Policing promote ethics, values and standards of integrity to raise the professional status of police officers and staff. A Code of Ethics has been determined and will be used to uphold the high standards and behaviour expected of all members of Dorset Police.
- The Professional Standards Department is responsible for upholding high standards of conduct and behaviour and for investigating all complaints against Police Officers and Staff below the rank of Chief Constable. The Commissioner is responsible for upholding the conduct of the Chief Constable and ensures the Force is compliant to Financial Regulations and legislation. Details of Chief Officer expenses and Force expenditure is published on the Commissioners website to create a climate of openness and transparency.
- A register of business interests and a gifts and hospitality register are maintained by the Professional Standards Department. Force policies and procedures determine the standards of conduct expected including arrangements for vetting, discipline and grievances, alcohol and substance misuse, standards of dress and appearance and data protection and information sharing legislation.
- The Standards and Ethics Board monitors and scrutinises the work of the Professional Standards Department. This includes oversight of any disciplinary procedures brought by the Complaints and Misconduct Department, or the Anti-Fraud and Corruption Unit and therefore monitors Force management and support of confidential whistle blowing facilities.
- The Ethics and Appeals Sub Committee provides independent scrutiny of the decisions made by the Standards and Ethics Board to ensure transparency and to

## ANNUAL GOVERNANCE STATEMENT

uphold the principles of good governance. Assurance reports are presented to the Joint Executive Board and the Joint Independent Audit Committee attended by the internal and external auditors.

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

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

- Independent professional internal and external auditors provide objective assurance on governance, risk management and control processes. The risk based annual audit programme reports on compliance to regulation and legislation and offers opinion and assurance on the effective use of resources. The single governance model and structure determined in the joint Code of Corporate Governance provides the framework for the submission of reports and recommendations from the boards and auditors that offer assurance that the Force will achieve the objectives defined in the Police and Crime Plan.
- The Head of Governance has specific responsibilities for Force audit, insurance and risk management arrangements. Departmental and Command risk registers are linked to individual service plans which are designed to monitor and aid achievement of the Police and Crime Plan objectives. Emergent risks are identified, scored and recorded on the individual risk registers with escalating risks reported to the Strategic Risk Management Board. This Board considers the transfer of these risks to the Corporate Risk Register where strategic risks are allocated to an appropriate lead for monitoring and control. All significant corporate risks are reported quarterly to the Joint Independent Audit Committee and the Joint Executive Board for mitigation and consideration of independent audit.
- The Standards and Ethics Board and the Ethics and Appeals Sub Committee monitor the governance arrangements that determine that standards of integrity are maintained throughout the Force. This safeguards against conflicts of interest and ensures transparent arrangements are in place for the unbiased investigation of complaints. The Independent Police Complaints Commission, Police Federation, the Force Welfare Department and Unison provide an objective assurance and support facility.
- The Financial Management Code of Practice requires the establishment of an Independent Audit Committee to provide assurance with regards to financial compliance, risks and probity. The Dorset Joint Independent Audit Committee consists of five suitably qualified independent members of the public whose responsibilities are clearly defined within the terms of reference available on the Commissions website. The Committee meets quarterly and reports to the Joint Executive Board jointly chaired by the Commissioner and Chief Constable.
- Financial Regulations, the Standing Orders for Contracts and the Schemes of Consent and Delegation define the legislative and financial limits for decision making.

## **ANNUAL GOVERNANCE STATEMENT**

- The Force Chief Finance Officer has a legal duty to report any financial irregularities or misappropriation of funds to the Treasurer and Monitoring Officer of the Commissioner. The Monitoring Officer is currently the Commissioners Chief Executive. This is in accordance with section 151 of the Local Government Act 1972. To ensure compliance to legislation a comprehensive range of legal advice is available to the Chief Finance Office, the Chief Constable and the Commissioner. This is provided through a specialist qualified solicitor, insurance services and civil litigation.

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

- Dorset Police operate a robust competency based recruitment process for all personnel including volunteers and members of the Joint Independent Audit Committee. Role specific induction programmes linked to the probation process are delivered by the Force Organisational Development Unit. Thereafter annual performance appraisal reviews will be undertaken by all members of staff to support professional development and maintain key skills.
- A professional framework determined by the College of Policing provides national Authorised Professional Practice Standards used to set the standards of professional practice for all members of Dorset Police. In addition the framework supports the Force to identify, develop and promote good practice through learning and development that will help prevent crime and protect the public.
- The Chief Constable will ensure that statutory officers receive the support and resources necessary to maintain their skills and perform effectively in their roles. All officers and staff have an obligation to maintain their continuous professional development as part of membership to external professional bodies.
- A Workforce Plan is informed by the Force Strategic Assessment and annual demand assessment, the former of which defines the current threats and long term and emerging risks affecting our communities. The Assessment also informs the setting of the police and Crime Plan priorities and the Force Control Strategy which sets the strategic direction of the Force, while the tactical assessment and daily and weekly management and intelligence meeting direct daily operational activities to reduce community risk. The Force ability to achieve objectives and to provide public satisfaction is recorded in the Force Strategic Assessment which is updated and reported quarterly to the Strategic Performance Board. This process ensures efficient succession planning and supports a career development programme that provides fully trained and effective staff to deliver the objectives of the Police and Crime Plan.

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

- The Chief Constable is responsible for delivering policing in line with the Commissioners Police and Crime Plan. The plan is jointly determined using the Force Strategic Assessment taking into account community and partnership objectives and the result of public consultation. Effective engagement will be maintained with key stakeholders to ensure Force accountability to the communities that they represent.
- The Chief Constable takes responsibility under the Equality Act 2010 to promote and endorse equality and diversity issues within the Force and will provide effective community consultation and engagement with minority groups. Performance will be

## **ANNUAL GOVERNANCE STATEMENT**

measured to ensure accountability and community involvement with future strategic decisions, a performance pack related to equality and diversity in Human Resources and service provision is presented to the quarterly Strategic Confidence and Equality Board and published on the Force website.

### **4. REVIEW OF EFFECTIVENESS**

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

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

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

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

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

#### **The Ethics and Appeals Committee**

- The Ethics and Appeals Committee is a sub-committee of the Joint Independent Audit Committee whose purpose is to support the Chief Constable and Commissioner through independent scrutiny of the work of the Professional Standards Board. This provides assurance of transparency in Force complaint handling arrangements including the appeals process and upholds the principles of good governance. The committee has been subject to review and consideration is being given to forming a fully independent Ethics Committee with newly recruited members that is not a sub-committee to the Joint Independent Audit Committee.

# **ANNUAL GOVERNANCE STATEMENT**

## **Internal Audit**

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

## **External Audit**

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

## **Other agencies**

- Her Majesty's Inspector of Constabulary provides detailed reports that offer assurance against national performance measures.
- The Home Office Professional Standards Unit documents Lessons Learnt and identifies best practice.
- The Health and Safety Executive offers independent inspections and reviews in respect of reportable accidents.
- The Independent Police Complaints Commission reports Lessons Learnt, identifies best practice and offers independent assurance of internal complaints handling processes.
- The College of Policing is working to raise the professional status of Police officers and staff by setting standards of professional practice and promoting evidence based best practice. It has issued the Code of Ethics which sets national standards for professional conduct.

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

- A working group has been established to research and produce the statement. This is led by Karen Brownjohn (Head of Governance) with Dan Steadman (Chief Executive and Monitoring Officer), Jason Mumford (Staff Officer to the Commissioner), Richard Bates (Treasurer), John Jones (Chief Finance Officer), Karen Thorns (Force Quality Assurance Officer) and Jo George (Internal Audit). The Chief Constable will sign the approved Annual Governance Statement that is published with the Annual Statement of Accounts. The statements will include an action plan to rectify any significant internal control weaknesses identified through the reviews.

## ANNUAL GOVERNANCE STATEMENT

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

### **5. SIGNIFICANT GOVERNANCE ISSUES**

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

Using definition provided in guidance to support compliance with the Accounts and Audit Regulations 2011, the Chief Constable on behalf of Dorset Police has judged the following to be control issues appropriate for comment. While no significant governance issues were identified the single issue that cuts across all review areas was the accessibility to meeting papers supporting historical decisions and the subsequent transparency to the Force and public.

#### **Areas for review**

##### **Financial Context and Strategic Alliance**

Reductions in public sector funding nationally means there is a continued need for prudence and an increasing requirement to identify cashable savings within the police service, The One Team programme has enabled significant cash savings to be achieved, primarily through reduced recruitment, but it is clear that further reductions are required over the next five years or more. It is however essential that the Force remains fit for purpose within these funding constraints.

**Action:** Since 2009 the Force has initiated a significant review of all police functions to ensure that in 2010 and subsequent year's savings continue to be identified whilst delivering the necessary level of service. This programme of work called "One Team" is the mechanism by which a majority of cost savings to meet the anticipated funding reductions is identified. This programme is focused primarily on workforce structures and has already resulted in a significant reduction in police staff and police officer numbers. The requirement for and level of non-staff budgets is challenged annually as part of the budget setting process with the aim of driving further savings out. Financially viable technological solutions are being used to further support the continued need for efficiency. However the Force's ability to capitalise on the latest IS technology in the future is likely to be significantly curtailed through anticipated future cuts. In recognition of the continued financial restraints the Force is now actively exploring the option of a strategic alliance with Devon and Cornwall Police Force to see whether this will support both Forces in the delivery of a sustainable service to the public which delivers on-going savings and efficiencies.

##### **Governance Context**

The Police Reform and Social Responsibility Act 2011 and consequential election of Police and Crime Commissioners changed the governance arrangements for Police Services and required the creation of a new internal governance structure. This has been subject to a further review and consideration following the transfer of the responsibility for staff from the Commissioner to the Chief Constable under the terms of the second stage implementation

## ANNUAL GOVERNANCE STATEMENT

determined in the act. These changes highlighted that more work is required to ensure the continued transparency of decision making both internally and external to the Force.

**Action:** A single governance policy and framework was created following the change in governance arrangements. A joint meeting structure was devised and all agendas and required reports were reviewed. There is a need now to maximise technology and the use of the Force website to ensure improved transparency and accountability to the public surrounding the decision making processes.

### **Partnership Working**

Force partnership arrangements continue to be an opportunity and a risk to the Force, particularly in light of the significant and on-going constraints on all public sector budgets. The Force works closely with public sector partners who are suffering from similar constraints on their budgets that will increase the pressure to reduce contributions to partnership funding. Following an audit by the South West Audit Partnership of partnership arrangements a number of recommendations continue to be progressed.

The Commissioner has responsibility for partnership and commissioning arrangements including the appointment of a Partnership and Commissioning Manager. These arrangements are currently under review.

**Action:** To continue to monitor all partnerships with particular focus on high risk partnerships and the implementation of audit recommendations and where appropriate to outline clearly to partners the limits and constraints of Dorset Police's responsibilities.

I propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. I am satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation as part of the next annual review.



Debbie Simpson  
Chief Constable

30 September 2014

## GLOSSARY OF FINANCIAL TERMS

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

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

## GLOSSARY OF FINANCIAL TERMS

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

## GLOSSARY OF FINANCIAL TERMS

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

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