



Statement
of Accounts
2007-08

CONTENTS

	Pages
Audit Opinion	2 - 4
Foreword to the Accounts	5 - 8
Statement of Accounting Policies	9 - 10
Statement of Responsibilities / Further Information.....	11
Income and Expenditure Account	12
Statement of Movement on the General Fund Balance	13
Statement of Movement on the General Fund Balance	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Core Financial Statements	16 -28
Pension Fund Account and Notes	29
Holding Accounts and Notes	30 - 32
Annual Governance Statement	33 - 46
Glossary of Terms	47 - 48

AUDIT OPINION

Independent auditor's report to the Members of Dorset Police Authority

Opinion on the statement of accounts

We have audited the Authority statement of accounts, pension fund accounts and related notes of Dorset Police Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority statement of accounts comprises the Explanatory Foreword, the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority statement of accounts and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Dorset Police Authority, as a body, in accordance with Part II of the Audit Commission Act 1998.

Our audit work has been undertaken so that we might state to Dorset Police Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Dorset Police Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority statement of accounts, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority statement of accounts and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year, and
- the financial transactions of the Police pension fund during the year and the amount and disposition of the police pension fund liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information. We are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority statement of

AUDIT OPINION

accounts, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority statement of accounts, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority statement of accounts, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority statement of accounts, pension fund accounts and related notes.

Opinion

In our opinion:

The Authority statement of accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and,

The pension fund accounts and related notes presents fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Police Pension during the year ended 31 March 2008, and the police pension fund liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

KPMG LLP

Chartered Accountants

Southampton

4 September 2008

AUDIT OPINION

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent me from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, We are satisfied that, in all significant respects, Dorset Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

KPMG LLP

Chartered Accountants

Southampton

4 September 2008

FOREWORD TO THE ACCOUNTS

Revenue Budget

In February 2007 the Police Authority set the revenue budget for 2007-08 at £107.8 million. This showed an increase of 4.6% on the budget for 2006-07. The Band D council tax was set at £153.51, an increase of 4.95%. The Police Authority share of the average council tax bill for the year was about 11%.

The 2007-08 budget assumed funding for:

- 1,502 officers
- 914 Police staff
- 162 Police Community Support Officers
- Pay Awards of 3%

However, maintaining current officer numbers meant significant restrictions elsewhere in the budget. Examples included no further investment in neighbourhood policing, no further increases in officer or support staff numbers. Significantly, the budget offered no funding to fill the level 2 funding gap (£4.8m) and required evaluation of all police vacancies prior to filling posts to meet a £300k financial savings target.

Comparison of Actual Expenditure with Budget

Actual spending for the year was £107.4M compared to an estimate of £107.8M, with the underspend of £0.4M committed and carried forward to 2008-09.

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

Increased expenditure arose on the Special Events Control Project, helicopter maintenance and Forward Looking Infra Red (FLIR) replacement. Additional costs also arose from delays in signing the Dorset Emergency Services Partnership Initiative (DESPI) contract and the 2007-08 budget also included £300k to be funded from in year savings.

- Employee costs were lower than expected mainly due to the Police national pay award being less than budgeted, fewer ill health retirements, ongoing vacancies, secondments and career breaks. Overall these employee costs show savings totalling £490k.
- The Home Office decision not to backdate the police pay award to September 2007 resulted in a one-off saving of £400k. This has been moved to a reserve pending an appeal from the Police Federation.
- The level of interest achieved on investments was higher than budgeted. This was largely due to the inclusion of PFI sinking fund interest for DESPI and additional interest on capital balances due to the delays in the Bournemouth Custody Scheme. It also reflects the higher average rate of interest achieved during the year (5.86% compared with that budgeted 4.60%) This provided an additional £731k.
- The works to create the new Special Events Control (SEC) at Force Headquarters required additional funding during the year of £300k.
- A significant increase in the cost of helicopter maintenance in the year has resulted in an overspend. The authority had to fund part (60%) of the cost of the helicopter FLIR ('forward looking infra red') replacement, the remainder being funded by Home Office Grant. These costs totalled £362k.

FOREWORD TO THE ACCOUNTS

- Delays in the signing of the DESPI contract resulted in additional consultancy fees of £221k.

Overall, the revenue outturn position shows an underspend of £390k, which after taking account of the £333k overspend carried forward from 2006-07 results in an increase in general balances of £57k.

The small variance from the original budget (0.37%), 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 2007-08 of £2.211M. This was increased to £16.751M when carry forwards from 2006-07 and other adjustments were included. Final capital expenditure was £5.077M, which was funded by Home Office and other grants of £2.863M and revenue contributions of £2.214M.

The significant underspend on the capital budget, detailed in the Notes on page 20, arises mostly from continuing delays in the scheme for the Bournemouth Custody Suite. This led to the Authority not having to use capital reserves and no requirement to borrow externally, but had little effect on the revenue financing requirement. The unused capital reserves and borrowing option are again carried forward to fund the capital expenditure in 2008-09.

Work progressed on the 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. Contracts were signed by the end of July 2007, and it is anticipated that the joint accommodation in Poole will be ready for occupation in 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 19.

Specific reserves are now £17.9M, a decrease of £0.2M from 2006-07. Capital reserves are carried forward to meet the cost of delayed schemes detailed above. The on-going level of the pensions reserve was reviewed in the light of the new pensions funding and a much smaller reserve retained for future ill-health retirements which are not met by the Home Office.

Reserves

The Authority's general balances at the start of the year were £3.435M. This was increased to £3.492M during the year by the revenue underspend. Of this total, £0.4M are commitments to be carried forward into 2008-09. Uncommitted general balances are thus £3.092M, representing 2.9% of the budget requirement for 2007-08. 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 26-27 indicate a small increase in the deficit for police staff in the Local Government Pension Scheme (LGPS), and a decrease in the liability for the unfunded officer's scheme, following no increases in police officer numbers in 2007-08. The significant liability in respect of the unfunded police pension scheme is the amount assessed by the actuary as necessary to

FOREWORD TO THE ACCOUNTS

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 £15.79M, or 14.6% of the total budget for 2007-08. 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 including the new Annual Governance Statement on pages 33-46, the CIPFA Code of Practice on Local Authority Accounting 2007 and 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 2007 SORP continues to change the way the accounts are presented, as part of a move to align local and police authority accounts with UK Generally Accepted Accounting Practices (UK GAAP). Further changes will occur in 2008-09 to continue this move towards the application of International Financial Reporting Standards (IFRS's).

The 2007 changes include the replacement of the Capital Financing Account and Fixed Asset Restatement Account with a Capital Adjustment Account and a Revaluation Reserve, a change from a Statement on Internal Control to an Annual Governance Statement and presentational changes arising from the adoption of FRS26 (Financial Instruments :Measurement) and FRS29 (Financial Instruments – Disclosures).

The accounts that follow show the Dorset Police Authority's financial outturn for the year 2007-08. 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 2006-07.
- 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 2007-08 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 been 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 2008, and its income and expenditure for that year.

FOREWORD TO THE ACCOUNTS

Paul Kent Treasurer to the Police Authority

Date

I confirm that these accounts were approved by the Dorset Police Authority at their meeting on 26 June 2008.

Signed on behalf of Dorset Police Authority

Michael Taylor CBE Chairman of the Authority

Date

ACCOUNTING POLICIES

1. Introduction

These accounts have been prepared in accordance with the principles recommended in the new 2006 Code of Practice on Local Authority Accounting and 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.

The 2006 SORP and 2007 SORP introduced major changes to the way local and police authority accounts are presented, and this is explained in the Foreword. Other minor modifications have been made wherever necessary to secure better compliance with the Codes of Practice.

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

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. Deferred Charges

Where capital expenditure does not result in the acquisition or an increase in the valuation

of a fixed asset, the expenditure is treated as a deferred charge and written out in the year of account.

5. 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 are reviewed annually.

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 is charged on intangible and fixed assets with a finite useful life, including buildings in accordance with the requirements of FRS 15. As part of the annual valuation of properties, the Valuer determines the estimated useful life of the properties. The depreciation charge is based on equal annual instalments over the expected life of the asset. No allowance is made for residual value except in the case of the helicopter. For guideline purposes, intangible assets are depreciated over periods ranging from 2 to 4 years, buildings over 20 to 60 years, vehicles and equipment over 2 to 10 years. No depreciation charge is made for land.

f) Charges to Revenue

Capital charges to services are based on the minimum requirements of the Code of Practice. Charges comprise depreciation and a corresponding credit where an asset has been financed or partly financed by Home Office grant or other external contributions. These are based on the value of the asset and its expected operational life. These charges

ACCOUNTING POLICIES

are reversed in the Statement of Movement in the General Fund Balance in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

6. Foreign Currency Translation

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

7. 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.

8. 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.

9. Leases

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

10. 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.

11. 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.

12. 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.

13. 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.

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.

2006-07 Net Spending £'000		Gross Spending £'000	Income £'000	2007-08 Specific Grants £'000	Net Spending £'000
	Division of Service				
105,367	Police Services	134,139	(5,331)	(19,420)	109,388
0	National services undertaken locally	3,831	(9)	(3,822)	0
785	Corporate and Democratic Core	780	(1)	0	779
335	Non Distributed Costs	55	0	0	55
106,487	Net Cost of Service	138,805	(5,341)	(23,242)	110,222
0	Seconded Officers	641	(641)	0	0
(53)	Net (gain) / loss on disposal of fixed assets				(30)
0	Trading Account (Profit) / Loss				(97)
127	Interest Payable				141
(1,250)	Interest and Investment Income				(1,649)
32,761	Pensions Interest Cost & Expected Return on Assets				37,159
138,072	Net Operating Cost				145,746
	Principal Sources of Finance				
(38,168)	Home Office Grant				(39,194)
(3,647)	Revenue Support Grant				(3,307)
(18,228)	Non Domestic Rates				(19,705)
(43,012)	Council Tax Precept				(45,594)
(103,055)	Total Funding				(107,800)
35,017	Deficit / (Surplus) for the year				37,946
(31,906)	Statement of Reconciling Movements (detailed on page 13)				(38,003)
3,111	Reduction / (Increase) in General Fund Balance				(57)

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

2006-07 £'000		<u>2007-08</u> <u>£'000</u>
35,017	Deficit / (Surplus) on the Income and Expenditure Account	37,946
	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.	
(4,423)	Depreciation and impairment of fixed assets	(5,580)
2,439	Government Grants Deferred amortisation	2,099
53	Net gain or (loss) on disposal of fixed assets	30
(54,432)	Net charges for pensions in accordance with FRS17	(59,094)
	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
751	Revenue Financing of Capital	2,215
22,504	Employer's contributions payable to the Dorset County Pension Fund and Police Pension Fund and retirement benefits payable direct to pensioners.	22,399
	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.	
121	Voluntary provision for repayment of debt	121
1,081	Net Transfer to / (from) Specific Reserves	(193)
3,111	Reduction / (Increase) in General Fund Balance	(57)
(6,546)	General Fund Balance brought forward	(3,435)
<u>(3,435)</u>	General Fund Balance carried forward	<u>(3,492)</u>

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.

2006-07 £'000		<i>Notes</i>	<u>2007-08</u> <u>£'000</u>
35,017	Deficit / (Surplus) on the Income and Expenditure Account		37,946
(1,665)	Losses / (Gains) on revaluation of fixed assets	33 (ii)	(1,815)
(21,254)	Actuarial loss / (gain) on pension fund assets and liabilities	33 (vii)	(64,536)
(185)	Losses / (Gains) on earmarked reserves		
63	Other losses / (gains)		61
<u>11,976</u>	Total Recognised gains and losses		<u>(28,344)</u>

BALANCE SHEET

This Balance Sheet is a record of the financial position of the Police Authority as at 31 March 2008, with comparative figures for 31 March 2007. Detailed supporting notes are shown on the following pages.

31 March 2007				31 March 2008	
£'000	£'000		Notes	£'000	£'000
117		Intangible Assets	16	60	
		Tangible Fixed Assets	16		
		Operational Assets			
36,715		Land & Buildings		37,807	
6,894		Vehicles, Plant & Equipment		7,054	
		Non-operational Assets			
651		Assets under construction		834	
0		Surplus assets, held for disposal		0	
	44,377				45,755
	0	Long Term Debtors	23		0
	2,295	Deferred Consideration	24		2,199
	46,672				47,954
		Current Assets			
398		Stocks and Stores	25	424	
8,902		Debtors & Payments in advance	26	8,208	
20,000		Temporary Investments	27	19,500	
299		Cash in hand	29	2,821	
29,599				30,953	
		Current Liabilities			
(7,747)		Creditors & Receipts in advance	28	(9,295)	
(7,747)				(9,295)	
	21,852	Net Current Assets			21,658
	68,524	Total Assets less Current Liabilities			69,612
	(2,524)	Deferred Liabilities	31		(2,403)
	(299)	Provisions	32		(241)
	(8,188)	Capital Grants Deferred	33 (v)		(8,952)
	(692,286)	Pensions Asset / (Liability)	38		(664,445)
	(634,773)	Total Net Assets			(606,429)
		Financed by :-			
	35,960	Capital Adjustment Account	33 (i)		34,811
	0	Revaluation Reserve	33 (ii)		1,789
	22	Usable Capital Receipts Reserve	33 (vi)		22
	(692,286)	Pensions Reserve	33 (vii)		(664,445)
	18,096	Specific Reserves	33 (viii)		17,902
	3,435	Revenue Balances	37		3,492
	(634,773)				(606,429)

CASH FLOW STATEMENT

2006-07			2007-08	
£'000	£'000	Notes	£'000	£'000
		Revenue Activities		
		Cash Outflows		
116,912		Cash paid to or on behalf of employees	121,537	
21,431		Other operating costs	22,273	
	138,343			143,810
		Cash Inflows		
43,012Cr		Precept - Council Tax income	45,594Cr	
18,228Cr		Non-Domestic Rate income	19,705Cr	
3,647Cr		Revenue Support Grant	3,307Cr	
59,467Cr		Home Office Grants	64,300Cr	
9,614Cr		Cash received for goods and services	13,720Cr	
	133,968Cr			146,626Cr
	4,375	Revenue Activities Net Cash Flow		2,816Cr
		Servicing of Finance		
		Cash Outflows		
127		Interest paid	0	
		Cash Inflows		
1,058Cr		Interest received	1,850Cr	
	931Cr			1,850Cr
		Capital Activities		
		Cash Outflows		
3,450		Purchase of fixed assets	5,102	
		Cash Inflows		
1,136Cr		Sale of fixed assets	0	
29Cr		Sale of vehicles	59Cr	
1,586Cr		Capital Grants received	2,864Cr	
	699			2,179
		Management of liquid resources		
85,500		Short Term Lending	91,500	
89,911Cr		Short Term Loans Repaid	92,000Cr	
		Financing		
0		Short Term Borrowing	0	
0		Short Term Borrowing Repaid	0	
	4,411Cr			500Cr
	268Cr	Net cash inflow / outflow		2,987Cr
		Other Movements		
	226	Transfers		465
	42Cr	Net increase / decrease in cash		2,522Cr

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.

2006-07		2007-08			Difference () = over £'000
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000	
527	<u>Police Authority</u>	524	537	544	(7)
	<u>Police Force</u>				
105,774	Employees	103,937	110,663	110,603	60
3,497	Premises Related Expenses	3,624	3,610	3,523	87
4,395	Transport Related Expenses	4,520	4,490	4,731	(241)
8,254	Supplies and Services	6,779	7,285	7,763	(478)
5,349	Third Party Payments	5,203	5,652	5,434	218
1,162	Capital Charges	4,386	4,386	2,657	1,729
128,958		128,973	136,623	135,255	1,368
	<u>Income</u>				
(17,052)	Specific Grants	(11,944)	(19,337)	(19,728)	391
(3,941)	Reimbursements & Contributions	(1,356)	(2,220)	(3,146)	926
(1,478)	Customer & Client Receipts	(1,591)	(2,055)	(2,159)	104
106,487	Net Cost of Service	114,082	113,011	110,222	2,789
(53)	Net (gain) / loss on disposal of fixed assets	0	0	(30)	30
0	Trading Account (Profit) / Loss	0	0	(97)	97
127	Interest Payable	127	127	141	(14)
(1,250)	Interest on balances	(917)	(1,567)	(1,649)	82
32,761	Pensions Interest Cost & Expected Return on Assets	0	0	37,159	(37,159)
138,072	Net Operating Expenditure	113,292	111,571	145,746	(34,175)
	Principal Sources of Finance				
(38,168)	Home Office Grant	(39,194)	(39,194)	(39,194)	0
(3,647)	Revenue Support Grant	(3,307)	(3,307)	(3,307)	0
(18,228)	Non Domestic Rates	(19,705)	(19,705)	(19,705)	0
(43,012)	Council Tax Precept	(45,594)	(45,594)	(45,594)	0
(103,055)	Total Funding	(107,800)	(107,800)	(107,800)	0
35,017	Deficit / (Surplus) for the year	5,492	3,771	37,946	(34,175)
(4,423)	Depreciation and impairment of fixed assets	(5,101)	(5,101)	(5,580)	479
2,439	Government Grants Deferred amortisation	0	0	2,099	(2,099)
53	Net gain / (loss) on disposal of fixed assets	0	0	30	(30)
751	Revenue Financing of Capital	916	2,005	2,215	(210)
121	Provision for repayment of debt	121	121	121	0
(31,928)	Appropriations to / (from) Pensions Reserve	0	0	(36,695)	36,695
1,081	Transfers to / (from) Specific Reserves	(1,428)	(463)	(193)	(270)
3,111	Reduction / (Increase) in General	0	333	(57)	390
	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 were no prior period adjustments or exceptional items in the year.

4. LONG TERM CONTRACTS

The Authority has signed a 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 2007-08 were £2.9m, 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 is expected in 2009, and payments will commence in that year for a period of 25 years, and Government grant will commence in 2008 on occupation of the first Dorset Fire and Rescue Services premises.

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.

2006-07		2007-08
£'000		£'000
29	Expenditure	36

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.

2006-07		2007-08
£'000		£'000
173	Employee Costs	209
129	Staff Advertising	88
86	Other Advertising	38
134	Public Relations / Community Consultancy	133
<u>522</u>		<u>468</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.

2006-07		2007-08
£'000		£'000
198	Expenditure	156

8. MEMBERS' ALLOWANCES

The Authority is required to report the total amount of Members' Allowances paid.

2006-07		2007-08
£'000		£'000
126	Expenditure	125

NOTES TO THE CORE FINANCIAL STATEMENTS

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 taxable emoluments in excess of £50,000 per annum, in multiples of £10,000. 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.

2006-07		2007-08
18	£50,000 - £59,999	20
11	£60,000 - £69,999	12
2	£70,000 - £79,999	3
1	£80,000 - £89,999	2
1	£90,000 - £99,999	1
1	£100,000 - £109,999	1
1	£110,000 - £119,999	0
0	£120,000 - £129,999	1

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

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.

2006-07		2007-08
In post		In post
1,505	Police Officers	1,493
1,012	Police Staff	999
122	Community Support Officers	158
<u>2,639</u>		<u>2,650</u>
295	Special Constabulary	287
84	Volunteers	98

11. SPONSORSHIP

The Authority directly received £26,500 in sponsorship from outside bodies during 2007-08, in support of various community-related schemes. This figure does not include sponsorship received by various crime reduction partnerships with which the Authority is involved.

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 2007-08 replacing the Audit Commission, relating to the year of account are as follows.

2006-07		2007-08
£'000		£'000
73	External Audit Services	71
0	Statutory Inspections	0
0	Certification of grant claims	0
<u>73</u>		<u>71</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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, deferred charges, 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.

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.

	<u>Intangible</u>	<u>Operational Assets</u>		<u>Non-operational Assets</u>		Total Assets
	<u>Assets</u>	Land and Buildings	Vehicles, Plant & Equipment	Under construction	Surplus Assets *	
2007-08	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 1 April	1,702	39,925	23,205	651	-	65,483
Accumulated Depreciation	(1,585)	(3,210)	(16,311)	-	-	(21,106)
Net Book Value 1 April	117	36,715	6,894	651	-	44,377
Transfers	-	-	-	-	-	-
Additions	77	1,443	3,374	183	-	5,077
Disposals	-	-	(589)	-	-	(589)
Revaluations	-	1,815	-	-	-	1,815
Depreciation for the year	(134)	(2,166)	(3,185)	-	-	(5,485)
Depreciation on assets sold	-	-	560	-	-	560
Net Book Value 31 March	60	37,807	7,054	834	0	45,755
<u>Asset Financing</u>						
Owned	60	37,807	7,054	834	-	45,755
Leased	-	-	-	-	-	-
PFI	-	-	-	-	-	-

* Former police houses declared surplus to requirements and awaiting disposal.

NOTES TO THE CORE FINANCIAL STATEMENTS

17. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

This table shows capital spending, the sources of funding used to finance it and, for 2007-08, a comparison with the estimated spending and funding. The underspend relates to the carried forward projects referred to in paragraph 19 below.

2006-07		2007-08		
Actual		Original	Final	Actual
£'000		Estimate	Estimate	£'000
		£'000	£'000	£'000
448	Major Schemes	655	10,806	183
813	Minor works to buildings	0	1,360	1,444
967	Vehicles	946	1,000	816
585	IT equipment and software	419	1,917	1,189
397	Other equipment	191	1,485	1,080
180	Safety Camera Partnership	0	183	0
83	Airwave	0	0	365
<u>3,473</u>	Total Payments	<u>2,211</u>	<u>16,751</u>	<u>5,077</u>
1,136	Use of Capital Receipts	458	1,713	0
1,406	Home Office Grants	838	1,457	2,863
180	Safety Camera Partnership Grant	0	183	0
0	Use of Capital Reserves	0	11,648	0
751	Revenue Financing	915	1,750	2,214
0	Borrowing	0	0	0
<u>3,473</u>		<u>2,211</u>	<u>16,751</u>	<u>5,077</u>

18. MOVEMENT IN DEFERRED CHARGES

Deferred Charges relate to capital expenditure incurred on leased properties, which are not included in the Authority's fixed asset register. This expenditure, included in the above table, is charged to the Income and Expenditure Account in the year it is incurred.

2006-07		2007-08	
£'000		£'000	
86	Expenditure in year	0	
<u>(86)</u>	Charged to Income and Expenditure Account	0	
<u>0</u>	Balance carried forward	<u>0</u>	

19. FUTURE CAPITAL COMMITMENTS

A major building project to renew custody facilities in Bournemouth has been delayed with work anticipated to commence during 2008-09. Delays have occurred with procuring new vehicles and in the boiler replacement scheme. The total value of these schemes is £11.7m, funding will be carried forward to fund this expenditure in 2008-09.

20. ASSET REGISTER

Stations provided under the Western Division PFI Scheme are no longer the property of the Police Authority, and accordingly no longer recorded in the Asset Register.

2006-07		2007-08	
No.		No.	
24	Stations including HQ	24	
44	Houses	44	
9	Other	9	
<u>77</u>		<u>77</u>	

NOTES TO THE CORE FINANCIAL STATEMENTS

21. FIXED ASSET VALUATION

The freehold and leasehold assets in the Authority's Asset Register were valued initially by the Dorset County Council Valuer's Department as at 1 April 1994. 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

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.

2006-07 £'000		2007-08 £'000
316	Expenditure	382
222	Commitment - 1 year	270
544	Commitment - 2 to 5 years	531
119	Commitment - over 5 years	80
34	Rental Income	32

23. LONG TERM DEBTORS

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

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 is being written down over the period of the contract.

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.

2006-07 £'000		2007-08 £'000
160	Uniform Stocks	158
37	Fuel Stocks	49
92	Vehicle Parts	95
104	Stationery Stocks	114
5	Machine Consumable Stocks	8
398		424

26. DEBTORS AND PAYMENTS IN ADVANCE

An analysis of the amounts due to the Authority at 31 March 2008 is shown below. The accounts include a provision for potential bad debts.

2006-07 £'000		2007-08 £'000
4,624	Central Government Departments	3,731
1,025	Other Police and Local Authorities	1,499
3,253	Others	2,978
8,902		8,208

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

28. CREDITORS AND RECEIPTS IN ADVANCE

An analysis of the amounts owed by the Authority at 31 March 2008 is shown below.

2006-07 £'000		2007-08 £'000
2,139	Central Government Departments	2,474
553	Other Police and Local Authorities	1,008
5,055	Others	5,813
<u>7,747</u>		<u>9,295</u>

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 2008.

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. DEFERRED LIABILITIES

This balance 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.

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 2006-07 £'000	Income £'000	Expenditure £'000	Balance 2007-08 £'000
Taxation	299	0	58	241

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 controls system.

2006-07 £'000		2007-08 £'000
0	Balance as at 1 April	0
0	Transfers from Fixed Asset Restatement Account and Capital Financing Account	35,960
0	Capital Financing	2,215
0	Capital Receipts Applied	0
0	Depreciation and Impairment	(5,339)
0	Impairment - Price Decreases / Fall in Market Value	(120)
0	Book Value of Disposals & Transfers	(29)
0	Deferred Charges	0
0	Reduction in Deferred Liability	121
0	Movement in Deferred Consideration	(96)
0	Release of Government Grant	2,099
<u>0</u>	Balance at 31 March	<u>34,811</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(ii) Revaluation Reserve

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing. The Revaluation Reserve records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets.

2006-07 £'000		<u>2007-08</u> £'000
0	Balance as at 1 April	0
0	Gains / (Losses) - Fixed Asset Revaluation	1,815
0	Depreciation and Impairment	(26)
<u>0</u>	Balance at 31 March	<u>1,789</u>

(iii) Fixed Asset Restatement Account

A Fixed Asset Restatement Account was required under the previous system of capital accounting.

2006-07 £'000		<u>2007-08</u> £'000
23,459	Balance as at 1 April	23,975
0	Transfer to Capital Adjustment Account	(23,975)
1,665	Revaluations	0
(1,149)	Net Book Value of Disposals	0
<u>23,975</u>	Balance at 31 March	<u>0</u>

The opening balance represented the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve was written down as the assets were disposed of and adjustments made for any deficits or surpluses arising on future revaluations. The balance on this account was transferred to the new Capital Adjustment Account introduced for 2007-08.

(iv) Capital Financing Account

The Capital Financing Account contained the amount of capital expenditure financed from revenue and capital receipts. It also contained the difference between Minimum Revenue Provision and depreciation and also the amortisation of deferred charges, to avoid any impact on the Income and Expenditure account and hence ultimately the council taxpayers. The balance on this account was also transferred to the new Capital Adjustment Account at the start of 2007-08.

2006-07 £'000		<u>2007-08</u> £'000
11,962	Balance as at 1 April	11,985
0	Transfer to Capital Adjustment Account	(11,985)
751	Capital Financing	0
1,136	Capital Receipts Applied	0
(4,242)	Gross Depreciation	0
(86)	Deferred Charges	0
120	Reduction in Deferred Liability	0
(95)	Movement in Deferred Consideration	0
2,439	Release of Government Grant	0
<u>11,985</u>	Balance at 31 March	<u>0</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(v) 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 asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

2006-07 £'000		2007-08 £'000
(9,041)	Balance as at 1 April	(8,188)
(1,586)	Grants used for Capital Financing	(2,863)
2,439	Release of Government Grant	2,099
<u>(8,188)</u>	Balance at 31 March	<u>(8,952)</u>

(vi) 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.

2006-07 £'000		2007-08 £'000
19	Balance as at 1 April	22
1,139	Receipts in the year	0
0	Transfer to Capital Reserve	0
(1,136)	Less Applied during the year	0
<u>22</u>	Balance at 31 March	<u>22</u>

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

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

2006-07			2007-08	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
(660,016)	(21,596)	Surplus / (Deficit) as at 1 April	(671,099)	(21,187)
(16,858)	(4,478)	Current Service Cost	(16,992)	(4,564)
19,366	3,124	Contributions	18,904	3,480
0	14	Unfunded Pension Payments	0	15
(335)	0	Past Service Cost	(324)	0
(32,280)	(481)	Other Finance Income	(36,196)	(963)
0	0	Settlements / Curtailments	0	(55)
19,024	2,230	Actuarial gain / (loss)	63,599	937
<u>(671,099)</u>	<u>(21,187)</u>	Surplus / (Deficit) as at 31 March	<u>(642,108)</u>	<u>(22,337)</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

	2003-04 £'000	2004-05 £'000	2005-06 £'000	2006-07 £'000	2007-08 £'000
Difference between expected and actual return on assets	3,414	2,166	6,504	(35)	(5,645)
Difference between actuarial assumptions about liabilities and actual experience	0	776	0	(481)	(6,686)
Changes in demographic or financial assumptions used to estimate liabilities	(440)	(602)	(6,324)	2,746	13,268
	<u>2,974</u>	<u>2,340</u>	<u>180</u>	<u>2,230</u>	<u>937</u>
	%	%	%	%	%
Difference between expected and actual return on assets	12.0%	6.0%	14.3%	-0.1%	-10.8%
Difference between actuarial assumptions about liabilities and actual experience	0.0%	1.0%	0.0%	-0.7%	-8.9%
Changes in demographic or financial assumptions used to estimate liabilities	0.0%	-1.0%	-13.9%	3.8%	17.8%
Percentage of the present value of liabilities	7.0%	4.3%	0.3%	3.1%	1.3%

NOTES TO THE CORE FINANCIAL STATEMENTS

(viii) Other Earmarked Reserves

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

	Balance 2006-07 £'000	Income / Transfers £'000	Expenditure / Transfers £'000	Balance 2007-08 £'000
For Capital Purposes				
Capital	4,813	0	148	4,665
Airwave	126	0	0	126
For Revenue Purposes				
Transitional Smoothing	4,109	0	1,288	2,821
Insurance	2,432	511	710	2,233
PFI	5,472	732	0	6,204
Pensions	338	0	0	338
Other Reserves	806	1,139	430	1,515
	18,096	2,382	2,576	17,902

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.

Airwave Reserve

This reserve was set up to cover the capital costs of the 'Airwave' communications system. The balance will be used to offset any minor remaining capital costs

Transitional Smoothing Reserve

The Authority had built up a pensions reserve to meet a known peak of retirements in the near future. New Home Office funding arrangements introduced from 1 April 2006 meant that this level of reserve was no longer required. The Authority determined in February 2006 that the balance should be used to smooth precept increases in future years.

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, after the above transfer to the PFI 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 provide for unscheduled maintenance of the force helicopter, and a new reserve for the Case Preparation System..

34. AUTHORISATION

This Statement of Accounts was authorised for issue by Paul Kent, Treasurer to the Police Authority, on 19th June 2008

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

37. MOVEMENT IN BALANCES

The level of general balances has increased by the general fund surplus of £-0.057M, to a total of £3.492M. Of this, £0.4M relates to delegated budgets, leaving uncommitted general balances at £3.092M or 2.9% of the budget requirement

Analysis of Movement in Balances

Total Balances £'000		General Balances £'000	Cost Centre £'000	Total Balances £'000
(6,546)	Balances as at 1 April 2007	3,092	343	3,435
1,035	Use of accumulated balances	0	(333)	(333)
(267)	Surplus / (Deficit) in year	0	390	390
2,343	Transfer to Specific Reserves	0	0	0
(3,435)	Balances as at 31 March 2008	3,092	400	3,492

38. RETIREMENT BENEFITS (See also Note 33(vii))

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

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

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

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

2006-07			2007-08	
Police £'000	LGPS £'000		Police £'000	LGPS £'000
		Net Cost of Services		
16,858	4,478	Current Service Cost	16,992	4,564
335	0	Past Service Costs	324	0
0	0	Settlements / Curtailments	0	55
		Net Operating Expenditure		
32,280	3,398	Interest Cost	36,196	4,390
0	(2,917)	Expected Return on Assets	0	(3,427)
		Amount to be met from Government Grant and Local Taxation		
(30,107)	(1,821)	Movement on Pensions Reserve	(34,608)	(2,087)
		Actual amount charged against council tax for pensions in the year		
	(3,124)	Employer's contributions payable		(3,480)
	(14)	Unfunded Pension Payments		(15)
(19,366)		Retirement benefits payable to pensioners	(18,904)	

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		
2006-07		<u>2007-08</u>
£'000		£'000
(11,670)	Employers flat rate contribution	(12,319)
(5,238)	Employees contributions	(5,368)
(595)	Transfer values in	(379)
(967)	Recharges To Other Account Heads	-
-	Interest	(10)
<u>(18,470)</u>	Contributions Receivable	(18,076)
17,794	Pension Payments	19,215
7,240	Retirement Grants	5,647
31	Transfer Values out	352
<u>25,065</u>	Benefits Payable	25,214
6,595	Net Deficit	7,138
(6,595)	Recharged To Revenue Account	(7,138)
<u>-</u>	Net Expenditure	-

NET ASSETS STATEMENT		
2006-07		<u>2007-08</u>
£'000		£'000
	Current Assets and Liabilities	
1,452	Debtors and Payments in Advance	1,204
-	Creditors and Receipts in Advance	-
<u>1,452</u>	Net Assets as at 31 March	1,204

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 2007-08 year.

(iv) The payment in advance shown in the Net Assets Statement relates to pensions paid on 31st March 2008 which relate to April 2008.

ANNUAL GOVERNANCE STATEMENT



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

Position as at 30 April 2008 including plans for the financial year 2007-08

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 will be considering the adoption 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.Dorset.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 objective; 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.

ANNUAL GOVERNANCE STATEMENT

The governance framework has been in place at the Authority for the year ended 31 March 2008 and up to the date of the approval of the annual report and statement of accounts on the 26th June 2008.

3. THE GOVERNANCE FRAMEWORK

Although the Chief Officer 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 function 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 with 12,000 people to inform policy, decision-making and the planning and development of policing services. This is supported by 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)
- The Police Authority agrees the three year Strategic Plan and the Annual Policing Plan, which in turn are supported by more detailed Divisional/Departmental 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 and the publication of the full plan and a summary version on our website. Use is also made of the 'Safer Dorset' publication.
- The joint 'Safer Dorset' newspaper is delivered annually to every household and business in the County and gives details of key policing plan objectives, priorities, performance and finance. The annual precept leaflet sets out details of the budget, council tax and the financial context. Both are published on our 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 engagement etc). The Budget and Policing Plan 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 issues that may affect the Authority. Further opportunities arise from the presence of members on a number of Force Boards.

ANNUAL GOVERNANCE STATEMENT

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, committee or meeting of the Force has specific terms of reference linking back to the principal objectives of the Force. The Corporate Governance Policy is reviewed annually.
- The Budget and Policing Plan 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 also able to recommend changes in their terms of reference and delegations to 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 set nationally in the Community Safety Plan and through the Policing Performance Assessment Framework (PPAF) and Assessments of Policing and Community Safety (APACS) frameworks.
- 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.
- The overall policing plan is supported by individual Divisional and Departmental service plans each of which contains local performance targets.
- 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 Budget and Policing Plan 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.

ANNUAL GOVERNANCE STATEMENT

- Dorset Police has a robust system in place to monitor performance against targets. The Dorset Police Performance Assessment Framework (DPPAF) sets performance standards on measures 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.
- The Dorset Management Information System II (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 performance assessment and fundamental reviews are continuously developed.
- The Governance structure ensures that key performance indicators are reported and communicated between 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 and comparative performance data. Arrangements also operate at Basic Command Unit (BCU) level for members to receive updated on divisional performance. Specific Committees receive performance monitoring reports quarterly across the full range of the Authority's business areas. This includes comprehensive reports or performance packs for human resources, complaints, contact management 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 Police Service performance though it is recognised that the work of other national bodies for 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 inspections programme provides independent assurance of Force compliance with established policies procedures, laws and regulations.
- 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.

ANNUAL GOVERNANCE STATEMENT

- Victim 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 is undertaken annually involving a sample of 12,000 people, which provides important statistically valid feedback to the Force and the Authority.
- A range of other surveys, contacts and groups are used to provide additional feedback. These include a business survey, force contact surveys and staff surveys, deliberate community experience surveys, inputs from the Independent Advisory Groups (IAG) and CDRP surveys. The Police Authority also operates its own community engagement programme involving road shows, meetings and attendance at some public events.
- The roll out of Safer Neighbourhood teams across the county has provided an important additional opportunity for engaging with communities to identify local priorities and objectives utilising PACT meetings and smaller meetings, such as 'street corner meetings'.

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

- A 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 Group operates as a forum 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 entered onto the Force Risk Register.
- Divisional and Departmental risk registers are in place and informed by the corporate plan and local service plans.
- The Force risk register, Divisional and Departmental risk registers are monitored by the Risk Management Group.

ANNUAL GOVERNANCE STATEMENT

- 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 Group reports to the Audit, Resources and Continuous Improvement Committee.
- The Professional Standards and Diversity Committee of the Police Authority monitors 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, 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. Police Authority members attend annual review meetings with the Chairman and a Personal Development Review (PDR) system for Authority officers is in the process of being implemented.
- There is a formal scheme of delegation in place.
- 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. Police Staff Conditions of Service outline the standards required by members of police staff.
- These are supported by the Force's Vision and Values and Rights and Responsibilities.
- Grievance procedures, dress code, disciplinary and dignity at work policies are communicated as part of the induction process, which are applicable to police and police authority staff.
- The Professional Standards department investigates all complaints against police staff and 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 and the

ANNUAL GOVERNANCE STATEMENT

Association policy and register. The Force operates a 'whistle blowing' policy and has made confidential phone line available, via Crimestoppers.

- 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 Forces overall arrangements in respect of professional standards, including oversight of the Force's complaint handling arrangements, through its Professional Standards 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 requires updating. 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 June 2007. However, the two latter documents would benefit from further review and updating, to reflect the changes arising from Dorset 2010.
- A scheme of delegation is in place but is due to be reviewed and updated. 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.
- All changes are ratified by the Police Authority/Treasurer
- 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.

ANNUAL GOVERNANCE STATEMENT

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 and Risk Management.
- 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 are 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.

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

- The Professional Standards Department ensure compliance with laws, internal polices and procedures.
- The Force 'Integrity Line' via Crime Stoppers is managed by the Professional Standards Department and monitored by the Professional Standards Board.
- 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 Police Authority deals with receiving, recording and arranging investigations in the event of a complaint about the conduct of a Chief Officer in accordance with the Police Reform Act 2002.
- The Force has an Integrity Unit, which deals with intelligence and investigations relating to corruption and criminal behaviour by police officers and staff.
- 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:

ANNUAL GOVERNANCE STATEMENT

- 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.
- A 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 IIP status.

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

- Implementation of the Community Engagement, Public Confidence and Community Policing Model.
- There is a formal Annual Community Consultation Survey and Business Survey.
- PACT panels, other Safer Neighbourhood meetings and neighbourhood watch/home watch meetings. A Police Authority Safer Neighbourhoods Protocol is being developed which, together with member attendance at regular BCU link meetings, will 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.
- Divisional and Section level consultation with community groups

ANNUAL GOVERNANCE STATEMENT

- Feedback from 'Deliberate Community Experience Surveys' and Force Contact Surveys.
- Feedback from the Independent Advisory Groups (IAGs) and Integrated Domestic Abuse Programme (IDAP)
- Police Authority Consultation and Engagement involving road shows, attendance at public events supported by the use of survey questionnaires.
- Annual Stakeholder events.
- Launch of new Force website including details of Safer Neighbourhood team meetings, on-line surveys, how to complain etc.
- Launch of new Police Authority website including member details, meetings, community engagement activities, on-line surveys 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:

- 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.

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

ANNUAL GOVERNANCE STATEMENT

of internal control and internal audit as well as reviewing its own effectiveness. The committee's delegated powers area s follows:

- Monitoring and reviewing the arrangements for securing the efficient and effective management of all the Authority's resources and for securing Best Value.
- Monitoring and reviewing the financial outcomes of the Authority.
- 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.
- To agree the Authority's policy for insurance and risk management.
- To consider and approve the Authority's information technology strategy.
- To ensure the Chief Constable exercises delegated responsibilities in a proper and effective manner.
- To agree the Authority's policy on charging under Section 25 of the Police Act 1996.
- 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.
- To determine on behalf of the Authority discretions which may arise under the Local Government Pensions Scheme.

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.
- The Strategic Board sets and monitors progress in relation to the corporate aims, objectives and performance.

The Police Authority is in the process of re-establishing a separate Standards Committee and the terms of reference and membership of that committee are under consideration. The new terms of reference and membership will reflect requirements flowing from the revised Members' Code of Conduct 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,

ANNUAL GOVERNANCE STATEMENT

where applicable, to handle complaints about the conduct of Police Authority member locally. Three Independent members of the Standards Committee have been appointed.

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 to ensure that adequate systems and controls are in place and to report to the Treasurer and the Chief Constable at the conclusion of each audit.
- To report to the Audit, Resources and Continuous Improvement Committee on audit reviews any high risks identified and annually on progress against the plan.
- To provide an opinion on the overall adequacy and effectiveness of the organisation's 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 statement on internal control 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.
- 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.

- 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).

ANNUAL GOVERNANCE STATEMENT

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 Group.
- The audit and quality assurance programme managed by the Corporate Development Department (Quality and Development Department – during 2007/08)
- 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:

- Partnership working – whilst the partnership policy and database has been in place for some time, there is little evidence to support the embedding of the policy in all police activity. This means that partnership arrangements continue to be an unmitigated risk to the Force.

Action: A continuous improvement review of partnership working in the Force is to be carried out in the first quarter of 2008/09. An appropriately skilled person is to be appointed to embed the partnership policy and implement the recommendations arising from the review.

- Dorset 2010 – the Force is continuing to implement the recommendations from the Dorset 2010 review. This is an extensive period of change in the structure of the Force which will require a fundamental review of all policies and the internal control mechanisms within the Force to ensure their continued relevance.

Action: The review of these control mechanisms are to be established as part of the Quality Assurance programme.

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:

- The development of Performance Development Reviews (PDR) for Police Authority Officers.
- Further review of Financial Regulations and Standing Orders on contracts.

ANNUAL GOVERNANCE STATEMENT

- A review of the scheme of delegation.
- The creation of a Separate Standards Committee.
- To further improve the transparency of decision making and consideration of associated risks.
- Create a single Authority and Force equality scheme.
- Introduce a quality assurance regime to test the mitigation relating to force risks.
- To review the terms of reference for all Boards and Committees.
- To consider including an environmental assessment into the existing impact assessment process.
- To continue to improve the communication of the policing plan to the wider community.
- To consider the introduction of separate governance policy for the Authority with a training needs analysis of Authority Members and Chief Officers in relation to governance training.
- To introduce department assurance checklists in support of the next years Annual Governance Statement.

Mr Martin Baker QPM BSc (Hons) MBA
Chief Constable

Mr Michael Taylor CBE
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.
DEFERRED CHARGES	Expenditure of a capital nature, which does not result in the acquisition of a fixed asset. Such expenditure is written out of the accounts in the year it is incurred.
DEPRECIATION	The measure of the use of a fixed asset over its economic life.

GLOSSARY OF FINANCIAL TERMS

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.
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, 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 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.