

**Leicestershire  
Police Authority**

**Statement of Accounts  
2010/11**



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## ***Explanatory Foreword***

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### ***Introduction***

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* (hereafter referred to as “the Code”) has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Statement of Accounts are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The impact of these changes is explained in more detail in Note 2 – Transition to IFRS

The Statement of Accounts includes the Comprehensive Income and Expenditure Statement showing the accounting cost of providing policing services for the year, a Statement of Movement in Reserves which shows the movement in the year of the different reserves held by the Authority and reconciles the deficit on the Income and Expenditure Account to the surplus or deficit required by statute, 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 Fund Account with the amounts paid out of and into the Fund specified by Regulation.

### ***Overview of 2010/11***

In early 2007 the Government announced a 3 year funding settlement with 2010/11 being the final year. Again, the government formula was not implemented, and a flat rate increase for all Authorities applied. As a result the Authority lost grant of £2.805m 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 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 Secretary of State for Communities and Local Government set a maximum budget that the Authority could set of £175.116m for 2010/11. This resulted in a precept increase of 2.68%. It was necessary to transfer £0.5m from the equalisation reserve to finance the consequential funding shortfall in the 2010/11 budget.

The “Rule 2” (a group of revenue grants including DNA and Rural Policing) and Capital grants were reduced in year following the initial budget set by the coalition Government by £1.7m and £0.1m respectively.

In July 2010 the Authority approved Phase 1 of the ‘policing the future’ savings programme which delivered over £15m in savings to balance the 2011/12 budget.

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

The Authority set a net revenue budget of £175.116m for the year, after drawing £0.5m from the equalisation 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 £169.63 for a Band D property, an increase of 2.68% over the previous year.

### ***Revenue spending***

The Authority underspent its revenue budget by £1.535m, or 0.9%. This was attributable to an underspend on police pay and allowances of £1.2m due to controlled recruitment, an

underspend on police staff salaries of £3.3m due to 228 full time equivalent (FTE) posts being released from the Authority as part of the savings plans, an overspend on corporate budgets of £3.2m due to the reduction in Home Office grants, the cost of providing unbudgeted public order policing, lower than expected debt charges and restructuring costs, together with a net further underspend of £3.6m on delegated activities as a result of local management decisions to reduce overall expenditure in line with the Authority's savings plan. This has allowed the Authority to transfer £1m to a newly created Public Order reserve and contribute £2.5m towards the financing of capital expenditure.

The Authority agreed to transfer the uncommitted revenue underspend of £1.535m to the Budget Equalisation Reserve as a further contribution to bridging the estimated medium term funding gap.

## **Reserves**

The Police Fund (General Reserve) has remained at £5.253m. The closing balance on the Budget Equalisation Reserve is £8.883m. A number of other reserves have been created during 2010/11 for specific purposes (see Note 34 for further details).

## **Retirement Benefits**

Accounting for Retirement Benefits in the 2010/11 Statement of Accounts has resulted in a pension liability of £1,260m compared to £1,313m in 2009/10. On 22<sup>nd</sup> June 2010, the Chancellor announced that with effect from 1<sup>st</sup> April 2011 public service pension schemes would have their pension increases calculated by reference to CPI (Consumer Price Index), rather than RPI (Retail Price Index) which had been used in the past. As increases in CPI are expected to be less than RPI on average, the effect is a reduction in the value of employer's pension liabilities for accounting purposes. This adjustment can be seen on the face of the Comprehensive Income & Expenditure Statement.

The police officer pension scheme liability is £1,237m with the balance relating to Local Government Pension Scheme. An actuarial valuation was undertaken for the Local Government Pension Scheme during 2010/11.

## **Capital spending**

£4.75m was spent on improving the buildings stock, investing in information technology, operational equipment and the vehicle fleet. This was funded by a combination of grant, asset sales and revenue contributions. This capital spending resulted in non-current asset additions of £3.78m after £0.97m was charged to the Comprehensive Income & Expenditure Statement as "Revenue Expenditure Funded from Capital Under Statute" (REFCUS – see Note 19). No borrowing was taken during 2010/11. Outstanding external debt at the year end was £16.1m (excluding accruals for interest payable).

A number of capital projects were undertaken during 2010/11 including upgrading of the custody provision for safety detention requirements, replacing a number of IT systems including the command and control system and investment in the IT and telephone infrastructure.

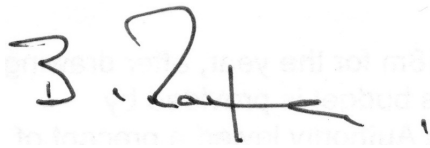
## **Outlook for 2011/12**

The Authority has approved the 2011/12 net revenue and capital budgets of £174.6m and £6.3m respectively. Formula grant reduced by 5.1% in 2011/12 along with the Government's commitment to freeze council tax at 2010/11 levels. In order to ensure a council tax freeze it offered to compensate Authorities who levied no increase. An additional grant will be paid that is equivalent to a 2.5% precept increase in 2011/12. The Authority accepted the grant

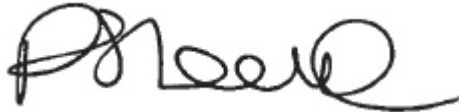
and the precept was held at £169.63 for a Band D property, an increase of 0% over the previous year.

Once again the Government grant calculation formula has not been applied, resulting in a further loss of grant to the Authority of £4.096m.

£11.3m of savings have been removed from the 2011/12 budget as part of the "policing the future" savings programme.

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

A handwritten signature in black ink, appearing to read 'P. Stock', written in a cursive style.

**P Stock**  
**Chief Executive / Treasurer to Leicestershire Police Authority**

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

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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.

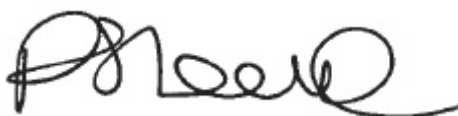
The Treasurer is responsible for the preparation of the Authority's Statement of Accounts. Under the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the accounts are required to present fairly the income and expenditure of the Authority, and its financial position at the end of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



**P. Stock (Chief Executive / Treasurer)**  
**28<sup>th</sup> September 2011**



# **Annual Governance Statement**

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**Position as at June 2011 including plans for the financial year 2011-12**

## **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.

During 2010/11, the Police Authority strived to improve the way in which decisions are made and how the Chief Constable is held to account in terms of scrutiny, challenge and support. The renewed structure for committees and standing groups resulted in the following public committees:

- Police Authority;
- Audit and Risk Committee;
- Diversity Committee;
- Standards Committee;
- Remuneration Committee;
- Urgent Business Response Committee.

In order to achieve greater scrutiny over the wider functions of the Constabulary, the following non-public Standing Groups were created:

- Co-ordination and Change Programme Group;
- Finance and Performance Group;
- Engagement Group;
- People and Organisational Development Group;
- Infrastructure Group;
- Delivering Justice/Vulnerable People Group.

A Transition Board has also been set up, the remit of which is to drive forward the local changes required as a result of the Police Reform and Social Responsibility Bill (PRSRB). The Bill brings into force the introduction of a directly elected Police and Crime Commissioner (PCC), replacing the existing Police Authority structure. The Board will exist until the first elections which are due to be held in May 2012.

Members also agreed to hold “business days” and “member development days” to supplement the work undertaken through committees, groups and boards.

As well as the Police Authority committees and groups detailed above, the Authority is also represented on all major Constabulary Boards, including the Strategic Financial Planning Group, Change Board, Criminal Justice, Tasking, Safe and Confident Communities and the Policing Plan Strategy Board.

Finally, at the Police Authority meeting of 30 March 2011, Members agreed to the creation of an overarching Critical Incidents Assurance Framework. This work, led by the Chief Executive and supported by volunteer Lead Members will deliver a working framework providing additional confidence and reassurance on key aspects of Force service delivery. The first two themes are Call

Management and Vulnerability. Outcomes will be reported through the Audit and Risk Committee and the Police Authority.

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. The joint Chief Executive/Treasurer has also taken regard of the CIPFA statement on "The Role of the Chief Financial Officer in Local Government 2010" and has made the opinion that the current financial management arrangements do conform to the Statement.

## **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 2011 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. The revised Code of Corporate Governance was presented to the Police Authority in May 2010 and has been accepted as the standard for ensuring a robust framework exists which ensures that these principles are fully integrated in the conduct of the Authority's business as well as establishing a means of demonstrating compliance.

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 published a Policing Pledge in July 2010 which set out the approach to doing the business of policing. The principles within the Pledge identify how the Constabulary can provide a professional and positive service to the public it serves. The Authority supports these principles, and has worked with the Chief Constable during the year to define a refreshed Vision and Standard. This Vision and Standard appears on the Constabulary website. It also appears in the statutory publications issued by the Authority such as the local policing plan and 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 series of prompts from a joint audit inspection, the Police Authority has adopted a new approach to strategic business planning. Following the appointment of a new joint Chief Executive/Treasurer, the Authority has finalised the development plans issued during 2010 and a new Business Plan has been launched making clear the important targets and objectives for the 2011/12 financial year and the work required to move to a Police and Crime Commissioner led organisation. This will ensure that members are involved at the initial stage of the planning process as well as throughout the formation of the detailed transition plans.
- *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 a range of crime and key performance indicators at each of four quarterly meetings throughout the year. This is monitored through the Finance and Performance Standing Group. Additionally a Performance Panel meets quarterly to examine areas of performance in greater detail. The People and Organisational Development Group consider performance data relating to the staffing elements of the organisation, including establishment and sickness levels. Financial performance is within the remit of the Finance and Performance Standing Group and the Strategic Financial Planning Group. The Chief Executive/Treasurer monitors the debts owed to the organisation. Performance against the local policing plan is undertaken by the full Authority with a report to each meeting indicating any key areas at risk and members are alerted to all significant trends.
- *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 Engagement Group. 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 has also developed a programme of "Meet the Chair and Chief" events, designed to provide local communities with information on financial matters, operational matters and issues of local relevance. Members of the public also have the opportunity to ask questions directly to the Chair of the Police Authority and the Chief Constable.
- *The Authority and Force should have systems to risk manage their business and identify ways in which key risks are mitigated.* The Authority has previously approved a Leicestershire Police risk management strategy and facilitated the purchase of the Orchid Risk Register software in 2010. 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. The Force has an internal risk board, the Strategic Organisational Risk Board (SORB), with the clear remit of providing the strategic drive, direction, co-ordination, and control necessary to achieve organisational risk management. This Board also ensures compliance with the established systems and procedures for risk identification, analysis, control and management. SORB is chaired by the Deputy Chief Constable and attended by the chair of the Audit and Risk Committee and the Chief Executive/Treasurer to ensure links with Police Authority risk issues. SORB also includes the review of health and safety risks and is responsible for providing an annual report. Key Force risks are reviewed by the Audit and Risk Committee at each meeting, as well as the specific Police Authority Risk register. The Deputy Chief Constable sits on this Committee and is the responsible Chief Officer for risk management and business continuity.

The Audit and Risk Committee reviews the Police Authority risks on a quarterly basis. It also reviews in detail a key risk at each meeting.

- *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, Groups and Boards and their role are set out in the members' handbook, and these are reviewed regularly. In addition, forward plans are developed to ensure that key work areas within the Force are scrutinised effectively.
- *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 initially 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. The Committee last met in June 2010, following which it was agreed to temporarily suspend it subject to the outcome of the Localism Bill. Members are reminded of conduct and governance issues through the 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 and has been applied consistently ever since. 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 next review is due to be completed in the summer of 2011. 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 is reviewed by the Police Authority at regular intervals to ensure it is up to date and relevant.
- *The Authority should maintain a set of Contract Standing Orders, updated at intervals of two years.* The Contract Standing Orders were revised in March 2011 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. This revised document was shared with members and officers and compliance is maintained through local management practices and internal audit work.
- *The Authority should undertake the core functions of an Audit Committee, as identified in CIPFA's Audit Committee – practical guidance for local authorities.* The Audit and Risk Committee (previously known as the Audit Committee), comprising members of the Authority and Constabulary, 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 (CIPFA). 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 Deputy Chief Constable sits on this Committee and provides a strong strategic link between governance and risk issues of the Constabulary and the scrutiny undertaken as part of the statutory function of this meeting.
- *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 (HMIC) and by the Independent Police Complaints Commission (IPCC) all of whom have statutory access to documentation and provide for a robust auditing mechanism. The Police Authority received its report from the Joint Inspectorate in January 2010, and a comprehensive action plan for development was produced. This plan identified several core areas for improvement, including revised meeting structures, member development and a review of secretariat functions and responsibilities.

- *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 Force Tasking Board and there is now a Lead Member allocated to this. Issues are also taken to the Strategic Equality and Confidence Board which reviews any disproportionate aspects arising. Members undertake regular dip sampling of completed complaints files to ensure consistency and good practice.
- *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 several times during the year. Police staff are not regulated in the same way. 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 2011 members undertook a development interview with the Chair and Chief Executive. These, together with a skills audit, have fed into a Member Training Plan. The Development Plan also included additional training, including Monitoring Performance. 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 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 has also introduced a series of "Meet the Chair and Chief" events across the Force area.
- *The Authority and Force should incorporate good governance arrangements in respect of partnerships and other group working.* The safe and confident communities board acts as a strategic body above the Community Safety Partnerships (CSPs) in the police area. Members are also attached to Basic Command Units, Local Policing Units and Joint Action Groups (JAG). The East Midlands Police Authority Joint Committee (EMPAJC) also delivers strong governance around collaboration, partnerships and joint working arrangements.

#### 4. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and the system of internal control.

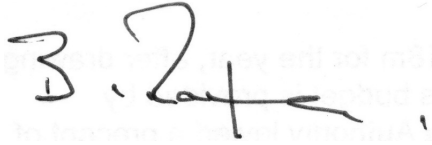
These reviews have been informed by the Audit Commission's external auditors and the Authority's internal auditors. The internal auditors carried out a number of reviews into activities within both Force and Authority.

- 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 /National Standard for Incident Recording (NSIR) / Victim Code / Home Office Counting Rules (HOCR) etc)
  - Performance monitoring arrangements (Performance Panel / Finance and Performance Group)
  - Management of data (Freedom of Information / Management of Police Information / Data Protection)
  - The role of the Professional Standards Department.
  - Policy Guidance and retention
  - Project Management and Governance
  - Business Continuity / Risk Management
- The **Audit and Risk 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.
- **Internal Audit** services are outsourced on a contract basis. The current auditors are RSM Tenon. Audit briefs are considered by the Police Authority Chief Executive/Treasurer, the Force Finance Director, and the Deputy Chief Constable. Audit reports are considered in detail by the Audit and Risk 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.

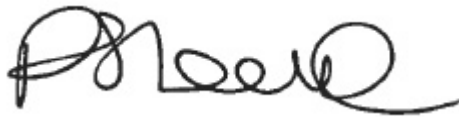
There have been no areas for improvement (AFI) identified during 2010/11, however the area identified during the previous year has been fully achieved. The Police Authority joint inspection of 2009/10 identified several areas for improvement and these have all been delivered, agreed as being achieved through scrutiny and audit and identified as "business as usual" within the Police Authority business plan.

In addition both the Chief Executive/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.

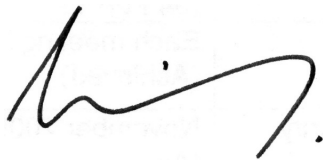
**Signed**

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

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**Mr P Stock**  
**Chief Executive and Treasurer of Leicestershire Police Authority**

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

# Audit Opinion

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

We have audited the financial statements, the police pension fund accounting statements and related notes for the year ended 31 March 2011 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, supported by the Best Value Accounting Code of Practice 2010/11.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Treasurer is responsible for the preparation of the financial statements, including the pension fund accounting statements, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, 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 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, 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.

### ***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority and pension fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authority and pension fund; and
- the overall presentation of the financial statements.

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2011 and of the Authority's income and expenditure and cash flows for the year then ended; and
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

### ***Opinion on other matters***

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.



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

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

**Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

***Auditor's responsibilities***

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

***Basis of conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Leicestershire Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

**Certificate**

We certify that we have completed the audit of the accounts, including the police pension fund accounting statements, of Leicestershire Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Mark Jones (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

Dated:

**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.

## ***Comprehensive Income & Expenditure Statement***

The Comprehensive Income & Expenditure Statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.

<b>2009/10 (restated)</b>				<i>Note</i>	<b>2010/11</b>		
<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>			<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	
101,591	(12,073)	89,518	Local Policing		102,566	(13,159)	89,407
13,868	(327)	13,541	Dealing With The Public		12,891	(185)	12,706
15,618	(1,907)	13,711	Criminal Justice Arrangements		17,914	(2,571)	15,343
6,914	(1,197)	5,717	Road Policing		5,771	(295)	5,476
13,757	(2,553)	11,204	Specialist Operations		15,584	(3,271)	12,313
9,207	(392)	8,815	Intelligence		12,373	(381)	11,992
21,652	(2,519)	19,133	Specialist Investigations		25,433	(1,031)	24,402
7,281	(888)	6,393	Investigative Support		6,512	(64)	6,448
5,725	(4,285)	1,440	National Policing		6,363	(4,352)	2,011
708	(4)	704	Corporate & Democratic Core		1,004	-	1,004
-	-	-	Non distributed Costs – Past Service Costs	37	-	(116,452)	(116,452)
-	-	-	Non distributed Costs - Curtailments	37	171	-	171
<b>196,321</b>	<b>(26,145)</b>	<b>170,176</b>	<b>Cost of Services</b>	4	<b>206,582</b>	<b>(141,761)</b>	<b>64,821</b>
22	-	22	Other Operating Expenditure	6	121	-	121
62,323	(258)	62,065	Financing and Investment Income & Expenditure	7	73,555	(150)	73,405
-	(172,409)	(172,409)	Taxation & Non-Specific Grant Income	8	-	(177,860)	(177,860)
<b>258,666</b>	<b>(198,812)</b>	<b>59,854</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>280,258</b>	<b>(319,771)</b>	<b>(39,513)</b>
		2,080	(Surplus) / Deficit on Revaluation of Non-Current Assets	40/41			(1,509)
		393,415	Actuarial (Gains) / Losses on Pension Assets/Liabilities	37			(13,834)
		(5,982)	Grant received from the Home Office in respect of the Pension Fund Account	36			(5,793)
		<b>389,513</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(21,136)</b>
		<b>449,367</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(60,649)</b>

*Non-distributed costs – Past Service Costs* is the adjustment calculated by the Authority's Actuary to be required to restate the Authority's defined benefit pension liabilities due to the change from RPI (Retail Price Index) to CPI (Consumer Price Index) as the basis for increasing pension payments each year. This is a one-off adjustment. Refer to Note 37 for further analysis.

## Balance Sheet

The Balance Sheet shows the value of the Authority's assets and liabilities at the Balance Sheet date. The net assets or liabilities (shown below) are matched by the Authority's reserves. Reserves are separated into *Usable* (i.e. those amounts the Authority may use to provide police services – subject to statutory limitations) and *Unusable* (i.e. those reserves where unrealised gains/losses reside or where adjustments are made to reconcile between accounting requirements and taxation requirements).

1 <sup>st</sup> April 2009 (restated) £000	31 <sup>st</sup> March 2010 (restated) £000		Note	31 <sup>st</sup> March 2011 £000
		<b>Non-Current Assets</b>		
2,080	2,122	Intangible Assets	17	1,872
64,627	61,605	Property, Plant & Equipment	18	60,500
282	285	Investment Property	18/20	282
<b>66,989</b>	<b>64,012</b>			<b>62,654</b>
-	38	<b>Non-Operational Non-Current Assets</b>		
		Assets under construction	18/22	843
<b>66,989</b>	<b>64,050</b>			<b>63,497</b>
35	77	Long Term Debtors	25	79
<b>67,024</b>	<b>64,127</b>	<b>Total Long Term Assets</b>		<b>63,576</b>
		<b>Current Assets</b>		
282	305	Inventories	24	293
11,037	7,829	Short Term Debtors	25	6,326
-	-	Assets Held For Sale	21	398
830	937	Payments in Advance		838
5,518	5,020	Short Term Investments	26	10
13,381	11,886	Cash & Cash Equivalents	26	22,480
<b>31,048</b>	<b>25,977</b>			<b>30,345</b>
		<b>Current Liabilities</b>		
(12,686)	(10,847)	Short Term Creditors	28	(8,861)
(1,321)	(1,361)	Receipts in Advance		(914)
(236)	(241)	Short Term Borrowing		(189)
(597)	(903)	Provisions	31	(257)
(3,411)	(2,894)	Accumulated Absences	43	(2,679)
<b>(18,251)</b>	<b>(16,246)</b>			<b>(12,900)</b>
<b>12,797</b>	<b>9,731</b>	<b>Net Current Assets</b>		<b>17,445</b>
		<b>Long Term Liabilities</b>		
(12,559)	(12,454)	Long Term Borrowing	29	(12,399)
(4,430)	(3,991)	Deferred Liabilities	27	(3,752)
(514)	(153)	Capital Grants Receipts in Advance	15	(67)
(868,321)	(1,312,630)	Liability Related to Defined Benefit Pension Schemes	37	(1,259,524)
<b>(885,824)</b>	<b>(1,329,228)</b>			<b>(1,275,742)</b>
<b>(806,003)</b>	<b>(1,255,370)</b>	<b>Net Assets / (Liabilities)</b>		<b>(1,194,721)</b>
19,315	18,111	Usable Reserves	32	23,774
(825,318)	(1,273,481)	Unusable Reserves	33	(1,218,495)
<b>(806,003)</b>	<b>(1,255,370)</b>	<b>Total Reserves</b>		<b>(1,194,721)</b>

## Statement of Movement in Reserves

The Statement of Movement in Reserves shows the movement in the year on the different reserves held by the Authority. These reserves are analysed into *Usable* and *Unusable* (see the previous page for a definition). The *Surplus or (Deficit) on Provision of Services* line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement and supporting notes. These costs are different to those required to be charged against the General Fund for council tax purposes. The *Net Increase/Decrease Before Transfers to Earmarked Reserves* line shows the movement on the General Fund before any discretionary transfers are made to or from earmarked reserves by the Authority.

Further details of the movements can be seen in the notes as referenced below.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
Note	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b>Balance as at 31<sup>st</sup> March 2009</b>	<b>4,881</b>	<b>14,413</b>	-	<b>21</b>	<b>19,315</b>	<b>45,345</b>	<b>976</b>	<b>93</b>	<b>(868,321)</b>	<b>(3,411)</b>	<b>(825,318)</b>	<b>(806,003)</b>
<b><u>Movement in reserves during 2009/10</u></b>												
Surplus or (deficit) on the provision of services	(59,854)	-	-	-	<b>(59,854)</b>	-	-	-	-	-	-	<b>(59,854)</b>
Other Comprehensive Income & Expenditure	(389,513)	-	-	-	<b>(389,513)</b>	-	-	-	-	-	-	<b>(389,513)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(449,367)</b>	-	-	-	<b>(449,367)</b>	-	-	-	-	-	-	<b>(449,367)</b>
Adjustments between accounting basis & funding basis under regulations (note 3)	448,173	-	-	(10)	<b>448,163</b>	(3,629)	(457)	(285)	(444,309)	517	<b>(448,163)</b>	-
<b>Net Increase/Decrease before Transfers to/from Earmarked Reserves</b>	<b>(1,194)</b>	-	-	<b>(10)</b>	<b>(1,204)</b>	<b>(3,629)</b>	<b>(457)</b>	<b>(285)</b>	<b>(444,309)</b>	<b>517</b>	<b>(448,163)</b>	<b>(449,367)</b>
Transfers to/from Earmarked Reserves (note 34)	1,566	(1,566)	-	-	-	-	-	-	-	-	-	-
<b>Increase/Decrease in 2009/10</b>	<b>372</b>	<b>(1,566)</b>	-	<b>(10)</b>	<b>(1,204)</b>	<b>(3,629)</b>	<b>(457)</b>	<b>(285)</b>	<b>(444,309)</b>	<b>517</b>	<b>(448,163)</b>	<b>(449,367)</b>
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>5,253</b>	<b>12,847</b>	-	<b>11</b>	<b>18,111</b>	<b>41,716</b>	<b>519</b>	<b>(192)</b>	<b>(1,312,630)</b>	<b>(2,894)</b>	<b>(1,273,481)</b>	<b>(1,255,370)</b>

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
Note	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>5,253</b>	<b>12,847</b>	-	<b>11</b>	<b>18,111</b>	<b>41,716</b>	<b>519</b>	<b>(192)</b>	<b>(1,312,630)</b>	<b>(2,894)</b>	<b>(1,273,481)</b>	<b>(1,255,370)</b>
<b><u>Movement in reserves during 2010/11</u></b>												
Surplus or (deficit) on the provision of services	39,513	-	-	-	<b>39,513</b>	-	-	-	-	-	-	<b>39,513</b>
Other Comprehensive Income & Expenditure	21,136	-	-	-	<b>21,136</b>	-	-	-	-	-	-	<b>21,136</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>60,649</b>	-	-	-	<b>60,649</b>	-	-	-	-	-	-	<b>60,649</b>
Adjustments between accounting basis & funding basis under regulations (note 3)	(54,983)	-	-	(3)	<b>(54,986)</b>	1,070	229	366	53,106	215	54,986	-
<b>Net Increase/Decrease before Transfers to/from Earmarked Reserves</b>	<b>5,666</b>	-	-	<b>(3)</b>	<b>5,663</b>	<b>1,070</b>	<b>229</b>	<b>366</b>	<b>53,106</b>	<b>215</b>	<b>54,986</b>	<b>60,649</b>
Transfers to/from Earmarked Reserves (note 34)	(5,666)	5,666	-	-	-	-	-	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>-</b>	<b>5,666</b>	-	<b>(3)</b>	<b>5,663</b>	<b>1,070</b>	<b>229</b>	<b>366</b>	<b>53,106</b>	<b>215</b>	<b>54,986</b>	<b>60,649</b>
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>5,253</b>	<b>18,513</b>	-	<b>8</b>	<b>23,774</b>	<b>42,786</b>	<b>748</b>	<b>174</b>	<b>(1,259,524)</b>	<b>(2,679)</b>	<b>(1,218,495)</b>	<b>(1,194,721)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

*Investing* activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from *Financing* activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009/10 (restated) £000		Note	2010/11 £000
59,854	<b>Net (surplus) or deficit on the provision of services</b>		<b>(39,513)</b>
(65,728)	Adjustments to <i>net (surplus) or deficit on the provision of services</i> for non-cash movements		28,487
2,876	Adjustments for items included in the <i>net (surplus) or deficit on the provision of services</i> that are investing and financing activities		2,491
<b>(2,998)</b>	<b>Net cash flows from Operating Activities</b>	44	<b>(8,535)</b>
3,957	Investing Activities	45	(2,603)
536	Financing Activities	46	544
<b>1,495</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(10,594)</b>
13,381	Cash and Cash Equivalents at the beginning of the reporting period	26	11,886
<b>11,886</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	26	<b>22,480</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 (2010/11 – 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 Comprehensive Income & Expenditure Statement but is transferred to the Pension Fund Account by an adjustment in the Statement of Movement in Reserves. The Fund does not hold any investment assets and follows the accounting policies of the Authority.

At 31<sup>st</sup> March 2011, Debtors includes £896k (2009/10 - £1,925k) in respect of pension top-up grant receivable from the Home Office to make up the deficit on the Pension Fund.

The Pension Fund does not take account of the liabilities to pay pensions and other benefits after the end of the financial year.

2009/10 £000		2010/11	
		£000	£000
(19,417)	<b>Contributions Receivable:</b>	(19,508)	
(446)	- Normal employer contributions	(361)	
(105)	- Ill-health early retirements	(81)	
(8,679)	- Reimbursement of unabated pensions of '30+' officers	(8,704)	
(28,647)	- Employee contributions		(28,654)
(878)	<b>Transfers in from other schemes</b>		(75)
	<b>Benefits Payable:</b>		
26,943	- Pensions paid to retired officers	28,004	
5,886	- Commutations / lump-sum benefits	5,536	
591	- Ill-health commutations / lump-sum benefits	679	
224	- Lump-sum death benefits	115	
33,644			34,334
	<b>Payments to and on account of leavers:</b>		
27	- Refund of contributions	15	
1,836	- Transfers out to other schemes	173	
1,863			188
5,982	<b>Sub-total for the year before transfer from the Authority of amount equal to the deficit</b>		5,793
(5,982)	<b>Additional funding payable by the Authority to fund the deficit for the year</b>		(5,793)
-	<b>Surplus/Deficit on the account at 31<sup>st</sup> March 2011</b>		-

£000	Net Assets Statement	£000
1,925	Contributions due from employer (top-up grant)	896
1,925		896



## Notes to the Accounts

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### 1. **Authorisation of Financial Statements**

The financial statements were authorised for issue by Mr P Stock, Chief Executive / Treasurer, on **28<sup>th</sup> September 2011**. The Authority can confirm that events after the Balance Sheet date have been considered for inclusion in these accounts up to the date the accounts were signed.

### 2. **Transition to IFRS**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis (International Financial Reporting Standards). Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Statement of Accounts are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

This note will firstly provide a commentary regarding the adjustments and then provide a reconciliation of the impact these adjustments have had on the Authority's Statement of Accounts for 2009/10.

The changes to the accounts can be summarised as follows:

- Closure of Government Grants Deferred on the Balance Sheet. Recognise Capital Grants & Contributions through the Comprehensive Income & Expenditure Statement (within *Taxation & Non-Specific Grant Income*)
- Recognition of Investment Property within the Authority's Balance Sheet
- Accrual for Employee Benefits at 31<sup>st</sup> March of each year
- Recognise gains and losses that would previously have been in the Statement of Total Recognised Gains & Losses (STRGL) within the *Other Comprehensive Income & Expenditure* section of the Comprehensive Income & Expenditure Statement
- Cash investments of a maximum duration of three months now shown in Cash & Cash Equivalents. Previous cash and cash overdrawn figures combined to form Cash & Cash Equivalents

#### Closure of Government Grants Deferred on the Balance Sheet

Under the Code, grants and contributions for capital expenditure are recognised as income when they become receivable. Previously, grants were held in the Government Grants Deferred account on the Balance Sheet and amortised to the Income & Expenditure Account over the life of the asset they were used to fund.

At 31<sup>st</sup> March 2009, the balance on the Government Grants Deferred account was transferred to the Capital Adjustment Account (with effect from 1<sup>st</sup> April 2009 – or the beginning of 2009/10).

Any Government Grants Deferred that had been amortised during 2009/10 to the Income & Expenditure Statement have been removed.

Where Capital Grants & Contributions were received during 2009/10 but not used to finance capital expenditure, they have been transferred to the Capital Grants Unapplied Account within the usable reserves section of the Balance Sheet.

Recognition of Investment Property

Application of the Authority's new accounting policy in respect of Investment Property has resulted in a previously unrecognised part of the Braunstone police station (telecommunications mast) being brought onto the Authority's Balance Sheet. This change was made with effect from 31<sup>st</sup> March 2009 and hence affects both the opening and closing position for 2009/10.

Income, expenditure and revaluation gains/losses have also been recognised through the 2009/10 Comprehensive Income & Expenditure Statement that had not been separately identified previously. Only the revaluation gain/loss has an impact on the surplus/deficit on the Comprehensive Income & Expenditure Account due to the Authority already recognising income and expenditure in relation to the telecommunications mast within the Income & Expenditure Account.

Accrual for Employee Benefits (short-term accumulating compensated absences)

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this definition is holiday pay or annual leave.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31<sup>st</sup> March each year. Under the previous accounting arrangements (UK GAAP) no such accrual was required.

The Government has issued regulations that mean local authorities (including Police Authorities) are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Recognise Gains/Losses in the Comprehensive Income & Expenditure Account that would previously have featured in the Balance Sheet and STRGL only

Under the previous accounting arrangements (UK GAAP), only revaluation losses were charged to the Income & Expenditure Account (and only then when residual gains had been extinguished in the Revaluation Reserve). Gains and, in certain circumstances, losses would also have been debited or credited to the Revaluation Reserve and recognised in the Statement of Total Recognised Gains and Losses (STRGL).

Under IFRS, the Comprehensive Income & Expenditure Statement must show all revaluation gains and losses irrespective of their interaction with the Revaluation Reserve.

Similarly, actuarial gains/losses in respect of the Authority's pension schemes were previously not charged to the Income & Expenditure Account – this has now been changed such that all gains/losses feature in the Total Comprehensive Income & Expenditure figure.

The following workings provide a reconciliation between the figures for 2009/10 as previously published and their revised equivalents within the Statement of Accounts for 2010/11:

Balance Sheet

Opening 1<sup>st</sup> April 2009 Balance Sheet

<b>Balance Sheet Extract</b>	<b>2009/10 Statements</b>	<b>Adjustments</b>	<b>2009/10 Restated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Assets</b>			
Investment Properties	-	282	<b>282</b>
Short-Term Investments	<b>19,528</b>	(14,010)	<b>5,518</b>
Cash & Cash Equivalents	<b>2,854</b>	10,527	<b>13,381</b>
Cash Overdrawn	<b>(3,484)</b>	3,484	-
Receipts in Advance	<b>(1,316)</b>	(5)	<b>(1,321)</b>
Provision for Accumulated Absences	-	(3,411)	<b>(3,411)</b>
Government Grants Deferred	<b>(20,933)</b>	20,933	-
Grants & Contributions Unapplied	<b>(535)</b>	535	-
Capital Grants Receipts in Advance	-	(514)	<b>(514)</b>
<b>Total</b>	<b>n/a</b>	<b>17,821</b>	<b>n/a</b>
<b>Total Reserves</b>			
Capital Adjustment Account	<b>24,134</b>	21,211	<b>45,345</b>
Capital Grants Unapplied Account	-	21	<b>21</b>
Accumulated Absences Account	-	(3,411)	<b>(3,411)</b>
<b>Total</b>	<b>n/a</b>	<b>17,821</b>	<b>n/a</b>

Closing 31<sup>st</sup> March 2010 Balance Sheet

<b>Balance Sheet Extract</b>	<b>2009/10 Statements</b>	<b>Adjustments</b>	<b>2009/10 Restated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Assets</b>			
Investment Properties	-	285	<b>285</b>
Short-Term Investments	<b>15,022</b>	(10,002)	<b>5,020</b>
Cash & Cash Equivalents	<b>2,216</b>	9,670	<b>11,886</b>
Cash Overdrawn	<b>(332)</b>	332	-
Receipts in Advance	<b>(1,358)</b>	(3)	<b>(1,361)</b>
Provision for Accumulated Absences	-	(2,894)	<b>(2,894)</b>
Government Grants Deferred	<b>(20,459)</b>	20,459	-
Grants & Contributions Unapplied	<b>(164)</b>	164	-
Capital Grants Receipts in Advance	-	(153)	<b>(153)</b>
<b>Total</b>	<b>n/a</b>	<b>17,858</b>	<b>n/a</b>
<b>Total Reserves</b>			
Capital Adjustment Account	<b>20,975</b>	20,741	<b>41,716</b>
Capital Grants Unapplied Account	-	11	<b>11</b>
Accumulated Absences Account	-	(2,894)	<b>(2,894)</b>
<b>Total</b>	<b>n/a</b>	<b>17,858</b>	<b>n/a</b>

Comprehensive Income & Expenditure Statement

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2009/10 Statements</b>	<b>Adjustments</b>	<b>2009/10 Restated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Cost of Services	<b>168,492</b>	1,684	<b>170,176</b>
(Surplus)/Deficit on Provision of Services	<b>55,539</b>	4,315	<b>59,854</b>
Total Comprehensive Income & Expenditure <sup>1</sup>	<b>55,539</b>	393,828	<b>449,367</b>

<sup>1</sup> This line did not appear in the previously published Statement of Accounts for 2009/10 – hence the surplus/deficit is carried down and adjusted.

### 3. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
<b>2010/11</b> <i>Note</i>	<b>35</b> £000	<b>34</b> £000	<b>38</b> £000	<b>39</b> £000	<b>32</b> £000	<b>41</b> £000	<b>40</b> £000	<b>42</b> £000	<b>36</b> £000	<b>43</b> £000	<b>33</b> £000	<b>£000</b>
<b>Adjustments involving the Capital Adjustment Account</b>												
<b>Items charged to the Comprehensive Income &amp; Expenditure Statement</b>												
Charges for depreciation and amortisation	5,035	-	-	-	<b>5,035</b>	(5,035)	-	-	-	-	<b>(5,035)</b>	-
Revaluation of non-current assets	(1,274)	-	-	-	<b>(1,274)</b>	1,274	-	-	-	-	<b>1,274</b>	-
Revaluation of non-current assets (held for sale)	82	-	-	-	<b>82</b>	(82)	-	-	-	-	<b>(82)</b>	-
Movements in the Market Value of Investment Property	3	-	-	-	<b>3</b>	(3)	-	-	-	-	<b>(3)</b>	-
Capital grants & contributions applied to capital expenditure	(2,378)	-	-	-	<b>(2,378)</b>	2,378	-	-	-	-	<b>2,378</b>	-
Revenue expenditure funded from capital under statute (REFCUS)	970	-	-	-	<b>970</b>	(970)	-	-	-	-	<b>(970)</b>	-
Carrying value of non-current assets disposed of	325	-	-	-	<b>325</b>	(325)	-	-	-	-	<b>(325)</b>	-
<b>Items not charged to the Comprehensive Income &amp; Expenditure Statement</b>												
Provision for Repayment of Debt (Minimum Revenue Provision)	(521)	-	-	-	<b>(521)</b>	521	-	-	-	-	<b>521</b>	-
Provision for Repayment of Debt (Deferred Liabilities)	(439)	-	-	-	<b>(439)</b>	439	-	-	-	-	<b>439</b>	-
Voluntary Provision for Repayment of Debt	(493)	-	-	-	<b>(493)</b>	493	-	-	-	-	<b>493</b>	-
Capital expenditure charged to revenue	(2,257)	-	-	-	<b>(2,257)</b>	2,257	-	-	-	-	<b>2,257</b>	-
<b>Sub-Total c/fwd to next page</b>	<b>(947)</b>	-	-	-	<b>(947)</b>	<b>947</b>	-	-	-	-	<b>947</b>	-

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
<i>Note</i>	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b>Sub-Total b/fwd from previous page</b>	<b>(947)</b>	-	-	-	<b>(947)</b>	<b>947</b>	-	-	-	-	<b>947</b>	-
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>												
Capital receipts credited to the Comprehensive Income & Expenditure Account but transferred to the Capital Receipts Reserve	(114)	-	114	-	-	-	-	-	-	-	-	-
Capital Receipts used to finance capital expenditure	-	-	(114)	-	<b>(114)</b>	114	-	-	-	-	<b>114</b>	-
<b><u>Adjustments involving the Revaluation Reserve</u></b>												
Revaluation of non-current assets where residual gain/loss exists on the Revaluation Reserve	(235)	-	-	-	<b>(235)</b>	-	235	-	-	-	<b>235</b>	-
Transfer to Capital Adjustment Account in respect of depreciation on revalued non-current assets	-	-	-	-	-	6	(6)	-	-	-	-	-
<b><u>Adjustments involving the Capital Grants Unapplied Account</u></b>												
Use of capital grants & contributions to finance capital expenditure (previously recognised through the Comprehensive Income & Expenditure Account)	-	-	-	(3)	<b>(3)</b>	3	-	-	-	-	<b>3</b>	-
<b>Sub-Total c/fwd to next page</b>	<b>(1,296)</b>	-	-	<b>(3)</b>	<b>(1,299)</b>	<b>1,070</b>	<b>229</b>	-	-	-	<b>1,299</b>	-

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
Note	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b>Sub-Total b/fwd from previous page</b>	(1,296)	-	-	(3)	(1,299)	1,070	229	-	-	-	1,299	-
<b><u>Adjustments involving the Pensions Reserve</u></b>												
(Gains) / Losses in respect of Force Pension Schemes	(13,834)	-	-	-	(13,834)	-	-	-	13,834	-	13,834	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,887)	-	-	-	(6,887)	-	-	-	6,887	-	6,887	-
Employers contributions in respect of employees and benefits paid to pensioners	(26,592)	-	-	-	(26,592)	-	-	-	26,592	-	26,592	-
Grant from the Home Office in respect of the Pension Fund Account	(5,793)	-	-	-	(5,793)	-	-	-	5,793	-	5,793	-
<b><u>Adjustments involving the Collection Fund Adjustment Account</u></b>												
Difference between Council Tax receipts on an accruals basis and on a cash-received basis	(366)	-	-	-	(366)	-	-	366	-	-	366	-
<b><u>Adjustments involving the Accumulated Absences Account</u></b>												
Reversal of the accrual for employee benefits made in the Comprehensive Income & Expenditure Account	(215)	-	-	-	(215)	-	-	-	-	215	215	-
<b>Total Adjustments</b>	<b>(54,983)</b>			<b>(3)</b>	<b>(54,986)</b>	<b>1,070</b>	<b>229</b>	<b>366</b>	<b>53,106</b>	<b>215</b>	<b>54,986</b>	<b>-</b>

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
<b>2009/10</b> <i>Note</i>	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b><u>Adjustments involving the Capital Adjustment Account</u></b>												
<b>Items charged to the Comprehensive Income &amp; Expenditure Statement</b>												
Charges for depreciation and amortisation	4,872	-	-	-	<b>4,872</b>	(4,872)	-	-	-	-	<b>(4,872)</b>	-
Revaluation of non-current assets	1,630	-	-	-	<b>1,630</b>	(1,630)	-	-	-	-	<b>(1,630)</b>	-
Revaluation of non-current assets (held for sale)	-	-	-	-	-	-	-	-	-	-	-	-
Movements in the Market Value of Investment Property	(3)	-	-	-	<b>(3)</b>	3	-	-	-	-	<b>3</b>	-
Capital grants & contributions applied to capital expenditure	(2,885)	-	-	-	<b>(2,885)</b>	2,885	-	-	-	-	<b>2,885</b>	-
Revenue expenditure funded from capital under statute (REFCUS)	2,139	-	-	-	<b>2,139</b>	(2,139)	-	-	-	-	<b>(2,139)</b>	-
Carrying value of non-current assets disposed of	146	-	-	-	<b>146</b>	(146)	-	-	-	-	<b>(146)</b>	-
<b>Items <u>not</u> charged to the Comprehensive Income &amp; Expenditure Statement</b>												
Provision for Repayment of Debt (Minimum Revenue Provision)	(475)	-	-	-	<b>(475)</b>	475	-	-	-	-	<b>475</b>	-
Provision for Repayment of Debt (Deferred Liabilities)	(439)	-	-	-	<b>(439)</b>	439	-	-	-	-	<b>439</b>	-
Voluntary Provision for Repayment of Debt	(362)	-	-	-	<b>(362)</b>	362	-	-	-	-	<b>362</b>	-
Capital expenditure charged to revenue	(986)	-	-	-	<b>(986)</b>	986	-	-	-	-	<b>986</b>	-
<b>Sub-Total c/fwd to next page</b>	<b>3,637</b>	-	-	-	<b>3,637</b>	<b>(3,637)</b>	-	-	-	-	<b>(3,637)</b>	-



	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
<i>Note</i>	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b>Sub-Total b/fwd from previous page</b>	<b>3,637</b>	-	-	-	<b>3,637</b>	<b>(3,637)</b>	-	-	-	-	<b>(3,637)</b>	-
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>												
Capital receipts credited to the Comprehensive Income & Expenditure Account but transferred to the Capital Receipts Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Capital Receipts used to finance capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
<b><u>Adjustments involving the Revaluation Reserve</u></b>												
Revaluation of non-current assets where residual gain/loss exists on the Revaluation Reserve	450	-	-	-	<b>450</b>		(450)	-	-	-	<b>(450)</b>	-
Transfer to Capital Adjustment Account in respect of depreciation on revalued non-current assets	-	-	-	-	-	4	(4)	-	-	-	-	-
EMASU adjustment	-	-	-	-	-	3	(3)	-	-	-	-	-
<b><u>Adjustments involving the Capital Grants Unapplied Account</u></b>												
Use of capital grants & contributions to finance capital expenditure (previously recognised through the Comprehensive Income & Expenditure Account)	-	-	-	(1)	<b>(1)</b>	1	-	-	-	-	<b>1</b>	-
Other adjustment	9	-	-	(9)	-	-	-	-	-	-	-	-
<b>Sub-Total c/fwd to next page</b>	<b>4,096</b>	-	-	<b>(10)</b>	<b>4,086</b>	<b>(3,629)</b>	<b>(457)</b>	-	-	-	<b>(4,086)</b>	-

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	Total Authority Reserves
Note	35 £000	34 £000	38 £000	39 £000	32 £000	41 £000	40 £000	42 £000	36 £000	43 £000	33 £000	£000
<b>Sub-Total b/fwd from previous page</b>	<b>4,096</b>	-	-	(10)	<b>4,086</b>	<b>(3,629)</b>	<b>(457)</b>	-	-	-	<b>(4,086)</b>	-
<b><u>Adjustments involving the Pensions Reserve</u></b>												
(Gains) / Losses in respect of Force Pension Schemes	393,415	-	-	-	<b>393,415</b>	-	-	-	(393,415)		<b>(393,415)</b>	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	83,254	-	-	-	<b>83,254</b>	-	-	-	(83,254)	-	<b>(83,254)</b>	-
Employers contributions in respect of employees and benefits paid to pensioners	(26,378)	-	-	-	<b>(26,378)</b>	-	-	-	26,378		<b>26,378</b>	-
Grant from the Home Office in respect of the Pension Fund Account	(5,982)	-	-	-	<b>(5,982)</b>	-	-	-	5,982		<b>5,982</b>	-
<b><u>Adjustments involving the Collection Fund Adjustment Account</u></b>												
Difference between Council Tax receipts on an accruals basis and on a cash-received basis	285	-	-	-	<b>285</b>	-	-	(285)	-	-	<b>(285)</b>	-
<b><u>Adjustments involving the Accumulated Absences Account</u></b>												
Reversal of the accrual for employee benefits made in the Comprehensive Income & Expenditure Account	(517)	-	-	-	<b>(517)</b>	-	-	-	-	517	<b>517</b>	-
<b>Total Adjustments</b>	<b>448,173</b>			<b>(10)</b>	<b>448,163</b>	<b>(3,629)</b>	<b>(457)</b>	<b>(285)</b>	<b>(444,309)</b>	<b>517</b>	<b>(448,163)</b>	-

#### 4. Subjective Analysis

This note provides an alternative breakdown of the Authority's *Cost of Services* using descriptions used in the Authority's internal management reporting. It is provided to allow the reader of these Financial Statements an opportunity to see what the major areas of expenditure and income are for the Authority.

It should be noted that this analysis includes some items within *Cost of Services* that are not required to be charged against the General Fund for council tax purposes – this analysis does not therefore constitute the "budget" of the Authority.

2009/10 Restated Outturn £000		Note	2010/11 Outturn £000
116,526	Police Officer pay and allowances		117,186
43,908	Police Staff pay and allowances		42,530
2,402	Police pensions		2,490
(4,542)	IAS19 Current Cost Adjustment (pensions)	37	10,115
2,217	Other employees expenses		2,248
5,085	Premises		5,767
4,147	Transport		4,058
12,301	Supplies and services		10,529
6,496	Agency and contracted services		4,684
765	Services to the Police Authority		800
2,139	Revenue Expenditure financed from Capital Resources	19/41	970
4,872	Depreciation & Amortisation charges	3/17 18	5,035
-	Non-Distributed Costs regarding pensions	37	(116,281)
<b>196,316</b>	<b>Gross Operating Expenditure</b>		<b>90,131</b>
(17,163)	Income from Government Grants	15	(15,709)
(7,362)	Income from fees and charges		(7,565)
(1,615)	Contributions from Other Local Authorities		(2,036)
<b>170,176</b>	<b>Cost of Services</b>		<b>64,821</b>
22	Other Operating Expenditure	6	121
62,065	Financing and Investment Income & Expenditure	7	73,405
(172,409)	Taxation & Non-Specific Grant Income	8	(177,860)
<b>59,854</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>(39,513)</b>
2,080	(Surplus) / Deficit on Revaluation of Non-Current Assets	40/41	(1,509)
393,415	Actuarial (Gains) / Losses on Pension Assets/Liabilities	37	(13,834)
(5,982)	Grant received from the Home Office in respect of the Pension Fund Account	36	(5,793)
<b>389,513</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>(21,136)</b>
<b>449,367</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(60,649)</b>

## **5. Amounts Reported for Resource Allocation Decisions (Segmental Reporting)**

The financial performance of the Authority is communicated in a different format to the Chief Operating Decision Makers (the Police Authority and Chief Constable) to that shown in these financial statements.

Performance is analysed internally by BCU (Basic Command Unit) and Department and some budgets (for example Police Pay & Allowances) are not devolved to those cost-centres.

The Authority does not report its financial performance internally on a subjective basis to the Chief Operating Decision Makers, rather it is reported on the basis of net expenditure against budget.

No charges are made to budgets in respect of capital accounting (i.e. depreciation, revaluations, impairment losses and amortisation) although capital expenditure is charged to revenue in the form of a *Revenue Contribution to Capital*.

The cost of retirement benefits is based on cashflows in the year (i.e. payment of employers contributions) rather than the current service cost approach advocated by IAS19.

On the following pages is a reproduction of the Authority's outturn reports for 2009/10 and 2010/11 together with a reconciliation of the net expenditure figure to the Total Comprehensive Income & Expenditure figure shown at the foot of the Comprehensive Income & Expenditure Statement.

It should be noted that the Authority underwent a substantial restructuring exercise during 2010/11 – whilst many departmental names have broadly stayed the same there has been a grouping of departments in to directorates for 2010/11 together with a reduction from three BCUs to two. 2009/10's figures are presented faithfully according to the report given to Chief Operating Decision Makers at the time. As part of the restructuring, the organisation opted to centralise police staff pay budgets until 1<sup>st</sup> April 2011 (police staff pay is included in BCU/Department figures for 2009/10 however) and hence this should be noted when comparing 2009/10 with 2010/11.

**Leicestershire Police Authority**  
**Revenue Outturn 2010/11**

	Revised Budget £000	Provisional Outturn £000	Year-End Commitments £000	Balance £000	MEMO Feb Forecast £000
<b><u>Delegated Budgets (Non-Pay)</u></b>					
<b><i>Basic Command Units</i></b>					
Counties	2,799	2,597	55	(147)	(169)
City	2,390	2,319	25	(46)	(73)
<b>Sub-Total</b>	<b>5,189</b>	<b>4,916</b>	<b>80</b>	<b>(193)</b>	<b>(242)</b>
<b><i>Delivering Justice Directorate</i></b>					
Criminal Justice	1,701	1,569	43	(89)	(10)
Safety Camera Scheme	-	-	-	-	-
Crime Support	2,540	1,745	24	(771)	(706)
St Bernards, Juniper Lodge	93	93	-	-	-
MAPPU	2	2	-	-	-
Scientific Support	2,964	1,638	-	(1,326)	(1,321)
<b>Sub-Total</b>	<b>7,300</b>	<b>5,047</b>	<b>67</b>	<b>(2,186)</b>	<b>(2,037)</b>
<b><i>Tasking Directorate</i></b>					
Contact Management	167	152	15	-	(2)
Operational Support	2,024	1,525	75	(424)	(291)
Specials	116	100	12	(4)	(22)
Force Intelligence Bureau	711	473	36	(202)	(72)
<b>Sub-Total</b>	<b>3,018</b>	<b>2,250</b>	<b>138</b>	<b>(630)</b>	<b>(387)</b>
<b><i>Corporate Services Directorate</i></b>					
Corporate Development	516	374	50	(92)	(81)
Professional Standards	278	231	47	-	-
Community Safety Bureau	449	401	22	(26)	(22)
<b>Sub-Total</b>	<b>1,243</b>	<b>1,006</b>	<b>119</b>	<b>(118)</b>	<b>(103)</b>
<b><i>Departments</i></b>					
Human Resources	560	500	60	-	(57)
Learning & Development	1,209	792	100	(317)	(317)
Information Technology	3,322	3,198	34	(90)	(21)
Procurement & Support Services	615	543	28	(44)	(76)
Estates	1,135	1,143	-	8	-
Finance	181	169	12	-	-
<b>Sub-Total</b>	<b>7,022</b>	<b>6,345</b>	<b>234</b>	<b>(443)</b>	<b>(471)</b>
<b>Police Authority</b>	<b>801</b>	<b>799</b>	<b>-</b>	<b>(2)</b>	<b>30</b>
<b>Total Delegated (non-pay)</b>	<b>24,573</b>	<b>20,363</b>	<b>638</b>	<b>(3,572)</b>	<b>(3,210)</b>
<b><u>Corporate Budgets</u></b>					
Central Items	1,591	3,124	118	1,651	1,912
Seconded Officers	(1,454)	(1,599)	-	(145)	(239)
Police Pensions	2,358	2,490	-	132	128
Police Staff Pay & Allowances	35,798	32,461	21	(3,316)	(3,335)
Police Pay & Allowances	112,250	111,054	-	(1,196)	(1,066)
<b>Sub-Total (Corporate)</b>	<b>150,543</b>	<b>147,530</b>	<b>139</b>	<b>(2,874)</b>	<b>(2,600)</b>
2009/10 Carry-Forwards	-	(181)	72	(109)	(101)
In-year Costs of Restructuring	-	1,348	33	1,381	1,337
Revenue Contribution to Fund	-	2,500	-	2,500	-
Future Capital Expenditure	-	-	-	-	-
Transfer to Public Order Reserve	-	1,000	-	1,000	-
Miscellaneous C/Fwd requests	-	-	139	139	100
<b>Grand Total (outturn)</b>	<b>175,116</b>	<b>172,560</b>	<b>1,021</b>	<b>(1,535)</b>	<b>(4,474)</b>

**Reconciliation between 2010/11 Segmental Reporting & Comprehensive Income & Expenditure Statement**

	Note	£000
2010/11 Net Expenditure per outturn report		172,560
2010/11 Carry-Forward Requests		1,021
<b>Net Expenditure before transfer to Budget Equalisation Reserve</b>		<b>173,581</b>
Transfer to Budget Equalisation reserve		1,535
<b>Net Expenditure for 2010/11 (management accounts)</b>		<b>175,116</b>
Council tax income (cash basis)	44	(53,734)
Police grant	8	(67,996)
Revenue support grant	8	(6,769)
Non-domestic rates	8	(46,617)
<b>Movement on General Fund Balance (management accounts)</b>		-
Reverse effect of Transfer to/from Earmarked Reserves	34	(5,666)
Adjustments between accounting basis & funding basis under regulations	3	(54,983)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(60,649)</b>

**Leicestershire Police Authority**  
**Revenue Outturn 2009/10**

	Revised Budget £000	Provisional Outturn £000	Year-End Commitments £000	Balance £000	MEMO Feb Forecast £000
<b><u>Delegated Budgets</u></b>					
<b><i>Basic Command Units</i></b>					
North	3,154	3,101	-	(53)	(18)
South	2,633	2,633	-	-	-
City	5,102	5,096	-	(6)	-
<b>Sub-Total</b>	<b>10,889</b>	<b>10,830</b>	<b>-</b>	<b>(59)</b>	<b>(18)</b>
<b><i>Departments</i></b>					
Criminal Justice	6,816	6,706	-	(110)	(38)
Safety Camera Scheme	-	-	-	-	-
Contact Management	7,193	7,031	-	(162)	(147)
Crime Support	5,497	5,147	38	(312)	(175)
St Bernards, Juniper Lodge	94	73	-	(21)	-
MAPPU	100	100	-	-	-
Operational Support	2,778	2,670	13	(95)	(48)
Specials	137	136	-	(1)	-
Community Safety Bureau	2,978	2,906	-	(72)	(40)
Scientific Support	6,104	5,987	117	-	(18)
Professional Standards	1,198	1,173	-	(25)	(67)
Human Resources	2,874	2,824	-	(50)	(50)
Learning & Development	2,485	2,431	-	(54)	(53)
Information Technology	4,356	4,232	25	(99)	-
Procurement & Support Services	1,168	1,079	-	(89)	(41)
Corporate Development	2,417	2,470	-	53	-
Estates	1,445	1,445	-	-	-
Finance	738	725	-	(13)	(13)
<b>Sub-Total</b>	<b>48,378</b>	<b>47,135</b>	<b>193</b>	<b>(1,050)</b>	<b>(690)</b>
<b>Police Authority</b>	<b>766</b>	<b>766</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Delegated</b>	<b>60,033</b>	<b>58,731</b>	<b>193</b>	<b>(1,109)</b>	<b>(708)</b>
<b><u>Corporate Budgets</u></b>					
Central Items	(3,761)	(4,070)	29	(280)	(315)
Seconded Officers	(1,320)	(1,641)	-	(321)	(329)
NMF / BCU & PCSOs	951	1,141	-	190	187
Police Pensions	2,220	2,404	-	184	182
Police Pay & Allowances	111,591	111,108	-	(483)	(405)
<b>Total Corporate</b>	<b>109,681</b>	<b>108,942</b>	<b>29</b>	<b>(710)</b>	<b>(680)</b>
<b>Sub-Total (Delegated + Corporate)</b>	<b>169,714</b>	<b>167,673</b>	<b>222</b>	<b>(1,819)</b>	<b>(1,388)</b>
2008/09 Carry-Forwards & 2009/10 Growth	104	(634)	38	(700)	(357)
Miscellaneous C/Fwd requests	-	-	1	1	-
<b>Grand Total (outturn)</b>	<b>169,818</b>	<b>167,039</b>	<b>261</b>	<b>(2,518)</b>	<b>(1,745)</b>

**Reconciliation between 2009/10 Segmental Reporting & Comprehensive Income & Expenditure Statement**

	Note	£000
2009/10 Net Expenditure per outturn report		167,039
2009/10 Carry-Forward Requests (amounts approved)		261
<b>Net Expenditure before transfer to Budget Equalisation Reserve</b>		<b>167,300</b>
Transfer to Budget Equalisation reserve		2,146
<b>Net Expenditure for 2010/11 (management accounts)</b>		<b>169,446</b>
Council tax income (cash basis)	44	(51,833)
Police grant	8	(66,132)
Revenue support grant	8	(9,724)
Non-domestic rates	8	(42,129)
<b>Movement on General Fund Balance (management accounts)</b>		<b>(372)</b>
Reverse effect of Transfer to/from Earmarked Reserves		1,566
Adjustments between accounting basis & funding basis under regulations	3	448,173
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>449,367</b>



**6. Other Operating Expenditure**

This line on the Comprehensive Income & Expenditure Statement includes the following items:-

<b>2009/10 Restated Outturn £000</b>	<b><i>Other Operating Expenditure</i></b>	<b>Note</b>	<b>2010/11 Outturn £000</b>
22	Gains/Losses on the disposal of non-current assets	3/17 18/41	39
-	Gains/losses on the revaluation of "Held For Sale" assets	21/41	82
<b>22</b>			<b>121</b>

The Authority pays a fee to the National Police Improvement Agency (NPIA) each year which covers a variety of services including the provision of the Police National Computer (PNC). Payment of this charge is considered by the Authority to directly contribute towards the delivery of policing services and the cost has therefore been included in the Cost of Services section of the Comprehensive Income & Expenditure Statement. During 2010/11, the Authority paid a total of £444k (09/10 - £429k) to the NPIA.

**7. Financing and Investment Income & Expenditure**

This line on the Comprehensive Income & Expenditure Statement includes the following items:-

<b>2009/10 Restated Outturn £000</b>	<b><i>Financing and Investment Income &amp; Expenditure</i></b>	<b>Note</b>	<b>2010/11 Outturn £000</b>
901	Interest payable and similar charges		<b>863</b>
61,418	Pensions interest cost and expected return on pensions assets	37	<b>72,687</b>
(207)	Interest receivable and similar income		<b>(125)</b>
(44)	Income and expenditure in relation to investment properties	20	<b>(23)</b>
(3)	Changes in the market value of investment properties	20/41	<b>3</b>
<b>62,065</b>			<b>73,405</b>

**8. Taxation and Non-Specific Grant Income**

This line on the Comprehensive Income & Expenditure Statement includes the following items:-

<b>2009/10 Restated Outturn £000</b>	<b><i>Taxation and Non-Specific Grant Income</i></b>	<b>Note</b>	<b>2010/11 Outturn £000</b>
(51,548)	Council tax income	12	(54,100)
(66,132)	Police grant	44	(67,996)
(9,724)	Revenue support grant	44	(6,769)
(42,129)	Non-domestic rates	44	(46,617)
(2,876)	Capital grants and contributions	19/39	(2,378)
<b>(172,409)</b>			<b>(177,860)</b>

Council tax income is presented on an accruals basis whilst police grant, revenue support grant and non-domestic rates are presented on a cash basis – the full amount having been received in the year. Further explanation regarding the accounting treatment for council tax can be seen in Accounting Policy A5.

A breakdown of the amounts received from each billing Authority can be seen in Note 12 – Related Party Transactions (on an accruals basis).

## 9. Employee Remuneration & Termination Payments

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

<u>2010/11</u>								
Post Holder Information	Notes	Salary £	Expense Allowances £ (Note 8)	Benefits in Kind £	Other Payments £ (Note 9)	Total Remuneration £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
<b>Constabulary</b>								
Chief Constable A ( <i>Transferred 13/06/2010</i> )	1	27,508	155	1,127	920	29,710	6,657	36,367
Chief Constable B ( <i>From 14/06/2010</i> )	1	110,169	368	20,288	3,619	134,444	26,661	161,105
Deputy Chief Constable								
Senior Police Officer A ( <i>01/04 to 16/01/11</i> )	2	89,826	418	5,725	1,558	97,527	21,738	119,265
Senior Police Officer B ( <i>From 17/01/11</i> )	2	23,756	26	908	933	25,623	5,749	31,372
Assistant Chief Constable								
Senior Police Officer A ( <i>From 17/01/11</i> )	2	20,389	108	1,457	401	22,355	4,934	27,289
Senior Police Officer C ( <i>01/04 to 04/07/10</i> )	3	23,069	910	-	3,870	27,849	5,583	33,432
Senior Police Officer D ( <i>From 01/07/10</i> )	3	69,926	1,661	29,650	2,947	104,184	16,922	121,106
Senior Police Officer E ( <i>From 01/04 to 04/07/10 and From 13/12/10</i> )	4	50,384	2,291	-	4,733	57,408	12,193	69,601
Finance Director		89,012	5,376	-	-	94,388	14,353	108,741
Director of Human Resources		89,012	5,390	-	-	94,402	14,353	108,755
<b>Police Authority</b>								
Treasurer ( <i>retired 31/12/2010</i> )	5	40,079	-	-	-	40,079	-	40,079
Chief Executive ( <i>left 08/10/2010</i> )	6	39,592	-	-	61,514	101,106	6,129	107,235
Chief Executive / Treasurer ( <i>From 01/01/2011</i> )	7	20,000	-	-	-	20,000	-	20,000
		692,722	16,703	59,155	80,495	849,075	135,272	984,347

**Note 1:** Temporary Chief Constable A left the Force on the 13 June 2010 and Chief Constable B replaced him. The annualised salary of the Chief Constable for Leicestershire is **£139,119** (01/09/2010)

- Note 2:** Senior Police Officer B transferred to the Force on the 17 January 2011 on promotion, his annualised salary is **£114,771** and replaced Senior Police Officer A who had been covering the position until a permanent appointment was made. Senior Police Officer A reverted to their substantive rank of Assistant Chief Constable
- Note 3:** Senior Officer D commenced on the 1 July 2010 at an annualised salary of **£93,753** and replaced temporary Senior Police Officer C on annualised salary of **£88,470**
- Note 4:** Temporary Senior Police Officer E undertook 2 periods as an Assistant Chief Constable during 2010/11, at an annualised salary of **£90,726**
- Note 5:** The Treasurer worked 3 days per week and retired on the 31/12/1010. The whole time equivalent salary of the Treasurer was **£77,425** per year. From the 1<sup>st</sup> January the Police Authority combined the role of the Chief Executive and Treasurer.
- Note 6:** The Chief Executive left on the 08/10/2010 on annualised salary of **£77,475**.
- Note 7:** The role of the Treasurer and Chief Executive has been combined into 1 full time equivalent post from the 1<sup>st</sup> January 2011, on annualised salary of **£80,000**
- Note 8:** Expense Allowances include car allowances for employees who provide their own vehicles, telephone allowances and private health care.
- Note 9: Constabulary** - 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).
- Police Authority** - Termination payments of **£61,514** were paid following a re-organisation of the senior management structure of the Police Authority.
- Note 10:** All Chief Officers have forgone their eligibility to be considered for an annual performance related bonus payment

<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	
	2009/10	2010/11		2009/10	2010/11
50,000 to 54,999	8	3	70,000 to 74,999	1	-
55,000 to 59,999	6	7	75,000 to 79,999	5	-
60,000 to 64,999	-	3	80,000 to 84,999	3	3
65,000 to 69,999	-	2	85,000 to 89,999	1	5

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

### Termination Payments

During 2010/11 the Authority made employment termination payments to employees as a result of the "policing the future" programme and the resultant organisational restructure. These payments can be analysed as follows:

Termination package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £20,001	45	41	86
£20,001 - £40,000	2	4	6
£40,001 - £100,000	1	-	1
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
> £200,001	-	-	-
<b>Total number of exit packages by type</b>	<b>48</b>	<b>45</b>	<b>93</b>
<b>Total resource cost (£000)</b>	<b>£379k</b>	<b>£417k</b>	<b>£796k</b>

There were no significant termination payments made during 2009/10.

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

The total amount of members allowances (including employers National Insurance contributions) paid during 2010/11 was **£203k** (2009/10 £193k)

#### 11. *Sponsorship*

In 2010/11 a total of **£64k** (2009/10 £59k) 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 **£57k** (2009/10 £20k).

## 12. 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 A23 (Note 50) 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.

Precept funding was received from the following Local Authorities during the year:

2009/10 £000	Local Authority (amounts are shown on an accruals basis)	2010/11 £000
(5,126)	Blaby District Council	(5,412)
(8,740)	Charnwood Borough Council	(9,305)
(5,326)	Harborough District Council	(5,535)
(6,116)	Hinckley & Bosworth Borough Council	(6,316)
(12,660)	Leicester City Council	(13,529)
(3,027)	Melton Borough Council	(3,134)
(5,173)	North-west Leicestershire District Council	(5,344)
(2,986)	Oadby & Wigston Borough Council	(3,052)
(2,394)	Rutland County Council	(2,473)
<b>(51,548)</b>	<b>Grand Total</b>	<b>(54,100)</b>

A further analysis of grants and contributions received can be seen in the Grant Income note below (note 15).

## 13. Disclosure of audit costs

In 2010/11 the Authority incurred the following fees relating to external audit.

2009/10 £000		2010/11 £000
80	External Audit Services	73
<b>80</b>	<b>Total</b>	<b>73</b>



## 14. Leases

Future minimum lease payments due to be made by the Authority in respect of non-cancellable operating leases are analysed as follows:

	2010/11	2010/11	2010/11	2010/11	2010/11	2009/10
	Property	Vehicles	Photo-copiers	Vending Machines	Total	Total
	£000	£000	£000	£000	£000	£000
<b>Payments recognised as an expense</b>	308	59	105	4	452	617
<b>Non-cancellable Leases</b>						
Payable:						
No later than one year	24	27	-	2	53	102
Between 2 and 5 years	-	54	432	4	490	338
Later than 5 years	4,028	-	-	-	4,028	4,356

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. However, Shepshed has been earmarked for sale at the Balance Sheet date (see note 21).

The Authority leases part of the Rutland Local Policing Unit (in Oakham) to the Probation Service. The value of the lease for 2010/11 was £4.5k (2009/10 - £4.5k). The building is held on the Authority's Balance Sheet (31<sup>st</sup> March 2011) at a gross cost of £470k with accumulated depreciation of £16k. The land is held at a gross cost of £210k.

The Authority has identified during a review of its leasing arrangements (due to the transition to IFRS accounting) that the leasing of a group of older vehicles from a private sector supplier constitutes a finance lease. Whilst leased vehicles are generally not deemed finance leases (due in the main to the lease term being substantially less than its operational lifespan) the age of the vehicles in this case is of importance. Experience has shown that the vehicles are generally disposed of or scrapped at the end of their lease term rather than being re-leased by the supplier to a new customer. However, the amounts paid during 2010/11 (£22k for an average of 22 vehicles) and the amounts expected to be paid during 2011/12 (£8k for an average of 9 vehicles) are not material and hence the Authority has decided not to adjust its accounts for the finance lease. The lease payments for these vehicles are included in the disclosure above.

A number of beat offices are used by the Authority to support its community policing commitments. Many of these offices are rooms or facilities that are owned by other local authorities or organisations that kindly provide use of them to the Authority. In the majority of cases these facilities are provided informally although some rooms/facilities are more formally documented. The Authority does not pay for the use of these facilities, take responsibility for repairs and upkeep nor has any intention to seek ownership (whether in full or in part) of these facilities. On review, it was found that only one of these beat offices qualifies as an operating lease. The office is provided by a major retailer in the Fosse Park area and has been formally documented, albeit at no lease cost to the organisation.

**15. Grant Income**

The Authority credited the following grants and contributions to the Comprehensive Income & Expenditure Statement during the year. The grants are included in the Cost of Services section and also shown separately in the Subjective Analysis note (note 4)

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Credited to Services:</b>		
Crime fighting fund	4,062	4,062
Police Community Support Officers	4,579	4,724
Dedicated Security Grant	1,572	1,582
Special operations	1,524	1,740
Proceeds of Crime Act	505	666
Basic Command Unit (BCU) Fund	650	597
Drug testing on charge	596	580
Local Criminal Justice Board	218	-
Rule 2 Grants	2,502	835
Loan charges	165	157
EMSOU (23.1% share)	509	480
EMASU (33.33% share)	-	2
Others	281	284
<b>Total</b>	<b>17,163</b>	<b>15,709</b>

The Authority has received a number of grants and contributions related to capital expenditure that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the source of the funds if not met. These amounts are held within the Capital Grants Receipts in Advance account and are as follows:

<b>Capital Grants Receipts in Advance</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
ANPR Grant (Automatic Number-Plate Recognition)	-	4
Mobile Data Grant	153	63
<b>Total</b>	<b>153</b>	<b>67</b>

**16. 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 2011, the Authority held **£15k** (2009/10 £13k) within cash and creditors under the Police Property Act 1997.

**17. Intangible Non-Current Assets**

	<b>Software Licenses</b>	
	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Gross Carrying Amounts at the start of the year</b>	<b>5,110</b>	<b>6,014</b>
Additions - <i>Leicestershire</i>	895	566
- <i>EMSOU</i>	9	-
Disposals	-	(365)
Revaluation increases/decreases	-	-
Impairment losses	-	-
Transfers	-	54
<b>Gross Carrying Amounts at the end of the year</b>	<b>6,014</b>	<b>6,269</b>
<b>Accumulated Amortisation at the start of the year</b>	<b>(3,030)</b>	<b>(3,892)</b>
Amortisation (2010/11) - <i>Leicestershire</i>	(859)	(863)
- <i>EMSOU</i>	(3)	(3)
Amortisation on assets disposed of	-	361
Amortisation on Revaluations	-	-
Amortisation on Impairments	-	-
<b>Accumulated Amortisation at the end of the year</b>	<b>(3,892)</b>	<b>(4,397)</b>
Net Carrying Amount at 1 <sup>st</sup> April	2,080	2,122
<b>Net Carrying Amount at 31<sup>st</sup> March</b>	<b>2,122</b>	<b>1,872</b>

## 18. Tangible Non-Current Assets

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 below. A further assessment was made at 31<sup>st</sup> March 2010 & 31<sup>st</sup> March 2011 to establish whether any interim changes in valuation had occurred. The results of this assessment are contained within the figures below. The Land & Buildings Net Carrying Amount below includes **£110k** in respect of the land at Spinney Hill. The land is held under a finance lease.

Following a review to identify components within the Authority's non-current assets, it was found that the Headquarters Communications building has two components – Heating/Ventilation and Electrical Installation – which have been separated out from the main structure on the Authority's asset registers. The two components are considered to have an identical useful life, however, hence they are combined together for depreciation purposes. The Heating/Ventilation & Electrical Installation component is carried on the Balance Sheet at a Gross Carrying Value of **£646k** – the remainder of the building structure being held at **£994k**.

Further details on Assets Under Construction and Investment Properties can be seen in Note 22 and 20 respectively.

2010/11	Property, Plant & Equipment					Assets Under Construction £000	Investment Properties £000	Grand Total £000
	Land and Buildings £000	Vehicles £000	Equipment £000	Helicopter (1/3 <sup>rd</sup> share) £000	Sub-Total (PP&E) £000			
<b>Cost or Valuation at 1<sup>st</sup> April 2010</b>	<b>52,965</b>	<b>6,679</b>	<b>13,353</b>	<b>1,459</b>	<b>74,456</b>	<b>38</b>	<b>285</b>	<b>74,779</b>
Additions – <i>Leicestershire</i>	-	935	1,362	-	2,297	859	-	<b>3,156</b>
– <i>EMASU</i>	-	-	-	-	-	-	-	-
– <i>EMSOU</i>	-	45	13	-	58	-	-	<b>58</b>
Revaluations / Impairments								
– <i>Leicestershire</i>	1,017	-	-	-	1,017	-	(3)	<b>1,014</b>
– <i>EMASU</i>	5	-	-	-	5	-	-	<b>5</b>
– <i>EMSOU</i>	-	-	-	-	-	-	-	-
Disposals – <i>Leicestershire</i>	-	(1,076)	(576)	-	(1,652)	-	-	<b>(1,652)</b>
– <i>EMASU</i>	-	-	-	-	-	-	-	-
– <i>EMSOU</i>	-	(27)	-	-	(27)	-	-	<b>(27)</b>
Transfers – <i>Leicestershire</i>	(480)	-	-	-	(480)	(54)	-	<b>(534)</b>
– <i>EMASU</i>	-	-	-	-	-	-	-	-
– <i>EMSOU</i>	-	-	-	-	-	-	-	-
<b>Cost or Valuation at 31<sup>st</sup> March 2011</b>	<b>53,507</b>	<b>6,556</b>	<b>14,152</b>	<b>1,459</b>	<b>75,674</b>	<b>843</b>	<b>282</b>	<b>76,799</b>

2010/11	Property, Plant & Equipment					Assets Under Construction £000	Investment Properties £000	Grand Total £000
	Land and Buildings £000	Vehicles £000	Equipment £000	Helicopter (1/3 <sup>rd</sup> share) £000	Sub-Total (PP&E) £000			
<b>Depreciation at 1<sup>st</sup> April 2010</b>	<b>(809)</b>	<b>(3,590)</b>	<b>(8,014)</b>	<b>(438)</b>	<b>(12,851)</b>	-	-	<b>(12,851)</b>
Charge for the year								
– Leicestershire	(685)	(976)	(2,228)	-	(3,889)	-	-	<b>(3,889)</b>
– EMASU	(3)	(2)	(9)	(146)	(160)	-	-	<b>(160)</b>
– EMSOU	-	(51)	(69)	-	(120)	-	-	<b>(120)</b>
Depreciation on assets sold								
– Leicestershire	-	872	464	-	1,336	-	-	<b>1,336</b>
– EMASU	-	-	-	-	-	-	-	-
– EMSOU	-	23	-	-	23	-	-	<b>23</b>
Depreciation adjustment due to revaluations								
– Leicestershire	484	-	-	-	484	-	-	<b>484</b>
– EMASU	3	-	-	-	3	-	-	<b>3</b>
– EMSOU	-	-	-	-	-	-	-	-
Depreciation adjustment in respect of transferred assets								
– Leicestershire	-	-	-	-	-	-	-	-
– EMASU	-	-	-	-	-	-	-	-
– EMSOU	-	-	-	-	-	-	-	-
<b>Depreciation at 31<sup>st</sup> March 2011</b>	<b>(1,010)</b>	<b>(3,724)</b>	<b>(9,856)</b>	<b>(584)</b>	<b>(15,174)</b>	-	-	<b>(15,174)</b>
Net Carrying Amount at 31 <sup>st</sup> March 2010	<b>52,156</b>	<b>3,089</b>	<b>5,339</b>	<b>1,021</b>	<b>61,605</b>	<b>38</b>	<b>285</b>	<b>61,928</b>
<b>Net Carrying Amount at 31<sup>st</sup> March 2011</b>	<b>52,497</b>	<b>2,832</b>	<b>4,296</b>	<b>875</b>	<b>60,500</b>	<b>843</b>	<b>282</b>	<b>61,625</b>

2009/10 comparatives	Property, Plant & Equipment					Assets Under Construction £000	Investment Properties £000	Grand Total £000
	Land and Buildings £000	Vehicles £000	Equipment £000	Helicopter (1/3 <sup>rd</sup> share) £000	Sub-Total (PP&E) £000			
<b>Cost or Valuation at 1<sup>st</sup> April 2009</b>	<b>55,557</b>	<b>6,381</b>	<b>11,295</b>	<b>1,459</b>	<b>74,692</b>	-	<b>282</b>	<b>74,974</b>
Additions – <i>Leicestershire</i>	-	1,129	2,036	-	3,165	38	-	<b>3,203</b>
– <i>EMASU</i>	-	-	2	-	2	-	-	<b>2</b>
– <i>EMSOU</i>	-	18	31	-	49	-	-	<b>49</b>
Revaluations / Impairments								
– <i>Leicestershire</i>	(2,581)	-	-	-	(2,581)	-	3	<b>(2,578)</b>
– <i>EMASU</i>	(11)	-	-	-	(11)	-	-	<b>(11)</b>
– <i>EMSOU</i>	-	-	-	-	-	-	-	<b>-</b>
Disposals – <i>Leicestershire</i>	-	(844)	(11)	-	(855)	-	-	<b>(855)</b>
– <i>EMASU</i>	-	-	-	-	-	-	-	<b>-</b>
– <i>EMSOU</i>	-	(5)	-	-	(5)	-	-	<b>(5)</b>
Transfers – <i>Leicestershire</i>	-	-	-	-	-	-	-	<b>-</b>
– <i>EMASU</i>	-	-	-	-	-	-	-	<b>-</b>
– <i>EMSOU</i>	-	-	-	-	-	-	-	<b>-</b>
<b>Cost or Valuation at 31<sup>st</sup> March 2010</b>	<b>52,965</b>	<b>6,679</b>	<b>13,353</b>	<b>1,459</b>	<b>74,456</b>	<b>38</b>	<b>285</b>	<b>74,779</b>

2009/10 comparatives	Property, Plant & Equipment					Assets Under Construction £000	Investment Properties £000	Grand Total £000
	Land and Buildings £000	Vehicles £000	Equipment £000	Helicopter (1/3 <sup>rd</sup> share) £000	Sub-Total (PP&E) £000			
<b>Depreciation at 1<sup>st</sup> April 2009</b>	<b>(678)</b>	<b>(3,320)</b>	<b>(5,775)</b>	<b>(292)</b>	<b>(10,065)</b>	-	-	<b>(10,065)</b>
Charge for the year								
– Leicestershire	(639)	(930)	(2,169)	-	(3,738)	-	-	<b>(3,738)</b>
– EMASU	(3)	(2)	(9)	(146)	(160)	-	-	<b>(160)</b>
– EMSOU	-	(45)	(67)	-	(112)	-	-	<b>(112)</b>
Depreciation on assets sold								
– Leicestershire	-	704	6	-	710	-	-	<b>710</b>
– EMASU	-	-	-	-	-	-	-	-
– EMSOU	-	3	-	-	3	-	-	<b>3</b>
Depreciation adjustment due to revaluations								
– Leicestershire	508	-	-	-	508	-	-	<b>508</b>
– EMASU	3	-	-	-	3	-	-	<b>3</b>
– EMSOU	-	-	-	-	-	-	-	-
Depreciation adjustment in respect of transferred assets								
– Leicestershire	-	-	-	-	-	-	-	-
– EMASU	-	-	-	-	-	-	-	-
– EMSOU	-	-	-	-	-	-	-	-
<b>Depreciation at 31<sup>st</sup> March 2010</b>	<b>(809)</b>	<b>(3,590)</b>	<b>(8,014)</b>	<b>(438)</b>	<b>(12,851)</b>	-	-	<b>(12,851)</b>
Net Carrying Amount at 31 <sup>st</sup> March 2009	<b>54,879</b>	<b>3,061</b>	<b>5,520</b>	<b>1,167</b>	<b>64,627</b>	-	<b>282</b>	<b>64,909</b>
<b>Net Carrying Amount at 31<sup>st</sup> March 2010</b>	<b>52,156</b>	<b>3,089</b>	<b>5,339</b>	<b>1,021</b>	<b>61,605</b>	<b>38</b>	<b>285</b>	<b>61,928</b>

**19. Financing of capital expenditure during the year**

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

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Opening Capital Financing Requirement</b>	20,666	21,815
<i>Capital Investment</i>		
Operational Assets	6,297	4,750
Non-Operational Assets	-	-
<i>Sources of Finance</i>		
Capital Receipts	-	(114)
Government Grants & Other Contributions	(2,886)	(2,381)
Revenue Contribution - Force	(918)	(2,177)
Revenue Contribution - EMSOU	(66)	(60)
Revenue Contribution - EMASU	(2)	(20)
Revenue Provision (incl. MRP)	(1,276)	(1,453)
<b>Closing Capital Financing Requirement</b>	<b>21,815</b>	<b>20,360</b>
<b>Explanations of movements in year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	1,149	(1,455)
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,149</b>	<b>(1,455)</b>

The figure shown above for Capital Expenditure during 2010/11 differs from the amounts shown as "Additions" on the Intangible and Tangible Non-Current Asset notes (note 17 and 18 respectively). The figure can be reconciled as follows:

	<b>Note</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Capital Expenditure for the year (as above)	19	6,297	4,750
<b>Less:</b> Revenue Expenditure financed from Capital resources under statute (REFCUS) in the year	41	(2,139)	(970)
<b>Total Non-Current Asset additions for the year</b>	17/18	<b>4,158</b>	<b>3,780</b>



## 20. Investment Properties

The Authority has reviewed its non-current assets to identify where an income stream is realised from the asset. In doing so, the Authority identified its telecommunications masts as potentially being classified as Investment Properties. The masts are in general used for operational purposes to host the Authority's telecommunications networks. However capacity on the masts is also re-sold to the telecommunications industry to operators looking to boost their coverage for 2G/3G networks.

Following a detailed review by an independent firm of chartered surveyors, all masts except one were found to have operational use – hence their continued recognition as non-current assets (within Property, Plant & Equipment) and outside the scope of this note.

One of the Authority's telecommunications masts, at Braunstone police station, meets the definition of an Investment Property and adjustments have been made to the accounts to reflect this. The mast has been recognised at market value within the Authority's Balance Sheet. This adjustment has been made with effect from 1<sup>st</sup> April 2009.

The income and expenditure realised from the mast (included in the *Financing and Investment Income & Expenditure* line on the Comprehensive Income & Expenditure Statement) is as follows:

2009/10 £000	<i>Braunstone Telecommunications Mast</i>	2010/11 £000
(48) 4	Rental income from investment property Direct operating expenses arising from investment property	(25) 2
<b>(44)</b>	<b>Net (gain)/loss excluding movements in market value</b>	<b>(23)</b>

Gains or losses on the income and expenditure generated by the telecommunications mast are transferred to the Radio Mast Income earmarked reserve (see note 34) together with the surplus/deficit generated from the other Authority's telecommunications masts that have not been classified as Investment Properties. This reserve is used to support the ongoing maintenance of the masts to preserve the income generation potential. It should be noted that the Authority has other telecommunications masts that are not classified as investment properties, the movement on the Radio Mast Income earmarked reserve will therefore differ to that shown above.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of Investment Properties over the year:

2009/10 £000	<b>Braunstone Telecommunications Mast</b>	2010/11 £000
<b>282</b>	<b>Carrying value at the start of the year</b>	<b>285</b>
-	Purchases	-
-	Construction	-
-	Subsequent Expenditure	-
-	<b>Additions</b>	-
-	<b>Disposals</b>	-
<b>3</b>	<b>Net gains/(losses) from fair value adjustments</b>	<b>(3)</b>
-	Transfers to/from Inventories	-
-	Transfers to/from Property, Plant & Equipment	-
-	<b>Transfers</b>	-
-	<b>Other changes</b>	-
<b>285</b>	<b>Carrying value at the end of the year (note 18)</b>	<b>282</b>

## 21. Assets Held For Sale

During the course of 2010/11, the Authority earmarked a number of properties for disposal as part of the *Strategic Estates Review*. This review made recommendations concerning the current and future property need and sought to align the Authority's estate with its policing commitments.

As a result of this review, buildings at Ashby, Blaby, Bottesford, Quorn, Shepshed and Uppingham were earmarked for disposal. At 31<sup>st</sup> March 2011 Blaby, Shepshed and Uppingham were being actively marketed. These three properties have therefore been de-recognised as Property, Plant & Equipment within non-current assets and instead transferred to Assets Held For Sale on the Balance Sheet. Shepshed was reclassified as Held for Sale in January 2011 whilst Blaby and Uppingham were reclassified in February 2011. No depreciation has been charged to the accounts in respect of these buildings up to the date of their reclassification.

After the Balance Sheet date, Quorn was put on the market with the remaining properties (Ashby and Bottesford) to follow in the coming months.

The movements on Assets Held For Sale on the Balance Sheet are analysed as follows:

2009/10		<i>Assets Held For Sale</i>	2010/11	
Current £000	Non-Current £000		Current £000	Non-Current £000
-	-	<b>Balance at the start of the year</b>	-	-
		<b>Assets newly classified as held for sale:</b>		
-	-	Property, Plant & Equipment	480	-
-	-	Intangible Assets	-	-
-	-	Other assets/liabilities in disposal groups	-	-
-	-	Revaluation losses	(82)	-
-	-	Revaluation gains	-	-
-	-	Impairment losses	-	-
		<b>Assets declassified as held for sale:</b>		
-	-	Property, Plant & Equipment	-	-
-	-	Intangible Assets	-	-
-	-	Other assets/liabilities in disposal groups	-	-
-	-	Assets sold	-	-
-	-	Transfers from non-current to current	-	-
-	-	<b>Balance at the end of the year</b>	<b>398</b>	-

## 22. *Assets Under Construction*

Assets Under Construction can be analysed as follows at the Balance Sheet date:

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000	<i>Assets Under Construction</i>	31 <sup>st</sup> March 2011 £000
-	38	Intangible assets	36
-	-	IT Equipment	775
-	-	Operational Equipment	32
-	<b>38</b>		<b>843</b>

Included in *IT Equipment* above is £662k in respect of the Authority's replacement for the main Command & Control system. Once the assets under construction are brought into use they will be transferred to the relevant non-current asset heading shown above.

## 23. *Commitments Under Capital Contracts*

At 31<sup>st</sup> March 2011, the Authority had capital commitments totalling £223k in respect of the Command & Control system referred to in Note 22. These amounts are due to be paid during the year to 31<sup>st</sup> March 2012. There were no significant capital commitments at 31<sup>st</sup> March 2010.

**24. Inventories**

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000	<i>Inventories</i>	31 <sup>st</sup> March 2011 £000
185	158	Police uniforms	135
86	99	Vehicle parts and fuel	99
10	32	Stationery	42
-	15	Catering Supplies	16
1	1	Other	1
<b>282</b>	<b>305</b>		<b>293</b>

**25. Debtors (including Long-Term Debtors)**

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000		31 <sup>st</sup> March 2011 £000
35	77	<b>Long-Term Debtors</b> Car Loans to employees	79
5,249	4,278	<b>Short-Term Debtors</b> Government departments	3,115
5,080	2,828	Local & Police Authorities	2,707
714	841	Sundry debtors	464
14	36	Car Loans to employees	47
(20)	(154)	Less: Provision for bad debts	(7)
<b>11,037</b>	<b>7,829</b>		<b>6,326</b>

Government departments (above) includes £896k (as at 31<sup>st</sup> March 2010 - £1,925k) receivable from the Home Office in respect of the Pensions Fund Holding Account.

Included within the "Local & Police Authorities" figures above are debtors in respect of the Authority's share of Council Tax Collection Fund debtors of £1,547k (as at 31<sup>st</sup> March 2010 - £1,454k).

**26. Cash & Cash Equivalents and Short-Term Investments**

Cash & Cash Equivalents is made up of the following elements:

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000	<i>Cash &amp; Cash Equivalents</i>	31 <sup>st</sup> March 2011 £000
603	3,760	Bank accounts & petty cash	6,146
14,011	10,002	Cash investments (less than three months maturity)	17,503
(1,233)	(1,876)	Adjustment for cash & cash equivalents held on behalf of Joint Arrangements	(1,169)
<b>13,381</b>	<b>11,886</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>22,480</b>

The cash investments figure above is those deposits made by the Authority which mature within three months and are outstanding at the Balance Sheet date.

*Short-Term Investments* on the Balance Sheet represents those deposits made by the Authority which are due to mature within four to twelve months and are outstanding at the Balance Sheet date. Interest earned on investments is credited to the Comprehensive Income & Expenditure Statement on an accruals basis. The Balance Sheet figure therefore includes interest earned but not paid as at 31<sup>st</sup> March of each year. The impact of this interest accrual is shown below:

<b>1<sup>st</sup> April 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>	<b><i>Short-Term Investments</i></b>	<b>31<sup>st</sup> March 2011 £000</b>
5,510	5,010	Cash investments (four to twelve months maturity)	10
8	10	Interest receivable accrued at 31 <sup>st</sup> March	-
<b>5,518</b>	<b>5,020</b>	<b>Total Short-Term Investments</b>	<b>10</b>

The figure for Short-Term Investments above does not include any significant cash investments as at 31<sup>st</sup> March 2011 all outstanding investments had a maturity date of less than three months (hence the increase in Cash & Cash Equivalents above).

## 27. Deferred Liabilities

<b>1<sup>st</sup> April 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>	<b><i>Deferred Liabilities</i></b>	<b>31<sup>st</sup> March 2011 £000</b>
<b>4,430</b>	<b>3,991</b>	Leicestershire County Council	<b>3,752</b>

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.

## 28. Short-Term Creditors

<b>1<sup>st</sup> April 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>	<b><i>Short-Term Creditors</i></b>	<b>31<sup>st</sup> March 2011 £000</b>
3,086	3,179	Government Departments & Agencies	3,362
2,417	2,786	Police & Local Authorities	2,218
910	235	Capital creditors	197
1,318	1,225	Salary & overtime payments	1,260
4,955	3,422	Sundry creditors	1,824
<b>12,686</b>	<b>10,847</b>		<b>8,861</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 £1,373k (as at 31<sup>st</sup> March 2010 - £1,646k)

**29. Long term borrowing**

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

<b>1<sup>st</sup> April 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>	<b>Maturity</b>	<b>31<sup>st</sup> March 2011 £000</b>
105	56	1-2 years	-
56	-	2-5 years	-
-	-	5-10 years	1,723
2,829	2,829	10-15 years	2,282
9,569	9,569	More than 15 years	8,394
<b>12,559</b>	<b>12,454</b>		<b>12,399</b>

A significant proportion of the Authority's long-term borrowing (86.1%) matures more than 10 years after the Balance Sheet date. The maximum amount repayable in any one year is **£3.46m**.

**30. 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:

	<b>31<sup>st</sup> March 2010</b>		<b>31<sup>st</sup> March 2011</b>	
	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>
<b>Financial Assets</b>				
Short-Term Debtors	7,829	7,829	6,326	6,326
Payments in Advance	937	937	838	838
Short-Term Investments	5,020	5,020	10	10
Cash & Cash Equivalents	11,886	11,886	22,480	22,480
<b>Financial Liabilities</b>				
Short-Term Creditors	10,847	10,847	8,861	8,861
Receipts in Advance	1,361	1,361	914	914
Capital Grants Receipts in Advance	153	153	67	67
PWLB Borrowing	12,695	13,905	12,588	14,203

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.

The 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 2011.

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 2009/10 or 2010/11 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. All the banks are based in the United Kingdom.

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 (2009/10 – 3.7%). 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 0.11% of the total Debtors value (2009/10 – 1.93 %). Further information concerning this provision can be seen in Note 25.

## 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 29 – Long term borrowing.

All standard creditors are due to paid within one year – further information can be found in Note 28 – 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 Comprehensive Income & Expenditure Statement
- 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 Comprehensive Income & Expenditure Statement

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 Comprehensive Income & Expenditure Statement or Statement of Movement in Reserves. Movements in the fair value of fixed rate short-term investments will be reflected in the Comprehensive Income & Expenditure Statement, 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.

**31. Provisions, movements during the year**

	Balance at 1 <sup>st</sup> April 2010 £000	Movements			Balance at 31 <sup>st</sup> March 2011 £000
		Amounts Utilised £000	Amounts Released £000	Creation of Provision £000	
<b>Civil Claims</b>	<b>903</b>	(332)	(571)	257	<b>257</b>
<b>Total</b>	<b>903</b>	<b>(332)</b>	<b>(571)</b>	<b>257</b>	<b>257</b>

The civil claims provision reflects the self insured part of Public and Employers liability claims where the Authority's claims handlers have advised there is a high probability of economic benefits being transferred in the future. Claims that have been recorded but are not likely to result in a transfer of economic benefits (in the view of the Authority's third-party claims handlers) have been reserved for where the Authority considers it prudent to do so. These amounts are held in the Civil Claims Earmarked Reserve and more details can be seen in note 34 below.

**32. Usable Reserves**

The following reserves constitute *Usable Reserves* as shown on the Authority's Balance Sheet. The balances on these reserves at the Balance Sheet date are set out below. Please refer to the relevant note as referenced below for a detailed analysis of any movements in these reserves.

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000	<i>Usable Reserves</i>	Note	31 <sup>st</sup> March 2011 £000
-	-	Capital Receipts Reserve	38	-
(14,413)	(12,847)	Revenue Reserves	34	(18,513)
(21)	(11)	Capital Grants Unapplied	39	(8)
(4,881)	(5,253)	General Fund	35	(5,253)
<b>(19,315)</b>	<b>(18,111)</b>	<b>Total Usable Reserves</b>		<b>(23,774)</b>

**33. Unusable Reserves**

The following reserves constitute *Unusable Reserves* as shown on the Authority's Balance Sheet. The balances on these reserves at the Balance Sheet date are set out below. Please refer to the relevant note as referenced below for a detailed analysis of any movements in these reserves.

<b>1<sup>st</sup> April 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>	<b><i>Unusable Reserves</i></b>	<b>Note</b>	<b>31<sup>st</sup> March 2011 £000</b>
(45,345)	(41,716)	Capital Adjustment Account	41	(42,786)
(976)	(519)	Revaluation Reserve	40	(748)
(93)	192	Collection Fund Adjustment Account	42	(174)
868,321	1,312,630	Pension Reserve	36	1,259,524
3,411	2,894	Accumulated Absences Account	43	2,679
<b>825,318</b>	<b>1,273,481</b>	<b>Total Unusable Reserves</b>		<b>1,218,495</b>

The Authority's Unusable Reserves are in deficit due in the main to the Pension Reserve. The Pension Reserve reflects the deficit on the Authority's defined benefit pension schemes and in particular the Police scheme(s) which are not funded by assets but are instead supported by central funding from the Home Office.

**34. Revenue reserves, movements during the year**

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 <sup>st</sup> April 2010 £000	Movements		Balance at 31 <sup>st</sup> March 2011 £000
		from £000	To £000	
Budget Equalisation	7,527	(941)	2,297	8,883
PCSOs	2,176	(1)	206	2,381
Capital Expenditure	241	(1,595)	2,500	1,146
Proceeds of Crime Act	700	(447)	801	1,054
Carry-forwards (Specific)	261	(663)	1,423	1,021
Public Order	-	-	1,000	1,000
Civil Claims	-	(257)	1,063	806
Pensions (General)	751	-	-	751
SPP (Special Priority Payments)	175	-	-	175
Operation Liberal	173	-	-	173
Job Evaluation	-	-	150	150
Equipment Replacement	124	-	25	149
Juniper Lodge	-	-	111	111
Fleet Insurance	100	(185)	192	107
Drug Testing on Charge (Counties BCU)	60	-	-	60
Radio Mast Income	59	(23)	23	59
PA Development Programme	50	-	-	50
CRB	-	-	40	40
IT Infrastructure	35	-	-	35
PA Tribunals	20	-	-	20
Other	25	(7)	-	18
<b>Sub Total : Force</b>	<b>12,477</b>	<b>(4,119)</b>	<b>9,831</b>	<b>18,189</b>
EMSOU Reserves (23.1% share)	239	(31)	13	221
EMASU Reserves (1/3 share)	131	(41)	13	103
<b>Grand Total</b>	<b>12,847</b>	<b>(4,191)</b>	<b>9,857</b>	<b>18,513</b>
<i>Movement in the year</i>			5,666	

**Budget Equalisation**

This represents revenue funds set aside to part fund the future revenue budget requirements of the Authority.

**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.

**Capital Expenditure**

This represents contributions from revenue to fund future capital expenditure.

### **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.

### **Carry Forward (Specific)**

This reserve includes those sums that the Police Authority has approved to carry forward to finance specific expenditure in 2011/12.

### **Public Order**

A reserve held to support the Authority's commitments in the future to policing public order in Leicestershire. This reserve includes (but is not limited to) funds set aside to support the Authority's commitment to the London Olympics in 2012.

### **Civil Claims**

This reserve holds revenue funds that have been set aside where considered prudent by the Authority against Civil Claims (Public & Employer Liability) that independent advice suggests is unlikely to result in the transfer of economic benefits (i.e. to meet the criteria of a "provision"). The Authority sets aside these funds to minimise any unforeseen adverse impact on its Comprehensive Income & Expenditure Statement. Further reference to this reserve is made in Note 49 – Contingent Liabilities.

### **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 Comprehensive Income & Expenditure Statement.

### **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.

### **Job Evaluation**

This reserve is to support the future job evaluation scheme led by the Human Resources department.

### **Equipment Replacement**

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

### **Juniper Lodge**

Unspent funds received from the Authority's partners in respect of the Juniper Lodge facility. The funds have been set aside in an earmarked reserve to support future projects.

### **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.

### **DTOC (Drug Testing on Charge) – Counties BCU**

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

**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 2011/12.

**PA (Police Authority) Development Programme**

A reserve held to support development of the Police Authority during 2011/12

**CRB (Criminal Records Bureau)**

Surplus funds received from the CRB to be used for the purchase of fixtures, fittings and equipment in support of the Authority's work on behalf of the CRB.

**IT Infrastructure**

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

**PA (Police Authority) Tribunals**

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

**EMSOU**

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

**EMASU**

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

**35. General Fund**

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

<b>2009/10 £000</b>	<b>General Fund</b>	<b>2010/11 £000</b>
<b>4,881</b>	<b>At 1<sup>st</sup> April</b>	<b>5,253</b>
372	Movement in the year	-
<b>5,253</b>	<b>At 31<sup>st</sup> March</b>	<b>5,253</b>

**36. Pensions Reserve**

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory

arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension funds.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The pension contributions payable by both employer and employee are adjusted regularly via actuarial valuations – the aim being to reduce the shortfall over the longer term.

2009/10 £000	<i>Pensions Reserve</i>	Note	2010/11 £000
868,321	<b>Balance at 1<sup>st</sup> April</b>		<b>1,312,630</b>
393,415	Actuarial gains or losses on pensions assets and liabilities	37	(13,834)
83,254	Reversal of items relating to retirement benefits debited or credited to the <i>Surplus/Deficit on the Provision of Services</i> in the Comprehensive Income & Expenditure Statement	37	(6,887)
(26,378)	Employer's pensions contributions and direct payments to pensioners payable in the year	37	(26,592)
(5,982)	Pension Fund Grant from the Home Office in respect of the Police Pension Scheme(s)		(5,793)
<b>1,312,630</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>1,259,524</b>

Note 37 – Retirement Benefits provides further analysis of the figures shown above together with an explanation for their existence.

### 37. 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 2010/11 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 has adopted IAS19 (IFRS) in place of the outgoing FRS17 (UK GAAP). The main requirements for both standards are almost identical to each other – with differences being mainly terminology changes to reflect the implementation of IFRS-compliant accounting. So, for example, where FRS17 referred to the *Statement of Recognised Gains and Losses (STRGL)* IAS19 refers to the *Comprehensive Income & Expenditure Statement*. There is not expected to be any material change to the value of retirement benefits liabilities as a result of the change to IAS19.

On 22<sup>nd</sup> June 2010, the Chancellor announced that with effect from 1<sup>st</sup> April 2011 public service pension schemes would have their pension increases calculated by reference to CPI (Consumer Price Index), rather than RPI (Retail Price Index) which had been used in the past. As increases in CPI are expected to be less than RPI on average, the effect is a reduction in the value of an employer's pension liabilities for accounting purposes. CIPFA has since released LAAP Bulletin 89 which advises that the effect of this change should be shown as a negative "past service cost" in the employer's accounting figures. Figures for 2010/11 have been calculated accordingly – further details can be seen in the table below.

### *Transactions relating to retirement benefits*

The Authority recognises the cost of retirement benefits in the 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 Reserves. The transactions within the Comprehensive Income & Expenditure Statement and Statement of Movement in Reserves are as follows:

	Local Government Pension Scheme		Police Pension Scheme		Comprehensive Income & Expenditure Account	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
<b>Cost Of Services:</b>						
Current Service Cost	2,703	5,753	19,133	30,954	21,836	36,707
Past Service Cost	-	(13,782)	-	(102,670)	-	(116,452)
Curtailment	-	171	-	-	-	171
	<b>2,703</b>	<b>(7,858)</b>	<b>19,133</b>	<b>(71,716)</b>	<b>21,836</b>	<b>(79,574)</b>
<b>Financing &amp; Investment Income/Expenditure:</b>						
Interest Cost	5,665	7,776	59,742	71,178	65,407	78,954
Expected return on assets in the scheme	(3,989)	(6,267)	-	-	(3,989)	(6,267)
	<b>4,379</b>	<b>(6,349)</b>	<b>78,875</b>	<b>(538)</b>	<b>83,254</b>	<b>(6,887)</b>
<b>Net Charge to Surplus / Deficit on Provision of Services</b>						
<b>Other Comprehensive Income &amp; Expenditure:</b>						
Actuarial Gains/Losses	43,082	(32,387)	350,333	18,553	393,415	(13,834)
	<b>47,461</b>	<b>(38,736)</b>	<b>429,208</b>	<b>18,015</b>	<b>476,669</b>	<b>(20,721)</b>
<b>Net Charge to Total Comprehensive Income &amp; Expenditure</b>						
<b>Statement of Movement in Reserves:</b>						
Reversal of items not permitted to be charged to the General Fund by statute	(43,020)	43,414	(407,271)	3,899	(450,291)	47,313
<b>Actual amounts charged against the General Fund Balance for pensions in the year:</b>						
Employers' contributions payable to scheme	4,441	4,678	21,937	21,914	26,378	26,592

Amounts charged to *Non-Distributed Costs* in the Comprehensive Income & Expenditure Account are analysed as follows:

	2009/10 £000	2010/11 £000
Past Service Cost	-	(116,452)
Curtailments	-	171
<b>Non-Distributed Costs</b>	<b>-</b>	<b>(116,281)</b>



Amounts charged to *Financing & Investment Income and Expenditure* in the Comprehensive Income & Expenditure Account are analysed as follows:

	2009/10 £000	2010/11 £000
Interest Cost	65,407	78,954
Expected return on assets in the scheme	(3,989)	(6,267)
<b>Pensions Interest Cost and Expected Return on Pension Assets</b>	<b>61,418</b>	<b>72,687</b>

Amounts charged to *IAS19 Current Cost Adjustment (pensions)* in the Subjective Analysis (note 4) are analysed as follows:

	2009/10 £000	2010/11 £000
Current Service Cost	21,836	36,707
Less: Employers Contributions	(26,378)	(26,592)
<b>IAS19 Current Cost Adjustment (pensions)</b>	<b>(4,542)</b>	<b>10,115</b>

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 2012 are £4.506m. Expected contributions for the Police Pension Scheme in the year to 31<sup>st</sup> March 2012 are £27.6m.

#### *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>	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>80,696</b>	<b>150,656</b>	<b>845,821</b>	<b>1,247,110</b>
Current Service Cost	2,703	5,753	19,133	30,954
Interest Cost	5,665	7,776	59,742	71,178
Contributions by Scheme Participants	2,031	2,081	8,679	8,704
Actuarial Gains & Losses	61,448	(35,684)	350,333	18,553
Benefits Paid	(1,887)	(5,147)	(36,598)	(36,411)
Past Service Costs/Curtailments	-	(13,611)	-	(102,670)
<b>Balance at 31<sup>st</sup> March</b>	<b>150,656</b>	<b>111,824</b>	<b>1,247,110</b>	<b>1,237,418</b>

## Reconciliation of fair value of the scheme assets:

	<b>Scheme Assets: Local Government Pension Scheme</b>	
	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>58,196</b>	<b>85,136</b>
Expected Return on Assets	3,989	6,267
Actuarial Gains & Losses	18,366	(3,297)
Employer Contributions	4,441	4,678
Contributions by Scheme Participants	2,031	2,081
Benefits Paid	(1,887)	(5,147)
<b>Balance at 31<sup>st</sup> March</b>	<b>85,136</b>	<b>89,718</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 £7.5m (2009/10 - £22.4m).

## Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
<b>Present Value of Liabilities:</b>					
Police Officer "Old" Pension Scheme	877,587	963,872	788,897	1,157,523	1,157,208
Police Officer "New" Pension Scheme	256	2,538	3,400	12,633	16,241
Police Officer "Injury" Pension Scheme	56,238	63,955	53,524	76,954	63,969
Local Government Pension Scheme	87,770	80,155	80,696	150,656	111,824
<b>Total Liabilities</b>	<b>1,021,851</b>	<b>1,110,520</b>	<b>926,517</b>	<b>1,397,766</b>	<b>1,349,242</b>
Fair Value of Assets in the Local Government Pension Scheme	(75,836)	(75,093)	(58,196)	(85,136)	(89,718)
<b>Net Liabilities:</b>	<b>946,015</b>	<b>1,035,427</b>	<b>868,321</b>	<b>1,312,630</b>	<b>1,259,524</b>
Split as:					
Police Officer "Old" Pension Scheme	877,587	963,872	788,897	1,157,523	1,157,208
Police Officer "New" Pension Scheme	256	2,538	3,400	12,633	16,241
Police Officer "Injury" Pension Scheme	56,238	63,955	53,524	76,954	63,969
Local Government Pension Scheme	11,934	5,062	22,500	65,520	22,106

The Authority elected not to restate the fair value of scheme assets for 2005/06 and 2006/07 as permitted by FRS17 (now replaced by IAS19). 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 **£1,260m** has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,195m. 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. With effect from 1<sup>st</sup> April 2011 (valuation date 31/3/2010) the employer's contribution rate has increased to 14.5% (variable rate for 2010/11 equal to 2.15 times the employees rate – averaging out to less than 14%) and is due to rise to 15.2% and 15.7% in 2012/13 and 2013/14 respectively. The deficit on the LGPS scheme has decreased by £43.4m between March 2010 & 2011.
- 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 IAS19 (and FRS17 before it). 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>2009/10 Years</b>	<b>2010/11 Years</b>	<b>2009/10 Years</b>	<b>2010/11 Years</b>
<b>Longevity at 65 (60 for Police Schemes) for current pensioners:</b>				
- Men	20.8	20.9	26.0	26.8
- Women	24.1	23.3	28.9	29.1
<b>Longevity at 65 (60 for Police Schemes) for future pensioners:</b>				
- Men	22.3	23.3	27.0	28.4
- Women	25.7	25.6	29.9	30.7

The main additional assumptions used in the calculations are:

	<b>Local Gov't Scheme</b>		<b>Police Scheme</b>	
	<b>2009/10</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2010/11</b>
- rate of inflation	3.8%	2.8%	3.5%	3.0% <sup>2</sup>
- rate of increase in salaries	5.3%	5.1%	5.0%	4.5%
- rate of increase in pensions	3.8%	2.8%	3.5%	3.0%
- rate for discounting scheme liabilities	5.5%	5.5%	5.7%	5.5%
- take-up of option to convert annual pension into retirement lump sum	50.0% <sup>1</sup>	50.0% <sup>1</sup>	0.0%	50.0%

<sup>1</sup> 50% applies to pre-April 2008 service, whilst 75% is assumed for post-April 2008 service.

<sup>2</sup> Previously the rate of inflation was at RPI (retail price index), for 2010/11 onwards this is now CPI (consumer price index).

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 2010</b>		<b>31<sup>st</sup> March 2011</b>	
	<b>Value £000</b>	<b>Expected Return (% per annum)</b>	<b>Value £000</b>	<b>Expected Return (% per annum)</b>
Equity Investments	66,406	7.8%	73,210	7.5%
Bonds	8,514	5.0%	6,280	4.9%
Property	9,365	5.8%	9,869	5.5%
Cash	851	4.8%	359	4.6%
	<b>85,136</b>		<b>89,718</b>	

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2011:

**“OLD” Police Pension Scheme:**

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	(5.8)	3.8	(29.4)	28	2.7

**“NEW” Police Pension Scheme:**

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

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	n/a	26.4	(62.9)	45	(0.4)

**“INJURY” Police Pension Scheme:**

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

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	n/a	6.8	(26.8)	26.3	(19.9)

**Local Government Pension Scheme:**

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	1.3	(13.3)	(46.0)	21.6	(3.7)
Experience gains and losses on liabilities	0.0	3.4	(0.0)	(0.0)	(10.8)

**38. 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.

2009/10 £000	<i>Capital Receipts Reserve</i>	2010/11 £000
-	Capital Receipts received in the year	114
-	Amounts applied to finance new capital investment in the year	(114)
-	<b>Total increase / (decrease) in realised capital receipts in 2010/11</b>	-
-	Balance brought forward at 1 <sup>st</sup> April	-
-	<b>Balance carried forward at 31<sup>st</sup> March</b>	-

**39. Capital Grants & Contributions Unapplied**

This account holds those capital grants and contributions that have been credited to the Comprehensive Income & Expenditure Statement, are “restricted” but not “conditional” (i.e. must be used for a specific purpose but do not have a repayment condition) but have yet to be applied to capital financing. Capital grants & contributions that are “conditional” are instead held within the Capital Grants Receipt in Advance line on the face of the Balance Sheet

2009/10 £000	<i>Capital Grants &amp; Contributions Unapplied</i>	2010/11 £000
-	Amounts receivable in the year	-
(9)	Amounts transferred in respect of a regional capital project	-
(1)	Amounts applied to finance new capital investment in the year	(3)
<b>(10)</b>	<b>Total (increase) / decrease in the year</b>	<b>(3)</b>
<b>21</b>	Balance brought forward at 1 <sup>st</sup> April	<b>11</b>
<b>11</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>8</b>

#### 40. Revaluation Reserve

The Revaluation Reserve contains the residual gains (since 1<sup>st</sup> April 2007) realised when Non-Current 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 Comprehensive Income & Expenditure Statement.

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.

2009/10 Total £000	<i>Revaluation Reserve</i>	Force £000	EMASU (1/3) £000	2010/11 Total £000
	<b>Movements in unrealised value of non-current assets</b>			
-	Gains on upward revaluation of non-current assets	284	8	292
(450)	Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(57)	-	(57)
(4)	Transfer to Capital Adjustment Account in respect of non-current asset depreciation (on a revaluation gain)	(6)	-	(6)
(3)	Transfer to Capital Adjustment Account in respect of the East Midlands Air Support Unit	-	-	-
-	Transfer to Capital Adjustment Account in respect of residual gains held at the point of disposal of a non-current assey	-	-	-
<b>(457)</b>	<b>Total movement on reserve in the year</b>	<b>221</b>	<b>8</b>	<b>229</b>
<b>976</b>	<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>519</b>	<b>-</b>	<b>519</b>
<b>519</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>740</b>	<b>8</b>	<b>748</b>

#### 41. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairments losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve related to residual gains). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant & Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10 Total £000	<i>Capital Adjustment Account</i> (See Note 3 for further details)	Force £000	EMSOU (23.1%) £000	EMASU (1/3) £000	2010/11 Total £000
(4,872)	Depreciation/Amortisation charge in year	(4,752)	(123)	(160)	(5,035)
4	Amounts transferred from Revaluation Reserve in respect of depreciation/amortisation	6	-	-	6
(1,630)	Transfer from Comprehensive Income & Expenditure Statement in respect of Non-Current Asset Revaluations	1,274	-	-	1,274
-	Revaluation on non-current assets held for sale	(82)	-	-	(82)
(2,139)	Revenue Expenditure funded from Capital under Statute (REFCUS)	(948)	(2)	(20)	(970)
(146)	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of Non-current Asset disposals	(321)	(4)	-	(325)
<b>(8,783)</b>	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>(4,823)</b>	<b>(129)</b>	<b>(180)</b>	<b>(5,132)</b>
986	Capital expenditure charged against the General Fund	2,177	60	20	2,257
-	Use of the Capital Receipts Reserve to finance new capital expenditure	114	-	-	114
2,885	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	2,378	-	-	2,378
1	Application of grants to capital financing from the Capital Grants Unapplied Account	3	-	-	3
914	Revenue Provision (including MRP)	960	-	-	960
3	Adjustment to correct EMASU Revaluation Reserve	-	-	-	-
362	Voluntary Revenue Provision for Capital Financing	493	-	-	493
3	Movements in the market value of Investment Properties charged to the Comprehensive Income & Expenditure Statement	(3)	-	-	(3)
<b>(3,629)</b>	<b>Total movement during the year</b>	<b>1,299</b>	<b>(69)</b>	<b>(160)</b>	<b>1,070</b>
45,345	Balance b/fwd at 1 <sup>st</sup> April	40,270	227	1,219	41,716
<b>41,716</b>	<b>Balance c/fwd at 31<sup>st</sup> March</b>	<b>41,569</b>	<b>158</b>	<b>1,059</b>	<b>42,786</b>



## 42. 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 2009/10 and 2010/11, the breakdown of the figure on the Authority's Balance Sheet is as follows:

Collection Fund Heading	Blaby District Council £000	Charnwood Borough Council £000	Harborough District Council £000	Hinckley & Bosworth Borough Council £000	Leicester City Council £000	Melton Borough Council £000	Oadby & Wigston Borough Council £000	North-West Leicestershire District Council £000	Rutland County Council £000	Total £000
<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)
<b>2010/11</b>										
Council Tax Arrears	208	420	224	126	911	173	77	182	26	2,347
Impairment Allowance for Bad/Doubtful Debts	(67)	(158)	(58)	(32)	(407)	(10)	(22)	(110)	(7)	(871)
Council Tax Overpayments & Prepayments	(62)	(146)	(62)	(79)	(160)	(56)	(38)	(78)	-	(681)
<b>Collection Fund (surplus) / deficit</b>	<b>(21)</b>	<b>(48)</b>	<b>(63)</b>	<b>(11)</b>	<b>60</b>	<b>3</b>	<b>(22)</b>	<b>(60)</b>	<b>(12)</b>	<b>(174)</b>
Cash	(58)	(68)	(41)	(4)	(404)	(110)	5	66	(7)	(621)

The Authority's Collection Fund Adjustment Account therefore has a credit balance (surplus) of **£174k** at 31<sup>st</sup> March 2011 (09/10 – debit balance (deficit) of **£192k**).

The balance on the Collection Fund Adjustment Account can be analysed as follows:

2009/10 £000	<i>Collection Fund Adjustment Account</i>	2010/11 £000
93	<b>Balance at 1<sup>st</sup> April</b>	(192)
(285)	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	366
(192)	<b>Balance at 31<sup>st</sup> March</b>	<b>174</b>

#### 43. *Accumulated Absences Account*

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2009/10 £000	<i>Accumulated Absences Account</i>	2010/11 £000
(3,411)	<b>Balance at 1<sup>st</sup> April</b>	(2,894)
3,411 (2,894)	Reversal of opening accrual made at the end of the preceding year Amounts accrued at the end of the current year	2,894 (2,679)
517	<b>Amounts by which remuneration charged to the Comprehensive Income &amp; Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>215</b>
(2,894)	<b>Balance at 31<sup>st</sup> March</b>	<b>(2,679)</b>

The balance shown above is a negative figure due to it being a deficit reserve on the Authority's Balance Sheet.

#### 44. *Cash Flow Statement – Operating Activities*

The *Net Cash Flows from Operating Activities* include the following items:

2009/10 £000	<i>Operating Activities</i>	2010/11 £000
165,448	Payments made in respect of Employees, Ill-Health Pensioners and Injury Awards	164,938
904	Interest Paid	666
(51,833)	Council Tax (Precept) income	(53,734)
(42,129)	National Non-Domestic Rates income	(46,617)
(9,724)	Revenue Support Grant income	(6,769)
(66,132)	Police Grant income	(67,996)
(17,725)	Other Grant income	(16,834)
(213)	Interest Received	(134)

**45. Cash Flow Statement – Investing Activities**

Investing Activities as shown on the Cash Flow Statement consists of the following cash flows:

2009/10 £000	<i>Investing Activities</i>	2010/11 £000
6,972	Capital Expenditure in the year	4,802
-	Capital Receipts received in the year	(114)
(2,515)	Capital Grants & Contributions received in the year	(2,291)
(500)	Net movement in Short-Term Investments	(5,000)
<b>3,957</b>	<b>Total Investing Activities cash flows</b>	<b>(2,603)</b>

**46. Cash Flow Statement – Financing Activities**

Financing Activities as shown on the Cash Flow Statement consists of the following cash flows:

2009/10 £000		2010/11 £000
97	Repayment of short/long term borrowing – PWLB	105
439	Repayment of deferred liabilities – Leicestershire County Council debt	439
<b>536</b>	<b>Total Financing Activities cash flows</b>	<b>544</b>

**47. Post Balance Sheet Events**

No Post Balance Sheet Events have been identified between 31<sup>st</sup> March 2011 and the date of publication shown in Note 1.

**48. Accounting Standards that have been issued but have not yet been adopted**

The 2011/12 Code of Accounting was released prior to the publication of these accounts. No changes have occurred in the Code which have an impact on these accounts.

**49. Contingent Liabilities**

The Civil Claims earmarked reserve (see Note 34 for further details) includes funds set aside by the Authority in respect of civil claims received by the claims handlers where transfer of economic benefits is deemed to be unlikely. The Authority has, however, considered it prudent to set aside funds in the discretionary reserve to cover an unforeseen change to that assessment.

The reserve contains £586k in respect of 40 specific civil claims. The maximum amount set aside for an individual claim in the earmarked reserve is £50k – equal to the Authority's insurance excess.

## **50. Accounting Policies used by the Authority**

### **A1 General principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31<sup>st</sup> March 2011. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* (hereafter referred to as "**the Code**") and the Best Value Accounting Code of Practice 2010/11 as published by CIPFA. The Code is supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments as appropriate.

The Statement of Accounts has been prepared with reference to:-

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'
- The objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them

And the following underlying assumptions:

- Understandability
- Relevance
- Materiality
- Reliability
- Comparability

### **A2 Recognition of Income & Expenditure (including Capital)**

The accounts are prepared on an accruals basis. 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.

Grant income is recognised in the financial year to which it relates. Income received early is transferred to receipts in advance on the Balance Sheet before being transferred to the Comprehensive Income & Expenditure Statement in the appropriate year.

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.

### **A3 Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts – depending on how significant the items are to an understanding of the Authority's financial performance.

#### **A4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, except for where the Authority is of the view that the change in estimate significantly affects year-on-year comparison. Where the change in estimate has a significant impact, the Authority will restate prior-year figures and provide a full explanation of the adjustments.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other event and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **A5 Council Tax – Collection Fund Debtors/Creditors and Surplus/Deficit**

The Code requires that Council Tax income included in the Comprehensive Income and Expenditure Statement be accounted for on an accruals basis. The difference between the amount shown in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

In addition to the accounting requirements for the Comprehensive Income and Expenditure Statement, the Code 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.

#### **A6 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Authority holds a number of accounts with its banking provider, the balances of which are set-off against each other at the close of each banking day. The net position

of these accounts is shown within Cash and Cash Equivalents (within current assets if in credit or within current liabilities if overdrawn).

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

## **A7 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. Short-term cash investments due to mature within three months of the Balance Sheet date are shown within "Cash & Cash Equivalents" on the Balance Sheet.

Annual charges to the Comprehensive Income & Expenditure Statement 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 Comprehensive Income & Expenditure Statement 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.

## **A8 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.

## **A9 Non-Current Assets (general principles)**

All expenditure on the acquisition, creation or enhancement of tangible or intangible non-current assets (over specified de minimis levels – currently £5,000) is capitalised in the accounts. Expenditure on non-current assets is capitalised provided that the non-current 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 non-current 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 Comprehensive Income & Expenditure Statement in the year that the expenditure is incurred. A

reversing entry is made in the Movement in Reserves Statement to neutralise the effect on the Authority's revenue funds.

### **A10 Non-Current Assets (valuation principles)**

Non-current 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 Non-Current Assets**

**Components** – the Authority has reviewed its land and buildings non-current assets for evidence of components. A component is a separately identifiable part of an asset which has both a different estimated useful life and also a value which is significant when considered against the total value of the asset.

In conjunction with the Authority's independent valuers, componentisation thresholds (i.e. the levels at which a component is considered to be worthy of separation) have been set to assist in future asset reviews. A component must constitute more than 25% of the value of the asset and be greater than £100k in value. In addition, the asset must have a useful life (for depreciation purposes) that is significantly different from that of the main structure. Components that are deemed to meet the criteria above are separated from the main structure on the Authority's asset registers and depreciation calculated separately.

**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 (Existing Use basis). 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 (and also shows in the Comprehensive Income & Expenditure Statement – in the "Other Comprehensive Income & Expenditure" section). Future deficits due to a downward revaluation on the same asset (including impairments) are debited to the Revaluation Reserve until the residual gain is exhausted (and similarly in the Comprehensive Income & Expenditure Statement). If no residual gain exists for a specific asset (in the Revaluation Reserve) all deficits are charged to the Comprehensive Income & Expenditure Statement.

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.

With the exception of Investment Properties (see below) gains and losses on disposal of non-current assets are credited or debited to the "Other Operating Expenditure" section of the Comprehensive Income & Expenditure Statement. Such gains and losses are not permitted to affect the General Fund Balance and hence an adjustment is made in the Movement in Reserves Statement to reverse the impact out the Capital Adjustment Account.

**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.

**Investment Properties** are non-current assets that are held solely to earn income and/or realise capital appreciation and are valued at Market Value as determined by the Authority’s specialist valuers. Any change in the Market Value of the Investment Property (together with any Income or Expenditure that is generated) is debited or credited to the “Financing and Investment Income and Expenditure” section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

**Assets Held For Sale** are those assets whose carrying amount is going to be recovered principally through a sale transaction rather than through continued use. Assets that are intended to be abandoned or scrapped at the end of their useful life are not covered by this definition. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed “Held For Sale”:

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable and a plan to sell the asset in place
- The asset must be actively marketed for sale at a price that is reasonable in relation to the current value
- The sale should be expected to complete within one year of the date of classification as a Asset Held For Sale

Where an asset meets these four criteria, it is revalued at Fair Value (existing use) and then transferred to the “Assets Held For Sale” heading on the Balance Sheet. Assets Held For Sale are measured at the lower of (a) Fair Value [existing use] and (b) Market Value less disposal costs. Where the Market Value of an Asset Held For Sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement (“Other Operating Expenditure” line). However, as this is not a charge permitted by statute against the General Fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

A subsequent increase in Market Value is credited to the Comprehensive Income & Expenditure Account in the same way but only up to the limit of the value the asset was held at when first reclassified as an Asset Held For Sale. Any further gains in Market Value over and above the original carrying value will be realised when the asset is disposed of.

It should be noted that a balance may remain on the Revaluation Reserve attributable to the asset. This balance is transferred to the Capital Adjustment Account at the point of disposal.



## **Intangible Non-Current 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 Head of Information Technology.

### **A11 Non-Current Assets (depreciation charges)**

In accordance with the Code, land is not depreciated. Buildings are depreciated over their estimated remaining useful life as determined by the valuer on a straight-line basis. Where appropriate, components of non-current assets are listed separately on the Authority's asset registers and hence depreciated separately.

Depreciation is charged to the Comprehensive Income & Expenditure Account within the "Cost of Services" section.

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.

Assets Under Construction, Investment Properties and Assets Held For Sale (as with Land) are not subject to depreciation.

### **A12 Redemption of Debt**

The Authority is not required to raise council tax to cover depreciation, impairment/revaluation 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/revaluation losses and amortisations are therefore replaced by the minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### **A13 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 Comprehensive Income & Expenditure Statement and recognised as income.

### **A14 Leases**

Leases will be assessed using criteria laid down by IAS17 (*Leases without interpretation*) to determine classification as either Finance or Operating Leases.

Where a lease is determined to be a Finance Lease, 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 Non-Current 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.

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.

In addition to tangible leases, the Authority reviews its contracts and other arrangements for transactions or circumstances that could be a lease by implication. This includes a review of assets made available via service contracts that may be exclusively for the use of the Authority and in substance appears to be a lease of the asset.

The Authority has a number of semi-formal arrangements with local authorities and other bodies to grant use of rooms or offices within the landlord's property. These arrangements (often used as community/beat offices for local police officers) are reviewed to assess the substance of the transaction using such criteria as:

- Are payments being made for use of the room/office?
- Is a lease document in place?
- Does the Authority have exclusive use of the room/office?
- Does the Authority have responsibility for the maintenance/repair of the room/office?
- Is a transfer of ownership likely as part of the arrangement?

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *Leasing* note in the financial statements (note 14).

### **A15 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.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income & Expenditure Statement. Specific revenue grants/contributions are credited to the relevant service line whilst non-ringfenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **A16 Inventories**

Supplies of uniform, vehicle parts, vehicle fuel, stationery, catering supplies and other operating equipment are held. Cleaning materials and other items are fully charged to the Comprehensive Income & Expenditure Statement in the year of purchase. Inventories are valued on the basis of average cost price.

### **A17 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 Code, the Authority makes provision 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.

### **A18 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. Where an investment is due to mature within three months of the Balance Sheet date, it is shown in Cash and Cash Equivalents.

### **A19 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 IAS19. 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.

Further details concerning the impact on the Statement of Accounts from the Authority's accounting policy for pensions can be seen in Note 37 – Retirement Benefits.

### **A20 Employee Benefits**

The Authority makes an accrual in the Comprehensive Income & Expenditure Account for the short-term employment benefits that were not taken during the financial year. These benefits are:

- Annual Leave (the amount carried over)
- Time-off-in-lieu (the balance outstanding at year-end)
- Rest Days (compensation where a rest day was cancelled)
- Flexi Leave (the number of hours outstanding at year-end)

Data concerning the above is collated from the Authority's personnel systems and costed out at the prevailing rates of pay for the forthcoming year (in effect the rate of pay applicable on 1<sup>st</sup> April as future pay increases may be subject to change).

The accrual is charged to the Comprehensive Income & Expenditure Statement (within the Surplus/Deficit on the Provision of Services) and reversed out through the

Movement in Reserves Statement. On the Balance Sheet, the accrual is shown in the Creditors section (representing the fact that the employee benefits are due to be realised within the following twelve-month period) with a corresponding entry in the Accumulated Absences Account in the lower half of the Balance Sheet.

Each financial year has an opening and closing accrual, the impact on the Comprehensive Income & Expenditure Statement is therefore the movement between the two figures.

## **A21 Overheads**

The accounts have been prepared in accordance with the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The Comprehensive Income & Expenditure Statement 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 Comprehensive Income & Expenditure Statement (Note 4) 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”.

## **A22 Estimation Techniques**

The following estimation techniques have been used in the accounts:

- Capital Creditors – quantity surveyors estimate of the value of the work undertaken
- IAS19 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.
- Employee Benefits – where employee benefits have been accrued for at the Balance Sheet date, they have been calculated using a sample of data taken from the various systems (whether manual or electronic) in which it is retained. This sample is analysed and extrapolated upwards to calculate the accrual for the population.
- Vehicle Fleet Residual Values and Depreciation Rates – a comparison between estimated sales proceeds and the residual value of each vehicle (10% of purchase cost) is used to gain assurance that the valuation and depreciation policies remain appropriate.
- Civil Claims Provision – estimations of the Authority’s potential liability to civil claims is provided by the appointed claims handlers. See the specific accounting policy above.

- Bad Debt Provision – the Authority assesses the outstanding sales invoices at 31<sup>st</sup> March and makes specific provision for those invoices where it is considered unlikely payment will be received.

### **A23 Joint Arrangements**

The 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 2011. Adjustments have also been made to the Comprehensive Income & Expenditure Statement 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.

### **A24 Details of Prior-Period Adjustments**

2010/11 represents the first year of full implementation of International Financial Reporting Standards by the Authority. The Financial Statements have been produced in compliance with IFRS, comparatives for 2009/10 and 2008/09 (Balance Sheet only in the case of 2008/09) having been restated accordingly.

The changes to the 2009/10 and (where relevant) 2008/09 comparative figures are detailed in note 2 – Transition to IFRS.

# 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 Police Authority acts as the lead Authority. During 2010/11, Leicestershire Police Authority contributed £336k (2009/10 - £295k) to EMASU.

## Comprehensive Income & Expenditure Statement 2010/11 (presented in a Subjective Analysis format)

2009/10 Outturn £000		Note	2010/11 Outturn £000
301	Employees' expenses		332
46	Premises		41
584	Transport		591
(23)	Supplies and services		22
57	Agency & Contracted Services		59
-	Revenue Expenditure Financed from Capital Resources		60
481	Depreciation & Amortisation		482
<b>1,446</b>	<b>Gross Operating Expenditure</b>		<b>1,587</b>
(28)	Other income		(6)
-	Profit/Loss on Disposal of Non-Current Assets		-
<b>1,418</b>	<b>Net Operating Expenditure</b>		<b>1,581</b>
(886)	Contributions from partners		(1,008)
-	Income from Government Grants		(7)
<b>532</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>566</b>
24	(Surplus) / Deficit on revaluation on non current assets		(24)
<b>24</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>(24)</b>
<b>556</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>542</b>

## Statement of Movement in Reserves

Note: the SMR is presented in a format relevant to EMASU – in the consolidation with Leicestershire there would be a transfer to reserves showing below equal to the “EMASU Reserve Increase/Decrease” figure

	EMASU Reserve Balance	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Accumulated Absences Account	Total Unusable Reserves	Total EMASU Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31<sup>st</sup> March 2009</b>	<b>449</b>	<b>449</b>	<b>4,127</b>	<b>32</b>	<b>-</b>	<b>4,159</b>	<b>4,608</b>
<u>Movement in reserves during 2009/10</u>							
Surplus or (deficit) on the provision of services	(532)	(532)	-	-	-	-	(532)
Other Comprehensive Income & Expenditure	(24)	(24)	-	-	-	-	(24)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(556)</b>	<b>(556)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(556)</b>
Adjustments between accounting basis & funding basis under regulations	499	499	(467)	(32)	-	(499)	-
<b>Net Increase/Decrease before Transfers to/from Earmarked Reserves</b>	<b>(57)</b>	<b>(57)</b>	<b>(467)</b>	<b>(32)</b>	<b>-</b>	<b>(499)</b>	<b>(556)</b>
Transfers to/from Earmarked Reserves	-	-	-	-	-	-	-
<b>Increase/Decrease in 2009/10</b>	<b>(57)</b>	<b>(57)</b>	<b>(467)</b>	<b>(32)</b>	<b>-</b>	<b>(499)</b>	<b>(556)</b>
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>392</b>	<b>392</b>	<b>3,660</b>	<b>-</b>	<b>-</b>	<b>3660</b>	<b>4,052</b>

	EMASU Reserve Balance	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Accumulated Absences Account	Total Unusable Reserves	Total EMASU Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>392</b>	<b>392</b>	<b>3,660</b>	-	-	<b>3,660</b>	<b>4,052</b>
<u>Movement in reserves during 2010/11</u>							
Surplus or (deficit) on the provision of services	(566)	<b>(566)</b>	-	-	-	-	<b>(566)</b>
Other Comprehensive Income & Expenditure	24	<b>24</b>	-	-	-	-	<b>24</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(542)</b>	<b>(542)</b>	-	-	-	-	<b>(542)</b>
Adjustments between accounting basis & funding basis under regulations	458	<b>458</b>	(482)	24	-	<b>(458)</b>	-
<b>Net Increase/Decrease before Transfers to/from Earmarked Reserves</b>	<b>(84)</b>	<b>(84)</b>	<b>(482)</b>	<b>24</b>	-	<b>(458)</b>	<b>(542)</b>
Transfers to/from Earmarked Reserves	-	-	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>(84)</b>	<b>(84)</b>	<b>(482)</b>	<b>24</b>	-	<b>(458)</b>	<b>(542)</b>
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>308</b>	<b>308</b>	<b>3,178</b>	<b>24</b>	-	<b>3,202</b>	<b>3,510</b>



## Balance Sheet as at 31<sup>st</sup> March 2011

1 <sup>st</sup> April 2009 (restated) £000	31 <sup>st</sup> March 2010 (restated) £000		Note	31 March 2011 £000
		<b>Non-Current Assets</b>		
4,159	3,660	Property, Plant & Equipment	1	3,202
<b>4,159</b>	<b>3,660</b>	<b>Total Long Term Assets</b>		<b>3,202</b>
		<b>Current Assets</b>		
66	124	Short Term Debtors	2	156
476	386	Cash & Cash Equivalents		354
		<b>Current Liabilities</b>		
(93)	(118)	Short Term Creditors	3	(140)
	-	Receipt in Advance		(62)
<b>449</b>	<b>392</b>	<b>Net current assets</b>		<b>308</b>
<b>4,608</b>	<b>4,052</b>	<b>Net assets / (Liabilities)</b>		<b>3,510</b>
449	392	Usable Reserves	4	308
4,159	3,660	Unusable Reserves	5	3,202
<b>4,608</b>	<b>4,052</b>	<b>Total Reserves</b>		<b>3,510</b>

## Notes to the Accounts

### 1. Non-Current Assets

Non-current 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 tangible non-current assets during the year :

	Helicopter £000	Hanger £000	Equipment £000	Vehicles £000	Total £000
<b>Net book value at 1/4/10</b>	<b>3,064</b>	<b>408</b>	<b>168</b>	<b>20</b>	<b>3,660</b>
Transfers	-	-	-	-	-
Revaluations	-	15	-	-	15
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	(438)	(10)	(28)	(6)	(482)
Depreciation on Disposals	-	-	-	-	-
Depreciation adjustment due to Revaluation	-	9	-	-	9
<b>Net book value at 31/3/11</b>	<b>2,626</b>	<b>422</b>	<b>140</b>	<b>14</b>	<b>3,202</b>

### 2. Debtors

1 <sup>st</sup> March 2009 £000	31 <sup>st</sup> March 2010 £000		31 <sup>st</sup> March 2011 £000
49	-	Sundry debtors	-
17	118	Local Authorities & Police Authorities	156
-	6	Government departments (VAT)	-
<b>66</b>	<b>124</b>		<b>156</b>

### 3. Creditors

1 <sup>st</sup> March 2009 £000	31 <sup>st</sup> March 2010 £000		31 <sup>st</sup> March 2011 £000
3	11	Government departments	6
31	45	Local Authorities & Police Authorities	83
29	-	Capital	-
30	62	Sundry creditors	51
<b>93</b>	<b>118</b>		<b>140</b>

**4. EMASU Usable Reserve**

This reserve contains resources set aside to meet future unbudgeted expenditure

<b>EMASU Reserve</b>	<b>31<sup>st</sup> March 2011</b>
	<b>£000</b>
Opening balance brought forward	392
Outturn 2010/11	(84)
	<b>308</b>

**5. EMASU Unusable Reserve****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 Non-Current Assets.

**Revaluation Reserve**

This reserve contains the residual gains (since 1<sup>st</sup> April 2007) realised when Non-Current Assets are revalued. A more detailed description of the reserve can be seen on page 75 (Note 40 – Revaluation Reserve).



# 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 Police Authority acts as the lead Authority. During 2010/11, Leicestershire Police Authority contributed £992k (2009/10 - £717k) to EMSOU.

## Comprehensive Income & Expenditure Statement 2010/11 (presented in a Subjective Analysis format)

2009/10 Outturn £000		Note	2010/11 Outturn £000
2,836	Employees' expenses		4,095
775	Premises		729
334	Transport		393
1,345	Supplies and services		1,283
174	Agency and Contracted Services		42
32	Revenue Expenditure Funded from Capital Resources		8
501	Depreciation & Amortisation		535
<b>5,997</b>	<b>Gross Operating Expenditure</b>		<b>7,085</b>
(455)	Other income		(326)
(1)	Profit/Loss on Disposal of Non-Current Assets		(8)
<b>5,541</b>	<b>Amount to be met from Partners</b>		<b>6,751</b>
(3,106)	Contributions from partners		(4,293)
(2,203)	External Grants		(2,077)
<b>232</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>381</b>
-	(Surplus) / Deficit on revaluation of non current assets		-
-	<b>Other Comprehensive Income and Expenditure</b>		-
<b>232</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>381</b>

## Statement of Movement in Reserves

Note: the SMR is presented in a format relevant to EMSOU – in the consolidation with Leicestershire there would be a transfer to reserves showing below equal to the “EMSOU Reserve Increase/Decrease” figure

	EMSOU Reserve Balance	Earmarked Reserves	Total Usable Reserves	Capital Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	Total EMSOU Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31<sup>st</sup> March 2009</b>	272	736	1,008	1,239	(81)	1,158	2,166
<u>Movement in reserves during 2009/10</u>							
Surplus or (deficit) on the provision of services	(232)	-	(232)	-	-	-	(232)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-
<b>Total Comprehensive Income &amp; Expenditure</b>	(232)	-	(232)	-	-	-	(232)
Adjustments between accounting basis & funding basis under regulations	258	-	258	(256)	(2)	(258)	-
<b>Net Increase/Decrease before Transfers to/from Earmarked Reserves</b>	26	-	26	(256)	(2)	(258)	(232)
Transfers to/from Earmarked Reserves	5	(5)	-	-	-	-	-
<b>Increase/Decrease in 2009/10</b>	31	(5)	26	(256)	(2)	(258)	(232)
<b>Balance as at 31<sup>st</sup> March 2010</b>	303	731	1,034	983	(83)	900	1,934

	EMSOU Reserve Balance	Earmarked Reserves	Total Usable Reserves	Capital Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	Total EMSOU Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>303</b>	<b>731</b>	<b>1,034</b>	<b>983</b>	<b>(83)</b>	<b>900</b>	<b>1,934</b>
<u>Movement in reserves during 2010/11</u>							
Surplus or (deficit) on the provision of services	(381)	-	(381)	-	-	-	(381)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(381)</b>	<b>-</b>	<b>(381)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(381)</b>
Adjustments between accounting basis & funding basis under regulations	(303)	-	(303)	(301)	(2)	(303)	-
<b>Net Increase/Decrease before Transfers to/from Earmarked Reserves</b>	<b>(78)</b>	<b>-</b>	<b>(78)</b>	<b>(301)</b>	<b>(2)</b>	<b>(303)</b>	<b>(381)</b>
Transfers to/from Earmarked Reserves	45	(45)	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>(33)</b>	<b>(45)</b>	<b>(78)</b>	<b>(301)</b>	<b>(2)</b>	<b>(303)</b>	<b>(381)</b>
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>270</b>	<b>686</b>	<b>956</b>	<b>682</b>	<b>(85)</b>	<b>597</b>	<b>1553</b>

## Balance Sheet as at 31<sup>st</sup> March 2011

1 <sup>st</sup> April 2009 (restated) £000	31 <sup>st</sup> March 2010 (restated) £000		Note	31 <sup>st</sup> March 2011 £000
		<b>Non-Current Assets</b>		
21	46	Intangible Assets	1	32
1,218	937	Property, Plant & Equipment	1	650
<b>1,239</b>	<b>983</b>	<b>Total Long Term Assets</b>		<b>682</b>
		<b>Current Assets</b>		
908	98	Short Term Debtors	2	529
1,382	2,105	Cash & Cash Equivalents		1,213
-	1	Payments in Advance		-
(1,180)	(1,089)	<b>Current Liabilities</b>		
(103)	(81)	Short Term Creditors	3	(726)
(80)	(83)	Receipts in Advance		(60)
		Provision for Accumulated Absences		(85)
<b>927</b>	<b>951</b>	<b>Net Current Assets</b>		<b>871</b>
<b>2,166</b>	<b>1,934</b>	<b>Net assets / (Liabilities)</b>		<b>1,553</b>
1,008	1,034	Usable Reserves	4	956
1,158	900	Unusable Reserves	5	597
<b>2,166</b>	<b>1,934</b>	<b>Total Reserves</b>		<b>1,553</b>



## Notes to the Accounts

### 1. Non-Current Assets

Non-current 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 tangible non-current assets during the year:

	Property £000	Vehicles £000	Equipment £000	Total £000
<b>Net book value at 1/4/10</b>	-	412	524	936
Additions	-	195	56	251
Revaluation	-	-	-	-
Disposals	-	(115)	-	(115)
Depreciation	-	(220)	(300)	(520)
Depreciation on Disposal	-	98	-	98
<b>Net book value at 31/3/11</b>	-	370	280	650

#### Movement of intangible non-current assets during the year:

	Equipment £000	Total £000
<b>Net book value at 1/4/10</b>	47	47
Additions	-	-
Disposals	-	-
Amortisation	(15)	(15)
Amortisation on Disposal	-	-
<b>Net book value at 31/3/11</b>	32	32

### 2. Debtors

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000		31 <sup>st</sup> March 2011 £000
146	22	Government departments	36
587	36	Police & Local Authorities	493
176	40	Sundry Debtors	-
<b>909</b>	<b>98</b>		<b>529</b>

### 3. Creditors

1 <sup>st</sup> April 2009 £000	31 <sup>st</sup> March 2010 £000		31 <sup>st</sup> March 2011 £000
-	13	Government departments	47
373	195	Police & Local Authorities	562
152	51	Capital	-
267	615	Salary & Overtime	-
388	215	Sundry creditors	117
<b>1,180</b>	<b>1,089</b>		<b>726</b>

#### 4. EMSOU Usable Reserves

	Balance at 1 <sup>st</sup> April 2010 £000	Movements		Balance at 31 <sup>st</sup> March 2011 £000
		From £000	To £000	
EMSOU General Reserve	303	(33)	-	270
Titan House Reserve	23	-	-	23
Titan House Contingency	-	-	-	-
Communications Reserve	100	-	-	100
Future Capital Purchases	108	(102)	57	63
Asset Replacement Reserve	500	-	-	500
<b>Grand Total</b>	<b>1,034</b>	<b>(135)</b>	<b>57</b>	<b>956</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 uninsured losses of technical equipment.

##### Asset Replacement Reserve

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

#### 5. EMSOU Unusable Reserves

##### 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 Non-Current Assets

##### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

## **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.

### **Accrual**

A sum included in the Statement of Accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works done but for which payment has not been received or made by the end of the period.

### **Actuarial Gain/Loss**

The change in pension liabilities that arises because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or because the actuarial assumptions themselves have changed.

### **Actuarial Valuation**

A valuation of the assets of a pension scheme, an estimate of the present value of benefits to be paid and an estimate of the future required contributions into a pension scheme.

### **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.

### **Amortisation**

The annual amount charged to the Comprehensive Income & Expenditure Statement in respect of the consumption of intangible non-current assets (i.e. software licenses).

### **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 non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

### **Capital Financing Requirement**

The Capital Financing Requirement represents Capital Expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third-party contributions at the time of spending. It measures the Authority's underlying need to borrow for a capital purpose.

### **Capital Grant**

Grant received from Central Government that is used to finance specific schemes in the Capital Programme. Where capital grants are receivable, these are used as far as possible to finance relevant capital expenditure within the year they are received.

### **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.

## **Current Service Cost (Pensions)**

The increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of pension benefits on retirement.

## **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 non-current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current 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.

### **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.

### **Impairment**

A reduction in the value of a non-current asset below the amount shown on the balance sheet.

### **Investment Property**

Those assets held primarily to realise increases in their value and/or income (i.e. where rented to a third-party).

### **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 non-current asset to the lessee and such assets are included within the non-current 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 non-current assets are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation.

### **Non-Current Assets**

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

### **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.

**Past Service Cost (Pensions)**

Represents the increase in pension liabilities caused by decisions taken in the financial year concerning retirement benefits but whose financial effect is derived from pensionable service earned in earlier financial years.

**Precept**

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

**Public Works Loan Board (PWLB)**

A Government agency that provides borrowing to Local Authorities at preferential interest rates.

**Receipts and Payments**

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

**Unusable Reserves**

These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.

**Usable Reserves**

These are held at the discretion of the Authority and are resource backed. Usable Reserves may either be general (in the case of the General Fund) or specific (in the case of the Earmarked Reserves).