



# Annual Accounts 2013/2014



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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 2014 on pages 10 to 16 and 17 to 42. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

This report is made solely to the 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 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 Chief Finance Officer; and the overall presentation of the financial statements.

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

## **Opinion on financial statements**

### **In our opinion the financial statements:**

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2014 and of 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 2013-14.

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

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

- the annual governance statement set out on pages 44 to 55 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework'

## AUDIT OPINION

published by CIPFA/SOLACE in June 2007; or

- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

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

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

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

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

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2014

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on

## AUDIT OPINION

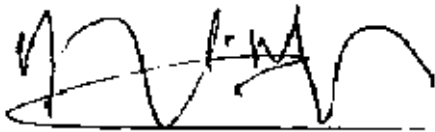
whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

### **Conclusion**

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

### **Certificate**

We certify that we have completed the audit of the financial statements of the Dorset 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.

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

**Harry Mears**

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

Chartered Accountants

Dukes Keep, Marsh Lane

Southampton

**30 September 2014**

# **FOREWORD TO THE ACCOUNTS**

## **Introduction**

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

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

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

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

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

## **The Statement of Accounts**

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

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

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

The accounts also reflect the Government's intention to phase in the reforms over a number of years. The accounting arrangements between PCC Dorset and the Chief Constable during the first phase of the transition are such that PCC Dorset is responsible for the finances of the whole Group and controls the assets, liabilities and reserves which were transferred from

## **FOREWORD TO THE ACCOUNTS**

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

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

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

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

### **Operating Cost Statement (note 7)**

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

### **Balance Sheet**

The accounting recognition of assets, liabilities and reserves during the first period of transition reflects the powers and responsibilities of the PCC as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the police service in England and Wales 2012. On the transition date of 22 November 2012 all the assets, liabilities and reserves of the former Police Authority were transferred directly to the PCC and pending the formal agreement of any transfers to the CC are deemed to rest under the PCC's control. As such the CC currently holds no reserves and does not receive any government funding or income from other sources. All payments for the



## **FOREWORD TO THE ACCOUNTS**

group are made by the PCC and no cash movements are made between the PCC and CC. The PCC has the responsibility for managing the financial relationship with third parties and has the legal responsibility for discharging the contractual terms and conditions of suppliers.

### **Revenue Budget**

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

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

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

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

The main variations were:

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

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

## **FOREWORD TO THE ACCOUNTS**

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

### **New Funding Streams**

During 2013-14 new funding was allocated to the PCC from the Ministry of Justice in respect of preparation for local commissioning of Victims Services and Restorative Justice. These grants totalled £275k.

Also during 2013-14, the Home Office invited bids against a £20M national innovation fund. Dorset made successful bids for three projects totalling £1.133M in 2013-14 relating to e-commerce, South West Forensics Service and Blue Light Mobile IT. Dorset were also party to a bid for Mobile IT for which Avon and Somerset were the lead force.

### **Capital Expenditure**

The capital programme for 2013-14 was £7.3M. Final capital expenditure was £5.0M, which was funded by Home Office and other grants of £1.7M, revenue contributions of £3.3M, which leaves no capital unfunded at the 31 March 2014.

The underspend on the capital budget, detailed in the notes on page 32, arises in part due to slippage on vehicle purchases and ICT system replacements.

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 31.

### **General Reserves**

The PCC's general balances at the start of the year were £4.63M. This was reduced to £4.507M due to the overspend in 2013-14. General balances now represent 3.9% of the budget requirement for 2013-14. This is slightly above the target level set by the Police and Crime Commissioner although some of this funding has been committed toward on off expenditure in 2014-15.

### **Pensions**

The figures returned by the actuary in the Pensions IAS19 note on pages 37-40 indicate a increase in the deficit for police staff in the Local Government Pension Scheme (LGPS) despite an additional contribution made towards past service deficit in March 2014 of £1.4M. They also show 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 10 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 £16.1M, or 14.1% of the total budget for 2013-14.

## FOREWORD TO THE ACCOUNTS

### **Other Information**

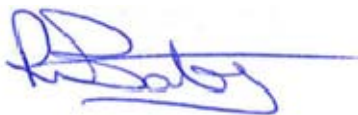
The accounts are prepared in accordance with the Accounts & Audit Regulations 2011 including the Annual Governance Statement on pages 43-54, the Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

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

The accounts that follow show the Dorset Police and Crime Commissioner's financial outturn for the year 2013-14. 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 2012-13;
- the balance sheets which show the consolidated assets and liabilities of the PCC and Chief Constable, as well as the assets and liabilities of the PCC;
- the movement in reserves statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year split between usable and unusable reserves;
- the cash-flow statement, which shows the sources and applications of the PCC's funds during the year;
- the notes to the above Core Statements, which provide further explanations and disclosures relating to the accounts.

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 2014, and its income and expenditure for that year.



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

30 September 2014

# ACCOUNTING POLICIES

## **1. Introduction**

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

## **2. Accounting Conventions**

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

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

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

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

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

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

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

## **4. Prior Period Adjustments**

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

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

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

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

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

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

## **6. Contingent Liabilities**

In accordance with IAS 37, a contingent liability is:

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

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

## ACCOUNTING POLICIES

liabilities are disclosed in the notes to the Financial Statements.

### **7. Agency Accounting**

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

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

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

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

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

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

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

### **11. Interest**

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

### **12. Investments**

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

### **13. Leases**

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

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

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

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

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

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

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

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

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

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

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

## ACCOUNTING POLICIES

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

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

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

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

### **16. Overheads**

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

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

### **17. Pensions**

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

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

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

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

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

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

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

### **18. Provisions**

In accordance with IAS 37, the PCC maintains a provision to meet a liability that will arise in future years. This relates to taxation in respect of rent allowances and time held in lieu 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 IAS 16. A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:

## ACCOUNTING POLICIES

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

**b) Measurement** - A full revaluation of the property assets was carried out during 1999-2000. Values are updated based on the results of annual revaluations of a representative sample of 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.

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

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

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

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

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

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

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

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

### **h) Subsequent Expenditure**

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

## ACCOUNTING POLICIES

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

### **i) Componentisation**

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

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

### **21. VAT**

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

### **22. Investment Property**

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

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

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

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

### **23. Surplus Assets**

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

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

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

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

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

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

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



## ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **STATEMENT OF RESPONSIBILITIES**

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

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

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

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

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## **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](http://www.dorset.police.uk)

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

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

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

### **Questions and Comments**

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

### **Complaints**

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

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

2012-13 Net Spending £'000		Gross Spending £'000	Income £'000	2013-14 Specific Grants £'000	Net Spending £'000
	<b>Division of Service</b>				
44,032	Local Policing	62,698	(786)	(15,527)	46,385
14,575	Dealing with the Public	13,984	(38)	(1,262)	12,684
11,334	Criminal Justice Arrangements	12,139	(508)	(1,147)	10,484
2,919	Road Policing	7,296	(3,665)	(1,218)	2,413
8,517	Specialist Operations	10,060	(68)	(2,106)	7,886
5,836	Intelligence	7,517	(12)	(1,305)	6,200
21,210	Specialist Investigation	26,476	(254)	(6,005)	20,217
5,310	Investigative Support	4,205	(40)	(1,043)	3,122
3,225	National Policing	6,884	(1,751)	(4,739)	394
828	Corporate and Democratic Core	1,575	0	(686)	889
61	Non Distributed Costs	0	0	0	0
117,847	<b>Deficit on Provision of Service</b>	152,834	(7,122)	(35,038)	110,674
	<b>Other Operating Income &amp; Expenditure</b>				
(216)	Net (gain) / loss on disposal of non-current assets				(264)
(396)	Trading Account Deficit / (Surplus)				160
108	Impairment Icelandic Banks				(186)
	<b>Financing &amp; Investment Income &amp; Expenditure</b>				
8	Interest Payable				6
(360)	Interest and Investment Income				(216)
39,284	Pensions Interest Cost & Expected Return on Assets				41,826
156,275	<b>Net Operating Expenditure</b>				152,000
	<b>Taxation &amp; Non-Specific Grant Income</b>				
(42,408)	Home Office Grant				(45,858)
(406)	Revenue Support Grant				0
(20,927)	Non Domestic Rates				(18,769)
(53,993)	Council Tax Precept				(49,872)
(2,143)	Capital Grants				(1,709)
(119,877)	<b>Total Finance</b>				(116,208)
36,398	<b>Deficit for the year</b>				35,792
(657)	Revaluation (Gains)				(2,044)
30,517	Actuarial Loss on Pension Fund Assets & Liabilities				9,692
66,258	<b>Total Comprehensive Income &amp; Expenditure</b>				43,440

## 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 2014, with comparative figures for 31 March 2013. Detailed supporting notes are shown on the following pages.

The total pension liability of £997m has a substantial impact on the net worth of the PCC as recorded in the balance sheet, resulting in a negative overall balance of £966m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.

Restated		Notes	31 March 2014	
31 March 2013			£'000	£'000
£'000	£'000			
0	<b>Intangible Assets</b>	21	<b>0</b>	
	<b>Tangible Fixed Assets</b>	21		
	Operational Assets			
47,790	Land & Buildings		<b>48,195</b>	
4,835	Vehicles, Plant & Equipment		<b>5,573</b>	
	Non-operational Assets			
760	Surplus assets, held for disposal		<b>670</b>	
				<b>54,438</b>
	<b>Current Assets</b>			
437	Inventories	27	<b>510</b>	
11,238	Debtors & Payments in advance	28	<b>14,951</b>	
2,537	Temporary Investments	29	<b>8,269</b>	
6,207	Cash and Cash Equivalents	31	<b>4,908</b>	
<b>20,419</b>			<b>28,638</b>	
	<b>Current Liabilities</b>			
(11,007)	Creditors & Receipts in advance	30	<b>(13,379)</b>	
<b>(11,007)</b>			<b>(13,379)</b>	
	<b>Net Current Assets</b>			<b>15,259</b>
	<b>Total Assets less Current Liabilities</b>			<b>69,697</b>
(39,959)	Long Term Liabilities	8,32		<b>(37,994)</b>
(73)	Provisions	33		<b>(613)</b>
(945,556)	Pensions Liability	34,38		<b>(997,321)</b>
<b>(922,791)</b>	<b>Total Net Liability</b>			<b>(966,231)</b>
	<b>Financed by :-</b>			
	<b>Unusable Reserves</b>			
10,537	Capital Adjustment Account	34 (i)		<b>11,771</b>
2,889	Revaluation Reserve	34 (ii)		<b>4,673</b>
830	Collection Fund Adjustment Account	34 (v)		<b>1,037</b>
(1,830)	Accumulated Absences Account	34 (vi)		<b>(1,119)</b>
(945,556)	Pensions Reserve	34 (vii)		<b>(997,321)</b>
	<b>Usable Reserves</b>			
0	Capital Grants Unapplied Account	34 (iii)		<b>0</b>
567	Usable Capital Receipts Reserve	34 (iv)		<b>2,243</b>
5,142	Specific Reserves	34 (viii)		<b>7,978</b>
4,630	Revenue Balances	37		<b>4,507</b>
<b>(922,791)</b>				<b>(966,231)</b>

# OFFICER OF POLICE AND CRIME COMMISSIONER BALANCE SHEET

This Balance Sheet is a record of the financial position of the Office of the Police and Crime Commissioner as at 31 March 2014, with comparative figures for 31 March 2013.

Restated					
31 March 2013				31 March 2014	
£'000	£'000		Notes	£'000	£'000
0		<b>Intangible Assets</b>		0	
		<b>Tangible Fixed Assets</b>	21		
		Operational Assets			
47,790		Land & Buildings		48,195	
0		Vehicles, Plant & Equipment		0	
		Non-operational Assets			
760		Surplus assets, held for disposal		670	
	48,550				48,865
		<b>Current Assets</b>			
0		Inventories	27	0	
2,793		Debtors & Payments in advance	28	3,112	
0		Accumulated Absences Inter-group Debtor		0	
4,853		Inter-group Debtor		5,900	
2,537		Temporary Investments		8,269	
6,207		Cash and Cash Equivalents		4,908	
16,390				22,189	
		<b>Current Liabilities</b>			
(2,216)		Creditors & Receipts in advance	30	(1,970)	
0		Accumulated Absences	34 (vi)	0	
(2,216)				(1,970)	
	14,174	<b>Net Current Assets</b>			20,219
	62,724	<b>Total Assets less Current Liabilities</b>			69,084
(39,959)		Long Term Liabilities	8,32	(37,994)	
(944,832)		Inter-group creditor - Pensions		(996,538)	
		Inter-group creditor - Accumulated Absences		0	
0		Provisions	33	0	
(724)		Pensions Asset / (Liability)	34,38	(783)	
(922,791)		<b>Total Net Assets / (Liability)</b>			(966,231)
		<b>Financed by :-</b>			
		<b>Unusable Reserves</b>			
10,538		Capital Adjustment Account	34 (i)	11,771	
2,889		Revaluation Reserve	34 (ii)	4,673	
830		Collection Fund Adjustment Account	34 (v)	1,037	
(1,830)		Accumulated Absences Account	34 (vi)	(1,119)	
(945,556)		Pensions Reserve	34 (vii)	(997,321)	
		<b>Usable Reserves</b>		0	
0		Capital Grants Unapplied Account	34 (iii)	0	
567		Usable Capital Receipts Reserve	34 (iv)	2,243	
5,141		Specific Reserves	34 (viii)	7,978	
4,630		Revenue Balances	37	4,507	
(922,791)					(966,231)

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
<b>Balance as at 31 March 2012</b>	(4,013)	(14,004)	(270)	0	(18,287)	(716)	(2,261)	885,078	(9,079)	874,616	856,329
<b>Movement in reserves during 2012-13</b>											
(Surplus) / Deficit on Provision of Services	36,398				36,398					0	36,398
<b>Other Comprehensive Income &amp; Expenditure</b>											
Revaluation Losses / (Gains)							(657)			(657)	(657)
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities							(657)	30,517		30,517	30,517
	36,398	0	0	0	36,398	0	(657)	30,517	0	29,860	66,258
<b>Adjustments between accounting basis and funding basis under regulations</b>											
Charges for depreciation & impairment of non-current assets	(5,156)				(5,156)				5,146	5,156	0
Net Gain / (Loss) on disposal of non current assets	216		(297)		(81)				81	81	0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(72,807)				(72,807)			72,807		72,807	0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	114				114						0
Statutory provision for financing of capital investment	2,187				2,187	(114)			(2,187)	(2,187)	0
Voluntary provision for repayment of debt	120				120				(120)	(120)	0
Capital Expenditure charged to the General Fund Balance	2,419				2,419				(2,419)	(2,419)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	42,846				42,846			(42,846)		(42,846)	0
Usable Capital Receipts funding revenue income from finance leases	0				0				(2,143)	0	0
Transfer Capital Grants to Capital Adjustment Account	2,143				2,143					(2,143)	0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(235)				(235)						0
<b>Total Adjustments</b>	(28,153)	0	(297)	0	(28,450)	(114)	10	29,961	(1,642)	28,450	0
Transfer to Capital Grants Unapplied Reserves					0					0	0
Net transfer to / (from) Earmarked Reserves	(8,862)	8,862	0		0				203	0	0
Other transfers					0				(19)	204	204
Transfer between Capital Reserves and Earmarked Reserves					0		19	0		0	0
<b>Total Transfers</b>	(8,862)	8,862	0	0	0	0	19	0	184	204	204
(Increase) / Decrease in year	(617)	8,862	(297)	0	7,948	(114)	(628)	60,478	(1,458)	58,514	66,462
<b>Balance as at 31 March 2013</b>	(4,630)	(5,142)	(567)	0	(10,339)	(830)	(2,889)	945,556	(10,537)	933,130	922,791

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
<b>Balance as at 31 March 2013</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	(4,630)	(5,142)	(567)	0	(10,339)	(830)	(2,889)	945,556	(10,537)	933,130	922,791
<b>Movement in reserves during 2013-14</b>											
(Surplus) / Deficit on Provision of Services	35,792				35,792					0	35,792
<b>Other Comprehensive Income &amp; Expenditure</b>											
Revaluation Losses / (Gains)							(2,044)	9,692	(2,044)	(2,044)	(2,044)
Actuarial Loss / (Gain) on Pension Fund Assets & Liabilities							(2,044)	9,692		7,648	9,692
	35,792	0	0	0	35,792	0			0		43,440
<b>Adjustments between accounting basis and funding basis under regulations</b>											
Charges for depreciation & impairment of non-current assets	(4,961)				(4,961)				4,933		0
Net Gain / (Loss) on disposal of non current assets	264		(1,676)		(1,412)		28		1,412		0
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	(78,552)				(78,552)			78,552			0
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	207				207	(207)					0
Statutory provision for financing of capital investment	2,260				2,260				(2,260)		0
Voluntary provision for repayment of debt	120				120				(120)		0
Capital Expenditure charged to the General Fund Balance	3,257				3,257				(3,257)		0
Employer's pensions contributions and direct payments to pensioners payable in the year	36,479				36,479			(36,479)			0
Usable Capital Receipts funding revenue income from finance leases					0				(1,709)		0
Transfer Capital Grants to Capital Adjustment Account	1,709				1,709						0
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	711				711						0
<b>Total Adjustments</b>	(38,506)	0	(1,676)	0	(40,182)	(207)	28	42,073	(1,001)	(711)	40,182
Transfer from Capital Grants Unapplied to CAA					0						0
Net transfer to / (from) Earmarked Reserves					0						0
Other transfers	2,837	(2,837)			1				(1)		0
Transfer between Capital Receipts Reserve and Capital Adjustment Account			0		0				0		0
Transfer between Capital Reserves and Earmarked Reserves					0		232	0	(232)		0
<b>Total Transfers</b>	2,837	(2,836)	0	0	1	0	232	0	(233)	0	0
(Increase) / Decrease in year	123	(2,836)	(1,676)	0	(4,389)	(207)	(1,784)	51,765	(1,234)	(711)	43,440
<b>Balance as at 31 March 2014</b>	(4,507)	(7,978)	(2,243)	0	(14,728)	(1,037)	(4,673)	997,321	(11,771)	980,959	966,231

## GROUP CASH FLOW STATEMENT

2012-13		Notes	2013-14	
£'000	£'000	39	£'000	£'000
<b>Operating Activities</b>				
Cash Outflows				
144,787			131,055	
34,198			26,201	
	178,985			157,256
Cash Inflows				
(53,993)			(49,872)	
(20,927)			(18,769)	
(406)			0	
(82,020)		42	(80,896)	
(11,759)			(14,031)	
	(169,105)			(163,568)
	9,880			(6,312)
<b>Servicing of Finance</b>				
Cash Outflows				
0			0	
Cash Inflows				
(360)			(216)	
	(360)			(216)
<b>Investing Activities</b>				
Cash Outflows				
2,358			4,966	
Cash Inflows				
(297)			(1,676)	
(2,142)			(1,709)	
	(81)			1,581
<b>Management of liquid resources</b>				
25,305			30,048	
(35,241)			(24,502)	
<b>Financing</b>				
0			0	
0			0	
	(9,936)			5,546
	(497)			599
<b>Other Movements</b>				
	114			700
	(383)			1,299
		39		



## 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

#### **IFRS10 - Consolidated Financial Statements**

The objective of the standard is to establish the principles for the presentation and preparation of consolidated financial statements when an entity controls or more other entities.

#### **IFRS11 - Joint Arrangements**

The objective of the standard is to establish the principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The PCC is compliant in terms of disclosure required in the standard.

#### **IFRS12 - Disclosures of Interests in Other Entities**

The objective of the standard is to require entities to disclose information that enables users of the financial statements to evaluate:

- (a) the nature of and risks associated with its interest in other entities, and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

The standard is essentially around disclosure so there is no technical difference in accounting requirements. There is substantial disclosure of information around its interests in other entities.

#### **IAS27 - Separate Financial Statements**

The objective of the standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when preparing separate financial statements.

#### **IAS28 - Investments in Associates and Joint Ventures**

This standard has been withdrawn as it has been superseded by IAS27.

#### **IAS32 - Financial Instruments: Presentation**

The objective of the standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. There will be no significant for the PCC as a result of this standard being adopted.

#### **IAS1 Presentation of Financial Statements**

This standard prescribes the basis for presentation of general purpose financial statements to ensure compatibility both with the financial statements for previous periods and with the statements of other entities. Since the adoption of IFRS in the Code, the Authority has always complied with the requirements of IAS1, in its previous forms, and will continue to do so. There will be no material change for the PCC as a result of the amendments to the standard.

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

There are no events have occurred since the balance sheet date which would have an effect on the figures recorded in the Financial Statements

### **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 2013-14 (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	2013-14 £'000
Impairment Charge	1,764	184	38	(292)	108	(186)

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

There has been a prior period adjustment in respect of Land and Buildings resulting in an adjustment of £202,000 in the fixed asset balances, Capital Adjustment Account and Revaluation Reserve, this is not material but has been agreed with KPMG.

## 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.

2012-13		2013-14			Difference ( ) = over £'000
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000	
733	<u>Police and Crime Commissioner</u>	916	1,761	1,582	179
	<u>Police Force</u>				
124,788	Employees	102,347	119,407	122,708	(3,301)
9,811	Premises Related Expenses	4,855	4,776	4,934	(158)
3,897	Transport Related Expenses	1,821	1,807	1,634	173
8,104	Supplies and Services	7,381	7,068	6,388	680
10,697	Third Party Payments	13,074	12,955	10,628	2,327
5,156	Capital Charges	0	0	4,961	(4,961)
163,186		130,394	147,774	152,835	(5,061)
	<u>Income</u>				
(39,612)	Specific Grants	(14,547)	(33,886)	(35,038)	1,152
(1,881)	Reimbursements & Contributions	(1,101)	(1,115)	(2,594)	1,479
(3,846)	Customer & Client Receipts	(2,431)	(2,946)	(4,529)	1,583
117,847	<b>Net Cost of Service</b>	112,315	109,827	110,674	(847)
(216)	Net (gain) / loss on disposal of non-current assets	(40)	(40)	(264)	224
(396)	Trading Account Deficit / (Surplus)	0	0	160	(160)
8	Interest Payable	141	21	6	15
(360)	Interest on balances	(72)	(72)	(216)	144
39,284	Pensions Interest Cost & Expected Return on Assets	0	0	41,826	(41,826)
108	Impairment - Icelandic Banks	0	(127)	(186)	59
156,275	<b>Net Operating Expenditure</b>	112,344	109,609	152,000	(42,391)
	<b>Principal Sources of Finance</b>				
(42,408)	Home Office Grant	(45,858)	(45,858)	(45,858)	0
(406)	Revenue Support Grant	0	0	0	0
(20,927)	Non Domestic Rates	(18,769)	(18,769)	(18,769)	0
(53,993)	Council Tax Precept	(49,665)	(49,665)	(49,872)	207
(117,734)	<b>Total Funding</b>	(114,292)	(114,292)	(114,499)	207
38,541	<b>(Surplus) / Deficit for the year</b>	(1,948)	(4,683)	37,501	(42,184)
(5,156)	Depreciation and impairment of fixed assets	0	0	(4,961)	4,961
216	Net gain / (loss) on disposal of fixed assets	0	0	264	(264)
2,419	Revenue Financing of Capital	1,948	3,563	3,257	306
2,187	Statutory provision for repayment of debt	0	0	2,260	(2,260)
120	Voluntary provision for repayment of debt	0	120	120	0
114	Collection Fund Adjustment Account	0	0	207	(207)
(29,961)	Appropriations to / (from)	0	0	(42,073)	42,073
	Pensions Reserve				
(235)	Appropriations to / (from)	0	0	711	(711)
	Accumulated absences Account				
(8,862)	Transfers to / (from) Specific Reserves	0	1,000	2,837	(1,837)
(617)	<b>Reduction / (Increase) in General Balances</b>	0	0	123	(123)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. OPERATING COST STATEMENT

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

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

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

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

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

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

Payments	Grants		Payments	Grants
2012-13	2012-13		2013-14	2013-14
£'000	£'000		£'000	£'000
3,302	(2,346)	Western Scheme	3,372	(2,346)
4,107	(2,892)	DESPI	4,194	(2,892)
<u>7,409</u>	<u>(5,238)</u>		<u>7,566</u>	<u>(5,238)</u>

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

	Western	DESPI
	£'000	£'000
Capital Repayment	15,862	34,613
Interest Charges	6,141	16,728
Service Charges	38,065	41,206
	<u>60,068</u>	<u>92,547</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

<b>Assets</b>	<b>Western £'000</b>	<b>DESPI £'000</b>
Opening balance	5,200	6,128
Additions/developments/lifecycle	324	90
Revaluations	67	228
Impairments	-	-
Depreciation	(83)	(99)
Closing balance	5,508	6,347

<b>Liabilities</b>	<b>Western £'000</b>	<b>DESPI £'000</b>
Opening balance	(8,451)	(29,704)
Additions/developments/lifecycle	(323)	(91)
Repayments	909	1,351
Closing balance	(7,865)	(28,444)

### 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.

2012-13 £'000		2013-14 £'000
451	Expenditure	456
264	Commitment - 1 year	85
348	Commitment - 2 to 5 years	261
479	Commitment - over 5 years	549
156	Rental Income	113

### 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.

2012-13 £'000		2013-14 £'000
12	Expenditure in year	30
(12)	Charged to Income and Expenditure Account	(30)
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.

2012-13 £'000		2013-14 £'000
25	Expenditure	14

## 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.

2012-13 £'000		2013-14 £'000
201	Employee Costs	178
5	Staff Advertising	14
10	Other Advertising	50
99	Public Relations / Community Consultancy	107
<u>315</u>		<u>349</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.

2012-13 £'000		2013-14 £'000
248	Expenditure	111

### 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 payments in 2012-13 were up to November 2012 when the Police Authority was replaced with a Police and Crime Commissioner. There are no costs in 2013-14.

2012-13 £'000		2013-14 £'000
86	Expenditure	0

### 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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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

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

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

Post Holder Information	Salary (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		116,743
Chief Constable Miss Debbie Simpson (from 01/10/2012)	69,462		1,132		70,594	16,580	87,174

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Post Holder Information	Salary (including fees and allowances)	Bonuses	Expenses Allowances	Benefits in Kind (Car Allowances)	Total Remuneration Excluding Pensions Contributions	Pensions Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Superintendent (Crime and Criminal Justice)	88,660	1,000		4,130	93,790	19,278	113,068
Chief Superintendent (Territorial Policing)	87,667	500		3,625	91,792	19,280	111,072
Assistant Chief Constable (from 14/05/2012)	88,407			1,597	90,004	20,651	110,655
Chief Superintendent (Olympics)	88,181	500		0	88,681	19,030	107,711
Assistant Chief Officer	89,973			3,296	93,269	14,036	107,305
Chief Superintendent (Operational Support)	80,134	1,000		2,322	83,456	19,030	102,486
Director of Human Resources	81,906			4,190	86,096	12,777	98,873
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
Police and Crime Commissioner Martin Underhill (from 22/11/2012)	25,083		846		25,929	3,913	29,842
	<b>902,687</b>	<b>3,000</b>	<b>846</b>	<b>25,901</b>	<b>932,434</b>	<b>180,542</b>	<b>1,112,976</b>

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

Post Holder Information	Salary (including fees and allowances)	Bonuses	Expenses Allowances	Benefits in Kind (Car Allowances)	Total Remuneration Excluding Pensions Contributions	Pensions Contributions	Total Remuneration
	£	£	£	£	£	£	£
Deputy Chief Constable	112,191			3,671	115,862	26,478	142,340
Chief Superintendent (Operational Support)	89,369			4,481	93,850	19,752	113,602
Chief Superintendent (Crime and Criminal Justice)	87,911	125		3,789	91,825	19,141	110,966
Assistant Chief Officer	90,498			5,400	95,898	14,389	110,287
Chief Superintendent (Territorial Policing)	82,402			6,131	88,533	18,108	106,641
Chief Superintendent (Crime and Criminal Justice)	82,037	125		4,475	86,637	18,058	104,695
Chief Superintendent (Seconded to HMIC)	81,832	500		564	82,896	19,141	102,037
Director of Human Resources	82,384			4,513	86,897	13,099	99,996
Assistant Chief Constable (from 22/07/2013)	70,106			3,882	73,988	16,380	90,368
Police and Crime Commissioner	70,000				70,000	11,130	81,130
Chief Executive (from 24/06/13)	64,225			5,595	69,820	7,682	77,502
Chief Executive (to 04/10/13)	41,959			340	42,299	6,671	48,970
Deputy Chief Constable (until 24/08/2013)	45,063			4,449	49,512	0	49,512
Chief Superintendent (until 21/4/13)	8,787				8,787	1,110	9,897
	<b>1,008,764</b>	<b>750</b>	<b>0</b>	<b>47,290</b>	<b>1,056,804</b>	<b>191,139</b>	<b>1,247,943</b>

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 2013-14 the cost of the Treasurer was £40,900 and the cost in 2012-13 was £33,429.

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

### 18. SPONSORSHIP

The Police and Crime Commissioner received sponsorship of £34,449 from outside bodies during 2013-14 towards various projects to support community safety and force priorities. This includes £32,149 in goods, services and income for the provision of the Boscombe Police Box. This figure does not include sponsorship received by various crime reduction partnerships with which the Police and Crime Commission are involved. The Police and Crime Commissioner received £1,000 in sponsorship from outside bodies during 2012-13.

### 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 18 and page 41.

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

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

### 20. AUDIT FEES

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

2012-13 £'000		<b>2013-14 £'000</b>
65	External Audit Services	<b>58</b>
<b>65</b>		<b>58</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Intangible Assets</u>	<u>Operational Assets</u> Land and Buildings	<u>Operational Assets</u> Vehicles, Plant & Equipment	<u>Non-operational Assets</u> Under construct-ion	<u>Non-operational Assets</u> Surplus Assets	<u>Total Assets</u>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2013-14</b>						
Gross Book Value 1 April	1,719	64,039	36,918	-	760	103,436
Accumulated Depreciation	(1,719)	(16,249)	(32,083)	-	-	(50,051)
Net Book Value 1 April	-	47,790	4,835	-	760	53,385
Transfers	-	(1,283)	-	-	1,283	-
Additions	-	1,017	4,364	-	-	5,381
Disposals	-	-	(3,145)	-	(1,455)	(4,600)
Revaluations	-	2,020	-	-	-	2,020
Depreciation for the year	-	(747)	(3,587)	-	-	(4,334)
Impairment (non enhancing exp)	-	(602)	-	-	-	(602)
Depreciation on assets sold	-	-	3,106	-	82	3,188
Impairment	-	-	-	-	-	-
Net Book Value 31 March	<b>0</b>	<b>48,195</b>	<b>5,573</b>	<b>0</b>	<b>670</b>	<b>54,438</b>
<u>Asset Financing</u>						
Owned	-	36,340	5,573	-	670	42,583
Leased	-	-	-	-	-	-
PFI	-	11,855	-	-	-	11,855

Comparative movements for 2012-13 are as follows:

	<u>Intangible Assets</u>	<u>Operational Assets</u> Land and Buildings	<u>Operational Assets</u> Vehicles, Plant & Equipment	<u>Non-operational Assets</u> Under construct-ion	<u>Non-operational Assets</u> Surplus Assets	<u>Total Assets</u>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2012-13</b>						
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	-	(728)	-	-	728	-
Additions	-	250	2,327	-	-	2,577
Disposals	-	-	(253)	-	(293)	(546)
Revaluations	-	119	-	-	-	119
Depreciation for the year	-	(733)	(3,856)	-	-	(4,589)
Impairment (non enhancing exp)	-	(30)	-	-	-	(30)
Depreciation on assets sold	-	-	249	-	15	264
Impairment	-	-	-	-	-	-
Net Book Value 31 March	<b>0</b>	<b>47,790</b>	<b>4,835</b>	<b>0</b>	<b>760</b>	<b>53,385</b>
<u>Asset Financing</u>						
Owned	-	36,462	4,835	-	760	42,057
Leased	-	-	-	-	-	-
PFI	-	11,328	-	-	-	11,328

## 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 2013-14, a comparison with the estimated spending and funding. The underspend relates to the carried forward projects referred to in note 23 below.

2012-13		2013-14		
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000
0	Major Schemes	-	657	170
30	Minor works to buildings	-	0	432
174	Vehicles	-	1,738	1,165
1,951	IT equipment and software	-	4,889	2,914
203	Other equipment	-	0	285
<u>2,358</u>	Total Payments	<u>0</u>	<u>7,284</u>	<u>4,966</u>
0	Use of Capital Receipts	-	256	-
1,080	Other Contributions	-	625	707
1,063	Home Office Grants	-	1,002	1,002
0	Use of Capital Reserves	-	1,838	-
2,419	Revenue Financing	-	3,563	3,257
0	Borrowing	-	0	-
(2,204)	Unfinanced Capital Payments b/f	-	0	-
0	Unfinanced Capital Payments c/f	-	0	-
<u>2,358</u>		<u>0</u>	<u>7,284</u>	<u>4,966</u>

### 23. FUTURE CAPITAL COMMITMENTS

The most significant capital projects during the year related to provision of IT equipment and solutions. Of the total £2.91M spend on IT equipment and software, £1.18M related to the provision of a new Crime Intelligence system, while a further £659k was investment in initiatives to improve collaborative working with other police forces and partner agencies. The remainder of IT related expenditure ensured Dorset Police's infrastructure remained fit for purpose, through a replacement programme.

The nature of capital expenditure is such that long lead times will often result in slippage in expenditure. Such slippage was experienced in 2013-14, most noticeably in vehicle purchases, but also in the acquisition of some major IT systems, including automatic number plate recognition and a national system to improve the administration of firearms licencing.

### 24. ASSET REGISTER

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

2012-13 No.		2013-14 No.
30	Stations including HQ	29
27	Houses	22
14	Other	15
<u>71</u>		<u>66</u>

### 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 (as a proxy for current value)	Estimated life
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.

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

### 28. DEBTORS AND PAYMENTS IN ADVANCE

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

2012-13 £'000		2013-14 £'000
4,529	Central Government Departments	7,047
1,936	Other PCC's and Local Authorities	2,575
4,773	Others	5,329
<u>11,238</u>		<u>14,951</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 £'000	Interest Rate	Amount Owed 2013-14 £'000	Carrying Amount 2013-14 £'000	Impairment £'000
Heritable	26/06/08	31/12/08	2,000	6.22%	0	0	0
Landsbanki	04/08/08	22/10/08	2,000	5.72%	1,396	946	450
Landsbanki	03/09/08	28/11/08	3,000	5.82%	2,080	1,396	684
			<u>7,000</u>		<u>3,476</u>	<u>2,342</u>	<u>1,134</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **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, Heritable's Administrators have paid a dividend of 16.73% (in August 2013) bringing the total repayment to 94%. The latest update (number 8) to LAAP 82 indicates that there is no evidence to suggest that there will be any further dividends in amounts that might be considered material. For 2013-14 accounts, the carry forward value of the impairment has been reduced to nil, with any remaining balance that has not already been charged to the I&E account in previous years (as per the CIPFA guidance) being written out to the I&E account in 2013-14.

### **LBI hf (formerly Landsbanki Islands hf)**

At the time LAAP Bulletin 82 Update 7 and 8 was issued, the total payment was estimated to be 100%. Since the last Bulletin, a sterling distribution has been made (13 September 2013 for 5% of the total (using 22 April 2009 exchange rates).

The Winding Up Board published details of LBI's financial position as at 31 December 2013. 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.

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 September 2013 represents 52.23% 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 2014 - 15%  
December 2015 - 10%  
December 2016 - 10%  
December 2017 - 10%  
December 2018 - 2.77%

### **30. CREDITORS AND RECEIPTS IN ADVANCE**

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

2012-13 £'000		2013-14 £'000
2,615	Central Government Departments	1,988
1,493	Other PCC's and Local Authorities	2,385
6,899	Others	9,006
<u>11,007</u>		<u>13,379</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 2014.

### **32. LONG TERM LIABILITIES**

Part of this balance £1.684M in 2013-14 (£1.804M 2012-13) 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 £36.310M in 2013-14 (£38.155M in 2012-13) is the value of liabilities due to the PFI providers over the life of the Western and DESPI PFI Schemes (see note 8).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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. There is also a provision for time in lieu that will be paid during 2014-15.

	Balance 2012-13 £'000	Income £'000	Expenditure £'000	Balance 2013-14 £'000
Taxation	73	0	21	52
Time in lieu of payment	0	561	0	561
	<u>73</u>			<u>613</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.

2012-13 £'000		2013-14 £'000
9,079	Balance as at 1 April	10,538
2,419	Capital Financing	3,257
0	Capital Receipts Applied	0
2,143	Capital Grants	1,709
(4,610)	Depreciation and Impairment	(4,909)
(539)	Impairment - Price Decreases / Fall in Market Value	(24)
(281)	Book Value of Disposals & Transfers	(1,412)
120	Reduction in Deferred Liability	120
2,187	Minimum Revenue Provision	2,260
19	Transfer of gains from disposal of assets from Revaluation Reserve	232
<u>10,538</u>	Balance at 31 March	<u>11,771</u>

#### (ii) Revaluation Reserve

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

2012-13 £'000		2013-14 £'000
2,261	Balance as at 1 April	2,889
657	Gains / (Losses) - Fixed Asset Revaluation	2,044
(10)	Depreciation and Impairment	(28)
(19)	Transfer of gains from disposal of assets to Capital Adjustment Account	(232)
<u>2,889</u>	Balance at 31 March	<u>4,673</u>

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

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

2012-13 £'000		2013-14 £'000
0	Balance as at 1 April	0
0	Grants used for Capital Financing	0
0	Release of Government Grant	0
<u>0</u>	Balance at 31 March	<u>0</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (iv) Usable Capital Receipts Reserve

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

2012-13 £'000		2013-14 £'000
270	Balance as at 1 April	567
297	Receipts in the year	1,676
0	Transfer to Capital Reserve	0
0	Less Applied during the year	0
<u>567</u>	Balance at 31 March	<u>2,243</u>

### (v) Collection Fund Adjustment Account

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

2012-13 £'000		2013-14 £'000
716	Balance as at 1 April	830
114	Movement during the year	207
<u>830</u>	Balance at 31 March	<u>1,037</u>

### (vi) Accumulated Absences Account

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

2012-13 £'000		2013-14 £'000
(1,594)	Balance as at 1 April	(1,830)
1,594	Reverse previous year provision	1,830
(2,065)	Current year provision	(408)
235	Charge / (Credit) to I&E	(711)
<u>(1,830)</u>	Balance at 31 March	<u>(1,119)</u>

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

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

2012-13			2013-14	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
(825,549)	(59,529)	Surplus / (Deficit) as at 1 April	(898,817)	(46,739)
(27,071)	(6,391)	Current Service Cost	(30,386)	(6,269)
29,154	13,692	Employer Contributions	30,914	5,565
(30)	(31)	Administration Expenses	0	(71)
(37,313)	(1,971)	Net interest on the defined liability (asset)	(39,758)	(2,068)
(38,008)	7,491	Actuarial gain / (loss)	(8,775)	(917)
<u>(898,817)</u>	<u>(46,739)</u>	Surplus / (Deficit) as at 31 March	<u>(946,822)</u>	<u>(50,499)</u>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (viii) Other Earmarked Reserves

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

	Balance 2012-13 £'000	Income / Transfers £'000	Expenditure / Transfers £'000	Balance 2013-14 £'000
<b>For Capital Purposes</b>				
Capital	0	1,826	0	<b>1,826</b>
<b>For Revenue Purposes</b>				
Insurance	3,682	549	709	<b>3,522</b>
Major Operations	0	1,200	0	<b>1,200</b>
PFI	0	0	0	<b>0</b>
Pensions	203	0	0	<b>203</b>
Other Reserves	1,257	159	189	<b>1,227</b>
	<b>5,142</b>	<b>3,734</b>	<b>898</b>	<b>7,978</b>

#### 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.

#### 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 major operations.

### 35. AUTHORISATION

This Statement of Accounts was authorised for issue by Richard Bates, Treasurer to the Police and Crime Commissioner, on 27th June 2014.

### 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 reduced by the general fund balance of £0.123M, to a total of £4.507M. This mean that uncommitted general balances are £4.507M or 3.9% of the budget requirement

#### Analysis of Movement in Balances

2012-13		2013-14	
Total Balances £'000		General Balances £'000	Cost Centre £'000
4,013	Balances as at 1 April	4,630	0
0	Use of accumulated balances	0	0
617	Surplus / (Deficit) in year	(123)	0
<b>4,630</b>	<b>Balances as at 31 March</b>	<b>4,507</b>	<b>0</b>

### 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

2012-13			2013-14	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
		<b>Net Cost of Services</b>		
27,071	6,391	Service Cost	30,386	6,269
37,313	1,971	Net interest on the defined liability (asset)	39,758	2,068
30	31	Administration Expenses	0	71
(35,260)	5,299	Movement on Pensions Reserve	(39,230)	(2,843)
		<b>Actual amount charged against council tax for pensions in the year</b>		
0	(13,675)	Employer's contributions payable	0	(5,555)
0	(17)	Unfunded Pension Payments	0	(10)
(29,154)	0	Retirement benefits payable to pensioners	(30,914)	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: -

2012-13			2013-14	
% of Assets	£'000		% of Assets	£'000
60%	59,077	Equities	57%	61,561
21%	20,677	Gilts	9%	9,720
0%	0	Bonds	10%	10,800
0%	0	Alternative Assets	4%	4,320
0%	0	Absolute Return Portfolio	4%	4,320
9%	8,862	Property	9%	9,720
5%	4,923	Cash	7%	7,560
5%	4,923	Target Return Portfolio	0%	0
	<u>98,462</u>	Estimated Assets in the LGPS		<u>108,001</u>
	145,092	Present value of liabilities in the LGPS		158,330
	109	Present value of unfunded liabilities		170
	<u>145,201</u>	Total value of LGPS liabilities		<u>158,500</u>
	(46,739)	Net Staff Pensions (Deficit)		(50,499)
	(898,817)	Estimated Liabilities in Police Pension Scheme		(946,822)
	<u>(945,556)</u>	Net Pensions (Deficit)		<u>(997,321)</u>

The liabilities show the underlying commitments that the PCC has in the long run to pay retirement benefits. The total liability of £997m has a substantial impact on the net worth of the PCC as recorded in the balance sheet, resulting in a negative overall balance of £966m. However, statutory arrangements for funding the deficit mean that the financial position of the PCC remains healthy.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The main assumptions used in their calculations are: -

2012-13		Local Government Pension Scheme	2013-14	
% p.a.	Real		% p.a.	Real
3.4%		RPI Increases	3.7%	
2.6%	-0.8%	CPI Increases	2.9%	-0.8%
4.6%	1.2%	Rate of increase in salaries	4.4%	0.7%
2.6%	-0.8%	Rate of increase in pensions	2.9%	-0.8%
4.7%	1.3%	Rate for discounting scheme liabilities	4.5%	0.8%
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: -

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

The main financial assumptions used in their calculations are: -

2012-13		Police Pension Scheme	2013-14	
% p.a.	Real		% p.a.	Real
3.4%		Rate of inflation	3.7%	
2.6%	-0.8%	CPI Increases	2.9%	-0.8%
4.9%	1.5%	Rate of increase in salaries	4.7%	1.0%
2.6%	-0.8%	Rate of increase in pensions	2.9%	-0.8%
4.5%	1.1%	Rate for discounting scheme liabilities	4.5%	0.8%

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012-13			2013-14	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
825,549	134,225	Opening defined benefit obligation	898,817	145,201
27,071	6,391	Current service cost	30,386	6,269
37,313	6,139	Interest cost	39,758	6,781
38,008	36	Change in financial assumptions	8,775	11,794
n/a	n/a	Change in demographic assumptions	n/a	(420)
n/a	n/a	Experience loss/(gain) on defined benefit obligation	n/a	(9,247)
0	0	Liabilities assumed/(extinguished) on settlements	0	0
(34,502)	(3,261)	Estimated benefits paid (net of transfers in)	(36,471)	(3,491)
30	31	Past service costs including curtailments	0	0
5,910	1,657	Contributions by scheme participants	6,119	1,623
(562)	(17)	Unfunded pension payments	(562)	(10)
898,817	145,201	Closing defined benefit obligation	946,822	158,500

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

2012-13			2013-14	
	LGPS £'000			LGPS £'000
	74,696	Opening fair value of scheme assets		98,462
	3,710	Interest on assets		4,713
	8,065	Return on assets less interest		526
	0	Other actuarial gains (losses)		684
	(80)	Administration expenses		(71)
	13,692	Contributions by employer (including unfunded)		5,565
	1,657	Contributions by scheme participants		1,623
	(3,278)	Estimated benefits paid		(3,501)
	0	Settlement prices received/(paid)		0
	98,462	Fair value of scheme assets at end of period		108,001

### 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.

2012-13			2013-14	
£'000	£'000		£'000	£'000
	(617)	Net (surplus) / deficit on Revenue Account		123
	0	Net (surplus) / deficit on Capital Account		0
		Movement in accruals items:-		
0		Long Term Debtors	0	
(26)		Stocks	73	
1,279		Debtors	3,713	
2,512		Creditors	(2,372)	
28		Provisions	(540)	
	3,793			874
		Movement in non-cash items:-		
8,862		Specific Reserves	(2,836)	
(114)		Collection Fund Adjustment Account	(207)	
236		Accumulated Absences Account	(711)	
(297)		Capital Receipts Reserve	(1,676)	
	8,687			(5,430)
		Movement in financing items:-		
(2,203)		Repayment of Internal Borrowing	0	
(10,043)		Short Term Loans	5,732	
	(12,246)			5,732
	(383)	(Increase) / Decrease in Cash		1,299

## 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 2013 £'000	Movement in year £'000	Balance 31 March 2014 £'000
Cash in hand and at bank	6,207	(1,299)	4,908
Temporary investments and borrowing	2,537	5,732	8,269
	<u>8,744</u>	<u>4,433</u>	<u>13,177</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.

2012-13 £'000		2013-14 £'000
12,580	Temporary Investments as at 1 April	2,537
(10,043)	Increase / (Decrease) in Temporary Investments	5,732
<u>2,537</u>	Temporary Investments as at 31 March	<u>8,269</u>

### 42. ANALYSIS OF GOVERNMENT GRANTS

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

2012-13 £'000		2013-14 £'000
(3,246)	Neighbourhood Policing Fund	0
(65)	Pre 1990 Loan Charges Grant	(64)
(5,238)	PFI Grant	(5,238)
(1,961)	Security Grant	(1,713)
(16,012)	Pensions Specific Grant	(18,918)
(32)	Prevent Home Office	0
(11,320)	Olympic 2012 Grant	0
(57)	Prison Intelligence Officer Grant	(60)
(49)	Home Office Other Specific Grants	0
(1,605)	Council Tax Freeze Grant	(1,331)
(27)	Localisation of Council Tax Support	0
0	Police Innovation Fund	(874)
0	PCC Specific Grants - Restorative Justice	(51)
0	Dedicated Security Grant (Regional)	(78)
0	Council Tax Benefit Limitation Grant	(5,990)
0	Council Tax Transition Grant	(116)
0	Crime Fighting Fund Grant	(41)
0	Community Safety Fund Grant	(555)
0	Miscellaneous Home Office Grants	(9)
<u>(39,612)</u>		<u>(35,038)</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.

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

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

## NOTES TO THE PENSION FUND ACCOUNT

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

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

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

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

## 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 in part funded by contributions from Local Authorities.

<b>Safety Camera Partnership</b>		
2012-13		<b><u>2013-14</u></b>
£'000		<b>£'000</b>
855	Employees	<b>866</b>
81	Premises Related Expenses	<b>80</b>
10	Transport Related Expenses	<b>32</b>
274	Supplies And Services	<b>267</b>
-	Support Services	<b>-</b>
40	Third Party Payments	<b>50</b>
115	Transfer to Reserve	<b>-</b>
<u>1,375</u>	<b>Expenditure</b>	<b><u>1,295</u></b>
-	Other Reimbursements and Contributions	<b>-</b>
<u>(1,375)</u>	<b>Fees and Charges</b>	<b><u>(1,295)</u></b>
<u>(1,375)</u>	<b>Income</b>	<b><u>(1,295)</u></b>
<u>-</u>	<b>Net Expenditure</b>	<b><u>-</u></b>

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 statement is written on behalf of the Police and Crime Commissioner and the Office of the Police and Crime Commissioner.**

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

## **1. SCOPE OF RESPONSIBILITIES**

The Police and Crime Commissioner is responsible for ensuring Dorset Police conducts its business in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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 Dorset Police 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 Dorset Police affairs, facilitating the effective exercise of its functions, and which includes arrangements are in place for the management of risk.

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

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

The governance framework comprises the systems and processes, and culture and values by which the Office of the Police and Crime Commissioner is directed and controlled and its activities through which it accounts to and engages with and leads its communities. 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 services and value for money.

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

## ANNUAL GOVERNANCE STATEMENT

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

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

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

The Commissioner is responsible for the establishment of a Police and Crime Plan setting the objectives through engagement and communication with the public that they serve. A suitable Chief Constable is appointed by the Commissioner to deliver a policing service that will achieve the objectives of this plan.

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

The Dorset Police and the Police and Crime Commissioner have approved a single governance model outlined in the Statement of Corporate Governance as part of a joint Code of Governance.

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

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

- The Police Reform and Social Responsibility Act 2011 determines the responsibilities of the Commissioner in setting the objectives of the Police and Crime Plan and sets out arrangements for public accountability through an independent Police and Crime Panel. The Home Office guidelines state that the panel must consist of at least ten members, with one elected representatives from each local authority plus two independent members. Dorset's panel consists of fifteen borough and district council representatives and two independent members who examine the actions and decisions of the Commissioner and ensure all relevant information is made available to the public so that they can hold him to account.
- The Commissioner appoints the Chief Constable and holds them to account for delivering the objectives of the Police and Crime Plan. The plans objectives are jointly determined using a number of sources including the Force Strategic Assessment which reviews past performance against the plans priorities as well as identifying emergent threats to policing and also the annual demand assessment which looks at longer term changes in the volumes and types of demand on policing resources. The Commissioner considers this information in conjunction with issues highlighted during the consultation and public forum surgeries held across the county to form the plans objectives and priorities.
- The Dorset Police and the Office of the Police and Crime Commissioner undertake extensive consultation surveys that contribute to the setting of priorities and inform

## ANNUAL GOVERNANCE STATEMENT

policy and decision-making for the development and planning of police services. The findings are reported to the Commissioner who uses the information to assess public confidence and the delivery of the Police and Crime Plan objectives.

- The joint Code of Corporate Governance outlines the governance structure for boards and committees and the process by which the Commissioner holds the Chief Constable to account for achieving the Police and Crime Plan objectives.
- The Commissioner holds the Chief Constable to account for delivering a police service that achieves the objectives of the Police and Crime Plan. The Chief Constable holds Managers and Chief Officers to account for performance and local outcomes at the weekly Force Control Board which reports significant issues to the Joint Executive Board. The Joint Executive Board and monthly Strategic Performance Board meetings are jointly attended and chaired with the Commissioner. The reports and performance information submitted to these meetings is received from a structured network of sub boards that are allocated to Senior Force Management.
- The Commissioner is responsible for setting the annual Dorset Police budget including the local policing element of the Council Tax in Dorset. A medium term financial strategy is jointly approved by the Commissioner and Chief Constable and provides the framework for resource allocation and control. The Force annual accounts are approved by the Joint Independent Audit Committee and are published with the Financial Statement on the Office of the Police and Crime Commissioners website.
- A Commissioning Strategy and process is under development to support the Commissioner in meeting his obligations to the local community. He is responsible for commissioning local policing services and working with a broad range of partners to deliver all aspects of the Police and Crime Plan.
- The Dorset Management Information System (DorMIS) is an intranet based framework that provides organisational data at strategic, tactical and operational levels that support the identification of achieved performance based on the Force Control Strategy and plan priorities. DorMIS allows the Commissioner to review changes in performance against the plan priorities and other policing activity including crime and incident levels, repeat victimisation, stop and search, satisfaction and crime outcomes. Value for money and performance are independently assessed through thematic reviews undertaken by Her Majesty's Inspectorate of Constabulary, the National College of Policing and independent external and internal audit providers. These reports are then benchmarked and compared nationally to other Forces to ensure effective and efficient processes are in place.
- All individual partnerships are required to produce an annually reviewed terms of reference to outline their purpose and clearly define their vision. Partnership arrangements are underpinned and controlled by the Force Partnership Policy.

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

- The Police Reform and Social Responsibility Act 2011 clearly defines the role and responsibilities of the Commissioner and sets out arrangements for public accountability. The Act determines the functions and power of delegation assigned to the Commissioner and establishes the protocols and provisions relating to policing,



## ANNUAL GOVERNANCE STATEMENT

crime and disorder. This provides a solid foundation from which a professional working relationship with the Chief Constable can be established. The Act also requires the provision of a Police and Crime Plan determined by the Commissioner through consultation with the public and delivered by the Chief Constable through a professional accountable police service.

- The Association of Police and Crime Commissioners is a national body that helps Commissioners influence change at a national level. The Association shares best practice and identifies opportunities that enable the Commissioner to be more effective and efficient through membership of national governance organisations such as the College of Policing and the National Crime Agency. The Association of Police and Crime Chief Executives (APACE) provides professional support, advice and guidance to Chief Executives and to staff within the Office of the Police and Crime Commissioner.
- All personnel within the Office of the Police and Crime Commissioner have individual job descriptions and allocated responsibilities that are subject to annual performance and development reviews linked to supporting the Police and Crime Plan objectives.
- The Commissioner sets the annual policing budget including the policing precept element of the Council Tax. In setting the Policing Precept for the year the Commissioner ensures the Force is adequately resourced to meet the needs of the public, within the context of reduced national funding. A key element of the Commissioner's role relates to the commissioning of local services relevant to policing, community safety and criminal justice. The Commissioner works closely with a broad range of partners and stakeholders to achieve an efficient commissioning process.
- The Scheme of Corporate Governance provides the framework that determines Force Financial Regulations. This includes separate Schemes of Delegation and Consent and Standing Orders regarding Force contracts. Alongside Force Financial Instructions these clearly define responsibilities for all Force financial arrangements and are annually reviewed, monitored and controlled by the Joint Independent Audit Committee.
- The Treasurer is the Chief Financial Officer and Section 151 Officer to the Commissioner and has a legal and statutory obligation to report any financial irregularities and unlawful expenditure to the Commissioner, the Chief Constable, the Treasurer, the Chief Executive and external audit to maintain compliance to the Financial Management Code of Practice and ensure high standards of professional conduct. The single governance model and joint Code of Corporate Governance determine the meeting structure for all Force strategic boards and committees and outlines those jointly chaired by the Commissioner. All Force boards and committees have annually reviewed terms of reference which define their purpose and link to the objectives of the Police and Crime Plan.
- The objectives of the long term Police and Crime Plan set for 2013-17 are reviewed annually by the Commissioner and disseminated to all Police Officers and Staff through a series of briefings presented jointly by the Commissioner and the Chief Constable. This is to ensure that all staff are aware of their roles and responsibilities when working individually or in partnership to achieve the Commissioner's purpose and objectives.

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

- The Policing Protocol 2011 requires the Commissioner to comply with the principles determined in the Standards in Public Office Act 2001. This requires the Commissioner to demonstrate high standards of personal and professional conduct. The College of Policing Code of Ethics and the Force values and policies reinforce these standards.
- On election the Commissioner is required to swear an Oath of Office which sets out the standards and integrity expected during the term of office. The Police Reform and Social Responsibility Act 2011 contains a Code of Conduct that defines the standards expected of elected local policing bodies which includes the Commissioner and members of the Police and Crime Panel. To create a climate of openness and transparency the Commissioner publishes details of personal financial interests including gifts and hospitality, salary and expenses which are made available on the Commissioners website.
- The Association of Police and Crime Commissioners and the Association of the Police and Crime Chief Executives are professional bodies specifically established to uphold high standards of conduct and behaviour. Their aim is to provide support and guidance on technical, legal and procedural matters to ensure delivery of the Commissioners objectives.
- A Commissioning Strategy and procedure is under development to ensure that all commissioning arrangements undertaken by the Commissioner or his staff are subject to stringent reviews and controls. Commissioning services will be scrutinised as part of the joint Code of Governance arrangements.
- The College of Policing provides guidance to the Commissioner on national standards of performance and has determined a Code of Ethics that defines the standards and behaviour expected of all members of Dorset Police. The Commissioner is responsible for holding the Chief Constable to account for the maintenance of Force values and standards of conduct.
- The Commissioner and his staff have adopted the principles of all Force policies and procedures to ensure high standards of ethics and conduct are maintained under his term of office. A Memo of Understanding between the Office of the Commissioner and the Force has been developed and approved. Individual protocols specific to the Commissioner will be reviewed and developed as required.
- The Elected Local Policing Bodies (Specified Information) Order 2011 is a statutory instrument that requires the Commissioner to publish specified information in an open and transparent manner. This allows the public to hold the Commissioner and his office to account. This information relates to decision making, performance, expenditure and budgetary arrangements and is easily available on the Commissioners website.
- The Standards and Ethics Board which monitors and scrutinises the work of the Professional Standards Department is attended and jointly chaired by the Commissioner and the Chief Constable. The board has oversight of any disciplinary procedures brought by the Complaints and Misconduct Department or the Anti-Fraud and Corruption Unit. .

## ANNUAL GOVERNANCE STATEMENT

- The Ethics and Appeals Sub Committee provides independent scrutiny of the decisions made by the Standards and Ethics Board to ensure transparency and to uphold the principles of good governance. Assurance reports are presented to the Joint Executive Board and the Joint Independent Audit Committee attended by the internal and external auditors.
- The single governance model and joint Code of Corporate Governance require terms of reference for all boards and committees which define their purpose and link to the objectives of the Police and Crime Plan. The Police Reforms and Social Responsibility Act 2011 determine the Commissioners responsibility for monitoring Force complaints handling arrangements. Attendance as joint chair with the Chief Constable of the Standards and Ethics Board provides the basis of a positive, open and trusting relationship between the Chief Constable, Commissioner and stakeholders.

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

- Independent professional internal and external auditors provide objective assurance on governance, risk management and control processes. The risk based annual audit programme reports on compliance to regulation and legislation and offers opinion and assurance on the effective use of resources. The single governance model and structure determined in the joint Code of Corporate Governance provides the framework for the submission of reports and recommendations from the boards and auditors that offer assurance that the Force will achieve the objectives defined in the Police and Crime Plan.
- The Commissioner has responsibility for risks specific to the functions of the Office of the Police and Crime Commissioner which are monitored through a risk register designed to aid the achievement of the Police and Crime Plan objectives. Emergent risks are identified, scored and recorded on the risk registers with any escalating risks considered for inclusion on the Strategic Corporate Risk Register. All significant corporate risks are reported quarterly to the Joint Independent Audit Committee and the Joint Executive Board for discussion and consideration of independent audit.
- As part of the Elected Local Policing Bodies (Specified Information) Order 2011 the Commissioner is required to publish a log of all decisions made by his office to ensure that he is publicly accountable.
- The Police and Crime Panel are responsible for handling any complaints made against the Commissioner. Any incidents of complaint or misconduct which involve alleged criminality will be referred to the Independent Police Complaints Commission for investigation. All non-criminal complaints will be investigated and informally resolved by the Panel in accordance with their formally approved Complaints Monitoring Protocol which includes an initial investigation by the Office of the Police and Crime Commissioner, the Chief Executive and the Monitoring Officer. All complaints or allegations of misconduct regarding a member of the Commissioners staff will be investigated by the Chief Executive and Monitoring Officer and resolved in accordance with Force policy and procedures.
- The Financial Management Code of Practice requires the establishment of an Independent Audit Committee to provide assurance with regards to financial compliance, risks and probity. The Dorset Joint Independent Audit Committee consists of five suitably qualified independent members of the public whose

## ANNUAL GOVERNANCE STATEMENT

responsibilities are clearly defined within the terms of reference available on the Commissions website. The Committee meets quarterly and reports to the Joint Executive Board jointly chaired by the Commissioner and Chief Constable.

- Financial Regulations, the Standing Orders for Contracts and the Schemes of Consent and Delegation define the legislative and financial limits for decision making. The Force Chief Finance Officer has a legal duty to report any financial irregularities or misappropriation of funds to the Treasurer and Monitoring Officer of the Commissioner. The Monitoring Officer is the Commissioners Chief Executive. This is in accordance with section 151 of the Local Government Act 1972. To ensure compliance to legislation a comprehensive range of legal advice is available to the Chief Finance Officer, the Treasurer, the Chief Constable and the Commissioner. This is provided through a specialist qualified solicitor, insurance services and civil litigation.

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

- The role and responsibilities for the elected Commissioner are clearly defined within the Police Reform and Social Responsibility Act 2011. In order for the Commissioner to successfully undertake his duties he is supported by a small team of suitably qualified staff collectively known as the Office of the Police and Crime Commissioner. All members of the Commissioners team have a specific job description which is available for scrutiny on the Commissioners website. All the Commissioners staff are subject to a competency based recruitment process and are included in the induction programmes delivered by the Force Organisational Development Unit. Thereafter annual performance appraisal reviews will be undertaken by all members of staff to support professional development and maintain key skills.
- The College of Policing provides information, evidence, guidance and support to the Commissioner to help gain a good understanding national performance standards and current national policing issues. Authorised Professional Practice Standards determined by the College of Policing set the standards of professional practice for the Force and are used by the Commissioner to hold them to account.
- The Commissioner will provide the Chief Constable with the resources to ensure that statutory officers receive the training required to maintain their skills and perform effectively in their roles. All officers and staff including the Commissioners team have an obligation to maintain their professional development as part of membership to external professional bodies.
- A Workforce Plan is informed by the Force Strategic Assessment and annual demand assessment, the former of which defines the current threats and long term and emerging risks affecting our communities. The assessment also informs the setting of the Police and Crime Plan priorities and the Force Control Strategy which sets the strategic direction of the Force, while the tactical assessment and daily and weekly management and intelligence meetings direct daily operational activities and objectives to reduce community risk. The ability of the Force to achieve these objectives and establish public trust and satisfaction is recorded in the Force Strategic Assessment which is reported quarterly to the Strategic Performance Board. This process ensures effective succession planning and establishes effective career development to provide staff resilience essential in the support and delivery of the Police and Crime Plan.

## **ANNUAL GOVERNANCE STATEMENT**

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

- As elected representative the Commissioner is ultimately accountable to the public and communities that he represents through the ballot box. The Policing Protocol 2011 determines that the Commissioner is responsible for identifying and setting the objectives of the Strategic five year Police and Crime Plan and that the Chief Constable is responsible for delivering a policing service that achieves those objectives.
- In accordance with the Police Reform and Social Responsibilities Act 2011 Dorset's Police and Crime Panel has been established to examine the actions and decisions of the Commissioner. It is responsible for ensuring all relevant information is made available to the public so that they can effectively hold the Commissioner to account.
- The Police Reform and Social Responsibility Act 2011 requires the Commissioner to provide an annual report on the performance of the Commissioner in achieving the outcomes and objectives of the Police and Crime Plan. This report will be submitted to the Police and Crime Panel and is made available to the public on the Commissioners website. The Specified Information Order recorded under the functions of elected local policing bodies section of the Act places a number of specific duties on the Commissioner regarding openness, transparency and the provision of information.
- A comprehensive programme of engagement forums has been established to ensure all Dorset residents have direct access to the Commissioner. The forums provide an opportunity for members of the public, victims of crime, community groups and partnerships to raise specific policing issues related to their community. Information obtained from the User Satisfaction and Community Safety surveys and public opinion obtained through on-line consultation through engagement meetings are used to define the objectives of the Police and Crime Plan.
- The Commissioner takes responsibility under the Equality Act 2010 to promote and endorse equality and diversity issues and will provide effective community consultation and engagement with minority groups. Performance will be measured to ensure accountability and community involvement with future strategic decisions.

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

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

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

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

# **ANNUAL GOVERNANCE STATEMENT**

## **The Police and Crime Panel**

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

## **The Joint Independent Audit Committee**

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

## **The Ethics and Appeals Committee**

- The Ethics and Appeals Committee is a sub-committee of the Joint Independent Audit Committee whose purpose is to support the Chief Constable and Commissioner through independent scrutiny of the work of the Professional Standards department. This provides assurance of transparency in Force complaint handling arrangements including the appeals process and upholds the principles of good governance.

## **Internal Audit**

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

## **External Audit**

- External audit reviews the Annual Accounts and considers Force value for money arrangements. An unqualified audit opinion has been reported to the Joint

## **ANNUAL GOVERNANCE STATEMENT**

Independent Audit Committee providing significant assurance on Force compliance to Financial Regulations and value for money arrangements.

### **Other agencies**

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

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

- A working group has been established to research and produce the statement. This is led by Karen Brownjohn (Head of Governance) with Dan Steadman (Chief Executive and Monitoring Officer), Jason Mumford (Staff Officer to the Commissioner), Richard Bates (Treasurer), John Jones (Chief Finance Officer), Karen Thorns (Force Quality Assurance Officer) and Jo George (Internal Audit). The Chief Constable will sign the approved Annual Governance Statement that is published with the Annual Statement of Accounts. The statements will include an action plan to rectify any significant internal control weaknesses identified through the reviews.
- The Commissioner has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Annual Governance Working Group and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

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

Using definition provided in guidance to support compliance with the Accounts and Audit Regulations 2003, the Commissioner has judged the following to be control issues appropriate for comment. While no significant governance issues were identified the three issues that cut across all review areas were the accessibility of meeting papers supporting

## ANNUAL GOVERNANCE STATEMENT

historical decisions and the subsequent transparency to the Commissioner and the public and the Commissioners partnership and commissioning arrangements.

### **Areas for review**

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

Reductions in public sector funding nationally means there is a continued need for prudence and an increasing requirement to identify cashable savings within the police service, The One Team programme which has been in place since 2009 and implemented by Dorset Police has enabled significant cash savings to be achieved, primarily through reduced recruitment, but it is clear that the Commissioner must hold the Chief Constable to account for providing further reductions. It is however essential that the Force remains fit for purpose within these funding constraints.

**Action:** The “One Team” programme of work is the mechanism by which a majority of cost savings to meet the anticipated funding reductions is identified. This programme is focused primarily on workforce structures and has already resulted in a significant reduction in police staff and police officer numbers. The requirement for non-staff budgets is challenged annually as part of the Commissioners budget setting process with the aim of driving further savings out. However the Commissioners ability to fund future Force initiatives is likely to be significantly curtailed through anticipated future cuts. In recognition of the continued financial restraints the Commissioner and the Force are now actively exploring the option of a strategic alliance with Devon and Cornwall Police Force to see whether this will support both Forces in the delivery of a sustainable service to the public which delivers on-going savings and efficiencies.

#### **Governance Context**

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

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

#### **Partnership and Commissioning**

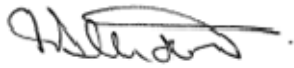
Partnership and commissioning arrangements continue to be an opportunity and a risk to the Commissioner, particularly in light of the significant and on-going constraints on all public sector budgets. The Commissioner works closely with public sector partners and other stakeholders to maximise opportunities created through partnership working. Following an audit by the South West Audit Partnership of partnership arrangements a number of recommendations continue to be progressed.

The Commissioner has appointed a Partnership and Commissioning Manager to lead this area of work.



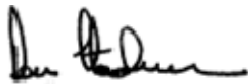
## ANNUAL GOVERNANCE STATEMENT

**Action:** The Commissioner must monitor all partnerships with particular focus on high risk partnerships and the implementation of audit recommendations. When appropriate he must outline clearly to partners the limits and constraints of the Commissioners responsibilities and continue to develop the commissioning function to maximise the benefits through commissioning to the people of Dorset.



Mr Martyn Underhill  
Police and Crime Commissioner for Dorset

30 September 2014



Mr Dan Steadman  
Chief Executive and Monitoring Officer

30 September 2014

## GLOSSARY OF FINANCIAL TERMS

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

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

## GLOSSARY OF FINANCIAL TERMS

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

## GLOSSARY OF FINANCIAL TERMS

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

