

DORSET POLICE AUTHORITY – 24 JUNE 2010

FINAL ACCOUNTS 2009-10

REPORT OF THE TREASURER TO THE POLICE AUTHORITY

PURPOSE OF THE REPORT

To obtain approval for the 2009-10 Annual Accounts.

1. INTRODUCTION

- 1.1 The Authority is required to prepare its annual accounts in accordance with proper practice. This means compliance with the Code of Practice on Local Authority Accounting in the UK (2009) – A Statement of Recommended Practice (the SORP), the Best Value Code of Practice and the Accounts and Audit Regulations (2003) as amended subsequently.

2. ANNUAL GOVERNANCE STATEMENT

- 2.1 The Annual Governance Statement is contained within the draft accounts, and will be published with the final accounts following the conclusion of the audit by 30 September 2010. The Annual Governance Statement was reported to Audit, Resources and Continuous Improvement Committee at its last meeting on 10 June which noted the content and agreed that it be forwarded for approval at the Police Authority, to be included within the Authority's accounts. After approval, the Annual Governance Statement is required to be signed by the Chief Constable, Chairman and Chief Executive.

3. STATEMENT OF ACCOUNTS

- 3.1 This report sets out the key publications which detail the strict accounting requirements the Authority is required to follow in producing the statement of accounts. Accordingly the accounts produced are of a technical nature. However, members are required to formally approve the accounts, and the person presiding at the meeting at which they are approved is required to sign and date them.
- 3.2 The Accounts and Audit Regulations require the approval of the statement of accounts by 30 June as part of the Government's drive to improve public sector financial reporting under the Whole of Government Accounts initiative.
- 3.3 A number of changes were required in the 2008-09 accounts to comply with the Statement of Recommended Practice (SORP). The 2009 SORP has brought further changes, the main change is accounting for Private Finance Initiative contracts. These are outlined in the Foreword to the Accounts and are reflected in the Notes to the Core Financial Statements.

3.4 The detailed Statement of Accounts for 2009-10 is attached at Appendix 1. Overall, the Authority overspent the 2009-10 budget by £81,000. The Chief Constable's outturn report, also on this agenda sets out explanations for the major variations between the final estimates and outturn expenditure.

3.5 The level of General Balances at the year end is £3.109M or 2.7% of the 2009-10 budget. This is slightly under the target level set by the Authority of 3% of the revenue budget.

4. INTERPRETATION OF THE ACCOUNTS

4.1 The Statement of Accounts is prepared in accordance with recommended accounting concepts and policies, and presents fairly the financial position and transactions of the Authority plus associated disclosures and supporting information. The Statement of Accounts comprises:

- An explanatory foreword
- A statement of accounting policies
- Statement of Responsibilities for the Statement of Accounts
- The core financial statements – the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement
- Notes to the core financial statements (including pensions disclosures)
- An Annual Governance Statement (AGS)

4.2 The Audit Opinion is a statement by the independent auditor to the Authority, KPMG, on whether the accounts present fairly the financial position of the Authority and its income and expenditure for the year. The opinion explains the respective responsibilities of the Treasurer and Auditor/s, and the basis of the audit opinion, plus a certificate that the audit of the accounts has been completed in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. This will be included after completion of the audit.

4.3 The Foreword to the Accounts is produced as a concise and easily understandable guide to the most significant matters reported in the accounts, commenting on the major influences affecting the Authority's income and expenditure and cash flow, and information on the financial needs and resources of the Authority. Any significant change in accounting policies or major change in statutory functions should also be included.

4.4 The Statement of Accounting Policies is used to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

4.5 The Income and Expenditure Account (Best Value Basis) reports the net cost for the year of the functions for which the Authority is responsible, and demonstrates how that cost has been financed from government grants and income from local taxpayers.

4.6 The Statement of Movement in the General Fund Balance and the Statement of Recognised Gains reconcile the Income and Expenditure Account deficit to the change in general balances and the change in total net assets recorded in the Balance Sheet.

4.7 The Balance Sheet shows the balances and reserves at the Authority's disposal, plus the fixed, intangible and net current assets employed in its operations.

- 4.8 The Cash Flow Statement and Notes summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- 4.9 The Notes to the financial statements are grouped together in one section. They provide further explanation or disclosures in respect of certain items of income or expenditure, or reserves and balances, as required by the SORP.
- 4.10 The Holding Accounts and Notes report expenditure and income in relation to activities that are not contained within the Income and Expenditure Account.
- 4.11 The Glossary of Financial Terms defines the technical accounting terminology contained within the statement of accounts.
- 4.12 Key issues are detailed in the Foreword to the Accounts, the Annual Governance Statement and the Chief Constable's outturn report.

5. RECOMMENDATIONS

- 5.1 The Authority is recommended to approve the annual accounts for Dorset Police Authority for 2009-10, including the Annual Governance Statement, as presented in the Statement of Accounts in Appendix 1.

PAUL KENT
Treasurer to the Police Authority
June 2010

Appendix 1 - Annual Accounts 2009-10
Background Papers - The Accounts and Audit Regulations (2003)
The Code of Practice on Local Authority Accounting in the United Kingdom
The Best Value Accounting Code of Practice

If you have any queries please contact Paul Kent on (01305) 224115 or e-mail p.j.kent@dorsetcc.gov.uk.



Draft
Statement
of Accounts
2009-10

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AUDIT OPINION

The arrangements for the audit of the Authority's accounts are set out in the Accounts and Audit Regulations 2003 (amended 2006). The accounts have to be presented to the Authority for formal adoption before 30 June 2010, prior to the completion of the audit. This year, the accounts are to be made available for Public Inspection for a period of twenty working days from 5 July 2010 to 30 July 2010. The External Auditor has appointed 2 August 2010 as the date from which local government electors for the area may exercise their right to question the auditor or make objections to the accounts.

It is only after the audit has been completed, and any queries or objections resolved, the External Auditor can give his opinion on the accounts. The full audit opinion will be reported to a future meeting of the Authority, and included in the published accounts.

AUDIT OPINION

AUDIT OPINION

FOREWORD TO THE ACCOUNTS

Revenue Budget

In February 2009 the Police Authority set the revenue budget for 2009-10 at £115.9 million. This was an increase of 3.7% on the budget for 2008-09. The Band D council tax was set at £172.44, an increase of 4.99%. The Police Authority share of the average council tax bill for the year was about 11%.

The 2009-10 budget assumed funding for:

- 1,459 officers
- 1,065 Police staff
- 162 Police Community Support Officers
- Pay Awards of 2.6%

In order to balance the budget significant reductions were required totalling in excess of £2M. These included reductions of forty police officer posts, nine police staff posts and procurement savings. In addition to these budget reductions, service developments to address priority policing areas totalling £1.9M were not affordable within the base budget.

Comparison of Actual Expenditure with Budget

Actual spending for the year was £116.0M compared to an estimate of £115.9M, with the deficit of £0.1M being transferred from general balances.

Savings were achieved during the year in respect of employee costs, ill-health retirements, forensic services and additional income.

Increased expenditure arose on major operations, IT costs and equipment maintenance costs. In addition, reducing interest rates resulted in lower investment income than originally anticipated.

The main variations were:

- Employee costs were lower than expected mainly due to the vacancies being held in respect of internal reviews and uncertainty in the wider economic climate. Overall these employee costs show savings totalling £340k.
- The final spend on forensic services was £73k less than the budget due to close monitoring of submissions.
- Expenditure on major investigations and operations was £199k higher than budgeted due to additional requirements arising during the year. Greater control in this area has resulted in a significantly lower overspend than in previous years.
- IT costs were £198k higher than budgeted due primarily to one off improvements to the Information Systems infrastructure.
- The level of interest achieved on investments was lower than budgeted due primarily to low interest rates and lower cash balances during the year.

Overall, the revenue outturn position shows an overspend of £81k, which results in a decrease in general balances.

FOREWORD TO THE ACCOUNTS

This small variance from the original budget (0.07%), as amended during the year by the Authority, indicates sound financial management within the Force during the financial year.

Capital Expenditure

The Authority set a capital programme for 2009-10 of £3.3M. This was increased to £16.7M when carry forwards from 2008-09 (£13.4M) and other adjustments were included. Final capital expenditure was £11.2M, which was funded by Home Office and other grants of £2.3M and revenue contributions of £5.2M leaving £3.7M unfinanced at the 31 March 2010.

The significant underspend on the capital budget, detailed in the Notes on page 21, arises mostly from continuing delays in the scheme for the Bournemouth Custody Suite and Mobile Data project.

Work has been completed on the Dorset Emergency Services Partnership Initiative (DESPI project), to provide joint accommodation for Dorset Police and Dorset Fire & Rescue Service in Poole and new accommodation for Dorset Fire & Rescue Service at other sites. The accommodation was ready for occupation in December 2009.

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 Authority's assets each year to achieve this, which is reflected in the valuations detailed in the Balance Sheet and the table on page 21.

General Reserves

The Authority's general balances at the start of the year were £3.191M. This was reduced to £3.109M due to the overspend in 2009-10. Uncommitted general balances are £3.109M, representing 2.7% of the budget requirement for 2009-10. This is slightly under the target level set by the Authority.

Pensions

The figures returned by the actuary in the Pensions FRS17 note on pages 26-29 indicate an increase in the deficit for police staff in the Local Government Pension Scheme (LGPS), and a increase in the liability for the unfunded officer's 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 20 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 £16.7M, or 14.1% of the total budget for 2009-10. The funding arrangement for officer pensions (a combination of a flat rate employer's contribution and Home Office top-up grant) has removed the significant year to year fluctuation in pension payments and led to more certain budget setting.

Other Information

The accounts are prepared in accordance with the Accounts & Audit Regulations 2003 (amended 2006) including the Annual Governance Statement on pages 36-52, the CIPFA

FOREWORD TO THE ACCOUNTS

Code of Practice on Local Authority Accounting 2009, Statement of Recommended Practice (the SORP) and the CIPFA Best Value Accounting Code of Practice for the Income and Expenditure Account on page 12. The 2009 SORP continues to change the way the accounts are presented, as part of a move to align local and police authority accounts towards the application of International Financial Reporting Standards (IFRSs).

The 2009 SORP requires changes in the way we account for council tax income and new accounting requirements in respect of PFI or similar (service concession) transactions, with a requirement to bring PFI (or similar) assets and liabilities back onto the Balance Sheet. These accounts include the appropriate accounting entries to bring the Western PFI Scheme and Dorset Emergency Services Partnership Initiative (DESPI project) back onto the Authority's Balance Sheet.

The accounts that follow show the Dorset Police Authority's financial outturn for the year 2009-10. The accounts comprise: -

- the Income and Expenditure Account. These figures are compared with the estimates that were updated continuously throughout the year, and with the actual expenditure for 2008-09.
- the statement of movement on the general fund balance, which reflects amounts and transfers that are required to be either included or excluded from the income and expenditure account when determining the movement on the general fund balance for the year;
- the statement of realised gains and losses, which shows all gains and losses for 2009-10 and not just those applicable to the income and expenditure account;
- the balance sheet, which shows the assets and liabilities of the Authority;
- the cash-flow statement, which shows the sources and applications of the Authority'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 yet to be audited by the External Auditor, and his opinion will be shown on pages 2-4. I confirm that the Statement of Accounts presents fairly the position of the Authority as at 31 March 2010, and its income and expenditure for that year.

Paul Kent Treasurer to the Police Authority

Date

FOREWORD TO THE ACCOUNTS

I confirm that these accounts were approved by the Dorset Police Authority at their meeting on 24 June 2010.

Signed on behalf of Dorset Police Authority

Michael Taylor CBE DL Chairman of the Authority

Date

ACCOUNTING POLICIES

1. Introduction

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting, Statement of Recommended Practice (SORP) and the Best Value Accounting Code of Practice (BVACOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts also comply with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) so far as they are applicable to local authorities.

Estimation techniques have been determined that most closely reflect the economic reality of the transactions or other events to which the accounting policy refers.

Minor modifications have been made wherever necessary to secure better compliance with the Code of Practice on Local Authority Accounting.

2. Accruals of Income and Expenditure

The revenue accounts of the Authority reflect the day to day transactions such as salaries & wages, running expenses and customer & client receipts. These transactions are recorded in the accounts on an accruals basis, which means that income and expenditure due in the financial year is charged to the year even if the cash has not actually been received or paid. This is achieved by the use of debtors (for income and grants receivable) and creditors (for payments due).

For building repair and maintenance works, orders are brought into account based upon an assessment of the work likely to have been carried out by 31 March. The capital accounts of the Authority include provision for the accrual of capital expenditure and income.

Officer pensions paid on the last day of each month, which relate to the following month, are treated as a payment in advance at the end of the financial year.

3. Contingent Liabilities

Contingent Liabilities are not charged to the revenue account. Details of any such liabilities would be disclosed in Note 31.

4. Fixed Assets

a) Recognition - the Code of Practice on capital accounting requires Authorities to establish asset registers to record information on their capital assets and for those assets to be valued and revalued periodically by

professional valuers for inclusion in the balance sheet in accordance with FRS11. A de minimis level of £25,000 has been applied generally, except for vehicles and equipment, and individual assets below this figure are excluded from the asset register.

b) Measurement – property values are updated based on the results of annual revaluations of 20% of properties, so that all properties are revalued over a five year period. Intangible assets, vehicles and equipment are initially valued at cost and written down over their expected useful lives. The values for the purposes of the capital accounting requirements do not purport to be the market values of assets owned by the Authority.

c) Impairment - instances of impairment of assets or financial instruments, where there has been a significant decline in the market value of, or physical damage (e.g. a fire) to a fixed asset, are also reviewed annually. The 2007 SORP introduced a new impairment charge for instances where capital expenditure does not enhance the value of an asset. Where impairment is identified, the loss or charge is reflected in the Income & Expenditure Account in the year to which it relates.

d) Disposals - capital receipts from the disposal of property and other assets owned by the Authority, less the cost of the sale, are used to finance new capital expenditure.

e) 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 FRS 15. 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.

f) Charges to Revenue - capital charges to services are based on the minimum requirements of the Code of Practice. Charges comprise depreciation based on the value of the asset. These charges are reversed in the Statement of Movement on the General Fund Balance in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

5. Foreign Currency Translation

Income or expenditure arising from a transaction in a foreign currency is translated

ACCOUNTING POLICIES

into £sterling at the exchange rate in operation on the date on which the transaction occurred.

6. Government Grants

Government grants in relation to revenue expenditure are shown in the accounts in the year in which the related expenditure is charged. Capital grants are credited to the Government Grants Deferred Account and are released over the life of the relevant assets to match the depreciation on those assets.

7. Investments

The Authority 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 Note 27.

8. Leases

Annual expenditure on property leases is a charge to the Income & Expenditure Account.

9. Overheads

Support Services are activities of a professional, technical and administrative nature carried out in support of the direct service provision of the Authority. They are provided by directly employed staff of the Authority, or via contractual arrangements with external service providers. The costs are fully allocated over service divisions, in accordance with the BVACOP.

10. Pensions

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

Liabilities in relation to retirement benefits were recognised only when employer's contributions became payable to the pension fund. FRS17 better reflects our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The overall amount to be met from Government grants and local taxpayers remains unchanged, but the costs reported for individual services are adjusted by the difference between the employer's contributions and the current service costs defined under FRS17. This adjustment is reversed in the Statement of Movement in the General Fund Balance.

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 revenue account in respect of the County scheme. Actuarial gains and losses arising from new valuations or revaluations are recognised in the Statement of Recognised Gains and Losses. The independent actuary has determined these amounts in accordance with the FRS and government regulations.

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

11. Post Balance Sheet Events

Where a material event occurs after the end of the financial year, concerning conditions which did not exist at the balance sheet date, details of the nature of the event and an estimate of the financial effect are disclosed in Note 35.

12. Provisions

The Authority maintains a provision to meet a liability that will arise in future years. This relates to taxation in respect of rent allowances and is detailed in Note 32.

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

14. 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.

15. Stocks and Stores

Stocks and stores held at the year-end are valued either at cost or on an average price basis. Certain minor stocks are not valued and are therefore excluded from the balance sheet. The necessity for, and level of, stocks is regularly reviewed.

16. Value Added Tax

VAT is only included in the accounts to the extent that it is irrecoverable.

STATEMENT OF RESPONSIBILITIES

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

FURTHER INFORMATION

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

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

Access to Information Act 1985

The public and press are able to attend all meetings of the Dorset Police Authority 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 Authority, or requests for further information, should be directed either to the Chief Executive of the Police Authority, Police HQ, Winfrith, Dorset, DT2 8DZ, or to the Chief Constable at the same address or by e-mail to council.tax@dorset.pnn.police.uk

Complaints

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

INCOME AND EXPENDITURE ACCOUNT

This page shows the Income and Expenditure Account of the Authority.

The figures for the Cost of Service section are allocated in the format required under the Best Value Accounting Code of Practice.

2008-09 Net Spending £'000		Gross Spending £'000	Income £'000	2009-10 Specific Grants £'000	Net Spending £'000
	Division of Service				
55,284	Local Policing	88,480	(692)	(14,843)	72,945
9,315	Dealing with the Public	13,368	0	(1,503)	11,865
10,581	Criminal Justice Arrangements	16,025	(928)	(1,548)	13,549
4,818	Road Policing	8,762	(1,680)	(886)	6,196
7,149	Specialist Operations	15,911	(26)	(4,529)	11,356
7,182	Intelligence	10,779	(10)	(1,200)	9,569
8,545	Specialist Investigation	13,330	(689)	(1,383)	11,258
4,079	Investigative Support	6,164	(7)	(476)	5,681
1,429	National Policing	5,042	(1,167)	(1,776)	2,099
906	Corporate and Democratic Core	962	(8)	0	954
397	Non Distributed Costs	0	0	0	0
109,685	Net Cost of Service	178,823	(5,207)	(28,144)	145,472
(88)	Net (gain) / loss on disposal of fixed assets				(26)
(637)	Trading Account (Profit) / Loss				(332)
90	Interest Payable				10
(1,365)	Interest and Investment Income				(473)
43,833	Pensions Interest Cost & Expected Return on Assets				40,954
1,764	Exceptional Item - Impairment Icelandic Banks				184
153,282	Net Operating Cost				185,789
	Principal Sources of Finance				
(39,597)	Home Office Grant				(40,676)
(2,948)	Revenue Support Grant				(4,621)
(21,178)	Non Domestic Rates				(20,019)
(48,065)	Council Tax Precept				(50,878)
(111,788)	Total Funding				(116,194)
41,494	Deficit / (Surplus) for the year				69,595
(41,192)	Statement of Reconciling Movements (detailed on page 13)				(69,514)
302	Reduction / (Increase) in General Fund Balance				81

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This statement reconciles the deficit on the Income and Expenditure Account to the movement in the level of General Balances

2008-09 £'000		<u>2009-10</u> £'000
41,494	Deficit / (Surplus) on the Income and Expenditure Account	69,595
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.	
(6,382)	Depreciation and impairment of fixed assets	(43,218)
1,863	Government Grants Deferred amortisation	1,815
88	Net gain or (loss) on disposal of fixed assets	26
(63,396)	Net charges for pensions in accordance with FRS17	(59,472)
(4)	Collection Fund Adjustment Account	261
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	
0	Statutory provision for repayment of debt	0
4,139	Revenue Financing of Capital	5,214
23,647	Employer's contributions payable to the Dorset County Pension Fund and Police Pension Fund and retirement benefits payable direct to pensioners.	28,556
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.	
120	Voluntary provision for repayment of debt	120
(1,267)	Net Transfer to / (from) Specific Reserves	(2,816)
<u>302</u>	Reduction / (Increase) in General Fund Balance	81
(3,492)	General Fund Balance brought forward	(3,191)
<u>(3,191)</u>	General Fund Balance carried forward	(3,109)

STATEMENT OF RECOGNISED GAINS AND LOSSES

This statement brings together all the recognised gains and losses of the authority during the year, and identifies those which have and have not been recognised in the Income and Expenditure account. It reconciles to the Balance Sheet movement in net worth of the Authority.

2008-09 £'000		<u>2009-10</u> £'000
41,494	Deficit / (Surplus) on the Income and Expenditure Account	69,595
(266)	Prior Year Adjustment for Collection Fund Adjustment Account	0
714	Prior Year Adjustment for PFI	0
1,175	Losses / (Gains) on revaluation of fixed assets	0
(90,997)	Actuarial loss / (gain) on pension fund assets and liabilities	292,623
<u>(47,880)</u>	Total Recognised gains and losses	362,218

BALANCE SHEET

This Balance Sheet is a record of the financial position of the Police Authority as at 31 March 2010, with comparative figures for 31 March 2009. Detailed supporting notes are shown on the following pages.

31 March 2009				31 March 2010	
£'000	£'000		Notes	£'000	£'000
19		Intangible Assets	16	0	
		Tangible Fixed Assets	16		
		Operational Assets			
63,961		Land & Buildings		45,932	
7,082		Vehicles, Plant & Equipment		6,967	
		Non-operational Assets			
3,207		Assets under construction		10,884	
0		Surplus assets, held for disposal		0	
	74,269				63,783
	0	Long Term Debtors	23		0
	2,104	Deferred Consideration	24		0
	76,373				63,783
		Current Assets			
473		Stocks and Stores	25	529	
13,787		Debtors & Payments in advance	26	13,140	
15,236		Temporary Investments	27	8,925	
2,402		Cash in hand	29	3,030	
31,898				25,624	
		Current Liabilities			
(11,203)		Creditors & Receipts in advance	28	(10,233)	
(11,203)				(10,233)	
	20,695	Net Current Assets			15,391
	97,068	Total Assets less Current Liabilities			79,174
	(33,160)	Long Term Liabilities	31		(53,570)
	(203)	Provisions	32		(153)
	(9,054)	Capital Grants Deferred	33 (iii)		(9,480)
	(613,724)	Pensions Asset / (Liability)	38		(937,262)
	(559,073)	Total Net Assets			(921,291)
		Financed by :-			
	33,594	Capital Adjustment Account	33 (i)		(3,513)
	565	Revaluation Reserve	33 (ii)		548
	403	Usable Capital Receipts Reserve	33 (iv)		1,484
	263	Collection Fund Adjustment Account	33 (vii)		524
	(613,724)	Pensions Reserve	33 (v)		(937,262)
	16,635	Specific Reserves	33 (vi)		13,819
	3,191	Revenue Balances	37		3,109
	(559,073)				(921,291)

CASH FLOW STATEMENT

2008-09			2009-10	
£'000	£'000	Notes	£'000	£'000
		Revenue Activities		
		Cash Outflows		
125,145		Cash paid to or on behalf of employees	131,747	
20,528		Other operating costs	22,730	
	145,673			154,477
		Cash Inflows		
48,065Cr		Precept - Council Tax income	51,141Cr	
21,178Cr		Non-Domestic Rate income	20,019Cr	
2,948Cr		Revenue Support Grant	4,621Cr	
64,940Cr		Home Office Grants	70,770Cr	
8,428Cr		Cash received for goods and services	10,522Cr	
	145,559Cr			157,073Cr
	114	Revenue Activities Net Cash Flow		2,596Cr
		Servicing of Finance		
		Cash Outflows		
133		Interest paid	0	
		Cash Inflows		
1,366Cr		Interest received	473Cr	
	1,233Cr			473Cr
		Capital Activities		
		Cash Outflows		
6,132		Purchase of fixed assets	11,238	
		Cash Inflows		
413Cr		Sale of fixed assets	1,169Cr	
1,965Cr		Capital Grants received	2,241Cr	
	3,754			7,828
		Management of liquid resources		
88,600		Short Term Lending	68,000	
91,100Cr		Short Term Loans Repaid	74,126Cr	
		Financing		
0		Short Term Borrowing	0	
0		Short Term Borrowing Repaid	0	
	2,500Cr			6,126Cr
	135	Net cash inflow / outflow		1,367Cr
		Other Movements		
	288	Transfers		739
	423	Net increase / decrease in cash		628Cr

NOTES TO THE CORE FINANCIAL STATEMENTS

1. GENERAL

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

2008-09		2009-10			Difference () = over £'000
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000	
606	Police Authority	641	659	648	11
	Police Force				
111,727	Employees	109,591	122,355	112,119	10,236
3,819	Premises Related Expenses	4,222	4,377	4,413	(36)
3,964	Transport Related Expenses	4,952	4,105	4,091	14
8,052	Supplies and Services	7,132	7,822	8,159	(337)
5,643	Third Party Payments	6,731	7,133	7,127	6
4,518	Capital Charges	1,162	1,985	41,403	(39,418)
138,329		134,431	148,436	177,960	(29,524)
	<u>Income</u>				
(23,707)	Specific Grants	(14,731)	(28,094)	(28,144)	50
(2,890)	Reimbursements & Contributions	(1,425)	(1,638)	(1,842)	204
(2,047)	Customer & Client Receipts	(2,389)	(2,802)	(2,502)	(300)
109,685	Net Cost of Service	115,886	115,902	145,472	(29,570)
(88)	Net (gain) / loss on disposal of fixed assets	(60)	(60)	(26)	(34)
(637)	Trading Account (Profit) / Loss	0	0	(332)	332
90	Interest Payable	46	46	10	36
(1,365)	Interest on balances	(306)	(306)	(473)	167
43,833	Pensions Interest Cost & Expected Return on Assets	0	0	40,954	(40,954)
1,764	Impairment - Icelandic Banks	0	0	184	(184)
153,282	Net Operating Expenditure	115,566	115,582	185,789	(70,207)
	Principal Sources of Finance				
(39,597)	Home Office Grant	(40,676)	(40,676)	(40,676)	0
(2,948)	Revenue Support Grant	(4,621)	(4,621)	(4,621)	0
(21,178)	Non Domestic Rates	(20,019)	(20,019)	(20,019)	0
(48,065)	Council Tax Precept	(50,617)	(50,617)	(50,878)	261
(111,788)	Total Funding	(115,933)	(115,933)	(116,194)	261
41,494	Deficit / (Surplus) for the year	(367)	(351)	69,595	(69,946)
(6,382)	Depreciation and impairment of fixed assets	(4,424)	(4,423)	(43,218)	38,795
1,863	Government Grants Deferred amortisation	2,439	2,439	1,815	624
88	Net gain / (loss) on disposal of fixed assets	0	0	26	(26)
4,139	Revenue Financing of Capital	0	490	5,214	(4,724)
120	Provision for repayment of debt	120	120	120	0
(4)	Collection Fund Adjustment Account	0	0	261	(261)
(39,749)	Appropriations to / (from) Pensions Reserve	0	0	(30,916)	30,916
(1,267)	Transfers to / (from) Specific Reserve	2,232	1,725	(2,816)	4,541
302	Reduction / (Increase) in General	0	0	81	(81)
	Balances				

NOTES TO THE CORE FINANCIAL STATEMENTS

2. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in the year

3. PRIOR PERIOD AND EXCEPTIONAL ITEMS

There is a prior year adjustment resulting from the change to the way in which Council Tax must be accounted for from 1 April 2009 (required by SORP 2009). The 2008-09 comparative figures in the primary financial statements and notes to the accounts have been restated to reflect this change.

The change to the basis of accounting for Council Tax also means that Authority must include in its Balance Sheet, appropriate shares of Council Tax debtors of the Billing Authorities. There has been an adjustment to the exceptional item this year due to the collapse of Icelandic banks resulting in an additional impairment of £184k to temporary investments. The total impairment is £1.949M. For further details see Note 27.

4. LONG TERM CONTRACTS

The Authority 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. Payments in 2009-10 were £3m, and Government grant of £2.3m was received. 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 to the Wimborne Road site was on 17 December 2009. Payments in 2009-10 were £1.3m, and Government grant received in 2009-10 was £2.9m.

5. 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.

2008-09 £'000		2009-10 £'000
47	Expenditure	43

6. PUBLICITY

Section 5 of the Local Government Act 1986 requires the Authority 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.

2008-09 £'000		2009-10 £'000
180	Employee Costs	258
83	Staff Advertising	16
57	Other Advertising	36
116	Public Relations / Community Consultancy	130
<u>436</u>		<u>440</u>

7. AGENCY WORK

The Authority 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.

2008-09 £'000		2009-10 £'000
187	Expenditure	215

NOTES TO THE CORE FINANCIAL STATEMENTS

8. MEMBERS' ALLOWANCES

The Authority is required to report the total amount of members' allowances paid. This includes the basic and special responsibility allowances that members receive and these allowances are set out in the Authority's Members' Allowance Scheme. The Scheme is reviewed annually at the Authority's Annual General Meeting which also provides for the basic and special responsibility allowances to be suitably updated. The allowances were last updated by 2.5% with effect from 1 July 2009.

2008-09 £'000	Expenditure	2009-10 £'000
133		137

9. REMUNERATION OF SENIOR STAFF

The Authority is required, under Regulation 7(2) of the Accounts and Audit Regulations 2003, 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.

2008-09		2009-10
80	£50,000 - £54,999	64
18	£55,000 - £59,999	31
3	£60,000 - £64,999	4
10	£65,000 - £69,999	6
4	£70,000 - £74,999	7
5	£75,000 - £79,999	4
4	£80,000 - £84,999	4
2	£85,000 - £89,999	3
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1
1	£110,000 - £114,999	1
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	0
1	£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) 2008-09

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	133,958	12,120	0	2,941	149,019	30,277	179,296		

SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS £150,000 OR MORE PER YEAR (ENGLAND) 2009-10

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	137,354	12,511	0	2,417	152,282	12,753	165,034		

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) 2008-09

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration		Total Remuneration £
					Excluding Pensions Contributions £	Pensions Contributions £	
Deputy Chief Constable	111,013			1,755	112,768	24,979	137,747
Assistant Chief Constable	102,865			1,704	104,569	24,084	128,653
Chief Superintendent	80,216	5,829			86,045	17,892	103,936
Director of Finance	84,592			4,406	88,998	12,181	101,179
Chief Superintendent	77,677	3,552			81,229	18,173	99,402
Chief Superintendent	75,501	3,610			79,111	17,002	96,113
Chief Superintendent	77,598			79	77,677	17,616	95,293
Director of Human Resources	76,244			7,675	83,919	10,979	94,898
Chief Superintendent	73,441	3,360			76,802	17,425	94,227
Chief Superintendent	75,255				75,255	16,811	92,066
Chief Superintendent	73,208	500			73,708	16,384	90,092
Police Authority Chief Executive	66,352			2,875	69,227	9,555	78,781
	973,962	16,851	0	18,494	1,009,307	203,080	1,212,387

SENIOR OFFICERS AND RELEVANT POLICE OFFICERS EMOLUMENTS WHERE SALARY IS BETWEEN £50,000 AND £150,000 PER YEAR (ENGLAND) 2009-10

Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Expenses Allowances £	Benefits in Kind (Car Allowances) £	Total Remuneration		Total Remuneration £
					Excluding Pensions Contributions £	Pensions Contributions £	
Deputy Chief Constable	113,718			1,755	115,473	25,633	141,106
Assistant Chief Constable	105,473			3,158	108,631	24,715	133,346
Assistant Chief Constable	90,118			3,987	94,105	21,184	115,289
Chief Superintendent	83,493	5,922			89,415	18,119	107,534
Director of Finance	86,809			4,291	91,100	12,500	103,600
Chief Superintendent	80,371	3,834			84,205	18,061	102,266
Chief Superintendent	79,911	1,234	780		81,925	18,069	99,994
Director of Human Resources	79,760			7,675	87,435	11,485	98,920
Chief Superintendent	76,909	2,216	1,170		80,295	17,887	98,182
Chief Superintendent	77,569				77,569	17,370	94,939
Chief Superintendent	74,831	2,391			77,222	17,484	94,706
Chief Superintendent	74,683				74,683	17,725	92,409
Police Authority Chief Executive	69,943			2,876	72,819	10,072	82,891
Chief Superintendent	77,321	3,737			81,058	1,457	82,515
	1,170,908	19,333	1,950	23,742	1,215,934	231,763	1,447,696

The Treasurer of the Police Authority is employed by Dorset County Council. The Authority purchases this service from the County Council (see note 12). In 2009-10 the cost of the Treasurer was £26,696.

10. 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 is the number of individuals.

2008-09		2009-10
In post		In post
1,484	Police Officers	1,463
1,022	Police Staff	1,069
162	Community Support Officers	163
<u>2,668</u>		<u>2,695</u>
310	Special Constabulary	300
102	Volunteers	115

NOTES TO THE CORE FINANCIAL STATEMENTS

11. SPONSORSHIP

The Authority did not receive any income in sponsorship from outside bodies during 2009-10.

12. RELATED PARTIES

Police Authorities 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 Income and Expenditure Account on page 12.

The Treasurer to the Authority is also the Chief Financial Officer of Dorset County Council. The Authority purchases some financial and other services from the County Council.

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

13. AUDIT FEES

Fees payable to the Authorities external auditors, KPMG for 2009-10 relating to the year of account are as follows.

2008-09 £'000		2009-10 £'000
74	External Audit Services	74
0	Statutory Inspections	0
0	Certification of grant claims	0
<u>74</u>		<u>74</u>

14. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account on page 12 replaces the former Consolidated Revenue Account. Amounts charged to the Income and Expenditure Account now use essentially the same accounting conventions as a large unlisted company, i.e. UK Generally Accepted Accounting Practice (UK GAAP). The surplus or deficit on the Income and Expenditure Account is the UK GAAP measure of a body's financial performance.

However, in determining a local authority's budget requirement and movement on the general fund balance, and hence the level of council tax, there are other items which must be taken into account in accordance with statutory or non-statutory proper practices.

15. BREAKDOWN OF AMOUNTS ADDITIONAL TO THE SURPLUS OR DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT

Amounts included in the Income and Expenditure account in accordance with UK GAAP, but which are excluded when determining the Movement on the General Fund Balance are depreciation and impairment of fixed assets and the associated amortisation of capital grants deferred, the net gain or loss on the sale of fixed assets and adjustment to pensions costs in accordance with FRS17.

Amounts not included in the Income and Expenditure Account, but which are required to be included when determining the Movement on the General Fund Balance are the statutory provision for the repayment of debt, capital expenditure charged to the General Fund Balance and any net transfer to or from earmarked reserves. These additional amounts are detailed in the statement shown on page 13.

NOTES TO THE CORE FINANCIAL STATEMENTS

16. FIXED ASSETS

The following table shows the overall movements in fixed assets during the financial year. The figures for intangible assets relate to computer software licences which have a useful economic life of more than one financial year. The table also shows separately the cost of assets under construction and not yet in operational use.

	Intangible	Operational Assets		Non-operational Assets		Total Assets
	Assets	Land and Buildings	Vehicles, Plant & Equipment	Under construction	Surplus Assets *	
2009-10	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 1 April	1,738	71,133	28,064	3,207	-	104,142
Accumulated Depreciation	(1,719)	(7,172)	(20,982)	-	-	(29,873)
Net Book Value 1 April	19	63,961	7,082	3,207	-	74,269
Transfers	-	(1,102)	-	-	1,102	-
Additions	-	21,015	3,075	7,677	-	31,767
Disposals	-	-	(828)	-	(1,118)	(1,946)
Revaluations	-	(36,702)	-	-	-	(36,702)
Depreciation for the year	(19)	(1,240)	(3,153)	-	-	(4,412)
Depreciation on assets sold	-	-	791	-	16	807
Impairment	-	-	-	-	-	-
Net Book Value 31 March	0	45,932	6,967	10,884	0	63,783
Asset Financing						
Owned	-	45,932	6,967	10,884	-	63,783
Leased	-	-	-	-	-	-
PFI	-	-	-	-	-	-

* Former police houses declared surplus to requirements and awaiting disposal

17. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

This table shows capital spending, the sources of funding used to finance it and, for 2009-10, a comparison with the estimated spending and funding. The underspend relates to the carried forward projects referred to in paragraph 19 below.

2008-09		2009-10		
Actual		Original Estimate	Final Estimate	Actual
£'000		£'000	£'000	£'000
2,373	Major Schemes	0	10,518	7,677
614	Minor works to buildings	435	1,665	486
1,416	Vehicles	1,189	1,317	1,361
718	IT equipment and software	1,583	1,917	709
531	Other equipment	83	835	655
242	Safety Camera Partnership	0	183	146
238	Airwave	0	250	204
6,132	Total Payments	3,290	16,685	11,238
28	Use of Capital Receipts	0	5,525	84
1,723	Home Office Grants	2,195	2,531	2,095
242	Safety Camera Partnership Grant	0	183	146
0	Use of Capital Reserves	0	4,019	0
4,139	Revenue Financing	0	490	5,214
0	Borrowing	1,095	3,937	0
0	Unfinanced Capital Payments b/f	0	0	0
0	Unfinanced Capital Payments c/f	0	0	3,699
6,132		3,290	16,685	11,238

NOTES TO THE CORE FINANCIAL STATEMENTS

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

2008-09 £'000		2009-10 £'000
0	Expenditure in year	168
0	Charged to Income and Expenditure Account	(168)
0	Balance carried forward	0

19. FUTURE CAPITAL COMMITMENTS

A major building project to renew custody facilities in Bournemouth commenced late in 2008-09 with completion anticipated in late 2010-11. The total value of this scheme is £12.5m, funding will be carried forward to fund the balance expenditure in 2010-11.

20. ASSET REGISTER

The following table shows the assets held by Dorset Police Authority.

2008-09 No.		2009-10 No.
24	Stations including HQ	30
43	Houses	38
11	Other	11
78		79

21. FIXED ASSET VALUATION

The freehold and leasehold assets in the Authority's Asset Register were valued initially by the Dorset County Council Property Management Division as at 1 April 2009. A full revaluation was carried out during 1999-2000 to update the values and in some cases to change the basis of the valuations. 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

22. OPERATING LEASES

The Authority leases a small number of properties for operational purposes, the costs of which are included in the 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.

2008-09 £'000		2009-10 £'000
337	Expenditure	379
317	Commitment - 1 year	449
375	Commitment - 2 to 5 years	428
76	Commitment - over 5 years	72
40	Rental Income	100

23. LONG TERM DEBTORS

The Authority no longer has any long term debtors, those repayable over a period of more than one year

NOTES TO THE CORE FINANCIAL STATEMENTS

24. DEFERRED CONSIDERATION

The notional value of the assets which were transferred to the Western Division PFI scheme provider are shown under this heading. The balance was being written down over the period of the contract until the PFI assets became on balance sheet from 1 April 2009.

25. STOCKS AND STORES

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

2008-09 £'000		2009-10 £'000
172	Uniform Stocks	206
46	Fuel Stocks	56
99	Vehicle Parts	105
100	Stationery Stocks	104
5	Machine Consumable Stocks	4
51	Forensic Consumable Stocks	54
<u>473</u>		<u>529</u>

26. DEBTORS AND PAYMENTS IN ADVANCE

An analysis of the amounts due to the Authority at 31 March 2010 is shown below. The accounts include a provision for potential bad debts.

2008-09 £'000		2009-10 £'000
6,348	Central Government Departments	8,125
3,749	Other Police and Local Authorities	2,413
3,690	Others	2,602
<u>13,787</u>		<u>13,140</u>

27. TEMPORARY INVESTMENTS

The Authority 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 Authority's surplus cash is invested with other local authorities and approved commercial banks and building societies.

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 Authority had £7m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Amount Owed 2009-10	Carrying Amount 2009-10	Impairment
			£'000		£'000	£'000	£'000
Heritable	26/06/08	31/12/08	2,000	6.22%	1,460	935	525
Landsbanki	04/08/08	22/10/08	2,000	5.72%	2,171	1,620	551
Landsbanki	03/09/08	28/11/08	3,000	5.82%	3,243	2,370	873
			<u>7,000</u>		<u>6,874</u>	<u>4,925</u>	<u>1,949</u>

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

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority 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 authority 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 accounts in future years.

NOTES TO THE CORE FINANCIAL STATEMENTS

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, in January 2010 outlined that the return to creditors was projected to be 79p to 85p in the £ by end 2012. Three dividend payments have been received to date totalling 34.98p in the £ (16.13p in July 2009, 12.66p in December 2009 and 6.19p in March 2010). The Authority has therefore decided to recognise an impairment based on it recovering 84.98p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions regarding timing of recoveries:

July 2009 – 16.13% Actual; Dec 2009 – 12.66% Actual; Mar 2010 – 6.19% Actual; June 2010 – 5%; Sept 2010 – 5%; Dec 2010 – 5%; Mar 2011 – 5%; June 2011 – 5%; Sept 2011 – 5%; Dec 2011 – 5%; Mar 2012 – 5%; June 2012 – 5%; Sept 2012 – 5%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 26 March 2010 and can be viewed on its website. This and other relevant information indicates that recovery of between 95% and 100% could be achieved, and the Authority has assumed recovery at 94.85p in the £ by 2018. The authority has therefore decided to recognise an impairment based on it recovering 94.85p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts, this judgement is unlikely to be finalised before November 2010.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 38.21p in the £.

LAAP Buliten 82 produced by CIPFA in May 2010 produces an estimate on the timing of recoveries on the basis that the Authority secures preferential creditor status:

Oct 2011 – 22.17%; Oct 2012 – 8.87%; Oct 2013 – 8.87%; Oct 2014 – 8.87%; Oct 2015 – 8.87%; Oct 2016 – 8.87%; Oct 2017 – 8.87%; Oct 2018 – 19.47%;

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

28. CREDITORS AND RECEIPTS IN ADVANCE

An analysis of the amounts owed by the Authority at 31 March 2010 is shown below

2008-09 £'000		2009-10 £'000
2,390	Central Government Departments	2,461
2,456	Other Police and Local Authorities	2,070
6,357	Others	5,702
<u>11,203</u>		<u>10,233</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

29. CASH 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 2010.

30. LOANS OUTSTANDING

A capital reserve has been established to even out the fluctuations caused by large capital schemes. This, together with Home Office capital grant, revenue account contributions, and the use of accumulated capital receipts, will be used to finance capital expenditure.

31. LONG TERM LIABILITIES

Part of this balance £2.163M 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 £51.406M is the value of liabilities due to the PFI providers over the life of the Western and DESPI PFI Schemes (see note 4).

32. PROVISIONS

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

	Balance 2008-09 £'000	Income £'000	Expenditure £'000	Balance 2009-10 £'000
Taxation	203	0	50	153

33. 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 SORP and are financed through the capital control system.

2008-09 £'000		2009-10 £'000
34,811	Balance as at 1 April	33,594
4,138	Capital Financing	5,214
28	Capital Receipts Applied	84
(5,011)	Depreciation and Impairment	(4,412)
(1,968)	Impairment - Price Decreases / Fall in Market Value	(36,702)
(320)	Book Value of Disposals & Transfers	(1,140)
120	Reduction in Deferred Liability	120
(95)	Movement in Deferred Consideration	(2,103)
28	Transfer of gains from disposal of assets from Revaluation Reserve	17
1,863	Release of Government Grant	1,815
<u>33,594</u>	Balance at 31 March	<u>(3,513)</u>

(ii) Revaluation Reserve

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

2008-09 £'000		2009-10 £'000
1,789	Balance as at 1 April	565
(1,175)	Gains / (Losses) - Fixed Asset Revaluation	0
(21)	Depreciation and Impairment	0
(28)	Transfer of gains from disposal of assets to Capital Adjustment Account	(17)
<u>565</u>	Balance at 31 March	<u>548</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(iii) Movements in capital grants deferred

Where the acquisition of a fixed asset is financed either wholly or partly by a government grant or other contribution, the amount of the grant is credited initially to the government grants deferred account. Amounts are released to the income and expenditure account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

2008-09 £'000		2009-10 £'000
(8,952)	Balance as at 1 April	(9,054)
(1,965)	Grants used for Capital Financing	(2,241)
1,863	Release of Government Grant	1,815
<u>(9,054)</u>	Balance at 31 March	<u>(9,480)</u>

(iv) Movements in realised capital resources

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

2008-09 £'000		2009-10 £'000
22	Balance as at 1 April	403
409	Receipts in the year	1,165
0	Transfer to Capital Reserve	0
<u>(28)</u>	Less Applied during the year	<u>(84)</u>
<u>403</u>	Balance at 31 March	<u>1,484</u>

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

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

2008-09			2009-10	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
(642,108)	(22,861)	Surplus / (Deficit) as at 1 April	(582,965)	(30,759)
(14,050)	(5,116)	Current Service Cost	(14,332)	(4,186)
19,989	3,643	Contributions	24,690	3,850
0	15	Unfunded Pension Payments	0	16
0	(385)	Past Service Cost	0	0
(42,187)	(1,646)	Other Finance Income	(38,716)	(2,238)
0	(12)	Settlements / Curtailments	0	0
95,391	(4,397)	Actuarial gain / (loss)	(257,721)	(34,901)
<u>(582,965)</u>	<u>(30,759)</u>	Surplus / (Deficit) as at 31 March	<u>(869,044)</u>	<u>(68,218)</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

	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000
Difference between expected and actual return on assets	6,504	(35)	(5,645)	(17,771)	11,512
Difference between actuarial assumptions about liabilities and actual experience	0	(481)	(6,686)	0	0
Changes in demographic or financial assumptions used to estimate liabilities	(6,324)	2,746	13,268	13,374	(46,413)
	<u>180</u>	<u>2,230</u>	<u>937</u>	<u>(4,397)</u>	<u>(34,901)</u>
	%	%	%	%	%
Difference between expected and actual return on assets	14.3%	-0.1%	-10.8%	-43.5%	19.6%
Difference between actuarial assumptions about liabilities and actual experience	0.0%	-0.7%	-8.9%	0.0%	0.0%
Changes in demographic or financial assumptions used to estimate liabilities	-13.9%	3.8%	17.8%	18.7%	-36.6%
Percentage of the present value of liabilities	0.3%	3.1%	1.3%	-6.1%	-27.5%

NOTES TO THE CORE FINANCIAL STATEMENTS

(vi) Other Earmarked Reserves

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

	Balance 2008-09 £'000	Income / Transfers £'000	Expenditure / Transfers £'000	Balance 2009-10 £'000
For Capital Purposes				
Capital	4,808	5	4,813	0
For Revenue Purposes				
Insurance	2,675	581	395	2,861
PFI	7,799	3,006	855	9,950
Pensions	203	0	0	203
Other Reserves	1,150	33	378	805
	16,635	3,625	6,441	13,819

Capital Reserve

The Capital Reserve was set up to provide for large capital projects. Annual contributions are made to the fund in years when demands are low to assist in those years when high capital payments have to be made. This avoids undue fluctuations in the level of capital financing required from the revenue budget.

Insurance Reserve

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

PFI Reserve

Surplus grant from early years of the scheme is held here to fund shortfalls in later years.

Pensions Reserve

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

Other Reserves

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

(vii) Collection Fund Adjustment Account

The Collection Fund Adjustment Account holds the movement between the council tax income included in the 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 Statement of Movement on the General Fund Balance. This is an unusable reserve for the Authority

34. AUTHORISATION

This Statement of Accounts was authorised for issue by Paul Kent, Treasurer to the Police Authority, on 16th June 2010.

35. POST BALANCE SHEET EVENT

There have been no events after the balance sheet date which would have an effect on the figures recorded therein.

36. TRUST FUNDS

The Authority 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 Authority. Although the Authority holds this fund as Trustee, it does not belong to the Authority and does not form part of the annual accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

2008-09			<u>2009-10</u>		
Rate of Return	£'000	% of Assets	Assets	£'000	Rate of Return
7.00%	23,147	57%	Equities	35,793	7.50%
4.00%	8,057	20%	Gilts	9,388	4.50%
6.50%	2,945	7%	Bonds	2,934	5.50%
6.60%	3,394	8%	Property	4,107	5.50%
3.00%	3,353	8%	Cash	3,521	3.00%
0.00%	0	0%	Other	2,934	5.00%
5.80%	<u>40,896</u>		Estimated Assets in the LGPS	<u>58,677</u>	<u>6.40%</u>
	71,525		Present value of liabilities in the LGPS	126,749	
	130		Present value of unfunded liabilities	146	
	<u>71,655</u>		Total value of LGPS liabilities	<u>126,895</u>	
	<u>(30,759)</u>		Net Staff Pensions Surplus / (Deficit)	<u>(68,218)</u>	
	<u>(582,965)</u>		Estimated Liabilities in Police Pension Scheme	<u>(869,044)</u>	
	<u>(613,724)</u>		Net Pensions Surplus / (Deficit)	<u>(937,262)</u>	

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £937m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £921m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

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

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 1 April 2007, as updated for changes in numbers of staff and pensioners. The next full valuation takes effect from 1 April 2010.

The main assumptions used in their calculations are: -

2008-09		Local Government Pension Scheme	<u>2009-10</u>	
% p.a.	Real		% p.a.	Real
3.0%		Rate of inflation	3.9%	
4.5%	1.5%	Rate of increase in salaries	5.4%	1.5%
3.0%		Rate of increase in pensions	3.9%	
6.7%	3.6%	Rate for discounting scheme liabilities	5.5%	1.5%
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: -

2008-09		Local Government Pension Scheme	<u>2009-10</u>	
Male	Female	Years	Male	Female
20.84%	23.86%	Retiring today	20.84	23.86
21.79%	24.80%	Retiring in 20 years	21.79	24.80

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2008-09		Police Pension Scheme	2009-10	
% p.a.	Real		% p.a.	Real
3.0%		Rate of inflation	3.9%	
4.5%	1.5%	Rate of increase in salaries	5.4%	1.5%
3.0%		Rate of increase in pensions	3.9%	
6.7%	3.6%	Rate for discounting scheme liabilities	5.5%	1.5%

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

2008-09		Police Pension Scheme	2009-10	
Male	Female	Years	Male	Female
20.93%	23.93%	Retiring today	20.93	23.93
21.86%	24.85%	Retiring in 20 years	21.86	24.85

39. MOVEMENT IN CASH

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

2008-09			2009-10	
£'000	£'000		£'000	£'000
	302	Net surplus / deficit on Revenue Account		81
		Net surplus / deficit on Capital Account		3,699
		Movement in accruals items:-		
0		Long Term Debtors	0	
49		Stocks	56	
4,526		Debtors	647Cr	
1,114Cr		Creditors	970	
38		Provisions	50	
	3,499			429
		Movement in non-cash items:-		
1,267		Specific Reserves	2,816	
0		Collection Fund Adjustment Account	261Cr	
381Cr		Capital Receipts Reserve	1,081Cr	
	886			1,474
		Movement in financing items:-		
4,264Cr		Short Term Loans	6,311Cr	
	4,264Cr			6,311Cr
	423	Increase / Decrease in Cash		628Cr

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 2009 £'000	Movement in year £'000	Balance 31 March 2010 £'000
Cash in hand and at bank	2,402	628	3,030
Temporary investments and borrowings	15,236	6,311Cr	8,925
	17,638	5,683Cr	11,955

41. MOVEMENT IN LIQUID RESOURCES

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

2008-09 £'000		2009-10 £'000
19,500	Temporary Investments as at 1 April	15,236
4,264Cr	Increase / Decrease in Loans in the Period	6,311Cr
15,236	Temporary Investments as at 31 March	8,925

NOTES TO THE CORE FINANCIAL STATEMENTS

42. ANALYSIS OF GOVERNMENT GRANTS

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

2008-09		2009-10
£'000		£'000
25,343Cr	Home Office (inc. PITO & NCS)	30,094Cr
0	Govt. Office for the South West	0
<u>25,343Cr</u>		<u>30,094Cr</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 Income and Expenditure Account where it is funded by the new Home Office top-up grant.

PENSION FUND ACCOUNT		
2008-09		<u>2009-10</u>
£'000		£'000
(12,205)	Employers flat rate contribution	(12,815)
(5,543)	Employees contributions	(5,633)
(180)	Transfer values in	(213)
-	Recharges To Other Account Heads	-
-	Interest Receivable	-
<u>(17,928)</u>	Contributions Receivable	(18,661)
20,494	Pension Payments	22,226
5,696	Retirement Grants	7,140
391	Transfer Values out	1,455
133	Interest Payable	-
<u>26,714</u>	Benefits Payable	30,821
8,786	Net Deficit	12,160
<u>(8,786)</u>	Recharged To I & E Account	(12,160)
<u>-</u>	Net Expenditure	-

NET ASSETS STATEMENT		
2008-09		<u>2009-10</u>
£'000		£'000
	Current Assets and Liabilities	
1,756	Debtors and Payments in Advance	1,931
-	Creditors and Receipts in Advance	-
<u>1,756</u>	Net Assets as at 31 March	1,931

NOTES TO THE PENSION FUND ACCOUNT

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

(ii) From 2006-07, the cost of these pensions is met each year by a combination of contributions from current employees, the new employer's flat rate contribution and Home Office top-up grant. The account is balanced to zero each year by recharging any deficit or surplus to the Income & Expenditure Account. The Home Office top-up grant is also credited to the 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 2009-10 year.

(iv) The payment in advance shown in the Net Assets Statement relates to pensions paid on 31st March 2010 which relate to April 2010.

HOLDING ACCOUNTS

1. SECONDED OFFICERS

This account shows the cost of officers paid the force, who are seconded to other bodies. These costs are fully reimbursed.

2008-09 £'000	Seconded Officers	<u>2009-10</u> £'000
968	Employees	833
33	Transport Related Expenses	16
14	Supplies And Services	6
1,015	Expenditure	855
(1,015)	Reimbursements & Contributions	(855)
(1,015)	Income	(855)
-	Net Expenditure	-

2. TRANSPORT

These costs relate to the vehicle fleet, the costs of which are charged to operational units. Other transport costs (e.g. marine) are charged directly to the Income and Expenditure Account.

2008-09 £'000	Transport	<u>2009-10</u> £'000
448	Employees	490
146	Premises Related Expenses	149
1,848	Transport Related Expenses	1,831
14	Supplies And Services	27
892	Depreciation	1,029
3,348	Expenditure	3,526
(12)	Reimbursements & Contributions	(12)
(7)	Customer & Client Receipts	(3)
(3,329)	Recharges To Other Account Heads	(3,511)
(3,348)	Income	(3,526)
-	Net Expenditure	-

3. AIR SUPPORT

These costs relate to the force helicopter, and are recharged to the Income and Expenditure Account.

2008-09 £'000	Air Support	<u>2009-10</u> £'000
4	Employees	1
1	Premises Related Expenses	1
83	Transport Related Expenses	62
11	Supplies And Services	13
677	Third Party Payments	748
102	Depreciation	145
878	Expenditure	970
2	Reimbursements & Contributions	-
-	Fees & Charges	(3)
(880)	Recharges To Other Account Heads	(967)
(878)	Income	(970)
-	Net Expenditure	-

HOLDING ACCOUNTS

4. IS MAINTENANCE

These costs relate to IT maintenance, the costs of which are recharged to operational units within the Income and Expenditure Account.

2008-09 £'000	IS Maintenance	<u>2009-10</u> £'000
127	Employees	136
7	Transport Related Expenses	-
54	Supplies And Services	48
<u>188</u>	Expenditure	<u>184</u>
-	Reimbursements & Contributions	-
-	Fees & Charges	-
(188)	Recharges To Other Account Heads	(184)
<u>(188)</u>	Income	<u>(184)</u>
<u>-</u>	Net Expenditure	<u>-</u>

5. SPECIAL OPERATIONS

This holding account collects all the costs relating to policing political party conferences, central government grant support and any net recharge to the Income and Expenditure account.

2008-09 £'000	Special Operations	<u>2009-10</u> £'000
18	Employees	5
-	Premises Related Expenses	-
-	Transport Related Expenses	-
6	Supplies And Services	3
(37)	Third Party Payments	(17)
-	Capital Expenditure	-
<u>(13)</u>	Expenditure	<u>(9)</u>
13	Government Grants	9
-	Other Reimbursements & Contributions	-
<u>13</u>	Income	<u>9</u>
<u>-</u>	Net Expenditure	<u>-</u>

HOLDING ACCOUNTS

6. SAFETY CAMERA PARTNERSHIP

This holding account shows all the costs incurred by the Police Authority and the reimbursement from the Dorset Safety Camera Partnership which are funded by Area Based Grant from central government.

Safety Camera Partnership		
2008-09		<u>2009-10</u>
£'000		£'000
1,382	Employees	1,462
138	Premises Related Expenses	186
28	Transport Related Expenses	33
324	Supplies And Services	386
4	Support Services	13
<u>1,876</u>	Expenditure	<u>2,080</u>
(1,649)	Government Grants	(1,959)
-	Other Reimbursements and Contributions	-
(227)	Recharges To Other Account Heads	(121)
<u>(1,876)</u>	Income	<u>(2,080)</u>
<u>-</u>	Net Expenditure	<u>-</u>

The holding accounts provide additional information and do not form part of the statutory accounts, pages 5 - 31 only

ANNUAL GOVERNANCE STATEMENT



This is a joint statement on behalf of Dorset Police Authority and Force

Position as at 31 March 2010 including plans for the financial year 2010-11

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk

The Authority has 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 is on our website at www.dpa.police.uk or can be obtained from the Chief Executive to the Police Authority. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2010 and up to the date of the approval of the annual report and statement of accounts on 24 June 2010.

ANNUAL GOVERNANCE STATEMENT

3. THE GOVERNANCE FRAMEWORK

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

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

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

- The Force strategic assessment and the capability assessment are key elements for informing and developing the annual and strategic policing plan and forms part of the business planning cycle. The Force's priorities are also determined against the background of the National Community Safety plan.
- Additionally, in conjunction with the Force, the Police Authority undertakes an extensive consultation survey which is sent to 15,000 people to inform policy, decision-making and the planning and development of policing services. This is supported by the Authority's community engagement programme, further consultation processes including Partners and Communities Together (PACT) panels, Crime and Disorder Reduction Partnership (CDRP) surveys, Divisional consultation with community groups, and feedback from Independent Advisory Groups (IAG).
- Monitoring of the British Crime Survey provides a further mechanism for consultation as well as for monitoring performance at a high level.
- The Police Authority agrees the three year Strategic Plan and the Annual Policing Plan, which in turn are supported by more detailed Divisional/Departmental service plans which ensure that high level priorities are translated into direct working plans.
- The plan is launched through briefings by the Chief Constable to all staff, which are also attended by Police Authority members. Use is made of internal and external publicity material including brochures for stakeholders, the 'Safer Dorset' handbook and the publication of the full plan and a summary version on our website. Copies in other languages and formats are available on request.
- The national policing pledge supports all of the above and seeks to outline in an agreement with the local community how we will seek to increase public confidence in the service delivered. The national policing pledge has been adopted by the Force and customised to reflect local priorities.
- The 'Safer Dorset' handbook is delivered annually to every household and business in the Force area and summarises details of the Force policing plan and budget as well as local priorities and performance. The annual precept leaflet sets out details of the budget, council tax and the financial context. Both publications are available on the Dorset Police Authority website.
- Committees of the Authority regularly review specific policy areas and performance across the full range of its business areas (eg human resources, audit, community

ANNUAL GOVERNANCE STATEMENT

engagement etc). The Strategic Planning Working Group comprising Force and Authority officers and members plays an important role in the development of the annual and strategic policing plan. Members' Seminars held twice yearly provide opportunities for members to identify and discuss specific issues that may affect the Authority. Further opportunities arise from the presence of members on a number of Force Boards.

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

- The Force's Corporate Governance Policy outlines the business cycle, decision-making processes, meeting structures and standard, policy making arrangements and corporate records management.
- Each Force Board and meeting of the Force has specific terms of reference linking back to the principal objectives of the Force. The Corporate Governance Policy is currently undergoing its annual review.
- The Strategic Planning Working Group provides an additional opportunity annually for the vision and strategy elements of the policing plan to be discussed and reviewed.
- At the Authority's Annual General Meeting the full Police Authority agrees which members are to sit on particular Committees and undertake particular roles. This also provides an opportunity for members to review its governance structure to reflect developments and changing business needs.
- Individual Committees in conjunction with the Chief Executive are reviewed annually for ongoing effectiveness and are also able to recommend changes in their terms of reference and delegations to ensure they remain fit for purpose and reflect relevant developments and changes.

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

- Reference to objectives and performance targets are set nationally in the Community Safety Plan. Assessments of the Policing and Community Safety (APACS) framework, banded assessment nationally through the Police Performance Steering Group and as outlined in the Policing Pledge.
- The Authority is required to produce and publish an Annual Policing Plan that sets out the policing priorities for the year ahead. The plan is produced in conjunction with the Chief Constable and informed by community and stakeholder views. It is then used to direct and monitor the Force's activities.
- The policing plan also sets out details of the expected financial resources and their proposed allocation, linked to the approved financial strategy. It sets out relevant performance targets, key performance indicators and other statutory information as well as a summary of audit and inspection findings and responses.
- Contained within the Policing Plan is the Value for Money Statement written in accordance with Policing Plan (Amendment) Regulation 2010.
- The overall policing plan is supported by key resourcing plans and strategies such as the medium term financial plan, the information systems and estates strategies etc. It

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is also supported by individual Divisional and Departmental service plans each of which contain local performance targets. A comprehensive workforce plan is under development.

- Decision making structures for the Force are set out in the Force's Corporate Governance Policy. For the Authority they operate through meetings of the full Police Authority supported by meetings of the Strategic Planning Working Group.

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

- Comprehensive performance monitoring arrangements are operated by the Force and the Authority.
- Performance information is reported to the Police Authority, Chief Officers and at the Strategic, Tactical and Operational levels.
- Dorset Police has a robust system in place to monitor performance against targets. The Assessment of Policing and Community Safety (APACS) sets performance standards on measures of performance at Strategic, Tactical and Operational levels. Chief Officers and Managers are held accountable for their specific areas of responsibility, through Strategic and Performance meetings, conducted by Chief Officers. The Force's performance is also compared nationally across the whole Police Service, through the Police Performance Steering Group (PPSG), banded assessment process.
- The publication of the HMIC Police Report Card and the HMIC Value for Money profiles provide useful comparative performance information.
- The Dorset Management Information System (DORMIS II) provides personal performance indicators to enable supervisors to review team and individual performance against priority targets.
- The Continuous Improvement Board and strategy ensure that the process of performance assessment and fundamental reviews are continuously developed.
- The Governance structure ensures that key performance indicators are reported and communicated between the Operational level and the Police Authority.
- A Financial Strategy is in place providing a framework for resource allocation and control. A full review of revenue reserves is undertaken in tandem with the review of the financial strategy. Budget monitoring information and projected year end spend is presented to the Force Executive Board monthly and financial management is tested by the Chief Constable as part of the performance review process with Divisions and Departments.
- The achievement of Force objectives is closely monitored by the full Police Authority and the Audit, Resources and Continuous Improvement Committee. The Authority scrutinises comprehensive performance reports from the Force quarterly which include key performance indicators, management information, corporate risks and comparative performance data. Arrangements also operate at Basic Command Unit (BCU) level for members to receive updates on divisional performance. Specific Committees receive performance monitoring reports quarterly across the full range of

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the Authority's business areas. This includes comprehensive reports or performance packs for human resources, complaints, contact management, citizen focus etc.

- The Authority also agrees the annual budget, which is fully aligned to the policing plan and subject to regular monitoring by members.
- Nationally HMIC is the overarching body responsible for the oversight of Police Service performance though it is recognised that the work of other national bodies and agencies such as the National Policing Improvement Agency (NPIA) and the Audit Commission are also relevant. The Home Office Police Crime Standards Directorate (PCSD) also produces performance monitoring information that is benchmarked against 'Most Similar Forces'

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

- The HMIC comprehensive inspection has oversight of Force performance and the programme provides independent assurance of Force compliance with established policies procedures, laws and regulations. This includes reports on value for money profiles and performance indicators and the new police report card, which was introduced in March 2010.
- The Audit Commission's annual Use of Resources evaluation provides another source of independent assurance to the Authority and Force. Other external and internal audit reviews provide important additional assurance.
- The Police Authority (Community, Engagement and Membership) Regulation 2010 sets out the provision for obtaining the views of the community.
- User satisfaction surveys are undertaken quarterly focusing on victims of particular categories of crime such as anti social behaviour, burglary and vehicle crime, which informs the development of services.
- The Community Safety Survey (CSS) is currently undertaken annually involving a sample of 15,000 people, which provides important statistically valid feedback to the Force and the Authority. From April 2010 the CSS will be undertaken quarterly in accordance with the new Home Office technical requirements.
- A range of other surveys, contacts and groups are used to provide additional feedback. These include force contact surveys and staff surveys, deliberate community experience surveys, inputs from the Independent Advisory Groups (IAG) and CDRP surveys. With effect from March 2010 CDRP's will be know as Community Safety Partnerships. The Police Authority also operates its own community engagement programme involving road shows, meetings and attendance at some public events.
- The Safer Neighbourhood teams across the County provide an important additional opportunity for engaging with communities to identify local policing priorities and objectives utilising PACT meetings and smaller meetings, such as 'street corner meetings'.
- The Police Authority has a Safer Neighbourhood protocol in place which provides the opportunity for Members to hear first hand the issues that are most important to local

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people and gain assurance about the effectiveness of the Force's Neighbourhood Policing arrangements.

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

- The Head of Audit, Insurance and Risk Management has specific responsibilities for overseeing the Force's insurance and risk management arrangements, audit liaison and the Annual Governance Statement.
- There is a designated member of the Police Authority with specific responsibility for Risk Management.
- A Risk Management Board operates as a forum to monitor corporate risks and Divisional and Departmental risk registers, to discuss and promote risk management initiatives and issues, chaired by a Chief Officer, with representation from key operational and support disciplines, the Police Authority and the Authority's Insurers and Brokers.
- A comprehensive insurance programme is in place in accordance with arrangements approved by the Treasurer and the Police Authority.
- Processes are in place for the continuous monitoring of sickness and accident data, and to provide feedback to relevant Departments.
- Health and Safety risk assessments and training are embedded across the Force.
- A risk based capability assessment is undertaken annually, linked to the review of the Policing Plan. This process informs the ongoing identification of new and emergent risks to be monitored via the Corporate Risk Register.
- Corporate risks form part of the balanced scorecard of data to assist with the achievement and monitoring of corporate objectives.
- Divisional and Departmental risk registers are in place and informed by the corporate plan and local service plans.
- There is a separate risk register for Olympic planning that reports to the Force Risk Management Board as well as to the Olympic Planning Board and the National Olympic Security Directorate.
- The Police Authority risks are incorporated within the Corporate Risk Register.
- The Corporate risk register, Divisional and Departmental risk registers are monitored by the Risk Management Board.
- Day to day operational risks are managed via dynamic risk assessments and supported by specific risk profiles of Divisional beat areas and operational orders for planned operations and major operational events.
- The Risk Management Board reports to the Force Executive Board.

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- The Force reports details of the high risks recorded on the Corporate Risk Register on a quarterly basis to the Audit, Resources and Continuous Improvement Committee, and the full risk register to the June seminar of the Police Authority.
- The Professional Standards and Diversity Committee of the Police Authority monitor the Force's corporate governance arrangements and its arrangements for the maintenance of professional standards.

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

- The Police Authority and Chief Constable have statutory roles.
- All police officers, police staff, volunteers, Police Authority members and officers have role descriptions.
- All police officers and staff have performance development reviews and objectives, linked to Force and Divisional objectives.
- Bi-annual performance meetings are held by Chief Officers with Divisional and Departmental Command Teams.
- Police Authority members attend annual review meetings with the Chairman and a Personal Development Review (PDR) system for Authority officers is in place.
- A scheme of delegation is in place. The scheme has recently been reviewed and approved by Police Authority Members in February 2010.
- The Police Authority has a clear Committee and reporting structure with embedded arrangements for the Chief Constable to present reports at Authority Committee meetings including performance reporting and monitoring. This is supported by the attendance of members on a significant number of Force Boards.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff:

- For the Force, Police Regulations define the standards for police officers and Special Constables. The National Police Staff Council's Standards of Professional Behaviour outline the standards required by members of police staff. All members of the volunteers Scheme sign a commitment to the values of the Force upon appointment.
- These are reinforced by the Force's Vision and Values and Rights and Responsibilities.
- The Force Values, Standards of Dress/Appearance policy, Disciplinary policy, Dignity at work and Grievance Procedure, Drug, Alcohol and Substance Misuse policy and Data Protection/Computer Standards policies are communicated as part of the induction process, which are applicable to police officers and police staff.

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- The Professional Standards Department investigates all complaints against police staff and police officers below the rank of Chief Officer. The Police Authority operates arrangements to deal with complaints about the conduct of Chief Officers.
- The Professional Standards Department is also responsible for overseeing and monitoring a range of additional arrangements focused on upholding high standards of conduct and behaviour. These include the Business Interests register, Gifts and Hospitality register and the Association policy and register. The Force operates a policy to support officers reporting wrongdoing and has made a confidential phone line available for this purpose, via Crimestoppers, as well as a confidential email service called 'Confide in Us'.
- All members are subject to a members' code of conduct that has been formally adopted by the Authority and is in line with the model code recommended by the Standards Board for England.
- The Authority monitors the Force's overall arrangements in respect of professional standards and diversity, including oversight of the Force's complaints handling arrangements, through its Professional Standards and Diversity Committee. Members' standards, including adherence to the members' code of conduct are monitored through the Standards Committee.
- A member's handbook is circulated to all members which has been reviewed and updated. The handbook sets out the standards of conduct and behaviour required of Police Authority members and includes reference to the Members Code of Conduct and the register of Members' interests.
- New members receive advice on the importance of adhering to the members' code of conduct and upholding ethical standards as part of their induction.
- Protocols have been put in place defining the relationship between the Force and members in certain areas. These include the Patrol Observers Scheme and the Neighbourhood Policing Protocol.

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

- Compliant with the Financial Management Code of Practice, Police Act 1996.
- The Authority's Procedural Standing Orders, Financial Regulations and Standing Orders on Contracts were all updated and approved in September 2009.
- A scheme of delegation is in place which has been reviewed and updated in February 2010. The Force Financial Manual sets out the approved scheme of delegation along with the detailed financial instructions and procedures, which is available to all users electronically on the Force intranet. Work is in hand to update the Force financial manual.
- All changes are ratified by the Police Authority and Treasurer.

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- The medium term financial plan and reserve levels are set with regard to a financial risk assessment and are approved by the Authority.

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

- The Authority's Audit, Resources and Continuous Improvement Committee undertakes all of the requirement of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities.
- The effectiveness of the Committee is subject to annual review, which includes a review of the Committee's terms of reference to ensure they remain relevant and fit for purpose.

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

- Appropriately qualified staff are recruited for key roles throughout the Force such as, Finance, Procurement, Estates Management, Human Resources, Risk Management, and Information Systems.
- Qualified accountants and finance staff undertake the Force's budgetary monitoring and control.
- Internal Audit inspection provides independent assurance to the Police Authority on the effectiveness and adequacy of systems of internal control.
- External Audit inspections and reports provide additional assurance to the Police Authority.
- The Treasurer is responsible for maintaining an adequate and effective internal audit function and has overall responsibility for the proper administration of the Authority's financial affairs. An annual Quality Assurance Programme is in place to review systems and processes at a tactical level across the Force.
- The specific role of the Chief Executive for ensuring compliance is set out in the Authority's Financial Regulations and Standing Orders on Contracts. The Chief Executive is also the Authority's appointed Monitoring Officer.
- Legal advice is available to the Force and Police Authority.

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

- Under The Police Authorities (Particular Function and Transitional Provisions) (Amendment) Order 2010, the Police Authority are able to challenge and if necessary intervene where the Force response to complaints, which fall outside of complaints to which Part 2 of the Police Reform Act 2002 (c) applies, appears to be unsatisfactory.
- The Professional Standards Department ensures compliance with laws, internal polices and procedures.

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- The Professional Standards Department oversees all complaints against police officers and staff ensuring compliance with the Police Reform Act 2002. The Force's complaints handling arrangements are subject to Police Authority scrutiny under the business of the Professional Standards and Diversity Committee.
- The Force has an Integrity Unit, which deals with intelligence and investigations relating to allegations of corruption and criminal behaviour by police officers and staff.
- The Authority and Force participates in the Audit Commission National Fraud Initiative.
- The Force 'Integrity Line' via Crimestoppers, and the 'Confide in Us' service are managed by the Professional Standards Department and monitored by the Professional Standards Board.
- In accordance with the Police Reform Act 2002, the Police Authority is the appropriate authority for receiving, recording and arranging investigations in the event of a complaint about the conduct of a Chief Officer.
- Employer and Public liability claims are investigated by the Civil Litigation Unit and overseen by the Head of Audit, Insurance and Risk Management and Professional Standards Departments respectively.

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

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

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

- All staff and officers have a professional responsibility to maintain continuous professional development relative to their ongoing membership to a professional body.
- Performance appraisals are carried out annually.
- Competency framework.
- Leadership development programme.

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- A coaching and mentoring scheme is in place across the whole Force.
- Twice yearly members' seminars. Members training eg diversity, performance management, risk management etc.
- Force has achieved and maintained its IIP status.
- Member reviews are undertaken annually, training needs assessments are in place and a skills audit is in development.

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

- Implementation of the Safer Neighbourhood Policing Model.
- Community Consultation Surveys.
- PACT panels, other Safer Neighbourhood meetings and neighbourhood watch/home watch meetings. A Police Authority Safer Neighbourhoods Protocol has been developed which, together with member attendance at regular BCU link meetings, provide feedback to members on issues and priorities identified by Safer Neighbourhood teams/meetings.
- Use of 222222 telephone number for non-emergency calls. Use of contact cards and publication of contact details for making contact with Safer Neighbourhood teams.
- CDRP surveys. The Force is represented on all CDRPs and the Police Authority is represented by nominated members. From March 2010 CDRP's will become Community Safety Partnerships.
- Divisional and Section level consultation with community groups
- Feedback from User Surveys and Force Contact Surveys.
- Feedback from the Independent Advisory Groups (IAGs).
- Police Authority Consultation and Engagement involving road shows, attendance at public events supported by the use of survey questionnaires.
- An Operational Briefing Day is held.
- The Force website includes details of Safer Neighbourhood team meetings, on-line surveys, how to complain etc.
- The Police Authority website includes member details, meetings, community engagement activities, etc.

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

- Recommendations from the continuous improvement review of partnership working have been implemented.

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- Force Partnership policy and guidance which includes a partnership risk assessment.
- A Partnership database is in place, which provides a register of all partnerships.
- Internal audits of our partnership arrangements.
- A Partnership officer has been appointed to provide a strategic lead on all partnership work and policy implementation.

4. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

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

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

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

The Audit, Resources and Continuous Improvement Committee functions as the Authority's audit committee with delegated responsibilities for monitoring and reviewing the arrangements for securing the efficient and effective management of all the Authority's resources including land, property, finance and personnel, including oversight of continuous improvement. The Committee is responsible for monitoring the effectiveness of the systems of internal control and internal audit as well as reviewing its own effectiveness.

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

- To monitor and review arrangements for securing the efficient and effective management and sustainability of all the Authority's resources including land, property, finance and personnel.
- To monitor and review the Authority's continuous improvement arrangements, activities and outcomes.
- To consider the Annual Governance Statement and recommend its approval by the full Police Authority, to be published with the Authority's accounts.
- To monitor and keep under review the Authority's business continuity arrangements.

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- To monitor and review the Authority's arrangements and outcomes in respect of data quality in all areas, including crime and incident recording; also to keep under review the Authority's information security arrangements.
- To monitor and review the Authority's Capital Programme, including all building works, ongoing projects and sources of capital expenditure.
- To consider the Authority's internal and external audit plans and to ensure the maximum liaison between all audit activities.
- To receive and consider all internal and external audit reports.
- To determine the Authority's policies for banking, loans and investments, and to monitor and review Treasury Management performance and outcomes.
- To agree the Authority's policy for insurance and risk management and to monitor and review insurance and risk management performance and outcomes, including periodic oversight of the Corporate Risk Register.
- To consider and approve the resource strategies and financial plans that support the delivery of the Three Year Strategic Plan and Annual Policing Plan, including the Authority's information technology, fleet management, workforce planning and estates management strategies and the Authority's asset management and procurement plans.
- To ensure the Chief Constable exercises delegated responsibilities in a proper and effective manner.
- To agree the Authority's policy on charging for services where discretion exists including charges under Section 25 of the Police Act 1996.
- To agree the Authority's Financial Regulations and Standing Orders on Contracts.
- To agree the Authority's policy for the acceptance of gifts, loans and sponsorship relating to the Force or the Authority as a whole and to receive annual reports thereon.

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

- A personal portfolio of responsibilities that collectively, cover all functions of the Force.
- They chair boards and groups relevant to their portfolio.
- Conduct bi-annual performance inspections on Divisions and Departments, plus quarterly review meetings.
- The Force Executive Board and Strategy Board set and monitors progress in relation to the corporate aims, objectives and performance.

A separate Police Authority Standards Committee and the terms of reference and membership of that committee have been established. The terms of reference and membership reflect requirements flowing from the revised Members' Code of Conduct

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adopted by the Police Authority in September 2007, the Local Government and Public Involvement in Health Act 2007 and the associated 2008 Regulations for local assessment which allow standards committees to receive and handle complaints about the conduct of Authority members locally. The key functions of the Standards Committee are to promote and maintain high standards of conduct in the Authority, assist the Authority's members to observe the Authority's code of Conduct and, where applicable, to handle complaints about the conduct of Police Authority members locally. Three Independent members of the Standards Committee have been appointed.

Work is progressing in conjunction with other Police Authorities in the South West Region to explore the scope for putting in place a joint Standards Committee.

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

Key activities provided by the internal auditors are as follows:

- To review the audit needs assessment to confirm that all significant financial and non-financial risks are incorporated into the strategic and annual audit plans.
- To prepare an annual Internal Audit Terms of Reference and Strategy Statement for consideration by the Audit, Resources and Continuous Improvement Committee.
- To provide an annual audit plan for approval by the Treasurer to the Police Authority, in consultation with the Chief Constable. This plan is reviewed annually and reported to the Audit, Resources and Continuous Improvement Committee for members' consideration and agreement.
- To undertake the audit reviews as specified in the approved annual audit plan and to report to the Treasurer and the Chief Constable on the adequacy of the systems and controls in place at the conclusion of each audit.
- To report quarterly to the Audit, Resources and Continuous Improvement Committee on audit reviews, including assurances, any risks identified and on progress against the plan.
- To provide an opinion on the overall adequacy and effectiveness of the organisations internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification.
- To draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the Annual Governance Statement and to investigate financial irregularities as required by the Treasurer.
- The external audit, by the Audit Commission, provides independent assurance as to the adequacy of internal audit work. They conduct their own risk based audits and form an opinion as to the effectiveness of the assurance mechanisms in place. They report directly to the Police Authority in the Annual Audit Letter.

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- Internal and External audit have the independent right to report direct to the Police Authority.

Other explicit external review and assurance mechanisms are:

- The HMIC inspection programme.
- Peer reviews by the NPIA
- Lessons learnt from the Home Office Professional Standards Unit.
- The Health and Safety Executive inspections and reviews in respect of reportable accidents.
- Reports from the Independent Police Complaints Commission (IPCC).

Further internal review and assurance mechanisms are provided through:

- The Professional Standards Department investigations into complaints and misconduct.
- The review and monitoring of risk by the Risk Management Board.
- The audit and quality assurance programme managed by the Audit, Insurance and Risk Management Department.
- Local quality assurance, audits and checks within individual divisions and departments, such as call handling and child protection.

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

5. SIGNIFICANT GOVERNANCE ISSUES

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

- Icelandic Banks - Dorset Police Authority continue to take steps to recover the £7million previously invested within Iceland Banks. Currently £711,850 has been recovered from Heritable Bank with an anticipated base case return of between 79 and 85 pence in the pound. Funds within Lansbanki have been frozen and steps to recover this are being conducted under Icelandic Law, resulting in significantly slower progress.

Action: The Treasury Management Strategy for 2010-11 was agreed by the Police Authority on 12 February 2010. Treasury Management Activity is subject to quarterly reports to the Audit, Performance and Continuous Improvement Committee. Work continues on the collective action to recover the monies outstanding.

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- Financial Context – Pressure on public sector funding nationally means there is increasing pressure to identify cashable efficiency savings within the police service. Significant savings have been identified within the 2010-11 budget and it is anticipated that the further reductions in available funding will continue. It is however, essential the Force remains fit for purpose within these constraints.

Action: The Force has initiated a significant review of all police functions to ensure that savings continue to be identified whilst delivering a customer focused service. This project, called 'One Team' has a requirement to identify cost savings to meet the anticipated shortfall, as set out in the Medium Term Financial Plan. These cost savings will result in a reduction in staff numbers, through management of change processes and better utilisation of Force resources. This area of work will be monitored monthly by the Force Executive Board and reported quarterly to the Police Authority.

- The Regional Collaboration Programme – The Force continues to participate in the regional collaboration programme, exploring efficiencies to be derived through shared services and collaboration.

Action: To continue to engage fully in the process of option identification, and consideration of recommendations.

- Partnership working – Force partnership arrangements continue to be a risk to the Force, particularly in light of constraints on all public sector budgets. The Force works closely with public sector partners, who are suffering from similar constraints on their budgets which will increase the pressure to reduce contributions to partnership funding.

Action: To continue to monitor the implementation and ongoing management of the Partnership arrangements, with particular focus on funding.

- Olympic Games – Sufficient funding has been received to meet the costs of the recruitment of the local Olympic Planning team and their accommodation. However, there continues to be a lack of funding from Central Government to enable the timely planning and implementation of arrangements for the Olympic Sailing events at Weymouth and Portland.

Action: To continue to lobby central government for further release of funds.

External and Internal Audit have both indicated that in their opinion there are no audit issues found over the last year for inclusion in the annual governance statement, and this will be reflected in the Annual Audit Letter and Annual Audit Report. However the Authority and Force are committed to enhancing our service, systems and processes to ensure continuous improvement in our systems of internal control and governance.

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

- To further improve decision making processes to ensure full consideration of associated risks.
- Continue to develop the quality assurance regime to test the mitigation relating to force risks.

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- To further develop the process that ensures entries made on General Orders become enshrined in the primary policy document and impact assessment on a timely basis.
- Continue to improve the reporting of Safer Neighbourhood activity at the Force Executive Board.
- Review the policy impact assessment process to make it more user friendly and consider how amendments will be reported to the Authority.
- Ongoing work to maximise the results of benchmarking activity across the Force, and to develop a corporate perspective rather than departmental perspective on the results.
- Continue to develop the workforce planning and modernisation agenda.
- Continue to improve communication with vulnerable groups to ensure their views are captured and needs understood and met.
- To work towards full compliance with 'The Police Authority (Community Engagement and Membership) Regulation 2010, and Policing Plan (Amendment) Regulation 2010.
- Introduce an overarching Fraud and Corruption policy, to capture all relevant policy and the strands of activity that are already in place.
- Ongoing work to ensure the embedding of the requirements of the NPIA Equality Standard for the Police Service in all Force policy and practices.

Documents referred to in the body of the Annual Governance Statement can be accessed via the Force Website on www.dorset.police.uk or the Police Authority Website on www.dpa.police.uk

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

Mr Martin Baker QPM BSc (Hons) MBA
Chief Constable

Mr Michael Taylor CBE DL
Chairman

Date

Date

Mr Martin Goscomb BSc ACIS
Chief Executive

Date

GLOSSARY OF FINANCIAL TERMS

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

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

GLOSSARY OF FINANCIAL TERMS

ESTIMATION TECHNIQUES	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
FIXED ASSETS	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
HOME OFFICE GRANT	A central government grant paid by the Home Office to Police Authorities in support of their day to day expenditure, allocated by means of the FSS mechanism.
IMPAIRMENT	A loss in the value of a fixed asset or financial instrument, arising from physical damage such as a major fire, or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
NATIONAL NON-DOMESTIC RATES (NNDR)	District and Unitary councils collect this tax locally and pay it to the Government. It is then re-distributed to Police and other Local Authorities on the basis of resident population.
NON DISTRIBUTED COSTS (NDC)	Overheads for which no user benefits, and therefore not apportioned over services. Previously this was called Unapportionable Central Overheads (UCO).
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
PENSION FUND	For staff other than police officers, contributions from both employers and employees are invested for the time being, and used to provide pension benefits to contributors and their dependants. Police officer pensions are not paid into an investment fund, but are paid directly from revenue expenditure.
PRECEPT	A levy requiring the District, Borough and Unitary Councils to collect income from council taxpayers on behalf of the Authority.
PROVISIONS	Amounts set aside to meet liabilities or losses which are likely to be incurred, but where the actual sum and timing are uncertain.
RESERVES	Sums set aside to meet the cost of specific future expenditure.
REVENUE EXPENDITURE	The day to day costs incurred by the Authority in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (FORMALLY) DEFERRED CHARGES	Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the Authority, the expenditure is charged directly to the income and expenditure account in the year it occurs with the necessary appropriations in the Statement of Movement on the General Fund Balance and the Capital Adjustment Account.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the Authority, in addition to Home Office Grant, in support of its day to day expenditure.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SPECIFIC GRANTS	Grants from the Home Office, additional to other grants, for specific projects.
STOCKS	The amount of unused or unconsumed stocks held in expectation of future use. Examples include consumable stores and services in intermediate stages of completion.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the Authority from outside contractors and other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRUST FUNDS	Funds administered by the Authority for such purposes as prizes, charities and special projects.