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Annual Accounts 2012/2013



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AUDIT OPINION

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

We have audited the financial statements of the Dorset Police and Crime Commissioner for the year ended 31 March 2013 on pages 10 to 15 and 17 to 41. 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 2012-13.

This report is made solely to the Police and Crime Commissioner in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner 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 Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that 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 Police and Crime Commissioner's and the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer;
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword and the Annual Governance Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2013 and of the Police and Crime Commissioner's and the Group'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 2012-13.

AUDIT OPINION

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:
- the annual governance statement which accompanies the financial statements 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.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following:

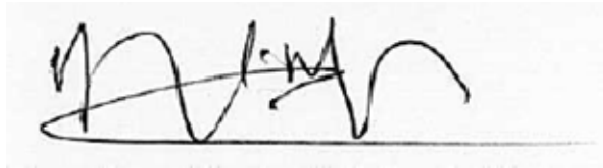
- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work on

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of the Dorset Police and Crime Commissioner 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.

AUDIT OPINION

A handwritten signature in black ink, appearing to read 'H. Mears', is 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 2013

FOREWORD TO THE ACCOUNTS

Introduction

On 15 September 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 first Statutory Accounts to be prepared under the new arrangements. All the financial transactions incurred during 2012-13 for policing Dorset have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of PCC Dorset and Group accounts incorporating the Chief Constable for the year ended 31 March 2013. 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 2012-13.

The Statement of Accounts

The 2012-13 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2012-13.

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

- The Accounts and Audit (England) 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 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

FOREWORD TO THE ACCOUNTS

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 is planned for 1 April 2014 and will consider the most appropriate division of assets, liabilities and staff between PCC Dorset and the Chief Constable.

Basis of Transition

The transition has been 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 2012 to 31 March 2013 with comparators for the 2011-12 financial year.

Operating Cost Statement (note 7)

The Chief Constable (CC) is not the legal employer of any officers or staff nor have they entered into any financial transactions. 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 2011 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 assets, liabilities or reserves and 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 2012 the Police Authority (now Office of the PCC) set the revenue budget for 2012-13 at £117.6 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 2012-13 was cut

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by £4.4 million, representing a reduction on the previous years police funding of 6.4%. Over the CSR to 2014-15 this will result in the need to reduce costs by £18 million from an annual budget of £117.6 million. The Band D council tax remained at £180.00 due to the Authority receiving a council tax freeze grant of £1.6M equivalent to an increase of 3% of council tax. The Police Force 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 £117M compared to an estimate of £117.6M after £1.7M was used to fund the deficit on the Capital Programme leaving the surplus of £0.617M being transferred to general balances.

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 £515k. As anticipated the officer pay budgets have significantly underspent by £1.25M but this has been offset by overspends of £735k on staff pay and other employee costs.
- Throughout the year the procurement budgets were rigorously reviewed and renegotiated by the centralised procurement team. This resulted in a significant underspend of £473k in contract cleaning; stationery, interpreters; detained persons costs and cost of feeding and maintaining police dogs.
- Estates have delivered savings of £182k on utilities costs, particularly at PFI sites, following pro active initiatives to reduce usage.

Overall, the revenue outturn position shows an underspend of £617k, which results in an increase in general balances.

This small variance from the original budget (0.52%), as amended during the year by the PCC, indicates sound financial management within the Force during a difficult financial year.

Capital Expenditure

The capital programme for 2012-13 was £3.7M. Final capital expenditure was £2.4M, which was funded by Home Office and other grants of £2.2M, revenue contributions of £2.4M, unfinanced capital expenditure brought forward of £2.2M which leaves no capital unfinanced at the 31 March 2013.

The underspend on the capital budget, detailed in the notes on page 32, arises in part due to a review in the vehicle strategy due to the current financial climate. However the main reason was replacing fewer vehicles during the year which accounted for most of the underspend.

The Code of Practice under which these accounts are prepared requires that fixed assets are revalued at least every five years. Work has continued on a rolling programme of revaluation of 20% of the PCC's assets each year to achieve this, which is reflected in the valuations detailed in the Balance Sheet and the table on page 32.

FOREWORD TO THE ACCOUNTS

General Reserves

The PCC's general balances at the start of the year were £4.013M. This was increased to £4.630M due to the underspend in 2012-13. Uncommitted general balances now represent 3.9% of the budget requirement for 2012-13. This is slightly above the target level set by the Police and Crime Commissioner.

Pensions

The figures returned by the actuary in the Pensions IAS19 note on pages 38-40 indicate a decrease in the deficit for police staff in the Local Government Pension Scheme (LGPS) due to an additional contribution agreed by the Police Authority in June 2012 of £9.7M to reduce the ongoing liability for LGPS scheme which will significantly reduce future employer contributions, and an increase in the liability for the unfunded officers' scheme. The significant liability in respect of the unfunded police pension scheme is the amount assessed by the actuary as necessary to meet the pension costs of current pensioners and existing employees over their expected lives. This liability will be met by the revenue budget and the Home Office specific grant under the funding arrangements for police pensions referred to below, as and when the pensions become payable in future years. The deficit in respect of the LGPS is being addressed in the employer's contribution rate set by the Actuary, over a period of 25 years.

Actual expenditure on pensions, including both the officers' flat-rate employer's contribution and the employer's contributions to the Local Government Pension Scheme for police staff, totals £16.5M, or 14.1% of the total budget for 2012-13. The funding arrangement for officer pensions (a combination of a flat rate employer's contribution and Home Office top-up grant) has removed the significant year to year fluctuation in pension payments and led to more certain budget setting.

Other Information

The accounts are prepared in accordance with the Accounts & Audit Regulations 2003 (amended 2011) including the Annual Governance Statement on pages 44-76, 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 2013 is the third year in which Financial Statements for Dorset Police and Crime Commissioner have been prepared on an IFRS basis.

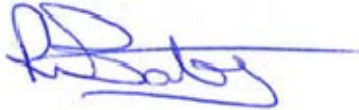
The accounts that follow show the Dorset Police and Crime Commissioner's financial outturn for the year 2012-13. The accounts comprise: -

- the comprehensive income and expenditure account. These figures are compared with the estimates that were updated continuously throughout the year and with the actual expenditure for 2011-12;
- the balance sheet, which shows the assets and liabilities of the PCC and 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 PCC's funds during the year;

FOREWORD TO THE ACCOUNTS

- 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 Police and Crime Commissioner as at 31 March 2013, and its income and expenditure for that year.



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

30 September 2013

ACCOUNTING POLICIES

1. Introduction

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

2. Accounting Conventions

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

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

3. Change of Accounting Policies

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

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

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

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

4. Prior Period Adjustments

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

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

5. Events after the Balance Sheet Date

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

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

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

6. Contingent Liabilities

No provision is made in the accounts for contingent liabilities. Details of any other liabilities are disclosed in the notes to the Financial Statements.

7. Agency Accounting

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

8. Revenue Expenditure funded from Capital Under Statute

Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the PCC, the

ACCOUNTING POLICIES

expenditure is charged to the income and expenditure account and written out in the year of account.

9. Foreign Currency Translation

Income or expenditure arising from a transaction in a foreign currency is translated into £sterling at the exchange rate in operation on the date on which the transaction occurred.

10. Grants and Third Party Contributions

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

11. Interest

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

12. Investments

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

13. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership transfer to the lessee. All other leases are classified as operating leases.

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

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

Finance lease payments are apportioned between the finance charge and the reduction

of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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

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

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

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

14. Lease Type Arrangements

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

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

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

15. Long Term Contracts

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

ACCOUNTING POLICIES

16. Overheads

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

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

17. Pensions

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

Liabilities in relation to retirement benefits were recognised only when employer's contributions became payable to the pension fund. FRS17 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 FRS17. 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.

18. Provisions

The PCC maintains a provision to meet a liability that will arise in future years. This relates to taxation in respect of rent allowances and is detailed in Note 33 to the Core Financial Statements.

19. Reserves

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

20. Tangible Fixed Assets

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

Property, plant and equipment is capitalised if:

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

b) Measurement - A full revaluation of the property assets was carried out during 1999-2000. Values are updated based on the results of annual revaluations of a representative sample of 20% of properties. The value of assets for the purposes of the capital accounting requirements does not purport to be the market value of assets owned by the PCC.

ACCOUNTING POLICIES

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

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

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

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

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

treated as a revaluation gain and charged to the Revaluation Reserve.

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

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

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

h) Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset is charged as operating expenditure.

i) Componentisation

Component accounting applies prospectively from 1 April 2010. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (ie as if each component was a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is

ACCOUNTING POLICIES

depreciated separately. Significant is when the component is 25% of the total asset with a minimum total asset value of £1m. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

21. VAT

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

22. Investment Property

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

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

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

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account.

Dorset Police and Crime Commissioner has no Investment Property at the Balance Sheet date.

23. Surplus Assets

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

Surplus assets can be categorised as either fixed assets or current assets, depending on their nature; so a separate classification of current, surplus assets is available.

24. Assets Held for Sale

The following conditions must be met for an asset (or disposal group) to be classified as held for sale:

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer has been initiated

- the sale is highly probable within 12 months
- the asset is being actively marketed with a sales price which is reasonable to its fair value
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

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

25. Short Term Employee Benefits

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

26. Cash and Cash Equivalents

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

ACCOUNTING POLICIES

amounts of cash with insignificant risk of change in value.

27. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

28. Critical Judgements in Applying Accounting Policies

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

29. Key Sources of Estimation Uncertainty

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

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

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

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

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

Financial assets

The PCC has three classes of financial assets being:

- (a) cash and cash equivalents
- (b) investments
- (c) trade receivables.

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

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

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

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

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

STATEMENT OF RESPONSIBILITIES

The Police and Crime Commissioner is responsible for: -

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

The Treasurer is responsible for: -

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

FURTHER INFORMATION

This report concentrates on the financial aspect of the Police and Crime Commissioner. 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

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

Complaints

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

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

2011-12			2012-13		
Net		Gross	Income	Specific	Net
Spending		Spending		Grants	Spending
£'000		£'000	£'000	£'000	£'000
	Division of Service				
45,810	Local Policing	58,697	(1,055)	(13,610)	44,032
10,513	Dealing with the Public	15,262	(2)	(685)	14,575
13,462	Criminal Justice Arrangements	12,409	(370)	(705)	11,334
5,983	Road Policing	6,684	(3,012)	(753)	2,919
10,186	Specialist Operations	10,198	(142)	(1,539)	8,517
5,026	Intelligence	6,531	(29)	(666)	5,836
17,934	Specialist Investigation	25,476	(259)	(4,007)	21,210
5,510	Investigative Support	5,383	(27)	(46)	5,310
2,211	National Policing	21,653	(827)	(17,601)	3,225
949	Corporate and Democratic Core	832	(4)	0	828
0	Non Distributed Costs	61	0	0	61
117,584	Deficit on Provision of Service	163,186	(5,727)	(39,612)	117,847
	Other Operating Income & Expenditure				
(40)	Net (gain) / loss on disposal of non-current assets				(216)
(292)	Trading Account Deficit / (Surplus)				(396)
(292)	Impairment Icelandic Banks				108
	Financing & Investment Income & Expenditure				
10	Interest Payable				8
(395)	Interest and Investment Income				(360)
39,111	Pensions Interest Cost & Expected Return on Assets				39,284
155,686	Net Operating Expenditure				156,275
	Taxation & Non-Specific Grant Income				
(45,866)	Home Office Grant				(42,408)
(4,965)	Revenue Support Grant				(406)
(16,063)	Non Domestic Rates				(20,927)
(53,691)	Council Tax Precept				(53,993)
(2,588)	Capital Grants				(2,143)
(123,173)	Total Finance				(119,877)
32,513	Deficit for the year				36,398
(115)	Revaluation (Gains)				(657)
127,728	Actuarial Loss on Pension Fund Assets & Liabilities				30,517
160,126	Total Comprehensive Income & Expenditure				66,258

GROUP BALANCE SHEET

This Balance Sheet is a record of the consolidated financial position of the Police and Crime Commissioner and Chief Constable as at 31 March 2013, with comparative figures for 31 March 2012. Detailed supporting notes are shown on the following pages.

31 March 2012		Notes	31 March 2013	
£'000	£'000		£'000	£'000
0		21	0	
	Intangible Assets			
	Tangible Fixed Assets	21		
	Operational Assets			
48,912	Land & Buildings		47,991	
6,368	Vehicles, Plant & Equipment		4,835	
	Non-operational Assets			
310	Surplus assets, held for disposal		760	
				53,586
	Current Assets			
463	Inventories	27	437	
9,959	Debtors & Payments in advance	28	11,238	
12,580	Temporary Investments	29	2,537	
5,824	Cash and Cash Equivalents	31	6,207	
28,826			20,419	
	Current Liabilities			
(13,520)	Creditors & Receipts in advance	30	(11,007)	
(13,520)			(11,007)	
15,306	Net Current Assets			9,412
70,896	Total Assets less Current Liabilities			62,998
(42,046)	Long Term Liabilities	8,32		(39,959)
(101)	Provisions	33		(73)
(885,078)	Pensions Liability	34,38		(945,556)
(856,329)	Total Net Liability			(922,590)
	Financed by :-			
	Unusable Reserves			
9,079	Capital Adjustment Account	34 (i)		10,729
2,261	Revaluation Reserve	34 (ii)		2,898
716	Collection Fund Adjustment Account	34 (v)		830
(1,594)	Accumulated Absences Account	34 (vi)		(1,830)
(885,078)	Pensions Reserve	34 (vii)		(945,556)
	Usable Reserves			
0	Capital Grants Unapplied Account	34 (iii)		0
270	Usable Capital Receipts Reserve	34 (iv)		567
14,004	Specific Reserves	34 (viii)		5,142
4,013	Revenue Balances	37		4,630
(856,329)				(922,590)

CHIEF CONSTABLE'S BALANCE SHEET

This Balance Sheet is a record of the financial position of the Chief Constable as at 31 March 2013, with comparative figures for 31 March 2012. The Chief Constable does not own any assets, liabilities or hold any reserves at the year end as these are accounted for in the Police and Crime Commissioner financial statements.

31 March 2012		Notes	31 March 2013	
£'000	£'000		£'000	£'000
0			0	
	Intangible Assets			
	Tangible Fixed Assets			
	Operational Assets			
0	Land & Buildings		0	
0	Vehicles, Plant & Equipment		0	
	Non-operational Assets			
0	Surplus assets, held for disposal		0	
				0
	Current Assets			
0	Inventories		0	
0	Debtors & Payments in advance		0	
0	Temporary Investments		0	
0	Cash and Cash Equivalents		0	
0			0	
	Current Liabilities			
0	Creditors & Receipts in advance		0	
0			0	
0	Net Current Assets			0
0	Total Assets less Current Liabilities			0
0	Long Term Liabilities			0
0	Provisions			0
0	Pensions Asset / (Liability)			0
0	Total Net Assets / (Liability)			0
	Financed by :-			
	Unusable Reserves			
0	Capital Adjustment Account			0
0	Revaluation Reserve			0
0	Collection Fund Adjustment Account			0
0	Accumulated Absences Account			0
0	Pensions Reserve			0
	Usable Reserves			
0	Capital Grants Unapplied Account			0
0	Usable Capital Receipts Reserve			0
0	Specific Reserves			0
0	Revenue Balances			0
0				0

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital 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 2011	(3,326)	(14,380)	0	0	(17,706)	(593)	(2,220)	721,242	(7,972)	713,908	686,202
Movement in reserves during 2011-12											
(Surplus) / Deficit on Provision of Services	32,513				32,513					0	32,513
Other Comprehensive Income & Expenditure											
Revaluation Losses / (Gains)							(115)			(115)	(115)
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities							(115)	127,728		127,728	127,728
	32,513	0	0	0	32,513	0	(115)	127,728	0	127,613	160,126
Adjustments between accounting basis and funding basis under regulations											
Charges for depreciation & impairment of non-current assets	(6,015)				(6,015)						0
Net Gain / (Loss) on disposal of non-current assets	40		(270)		(230)			4	6,011	6,015	0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(65,026)				(65,026)				230	230	0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements								65,026		65,026	0
Statutory provision for financing of capital investment	123				123						0
Voluntary provision for repayment of debt	2,138				2,138						0
Capital Expenditure charged to the General Fund Balance	120				120				(2,138)	(2,138)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	2,433				2,433				(120)	(120)	0
Usable Capital Receipts funding revenue income from finance leases	28,918				28,918				(2,433)	(2,433)	0
Transfer Capital Grants to Capital Adjustment Account					0						0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	2,588				2,588			(28,918)	(2,588)	(2,588)	0
	1,857				1,857						0
Total Adjustments	(32,824)	0	(270)	0	(33,094)	(123)	4	36,108	(1,857)	(1,857)	0
Transfer to Capital Grants Unapplied Reserves					0						0
Net transfer to / (from) Earmarked Reserves	(376)	376			0				1	1	1
Other transfers			0		0				0	0	0
Transfer between Capital Reserves and Earmarked Reserves					0		70	0	(70)	0	0
Total Transfers	(376)	376	0	0	0	0	70	0	(69)	1	1
(Increase) / Decrease in year	(687)	376	(270)	0	(581)	(123)	(41)	163,836	(1,107)	160,708	160,127
Balance as at 31 March 2012	(4,013)	(14,004)	(270)	0	(18,287)	(716)	(2,261)	885,078	1,594	874,616	856,329

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Accumulated Absences Account	Change in Total Unusable Reserves	Change in Total Reserves
Balance as at 31 March 2012	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	(4,013)	(14,004)	(270)	0	(18,287)	(716)	(2,261)	885,078	(9,079)	1,594	874,616
856,329											
Movement in reserves during 2012-13											
(Surplus) / Deficit on Provision of Services	36,398				36,398					0	36,398
Other Comprehensive Income & Expenditure											
Revaluation Losses / (Gains)							(657)			(657)	(657)
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities								30,517		30,517	30,517
66,258											
Adjustments between accounting basis and funding basis under regulations											
Charges for depreciation & impairment of non-current assets	(5,156)				(5,156)						
Net Gain / (Loss) on disposal of non-current assets	216		(297)		(81)		10		5,146	81	5,156
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(72,807)				(72,807)			72,807			
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	114				114		(114)				
Statutory provision for financing of capital investment	2,187				2,187				(2,187)		(2,187)
Voluntary provision for repayment of debt	120				120				(120)		(120)
Capital Expenditure charged to the General Fund Balance	2,419				2,419				(2,419)		(2,419)
Employer's pensions contributions and direct payments to pensioners payable in the year	42,846				42,846			(42,846)			
Usable Capital Receipts funding revenue income from finance leases					0				(2,143)		(2,143)
Transfer Capital Grants to Capital Adjustment Account	2,143				2,143						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(235)		(297)	0	(235)	(114)	10	29,961	(1,642)	235	0
Total Adjustments	(28,153)	0	(297)	0	(28,450)	(114)	10	29,961	(1,642)	235	28,450
Transfer from Capital Grants Unapplied to CAA					0					0	0
Net transfer to / (from) Earmarked Reserves	(8,862)	8,862			0					0	0
Other transfers					0				2	1	3
Transfer between Capital Receipts Reserve and Capital Adjustment Account			0		0				0	0	0
Transfer between Capital Reserves and Earmarked Reserves					0		10	0	(10)	0	0
Total Transfers	(8,862)	8,862	0	0	0	0	10	0	(8)	1	3
(Increase) / Decrease in year	(617)	8,862	(297)	0	7,948	(114)	(637)	60,478	(1,650)	236	58,313
Balance as at 31 March 2013	(4,630)	(5,142)	(567)	0	(10,339)	(830)	(2,898)	945,556	(10,729)	1,830	932,929
922,590											

GROUP CASH FLOW STATEMENT

2011-12		2012-13	
£'000	£'000	£'000	£'000
		39	
Operating Activities			
Cash Outflows			
131,290			144,787
25,333			34,198
	156,623		178,985
Cash Inflows			
(53,689)			(53,993)
(16,063)			(20,927)
(4,965)			(406)
(72,986)		42	(82,020)
(12,740)			(11,759)
	(160,443)		(169,105)
	(3,820)		9,880
Servicing of Finance			
Cash Outflows			
0			0
Cash Inflows			
(395)			(360)
	(395)		(360)
Investing Activities		22	
Cash Outflows			
4,402			2,358
Cash Inflows			
(270)			(297)
(2,588)			(2,142)
	1,544		(81)
Management of liquid resources		41	
38,893			25,305
(36,473)			(35,241)
Financing			
0			0
0			0
	2,420		(9,936)
	(251)		(497)
Net cash inflow / outflow			
Other Movements			
489			114
238		39	(383)
Net (increase) / decrease in cash			

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Local Authorities are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The following standards fall into that category and their impacts are assessed accordingly:

IAS19 Employee Benefits

Changes to IAS19 will be introduced in the 2013-14 Code. There are three main areas where changes will affect the Dorset Police and Crime Commissioner:

1. The point at which termination benefits are recognised is now deemed to be the earlier of:
 - (a) when an offer of termination benefits can no longer be withdrawn, and
 - (b) when an entity recognised restructuring costs that are within the scope of IAS37 and involves the payment of termination benefits.
2. There are reclassifications of the categories of measurement required by the standard
3. There are additional, more detailed, principles-based disclosure requirements.

IAS1 Presentation of Financial Statements

The changes made to this standard require only presentational changes so there is no significant impact from its introduction.

IFRS7 Financial Instruments: Disclosures

The objective of this standard is to require entities to provide disclosures in their Financial Statements that enable users to evaluate:

- (a) the significance of financial instruments for the entity's financial position and performance; and
- (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

IFRS7 was amended in October 2010 (and its changes incorporated into the 2012-13 Code) to require entities to make additional disclosures for all transferred financial assets that are not derecognised, where there is some continuing involvement with the transferred asset. the Dorset Police and Crime Commissioner has no such arrangements.

IAS12 Income Taxes

The 2012-13 Code includes December 2010 updates to the standard which do not apply to the Police and Crime Commissioner.

2. EVENTS AFTER THE BALANCE SHEET DATE

These accounts have been prepared in accordance with update 7 to LAAP 82, covering impairment of deposits with Icelandic banks. For Heritable Bank, the LAAP indicated that 88% of deposits would be recoverable; the PCC's deposit were calculated according to this assumption and were carried in the accounts at £210k.

On 23 August 2013, payment of £340k was received in part-repayment. This takes the amount recovered to 94% rather than the 88% assumed at the balance sheet date. The difference amounts to around £126k better than expected once the required interest calculation is completed. As noted, this amount is not included in the accounts but is disclosed here as an event after the balance sheet date.

3. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in the year

4. ICELANDIC BANKS IMPAIRMENT

There was an impairment in the accounts for 2012-13 (and in the preceding four years), due to the collapse of Icelandic banks. The amount is no longer treated as exceptional. For further details see Note 29.

	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Impairment Charge	1,764	184	38	(292)	108

5. PRIOR PERIOD ADJUSTMENTS

There were no material prior year adjustments requiring disclosure.

NOTES TO THE CORE FINANCIAL STATEMENTS

6. COMPARISON OF OUTTURN WITH BUDGET

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

2011-12		2012-13			Difference () = over £'000
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000	
614	Police and Crime Commissioner	877	877	733	144
	Police Force				
117,549	Employees	106,144	119,685	124,788	(5,103)
4,675	Premises Related Expenses	4,572	9,810	9,811	(1)
4,064	Transport Related Expenses	1,024	4,339	3,897	442
7,716	Supplies and Services	7,336	8,977	8,104	873
8,096	Third Party Payments	12,652	12,872	10,697	2,175
6,015	Capital Charges	823	5,200	5,156	44
148,729		133,428	161,760	163,186	(1,426)
	Income				
(26,048)	Specific Grants	(12,524)	(25,960)	(39,612)	13,652
(1,722)	Reimbursements & Contributions	(787)	(907)	(1,881)	974
(3,375)	Customer & Client Receipts	(2,440)	(2,489)	(3,846)	1,357
117,584	Net Cost of Service	117,677	132,404	117,847	14,557
(40)	Net (gain) / loss on disposal of non-current assets	(40)	(40)	(216)	176
(292)	Trading Account Deficit / (Surplus)	0	0	(396)	396
10	Interest Payable	139	19	8	11
(395)	Interest on balances	(172)	(172)	(360)	188
39,111	Pensions Interest Cost & Expected Return on Assets	0	0	39,284	(39,284)
(292)	Impairment - Icelandic Banks	0	0	108	(108)
155,686	Net Operating Expenditure	117,604	132,211	156,275	(24,064)
	Principal Sources of Finance				
(45,866)	Home Office Grant	(42,408)	(42,408)	(42,408)	0
(4,965)	Revenue Support Grant	(406)	(406)	(406)	0
(16,063)	Non Domestic Rates	(20,927)	(20,927)	(20,927)	0
(53,691)	Council Tax Precept	(53,870)	(53,870)	(53,993)	123
(120,585)	Total Funding	(117,611)	(117,611)	(117,734)	123
35,101	(Surplus) / Deficit for the year	(7)	14,600	38,541	(23,941)
(6,015)	Depreciation and impairment of fixed assets	0	(5,200)	(5,156)	(44)
40	Net gain / (loss) on disposal of fixed assets	0	0	216	(216)
2,433	Revenue Financing of Capital	536	709	2,419	(1,710)
2,138	Statutory provision for repayment of debt	0	0	2,187	(2,187)
120	Voluntary provision for repayment of debt	0	120	120	0
123	Collection Fund Adjustment Account	0	0	114	(114)
(36,108)	Appropriations to / (from) Pensions Reserve	0	0	(29,961)	29,961
1,857	Appropriations to / (from) Accumulated absences Account	0	0	(235)	235
(376)	Transfers to / (from) Specific Reserves	(529)	(10,229)	(8,862)	(1,367)
(687)	Reduction / (Increase) in General Balances	0	0	(617)	617

NOTES TO THE CORE FINANCIAL STATEMENTS

7. OPERATING COST STATEMENT

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

2011-12 Net Spending £'000	Division of Service	2012-13 Net Spending £'000
45,810	Local Policing	44,032
10,513	Dealing with the Public	14,575
13,462	Criminal Justice Arrangements	11,334
5,983	Road Policing	2,919
10,186	Specialist Operations	8,517
5,026	Intelligence	5,836
17,934	Specialist Investigation	21,210
5,510	Investigative Support	5,310
2,211	National Policing	3,225
0	Corporate and Democratic Core	0
0	Non Distributed Costs	91
116,635	Total financial resources of the PCC utilised at the request of the Chief Constable	117,049
(116,635)	Intra Group adjustment	(117,049)
<u>0</u>	Net Cost of Service	<u>0</u>

8. LONG TERM CONTRACTS - (Private Finance Initiative)

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

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

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

Payments 2011-12 £'000	Grants 2011-12 £'000		Payments 2012-13 £'000	Grants 2012-13 £'000
3,199	(2,346)	Western Scheme	3,302	(2,346)
4,040	(2,892)	DESPI	4,107	(2,892)
<u>7,239</u>	<u>(5,238)</u>		<u>7,409</u>	<u>(5,238)</u>

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

	Western £'000	DESPI £'000
Capital Repayment	16,771	35,964
Interest Charges	6,792	18,224
Service Charges	39,706	42,383
	<u>63,269</u>	<u>96,571</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Assets	Western £'000	DESPI £'000
Opening balance	5,535	6,097
Additions/developments/lifecycle	167	53
Revaluations	(422)	74
Impairments	-	-
Depreciation	(80)	(96)
Closing balance	5,200	6,128

Liabilities	Western £'000	DESPI £'000
Opening balance	(9,139)	(30,983)
Additions/developments/lifecycle	(167)	(53)
Repayments	855	1,332
Closing balance	(8,451)	(29,704)

9. OPERATING LEASES

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

2011-12 £'000		2012-13 £'000
421	Expenditure	451
216	Commitment - 1 year	264
156	Commitment - 2 to 5 years	348
43	Commitment - over 5 years	479
80	Rental Income	156

10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

2011-12 £'000		2012-13 £'000
62	Expenditure in year	12
(62)	Charged to Income and Expenditure Account	(12)
0	Balance carried forward	0

11. DISCRETIONARY EXPENDITURE

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

2011-12 £'000		2012-13 £'000
38	Expenditure	25

NOTES TO THE CORE FINANCIAL STATEMENTS

12. PUBLICITY

Section 5 of the Local Government Act 1986 requires the PCC to keep a separate account of expenditure incurred on publicity. The definition of publicity includes most advertising expenditure. The account shown here includes expenditure on all advertising expenditure whether covered by the regulations or not.

2011-12 £'000		<u>2012-13</u> <u>£'000</u>
258	Employee Costs	201
4	Staff Advertising	5
1	Other Advertising	10
84	Public Relations / Community Consultancy	99
<u>347</u>		<u>315</u>

13. AGENCY WORK

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

2011-12 £'000		<u>2012-13</u> <u>£'000</u>
145	Expenditure	248

14. MEMBERS' ALLOWANCES

The Police Authority was required to report the total amount of members' allowances paid. This includes the basic and special responsibility allowances that members receive and these allowances are set out in the Authority's Members' Allowance Scheme. The Scheme was reviewed annually at the Authority's Annual General Meeting which also provides for the basic and special responsibility allowances to be suitably uprated. The allowances were last uprated by 2.5% with effect from 1 July 2009 with no uprating since due to the economic climate. These payments were up to November 2012 when the Police Authority was replaced with a Police and Crime Commissioner.

2011-12 £'000		<u>2012-13</u> <u>£'000</u>
140	Expenditure	86

15. STAFFING STATEMENT

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

2011-12 In post		<u>2012-13</u> <u>In post</u>
1,357	Police Officers	1,286
913	Police Staff	892
153	Community Support Officers	138
<u>2,423</u>		<u>2,316</u>
249	Special Constabulary	209
95	Volunteers	100

NOTES TO THE CORE FINANCIAL STATEMENTS

16. 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.

2011-12		2012-13
82	£50,000 - £54,999	71
47	£55,000 - £59,999	64
8	£60,000 - £64,999	9
3	£65,000 - £69,999	2
1	£70,000 - £74,999	2
7	£75,000 - £79,999	6
5	£80,000 - £84,999	5
3	£85,000 - £89,999	2
2	£90,000 - £94,999	4
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
1	£110,000 - £114,999	1
1	£115,000 - £119,999	1
0	£120,000 - £124,999	0
0	£125,000 - £129,999	1
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
0	£155,000 - £159,999	0
1	£160,000 - £165,000	0

Police salary scales and conditions of service are negotiated and agreed at national level. The slight increase in 2012-13 was due to officers/staff working extra hours due to the Olympic Security operations in Weymouth and Portland.

SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE PER YEAR (ENGLAND) 2011-12

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration Excluding Pensions Contributions £	Pensions Contributions £	Total Remuneration £
Chief Constable Mr Martin Baker	142,533	13,169	0	4,309	160,011	0	160,011

SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE 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 Constable Mr Martin Baker (until 30/09/2012)	114,865		1,878		116,743	0	116,743
Chief Constable Miss Debbie Simpson (from 01/10/2012)	69,462		1,132		70,594	16,580	87,174
Police and Crime Commissioner Martin Underhill (from 22/11/2012)	25,083		846		25,929	3,913	29,842

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) 2011-12

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
	£	£	£	£	£	£	£
Assistant Chief Constable	109,947			6,438	116,385	25,764	142,149
Assistant Chief Constable	109,335			2,025	111,360	25,615	136,975
Chief Superintendent	86,590	3,932	1,170		91,692	19,030	110,722
Director of Finance	89,973			2,108	92,081	14,036	106,117
Chief Superintendent	85,680				85,680	19,030	104,710
Chief Superintendent	84,769	625	1,268		86,662	18,003	104,665
Chief Superintendent	80,133		663		80,796	19,030	99,826
Director of Human Resources	81,906			3,602	85,508	12,777	98,285
Police Authority Chief Executive	74,430			2,563	76,993	11,611	88,604
Chief Superintendent	67,085				67,085	14,426	81,511
Deputy Chief Constable	63,660			911	64,571	13,210	77,781
Deputy Chief Constable	55,839			6,170	62,009	13,284	75,293
Chief Superintendent	17,460		250		17,710	4,070	21,780
Chief Superintendent	6,553				6,553	0	6,553
	1,013,360	4,557	3,351	23,817	1,045,085	209,886	1,254,971

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
Chief Executive	77,164			2,995	80,159	12,038	92,197
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
	877,604	3,000	0	25,901	906,505	176,629	1,083,134

The Treasurer of the Police and Crime Commissioner is employed by Dorset County Council. The PCC purchases this service from the County Council (see note 19). In 2012-13 the cost of the Treasurer was £33,429 and the cost in 2011-12 was £27,900.

NOTES TO THE CORE FINANCIAL STATEMENTS

17. EXIT PACKAGES & TERMINATION BENEFITS

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

Value of exit package	Number of Packages		<u>2012-13</u>
	Compulsory redundancies	Other departures	
			£'000
Up to £20,001	0	6	57
£20,000 to £40,001	1	1	56
Total	1	7	113

18. SPONSORSHIP

The Police and Crime Commissioner received sponsorship of £1,000 from outside bodies during 2012-13 towards various projects to support community safety and force priorities. The Police Authority received £12,860 in sponsorship from outside bodies during 2011-12.

19. RELATED PARTIES

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

Grants from the Home Office are shown in the Comprehensive Income and Expenditure Account on page 17 and page 41.

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

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

20. AUDIT FEES

Fees payable to the PCC's external auditors, KPMG for 2012-13 relating to the year of account are as follows.

2011-12		<u>2012-13</u>
£'000		£'000
68	External Audit Services	65
<u>68</u>		<u>65</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

21. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Intangible Assets</u>	<u>Operational Assets</u> Land and Buildings	<u>Vehicles, Plant & Equipment</u>	<u>Non-operational Assets</u> Under construct -ion	<u>Surplus Assets</u>	<u>Total Assets</u>
	£'000	£'000	£'000	£'000	£'000	£'000
2012-13						
Gross Book Value 1 April	1,719	64,413	34,843	-	310	101,285
Accumulated Depreciation	(1,719)	(15,501)	(28,475)	-	-	(45,695)
Net Book Value 1 April	-	48,912	6,368	-	310	55,590
Transfers	-	(527)	-	-	527	-
Additions	-	250	2,327	-	-	2,577
Disposals	-	-	(253)	-	(81)	(334)
Revaluations	-	119	-	-	-	119
Depreciation for the year	-	(733)	(3,856)	-	-	(4,589)
Impairment (non enhancing exp)	-	(30)	-	-	-	(30)
Depreciation on assets sold	-	-	249	-	4	253
Impairment	-	-	-	-	-	-
Net Book Value 31 March	0	47,991	4,835	0	760	53,586
<u>Asset Financing</u>						
Owned	-	36,663	4,835	-	760	42,258
Leased	-	-	-	-	-	-
PFI	-	11,328	-	-	-	11,328

Comparative movements for 2011-12 are as follows:

	<u>Intangible Assets</u>	<u>Operational Assets</u> Land and Buildings	<u>Vehicles, Plant & Equipment</u>	<u>Non-operational Assets</u> Under construct -ion	<u>Surplus Assets</u>	<u>Total Assets</u>
	£'000	£'000	£'000	£'000	£'000	£'000
2011-12						
Gross Book Value 1 April	1,719	63,597	32,478	-	-	97,794
Accumulated Depreciation	(1,719)	(13,323)	(25,962)	-	-	(41,004)
Net Book Value 1 April	-	50,274	6,516	-	-	56,790
Transfers	-	(504)	-	-	504	-
Additions	-	1,957	2,973	-	-	4,930
Disposals	-	-	(608)	-	(201)	(809)
Revaluations	-	(630)	-	-	-	(630)
Depreciation for the year	-	(756)	(3,085)	-	-	(3,841)
Impairment (non enhancing exp)	-	(1,429)	-	-	-	(1,429)
Depreciation on assets sold	-	-	572	-	7	579
Impairment	-	-	-	-	-	-
Net Book Value 31 March	0	48,912	6,368	0	310	55,590
<u>Asset Financing</u>						
Owned	-	37,280	6,368	-	310	43,958
Leased	-	-	-	-	-	-
PFI	-	11,632	-	-	-	11,632

NOTES TO THE CORE FINANCIAL STATEMENTS

22. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

This table shows capital spending, the sources of funding used to finance it and, for 2012-13, a comparison with the estimated spending and funding. The underspend relates to the carried forward projects referred to in note 23 below.

2011-12		2012-13		
Actual		Original	Final	Actual
£'000		Estimate	Estimate	£'000
		£'000	£'000	
251	Major Schemes	0	229	0
1,178	Minor works to buildings	1,021	200	30
405	Vehicles	1,244	1,052	174
1,359	IT equipment and software	1,044	2,000	1,951
1,209	Other equipment	31	224	203
0	Safety Camera Partnership	0	0	0
0	Airwave	0	0	0
4,402	Total Payments	3,340	3,705	2,358
0	Use of Capital Receipts	324	0	0
2,588	Home Office Grants	800	997	2,143
0	Safety Camera Partnership Grant	0	0	0
0	Use of Capital Reserves	0	2,644	0
2,433	Revenue Financing	0	64	2,419
0	Borrowing	2,216	0	0
(2,823)	Unfinanced Capital Payments b/f	0	0	(2,204)
2,204	Unfinanced Capital Payments c/f	0	0	0
4,402		3,340	3,705	2,358

23. FUTURE CAPITAL COMMITMENTS

The most significant capital projects during the year related to provision of IT equipment and solutions. Of the total £1,951k spend on IT equipment and software, £902k related to the Olympic Games security operation, while a further £422k supported the provision of mobile data. The remainder of IT related expenditure ensured Dorset Police's infrastructure remained fit for purpose, through a replacement programme. The 2013-14 capital programme will focus on the introduction of a new integrated suite of crime and intelligence applications, which will serve as a platform for future efficiencies, and replacement of vehicles and IT. At £3,156k, the 2013-14 programme represents a reduction on the original 2012-13 capital programme of £3,340k.

24. ASSET REGISTER

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

2011-12		2012-13
No.		No.
30	Stations including HQ	30
28	Houses	27
13	Other	14
71		71

25. FIXED ASSET VALUATION

The freehold and leasehold assets in the PCC's Asset Register are valued initially by the Dorset County Council Property Management Division. Assets have to be revalued at least every five years, and 20% of the Authority's properties are valued each year in a rolling programme in order to achieve this.

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

Type of Property	Basis of Valuation	Valuation Method
Non-operational	Open market value	Comparative
Operational, non-specialised	Open market value for existing use	Comparative
Operational, specialised	Depreciated replacement cost	Cost of replacement
Vehicles, Plant and Equipment	Depreciated historic cost	Estimated life
	(as a proxy for current value)	
Intangible Assets	Depreciated historic cost	Estimated life
Police Houses - Secured Tenants	Capitalised Rental Stream	N/A

NOTES TO THE CORE FINANCIAL STATEMENTS

26. LONG TERM DEBTORS

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

27. INVENTORIES

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

2011-12 £'000		2012-13 £'000
166	Uniform Stocks	184
66	Fuel Stocks	55
135	Vehicle Parts	130
88	Stationery Stocks	63
6	Machine Consumable Stocks	0
2	Forensic Consumable Stocks	5
<u>463</u>		<u>437</u>

28. DEBTORS AND PAYMENTS IN ADVANCE

An analysis of the amounts due to the PCC at 31 March 2013 is shown below. The accounts include a provision for potential bad debts.

2011-12 £'000		2012-13 £'000
4,611	Central Government Departments	4,529
2,159	Other PCC's and Local Authorities	1,936
3,189	Others	4,773
<u>9,959</u>		<u>11,238</u>

29. TEMPORARY INVESTMENTS

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

Impairment of Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KS&F) went into administration. The PCC had £7m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Amount Owed 2012-13	Carrying Amount 2012-13	Impairment
			£'000		£'000	£'000	£'000
Heritable	26/06/08	31/12/08	2,000	6.22%	692	210	482
Landsbanki	04/08/08	22/10/08	2,000	5.72%	1,446	925	521
Landsbanki	03/09/08	28/11/08	3,000	5.82%	2,155	1,356	799
			<u>7,000</u>		<u>4,293</u>	<u>2,491</u>	<u>1,802</u>

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the PCC will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Police and Crime Commissioner considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the financial statements in future years.

NOTES TO THE CORE FINANCIAL STATEMENTS

Heritable Bank

Heritable bank is a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. At the time LAAP Bulletin 82 Update 6 was issued, the total amount to be received was estimated to be between 86% and 90% of the claim. Since then, the twelfth and thirteenth interim payments have been made; in July 2012 for 2.85% and January 2013 for 2.72% of the claim. The Administrator's latest estimate of total recoveries remains between 86% and 90% of the claim. However, it is understood that Heritable's residential mortgage book, which constituted the largest asset remaining in the administration, was sold to a third party on 15 May 2013. This is likely to impact upon the amount and profile of repayments after the Administrators have been able to provide a more detailed update.

In view of the above information, the PCC has complied with the recommendations of LAAP 82; that the estimate of the recoverable amount continue to be based on a total repayment of 88% based on the mid-point of the base case return and that subsequent repayments are profiled equally with the exception of the final repayment. This will produce a revised repayment schedule as follows:

July 2013 - 2.0%

January 2014 - 8.8%

However, on 23 August 2013, payment of £340k was received, bringing the total amount of the claim received to 94.02%. The carrying amount of the deposits at 31 March 2013 was £210k. The accounts have not been adjusted to reflect this and additional disclosure is set out in note 2.

LBI hf (formerly Landsbanki Islands hf)

At the time LAAP Bulletin 82 Update 6 was issued, the total payment was estimated to be 100%. Since the last Bulletin, a sterling distribution has been made (24 May 2012 for 12.32% of the total (using 22 April 2009 exchange rates). A further distribution of sterling, US Dollars and Euro was made on 5 October 2012, representing 6.2% of the total (again, at 22 April 2009 exchange rates).

The Winding Up Board published details of LBI's financial position as at 31 December 2012. This showed that LBI's assets, including partial payments already made in respect of priority claims, were greater than the sum of the priority claims. It is therefore still considered likely that UK Local Authorities will recover 100% of their deposits, subject to future exchange rate fluctuations.

There is an ongoing dispute over whether the total claims should be valued at the 22 April 2009 exchange rates or at spot rates. This matter is being addressed through the Icelandic Courts, but in the meantime, Dorset Police and Crime Commissioner continues to follow the bulletin's guidance and uses the 22 April 2009 rates as this is more prudent.

The future pattern of distributions by the Winding Up Board is not known, but based on the above information and an estimate that the distribution made to October 2012 represents 49.65% of the total due (based on the 22 April 2009 exchange rates) the PCC has therefore complied with the LAAP recommendation that the estimate of the recoverable amount is based on a total repayment of 100%. The payment schedule is therefore estimated as follows:

December 2013 - 7.5%

December 2014 - 7.5%

December 2015 - 7.5%

December 2016 - 7.5%

December 2017 - 7.5%

December 2018 - 7.5%

December 2019 - 5.35%

NOTES TO THE CORE FINANCIAL STATEMENTS

30. CREDITORS AND RECEIPTS IN ADVANCE

An analysis of the amounts owed by the PCC at 31 March 2013 is shown below.

2011-12 £'000		2012-13 £'000
2,370	Central Government Departments	2,615
1,490	Other PCC's and Local Authorities	1,493
9,660	Others	6,899
<u>13,520</u>		<u>11,007</u>

31. CASH (AND CASH EQUIVALENTS) AND BANK BALANCES

Cash in hand includes imprest accounts held by accounting officers. The bank figure includes the value of outstanding cheques drawn shortly before the end of the financial year and which were unrepresented as at 31 March 2013.

32. LONG TERM LIABILITIES

Part of this balance £1.804M in 2012-13 (£1.924M 2011-12) originates from the system of Capital Financing and Home Office Capital Grant Aid in use until 1990. There is a commitment to repay this sum to Dorset County Council over the life of the relevant assets that were built or purchased prior to 1990. The balance £38.155M in 2012-13 (£40.122M in 2011-12) is the value of liabilities due to the PFI providers over the life of the Western and DESPI PFI Schemes (see note 7).

33. PROVISIONS

The PCC has made provision in respect of payments to officers who are in receipt of a Rent Allowance. It relates to the Compensatory Grant payable under their conditions of service, and is in respect of the additional tax liability payable in the following financial year.

	Balance 2011-12 £'000	Income £'000	Expenditure £'000	Balance 2012-13 £'000
Taxation	101	0	28	73
	<u>101</u>			<u>73</u>

34. MOVEMENTS ON RESERVES

(i) Capital Adjustment Account

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

2011-12 £'000		2012-13 £'000
7,972	Balance as at 1 April	9,079
2,433	Capital Financing	2,419
0	Capital Receipts Applied	0
2,588	Capital Grants	2,143
(5,267)	Depreciation and Impairment	(4,609)
(745)	Impairment - Price Decreases / Fall in Market Value	(539)
(230)	Book Value of Disposals & Transfers	(81)
120	Reduction in Deferred Liability	120
2,138	Minimum Revenue Provision	2,187
70	Transfer of gains from disposal of assets from Revaluation Reserve	10
<u>9,079</u>	Balance at 31 March	<u>10,729</u>

(ii) Revaluation Reserve

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

2011-12 £'000		2012-13 £'000
2,220	Balance as at 1 April	2,261
115	Gains / (Losses) - Fixed Asset Revaluation	657
(4)	Depreciation and Impairment	(10)
(70)	Transfer of gains from disposal of assets to Capital Adjustment Account	(10)
<u>2,261</u>	Balance at 31 March	<u>2,898</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(iii) Movements in capital grants unapplied

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

2011-12		2012-13
£'000		£'000
0	Balance as at 1 April	0
0	Grants used for Capital Financing	0
0	Release of Government Grant	0
0	Balance at 31 March	0

(iv) Usable Capital Receipts Reserve

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

2011-12		2012-13
£'000		£'000
0	Balance as at 1 April	270
270	Receipts in the year	297
0	Transfer to Capital Reserve	0
0	Less Applied during the year	0
270	Balance at 31 March	567

(v) Collection Fund Adjustment Account

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

2011-12		2012-13
£'000		£'000
593	Balance as at 1 April	716
123	Movement during the year	114
716	Balance at 31 March	830

(vi) Accumulated Absences Account

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

2011-12		2012-13
£'000		£'000
(3,451)	Balance as at 1 April	(1,594)
3,451	Reverse previous year provision	1,594
263	Current year provision	(2,065)
(1,857)	Charge / (Credit) to I&E	235
(1,594)	Balance at 31 March	(1,830)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

2011-12			2012-13	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
(685,000)	(36,242)	Surplus / (Deficit) as at 1 April	(825,549)	(59,529)
(20,884)	(5,026)	Current Service Cost	(27,071)	(6,391)
24,877	4,025	Contributions	29,154	13,675
0	16	Unfunded Pension Payments	0	17
0	0	Past Service Cost	(30)	0
(37,567)	(1,544)	Other Finance Income	(37,313)	(1,971)
0	(5)	Settlements / Curtailments	0	(31)
(106,975)	(20,753)	Actuarial gain / (loss)	(38,008)	7,491
(825,549)	(59,529)	Surplus / (Deficit) as at 31 March	(898,817)	(46,739)

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

	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Difference between expected and actual return on assets	(17,771)	11,512	472	271	7,527
Difference between actuarial assumptions about liabilities and actual experience	0	0	6,993	0	0
Changes in demographic or financial assumptions used to estimate liabilities	13,374	(46,413)	20,170	(21,024)	(36)
	(4,397)	(34,901)	27,635	(20,753)	7,491
	%	%	%	%	%
Difference between expected and actual return on assets	-43.5%	19.6%	0.7%	0.4%	7.6%
Difference between actuarial assumptions about liabilities and actual experience	0.0%	0.0%	6.7%	0.0%	0.0%
Changes in demographic or financial assumptions used to estimate liabilities	18.7%	-36.6%	-19.4%	-15.7%	0.0%
Percentage of the present value of liabilities	-6.1%	-27.5%	26.6%	-15.5%	5.2%

(viii) Other Earmarked Reserves

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

	Balance 2011-12 £'000	Income / Transfers £'000	Expenditure / Transfers £'000	Balance 2012-13 £'000
Insurance	3,294	677	289	3,682
PFI	9,709	0	9,709	0
Pensions	203	0	0	203
Other Reserves	798	945	486	1,257
	14,004	1,622	10,484	5,142

Insurance Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

PFI Reserve

Surplus grant from early years of the scheme was held here to smooth payments in later years.

Pensions Reserve

This reserve will be used for the cost of ill health early retirements, which are not covered by new Home Office pension funding arrangements.

Other Reserves

This includes a reserve established to mitigate the variable nature of income from Proceeds of Crime Act (POCA) and a reserve for the 2012 Games.

35. AUTHORISATION

This Statement of Accounts was authorised for issue by Richard Bates, Treasurer to the Police and Crime Commissioner, on 27th June 2013.

36. TRUST FUNDS

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

37. MOVEMENT IN BALANCES

The level of general balances has increased by the general fund balance of £0.617M, to a total of £4.63M. This means that uncommitted general balances are £4.63M or 3.9% of the budget requirement

Analysis of Movement in Balances

2011-12		2012-13	
Total		General	Cost
Balances		Balances	Centre
£'000		£'000	£'000
3,326	Balances as at 1 April	4,001	12
(218)	Use of accumulated balances	0	0
905	Surplus / (Deficit) in year	629	(12)
4,013	Balances as at 31 March	4,630	0

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2011-12			2012-13	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
		Net Cost of Services		
20,884	5,026	Current Service Cost	27,071	6,391
0	0	Past Service Costs	30	
0	5	Settlements / Curtailments		31
		Net Operating Expenditure		
37,567	5,808	Interest Cost	37,313	6,139
0	(4,264)	Expected Return on Assets		(4,168)
		Amount to be met from Government		
		Grant and Local Taxation		
(33,574)	(2,534)	Movement on Pensions Reserve	(35,260)	5,299
		Actual amount charged against council		
		tax for pensions in the year		
0	(4,025)	Employer's contributions payable	0	(13,675)
0	(16)	Unfunded Pension Payments	0	(17)
(24,877)	0	Retirement benefits payable to pensioners	(29,154)	0

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

2011-12			2012-13			
Rate of Return	£'000	% of Assets	% of Assets	£'000	Rate of Return	
6.30%	43,323	58%	Equities	60%	59,077	5.20%
3.30%	15,686	21%	Gilts	21%	20,677	5.20%
4.30%	5,976	8%	Property	9%	8,862	5.20%
3.00%	5,976	8%	Cash	5%	4,923	5.20%
4.70%	3,735	5%	Target Return Portfolio	5%	4,923	5.20%
5.20%	74,696		Estimated Assets in the LGPS		98,462	5.20%
	134,104		Present value of liabilities in the LGPS		145,092	
	121		Present value of unfunded liabilities		109	
	134,225		Total value of LGPS liabilities		145,201	
	(59,529)		Net Staff Pensions (Deficit)		(46,739)	
	(825,549)		Estimated Liabilities in Police Pension Scheme		(898,817)	
	(885,078)		Net Pensions (Deficit)		(945,556)	

The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £946m has a substantial impact on the net worth of the PCC as recorded in the balance sheet, resulting in a negative overall balance of £923m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.

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

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 1 April 2010, as updated for changes in numbers of staff and pensioners. The next full valuation takes effect from 1 April 2013.

NOTES TO THE CORE FINANCIAL STATEMENTS

The main assumptions used in their calculations are: -

2011-12		Local Government Pension Scheme	2012-13	
% p.a.	Real		% p.a.	Real
3.3%		RPI Increases	3.4%	
2.5%	-0.8%	CPI Increases	2.6%	-0.8%
4.5%	1.2%	Rate of increase in salaries	4.6%	1.2%
2.5%	-0.8%	Rate of increase in pensions	2.6%	-0.8%
4.6%	1.3%	Rate for discounting scheme liabilities	4.7%	1.3%
50.0%		Proportion of LGPS employees opting to take a commuted lump sum	50.0%	

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

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

2011-12		Local Government Pension Scheme	2012-13	
Male	Female	Years	Male	Female
20.0	24.0	Retiring today	20.1	24.1
22.0	25.9	Retiring in 20 years	22.1	26.0

The main financial assumptions used in their calculations for FRS17 are: -

2011-12		Police Pension Scheme	2012-13	
% p.a.	Real		% p.a.	Real
3.3%		Rate of inflation	3.4%	
2.5%	-0.8%	CPI Increases	2.6%	-0.8%
4.8%	1.5%	Rate of increase in salaries	4.9%	1.5%
2.5%	-0.8%	Rate of increase in pensions	2.6%	-0.8%
4.6%	1.3%	Rate for discounting scheme liabilities	4.5%	1.1%

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

2011-12		Police Pension Scheme	2012-13	
Male	Female	Years	Male	Female
21.5	24.1	Retiring today	21.6	24.2
23.4	25.9	Retiring in 20 years	23.5	26.0

39. MOVEMENT IN CASH AND CASH EQUIVALENTS

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

2011-12			2012-13	
£'000	£'000		£'000	£'000
	(687)	Net (surplus) / deficit on Revenue Account		(617)
	2,204	Net (surplus) / deficit on Capital Account		0
		Movement in accruals items:-		
0		Long Term Debtors	0	
(80)		Stocks	(26)	
143		Debtors	1,279	
631		Creditors	2,512	
10		Provisions	28	
	704			3,793
		Movement in non-cash items:-		
376		Specific Reserves	8,862	
(123)		Collection Fund Adjustment Account	(114)	
(1,857)		Accumulated Absences Account	236	
(270)		Capital Receipts Reserve	(297)	
	(1,874)			8,687
		Movement in financing items:-		
(2,822)		Repayment of Internal Borrowing	(2,203)	
2,713		Short Term Loans	(10,043)	
	(109)			(12,246)
	238	(Increase) / Decrease in Cash		(383)

NOTES TO THE CORE FINANCIAL STATEMENTS

40. MOVEMENT IN NET FUNDS

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

	Balance 1 April 2012 £'000	Movement in year £'000	Balance 31 March 2013 £'000
Cash in hand and at bank	5,824	383	6,207
Temporary investments and borrowing	12,580	(10,043)	2,537
	<u>18,404</u>	<u>(9,660)</u>	<u>8,744</u>

41. MOVEMENT IN LIQUID RESOURCES

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

2011-12 £'000		2012-13 £'000
9,867	Temporary Investments as at 1 April	12,580
2,713	Increase / (Decrease) in Temporary Investments	(10,043)
<u>12,580</u>	Temporary Investments as at 31 March	<u>2,537</u>

42. ANALYSIS OF GOVERNMENT GRANTS

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

2011-12 £'000		2012-13 £'000
(3,265)	Neighbourhood Policing Fund	(3,246)
(66)	Pre 1990 Loan Charges Grant	(65)
(5,238)	PFI Grant	(5,238)
(1,950)	Security Grant	(1,961)
(11,559)	Pensions Specific Grant	(16,012)
(65)	Prevent Home Office	(32)
(2,508)	Olympic 2012 Grant	(11,320)
(59)	Prison Intelligence Officer Grant	(57)
(7)	Home Office Other Specific Grants	(49)
(1,331)	Council Tax Freeze Grant	(1,605)
0	Localisation of Council Tax Support	(27)
<u>(26,048)</u>		<u>(39,612)</u>

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.

PENSION FUND ACCOUNT		
2011-12		2012-13
£'000		£'000
(12,962)	Employers flat rate contribution	(12,588)
(5,609)	Employees contributions	(5,909)
(270)	Transfer values in	(342)
-	Recharges To Other Account Heads	-
-	Interest Receivable	-
<u>(18,841)</u>	Contributions Receivable	<u>(18,839)</u>
24,378	Pension Payments	26,611
5,892	Retirement Grants	7,964
130	Transfer Values out	276
-	Interest Payable	-
<u>30,400</u>	Benefits Payable	<u>34,851</u>
11,559	Net Deficit	16,012
<u>(11,559)</u>	Recharged To I & E Account	<u>(16,012)</u>
<u>-</u>	Net Expenditure	<u>-</u>

NET ASSETS STATEMENT		
2011-12		2012-13
£'000		£'000
	Current Assets and Liabilities	
2,112	Debtors and Payments in Advance	2,302
-	Creditors and Receipts in Advance	-
<u>2,112</u>	Net Assets as at 31 March	<u>2,302</u>

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) From 2006-07, 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 2012-13 year.

(iv) The payment in advance shown in the Net Assets Statement relates to pensions paid on 31st March 2013 which relate to April 2013.

HOLDING ACCOUNT

1. ROADS SAFE - SAFETY CAMERA PARTNERSHIP

This holding account shows all the costs incurred by the Police and Crime Commissioner and the reimbursement from the Dorset Safety Camera Partnership which are funded by contributions from Local Authorities.

Safety Camera Partnership		
2011-12		<u>2012-13</u>
£'000		£'000
979	Employees	855
96	Premises Related Expenses	81
25	Transport Related Expenses	10
278	Supplies And Services	274
14	Support Services	-
-	Third Party Payments	40
-	Transfer to Reserve	115
<u>1,392</u>	Expenditure	<u>1,375</u>
-	Other Reimbursements and Contributions	-
<u>(1,392)</u>	Fees and Charges	<u>(1,375)</u>
<u>(1,392)</u>	Income	<u>(1,375)</u>
<u>-</u>	Net Expenditure	<u>-</u>

The holding account provides additional information and do not form part of the audited statutory accounts, pages 10 - 15 and 17 - 42 only

ANNUAL GOVERNANCE STATEMENT



This is a joint statement on behalf of the Police and Crime Commissioner for Dorset and the Chief Constable

Position as at 31 March 2013 including plans for the financial year 2013-14

1. SCOPE OF RESPONSIBILITIES

The Police and Crime Commissioner 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. The Police and Crime Commissioner 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, the Police and Crime Commissioner is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The Police and Crime Commissioner has adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The Code of Corporate Governance is updated annually to reflect amendments to this statement. A copy of the code has been published on our website www.dorset.pcc.police.uk or is available from the Chief Executive to the Police and Crime Commissioner. This statement explains how the Police and Crime Commissioner has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Police and Crime Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks

ANNUAL GOVERNANCE STATEMENT

being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

This Annual Governance Statement has been written in two parts; Part One to reflect the governance arrangements up to the 21 November 2012 when the Dorset Police Authority was abolished and Part Two to reflect the change in governance arrangements with the appointment of the Police and Crime Commissioner.

Part One – 1 April 2012 to 21 November 2012

3. THE GOVERNANCE FRAMEWORK

Under the previous Police Authority arrangements, the Chief Constable was responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Authority was required to hold the Chief Constable to account for the exercise of those functions and those of the persons under their direction and control. It therefore followed that the Police Authority satisfied itself that the Force had appropriate mechanisms in place for the maintenance of good governance, and that they operated in practice. The key elements of the systems and processes that comprised the governance arrangements in place for the Authority and Force were:

Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users:

- The Force Strategic Assessment, supported by the Community Threat Assessment and the Capability Assessment, was the key element for informing and developing the Annual and Strategic Policing Plan and formed part of the business planning cycle. The Force's priorities were also determined against the background of a National Strategic Assessment and Government policing requirements.
- Additionally, in conjunction with the Force, the Police Authority undertook an extensive consultation survey that was sent to 12,000 people to inform policy, decision-making and the planning and development of policing services. This was supported by the Police Authority's community engagement programme, further consultation processes including Partners and Communities Together (PACT) forums, Community Safety Partnership surveys, consultation with community groups, and feedback from Independent Advisory Groups (IAG).
- Monitoring of the Crime Survey in England and Wales (CSEW) provided a further mechanism for consultation as well as for monitoring performance at a high level.
- The Police Authority agreed the three year Strategic Plan and the Annual Policing Plan, which in turn were supported by more detailed Command and Departmental service plans which ensured that high level priorities were translated into direct working plans.
- The plan was launched through a series of briefings by the Chief Constable to all Managers and cascaded to staff. Police Authority members also attended these briefings. Use was made of internal and external publicity material including brochures for stakeholders and the publication of the full plan and a summary version on the Force and Police Authority websites. Copies in other languages and formats were available on request.

ANNUAL GOVERNANCE STATEMENT

- The annual precept leaflet set out details of the budget, council tax and the financial context. This was available on the Dorset Police Authority website.
- The Force operated an active stakeholder management strategy, which included 15,756 registered recipients of the electronic community messaging system, Ringmaster.
- Committees of the Authority regularly reviewed specific policy areas and performance across the full range of its business areas (e.g. human resources, audit, community engagement etc). The Strategic Planning Working Group comprising Force and Authority officers and members played an important role in the development of the annual and strategic policing plan. Members' Seminars were held twice yearly and provided opportunities for members to identify and discuss specific issues that may have affected the Authority. Further opportunities arose from the presence of members on a number of Force Boards.

Reviewing the Authority's vision and strategy and its implications for governance arrangements:

- The Force's Corporate Governance Policy outlined the business cycle, decision-making processes, meeting structures and standard, policy making arrangements and corporate records management.
- Each Force Board and meeting of the Force had specific terms of reference linking back to the principal objectives of the Force. The Corporate Governance Policy and the Force's internal governance structures had been reviewed as part of the One Team change programme.
- The Strategic Planning Working Group provided an additional opportunity for the vision and strategy elements of the policing plan to be discussed and reviewed.
- At the Authority's Annual General Meeting the full Police Authority agreed which members were to sit on particular Committees and undertake particular roles. This also provided an opportunity for members to review its governance structure to reflect developments and changing business needs.
- Individual Committees, in conjunction with the Chief Executive, were reviewed for ongoing effectiveness and were also able to recommend changes in their terms of reference and delegations to ensure they remained fit for purpose and reflected relevant developments and changes.

Setting objectives and targets outlined in the Annual Policing Plan, including decision making structures:

- Led by a Chief Officer and as a sub-set of the Force Executive Board through the One Team programme, Dorset Police was reviewing all aspects of its business to meet the needs of our communities and the organisation within a significantly reduced funding environment. The One Team programme would achieve a reshaped Force by everyone identifying the things it is in their power to improve; getting it right first time; acting appropriately and quickly; avoiding duplication; and by pulling together to make sure that Dorset Police was the best that it could possibly be. External validation of this process took place in 2011 at the request of the Police Authority through the National Police Improvement Agency (NPIA) Gateway Review.

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- The Force Strategic Assessment enabled the setting of priorities within the Annual Policing Plan and the Police Authority set annual and long-term targets for the achievement of those priorities.
- The Authority was required to produce and publish an Annual Policing Plan that set out the policing priorities for the year ahead. The plan was produced in conjunction with the Chief Constable and informed by community and stakeholder views. It was then used to direct and monitor the Force's activities.
- The Policing Plan also set out details of the expected financial resources and their proposed allocation, linked to the approved financial strategy. It set out relevant performance targets, key performance indicators and other statutory information as well as a summary of audit and inspection findings and responses.
- Contained within the Policing Plan was the Value for Money Statement written in accordance with the Policing Plan (Amendment) Regulation 2010.
- The overall Policing Plan was supported by key resourcing plans and strategies such as the medium term financial strategy, workforce plan, the information systems and estates strategies. It was also supported by individual Command and Departmental service plans each of which contained local performance targets.
- Decision-making structures for the Force were set out in the Force's Corporate Governance Policy. For the Authority they operated through meetings of the full Police Authority and its Committees, supported by meetings of the Strategic Planning Working Group.

Monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked:

- The Force and the Authority operated comprehensive performance monitoring arrangements.
- The Police Authority held the Chief Constable and Force to account through quarterly meetings of the full Authority when the Chief Constable presented a report on current performance.
- The Chief Constable held responsible Managers to account for performance at monthly meetings of the Force Executive Board and through separate Command and Department performance meetings.
- The Strategic Tasking and Co-ordination Group reviewed quarterly performance figures to enable strategic prioritisation.
- The Force Dorset Management Information System (DorMIS) was an intranet based framework that provided performance and organisational data at strategic, tactical, operational and personal levels to support all performance processes
- The publication of the Her Majesty's Inspector of Constabulary (HMIC) Value for Money profile provided useful comparative performance information.
- The One Team Board ensured that the process of performance assessment and fundamental reviews were continuously developed.

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- The Governance structure ensured that key performance indicators were reported and communicated between the Operational level and the Police Authority.
- A Financial Strategy was in place to provide a framework for resource allocation and control. A full review of revenue reserves was undertaken in tandem with the review of the financial strategy. Budget monitoring information and projected year end spend was presented to the Force Executive Board monthly and financial management was tested by the Chief Constable as part of the performance review process with Commands and Departments.
- The achievement of Force objectives was closely monitored by the full Police Authority and the Audit, Resources and Continuous Improvement Committee. The Authority scrutinised comprehensive performance reports from the Force on a quarterly basis that included key performance indicators, management information, corporate risks and comparative performance data. Arrangements also operated at Command level for members to receive updates on performance. Specific Committees received performance monitoring reports quarterly across the full range of the Authority's business areas. This included comprehensive reports or performance packs for human resources, complaints, contact management, citizen focus etc.
- In conjunction with the Chief Constable the Authority set the annual budget, which was fully aligned to the policing plan and subjected to regular monitoring by members.
- Nationally Her Majesty's Inspector of Constabulary was the overarching body responsible for the oversight of Police Service performance though it is recognised that the work of other national bodies and agencies such as the National Policing Improvement Agency and the Audit Commission were also relevant. The Home Office Police Crime Standards Directorate (PCSD) also produced performance monitoring information that was benchmarked against 'Most Similar Forces'.

Measuring the quality of services for users, to ensure they are delivered in accordance with the Authority's objectives and represent the best use of resources:

- Her Majesty's Inspectorate of Constabulary provided oversight of Force performance and gave independent assurance of Force compliance with established policies, procedures, laws and regulations. This included value for money profile reports and performance indicators.
- The Authority's External Auditors recorded an opinion on value for money within the Force, drawing on information and assurance previously provided by the Use of Resources evaluation. Her Majesty's Inspector of Constabulary also provided a Value for Money conclusion for the Force and other external and internal audit reviews provided additional assurance.
- The Police Authority (Community, Engagement and Membership) Regulation 2010 set out the provision for obtaining the views of the community.
- User satisfaction surveys were undertaken quarterly focusing on victims of particular categories of crime such as anti social behaviour, burglary and vehicle crime, which informed the development of services.

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- There was proactive engagement with the community through the Community Safety Survey. This was conducted quarterly and generated annual sampling of 12,000 people, which provided important statistically valid feedback to the Force and Police Authority, about local concerns, local policing services and about the perception of how well the Force and Authority were listening to and addressing local needs.
- A range of other surveys, contacts and groups were used to provide additional feedback. These included Force contact surveys and staff surveys, deliberate community experience survey, and community surveys. The Police Authority also operated its own community engagement programme involving road shows, meetings and attendance at some public events.
- The Safer Neighbourhood teams across the County provided an important additional opportunity for engaging with communities and identifying local policing priorities and objectives utilising Partners and Communities Together team meetings and smaller meetings, such as 'street corner meetings'.
- The Police Authority had a Safer Neighbourhood protocol in place that provided the opportunity for Members to hear first hand the issues that were most important to local people and gained assurance about the effectiveness of the Force's Neighbourhood Policing arrangements.

Risk management processes by which key risks are identified and mitigated in the Force and Authority:

- The Head of Governance had specific responsibilities for overseeing the Force's insurance and risk management arrangements, audit liaison and the Annual Governance Statement.
- There was a designated member of the Police Authority with specific responsibility for Risk Management.
- A Risk Management Board operated as a forum to monitor corporate risks and Command and Departmental risk registers, and therefore discussed and promoted risk management initiatives and issues. A Chief Officer chaired the Board with representation from key operational and support disciplines. The Police Authority and the Authority's Insurers and Brokers also attended.
- A comprehensive insurance programme was in place in accordance with arrangements approved by the Treasurer and the Police Authority.
- Processes were in place for the continuous monitoring of sickness and accident data, and to provide feedback to relevant Commands and Departments.
- Health and Safety risk assessments and training were embedded across the Force.
- The Capability Assessment was undertaken annually which was linked to the review of the Policing Plan. This process informed the ongoing identification of new and emergent risks to be monitored via the Corporate Risk Register.
- A quarterly Community Threat Assessment was undertaken that identified, evaluated and monitored emergent risks to the Force. This allowed priorities to be ranked according to their relative level of threat to the community.

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- Corporate risks formed part of the balanced scorecard of data used to assist with the achievement and monitoring of corporate objectives.
- Command and Departmental risk registers were in place and informed by the corporate plan and local service plans.
- There was a separate risk register for Olympic planning that reported to the Force Risk Management Board as well as to the Olympic Planning Board and the National Olympic Security Directorate.
- The Police Authority risks were incorporated within the Corporate Risk Register.
- The Risk Management Board monitored the Corporate Risk Register and the Command and Departmental Risk Registers.
- Day-to-day operational risks were managed via dynamic risk assessments and supported by specific risk profiles of beat areas and operational orders for planned operations and major operational events.
- The Risk Management Board reported to the Force Executive Board.
- The Force reported details of the high risks recorded on the Corporate Risk Register on a quarterly basis to the Audit, Resources and Continuous Improvement Committee, and the full risk register to the June seminar of the Police Authority.
- The Professional Standards and Diversity Committee of the Police Authority monitored the Force's corporate governance arrangements and its arrangements for the maintenance of professional standards.

Defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity:

- The Police Authority and Chief Constable had statutory roles.
- All police officers, police staff, volunteers, Police Authority members and officers had role descriptions.
- All police officers and staff had performance development reviews and objectives, linked to Force and Command objectives.
- Regular Command Team meetings were held by Chief Officers to discuss tactical co-ordination and performance.
- Police Authority members attended annual review meetings with the Chairman and a Personal Development Review (PDR) system for Authority officers was in place.
- A scheme of delegation was in place that was reviewed and approved by the Police Authority.
- The Police Authority had a clear Committee and reporting structure with embedded arrangements for the Chief Constable to present reports at Authority Committee

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meetings including performance reporting and monitoring. This was supported by the attendance of members on a significant number of Force Boards.

Developing, communicating and embedding standards of professional behaviour, for members, officers and staff:

- For the Force, Police Regulations including the Home Office Standards of Professional Behaviour defined the standards for police officers and Special Constables. The National Police Staff Council's Standards of Professional Behaviour outlined the standards required by members of police staff. All members of the volunteer scheme signed a commitment to the values of the Force upon appointment.
- The Force's Vision and Values and Rights and Responsibilities reinforced these standards.
- The Force Values, Standards of Dress/Appearance policy, Disciplinary policy, Dignity at Work and Grievance Procedure, Drug, Alcohol and Substance Misuse policy and Data Protection/Computer Standards policies were communicated as part of the induction process, which applied to police officers and police staff.
- The Professional Standards Department investigated all complaints against police staff and police officers below the rank of Chief Officer. The Police Authority operated arrangements to deal with complaints about the conduct of Chief Officers.
- The Professional Standards Department was also responsible for overseeing and monitoring a range of additional arrangements focused on upholding high standards of conduct and behaviour. These included the Business Interests register, Gifts and Hospitality register and the Association policy and register.
- The Force operated a policy to support officers reporting wrongdoing and provided a confidential email system for this purpose. A confidential phone line service was available through the Independent Police Complaints Commission.
- All Members were subject to a members' code of conduct that had been formally adopted by the Authority and was in line with the model code recommended by the Standards Board for England.
- The Authority monitored the Force's overall arrangements in respect of professional standards and diversity, including oversight of the Force's complaints handling arrangements, through its Professional Standards and Diversity Committee. Members' standards, including adherence to the members' code of conduct were monitored through the Standards Committee.
- A Member's Handbook was circulated to all members that was regularly reviewed and updated. The Handbook set out the standards of conduct and behaviour required of Police Authority members and included reference to the Members Code of Conduct and the register of Members' interests.
- New members received advice on the importance of adhering to the members' code of conduct and upholding ethical standards as part of their induction.
- Protocols were in place defining the relationship between the Force and Members in certain areas. These included the Patrol Observers Scheme and the Neighbourhood Policing Protocol.

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Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedures notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

- The Force was compliant with the Financial Management Code of Practice, Police Act 1996.
- The Authority's Procedural Standing Orders, Financial Regulations and Standing Orders on Contracts were all updated and approved in September 2009.
- The medium term financial strategy and reserve levels were set with regard to a financial risk assessment and were approved by the Authority.
- An approved scheme of delegation was in place. The Force Financial Manual set out the details of the scheme along with financial instructions and procedures. This was available to all users electronically on the Force intranet. Work was in progress to update the Force Financial Manual, in line with changes arising from the One Team Review and the introduction of a new financial system from 1st April 2012.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities:

- The Authority's Audit, Resources and Continuous Improvement Committee undertook all of the requirements of an audit committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee – Practical Guidance for Local Authorities.
- The effectiveness of the Committee was subject to annual review, which included a review of the Committee's terms of reference to ensure they remained relevant and fit for purpose.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful:
- Appropriately qualified staff were recruited for key roles throughout the Force such as, Finance, Procurement, Estates Management, Human Resources, Risk Management, and Information Systems.
- Qualified accountants and finance staff undertook the Force's budgetary monitoring and control.
- Internal Audit inspection provided independent assurance to the Police Authority on the effectiveness and adequacy of systems of internal control.
- External Audit inspections and reports provided additional assurance to the Police Authority.
- The Treasurer was responsible for maintaining an adequate and effective internal audit function and had overall responsibility for the proper administration of the Authority's financial affairs. An annual Quality Assurance Programme was in place to review systems and processes at a tactical level across the Force.

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- The specific role of the Chief Executive for ensuring compliance was set out in the Authority's Financial Regulations and Standing Orders on Contracts. The Chief Executive was also the Authority's appointed Monitoring Officer.
- A comprehensive service of legal advice was available to the Force through a solicitor supported by specialist legal resources.

Reporting wrongdoing and for receiving and investigating complaints from the public and handling citizen and other redress:

- The Police Authorities (Particular Function and Transitional Provisions) (Amendment) Order 2010 allowed the Police Authority to challenge and if necessary intervene where the Force response to complaints outside of the Police Reform Act, appeared to be unsatisfactory. Procedures were in place for the Police Authority to monitor complaints of this nature and thereby provided independent and transparent assurance of compliance.
- The Professional Standards Department ensured compliance with laws, internal policies and procedures.
- The Professional Standards Department oversaw all complaints against police officers and staff ensuring compliance with the Police Reform Act 2002. The Force's complaints handling arrangements were subject to Police Authority scrutiny under the business of the Professional Standards and Diversity Committee.
- The Force had an intelligence led Anti Corruption Unit, previously known as the Integrity Unit. Part of the Complaints and Misconduct Unit within the Professional Standards Department, it covertly investigated corruption or criminality within the organisation. Complaints from members of the public and overt investigations were conducted within the wider remit of the Complaints and Misconduct Unit.
- There was an overarching Anti Fraud, Theft and Corruption Policy which pulled together a number of different policies designed to prevent, identify and mitigate all acts of fraud and corruption perpetrated against the Force and Police Authority.
- The Authority and Force participated in the Audit Commission National Fraud Initiative.
- The Force confidential e-mail system and the 'Confide in Us' service were managed by the Professional Standards Department and monitored by the Professional Standards Board.
- In accordance with the Police Reform Act 2002, the Police Authority was the appropriate authority for receiving, recording and arranging investigations in the event of a complaint about the conduct of a Chief Officer.
- Employer and Public liability claims were investigated by the Civil Litigation Unit and overseen by the Head of Governance and Professional Standards Departments respectively.

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Determining the conditions of employment and remuneration of officers and staff:

- The Police Authority determined the remuneration for Chief Officers and agreed the terms and conditions of appointment for Police and Police Staff Chief Officers that may fall to be determined by the Authority.
- Police Regulations determined the conditions of employment and remuneration for police officers.
- Police Staff conditions of employment were negotiated nationally and supported by local policy.
- Force job evaluation procedures determined the pay grade attached to a police staff job description.
- Police Staff pay awards were negotiated nationally via Unison
- Consultation mechanisms with the staff associations were in place.

Identifying and developing needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

- All staff and officers had a professional responsibility to maintain continuous professional development. Individuals also had an obligation to maintain their professional development as part of membership to external professional bodies.
- Performance appraisals were carried out annually, including 360 degree appraisal for supervisory roles, which allowed for development needs to be identified and addressed.
- The Integrated Competency framework was being phased out with the introduction of The Policing Professional Framework which provided the Service with the standards of professional competence against which all officers and staff could be assessed. In addition, the framework provided the basis for the development of overarching professional arrangements for Policing, including a set of common and consistent qualifications, accreditation and recognition.
- The leadership development programme provided the opportunity for the development of future leaders.
- Senior Leadership and Middle management seminars were held to continuously improve leadership skills and provided the opportunity for further leadership development.
- A coaching scheme was in place and provided the opportunity for supervisors and managers to improve and enhance their leadership skills. The Force mentoring scheme also provided the ability for individuals to develop and reach their potential. Both schemes promoted a culture of continuous improvement.
- Twice yearly Police Authority members' seminars took place, including Members training e.g. diversity, performance management, risk management etc.
- Member reviews were undertaken annually and training needs assessments were in place .

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Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- Implementation of the Safer Neighbourhood Policing Model.
- Community Consultation Surveys.
- Partners and Communities Together panels, other Safer Neighbourhood meetings and neighbourhood watch/home watch meetings. A Police Authority Safer Neighbourhoods Protocol was developed which, together with member attendance at regular command team meetings, provided feedback to members on issues and priorities identified by Safer Neighbourhood teams/meetings.
- Use of the 101 telephone number for non-emergency calls. Use of contact cards and publication of contact details for making contact with Safer Neighbourhood teams.
- The Force was represented on all Community Safety Partnerships and the Police Authority was represented by nominated members
- Command and Section level consultation with community groups
- Feedback from User Surveys and Force Contact Surveys.
- Feedback from strategic police consultation groups and reference groups.
- A comprehensive member's engagement pack was introduced to assist in developing the Authority's community engagement activities.
- An Operational Briefing Day was held.
- The Force website included details of Safer Neighbourhood team meetings, on-line surveys, how to complain etc.
- The Police Authority website included member details, meetings, community engagement activities, etc.
- Targeted media briefings on specific issues.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements:

- Recommendations from the continuous improvement review of partnership working have been implemented.
- Force Partnership policy and guidance that included a partnership risk assessment.
- A Partnership database was in place, which provided a register of partnerships.
- Internal audits of Force and Police and Crime Commissioner partnership arrangements were set up for when the PCC came into office.

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- The Strategic Planning Manager together with the Head of the Community Safety Team provided strategic coordination to partnership work.

Part Two – 22 November 2012 – 31 March 2013

4. THE GOVERNANCE FRAMEWORK

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Police and Crime Commissioner is required to hold them to account for the exercise of those functions and those of the persons under their direction and control. It therefore follows that the Police and Crime Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

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:

Identifying and communicating the Police and Crime Commissioner's vision of its purpose and intended outcomes for citizens and service users.

- The Force Strategic Assessment, supported by the Community Threat Assessment and the Capability Assessment, is the key element for informing and developing the Police and Crime Plan and forms part of the business planning cycle. The Commissioner's priorities for the Force are also determined against the background of a National Strategic Assessment and Government policing requirements including the Strategic Policing Requirement.
- Additionally, in conjunction with the Force, the Police and Crime Commissioner undertakes an extensive consultation survey that is sent to 12,000 people to inform policy, decision-making and the planning and development of policing services. Plans to introduce Police and Crime Commissioner community and victim forums and surgeries, and road shows including on-line engagement are in development. This is supported by, further consultation processes including Partners and Communities Together (PACT) forums, Community Safety Partnership surveys, consultation with community groups, and feedback from Police Consultation Groups.
- Monitoring of the Crime Survey in England and Wales (CSEW) provides a further mechanism for consultation as well as for monitoring performance at a high level.
- The Police and Crime Commissioner writes the Police and Crime Plan in consultation with the Force with the resulting Plan approved by the Police and Crime Panel. The Plan is informed and supported by more detailed Command and Departmental service plans and priority delivery plans which ensure that the high level priorities are translated into appropriate operational activity.
- The plan is launched through a series of briefings by the Police and Crime Commissioner and the Chief Constable to all Managers and Supervisors and then cascaded to all staff. Use is made of internal and external publicity material including brochures for stakeholders and the publication of the full plan and a summary version on both the Force and the Commissioner's websites. Internally the Force intranet includes a dedicated site to the police and crime plan to cascade information about

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the plan to all staff and includes video clips from police and crime plan launch events. Copies in other languages and formats are available on request.

- The on-line annual precept leaflet sets out details of the budget, council tax and the financial context.
- The Force operates an active stakeholder management strategy, which includes 15,756 registered recipients of the electronic community messaging system, Ringmaster.
- Force Boards which are attended and sometimes jointly chaired by the Police and Crime Commissioner regularly review specific policy areas and performance across the full range of its business areas (e.g. human resources, audit, community engagement etc). The Police and Crime Panel plays an important role in the development of the Police and Crime Plan and is consulted on it. A Members' Seminar held in December provides opportunities for members of the Panel to identify and discuss specific issues.

Reviewing the Police and Crime Commissioner's vision and strategy and its implications for governance arrangements:

- The Single Governance Model Policy and Procedure (Force's Corporate Governance Policy) outlines the business cycle, decision-making processes, meeting structures and standard, policy making arrangements and corporate records management.
- Each Force Board and meeting of the Force has specific terms of reference linking back to the principal objectives of the Force. The Single Governance Model Policy and Procedure and the Force's internal governance structures have been reviewed as part of the transition arrangements for the Police and Crime Commissioner.
- The Joint Independent Audit Committee, reviews the Governance Policy which is then formally adopted by the Police and Crime Commissioner and the Chief Constable.

Setting objectives and targets outlined in the Police and Crime Plan, including decision making structures:

- Led by a Chief Officer and as a sub-set of the Force Executive Board through the One Team programme, Dorset Police is reviewing all aspects of its business to meet the needs of our communities and the organisation within a significantly reduced funding environment. The One Team programme will achieve a reshaped Force by everyone identifying areas within their power to improve; getting it right first time; acting appropriately and quickly; avoiding duplication; and by pulling together to make sure that Dorset Police is the best that it can possibly be. Initial external validation of this process took place through a National Police Improvement Agency Gateway Review. Since December 2012 the National Police Improvement Agency has been known as the College of Policing. A further Gateway Review to be conducted by the College of Policing and focused on benefit realisation was recommended by the outgoing Police Authority.
- The Force Strategic Assessment enables the setting of priorities within the Police and Crime Plan and the Police and Crime Commissioner together with the Force sets annual and long-term targets for the achievement of those priorities, which are then approved by the Police and Crime Panel as part of the Plan.

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- The Police and Crime Commissioner is required to produce and publish a Police and Crime Plan that sets out the policing priorities for the year ahead and the longer term. The plan is produced in conjunction with the Chief Constable and informed by community and stakeholder views. It is then used to direct and monitor the Force's activities.
- The Plan also sets out details of the expected financial resources and their proposed allocation, linked to the approved financial strategy. It sets out relevant performance targets, key performance indicators and other statutory information as well as a summary of audit and inspection findings and responses.
- The overall Police and Crime Plan is supported by key resourcing plans and strategies such as the medium term financial strategy, workforce plan, the information systems and estates strategies. It is also supported by individual Command and Departmental service plans and priority delivery plans each of which contain local performance targets.
- Decision-making structures for the Force are set out in the Single Governance Model Policy and Procedure. The Police and Crime Commissioner is represented on Boards and jointly chairs some of the Force Lead Boards.

Monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked:

- The Force and the Police and Crime Commissioner operate comprehensive performance monitoring arrangements.
- The Police and Crime Commissioner holds the Chief Constable and Force to account through Force Board meetings including Force Executive Board and the Strategic Performance Board meetings where performance is reviewed.
- The Chief Constable holds responsible Managers to account for performance at monthly meetings of the Force Executive Board, the Strategic Performance Board and through separate Command and Department performance meetings.
- The Force Strategic Assessment is reviewed on a quarterly basis as part of the Strategic Performance Board. Actions are tasked to the Strategic tasking and Co-ordinating Group meeting chaired by the Assistant Chief Constable.
- The Force Dorset Management Information System (DorMIS) is an intranet based framework that provides performance and organisational data at strategic, tactical, operational and personal levels to support performance processes.
- The publication of the Her Majesty's Inspectorate of Constabulary Value for Money profile provides useful comparative performance information and is reviewed through the Value for Money Board chaired by the Assistant Chief Officer, as well as being incorporated in data presented to the Strategic Performance Board when applicable.
- The One Team Board ensures that the process of performance assessment and fundamental reviews are continuously developed.

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- The Governance structure ensures that key performance indicators are reported and communicated between the Operational level and the Office of the Police and Crime Commissioner.
- A medium term Financial Strategy to be formally approved by the Police and Crime Commissioner will provide a framework for resource allocation and control. A full review of revenue reserves is undertaken in tandem with the review of the financial strategy. Budget monitoring information and projected year end spend is presented to the Force Executive Board monthly and financial management is tested by the Chief Constable as part of the performance review process with Commands and Departments.
- In conjunction with the Chief Constable the Police and Crime Commissioner sets the annual budget, which is fully aligned to the policing plan and subject to regular monitoring by Force Chief Financial Officer and the Treasurer to the Police and Crime Commissioner.
- Nationally Her Majesty's Inspectorate of Constabulary is the overarching body responsible for the oversight of Police Service performance though it is recognised that the work of other national bodies and agencies such as the College of Policing (CoP) and the Audit Commission are also relevant. The Home Office Police Crime Standards Directorate (PCSD) also produces performance monitoring information that is benchmarked against 'Most Similar Forces'
- The Police and Crime Panel monitors the achievements of the Police and Crime Commissioners priorities and outcomes as set out in the Police and Crime Plan.

Measuring the quality of services for users, to ensure they are delivered in accordance with the Authority's objectives and represent the best use of resources:

- Her Majesty's Inspectorate of Constabulary provides oversight of Force performance and gives independent assurance of Force compliance with established policies, procedures, laws and regulations. This includes value for money profile reports and performance indicators.
- The External Auditors record an opinion on value for money within the Force, drawing on information and assurance previously provided by the Use of Resources evaluation. Her Majesty's Inspectorate of Constabulary also provides a Value for Money conclusion for the Force and other external and internal audit reviews provide additional assurance.
- User satisfaction surveys are undertaken quarterly focusing on victims of particular categories of crime such as anti social behaviour, burglary and vehicle crime, which informs the development of services.
- There is proactive engagement with the community through the Community Safety Survey. This is conducted quarterly and generates annual sampling of 12,000 people, which provides important statistically valid feedback to the Force and Police and Crime Commissioner, about local concerns, local policing services and about the perception of how well the Force and Police and Crime Commissioner are at listening to and addressing local needs.
- A range of other surveys, contacts and groups are used to provide additional feedback. These include force contact surveys and staff surveys, deliberate

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community experience surveys, inputs from the strategic Police Consultation Groups, Critical Incident Advisory Group and community surveys.

- The Office of the Police and Crime Commissioner is developing a series of Police and Crime Commissioner Surgeries for individual meetings with members of the public as well as Police and Crime Commissioner and victim forums with the wider community.
- The Safer Neighbourhood teams across the County provide an important additional opportunity for engaging with communities to identify local policing priorities and objectives utilising Partners And Communities Together meetings and smaller meetings, such as 'street corner meetings'.
- Risk management processes by which key risks are identified and mitigated in the Force and Office of the Police and Crime Commissioner
- The Head of Governance has specific responsibilities for overseeing the Force's insurance and risk management arrangements, audit liaison and the Annual Governance Statement.
- A Strategic Risk Management Board operates as a forum to monitor corporate risks and Command and Departmental risk registers, and therefore discuss and promote risk management initiatives and issues. A Chief Officer chairs the Board with representation from key operational and support disciplines, the Office of the Police and Crime Commissioner and the Police and Crime Commissioner's Insurers and Brokers.
- A comprehensive insurance programme is in place in accordance with arrangements approved by the Treasurer to the Police and Crime Commissioner.
- Processes are in place for the continuous monitoring of sickness and accident data, and to provide feedback to relevant Commands and Departments.
- Health and Safety risk assessments and training are embedded across the Force.
- The Capability Assessment is undertaken annually which is linked to the review of the Police and Crime Plan. This process informs the ongoing identification of new and emergent risks to be monitored via the Corporate Risk Register.
- A quarterly Community Threat Assessment is undertaken that identifies, evaluates and monitors emergent risks to the Force. This allows priorities to be ranked according to their relative level of threat to the community.
- Corporate risks form part of the balanced scorecard of data to assist with the achievement and monitoring of corporate objectives.
- Command and Departmental risk registers are in place and informed by the corporate plan and local service plans.
- The Office of the Police and Crime Commissioners risks are incorporated within the Corporate Risk Register.
- The Risk Management Board monitors the Corporate Risk Register and the Command and Departmental Risk Registers.

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- Day-to-day operational risks are managed via dynamic risk assessments and supported by specific risk profiles of beat areas and operational orders for planned operations and major operational events.
- The Risk Management Board reports to the Force Executive Board via the Resource Board.
- Each Lead Board and Board meeting are responsible for the management of the risks relevant to their area of work.
- The Force reports details of the high risks recorded on the Corporate Risk Register on a quarterly basis to the Joint Independent Audit Committee.
- The Joint Independent Audit Committee has specific responsibilities in relation to risk management including the consideration of the overall effectiveness of those arrangements.
- The Professional Standards Board is co-chaired by the Chief Constable and the Police and Crime Commissioner and monitors its arrangements for the maintenance of professional standards.
- Through their role on the Force Executive Board the Treasurer reviews and contributes to risk management and is represented on the Strategic Risk Management Board.

Defining and documenting the roles and responsibilities of the Office of the Police and Crime Commissioner and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity:

- The Office of the Police and Crime Commissioner and Chief Constable have statutory roles.
- The Chief Constable is held to account for performance by the Police and Crime Commissioner.
- The Police and Crime Commissioner is subject to the scrutiny of the Police and Crime Panel.
- All Force personnel and members of the Office of the Police and Crime Commissioner have role descriptions.
- All police officers and staff have performance development reviews and objectives, linked to Force and Command objectives.
- Regular Command Team meetings are held by Chief Officers to discuss tactical co-ordination and performance.
- A scheme of delegation is in place that is reviewed and approved by the Joint Independent Audit Committee.
- Members of the Joint Independent Audit Committee are subject to an annual performance review.

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Developing, communicating and embedding standards of professional behaviour, for members, officers and staff:

- For the Force, Police Regulations including the Home Office Standards of Professional Behaviour define the standards for police officers and Special Constables. The National Police Staff Council's Standards of Professional Behaviour outline the standards required by members of police staff. All members of the volunteer scheme sign a commitment to the values of the Force upon appointment.
- The Force's Vision and Values and Rights and Responsibilities reinforce these standards.
- The Force Values, Standards of Dress/Appearance policy, Disciplinary policy, Dignity at Work and Grievance Procedure, Drug, Alcohol and Substance Misuse policy and Data Protection/Computer Standards policies are communicated as part of the induction process, which are applicable to all Force personnel.
- The Professional Standards Department are responsible for all complaints against police staff and police officers below the rank of Chief Constable, although arrangements exist for independent investigation support to conduct Association of Chief Police Officers misconduct/complaints enquiries from other Forces. The Police and Crime Commissioner operate arrangements to deal with complaints about the conduct of Chief Constable.
- The Professional Standards Department is also responsible for overseeing and monitoring a range of additional arrangements focused on upholding high standards of conduct and behaviour. These include the Business Interests register, Gifts and Hospitality register and the Association policy and register. These have all been subject to rigorous review and reflect national policy.
- The Force operates a policy to support officers reporting wrongdoing and provides a confidential email system for this purpose. A confidential phone line service is available through the Independent Police Complaints Commission.
- The Police and Crime Commissioner is subject to an agreed code of conduct embracing the Nolan principles, the seven principles of public life.
- The Professional Standards Board monitors the overall arrangements in respect of professional standards and diversity, including oversight of the complaints handling arrangements. Work has commenced to create an Ethics sub committee of the Joint Independent Audit Committee to provide independent oversight of these arrangements and report to the Professional Standards Board.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedures notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

- The Force is compliant with the new Financial Management Code of Practice, pursuant to the Police Act 1996 and Police Reform and Social Responsibility Act 2011.

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- The Office of the Police and Crime Commissioner's procedural Standing Orders, Financial Regulations and Standing Orders on Contracts have been updated and approved. These are contained within the overall Corporate Governance Framework which was reviewed by the Joint Independent Audit Committee, presented to the Force Executive Board and approved by the Police and Crime Commissioner and the Chief Constable.
- The medium term financial strategy and reserve levels are set with regard to a financial risk assessment and will be reviewed by the Joint Independent Audit Committee and approved by the Police and Crime Commissioner.
- An approved scheme of delegation is in place. The Force Financial Manual sets out the details of the scheme along with financial instructions and procedures. This is available to all users electronically on the Force intranet. Work is in progress to update the Force Financial Manual, in line with changes arising from the One Team Review and the introduction of a new financial system from 1st April 2012. All changes will be ratified by the Police and Crime Commissioner and Treasurer.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities:

- The Joint Independent Audit Committee undertakes all of the requirements of an audit committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee – Practical Guidance for Local Authorities.
- The effectiveness of the Joint Independent Audit Committee is subject to annual review, which includes a review of the Committee's terms of reference to ensure they remain relevant and fit for purpose.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful:

- Appropriately qualified staff are recruited for key roles throughout the Force such as, Finance, Procurement, Estates Management, Human Resources, Risk Management, and Information Systems ensuring statutory compliance to legislation.
- Qualified accountants and finance staff undertake the Force's budgetary monitoring and control.
- Internal Audit inspection provides independent assurance to the Joint Independent Audit Committee, the Chief Constable and the Police and Crime Commissioner on the effectiveness and adequacy of systems of internal control.
- External Audit reports provide additional assurance to the Joint Independent Audit Committee and the Police and Crime Commissioner.
- The Treasurer is responsible for maintaining an adequate and effective internal audit function and has overall responsibility for the proper administration of the Police and Crime Commissioner's financial affairs. An annual Quality Assurance Programme is in place to review systems and processes at a tactical level across the Force.

ANNUAL GOVERNANCE STATEMENT

- The specific role of the Chief Executive for ensuring compliance is set out in the Police and Crime Commissioner's Financial Regulations and Standing Orders on Contracts. Statute requires that the Chief Executive is also the Police and Crime Commissioner's appointed Monitoring Officer.
- A comprehensive service of legal advice is available to the Force and the Police and Crime Commissioner through a solicitor supported by specialist legal resources.

Reporting wrongdoing and for receiving and investigating complaints from the public and handling citizen and other redress:

- The Police and Crime Commissioner has no general remit to consider or investigate complaints about operational policing or the conduct of police officers and staff, but the Police and Crime Commissioner is responsible for handling complaints about the conduct of the Chief Constable. However, under the Police Reform and Social Responsibility Act 2011, Police and Crime Commissioners have a clear role in terms of the oversight and scrutiny of the Force's complaints handling arrangements. Procedures are therefore in place for the Police and Crime Commissioner to monitor all complaints against officers and staff through the Professional Standards Board which the Police and Crime Commissioner co-chairs. It is proposed that scrutiny and monitoring will be underpinned by the creation of an Ethics and Appeals sub-committee which will also undertake dip sampling of complaints and monitor the handling of in-house appeals. Under the Act the Police and Crime Commissioners also have the ability to direct a Chief Officer to deal with a complaint in accordance with the legislation if they have not complied with their obligations.
- The Professional Standards Department ensures compliance with laws, internal policies and procedures.
- The Professional Standards Department oversees all complaints against police officers and staff below the rank of Chief Constable, ensuring compliance with the Police Reform Act 2002. The Force's complaints handling arrangements are subject to oversight by the Police and Crime Commissioner including audit and dip checking processes and are under the scrutiny of the Professional Standards Board. In house appeals will be subject to scrutiny by the proposed Ethics sub-committee.
- The Force has an Anti Corruption Unit, previously known as the Integrity Unit. Part of the Complaints and Misconduct Unit within the Professional Standards Department, it covertly investigates corruption or criminality within the organisation. Complaints from members of the public and overt investigations are conducted within the wider remit of the Complaints and Misconduct Unit.
- There is an overarching Anti Fraud, Theft and Corruption Policy which pulls together a number of different policies designed to prevent, identify and mitigate all acts of fraud and corruption perpetrated against the Force and Office of the Police and Crime Commissioner.
- The Office of the Police and Crime Commissioner and the Force participate in the Audit Commission National Fraud Initiative.
- The Force confidential e-mail system and the 'Confide in Us' service are managed by the Professional Standards Department and monitored by the Professional Standards Board.

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- In accordance with the Police Reform and Social Responsibility Act 2011 the Chief Constable is the appropriate authority for receiving, recording and arranging investigations in the event of a complaint about the conduct of a Chief Officer or member of Force personnel. It is the responsibility of the Police and Crime Commissioner to investigate any complaints relating to the conduct of the Chief Constable.
- Employer and Public liability claims are investigated by the Civil Litigation Unit and overseen by the Head of Governance and Professional Standards Departments respectively.

Determining the conditions of employment and remuneration of officers and staff:

- The Police and Crime Commissioner determine the remuneration for the Chief Constable having regard to relevant regulations and policies.
- The Chief Constable determines the remuneration of other Chief Officers in consultation with the Police and Crime Commissioner and having regard for relevant regulations and policies.
- Police Regulations determine the conditions of employment and remuneration for police officers.
- Police Staff conditions of employment are negotiated nationally and supported by local policy.
- Force job evaluation procedures determine the pay grade attached to a police staff job description.
- Police Staff pay awards are negotiated nationally via Unison
- Consultation mechanisms with the staff associations are in place.

Identifying and developing needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

- All staff and officers have a professional responsibility to maintain continuous professional development. Individuals will also have an obligation to maintain their professional development as part of membership to external professional bodies.
- Performance appraisals are carried out annually, including 360 degree appraisal for supervisory roles and this allows for development needs to be identified and addressed.
- The Integrated Competency framework is being phased out and replaced with the Policing Professional Framework which provides the Service with the standards of professional competence against which all officers and staff can be assessed. In addition the framework provides the basis for the development of overarching professional arrangements for Policing including a set of common and consistent qualifications, accreditation and recognition.
- Leadership development programme provides the opportunity for the development of future leaders.

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- The Senior Leadership and Middle Management seminars are held to continuously improve leadership skills and provide the opportunity for further leadership development.
- A coaching scheme is in place and provides the opportunity for supervisors and managers to improve and enhance their leadership skills. The Force mentoring scheme also provides the ability for individuals to develop and reach their potential. Both schemes promote a culture of continuous improvement.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- Implementation of the Safer Neighbourhood Policing Model.
- Community Consultation Surveys.
- Partners And Communities Together panels, other Safer Neighbourhood meetings and neighbourhood watch/home watch meetings. A Safer Neighbourhoods Protocol has been developed which, together with member attendance at regular command team meetings, provide feedback to members on issues and priorities identified by Safer Neighbourhood teams/meetings.
- Use of the 101 telephone number for non-emergency calls. Use of contact cards and publication of contact details for making contact with Safer Neighbourhood teams.
- The Force is represented on all Community Safety Partnerships and the Police and Crime Commissioner is also represented.
- Command and Section level consultation with community groups.
- Feedback from User Surveys and Force Contact Surveys.
- Feedback from strategic police consultation groups and reference groups.
- A stakeholder engagement day is held annually.
- The Force website includes details of Safer Neighbourhood team meetings, on-line surveys, how to complain etc.
- The Police and Crime Commissioner website includes details of meetings, surgeries community engagement activities, as well as e-communications opportunities etc.
- Targeted media briefings on specific issues.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Police and Crime Commissioner's overall governance arrangements:

- Recommendations from the continuous improvement review of partnership working are being implemented.
- Force Partnership policy and guidance that includes a partnership risk assessment.

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- A Partnership database is in place, which provides a register of partnerships.
- Internal audits of our partnership arrangements.
- The Strategic Planning Manager together with the Head of the Community Safety Team provides strategic coordination to partnership work.
- The appointment of a Partnership and Commissioning Manager to the Office of the Police and Crime Commissioner.
- An internal audit of partnership arrangements has resulted in a number of recommendations that are being taken forward by the Force and Office of the Police and Crime Commissioner through the Partnership and Commissioning Manager.

5. REVIEW OF EFFECTIVENESS

The Force and the Office of the Police and Crime Commissioner have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control

These reviews have been completed and informed by the work of the Annual Governance Statement Working Group, internal auditors, and also managers within the Office of the Police and Crime Commissioner who have the responsibility for the development and maintenance of the governance environment. In addition, comments made by review agencies and inspectorates have informed the review.

It is the role of the Police and Crime Commissioner to make sure that the local police force is efficient and effective and to seek to improve policing performance and standards. The Police and Crime Commissioner provides opportunities for local people to have a say in how they are policed. He appoints and holds the Chief Constable to account for the services the Force provides to local people. The Police and Crime Commissioner also sets the Force budget and decides how much money to raise toward the cost of policing through the local council tax.

The Joint Independent Audit Committee has responsibility for monitoring and reviewing the arrangements for securing the efficient and effective management of all resources including land, property, finance and personnel, including oversight of continuous improvement. The Committee is responsible for keeping under review the effectiveness of the systems of internal control and internal audit as well as reviewing its own effectiveness. This includes reviewing the Committee's terms of reference annually to ensure that they remain fit for purpose.

The Joint Independent Audit Committee's terms of reference and delegated powers are as follows:

Financial and Treasury Management

- Review the Annual Statement of Accounts and seek assurance that the appropriate accounting policies have been applied.

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- Comment on the budget planning and budget setting process.
- Consider and keep under review the Medium Term Financial Strategy.
- Consider any policy or strategy regarding reserves.
- Consider any policy or strategy regarding loans, investments or borrowing.
- Consider any policy or strategy regarding asset management.
- Consider any policy or strategy regarding fees or charges for services, sponsorship, commissioning or the giving of grants.
- Review of Chief Officer Expenses.

Governance

- Approve the Annual Governance Statement for inclusion in the Statement of Accounts.
- Approve any Code of Corporate Governance for the Force or the Police and Crime Commissioner.
- In conjunction with the Chief Finance Officers and the Chief Executive, undertake an annual review of the effectiveness of the Audit Committee, to include a review of the Committee's terms of reference.

Internal Control

- Consider the Police and Crime Commissioner / Force Financial Regulations, Standing Orders on Contracts and Scheme of Consent (including powers to enter into contracts and acquire or dispose of property).
- Keep under review the anti-fraud and anti-corruption arrangements, including 'whistle blowing'.
- Keep under review the effectiveness of internal control systems and seek assurance regarding such systems.
- Commission assurance work e.g. specialist advice or audit.
- Consider and comment upon the assurance framework.
- Review compliance with policies relating to declarations of interest, gifts and hospitality.

Corporate Risk Management

- Consider the effectiveness of the Police and Crime Commissioner / Force risk management policy and risk management arrangements.
- Seek assurance that organisational risks are being managed effectively.

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- Comment on and monitor the insurance programme, insurance and broker appointment/renewal processes and the arrangements for risk financing.
- Seek assurance as to the continuing effectiveness of the Police and Crime Commissioner's and Force's business continuity arrangements.

Internal Audit

- Comment on any proposals affecting the provision of the internal audit service.
- Approve (but not direct) the annual Internal Audit Plan and monitor performance against the plan.
- Receive and review internal audit reports and monitor the progress of implementing recommendations.
- Consider the Annual Internal Audit Report.
- Comment on any proposals affecting the provision of the internal audit service.
- Keep under review the effectiveness of internal audit.
- Seek assurance that there are effective working relationships between internal and external audit.

External Audit

- Comment on any proposed appointment of external auditors.
- Consider the proposed annual audit fee.
- Approve the External Audit Plan and monitor performance against the plan.
- Receive and review the External Auditor's reports including the annual audit letter, audit opinion etc and monitor management action in response to any issues raised.
- Keep under review the effectiveness of external audit.
- Seek assurance that there are effective working relationships between external and internal audit.

Other

- Consider any other internal or external review or inspection report that has relevance to governance and financial matters, risk management and the internal control environment.
- Seek assurance as to the financial effectiveness of change or continuous improvement projects/programmes, including benefits realisation.
- Any other duties as appropriate and agreed, eg. Police Staff Appeals if required.

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The Chief Constable and Chief Officers provide decisions at an executive level and give direction to the Force. They discharge their responsibilities through the following:

- A personal portfolio of responsibilities that collectively, cover all functions of the Force, including formal delegations from the Police and Crime Commissioner.
- They chair boards and groups relevant to their portfolio, some lead Boards being jointly chaired with the Police and Crime Commissioner.
- Conduct regular performance inspections on Commands and Departments.
- The Force Executive Board sets and monitors progress in relation to the corporate aims, objectives and performance.
- Attendance at Regional and National meetings and through Regional Collaboration.

The Ethics Committee

A new Ethics Committee is being created as a sub-committee of the Joint Independent Audit Committee to provide independent scrutiny to the work of the Professional Standards Board and to replace certain functions previously carried out by the Police Authority in so far as they relate to complaints, professional standards and appeals.

The draft terms of reference are shown below:

The primary purpose of the Ethics Sub-Committee is to support the Police and Crime Commissioner and Chief Constable through challenge and scrutiny in the delivery of a Policing Service that is transparent in its work and upholds the principles of good governance.

It will achieve this by:

- Dip sampling of all Complaints.
- Keeping under review all 'in-house' complaints appeals.
- Review of Political Restriction of Posts Policy, determinations and appeals.
- Review of Business Interests Register of applications and decisions, and Determination of Appeals relating to Chief Officers.
- Review of Gifts and Hospitality declarations.
- Review of Pecuniary interest declarations of staff and officers.
- Review of Masonic Declarations.
- Review of disclosures and declarations under the Police and Crime Commissioner Code of Conduct.
- Determination of police staff appeals against dismissal.

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- Consider relevant reports and policy documents e.g. Her Majesty's Inspector of Constabulary, Independent Police Complaints Commission.
- Ad hoc reviews as may be requested from time to time by the Police and Crime Commissioner, Chief Constable, Monitoring Officer or Treasurer.
- Such additional activities as may be determined by the Police and Crime Commissioner, Chief Constable, Monitoring Officer or Treasurer.

Internal Audit

The Internal Auditors undertake an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Treasurer is appointed in accordance with Section 151 of the Local Government Act 1972 that requires the Police and Crime Commissioner to appoint a suitably qualified officer responsible for the proper administration of its financial affairs. The Treasurer has a legal duty to submit a section 114 report on unlawful expenditure, any loss or deficiency, or an unlawful item of account as a result of the exercise of executive functions, to the executive, and must send copies of the report the external auditor. The Chief Executive and Monitoring Officer provides strategic advice to the Police and Crime Commissioner to enable them to meet their statutory roles and responsibilities. The role of the Monitoring Officer is to report on likely contraventions of law under the Local Government and Housing Act 1989 and to provide and maintain high standards of conduct in accordance with the Local Government Act 2000 and other relevant enactments.

Key activities provided by the internal auditors are as follows:

- To review the audit needs assessment to confirm that all significant financial and non-financial risks are incorporated into the strategic and annual audit plans.
- The Terms of Reference and roles and responsibilities for the Internal Auditors (the South West Audit Partnership) are reviewed annually and approved by the Joint Independent Audit Committee.
- To provide an annual audit plan for consideration by the Treasurer, in consultation with the Chief Constable's Chief Financial Officer. This plan is reviewed annually and reported to the Joint Independent Audit Committee for members' approval.
- To undertake the audit reviews as specified in the approved annual audit plan and to report to the Treasurer and the Chief Constable on the adequacy of the systems and controls in place at the conclusion of each audit.
- To report quarterly to the Joint Independent Audit Committee on audit reviews, including assurances, any risks identified and on progress against the plan.
- To provide an opinion on the overall adequacy and effectiveness of the organisations internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification.

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- To draw attention to any issues the Group Audit Manager judges particularly relevant to the preparation of the Annual Governance Statement and to investigate financial irregularities as required by the Treasurer.
- Internal and External audit report independently to the Chief Constable and the Police and Crime Commissioner.

Other explicit external review and assurance mechanisms are:

- Her Majesty's Inspector of Constabulary inspections.
- Lessons learnt from the Home Office Professional Standards Unit.
- The Health and Safety Executive inspections and reviews in respect of reportable accidents.
- Lessons Learnt and reports from the Independent Police Complaints Commission .

Further internal review and assurance mechanisms are provided through:

- The Professional Standards Department investigations into complaints and misconduct.
- The review and monitoring of risk by the Risk Management Board.
- The audit and quality assurance programme managed by the Governance Department.
- Local quality assurance, audits and checks within individual commands and departments, such as call handling, data quality and child protection.
- The external audit on the financial statements by KPMG report directly to the Police and Crime Commissioner in the ISA 260 report.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Joint Independent Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

6. SIGNIFICANT GOVERNANCE ISSUES

Using the definition provided in guidance to support compliance with the Accounts and Audit Regulations 2003, Dorset Police and the Office of the Police and Crime Commissioner have judged the following to be control issues appropriate for comment:

Financial Context - 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 significant further reductions will be required across the next five years. National initiatives, including the Winsor and Hutton reviews, have also had to be accounted for within the medium and long term financial strategies. It is however essential that the Force remains fit for purpose within these funding constraints.

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Action: Since 2009 the Force has initiated a significant review of all police functions to ensure that in 2010 and each of the following years savings continue to be identified whilst delivering the necessary level of service. This programme of work, called “One Team”, is the mechanism by which the 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 ongoing need for efficiency. However the Force ability to capitalise on the latest IS technology in the future is likely to be significantly curtailed through anticipated future cuts.

One Team Change Programme - The One Team Change Programme is a major change programme affecting the whole Force, aimed at maintaining service delivery with significantly reduced resources. The programme consists of a co-ordinated number of individual projects that cover the entire range of functions carried out by the Force, ensuring that changes in one area are taken account of in others. Due to the scale of the funding reductions to date and the further anticipated reductions, this continues to be a challenging programme to deliver. The current phase of the programme is delivering a structure for 2015 that is scalable to fit the anticipated level of funding. The associated reduction in service provision could potentially affect public confidence and their perception of feeling safe within their communities, and confidence levels are therefore closely monitored. The internal governance arrangements for the Force have been revised to ensure they remain robust and fit for purpose and are subject to ongoing monitoring.

Action: The One Team Programme is being managed using the Prince 2 methodology in project management. This work has been supported by an external ‘Gateway’ review in early 2011 at the request of the Police Authority to ensure independent and external quality assurance. The Police Authority recommended that a further ‘Gateway’ review be undertaken at a later stage of implementation to provide continuing external assurance of the programme, with a particular focus on validating progress and benefit realisation. Benchmarking of services takes place primarily using the “Value for Money Profiles” published annually by Her Majesty’s Inspectorate of Constabulary, to inform the direction of the One Team programme. All business cases prepared as part of the programme make reference to the relevant “profiles” as the drivers for change. The Force is currently implementing a structure for 2015 to fit with the anticipated levels of funding. These measures will be further tested by the internal audit programme.

The Regional Collaboration Programme - The Police Authority was represented on the Regional Police Authority Joint Committee (PAJC), a statutory body with representatives from all five Police Authorities in the South West. They had signed up to a Regional Collaboration Programme with a number of work streams, each led by a Chief Office.

The change in governance that occurred with the appointment of the Police and Crime Commissioners has not lessened the motivation or commitment to collaboration and whilst a formal governance structure has yet to be established, a programme of regional meetings of the Police and Crime Commissioners, Chief Executives and Chief Constables has been established to continue the work already started, and identify further opportunities.

The collaboration programme for Dorset Police extends beyond the Regional boundaries and will continue to do so. Currently there are workstreams that involve collaboration on a national level, cross border with other police forces and continued collaborative activities with local authorities in Dorset.

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The internal governance adopts the same protocols as used for the Force's internal review team, with individual leads identified for the particular collaborative work streams and proposals being formally presented through a business case to the Executive Board for sign off by the Chief Constable and / or Police and Crime Commissioner as appropriate.

The five South West Office of Police and Crime Commissioners have commenced a high level review of all existing collaborative work and are currently in the process of identifying further opportunities

Action: Dorset Police continues to review and identify opportunities for collaboration based on the optimum value this will bring to the Force which will encompass collaboration with forces in addition to those in the South West.

Any decisions on collaboration will be fully reported through the internal governance process and decisions of the Police and Crime Commissioner will be published on the intranet.

Partnership working - Force partnership arrangements continue to be an opportunity and a risk to the Force, particularly in light of the significant and ongoing 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. Last year's statement identified the recommendation to review partnerships working. This took place as part of the One Team Programme, to create a better understanding of the resources provided to partnership working and to identify opportunities to rationalise our engagement without adversely affecting their contribution to the achievement of our corporate objectives. Partnership working arrangements were also subject to an audit by the South West Audit Partnership. This resulted in a number of recommendations that are now being progressed by the Partnership and Commissioning Manager and the Force Strategic Planning Manager.

The newly appointed Police and Crime Commissioner has responsibility for Partnership and Commissioning and new arrangements including the appointment of a Partnership and Commissioning Manager have been put in place.

Action: To continue to engage at all levels with our partners and monitor the implementation and ongoing management of the Partnership arrangements.

The Commissioning and Partnership Manager will set out a Commissioning and Partnership Strategy to be agreed by autumn 2013.

The Strategy will consider the partnership landscape, how it can currently support future commissioning work or be reshaped in light of national and local changes to support that work.

It will provide a more detailed plan of work against current and future funded services to meet the priorities of the Police and Crime Plan.

Policies and Procedure - As part of the transition arrangements to the Police and Crime Commissioner all policies were subject to review and updated according to priority. Each policy is subject to an equality impact assessment. Under the new governance arrangements each Lead Board is responsible for the policies in their portfolio area, to ensure they remain up to date and are being applied appropriately. A Force policy officer has been appointed with specific responsibility for the coordination of all Force policy work, and to ensure they are updated promptly. Significant progress has however been made in recent months with an updated template for both policies and Equality Impact Assessments

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in place and over thirty new or updated policies being placed on the Force policy database in the last month of this reporting year.

A progress report on policies is presented to the quarterly People, Confidence and Equality Board chaired by the Deputy Chief Constable. Officers and staff have updates identified to them through a regular General Orders policy update.

During 2012 Authorised Professional Practice was introduced and this is expected to reduce and standardise the content of some operational policies in the medium term.

Ensuring policies and impact assessments due for review are initiated and followed up is the responsibility of the Force Policy Co-ordinator. The identification of changes to specific policies due to changes in legislation, case law or guidance is the responsibility of the owning department and Lead Board.

Action: Measures must be taken to monitor the effectiveness of the new arrangements with regard to policy creation, management and reporting. All policies will have an owning Lead Board and the Policy Co-ordinator will identify policies in Lead Board portfolio area that are due for review to ensure appropriate action is taken.

External and Internal Audit have both indicated that in their opinion there are no audit issues found over the last year for inclusion in the annual governance statement, and this is reflected in the Annual Audit Letter and Annual Audit Report. However the Police and Crime Commissioner and Force are committed to enhancing our service, systems and processes to ensure continuous improvement in our systems of internal control and governance. Throughout 2012-13 this has been primarily through the One Team programme and the transitional arrangements to the Police and Crime Commissioner.

The following areas of work have been identified in this review to be taken forward over the coming year:

- To further embed the new Governance arrangements across the Force and to ensure their ongoing effectiveness.
- To continue to develop and investigate the opportunity to maximise the use of advanced technology to improve the deployment and use of all Force resources.
- To maintain a continuous review of the Force staffing levels with particular reference to minimising the risk associated with succession planning and the identification and management of 'single points of failure' and resilience.
- To review the arrangements for the management of Force meeting records to ensure maximum transparency in decision making processes.
- To continue to monitor and improve where appropriate the programme for testing business continuity arrangements across the Force.
- To monitor and review the effectiveness of the governance arrangements in support of partnership and collaboration opportunities to maximise the benefit to the Force.
- To ensure the Governance arrangements around Volunteers, help to maximise their, recruitment, management, and utility in support of the Police and Crime Commissioners strategy to the benefit of the Force and Community of Dorset.

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Documents referred to in the body of the Annual Governance Statement can be accessed via the Force Website on www.dorset.police.uk or on the Police and Crime Commissioner website www.dorset.pcc.police.uk.

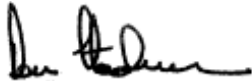
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our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

Signed



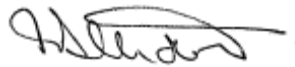
Miss Debbie Simpson
Chief Constable

30 September 2013



Mr Dan Steadman
Chief Executive and Monitoring Officer

30 September 2013



Mr Martyn Underhill
Police and Crime Commissioner for
Dorset

30 September 2013

GLOSSARY OF FINANCIAL TERMS

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

ACCOUNTING PERIOD	The period of time covered by the accounts, which for this PCC means a period of twelve months commencing on 1 April.
ACCOUNTING POLICIES	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.
ACCRUAL	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.
ACTUARIAL VALUATION	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
AGENCY SERVICES	The provision of services by one body (the agent) on behalf of, and generally with reimbursement from, the responsible body.
APPROPRIATION	A transfer of monies between the revenue account and the balance sheet.
ASSET	Something of worth that is measured in monetary terms e.g. land and buildings (also referred to as capital assets or fixed assets).
BALANCES	The accumulated surplus of income over expenditure.
BUDGET	A statement of the PCC's plans expressed in financial terms for a specified period of time.
CAPITAL CHARGE	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
CAPITAL EXPENDITURE	Expenditure on the acquisition or construction of significant assets (e.g. land and buildings) which have a long term value to the PCC (also referred to as capital spending or capital payments).
CAPITAL GRANTS	Grants paid to the PCC in support of approved capital projects.
CAPITAL RECEIPTS	Income from the sale of capital assets (land, buildings, etc.).
COLLECTION FUND	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.
CONSISTENCY	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENCY	A sum of money set aside to meet unforeseen expenditure.
CONTINGENT LIABILITY	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.
CORPORATE & DEMOCRATIC CORE	Those activities which police authorities engage in specifically because they are elected authorities. There is no basis for apportioning these costs over services.
COST CENTRE	A specific area of activity where control of certain budgets has been delegated.
COUNCIL TAX	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
CREDITORS	Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
CUSTOMER & CLIENT RECEIPTS	Income derived from services provided by the PCC, from sales (excluding land & buildings), and from rents.
DEBTORS	Amounts due to the PCC but unpaid by the end of the accounting period.
DEPRECIATION	The measure of the use of a fixed asset over its economic life.
EMOLUMENTS	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.

GLOSSARY OF FINANCIAL TERMS

ESTIMATION TECHNIQUES	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.
FIXED ASSETS	Assets that provide benefits to the PCC and the services it provides, for a period of more than one year.
HOME OFFICE GRANT	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.
IFRS	International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.
IMPAIRMENT	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.
NATIONAL NON-DOMESTIC RATES (NNDR)	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.
NON DISTRIBUTED COSTS (NDC)	Overheads for which no user benefits, and therefore not apportioned over services. Previously this was called Unapportionable Central Overheads (UCO).
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
PENSION FUND	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.
PRECEPT	A levy requiring the District, Borough and Unitary Councils to collect income from council taxpayers on behalf of the PCC.
PROVISIONS	Amounts set aside to meet liabilities or losses which are likely to be incurred, but where the actual sum and timing are uncertain.
RESERVES	Sums set aside to meet the cost of specific future expenditure.
REVENUE EXPENDITURE	The day to day costs incurred by the PCC in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (FORMALLY) DEFERRED CHARGES	Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the PCC, the expenditure is charged directly to the income and expenditure account in the year it occurs with the necessary appropriations in the Statement of Movement on the General Fund Balance and the Capital Adjustment Account.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the PCC, in addition to Home Office Grant, in support of its day to day expenditure.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SPECIFIC GRANTS	Grants from the Home Office, additional to other grants, for specific projects.
STOCKS	The amount of unused or unconsumed stocks held in expectation of future use. Examples include consumable stores and services in intermediate stages of completion.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the PCC from outside contractors and other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRUST FUNDS	Funds administered by the PCC for such purposes as prizes, charities and special projects.

