

**Leicestershire  
Police Authority**

**Statement of Accounts**

**2009/10**



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# ***Explanatory Foreword***

## ***Introduction***

The Statement of Accounts includes the Income and Expenditure Account showing the spending for the year, a Statement of Movement on the General Fund Balance which reconciles the deficit on the Income and Expenditure Account to the surplus or deficit required by statute, a Statement of Total Recognised Gains and Losses, a Balance Sheet showing the assets owned by the Authority and its liabilities, a Cash Flow statement showing the source and application of funds together with the Pension Holding Account with the amounts paid out and into the Fund specified by Regulation.

The Balance Sheet as at 1<sup>st</sup> April 2009 has been restated due to several changes in accounting policy. The impact of these changes is explained in more detail in Accounting Policy 19 – Prior Period Adjustments. One change in particular, the revaluation of a significant part of the Authority's land and buildings estate, has resulted in a reduction in asset values of £27.4m at 31<sup>st</sup> March 2009. This has been processed as a Prior Period Adjustment to ensure the Balance Sheet and Income and Expenditure Account are comparable between 2008/09 and 2009/10 within the Statement of Accounts.

## ***Overview of 2009/10***

In early 2007 the Government announced a 3 year funding settlement with 2008/09 being the first year. Again, the government formula was not implemented, and a flat rate increase for all authorities applied. As a result the Leicestershire Police Authority lost grant of £3.122m to which it was entitled according to the formula.

Largely as a result of grant losses in earlier years, and in response to identified risks and pressures facing the service, the Police Authority resolved to increase the local precept for 2008/09 by 15.43%. The Authority was asked by Government to justify the size of that increase, which it did successfully, although the precept increase for 2009/10 was limited by Government to 3%. As a result it was necessary to transfer £3.405m from the equalisation reserve to finance the 2009/10 budget.

## ***Financing the police service***

The Police Authority set a net revenue budget of £169.818m for the year, after drawing £3.405m from reserve. The majority of the funding for this budget is provided by Government, with just 30% met via the local precept. The Authority levied a precept of £165.21 for a Band D property, an increase of 3% over the previous year.

## ***Revenue spending***

The Authority underspent its revenue budget by £2.515m, or 1.5%. This was attributable to a managed underspend on police pay and allowances of £0.804m, an underspend on corporate budgets of £0.602m, together with a net further underspend of £1.109m on delegated activities. This has allowed the Authority to add £0.372m to its General Reserve, bringing its value up to its declared policy of 3% of the net revenue budget.

The Authority agreed to utilise the £2.515m underspend in the following areas: 1) £2.143m to part fund the 2010/11 and 2011/12 budget requirement and 2) transfer the balance of £0.372m to the General Reserve.

## **Reserves**

The Police Fund (General Reserve) was increased during the year to £5.253m. The closing balance on the Budget Equalisation reserve is £7.527m. A number of other smaller reserves have been created during 2009/10 for specific purposes.

## **Retirement Benefits**

The accounting for Retirement Benefits in the 2009/10 accounts has resulted in a pension liability of £1,313m. The police officer pension scheme liability is £1,247m with the balance relating to Local Government Pension Scheme. An actuarial valuation is being undertaken for the Local Government Pension Scheme during 2010/11.

## **Capital spending**

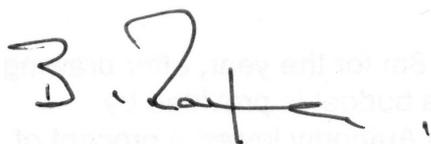
£6.229m was spent on improving the buildings stock, investing in information technology and the vehicle fleet. This was funded by a combination of grant, asset sales, revenue and borrowing. Outstanding external debt at the year end was £16.6m (excluding accruals for interest payable).

A number of capital projects were undertaken during 2009/10 including upgrading of the custody provision for safety detention requirements, refurbishment of the Wigston cells and ground floor of the City BCU accommodation (Mansfield house) and significant investments in the IT infrastructure including the network environment, disaster recovery and replacement PCs.

## **Outlook for 2010/11**

The Police authority has approved the 2010/11 net revenue and capital budgets of £175.1m and £6.8m respectively, and a precept of £169.63 for a Band D property, an increase of 3% over the previous year.

Once again the Government grant calculation formula has not been applied, resulting in a further loss of grant to the Authority of £2.805m.



**B Roper**  
**Chairman of the Police Authority**



**C.A.C Smith**  
**Treasurer to the Police Authority**

# ***Statement of Responsibility for the Accounts***

The Police Authority, the Treasurer to the Police Authority, and the Chief Constable, all have a share in the responsibility for these Accounts. (The Chief Constable's responsibility is exercised by the Force Finance Director.)

## ***The Police Authority***

The Authority is required to

- 1 manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 2 make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.
- 3 approve the statement of accounts

## ***The Treasurer***

The Treasurer is accountable to the Police Authority, and is appointed by them to be responsible for the proper administration of the Authority's financial affairs.

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts. Under the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the accounts are required to present fairly the income and expenditure of the Authority, and its financial position at the end of the year.

## ***The Chief Constable***

In practice, the day to day financial management of the budget is undertaken by the Force Finance Director, who is accountable to the Chief Constable.

In consultation with the Treasurer, the Force Finance Director

- 1 selects suitable accounting policies and applies them consistently
- 2 makes judgements and estimates that are reasonable and prudent and comply with the CIPFA Code of Practice
- 3 keeps proper accounting records which are up to date
- 4 takes reasonable steps for the prevention and detection of fraud and other irregularities.



**C.A.C Smith CPFA (Treasurer)**  
**16<sup>th</sup> September 2010**

# ***Annual Governance Statement***

**Position as at June 2010 including plans for the financial year 2010-11**

## **1. SCOPE OF RESPONSIBILITIES**

The Leicestershire 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 its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework: Delivering Good Governance in Local Government. A copy of the Code is on our website at [www.leics-pa.police.uk](http://www.leics-pa.police.uk) or can be obtained from the Chief Executive, Leicestershire Police Authority, St. Johns, Enderby, Leicester, LE19 2BX. 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, in relation to the publication of a statement on internal control.

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous 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 to manage them effectively, efficiently and economically.

The systems that underpin this governance framework have been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

## **3. THE GOVERNANCE FRAMEWORK**

This section describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and the Force. It includes reference to the overarching structures that have been put in place in both Authority and Force to deal with these areas and indicates how they are linked to each other and held to account by the Authority.

Although the Chief Constable is responsible for operational policing matters, for the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him to account for the exercise of those functions. 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 Authority and Force should identify and communicate their vision of purpose and intended outcomes for citizens and service users.* The Constabulary strives to be “Second to None”. It seeks to achieve this by three specific elements – getting personal with communities; getting personal with criminals; and getting personal with our people. The Authority supports this vision. The vision will be reviewed during 2010 by the new Chief Constable. The vision appears on the Constabulary website. It also appears in the statutory publications issued by the Authority such as the local policing summaries.
- *The Authority and Force should review their vision and strategy and the implications for governance arrangements. The Authority and Force should have systems for setting objectives and targets outlined in the policing plan including decision making structures.* Following a prompt from an audit inspection, the Police Authority has adopted a new approach to strategic business planning. This will ensure that members are involved at the initial stage of the planning process as well as throughout the formation of the draft policing plan. The new process was implemented during 2008/09 and continued to be applied during 2009/10.
- *The Authority and Force should monitor performance against operational, financial and other strategic plans including how key issues are identified and tasked.* The Authority monitors Force performance against volume crime and key performance indicators at each of four quarterly meetings throughout the year. Additionally its Performance Panel meets quarterly to examine performance in greater detail. Its Human Resources Committee considers performance data relating to the staffing elements of the organisation. Professional Standards Committee meets three times a year and considers a comprehensive performance report on complaints made about police staff and police officers. Financial performance is within the remit of the Finance and General Purposes Committee and the Treasurer monitors the debts owed to the organisation. Performance against the local policing plan is undertaken by the full Authority with a report to its November meeting indicating any key areas at risk of not being fulfilled by the end of the year.
- *The Authority and Force should measure the quality of service for users to ensure services are delivered in accordance with the Authority’s objectives and represent the best use of resources.* The Authority undertakes a comprehensive consultation cycle to seek the views of the people of Leicester, Leicestershire and Rutland on a number of issues. Its main quantitative source of data is the CRAVE Survey (Confidence, Reassurance, Accessibility and Visibility Evaluation) which provides views on a range of policing questions, including the confidence measure, from 12,000 people per year. The Authority also uses a questionnaire it puts on the council tax leaflet with a prepaid reply facility. The questions on this questionnaire are reviewed annually by the Consultation and Communications Committee. As well as the MSF (most similar group of forces) data on satisfaction, the Force and Authority also utilise their own data from the CRAVE survey to inform direction of travel. The full implementation of Neighbourhood Policing throughout Leicester, Leicestershire and Rutland also means that local priorities are efficiently and effectively managed and communicated.
- *The Authority and Force should have systems to risk manage their business and identify ways in which key risks are mitigated.* The Authority has approved a Leicestershire Police risk management strategy and facilitated the purchase of the Orchid Risk Register software. This has been implemented and training has been provided to key personnel across the organisation. This software enables the key strategic risks to be examined by authorised persons on a daily basis. Key Force risks are reviewed by the Audit Committee at each meeting, as well as the specific Police Authority Risk register. The Audit Committee re-scores the Police Authority risks on an annual basis. It also reviews in detail a key risk at each meeting. The Audit Committee Chair sits on the Force Strategic Organisational Risk Board.
- *The Authority and Force should define and document the roles and responsibilities of the Authority and Force and the officers within each setting out clear delegation arrangements and protocols for effective communication and arrangements for challenging and scrutinising Force activity.* The roles and responsibilities of the Authority and its members have been defined and appear in the members’ allowances scheme and other recruitment

documentation. It also appears on the web. This forms a chapter in the Members' handbook which is kept for reference by each member. Also in the handbook is a list of powers that have been delegated to the Authority officers and the Chief Constable and the Finance Director by the Police Authority. This is updated regularly in line with new developments. The terms of reference of committees and their role are set out in the members' handbook.

- *The Authority and Force should develop communicate and embed codes of conduct defining the standards of behaviour for members, officers and staff.* The code of conduct for members was adopted on 3 May 2007. An annual report on standards matters was provided to the Standards Committee on 4 February 2010 and the Chairman of that Committee made a formal report to the full Authority on 27 April 2010. Members are reminded of conduct and governance issues through a "tip of the week" appearing on each weekly members' newsletter. The staff code of conduct for the Police Authority staff, agreed by Human Resources Committee on 21 November 2007, has been replaced by the Code applying to all police staff which became effective from 1 December 2008. Codes of conduct for police staff and police officers are dealt with through regulations and the Independent Police Complaints Commission has a role in overseeing this as well as the Authority.
- *The Authority should review and update standing orders, standing financial instructions, scheme of delegation, contract regulations and supporting procedure notes which clearly define how decisions are taken and processes and controls required to manage risks.* A set of Financial Regulations, updated at intervals of two years, is maintained by the Authority. The most recent review was in March 2009. A guide to the Regulations is published for the benefit of employees responsible for incurring expenditure on behalf of the Authority and Force. A set of Financial Instructions is also published, aimed at employees concerned with financial aspects of the organisation. The Delegated Powers list was reviewed by the Police Authority at its meeting on 30 June 2009 (minute 63/09).
- *The Authority should maintain a set of Contract Standing Orders, updated at intervals of two years.* The Contract Standing Orders were revised in March 2009 together with an easy to follow summary guide for the benefit of employees responsible for entering into contracts on behalf of the Authority and Force.
- *The Authority should undertake the core functions of an Audit Committee, as identified in CIPFA's Audit Committee – practical guidance for local authorities.* An Audit Committee, comprising members of the Authority, meets on a quarterly basis. It is independent from the Authority and its terms of reference are in line with the guidance provided by the Chartered Institute of Public Finance and Accountancy. Training is provided for members of the Committee on a regular basis. The Committee reviews its own effectiveness annually, and provides the Authority with an annual report of its work.
- *The Authority and Force should ensure compliance with relevant laws, regulations, internal policies and procedures and that expenditure is lawful.* The Authority has adopted, and reviews regularly, a set of Financial Regulations and Contract Standing Orders. The organisation is subject to external audits by its external auditors currently PricewaterhouseCoopers LLP. The organisation also has its internal audit provision undertaken by an external firm, currently RSM Tenon. The service is provided within a collaborative contract with five other Police Authorities, thus providing opportunities to benefit from best practice elsewhere. Further external inspection arises by Her Majesty's Inspectorate of Constabulary and by the Independent Police Complaints Commission all of whom have statutory access to documentation and provide for a robust auditing mechanism. The Police Authority was inspected in 2009 and received its report from the Joint Inspectorate in January 2010.
- *The Force should have systems for whistle blowing and receiving and investigating complaints from the public and handling citizen and other redress.* The Professional Standards Department (PSD) has both a reactive and pro-active capability which means that complaints made by the public are fully investigated when reported, and any concerns over integrity and corruption issues are equally followed through. An anonymous anti-corruption reporting line is available to staff via a separate Crimestoppers number which is then fed

through to the PSD to investigate any issues or individuals of concern. A full record is kept of all complaints, including outcome and resolution, diversity aspects and any significant trends. This information is reported back to the Achieving Performance Excellence meeting (APEX) as well as the Strategic Equality and Confidence Board which reviews any disproportionate aspects arising.

- *The Authority and Force should determine the conditions of employment and remuneration of senior officers and staff.* Police officer remuneration and conditions of service are largely the remit of regulations. The Authority's Remuneration Committee considers issues each January. The police staff is not regulated. The Authority has recognised that its lack of job evaluation scheme is a risk which appears on its risk register and is monitored through that process.
- *The Authority and Force should identify the development needs of members and senior officers in relation to their strategic role supported by appropriate training.* Police Authority members receive induction training on starting their roles with the Authority. Training needs are identified and implemented. In March 2010 members undertook a development interview. These, and a skills audit have fed into the Member Training Plan, agreed on 27 April 2010, which the Standards Committee will monitor. Police Authority staff are also inducted into their role and training needs are identified through performance and development reviews. Senior police officers are subject to performance development reviews undertaken with the assistance of HMIC and limited involvement by the Authority Chairman. The organisation has also introduced leadership training.
- *The Authority and Force should establish clear channels of communication with all sections of community and other stakeholders ensuring accountability and encouraging open consultation.* The Authority undertakes a cycle of consultation each year which includes a public meeting in every local policing unit. The Authority has a designated Performance Analyst and an Engagement and Communications Officer. The Force has a Corporate Communications Team. Members of the public are able to ask questions of the Authority at its quarterly meetings.
- *The Authority and Force should incorporate good governance arrangements in respect of partnerships and other group working.* The community safety programme board acts as a strategic body above the CDRPs in the police area.

#### 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 and the system of internal control.

These reviews have been informed by the Audit Commission's external auditors and the Authority's internal auditors. The internal auditors carried out a number of reviews into activities within both Force and Authority.

- The full **Police Authority** is responsible for receiving and approving the annual governance statement.
- The **Constabulary** has various systems through which assurance is provided throughout the year including :
  - The framework of regular management information.
  - Extensive internal audit reviews, compliance checks, and progress reports (National Crime Recording Standard /NSIR / Victim Code / HOGR etc)
  - Performance monitoring arrangements (APEX / PDG)
  - Management of data (Freedom of Information / Management of Police Information)
  - The role of the Professional Standards Department.
  - Policy Guidance and retention

- Project Management and Governance
  - Business Continuity / Risk Management
- The **Audit Committee** meets quarterly, and considers reports from both internal and external auditors. Progress on the implementation of recommendations from audit reports is monitored against the timescales set. The Committee is also responsible for Risk Management and reviews at each meeting both the Police Authority and Force Risk Registers. The Audit Committee is responsible for amending the code of corporate governance and for checking progress against the areas for improvement identified in the annual governance statement.
  - The **Standards Committee's** terms of reference include promoting high ethical standards of conduct by members, advising members in relation to matters of conduct and making recommendations to the Authority on the revision of the code of conduct, and arranging training and development for members on all matters relating to standards, ethics and probity. It receives an annual report on the governance of ethical standards each year. On 4 February 2010 the Committee agreed an action plan for 2010/11.
  - **Internal Audit** services are outsourced on a contract basis. The current auditors are RSM Tenon. Audit briefs are considered by the Police Authority Treasurer, the Force Finance Director, and the Deputy Chief Constable. Audit reports are considered in detail by the Audit Committee. Governance issues feature in the annual audit plan. The Annual report of the auditors for 2009-10 confirmed that the Authority has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

In addition both the Chief Executive and the Treasurer to the Authority, and the Deputy Chief Constable and his staff all have responsibility for the development and maintenance of the governance environment. Comments by other review agencies and inspectorates inform this review.

In the Governance Statement for 2008-09 seven areas for improvement were identified. These, together with progress in implementation, are detailed below.

ITEM	WHO	WHEN
<p>Review and update the documented procedures relating to Partnerships to ensure they reflect the organisational requirements and any statutory requirements and are in line with recommended good practice.</p> <p>Ensure that for new partnerships appropriate Terms of Reference are agreed.</p> <p>Prepare a list of all current partnerships and critically appraise why the Authority is a member of these partnerships and how they help achieve organisational objectives. The Authority should consider withdrawing from those partnerships where the benefit of membership cannot be identified.</p>	Chief Executive	<p>May 2009</p> <p><i>(LPA Circular 07/2009 issued to members highlighted the partnership links and advocating that all current partnerships should continue)</i></p>
<p>As new members join the Standards Committee their training needs for this role should be formally reviewed. Review needs of individual member.</p>	Chief Executive.	<p>Within month of joining committee – as part of induction or after AGM. (Not achieved)</p>
<p>Maintain training in Code and Ethics for all members. Training session offered. Follow up by Chief Executive for any members not attending.</p>	Chief Executive and Standards Committee	<p>31 October 2009. (Training undertaken on 15 Dec 2009).</p>
<p>Business Interests Form. Standards Committee to review the form to check accuracy and ease of use by members.</p>	Chief Executive	<p>Standards Committee June 2009. (Achieved).</p>
<p>Business Interests. Standards Committee to monitor how up to date forms are.</p>	Standards Committee	<p>Each meeting (25 Jun 09 – Yes) (01 Oct 09 – No) (04 Feb 10 – Yes)</p>
<p>Member training. Standards Committee to monitor implementation of member training plan.</p>	Standards Committee	<p>Each meeting (Achieved)</p>
<p>Member Development Interview process to be reviewed in the light of Standards Committee's comments.</p>	Police Authority	<p>November 2009 (Achieved – LPA Circular 22/2009 issued 13 Nov 09)</p>

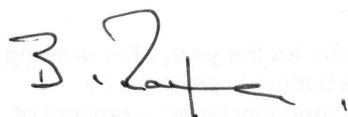
In May 2010 the Audit Committee received an internal audit report on Governance Arrangements at the Authority and Force. In the opinion of the auditors substantial assurance can be given that the risks material to the achievement of objectives within this area of activity are adequately managed and controlled. No significant recommendations were found to be necessary.

In January 2010 the HMIC / Audit Commission Inspection Report in respect of the Leicestershire Police Authority was published. This has given rise to the improvement action described below.

## 5. AREAS FOR IMPROVEMENT 2010-11

ITEM	WHO	WHEN
<p>Review the findings of the Police Authority Inspection 2009-10 and implement the improvements identified in the Action Plan agreed by the Police Authority on 27 April 2010.</p> <p>The Action Plan covers such things as: Consultation &amp; Engagement approaches, how the Authority communicates with it's stakeholders and the Authority's Governance arrangements.</p>	Treasurer and Police Authority Members	December 2010

**Signed**



**Mr B Roper**  
Chairman of Leicestershire Police Authority



**Mr R Swinfield**  
Chief Executive of Leicestershire Police Authority



**Mr S Cole**  
Chief Constable, Leicestershire Constabulary

# ***Audit Opinion***

## ***Independent auditor's report to the Members of Leicestershire Police Authority***

### **Opinion on the financial statements**

We have audited the financial statements, the police pension fund accounting statements and related notes of Leicestershire Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the members of Leicestershire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements, the police pension fund accounting statements and related notes, give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of:

- the financial position of the Authority as at 31 March 2010 and its income and expenditure and cashflows for the year; and
- the financial transactions of the police pension fund during the year ended 31 March 2010, and the amount and disposition at that date of the fund's assets and 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 financial statements. 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.

We read other information published with the financial statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited financial statements, the police pension fund accounting statements and related notes. This other information comprises only the Explanatory Foreword and Introduction by the Treasurer. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements, the police pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

## 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 financial statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, the police pension fund accounting statements 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 financial statements, the police pension fund accounting statements 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 financial statements, the police pension fund accounting statements and related notes.

## Opinion

In our opinion:

- The financial statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of the financial position of the Authority as at 31 March 2010 and its income and expenditure and cash flows for the year then ended; and
- The police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.



Mark Jones (Engagement Lead)  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

**Dated:** 23<sup>rd</sup> September 2010

## **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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. We report if significant matters have come to our attention which prevent us 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 police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Leicestershire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

### ***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.



Mark Jones (Engagement Lead)  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

***Dated:*** 23<sup>rd</sup> September 2010

### ***Notes:***

- (a) The maintenance and integrity of the Leicestershire Police Authority website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Statement of Accounting Policies**

## **1. General principles**

The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice* (hereafter referred to as **the SORP 2009**) as published by CIPFA. The accounting convention used is Historic Cost, other than for those categories of fixed assets which may be subject to revaluation (for example Buildings) which are shown at Current Value within the accounts.

## **2. Recognition of Income & Expenditure (including Capital)**

The accounts are prepared on an accruals basis in accordance with FRS18. Both income and expenditure are therefore included in the accounts during the financial year to which they relate rather than when cash is paid or received. For example where goods or services have been received before 31<sup>st</sup> March but have not yet paid for, an accrual is made to reflect their receipt or consumption by the Authority.

The only exceptions to this policy are transfer values in and out of the Police Pension Scheme (in respect of employees either commencing or leaving the employment of the Authority) which are included in the Pension Fund Account when they are received or paid.

## **3. Council Tax – Collection Fund Debtors/Creditors and Surplus/Deficit**

Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was paid from the Collection Fund held by each billing authority to the Police Authority. This in essence meant that Council Tax income was accounted for on a cash basis.

From 1<sup>st</sup> April 2009 onwards the SORP 2009 requires that Council Tax income included in the Income and Expenditure Account be accounted for on an accruals basis. The difference between the amount shown in the Income and Expenditure Account and the amount required to be transferred to the Authority under regulation is taken to the Collection Fund Adjustment Account on the Balance Sheet. A reconciling item is also included on the Statement of Movement on the General Fund Balance.

In addition to the accounting requirements for the Income and Expenditure Account, the SORP requires that each major preceptor (the Police Authority in this case) recognises its share of the Collection Fund debtors and creditors held by each billing authority. Entries are therefore included within the Police Authority's debtor and creditor balances to represent its share of the following:

- Council Tax Arrears (debtor)
- Impairment Allowance for Bad/Doubtful Debts (debtor)
- Council Tax overpayments and prepayments (creditor)
- Cash balances (debtor or creditor as appropriate)

The net effect of the debtor and creditor adjustments is balanced out by the entry on the Collection Fund Adjustment Account.

Application of this accounting policy for 2008/09 is described in further detail under Accounting Policy 19 – Prior Period Adjustments.

#### **4. Financial Instruments**

The Authority's Balance Sheet contains Financial Assets & Liabilities valued at amortised cost. Examples of these Assets or Liabilities include Debtors, Creditors, Cash Overdrafts and Short/Long-term Borrowings. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

Where assets or liabilities mature within 12 months of the Balance Sheet date the carrying amount is assumed to approximate the fair value. In the example of short-term cash investments this means that they are shown at cost plus accrued interest receivable at the Balance Sheet date as this approximates fair value.

Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability. For example, interest payable on long-term borrowing (with the Public Works Loan Board or PWLB) is defined by the terms of each loan and the interest rate is fixed at the outset.

Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset (in this case the short-term cash investment) multiplied by the effective rate of interest (or in other words the agreed rate of return on the investment).

Deferred Liabilities (long-term borrowing with Leicestershire County Council) are accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

#### **5. Interest**

Interest payable on external borrowings and interest receivable on short-term investments are accounted for on an accruals basis within the accounts. This is to reflect the overall economic effect of the borrowings or investments.

#### **6. Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets (over specified de minimis levels – currently £5,000) is capitalised in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefit to the Authority and the benefit it provides is for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly to the Income & Expenditure Account.

Expenditure that is financed by capital funding but does not result in either a new asset or an increase in value of an existing asset is classified as *Revenue Expenditure Funded From Capital Under Statute* and is amortised fully through the Income & Expenditure Account in the year that the expenditure is incurred. A reversing entry is made in the Statement of Movement on the General Fund to neutralise the effect on the Authority's revenue funds.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The basis of valuation is as follows:

## ***Tangible Fixed Assets***

**Land and buildings** – where the assets are considered by valuers to be “specialist” in nature they are valued at depreciated replacement cost (DRC), reflecting their value to the Police Authority in their current use. Because of the specialist nature of these buildings, the DRC value is normally higher than open market value. Where the assets are not considered to be “specialist” in nature, they are valued at Fair Value.

**Vehicles, helicopter, IT and equipment** valuation is based on the acquisition costs (plus the value of any work done on the asset before it goes into service), less depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

**Assets under construction** are included at actual expenditure to date. The classification of capital expenditure as “Assets under construction” is not limited to Property construction. This heading may also include other forms of tangible or intangible assets (for example software) where the asset has not come fully into use by the 31<sup>st</sup> March of the respective year.

Revaluations of land and buildings are carried out at least every five years. Any material changes to the valuation of the assets will be adjusted in the interim period as they occur. Capital expenditure in-year (other than acquisitions) is reflected in asset valuations only to the extent that it adds to the value of the asset.

Where a gain occurs due to an asset revaluation, this is credited to the Revaluation Reserve against the specific asset. Future deficits due to a downward revaluation on the same asset (unless due to impairment) are debited to the Revaluation Reserve until the residual gain is exhausted. A deficit due to impairment is debited to the Income & Expenditure Account. If no residual gain exists for a specific asset (in the Revaluation Reserve) all deficits are charged to the Income & Expenditure Account.

The Revaluation Reserve was created at 1<sup>st</sup> April 2008 with a zero opening balance. The balance on this Reserve at the Balance Sheet date therefore represents revaluation gains accumulated since 1<sup>st</sup> April 2008.

## ***Intangible Fixed Assets***

**IT Software / Licences** are valued on the basis of their acquisition costs, less amortisation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

## **7. Depreciation**

In accordance with FRS15, land is not depreciated. Buildings are depreciated over their estimated remaining useful life as determined by the valuer on a straight-line basis.

IT assets (tangible & intangible) and Operational Equipment are depreciated (amortised in the case of intangible assets) over their various useful lives also on a straight-line basis. The Helicopter (1/3 share) is depreciated on a straight-line basis over its useful life (currently estimated to be 10 years).

All depreciated assets (excluding Vehicles) are depreciated in the year of purchase but not in the year of disposal. A full year’s depreciation is charged in the year of purchase.

Vehicles are depreciated over 5 years, 10% in the year of purchase (representing six months), 20% in years two, three, four and five, leaving a 10% residual value until disposal.

## **8. Capital Receipts**

Capital receipts from the disposal of assets are held in the capital reserve until such time as they are used to finance other capital expenditure. Individual receipts of less than £10,000 are credited to the Income & Expenditure Account and recognised as income.

## **9. Redemption of Debt**

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (the "MRP" or "Minimum Revenue Provision") to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by the minimum revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **10. Leases**

Where a lease is determined to be a Finance Lease (as laid out in SSAP21), an entry is made in the Balance Sheet of the Authority during the year that the lease commences. This entry comprises the creation of a Fixed Asset and a Liability (representing the lease payments due), the value of which is equal to the present value of the minimum lease payments. The present value is calculated by taking the minimum lease payments and discounting them by the interest rate implicit in the lease.

Two Finance Leases are currently held by the Authority on the properties at Shepshed and Spinney Hill. The Authority made a lump sum payment at the inception of each lease which effectively negated the need to make future lease payments over the 99 year term. In both cases there is no adjustment made on the Authority's Balance Sheet for the Liability but both properties are included within Fixed Assets.

Leases which do not meet the definition of a Finance Lease are classed as Operating Leases. The Authority has a number of operating leases in respect of property & vehicles. Expenditure under operating leases is charged to the Income & Expenditure Account in the period in which it is incurred.

## **11. Government Grants and Contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution will be received.

In the case of capital grants these are credited to the Capital Grants unapplied account pending its application to finance capital expenditure, when it is then transferred to the Government Grants Deferred account. Amounts are then released from this account over the life of the asset to offset any depreciation on assets financed from government grants.

When a fixed asset is disposed of (whether by sale or other means) any residual balance on the Government Grants Deferred account (specific to that asset) is credited to the Income & Expenditure Account on the "Profit/Loss on Disposal of Fixed Assets" line.

## **12. Stocks**

Stocks of uniforms, vehicle parts, vehicle fuel, stationery, catering supplies and other operating equipment are held. Cleaning materials and other items are fully charged to the Income & Expenditure Account in the year of purchase. Stock is valued on the basis of average cost price.

## **13. Reserves and Provisions**

The Police Authority maintains reserves to finance expenditure on projects which will be carried out in future years, and to protect the Authority against unexpected events. In accordance with the SORP, the Authority has made provisions for liabilities or losses which are likely to be incurred or certain to be incurred but with uncertain amounts or dates on which they will arise, by charging expenditure to services in anticipation of the liability having to be met.

Details of the nature of reserves and provisions made by the Authority are set out in the notes to the accounts.

## **14. Investments**

Investments (all maturing within 12 months and hence short-term in nature) are included in the accounts at cost price plus accrued interest owed to the Authority at the Balance Sheet date.

## **15. Pensions**

The cost of retirement benefits is recognised in the Net Cost of Services during the period when they are earned by employees, rather than when the benefits are actually paid as pensions in accordance with FRS17. However, the charge we are required to make against Government Grants & Council Tax is based on the employer's contributions to each pension scheme during the year as assessed by an independent actuary.

## **16. Overheads**

The accounts have been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP). The Income & Expenditure Account is produced by following the "Police Objective Analysis" approach to costing – this results in the net costs of the Authority being aligned to one of eleven key headings:

- Local Policing
- Dealing with the Public
- Criminal Justice Arrangements
- Road Policing
- Specialist Operations
- Intelligence
- Specialist Investigation
- Investigative Support
- National Policing
- Non Distributed Costs
- Corporate and Democratic Core

There is also a “Subjective Analysis” version of the Income & Expenditure Account (Note 3) provided which presents the same net costs of the Authority as under the “Police Objective Analysis” but by cost category instead. An example of such a cost category is “Police Officer Pay and Allowances” or “Supplies and Services”.

### **17. Estimation Techniques**

The following estimation techniques have been used in the accounts:

- Capital Creditors – quantity surveyors estimate of the value of the work undertaken
- FRS17 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.

### **18. Joint Arrangements**

The Police Authority has an interest in two Joint Arrangements for which it is the lead accounting authority, the East Midlands Air Support Unit (EMASU) and the East Midlands Special Operations Unit (EMSOU). The additional partners for EMASU are Northamptonshire Police Authority and Warwickshire Police Authority. The additional partners for EMSOU are Derbyshire Police Authority, Lincolnshire Police Authority, Northamptonshire Police Authority and Nottinghamshire Police Authority.

Adjustments have been made to the Balance Sheet to reflect the share of each Joint Arrangement’s gross assets and liabilities controlled by the Police Authority as at 31<sup>st</sup> March 2010. Adjustments have also been made to the Income & Expenditure Account to reflect the Authority’s share of each Joint Arrangement’s transactions during the year.

These adjustments have no effect on the overall amount to be met from government grants and Council Tax.

Leicestershire contributes 1/3 (one third) and 23.1% respectively to the net revenue budgets of the EMASU and EMSOU.

### **19. Prior Year Adjustments**

Three prior-year adjustments have been made to 2008/09’s comparative figures in the statement of accounts. These adjustments have been made to reflect changes in accounting policy and are intended to help the reader of the accounts compare and contrast the Balance Sheet and Income & Expenditure Account for the two years covered by these accounts on a “like-for-like” basis.

The detail of these adjustments is as follows:

- The retrospective application (at 31<sup>st</sup> March 2009) of the new valuation policy for Land and Buildings has resulted in a reduction of £27.4m in the asset values previously quoted for 2008/09.

There has also been a net reduction of £2.0m on the balance of the Revaluation Reserve from the figure previously quoted for 2008/09. The remaining £25.4m of the asset value reduction has been charged to the Income and Expenditure Account.

There has also been a reduced amortisation of Government Grants against depreciation of £173k due to the fall in asset values.

The change in accounting policy has occurred because of a change in Valuers opinion of the interpretation of the categorisation of properties as laid out in the RICS (Royal Institute of Chartered Surveyors) "Red Book" (in effect the guidelines on which Valuers carry out their work). The Valuers have concluded that properties should be designated according to the physical substance of the building rather than its use. So, for example, a Local Policing Unit (or "Police Station") is closely related to normal office space albeit with a limited number of cells that could have an alternative use (i.e. storage). A building of this type is now designated as "non-specialised" by the Valuers and hence valued at Fair Value. Some buildings (for example a custom-built Custody Suite) are still designated as "specialised" and hence remain valued at DRC (Depreciated Replacement Cost). No adjustment to property valuations has occurred where the designation is unchanged.

- Recognition of an asset belonging to the East Midlands Air Support Unit (at 1/3<sup>rd</sup> share) has added £32k to both Fixed Assets and the Capital Adjustment Account respectively. This asset was not previously recognised within the Authority's Balance Sheet. A reconciling entry on the Statement of Total Recognised Gains and Losses (STRGL) has also been made.
- Application of Accounting Policy 3 (Council Tax) has caused a credit to Council Tax within the Income and Expenditure Account of £93k offset by a reconciling entry on the Statement of Movement on the General Fund Balance.

Recognition of the Authority's share of Collection Fund debtors/creditors at 31<sup>st</sup> March 2009 has added £1,724k and £1,631k to Debtors and Creditors respectively on the Balance Sheet. The net of these two adjustments (£93k) has been credited to the Collection Fund Adjustment Account in the bottom half of the Balance Sheet.

# Income & Expenditure Account

2008/09 Restated Outturn £000		Note	Outturn 2009/10 Net Expenditure £000
116,805	Local Policing		90,768
13,329	Dealing With The Public		13,073
14,327	Criminal Justice Arrangements		13,148
6,277	Road Policing		5,525
11,494	Specialist Operations		10,762
13,997	Intelligence		8,630
22,350	Specialist Investigations		18,397
6,171	Investigative Support		6,205
1,071	National Policing		1,280
682	Corporate & Democratic Core		704
1,115	Non distributed Costs		-
<b>207,618</b>	<b>Net Cost of Service</b>		<b>168,492</b>
121	(Profit)/Loss on Disposal of Fixed Assets		20
427	Levies to National Police Services		429
930	Interest payable		901
145	Interest on Backdated Pension Commutations		1
(1,479)	Interest on investments		(207)
(7,562)	Grant from Home Office re Pension Fund Account		(5,982)
(145)	Grant from Home Office re Interest on Backdated Pension Commutations		-
62,981	Pensions interest cost and expected return on pensions assets	26	61,418
<b>263,036</b>	<b>Net Operating Expenditure</b>	<b>3</b>	<b>225,072</b>
	<b>Funding:</b>		
(50,123)	Precept on Collection Authorities (*1 see below)		(51,548)
(6,152)	Revenue Support Grant		(9,724)
(64,318)	Police Grant		(66,132)
(44,196)	National Non-Domestic Rates		(42,129)
<b>98,247</b>	<b>(Surplus) / Deficit for the year</b>		<b>55,539</b>

(\*1) Precept funding was received from the following Local Authorities during the year:

2008/09 £000	Local Authority (amounts are shown on an accruals basis)	2009/10 £000
(4,971)	Blaby District Council	(5,126)
(8,430)	Charnwood Borough Council	(8,740)
(5,071)	Harborough District Council	(5,326)
(5,871)	Hinckley & Bosworth Borough Council	(6,116)
(12,843)	Leicester City Council	(12,660)
(2,831)	Melton Borough Council	(3,027)
(4,976)	North-west Leicestershire District Council	(5,173)
(2,869)	Oadby & Wigston Borough Council	(2,986)
(2,261)	Rutland County Council	(2,394)
<b>(50,123)</b>	<b>Grand Total</b>	<b>(51,548)</b>

## ***Statement of Movement on the General Fund Balance***

<b>2008/09 Restated £000</b>		<b>Note</b>	<b>2009/10 £000</b>
<b>98,247</b>	<b>(Surplus)/Deficit for the year on the Income and Expenditure Account</b>		<b>55,539</b>
(99,547)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<b>2</b>	(55,911)
<b>(1,300)</b>	<b>(Increase)/Decrease in General Fund Balance for the Year</b>		<b>(372)</b>
(3,581)	General Fund Balance brought forward		(4,881)
<b>(4,881)</b>	<b>General Fund Balance carried forward</b>	<b>25</b>	<b>(5,253)</b>

# Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the authority for the year and shows the aggregate change in its net worth. In addition to the (surplus)/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits. It also includes any additional gains and losses not recognised through the Income and Expenditure Account.

<b>2008/09 Restated £000</b>		<b>Note</b>	<b>2009/10 £000</b>
<b>98,247</b>	<b>(Surplus)/Deficit for the year on the Income and Expenditure Account</b>		<b>55,539</b>
8,594	(Gain) / Loss arising on revaluation of fixed assets	<b>28</b>	450
(231,402)	Actuarial (gains)/losses on pension fund assets and liabilities	<b>26</b>	393,415
(32)	Recognition of JANEs asset held by East Midlands Air Support Unit		-
<b>(124,593)</b>	<b>Total recognised (gains) / losses for the year</b>		<b>449,404</b>

The cumulative effect on reserves from the Prior Period Adjustments as detailed in Accounting Policy 19 was a reduction of £27,492k. This movement is included in the figures shown in the "2008/09 Restated" column above.

# Balance Sheet

31 <sup>st</sup> March 2009 Restated £000		Note	31 <sup>st</sup> March 2010 £000	
	<b>Net Fixed Assets</b>			
2,080	<b>Intangible Fixed Assets</b>	11		2,122
	<b>Operational Tangible Fixed Assets</b>			
54,878	Land and buildings	12		52,155
9,749	Vehicles and equipment	12		9,450
66,707				63,727
	<b>Non-Operational Tangible Fixed Assets</b>			
-	Assets under construction	12		38
66,707				63,765
35	Long Term Debtors	17		77
<b>66,742</b>	<b>Total Long Term Assets</b>			<b>63,842</b>
	<b>Current Assets</b>			
282	Stocks	16	305	
11,037	Debtors	17	7,829	
830	Payments in advance		937	
19,528	Short term investments	18	15,022	
2,854	Cash in hand		2,216	
34,531				26,309
	<b>Current Liabilities</b>			
(12,686)	Creditors	20	(10,847)	
(236)	Short term borrowing		(241)	
(1,316)	Receipts in advance		(1,358)	
(3,484)	Cash overdrawn		(332)	
(17,722)				(12,778)
<b>16,809</b>	<b>Net Current Assets</b>			<b>13,531</b>
	<b>Long Term Liabilities</b>			
(12,559)	Long term borrowing	21	(12,454)	
(4,430)	Deferred Liabilities	19	(3,991)	
(597)	Provisions	23	(903)	
(535)	Gov't Grant / Contributions unapplied	27	(164)	
(20,933)	Grants and contributions deferred	29	(20,459)	
(868,321)	Liability related to defined benefit schemes	26	(1,312,630)	
<b>(907,375)</b>				<b>(1,350,601)</b>
<b>(823,824)</b>	<b>Net Liabilities</b>			<b>(1,273,228)</b>
	<b>Represented By :</b>			
24,134	Capital Adjustment Account	29		20,975
976	Revaluation Reserve	28		519
-	Capital Receipts Reserve	27		-
93	Collection Fund Adjustment Account	30		(192)
(868,321)	Pensions Reserve (FRS 17)	26		(1,312,630)
14,413	Revenue Reserves	24		12,847
4,881	Police Fund	25		5,253
<b>(823,824)</b>				<b>(1,273,228)</b>

# Cash Flow Statement

2008/09 Restated £000		Note	2009/10	
			£000	£000
164,482	<b>Revenue cash outflows</b>		172,649	202,020
28,224	Cash paid to and on behalf of employees		29,371	
192,706	Other operating cash payments			
(50,030)	<b>Revenue cash inflows</b>		(51,833)	(203,830)
(44,196)	Council tax receipts		(42,129)	
(6,152)	Non-domestic rate income		(9,724)	
(66,820)	Revenue Support Grant		(68,634)	
(21,074)	Government grants - Police grant	33	(21,582)	
(11,111)	- Others		(9,928)	
(199,383)	Cash received for goods and services			
<b>(6,677)</b>	<b>Revenue activities cash inflow</b>	32		<b>(1,810)</b>
934	<b>Servicing of finance</b>		1,049	836
(1,566)	Cash outflows - interest paid		(213)	
(632)	Cash inflows - interest received			
8,032	<b>Capital activities</b>		6,971	2,423
(167)	Cash outflows - purchase of fixed assets		-	
(2,100)	Cash inflows - sale of fixed assets	33	(4,143)	
(149)	- capital grants rec'd		(405)	
<b>(1,693)</b>	- other capital income			<b>1,449</b>
	<b>Net cash inflow before financing</b>	<b>31</b>		
(3,025)	<b>Management of Liquid Resources</b>			(4,499)
	Net increase / (decrease) in short term deposits	31		
529	<b>Financing</b>			536
-	Cash outflows - loan repayments	31		
	Cash inflows - new loans raised			
<b>(4,189)</b>	<b>(Increase) / Decrease in cash</b>	<b>32</b>		<b>(2,514)</b>

# Pension Fund Account

The funding arrangements for the police pension scheme changed on 1<sup>st</sup> April 2006. Prior to 1<sup>st</sup> April 2006 the Authority was responsible for the payment of police pensions to retired officers as they became payable. Under the revised funding arrangements, the Authority is required to make a contribution to the Pension Fund based on a percentage of each police officer's pay (2009/10 – 24.2%).

The Authority is required by law to operate a Pension Fund and the amounts that must be paid into and out of the Fund are specified by regulation. The Fund will be balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The Authority acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the Authority's Income & Expenditure Account but is transferred to the Pension Fund Account by an adjustment in the Statement of Movement on the General Fund (SMGF). The Fund does not hold any investment assets and follows the accounting policies of the Authority.

At 31<sup>st</sup> March 2010, Debtors includes £1,925k in respect of pension top-up grant receivable from the Home Office to make up the deficit on the Pension Fund.

2008/09 £000		2009/10	
		£000	£000
(18,394)	<b>Contributions Receivable:</b>	(19,417)	
(344)	- Normal employer contributions	(446)	
(77)	- Ill-health early retirements	(105)	
(8,266)	- Reimbursement of unabated pensions of '30+' officers	(8,679)	
(27,081)	- Employee contributions		(28,647)
(429)	<b>Transfers in from other schemes</b>		(878)
	<b>Benefits Payable:</b>		
25,004	- Pensions paid to retired officers	26,943	
8,970	- Commutations / lump-sum benefits	5,886	
567	- Ill-health commutations / lump-sum benefits	591	
136	- Lump-sum death benefits	224	
34,677			33,644
	<b>Payments to and on account of leavers:</b>		
39	- Refund of contributions	27	
356	- Transfers out to other schemes	1,836	
395			1,863
7,562	<b>Sub-total for the year before transfer from the police authority of amount equal to the deficit</b>		<b>5,982</b>
(7,562)	<b>Additional funding payable by the police authority to fund the deficit for the year</b>		<b>(5,982)</b>
-	<b>Surplus/Deficit on the account at 31<sup>st</sup> March 2010</b>		-

£000	Net Assets Statement	£000
2,344	Contributions due from employer (top-up grant)	1,925
-	Pension commutations / lump sums paid in advance	-
<b>2,344</b>		<b>1,925</b>

# Notes to the Accounts

## 1. Authorisation of Financial Statements

The financial statements were authorised for issue by Mr C Smith, Treasurer, on **16<sup>th</sup> September 2010**. The Authority can confirm that events after the Balance Sheet date have been considered for inclusion in these accounts up to the date of the Audit opinion.

## 2. Reconciling items for the Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as the future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to funds and reserves.

This reconciliation statement details the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 Restated £000		2009/10 £000	
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(4,460)	Depreciation of fixed assets	(4,873)	
2,777	Government Grants Deferred amortisation	3,011	
(35,591)	Impairments	(1,630)	
(1,842)	Revenue Expenditure Funded From Capital Resources	(1,792)	
(227)	(Profit) / Loss on disposal of fixed assets	(144)	
7,562	Grant from Home Office re Pension Fund Account	5,982	
93	Amounts taken to the Collection Fund Adjustment Account	(285)	
(96,797)	Net charges made for retirement benefits in accordance with FRS 17	(83,254)	
<b>(128,485)</b>			<b>(82,985)</b>
	<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
848	Minimum revenue provision for capital financing	914	
1,135	Capital expenditure charged in-year to the General Fund Balance	986	
24,939	Employer's contributions payable to the LGPS and Police Pension Fund	26,378	
<b>26,922</b>			<b>28,278</b>
	<b>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</b>		
1,805	Net Transfer to/from earmarked reserves	(1,566)	
211	Voluntary revenue provision for capital financing	362	
<b>2,016</b>			<b>(1,204)</b>
<b>(99,547)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<b>(55,911)</b>

### 3. Subjective Analysis

2008/09 Restated Outturn £000		Note	2009/10 Outturn £000
112,221	Police Officer pay and allowances		116,822
40,881	Police Staff pay and allowances		44,128
2,143	Police pensions		2,402
8,877	FRS 17 Current Cost Adjustment	26	(4,542)
2,280	Other employees expenses		2,217
4,936	Premises		5,086
3,999	Transport		4,147
12,872	Supplies and services		12,301
6,353	Agency and contracted services		6,499
737	Services to the Police Authority		765
35,591	Impairments / Downward Revaluations		1,630
1,842	Revenue Expenditure financed from Capital Resources		1,792
1,683	Depreciation (net of Government Grants amortised)		1,862
<b>234,415</b>	<b>Gross Operating Expenditure</b>		<b>195,109</b>
(16,430)	Income from Government Grants		(17,163)
(7,239)	Income from fees and charges		(7,410)
(2,701)	Contributions from Other Local Authorities		(1,615)
930	Interest paid		901
(1,479)	Interest Received from investments		(207)
	Interest Paid on Backdated Pension		
145	Commutations		1
121	Profit/Loss on disposal of fixed assets		20
(145)	Grant from Home Office re Interest on Commutations		-
(7,562)	Grant from Home Office re Pension Fund Account		(5,982)
62,981	Pensions interest cost and expected return on pensions assets	26	61,418
<b>263,036</b>	<b>Net Operating Expenditure</b>		<b>225,072</b>

#### 4. Employee Remuneration

##### Senior Officers and Relevant Police Officers emoluments – (salary is between £50,000 and £150,000 per year)

<u>2008/09</u>									
Post Holder Information	Notes	Salary £	Bonuses £	Expense Allowances £ (Note 5)	Benefits in Kind £	Other Payments £ (Note 6)	Total Remuneration £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
<b>Constabulary</b>									
Chief Constable		130,800	-	825	7,814	8,681	148,120	31,653	179,773
Deputy Chief Constable									
Senior Police Officer A - Retired 31/12/08	1	80,639	500	2,222	3,117	10,627	97,105	19,515	116,620
Senior Police Officer B (from 01/01/09)	1	27,271	-	191	1,650	982	30,094	6,600	36,694
Assistant Chief Constable									
Senior Police Officer B (until 31/12/09)	1	72,247	-	573	4,949	4,905	82,674	17,484	100,158
Senior Police Officer C		99,520	-	527	6,911	7,498	114,456	24,084	138,540
Senior Police Officer D - From 22/11/08	2	30,899	-	-	1,396	1,615	33,910	7,477	41,387
Finance Director		84,568	-	5,336	-	-	89,904	13,637	103,541
Director of Human Resources - From 08/09/08	3	50,203	-	2,819	27	-	53,049	7,772	60,821
<b>Police Authority</b>									
Treasurer	4	36,394	-	-	24	-	36,418	-	36,418
Chief Executive		72,837	-	-	204	-	73,041	11,275	84,316
		685,378	500	12,493	26,092	34,308	758,771	139,497	898,268

**Note 1:** Senior Police Officer A retired on the 31 December 2008, his annualised salary was £109,083 (01/09/2008) and was replaced by Senior Police Officer B

**Note 2:** Senior Police Officer D commenced in role on the 22 November 2008 at an annualised salary of £86,229 (01/09/2008)

**Note 3:** The Director of Human Resources commenced on the 8 September 2008 at an annualised salary of £85,470 (01/09/2008)

**Note 4:** The Treasurer works 3 days per week. The whole time equivalent salary is £73,566 per year

**Note 5:** Expense Allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

**Note 6:** Rent allowance is paid under Police regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependent upon when an officer joined the Force).

<u>2009/10</u>								
Post Holder Information	Notes	Salary £	Expense Allowances £ (Note 7)	Benefits in Kind £	Other Payments £ (Note 8)	Total Remuneration £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
<b>Constabulary</b>								
Chief Constable A- <i>Transferred 20/09/09</i>	1	62,629	477	3,829	9,903	76,838	15,156	91,994
Chief Constable B- <i>From 21/09/09</i>	1	71,598	403	3,364	2,396	77,761	17,327	95,088
Deputy Chief Constable								
Senior Police Officer A <i>(01/04 to 20/09)</i>	1	51,669	361	3,009	1,855	56,894	12,504	69,398
Senior Police Officer B <i>(21/09 to 13/01/10)</i>	2	34,999	165	2,481	5,769	43,414	8,470	51,884
Senior Police Officer C <i>(15/01 to 31/03/10)</i>	2	23,768	83	1,000	834	25,685	5,378	31,063
Assistant Chief Constable								
Senior Police Officer B <i>(01/04 to 20/09/10)</i>		47,652	249	2,219	5,127	55,247	11,532	66,779
Senior Police Officer C <i>(01/06 to 14/01/10)</i>	3	56,191	77	3,711	803	60,782	13,972	74,754
Senior Police Officer D <i>(retired 19/07/09)</i>	3	25,961	-	370	5,904	32,235	6,283	38,518
Senior Police Officer E <i>(From 21/09/09)</i>	4	46,693	1,842	-	2,379	50,914	11,297	62,211
Senior Police Officer F <i>(From 04/01/10)</i>	5	21,404	925	-	1,091	23,420	5,180	28,600
Finance Director		86,767	5,336	-	-	92,103	13,991	106,094
Director of Human Resources		86,767	5,000	-	-	91,767	13,991	105,758
<b>Police Authority</b>								
Treasurer	6	37,341	-	11	-	37,352	-	37,352
Chief Executive		74,731	-	71	-	74,802	11,568	86,370
		728,170	14,918	20,065	36,061	799,214	146,649	945,863

**Note 1:** Chief Constable A left the Force on the 20 September 2009 and Chief Constable B replaced him on temporary promotion . The annualised salary of the Chief Constable for Leicestershire is £135,660 (01/09/2009)

**Note 2:** Senior Police Officer B retired on the 13 January 2010, his annualised salary was £111,918 and was replaced by Senior Police Officer C

**Note 3:** Senior Police Officer D retired on the 19 July 2009, his annualised salary was £86,229 Senior Officer C replaced them at an annualised salary of £89,106

**Note 4:** Senior Police Officer E commenced on the 21 September 2009, at an annualised salary of £88,470

**Note 5:** Senior Police Officer F commenced on the 4 January 2010, at an annualised salary of £88,470

**Note 6:** The Treasurer works 3 days per week. The whole time equivalent salary is £75,480 per year

**Note 7:** Expense Allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.

**Note 8:** Rent allowance is paid under Police regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependent upon when an officer joined the Force).

**Note 9** All Chief Officers have forgone their eligibility to be considered for an annual performance related bonus payment

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Band (£)	No. of employees		Band (£)	No. of employees	
	2008/09	2009/10		2008/09	2009/10
50,000 to 54,999	7	8	70,000 to 74,999	3	1
55,000 to 59,999	5	6	75,000 to 79,999	5	5
60,000 to 64,999	-	-	80,000 to 84,999	2	3
65,000 to 69,999	1	-	85,000 to 89,999	1	1

(the bandings only include the remuneration of employees and relevant police officers which have not been disclosed individually)

#### 5. **Services to the Police Authority**

The total amount of members allowances (including employers N.I) paid during 2009/10 was **£193k** (2008/09 £190k)

#### 6. **Sponsorship**

In 2009/10 a total of **£59k** (£52k in 2008/09) was raised in sponsorship. This was used to support operational activities including St Bernards & Juniper Lodge.

Juniper Lodge provides a specialist service and an appropriate environment for adult victims of rape and sexual assault. St Bernards provides a similar service for child victims (and witnesses) of rape and sexual assault.

In addition the Authority had the use of third party vehicles at a notional value of **£20k** (£29k in 2008/09).

#### 7. **Related party transactions**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in a note to the Cash Flow Statement.

Members of the Authority have direct control over the Authority's financial and operating policies. Certain senior officers might also be in a position to influence significantly the policies of the Authority. No material related party transactions have been identified following consultation with members and relevant officers.

The Authority participates in two Joint Arrangements with other neighbouring Police Authorities. Please see Accounting Policy 18 for further details.

In addition to the above, the Authority also has transactions during the year with other Local Authorities and Public Bodies. The transactions have been disclosed elsewhere within the notes to the financial statements.

## 8. Disclosure of audit costs

In 2009/10 Leicestershire Police Authority incurred the following fees relating to external audit.

2008/09 £000		2009/10 £000
73	External Audit Services	80
<b>73</b>	<b>Total</b>	<b>80</b>

## 9. Leases

In 2009/10 the Authority spent **£382k** on operating leases for property, **£116k** for vehicles, **£115k** for photocopiers and **£4k** for vending machines. Outstanding commitments in respect of operating leases at 31<sup>st</sup> March 2010 are as follows:

<b>Property</b>	<b>31<sup>st</sup> March 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>
<b>Lease Ends:</b>		
Within 12 months	76	76
Between 2 and 5 years	9	17
More than 5 years	260	289
<b>Vehicles</b>	<b>31<sup>st</sup> March 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>
<b>Lease Ends:</b>		
Within 12 months	28	26
Between 2 and 5 years	106	90
More than 5 years	-	-
<b>Photocopiers</b>	<b>31<sup>st</sup> March 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>
<b>Lease Ends:</b>		
Within 12 months	-	-
Between 2 and 5 years	115	115
More than 5 years	-	-
<b>Vending Machines</b>	<b>31<sup>st</sup> March 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>
<b>Lease Ends:</b>		
Within 12 months	-	-
Between 2 and 5 years	3	4
More than 5 years	-	-

The Authority also holds finance leases in respect of the land at the Spinney Hill and Shepshed LPUs (Local Policing Units). In entering into both leases, the Authority made initial lump sum payments which negated the need to make further payments to the landlords over the 99 years of the leases.

The Authority leases part of the Rutland Local Policing Unit (in Oakham) to the Probation Service. The value of the lease for 2009/10 was £4.5k (2008/09 - £4.5k). The building is held on the Authority's Balance Sheet (31<sup>st</sup> March 2010) at a gross cost of £470k with accumulated depreciation of £11k. The land is held at a gross cost of £210k.

## 10. Police Property Act 1997

Police Authorities are required, under the Police Property Act 1997, to set aside monies received from the sale of stolen goods so that it may provide financial support to charities and other deserving organisations.

At 31<sup>st</sup> March 2010, the Authority held **£13k** (2008/09 £3k) within cash and creditors under the Police Property Act 1997.

## 11. Movement of intangible fixed assets during the year

	<b>Software Licenses £000</b>
<b>Net book value as at 1<sup>st</sup> April 2009</b>	<b>2,080</b>
Additions - <i>Leicestershire</i>	895
- <i>EMSOU</i>	9
Disposals	-
Re-valuations	-
Transfers	-
Amortisation (2009/10) - <i>Leicestershire</i>	(859)
- <i>EMSOU</i>	(3)
Amortisation on assets sold	-
Amortisation on Revaluations	-
<b>Net book value at 31<sup>st</sup> March 2010</b>	<b>2,122</b>

## 12. Movement of tangible fixed assets during the year

	<b>Land and Buildings £000</b>	<b>Police Houses £000</b>	<b>Vehicles Equipment &amp; Helicopter £000</b>	<b>Assets Under Construction £000</b>	<b>TOTAL £000</b>
<b>Net book value as at 1<sup>st</sup> April 2009</b>	<b>54,878</b>	-	<b>9,749</b>	-	<b>64,627</b>
Additions - <i>Leicestershire</i>	-	-	3,165	38	3,203
- <i>EMASU</i>	-	-	2	-	2
- <i>EMSOU</i>	-	-	49	-	49
Disposals - <i>Leicestershire</i>	-	-	(855)	-	(855)
- <i>EMASU</i>	-	-	-	-	-
- <i>EMSOU</i>	-	-	(5)	-	(5)
Revaluations/Impairments	-	-	-	-	-
- <i>Leic'shire</i>	(2,581)	-	-	-	(2,581)
- <i>EMASU</i>	(11)	-	-	-	(11)
- <i>EMSOU</i>	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation - <i>Leic'shire</i>	(640)	-	(3,099)	-	(3,739)
- <i>EMASU</i>	(3)	-	(157)	-	(160)
- <i>EMSOU</i>	-	-	(112)	-	(112)
Depreciation on assets sold	-	-	710	-	710
- <i>Leic'shire</i>	-	-	-	-	-
- <i>EMASU</i>	-	-	3	-	3
- <i>EMSOU</i>	-	-	-	-	-
Depreciation Written off on Revaluations	512	-	-	-	512
<b>Net book value at 31<sup>st</sup> March 2010</b>	<b>52,155</b>	-	<b>9,450</b>	<b>38</b>	<b>61,643</b>

The Leicestershire County Council Estates Department has been retained on behalf of the Force to provide valuation services. A full revaluation was completed at 31<sup>st</sup> March 2009, the impact of which is contained within the figures above. A further assessment was made at 31<sup>st</sup> March 2010 to establish whether any interim changes in valuation had occurred. The results of this assessment are contained within the figures above. The Land & Buildings Net Book Value above includes **£110k** in respect of the land at Spinney Hill. It also includes **£102k** in respect of the land at Shepshed – reflecting the value of the land to the Authority. Both assets are held under finance leases.

### 13. *Financing of capital expenditure during the year*

In accordance with the SORP 2009, capital expenditure is financed on an accruals basis.

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	19,016	20,666
<i>Capital Investment</i>		
Operational Assets	8,354	6,297
Non-Operational Assets	-	-
<i>Sources of Finance</i>		
Capital Receipts	(167)	-
Government Grants & Other Contributions	(4,343)	(2,886)
Revenue Contribution - Force	(822)	(918)
Revenue Contribution - EMSOU	(299)	(66)
Revenue Contribution - EMASU	(14)	(2)
Revenue Provision (incl MRP)	(1,059)	(1,276)
<b>Closing Capital Financing Requirement</b>	<b>20,666</b>	<b>21,815</b>
<b>Explanations of movements in year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	1,162	1,149
Increase in underlying need to borrow (unsupported by Government financial assistance)	488	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,650</b>	<b>1,149</b>

The figure shown above for Capital Expenditure during 2009/10 differs from the amounts shown as “Additions” on the Intangible and Tangible Fixed Asset notes (note 11 and 12 respectively). The figure can be reconciled as follows:

	Note	2009/10 £000
Capital Expenditure for 2009/10 (as above)	13	6,297
<b>Less:</b> Revenue Expenditure financed from Capital resources in 2009/10	2	(1,792)
<b>Less:</b> Government grants & other contributions credited to the Income & Expenditure Account in 2009/10 in respect of "Revenue Expenditure financed from Capital resources"	29	(347)
		(2,139)
Total Fixed Asset additions for the year	11/12	4,158

#### 14. Details of assets owned by the Police Authority

31 <sup>st</sup> March 2009		31 <sup>st</sup> March 2010	
18.4ha	Land	18.4ha	
27	Police stations	27	
1	Custody Suite	1	
2	Radio aerial sites	2	
One third share	Helicopter and Hangar	One third share	
405	Vehicles (e.g. police cars, vans, etc.)	465	
76	EMSOU Vehicles (23.1% Share)	81	
One third share	EMASU Vehicle	One third share	

#### 15. Commitments Under Capital Contracts

The Authority has no significant amounts outstanding on capital contracts which have been entered into by the Police Authority as at 31<sup>st</sup> March 2010.

#### 16. Stocks

31 <sup>st</sup> March 2009 £000		31 <sup>st</sup> March 2010 £000	
185	Police uniforms	158	
86	Vehicle parts and fuel	99	
10	Stationery	32	
-	Catering Supplies	15	
1	Other	1	
282		305	

## 17. Debtors (including Long-Term Debtors)

31 <sup>st</sup> March 2009 £000		31 <sup>st</sup> March 2010 £000
	<b>Long-Term Debtors</b>	
<u>35</u>	Car Loans to employees	<u>77</u>
	<b>Current Debtors</b>	
5,249	Government departments	4,278
5,080	Local & Police Authorities	2,828
714	Sundry debtors	841
14	Car Loans to employees	36
(20)	Less: Provision for bad debts	(154)
<u>11,037</u>		<u>7,829</u>

Government departments (above) includes £1,925k receivable from the Home Office in respect of the Pensions Fund Holding Account.

The decrease in Local & Police Authorities debtors is mainly attributable to the Mobile data grant of £1,475k.

Of the Provision for bad debts of £154k, £121k refers to a single outstanding amount.

Included within the "Local & Police Authorities" figures above are debtors in respect of the Authority's share of Council Tax Collection Fund debtors of £1,454k (08/09 - £1,724k)

## 18. Short Term Investments

Short-term investments total **£15.02m** (£19.53m in 2008/09) and represents cash invested in temporary investments and short term deposits with a range of financial institutions. Interest earned is credited to the revenue account on an accruals basis and hence the Short-term Investments figure on the Balance Sheet includes interest earned but not yet paid as at 31<sup>st</sup> March 2010 of **£12.3k** (£18.5k in 2008/09).

## 19. Deferred Liabilities

31 <sup>st</sup> March 2009 £000	Deferred Liabilities	31 <sup>st</sup> March 2010 £000
<u>4,430</u>	Leicestershire County Council	<u>3,991</u>

The deferred liability represents sums borrowed from Leicestershire County Council before April 1995 to finance police capital spending. This sum is repayable to LCC in annual instalments over 25 years from April 1995.

## 20. Creditors

31 <sup>st</sup> March 2009 £000	Category	31 <sup>st</sup> March 2010 £000
3,086	Government Departments & Agencies	3,179
2,417	Police & Local Authorities	2,786
910	Capital Creditors	235
1,318	Salary & Overtime Payments	1,225
4,955	Sundry creditors	3,422
<b>12,686</b>		<b>10,847</b>

Included within the "Police & Local Authorities" figures above are creditors in respect of the Authority's share of Council Tax Collection Fund creditors of £1,646k (08/09 - £1,631k)

As part of the Authority's preparation for transition to International Financial Reporting Standards (IFRS) in 2010/11, the value of employee benefits (including holiday pay, rest days and time off in lieu) outstanding at the year end has been calculated for the years 2008/09 and 2009/10. The figure for 2009/10 is **£3,007k** (£3,135k in 08/09). These balances have not been included in the creditors figures above as the 2009/10 Statement of Accounts have been prepared under UK GAAP accounting principles and the value of employee benefits outstanding at the year end have not previously been included. In 2010/11 when full IFRS implementation will apply the impact of including an accrual for outstanding employee benefits at the year end on the General Fund and Council Tax will be mitigated through an expected accounts direction

## 21. Long term borrowing

Long term borrowing is with the Public Works Loan Board (PWLb)

Debt as at 31/3/09 £000	Maturity	Debt as at 31/3/10 £000
105	1-2 years	56
56	2-5 years	-
-	5-10 years	-
2,829	10-15 years	2,829
9,569	More than 15 years	9,569
<b>12,559</b>		<b>12,454</b>

A significant proportion of the Authority's long-term borrowing (99.6%) matures more than 10 years after the Balance Sheet date. The maximum amount repayable in any one year is **£3.46m**.

## 22. Financial Instruments – Assets & Liabilities

A financial instrument is any contract that results in a financial asset on the Balance Sheet of one entity (for example the Authority) and a financial liability or equity instrument on the Balance Sheet of another entity. The term “financial instrument” covers both financial assets and financial liabilities ranging from the most straightforward (i.e. Cash Investments, Debtors and Creditors) to the most complex (i.e. Derivatives and Embedded Derivatives).

The fair value of each class of financial assets and liabilities which is carried in the Balance Sheet at amortised cost is as follows:

	31 <sup>st</sup> March 2009		31 <sup>st</sup> March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Debtors	11,037	11,037	7,829	7,829
Payments in Advance	830	830	937	937
Short-Term Investments	19,528	19,528	15,022	15,022
Cash	-	-	1,884	1,884
<b>Financial Liabilities</b>				
Creditors	12,686	12,686	10,847	10,847
Cash Overdrawn	630	630	-	-
PWLB Borrowing	12,795	15,037	12,695	13,905

The financial assets listed above have a carrying amount which is assumed to approximate the fair value due to the fact they are due to mature within 12 months of the Balance Sheet date. In the case of Debtors and Creditors, the fair value is taken to be the invoiced amount.

Cash overdrawn is assumed to have a fair value which is equivalent to the carrying amount due to the short-term nature of the liability. The third financial liability listed above (PWLB borrowing) has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The fair value of PWLB borrowing has been calculated by reference to the “premature repayment” set of rates as at 31<sup>st</sup> March 2010.

The Authority’s activities expose it to a variety of financial risks:

- *Credit Risk* – the possibility that other parties might fail to pay amounts due to the Authority
- *Liquidity Risk* – the possibility that the Authority might not have funds available to meet its commitments to make payments
- *Market Risk* – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

## **Credit Risk**

Credit risk for the Authority has two main sources. Firstly, the short-term (less than 12 months) lending of surplus cash funds to banks and the UK Debt Management Office (part of the UK Government) and secondly the risk of customers failing to pay the Authority for goods/services provided.

The Authority follows a defined policy of only lending surplus cash resources to a limited list of banks and the Debt Management Office in the United Kingdom. This list is regularly reviewed by the Treasurer to the Police Authority in consultation with Authority Members. No Icelandic banks were on the Authority lending list for 2008/09 or 2009/10 and hence no investments were made. At 31<sup>st</sup> March 2009 several investments were held with Irish banks however these institutions have subsequently been removed from the Authority's lending list and monies withdrawn on maturity. The banks on the Authority's lending list are carefully selected using credit ratings whilst the Authority sets a prudent maximum investment limit with each bank.

The Authority does not expect any losses connected with the short-term investments placed with Banks or the Debt Management Office.

Customer credit risk has a very low overall effect on the Authority by virtue of income from customers being equal to only 3.79% of total income (2008/09 – 3.79%). The risk is managed via the Authority's Credit Control Policy. This policy sets out the framework within which financial relationships with the Authority's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Treasurer to the Police Authority must give authorisation before any write-off of unrecoverable amounts can take place.

To further mitigate the risk of Customer credit default, the Authority makes a bad debt provision each year. The provision is equal to 1.93% of the total Debtors value (2008/09 – 0.18 %). Further information concerning this provision can be seen in Note 17.

## **Liquidity Risk**

The Authority's cashflow is managed on a daily basis to ensure that sufficient liquid cash resources are available to meet future payment obligations (for example payments to creditors and payments *to* and *in respect of* the Authority's employees).

If unexpected movements happen, the Authority has access to borrowings from both the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Risk may arise should the Authority have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the Authority's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the Authority's PWLB debt commitment, please see Note 21 – Long Term Borrowing.

All standard creditors are due to paid within one year – further information can be found in Note 20 – Creditors.

## Market Risk

### Interest Rate Risk

The Authority is exposed to a limited degree of risk regarding interest rate fluctuations on both short-term investments and on new borrowings. Both short-term investments and new borrowings are entered into by the Authority at a fixed interest rate for the term of each. The risk therefore arises from the uncertainty of what level interest rates will be at when the Authority either makes a short-term investment or enters into a new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Future borrowings would be more costly and result in a higher interest expense charged to the Income & Expenditure Account
- The fair value of existing borrowings would alter
- Future short-term investments would realise a greater return and result in a higher interest receipt credited to the Income & Expenditure Account

Borrowings are not carried at fair value in the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income & Expenditure Account or STRGL. Movements in the fair value of fixed rate short-term investments will be reflected in the STRGL, although as the investments are due to mature within 12 months, no such movement is expected.

The Authority sets a Prudential Indicator regarding the percentage of borrowings held as variable rate loans. The limit is set at 40% and has not been breached during the financial year.

The Authority will consider during periods of falling interest rates, and where economic circumstances allow, the viability of repaying loans early in order to limit the Authority's exposure to Interest Rate Risk.

### Price Risk

The Authority does not hold equity shares or other shareholdings and hence has no exposure to the gains or losses arising from a movement in the price of shares.

### Foreign Exchange Risk

The Authority has no financial assets or liabilities in foreign currencies and hence has no exposure to losses arising from movements in exchange rates.

## 23. Provisions, movements during the year

	Balance at 1 <sup>st</sup> April 2009 £000	Movements From £000	To £000	Balance at 31 <sup>st</sup> March 2010 £000
Insurance	597	(174)	480	903
<b>TOTAL</b>	<b>597</b>	<b>(174)</b>	<b>480</b>	<b>903</b>

The insurance provision reflects the self insured part of known and potential Public and Employers liability claims.

## 24. Revenue reserves, movements during the year

These reserves are earmarked for the specific purposes noted below:

	Balance at 1 <sup>st</sup> April 2009 £000	Movements from £000	To £000	Balance at 31 <sup>st</sup> March 2010 £000
Pensions (General)	751	-	-	751
Budget Equalisation Reserve	7,871	(3,406)	3,062	7,527
C/Fwds (Specific)	1,919	(1,919)	261	261
Equip Replacement	133	(9)	-	124
Capital Expenditure	109	-	132	241
PCSO Reserve	2,186	(10)	-	2,176
Fleet Insurance	100	(70)	70	100
Radio Mast Income	119	(104)	44	59
Proceeds of Crime Act	733	(632)	604	705
Drug Testing on Charge (North)	60	-	-	60
IT Infrastructure	35	-	-	35
PA Tribunals	-	-	20	20
PA Development Programme	-	-	50	50
SPP (Special Priority Payments)	-	-	175	175
Operation Liberal	-	-	173	173
Other	14	(2)	8	20
<b>Sub Total : Force</b>	<b>14,030</b>	<b>(6,152)</b>	<b>4,599</b>	<b>12,477</b>
EMSOU Reserves (23.1% share)	233	(34)	40	239
EMASU Reserves (1/3 share)	150	(19)	-	131
<b>Grand Total</b>	<b>14,413</b>	<b>(6,205)</b>	<b>4,639</b>	<b>12,847</b>

### Pensions (General)

The general pensions reserve exists to help the Force meet future but uncertain pensions costs. These are most likely to arise from ill health retirements of police officers. The number, timing and cost of these is unpredictable and would have a direct and adverse impact on the revenue account.

### Budget Equalisation Reserve

This represents revenue funds set aside to part fund both the 2010/11 and 2011/12 revenue budget requirements.

### Carry Forward (Specific)

This reserve includes those sums that the Police Authority has approved to carry forward to finance specific expenditure in 2010/11.

### Equipment Replacement

This provides an element for future funding of the renewal and replacement of equipment.

### Capital Expenditure

This represents contributions from revenue to fund future capital expenditure.

**Police Community Support Officers (PCSOs)**

This provides an element for the future funding of Police Community Support Officers. Transfers to the reserve represent the savings in the Traffic Wardens budget and grant / partnership funding received in excess of the expenditure incurred.

**Fleet Insurance**

The excess on the vehicle insurance policy is **£10k**. The reserve is to meet the cost of claims that fall below this value.

**Radio Mast Income**

Following contractual re-negotiations, the Authority has become responsible for the maintenance of Radio Mast Sites. This reserve has been earmarked to support estates expenditure during 2010/11.

**Proceeds of Crime Act**

These are the funds awarded to the Authority by the Courts under the Proceeds of Crime Act. These funds are used to further the Force's capability in financial and other investigative areas.

**DTOC (Drug Testing on Charge) – North**

This provides an element of future funding for the Drug Testing on Charge project which is not covered by the Home Office Grant.

**IT Infrastructure**

A reserve held to provide resilience for the Authority's Information Technology infrastructure.

**PA Tribunals**

A reserve held to support potential future expenditure connected with misconduct hearings, the numbers of which vary significantly from year to year.

**PA Development Programme**

A reserve held to support development of the Police Authority during 2010/11

**SPP (Special Priority Payments)**

A reserve held to support future changes to the SPP scheme.

**Operation Liberal**

A reserve held to support a national project (co-ordinated by the Authority) intended to reduce distraction burglary.

**EMSOU Reserve**

This represents the Authority's share of Reserves held by the East Midlands Special Operations Unit.

**EMASU Reserve**

This represents the Authority's share of Reserves held by the East Midlands Air Support Unit.

## 25. *Police Fund*

The Police Fund represents the Authority's uncommitted reserves available to meet the very large demands that are occasionally made on the police service.

	<b>£000</b>
<b>Total at 1<sup>st</sup> April 2009</b>	<b>4,881</b>
2009/10 Surplus / (Deficit)	372
<b>Total at 31<sup>st</sup> March 2010</b>	<b>5,253</b>

## 26. *Retirement Benefits*

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the following pension schemes:

- The Local Government Pension Scheme for police staff, is administered by Leicestershire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets
- Two Police Pension Schemes for Police Officers (the “old” scheme which was closed to new entrants on 31<sup>st</sup> March 2006 and the “new” scheme which was available to new entrants from 1<sup>st</sup> April 2006 onwards). Both are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they fall due. Police Officers (or transferees from other forces) who were members of the old scheme at 1<sup>st</sup> April 2006 are able to retain their membership or elect to transfer to the new scheme, whilst all newly recruited Police Officers are limited to the new scheme. Employer contributions were paid at 24.2% during 2009/10 on both schemes.

Under the Police Pension Fund Regulations 2007, if the amount required to balance the pensions fund for the year is less than the amounts receivable (i.e. contributions from employees and employers), the Authority must annually transfer an amount required to meet the deficit to the pensions fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pensions fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Authority which then must repay the amount to central government.

### *Change of accounting policy*

The Authority adopted the changes to FRS17 for the 2008/09 accounts and the actuaries for both pension schemes have reflected the revised requirements (where appropriate) in arriving at the valuations for each scheme. There have been no accounting policy changes during 2009/10.

### *Transactions relating to retirement benefits*

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The transactions within the Income & Expenditure Account and Statement of Movement on the General Fund Balance are as follows:

	<b>Local Government Pension Scheme</b>		<b>Police Pension Scheme</b>	
	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Cost Of Services</b>				
Current Service Cost	3,039	2,703	29,662	19,133
Past Service Cost	1,115	-	-	-
Curtailment	-	-	-	-
	<b>4,154</b>	<b>2,703</b>	<b>29,662</b>	<b>19,133</b>
<b>Net Operating Expenditure</b>				
Interest Cost	5,679	5,665	62,889	59,742
Expected return on assets in the scheme	(5,587)	(3,989)	-	-
	<b>4,246</b>	<b>4,379</b>	<b>92,551</b>	<b>78,875</b>
<b>Statement of Movement on the General Fund Balance:</b>				
Reversal of net charges made for retirement benefits in accordance with FRS17	(188)	62	(71,670)	(56,938)
<b>Actual amounts charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	4,058	4,441	20,881	21,937

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial losses of **£393m** (gains of **£231m** 2008/09) were included in the STRGL.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31<sup>st</sup> March 2011 are £4.357m. Expected contributions for the Police Pension Scheme in the year to 31<sup>st</sup> March 2011 are £26.7m.

*Assets & Liabilities in relation to retirement benefits*

Reconciliation of present value of the scheme liabilities:

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Police Pension Scheme</b>	
	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>1<sup>st</sup> April</b>	<b>80,155</b>	<b>80,696</b>	<b>1,030,365</b>	<b>845,821</b>
Current Service Cost	3,039	2,703	29,662	19,133
Interest Cost	5,679	5,665	62,889	59,742
Contributions by Scheme Participants	1,856	2,031	8,266	8,679
Actuarial Gains & Losses	(9,499)	61,448	(248,652)	350,333
Benefits Paid	(1,649)	(1,887)	(36,709)	(36,598)
Past Service Costs	1,115	-	-	-
<b>31<sup>st</sup> March</b>	<b>80,696</b>	<b>150,656</b>	<b>845,821</b>	<b>1,247,110</b>

Reconciliation of fair value of the scheme assets:

	<b>Scheme Assets: Local Government Pension Scheme</b>	
	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
<b>1<sup>st</sup> April</b>	<b>75,093</b>	<b>58,196</b>
Expected Return on Assets	5,587	3,989
Actuarial Gains & Losses	(26,749)	18,366
Employer Contributions	4,058	4,441
Contributions by Scheme Participants	1,856	2,031
Benefits Paid	(1,649)	(1,887)
<b>31<sup>st</sup> March</b>	<b>58,196</b>	<b>85,136</b>

The Police Pension Scheme(s) are unfunded in nature and hence have no scheme assets.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £22.4m (2008/09 - £21.2m).

## Scheme History

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
<b>Present Value of Liabilities:</b>					
Police Officer "Old" Pension Scheme	935,211	877,587	963,872	788,897	1,157,523
Police Officer "New" Pension Scheme	-	256	2,538	3,400	12,633
Police Officer "Injury" Pension Scheme	-	56,238	63,955	53,524	76,954
Local Government Pension Scheme	84,700	87,770	80,155	80,696	150,656
<b>Total Liabilities</b>	<b>1,019,911</b>	<b>1,021,851</b>	<b>1,110,520</b>	<b>926,517</b>	<b>1,397,766</b>
Fair Value of Assets in the Local Government Pension Scheme	(66,400)	(75,836)	(75,093)	(58,196)	(85,136)
<b>Net Liabilities:</b>	<b>953,511</b>	<b>946,015</b>	<b>1,035,427</b>	<b>868,321</b>	<b>1,312,630</b>
Split as:					
Police Officer "Old" Pension Scheme	935,211	877,587	963,872	788,897	1,157,523
Police Officer "New" Pension Scheme	-	256	2,538	3,400	12,633
Police Officer "Injury" Pension Scheme	-	56,238	63,955	53,524	76,954
Local Government Pension Scheme	18,300	11,934	5,062	22,500	65,520

The Authority has elected not to restate the fair value of scheme assets for 2005/06 and 2006/07 as permitted by FRS17 (as revised). A separate valuation of the three Police schemes was first carried out in 2007/08 the figures shown above for 2006/07 are taken from the opening position of the 2007/08 valuation.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£1,313m** has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,273m. However, the statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31<sup>st</sup> March 2008, the employers' contributions has remained at the same rate as set in the 31<sup>st</sup> March 2004 valuation. The deficit on the LGPS scheme has increased by £43m between March 2009 & 2010
- Under the new police pension funding arrangements, any shortfall between the employer's contributions to the Pension Fund and the pensions paid to former officers will be met by the Home Office through a top-up grant. The rate (%) at which employer contributions are made to the Pension Fund is set by the Home Office.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value as required by FRS17. The Police Schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

Mortality assumptions for both the LGPS and Police Pension schemes are as follows:

<b>Mortality</b>	<b>Local Gov't Scheme</b>		<b>Police Scheme</b>	
	<b>2008/09 Years</b>	<b>2009/10 Years</b>	<b>2008/09 Years</b>	<b>2009/10 Years</b>
<b>Longevity at 65 (60 for Police Schemes) for current pensioners:</b>				
- Men	19.6	20.8	25.9	26.0
- Women	22.5	24.1	28.8	28.9
<b>Longevity at 65 (60 for Police Schemes) for future pensioners:</b>				
- Men	20.7	22.3	27.0	27.0
- Women	23.6	25.7	29.8	29.9

The main additional assumptions used in the calculations are:

	<b>Local Gov't Scheme</b>		<b>Police Scheme</b>	
	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>
- rate of inflation	3.1%	3.8%	3.3%	3.5%
- rate of increase in salaries	4.6%	5.3%	4.8%	5.0%
- rate of increase in pensions	3.1%	3.8%	3.3%	3.5%
- rate for discounting scheme liabilities	6.9%	5.5%	7.1%	5.7%
- take-up of option to convert annual pension into retirement lump sum	50.0%	50.0% <sup>1</sup>	0.0%	0.0%

<sup>1</sup> 50% applies to pre-April 2008 service, whilst 75% is assumed for post-April 2008 service. This split assumption was not made for the 2008/09 actuarial valuation.

Assets in the Pension Fund administered by the County Council are valued at fair value, principally market value for investments, and consist of:

	<b>31<sup>st</sup> March 2009</b>		<b>31<sup>st</sup> March 2010</b>	
	<b>Value £000</b>	<b>Expected Return (% per annum)</b>	<b>Value £000</b>	<b>Expected Return (% per annum)</b>
Equity Investments	45,974	7.0%	66,406	7.8%
Bonds	5,237	5.4%	8,514	5.0%
Property	6,985	4.9%	9,365	5.8%
Cash	-	4.0%	851	4.8%
	<u>58,196</u>	(* See below)	<u>85,136</u>	

(\* An adjustment was required to the LGPS scheme assets valuation at 31<sup>st</sup> March 2009 to reflect the movement between the actuarial valuation of the scheme assets (prepared before 31<sup>st</sup> March 2009) and the valuation that was reported by the Investment Managers as at 31<sup>st</sup> March 2009. The downward movement (£1,985k or 3.3%) in the LGPS scheme assets valuation was treated as an Actuarial Loss and shown in both the Balance Sheet and the Statement of Total Recognised Gains and Losses for 2008/09. The asset figures in the table above have each been reduced by 3.3% at 31<sup>st</sup> March 2009, however the expected return percentages have not been adjusted.

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2010:

**“OLD” Police Pension Scheme:**

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	7.7	(5.8)	3.8	(29.4)	28

**“NEW” Police Pension Scheme:**

(prior to 2007/08 the Police schemes were valued in aggregate)

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	n/a	n/a	26.4	(62.9)	45

**“INJURY” Police Pension Scheme:**

(prior to 2007/08 the Police schemes were valued in aggregate)

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	n/a	n/a	6.8	(26.8)	26.3

**Local Government Pension Scheme:**

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	13.6	1.3	(13.3)	(46.0)	22
Experience gains and losses on liabilities	(0.1)	0.0	3.4	(0.0)	(0.0)

## 27. Capital Receipts Reserve / Unapplied Capital Grants & Contributions

### **Capital Receipts Reserve**

This reserve is cash backed. Capital receipts from the disposal of assets are held in the capital receipts reserve until such time as they are used to finance other capital expenditure.

### **Unapplied Capital Grants & Contributions**

Again, a cash backed reserve to finance future capital spending. Capital grants and other contributions are credited to this account until required to finance capital expenditure.

	<b>Capital Receipts Reserve</b>	<b>Unapplied capital grants &amp; Contributions</b>
	<b>£000</b>	<b>£000</b>
<b>Movements in realised capital resources</b>		
Amounts receivable in 2009/10	-	2,515
Amounts applied to finance new capital investment in 2009/10	-	(2,886)
<b>Total increase / (decrease) in realised capital resources in 2009/10</b>	-	<b>(371)</b>
Balance brought forward at 1 <sup>st</sup> April 2009	-	<b>535</b>
<b>Balance carried forward at 31<sup>st</sup> March 2010</b>	-	<b>164</b>

## 28. Revaluation Reserve

The Revaluation Reserve contains the residual gains realised when Fixed Assets are revalued. The account is credited with a revaluation gain or debited with a revaluation loss (in so far as it can be contained by previous gains) on an asset by asset basis. When the Revaluation Reserve balance for a specific asset is exhausted due to losses, any future losses are instead transferred to the Income & Expenditure Account.

Adjustments are made to credit the Capital Adjustment Account with depreciation amounts attributable to residual revaluation gains. Residual gains are transferred to the Capital Adjustment Account when an asset is disposed of.

There are currently no residual revaluation gains held in respect of EMSOU.

	<b>Force</b> <b>£000</b>	<b>EMASU</b> <b>(1/3)</b> <b>£000</b>	<b>Total</b> <b>£000</b>
<b>Movements in unrealised value of fixed assets</b>			
Gains on revaluation of fixed assets in 2009/10	-	-	-
Losses on revaluation of fixed assets due to general changes in prices in 2009/10	(442)	(8)	(450)
Transfer to Capital Adjustment Account in respect of fixed asset depreciation (on a revaluation gain) in 2009/10	(4)	-	(4)
Transfer to Capital Adjustment Account in respect of the East Midlands Air Support Unit	-	(3)	(3)
Transfer to Capital Adjustment Account in respect of residual gains held at the point of disposal of a Fixed Asset in 2009/10	-	-	-
<b>Total movement on reserve in 2009/10</b>	<b>(446)</b>	<b>(11)</b>	<b>(457)</b>
<b>Balance brought forward at 1<sup>st</sup> April 2009</b>	<b>965</b>	<b>11</b>	<b>976</b>
<b>Balance carried forward at 31<sup>st</sup> March 2010</b>	<b>519</b>	<b>-</b>	<b>519</b>

## 29. Capital Adjustment Account & Government Grants Deferred

### Capital Adjustment Account

The Capital Adjustment Account is the replacement for the FARA (Fixed Asset Restatement Account) and CFA (Capital Financing Account) which have subsequently been removed. It contains the financing and consumption of the Authority's fixed assets (valued at historic cost) and interacts with both the Government Grants Deferred Account and Revaluation Reserve (depreciation on the revalued element of an asset's carrying value or when an asset is disposed of).

	<b>Force £000</b>	<b>EMSOU (23.1%) £000</b>	<b>EMASU (1/3) £000</b>	<b>Total £000</b>
Capital expenditure financed from revenue	918	66	2	986
Revenue Provision (including MRP)	1,276	-	-	1276
Depreciation/Amortisation charge in year	(4,597)	(116)	(160)	(4,873)
Amounts transferred from Revaluation Reserve in respect of depreciation/amortisation	4	-	-	4
Government Grants written-down during 2009/10 in respect of depreciation/amortisation	2,849	49	113	3,011
Revenue Expenditure funded from Capital during 2009/10	(1,784)	(8)	-	(1,792)
Transfer from Income & Expenditure Account in respect of carrying value of Fixed Asset disposals	(145)	(1)	-	(146)
Government Grants written-down during 2009/10 in respect of fixed asset disposals	1	1	-	2
Adjustment to correct EMASU Revaluation Reserve	-	-	3	3
Transfer from Income & Expenditure Account in respect of Fixed Asset Downward Revaluations	(1,630)	-	-	(1,630)
<b>Total Movement During 2009/10</b>	<b>(3,108)</b>	<b>(9)</b>	<b>(42)</b>	<b>(3,159)</b>
Balance b/fwd at 1 <sup>st</sup> April 2009	23,487	170	477	24,134
<b>Balance c/fwd at 31<sup>st</sup> March 2010</b>	<b>20,379</b>	<b>161</b>	<b>435</b>	<b>20,975</b>

### **Government Grants Deferred**

Capital grant and contributions used to finance capital expenditure are credited to this account. As assets are depreciated the grant / contribution is released to the Income & Expenditure Account. Residual grant / contributions are transferred to the Income & Expenditure Account when an asset is disposed of.

	<b>Force</b> <b>£000</b>	<b>EMSOU</b> <b>(23.1%)</b> <b>£000</b>	<b>EMASU</b> <b>(1/3)</b> <b>£000</b>	<b>Total</b> <b>£000</b>
Grants applied to capital investment in 2009/10	2,886	-	-	2,886
Amounts credited to the Income & Expenditure Account in 2009/10 (re Depreciation/Amortisation)	(2,849)	(49)	(113)	(3,011)
Amounts credited to the Income & Expenditure Account in 2009/10 (re Fixed Asset Disposals)	(1)	(1)	-	(2)
Amounts credited to the Income & Expenditure Account in 2009/10 (re Revenue Expenditure funded from Capital Resources)	(347)	-	-	(347)
<b>Total Movement during 2009/10</b>	<b>(311)</b>	<b>(50)</b>	<b>(113)</b>	<b>(474)</b>
Balance b/fwd at 1 <sup>st</sup> April 2009	19,918	116	899	20,933
<b>Balance b/fwd at 31<sup>st</sup> March 2010</b>	<b>19,607</b>	<b>66</b>	<b>786</b>	<b>20,459</b>

### 30. Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the Authority's share of the Collection Fund Surplus/Deficit held by each Council Tax billing authority within Leicestershire & Rutland. For 2008/09 and 2009/10, the breakdown of the figure on the Authority's Balance Sheet is as follows:

Collection Fund Heading	Blaby District Council	Charnwood Borough Council	Harborough District Council	Hinckley & Bosworth Borough Council	Leicester City Council	Melton Borough Council	Oadby & Wigston Borough Council	North-West Leicestershire District Council	Rutland County Council	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2008/2009</b>										
Council Tax Arrears	230	410	235	112	932	110	65	211	42	2,347
Impairment Allowance for Bad/Doubtful Debts	(71)	(116)	(41)	(24)	(230)	(7)	(22)	(131)	(7)	(649)
Council Tax Overpayments & Prepayments	(67)	(166)	(45)	(73)	(163)	(54)	(45)	(77)	(22)	(712)
<b>Collection Fund (surplus) / deficit</b>	<b>26</b>	<b>109</b>	<b>32</b>	<b>(32)</b>	<b>(255)</b>	<b>28</b>	<b>(7)</b>	<b>2</b>	<b>4</b>	<b>(93)</b>
Cash	(118)	(237)	(181)	17	(284)	(77)	9	(5)	(17)	(893)
<b>2009/2010</b>										
Council Tax Arrears	210	418	245	116	901	143	86	185	43	2,347
Impairment Allowance for Bad/Doubtful Debts	(66)	(151)	(44)	(26)	(527)	(6)	(23)	(110)	(7)	(960)
Council Tax Overpayments & Prepayments	(58)	(145)	(62)	(87)	(152)	(55)	(40)	(68)	(26)	(693)
<b>Collection Fund (surplus) / deficit</b>	<b>46</b>	<b>128</b>	<b>(12)</b>	<b>(39)</b>	<b>147</b>	<b>(8)</b>	<b>(33)</b>	<b>(26)</b>	<b>(11)</b>	<b>192</b>
Cash	(132)	(250)	(127)	36	(369)	(74)	10	19	1	(886)

The Authority's Collection Fund Adjustment Account therefore has a debit balance (deficit) of **£192k** at 31<sup>st</sup> March 2010 (08/09 – credit balance (surplus) of **£93k**).

### 31. Analysis of changes in net debt

	<b>Balance 1/4/09 £000</b>	<b>Balance 31/3/10 £000</b>	<b>Movement in year £000</b>
Cash overdrawn	(3,484)	(332)	3,152
Cash with accounting officers	2,854	2,216	(638)
<b>Net increase / (decrease in cash)</b>	<b>(630)</b>	<b>1,884</b>	<b>2,514</b>
Temporary investments	19,509	15,010	(4,499)
Debt repayable within one year	(97)	(105)	(8)
Debt repayable after one year	(16,989)	(16,445)	544
<b>Net cash inflow before financing</b>	<b>1,793</b>	<b>344</b>	<b>(1,449)</b>

Liquid resources are temporary investments less short-term borrowings which are readily convertible to cash.

### 32. Reconciliation of Income & Expenditure Account to revenue activities cash flow

<b>2008/09 £000</b>		<b>2009/10 £000</b>	<b>£000</b>
<b>98,247</b>	<b>(Surplus) / Deficit on the I&amp;E Account</b>		<b>55,539</b>
	<b>Non cash transactions :</b>		
(4,460)	Depreciation	(4,873)	
2,777	Amortisation of Government Grants	3,011	
(35,591)	Impairments / Downward Revaluations	(1,630)	
(1,842)	Revenue Expenditure financed from Capital Resources	(1,792)	
(96,797)	Reverse FRS17 adjustments	(83,254)	
24,939	Superannuation payments	26,378	
(227)	Profit / (Loss) on disposal of fixed assets	(144)	
-	Cash posted direct to provisions	(19)	
87	Decrease / (Increase) in provisions	(306)	
7,562	Pension Top-Up Grant credited to I&E Account	5,982	
<b>(5,305)</b>			<b>(1,108)</b>
	<b>Items on an accruals basis :</b>		
(3,297)	(Increase)/decrease in revenue creditors	1,046	
1,350	Increase/(decrease) in revenue debtors	(1,117)	
35	Decrease in long term debtors	42	
84	Increase/(decrease) in stocks	23	
81	(Increase)/decrease in receipts in advance	(109)	
(257)	Increase/(decrease) in revenue payments in advance	107	
-	Increase/(decrease) in accrued interest receivable	(6)	
-	(Increase)/decrease in accrued interest payable	148	
<b>(7,309)</b>			<b>(974)</b>
	<b>Items classified elsewhere in the cash flow statement</b>		
<b>1,566</b>	Investment income		<b>213</b>
<b>(934)</b>	Interest paid		<b>(1,049)</b>
<b>(6,677)</b>	<b>Net cash inflow from revenue activities</b>		<b>(1,810)</b>

### 33. Analysis of Government Grants (cash received)

2008/09		2009/10	
£000		£000	£000
4,062	Crime fighting fund	4,062	
4,274	Police Community Support Officers	4,549	
1,524	Dedicated Security Grant	1,572	
7,372	Pensions Top-Up Grant	6,537	
764	Basic Command Unit (BCU) Fund	1,081	
551	Drug testing on charge	594	
364	Proceeds of Crime Act	505	
1,045	Special operations	1,363	
263	Local Criminal Justice Board	218	
170	Loan charges	165	
570	EMSOU (23.1% share)	535	
115	Others	401	
<u>21,074</u>		<u>21,582</u>	
2,100	Capital		2,100
<u>23,174</u>	<b>Total Grants Received</b>	<u>23,682</u>	

### 34. Post Balance Sheet Events

In his budget statement on 22<sup>nd</sup> June 2010, the Chancellor of the Exchequer announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Police Officer Pension Scheme(s) and the Local Government Pension Scheme (LGPS) are expected to be lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations on average by between 5% and 8% for the Police Officer scheme(s) and between 6% and 8% for the Local Government Pension Scheme.

In accordance with paragraph 21 of FRS21 (Events after the Balance Sheet date), the change is deemed to be a non-adjusting post balance sheet event. The potential impact on the Authority's Balance Sheet because of this change can be estimated as follows (in effect the minimum and maximum potential impact):

	Note No.	Police Scheme(s) 31 <sup>st</sup> March 2010		LGPS 31 <sup>st</sup> March 2010	
		At 5% £000	At 8% £000	At 6% £000	At 8% £000
<b>Current FRS17 Liability on the Balance Sheet (before adjustment for scheme assets on the LGPS)</b>	<b>26</b>	<b>1,247,110</b>	<b>1,247,110</b>	<b>150,656</b>	<b>150,656</b>
Potential reduction in FRS17 liabilities		(62,356)	(99,769)	(9,039)	(12,052)
<b>Revised FRS17 Liability on the Balance Sheet (before adjustment for scheme assets on the LGPS)</b>		<b>1,184,754</b>	<b>1,147,341</b>	<b>141,617</b>	<b>138,604</b>

# East Midlands Air Support Unit

The East Midlands Air Support Unit (EMASU) is responsible for the operation of a police helicopter in Leicestershire, Northamptonshire and Warwickshire. Leicestershire acts as the lead authority. During 2009/10, Leicestershire contributed £295k (2008/09 - £316k) to EMASU.

## Income & Expenditure Account 2009/10

2008/09 Outturn £000		Note	2009/10 Outturn £000
294	Employees' expenses		300
38	Premises		46
532	Transport		584
38	Supplies and services		(23)
49	Agency & Contracted Services		57
138	Depreciation		141
5	Impairments		-
<b>1,094</b>	<b>Gross Operating Expenditure</b>		<b>1,105</b>
(6)	Other income		(28)
-	Profit/Loss on Disposal of Fixed Assets		-
<b>1,088</b>	<b>Net Operating Expenditure</b>		<b>1,077</b>
	<b>Financed by:</b>		
<b>(928)</b>	Contributions from partners		<b>(886)</b>
<b>160</b>	<b>(Surplus) / Deficit for the year</b>		<b>191</b>

## Reconciliation of Movement on the General Fund 2009/10

2008/09 £000		Note	2009/10 £000
<b>160</b>	<b>(Surplus) / Deficit for the year</b>		<b>191</b>
(478)	Reversal of Depreciation		(481)
(5)	Reversal of Impairments		-
340	Government Grants Released		341
41	Capital Expenditure charges to Revenue		6
<b>58</b>	<b>Movement of General Fund</b>	<b>4</b>	<b>57</b>

## Balance Sheet as at 31<sup>st</sup> March 2010

31 March 2009 £000		Note	31 March 2010 £000
	<b>Net Fixed assets</b>		
4,159	Helicopter, hangar and equipment	1	3,660
<b>4,159</b>	<b>Total Long Term Assets</b>		<b>3,660</b>
	<b>Current Assets</b>		
478	Cash		386
66	Debtors	2	124
	<b>Current Liabilities</b>		
(93)	Creditors	3	(118)
451	<b>Net Current assets</b>		392
-	Gov't Grant / Contributions unapplied		
(2,697)	Gov't Grants Deferred		(2,356)
<b>1,913</b>	<b>Net assets</b>		<b>1,696</b>
	<b>Represented By :</b>		
451	EMASU Reserve	4	393
32	Revaluation Reserve		-
1,430	Capital Adjustment Account	5	1303
<b>1,913</b>			<b>1,696</b>

# Notes to the Accounts

## 1. Fixed Assets

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Helicopter, hanger, and equipment valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

### Movement of fixed assets during the year :

	Helicopter £000	Hanger £000	Equipment £000	Vehicles	Total £000
<b>Net book value at 1/4/09</b>	<b>3,503</b>	<b>440</b>	<b>190</b>	<b>26</b>	<b>4,159</b>
Transfers	-	-	-	-	-
Revaluations	-	-	-	-	-
Additions	-	-	6	-	6
Disposals	-	-	-	-	-
Depreciation	(438)	(9)	(28)	(6)	(481)
Depreciation on Disposals	-	-	-	-	-
Impairment	-	(24)	-	-	(24)
<b>Net book value at 31/3/10</b>	<b>3,065</b>	<b>407</b>	<b>168</b>	<b>20</b>	<b>3,660</b>

## 2. Debtors

<b>31<sup>st</sup> March 2009 £000</b>		<b>31<sup>st</sup> March 2010 £000</b>
49	Sundry debtors	
17	Local Authorities & Police Authorities	118
-	Government departments (VAT)	6
<u>66</u>		<u>124</u>

## 3. Creditors

<b>31<sup>st</sup> March 2009 £000</b>		<b>31<sup>st</sup> March 2010 £000</b>
3	Government departments	11
31	Local Authorities & Police Authorities	45
29	Capital	
30	Sundry creditors	62
<u>93</u>		<u>118</u>

#### 4. EMASU Reserve

	<b>31<sup>st</sup> March</b>
	<b>2010</b>
	<b>£000</b>
Opening balance brought forward	450
Outturn 2009/10	(57)
	<hr/>
	<b>393</b>
	<hr/>

#### 5. Capital Adjustment Account

This is not a cash backed reserve. Instead it is simply the result of CIPFA's capital accounting regime, and reflects the written down value of funding the cost of Fixed Assets.

# East Midlands Special Operations Unit

The East Midlands Special Operations Unit (EMSOU) was formed on the 1<sup>st</sup> January 2003 and is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire acts as the lead authority. During 2009/10, Leicestershire contributed £717k (2008/09 - £485k) to EMSOU.

## Income & Expenditure Account 2009/10

2008/09 Outturn £000		Note	2009/10 Outturn £000
2,260	Employees' expenses		2,833
601	Premises		775
299	Transport		334
1,579	Supplies and services		1,345
95	Agency and Contracted Services		174
275	Depreciation		289
1,060	Revenue Expenditure funded from Capital Resources		33
<b>6,169</b>	<b>Gross Operating Expenditure</b>		<b>5,783</b>
(596)	Other income		(455)
1	Profit/Loss on Disposal of Fixed Assets		(7)
<b>5,574</b>	<b>Amount to be met from Partners</b>		<b>5,321</b>
	<b>Financed by:</b>		
(2,100)	Contributions from partners		(3,106)
(2,050)	External Grants		(2,203)
<b>1,424</b>	<b>(Surplus) / Deficit for the year</b>		<b>12</b>

## Reconciliation of Movement on the General Fund 2009/10

2008/09 £000		Note	2009/10 £000
<b>1,424</b>	<b>(Surplus) / Deficit for the year</b>		<b>12</b>
(466)	Reversal of Depreciation		(501)
(1,060)	Reversal of Revenue Expenditure funded from Capital Resources		(33)
191	Governments Grants Released		212
(25)	(Profit) / Loss on Disposal of Fixed Assets		-
1,295	Capital Expenditure charged to Revenue		284
(1,442)	Transfer to/from Revenue Reserves		(5)
<b>(83)</b>	<b>Movement of General Fund</b>		<b>(31)</b>

## Balance Sheet as at 31<sup>st</sup> March 2010

31 <sup>st</sup> March 2009 £000		Note	31 <sup>st</sup> March 2010 £000
	<b>Net Fixed assets</b>		
1,239	Vehicles and equipment	1	983
<b>1,239</b>	<b>Total Long Term Assets</b>		<b>983</b>
	<b>Current Assets</b>		
1,382	Cash		2,105
909	Debtors	2	98
	<b>Current Liabilities</b>		
(1,180)	Creditors	3	(1,088)
(103)	Receipts in advance		(81)
<b>1,008</b>	<b>Net Current assets</b>		<b>1,034</b>
(503)	Govt Grants Deferred		(286)
<b>1,744</b>	<b>Net assets</b>		<b>1,731</b>
	<b>Represented By :</b>		
272	EMSOU Reserve	4	303
70	Titan House Reserve		23
100	Titan House Contingency Reserve		-
100	Communications Reserve		100
466	Asset Replacement Reserve		500
-	Future Capital Purchases		107
736	Capital Adjustment Account	5	698
<b>1,744</b>			<b>1,731</b>

## Notes to the Accounts

### 1. Fixed Assets

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Vehicle valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

#### Movement of fixed assets during the year:

	Property £000	Vehicles £000	Equipment £000	Total £000
<b>Net book value at 1/4/09</b>	-	537	702	1,239
Additions	-	78	173	251
Revaluation	-	-	-	-
Disposals	-	(20)	-	(20)
Depreciation	-	(197)	(304)	(501)
Depreciation on Disposal	-	14	-	14
<b>Net book value at 31/3/10</b>	-	412	571	983

### 2. Debtors

31 <sup>st</sup> March 2009 £000		31 <sup>st</sup> March 2010 £000
146	Government departments	22
587	Police & Local Authorities	36
176	Sundry Debtors	40
<b>909</b>		<b>98</b>

### 3. Creditors

31 <sup>st</sup> March 2009 £000		31 <sup>st</sup> March 2010 £000
-	Government departments	13
373	Police & Local Authorities	195
152	Capital	51
267	Salary & Overtime	615
388	Sundry creditors	214
<b>1,180</b>		<b>1,088</b>

#### 4. EMSOU Reserves

	<b>Balance at 1<sup>st</sup> April 2009 £000</b>	<b>Movements</b>		<b>Balance at 31<sup>st</sup> March 2010 £000</b>
		<b>from</b>	<b>To</b>	
		<b>£000</b>	<b>£000</b>	
EMSOU General Reserve	272		31	303
Titan House Reserve	70	(47)	-	23
Titan House Contingency	100	(100)	-	-
Communications Reserve	100	-	-	100
Future Capital Purchases	-	-	107	107
Asset Replacement Reserve	466	-	34	500
<b>Grand Total</b>	<b>1,008</b>	<b>(147)</b>	<b>172</b>	<b>1,033</b>

##### **General Reserve**

To meet unbudgeted revenue cost pressures.

##### **Titan House Reserve**

This represents funds set a side from previous years to finance the capital expenditure relating to Titan House.

##### **Titan House Contingency**

This reserve is to cover any unforeseen costs associated with the fit-out of the building.

##### **Communications Reserve**

This provides an element of future funding for the replacement of Airwave equipment and un-insured losses of technical equipment.

##### **Asset Replacement Reserve**

This is to fund the cost of replacement vehicles and technical assets

#### 5. Capital Adjustment Account

This is not a cash backed reserve. Instead it is simply the result of CIPFA's capital accounting regime, and reflects the written down value of funding the cost of Fixed Assets

## **GLOSSARY OF TERMS**

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through :

- recognising
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves.

### **Agency & Contracted Services**

Services which are performed by or for another Authority or public body, where the agent or contractor is reimbursed for the cost of work done.

### **Budget**

A statement of the Authority's plans in financial terms. A budget is prepared and approved by the Police Authority prior to the start of each financial year.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Receipts**

Proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

### **Commuted Lump Sums**

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

### **Contingent Liabilities**

A contingent liability is either :

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or
- (b) a present 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 and Democratic Core**

These represent the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

### **Creditors**

Amounts owed by the Police Authority for work done, goods received or services rendered which have not been paid for by the end of the financial year.

### **Debtors**

Sums of money due to the Authority for work done or services supplied but not received at the end of the financial year.

**Deferred Liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

**Defined Benefit Scheme**

A pension or other retirement benefit scheme, with rules that usually define the benefits independently of the contributions payable and where the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or the demand for the service produced by the asset.

**Financial Regulations**

A written code of procedures approved by the Authority and intended to provide a framework for the proper financial management of the Authority. The financial regulations are supported by detailed financial instructions.

**Financial Year**

The period of time commencing on the 1<sup>st</sup> April covered by the accounts.

**Fixed Assets**

Tangible and intangible assets that yield benefits to the Authority for a period of more than one year.

**Formula Spending Share**

The proportion of spending by Local Authorities which the Government considers should be attributed to each authority and used as a basis for distributing grant.

**FRS**

Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

**Impairment**

A reduction in the value of a fixed asset below the amount shown on the balance sheet.

**Leasing**

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

(a) finance leases which transfer all of the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

(b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

**Liquid Resources**

Assets which can be realised within a very short period of time. For example cash held in an instant-access bank account is considered a liquid resource.

**Minimum Revenue Provision**

The minimum amount that the Authority is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the Authority this relates to a principal sum based on a prudent assessment of the useful life of the asset, which is used for the redemption of external debt.

**Medium Term Financial Strategy (MTFS)**

A statement setting out a forecast of possible spending and government support for a forward three year period and used as a basis for planning.

**Net Book Value**

The amount at which fixed assets are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation.

**Non Distributed Costs**

This is where overheads are not charged or apportioned to activities within the service expenditure analysis in the Income and Expenditure Account.

**Precept**

The method by which the Police Authority obtains the income it requires from council tax via the appropriate authorities.

**Receipts and Payments**

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.