

NORTHUMBRIA POLICE AUTHORITY



Statement of Accounts

2004/2005

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FOREWORD

INTRODUCTION

The purpose of this foreword is to explain briefly, in financial terms, the Authority's activities during 2004/05 and its financial position as at 31 March 2005.

Under the Police Act 1996, the Police Authority and its officers have defined responsibilities, which are distinct from the operational management of the police force under the Chief Constable. The general functions of police authorities include securing the maintenance of an efficient and effective police force, publishing the local policing plan, and determining local policing objectives in consultation with the Chief Constable and local community. The Police Authority is also responsible for preparing and publishing the statement of accounts.

Financial Statements

The financial statement of accounts as presented in the following pages have been compiled in accordance with and as required by the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting in Great Britain, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). It shows the financial affairs of Northumbria Police Authority during 2004/05 and the financial position as at 31 March 2005.

When read in conjunction with the Northumbria Police Authority Joint Annual Review 2004/2005, the publications provide an insight into the many activities and achievements of the Authority during the year.

The statements that follow this explanatory foreword relate to: -

Statement of Responsibilities for the Statement of Accounts (Page 8)

This statement sets out the respective responsibilities of the Authority and its Treasurer.

Statement on Internal Control (Page 9)

This statement outlines the Authority's system of internal control, in line with Regulation 4 of the Accounts and Audit Regulations 2003.

Auditor's Report to the Authority (Page 12)

This report details the basis of the Auditor's opinion on the Financial Statements.

Statement of Accounting Policies (Page 14)

This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies, which have been followed in dealing with material items, are explained.

FOREWORD

Consolidated Revenue Account (Page 20)

The purpose of this account is to report expenditure and income relating to the Police Authority and how the net cost of the Police Authority has been financed by local taxpayers and Central Government Grants.

The revenue account is presented using the Service Expenditure Analysis set out in CIPFA's Best Value Accounting Code of Practice (BVACOP), and in a traditional subjective analysis format, which is used to monitor expenditure against during the year.

Capital Expenditure (Page 31)

This statement reports expenditure (and its associated financing) on fixed assets.

Consolidated Balance Sheet (Page 34)

This shows the Authority's financial position and net assets at 31 March 2005. It summarises the fixed and current assets, which are used in carrying out the Authority's activities, together with its liabilities.

Statement of Total Movement on Reserves (Page 45)

This statement shows all the recognised movements during the year on both revenue and capital reserves.

Cashflow Statement (Page 50)

This summarises the cash receipts and payments of the Authority arising from transactions for both revenue and capital purposes.

FINANCIAL PERFORMANCE

Revenue Account

The net revenue budget to be met from Government Grants and local taxation was approved by the Police Authority at £249.810m. The revised estimate that the Authority later agreed recognised that an underspend of £0.980m was likely to arise during the year, resulting in a total police expenditure requirement of £248.830m.

Effective budget monitoring and budgetary control during the year has ensured that expenditure has been contained within the revised estimate. In addition, circumstances particular to 2004/05 including a reduction in the insurance liability and receipt of grants have led to the revenue outturn for the year being £4.878m under the revised estimate, which facilitated appropriations of £5.858m to earmarked reserves. However, it is necessary to recognise that in overall terms, the variance reflects these particular circumstances and is not typical of the Authority's medium term financial position.

FOREWORD

The table shown below summarises the financial position for the year:

	2004/05 Original Budget £000s	2004/05 Revised Budget £000s	2004/05 Outturn £000s	2003/04 Outturn £000s
Expenditure on Services	250,482	249,672	248,334	225,914
Levies	0	0	0	(618)
AMRA	0	0	(2,350)	(934)
Interest and Investment Income	(4,672)	(4,602)	(4,634)	(3,811)
Premium on Early Resettlement of Borrowing	0	0	2	357
Return on Assets	0	0	90,880	70,650
Net Operating Expenditure	245,810	245,070	332,232	291,558
Govt Grants Applied	0	0	3,042	1,859
Contribution to Earmarked Reserves	0	0	5,858	5,471
Provision for Repayment of Debt	0	0	(4,300)	(4,248)
Revenue Contributions to Capital Outlay	4,000	3,760	2,808	2,574
Contribution from Pensions Reserve	0	0	(89,830)	(58,170)
Amount to be met from Government Grants and Local Taxation	249,810	248,830	249,810	239,044
Police Grant	(124,860)	(124,860)	(124,860)	(123,558)
Revenue Support Grant	(77,690)	(77,690)	(77,690)	(71,038)
National Non Domestic Rates	(18,821)	(18,821)	(18,821)	(19,751)
Precepts	(28,439)	(28,439)	(28,439)	(26,883)
	(249,810)	(249,810)	(249,810)	(241,230)
Contribution to General Reserve	0	(980)	0	(2,186)
Balance Brought Forward	(20,646)	(20,646)	(20,646)	(18,460)
Balance Carried Forward	(20,646)	(21,626)	(20,646)	(20,646)

The main variations from the revised budget are detailed overleaf:

FOREWORD

Revenue Contributions to Capital Outlay (RCCO) were £1.0m lower than the budgeted level as a direct consequence of slippage on the capital programme.

The underspend against the Authority's insurance budget of £1.851m arising from the reduction in liabilities is partly matched by an appropriation of £0.5m to the Authority's insurance reserve, in line with CIPFA's guidance on accounting for the cost of self-insurance.

The Authority received revenue income of £1.0m and £0.4m capital income for expenditure incurred in relation to the spring Labour Party Conference, held in February 2005, which was not secured when the revised budget was set. In line with the capital element of this grant some expenditure, included in the revised revenue budget, was reclassified as capital, including £0.2m of Airwave expenditure specific to the conference.

Appropriations to / (from) Reserves

Appropriations to reserves are as follows: -

An appropriation of £3.9m has been made to the capital development reserve in order to provide for the future costs of the Estates Strategy development programme.

In light of an assessment of the number of Police Officers who are eligible to retire as at 31st March 2005, an appropriation of £1.1m has been made to the pensions commutations reserve.

In line with CIPFA guidance on accounting for self-insurance, an appropriation of £0.5m has been made to the insurance reserve.

In addition, effective management of budgets at a local level has facilitated a £0.2m transfer to the devolved budget reserves.

Income from local taxpayers

The Authority received £28.439m from the precept it levied on billing authorities within its area during 2004/05. A breakdown is provided in note 9 to the consolidated revenue account.

Capital Expenditure and Borrowing Limits

Capital expenditure for the year totalled £9.764m. A summary of how this was financed is shown below:

	£000s
Capital Grant	4,926
Borrowing	2,030
Revenue	<u>2,808</u>
	<u>9,764</u>

FOREWORD

The Estates Strategy Development Programme, which represents the critical operational property needs of the Chief Constable, has recently been completed and implementation has now commenced. The Authority has, as at 31 March 2005, unapplied capital receipts and capital grant of £8.598m and £15.598m respectively. £1.311m of capital grant is earmarked to finance future capital expenditure on Airwave (the new radio communication's system). The balance can be used to support the implementation of the estate strategy.

The prudential framework for local authority capital investment was introduced through the Local Government Act 2003 and became effective from 1st April 2004. The basic principles of the Prudential Code for Capital Finance in Local Authorities (the Code) is that local authorities (including police authorities) will be free to invest so long as their capital spending plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

The previous system of borrowing approvals (basic and supplementary credit approvals) has been discontinued and replaced by Supported Capital Expenditure (Revenue), which is the level of borrowing authorities can undertake outside the prudential framework.

Material Assets and Liabilities

At 31 March 2005, the Authority holds £62.158m of fixed assets and short-term investments amounting to £119.010m.

The Authority also has current liabilities of £20.982m, long term borrowing and deferred liabilities of £33.597m and provisions for future liabilities of £2.800m as at 31 March 2005. Borrowing from the PWLB is undertaken in the name of Gateshead Council on the Authority's behalf under the pooled arrangements specified in the Authority's Treasury Service agreement.

In accordance with FRS17 the Authority's pensions liability is also recorded in the balance sheet.

A full description of the Authority's material assets and liabilities is provided in the notes to the consolidated balance sheet.

Cashflow

The Authority's surplus cash balances are deposited on its behalf by Gateshead Council with banks and building societies for periods ranging from overnight up to a maximum of 364 days. During 2004/05 the Authority's short-term investments increased by £5.473m. Contributory factors to the increase include the surplus generated in 2004/05, capital receipts of £0.645m and capital grant relating to Airwave of £0.339m received but not applied in year.

FOREWORD

EURO CURRENCY

Costs associated with the potential introduction of the Euro Currency into the UK are not considered significant and when incurred will be charged to the consolidated revenue account.

IMPACT OF FINANCIAL REPORTING STANDARD 17 – RETIREMENT BENEFITS (FRS17)

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments, which need to be recognised at the time that employees earn their future entitlement. This is a requirement of Financial Reporting Standard 17 – Retirement Benefits (FRS17).

The Authority's financial statements have been compiled in accordance with the requirements of FRS17, and further details are outlined in note 4 to the consolidated revenue account and note 9 to the balance sheet.

PROSPECTS FOR 2005/06 AND BEYOND

For the financial year 2005/06 Northumbria Police Authority has approved a revenue budget of £262.015m. This translates into a precept at Band D of £70.03, the lowest in England and Wales.

The budget includes funded growth initiatives of £2.985m for police staff posts for which external funding has been secured, including Police Community Support Officers (PCSO) posts and £0.545m in relation to high priority growth initiatives, including the costs of the occupational health strategy and forensic pathology.

The Authority approved a capital budget of £21.941m for 2005/06. Within this estimate the major schemes programme at £10.4m will support the first stage in the implementation of the Estates Strategy Development Programme.

The programme for Minor Building Works, Vehicles, Plant and Equipment and Computers and Communications totals £11.541m. This is made up of £1.358m relating to Airwave and £10.183m reflecting operational requirements as assessed by the Chief Constable.

The Authority's sound financial position supports the Chief Constable's continuing success in reducing crime and, helping to make Northumbria a safer place to live and work.

D V Coates BA CPFA IRRV
Treasurer

Dated:

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required: -

- to 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. In this Authority, that officer is the Treasurer;
- to manage its affairs to secure economic and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March.

In preparing this statement of accounts the Treasurer has: -

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Treasurer has also: -

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2005, required by the Accounts and Audit Regulations 2003, are set out in the following pages.

I further certify that the Statement of Accounts presents fairly the financial position of Northumbria Police Authority at 31 March 2005, and its income and expenditure for the year ended 31 March 2005.

D V Coates BA CPFA IRRV
Treasurer

Dated:

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

1. The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

3. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
4. The system of internal control has been in place at Northumbria Police Authority for the year ended 31 March 2005 and is up to the date of approval of the statement of accounts.

INTERNAL CONTROL ENVIRONMENT

5. The Police Authority is responsible for ensuring that the financial affairs of the Authority and the Force are conducted properly. The Chief Constable has delegated responsibility for financial management and for putting in place effective internal control systems to support this delegation.
6. The system of internal control is set out in the Authority's Standing Orders and Financial Regulations supported by a framework of regular management information, contract procedures, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. The development and maintenance of the system is undertaken by managers within the Authority, and ensures the economical, efficient and effective use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. In particular, the system includes:-
 - A clear system of delegation incorporated within the Standing Orders;
 - Comprehensive budgeting systems;
 - A robust system of financial planning and budgetary control including formal monitoring of periodic and annual reports to indicate financial performance against forecasts;

STATEMENT ON INTERNAL CONTROL

- Setting targets to measure financial and other performance;
 - A corporate performance management system to measure financial and other performance;
 - The adoption of CIPFA capital expenditure guidelines, including the requirements of the Prudential Code;
 - Use as appropriate of formal project management disciplines;
 - Strict adherence to the CIPFA Code of Treasury Management in Public Services;
 - Compliance with established policies, procedures, laws and regulations;
 - Adoption of the principles of the CIPFA / SOLACE Guidelines on Corporate Governance; and
 - Participation in the National Fraud Initiative.
7. In order to ensure the independent review of the adequacy, or otherwise, of the system of internal control, the Authority maintains an adequate and effective internal audit. The Internal Audit Service works in compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2003 and other professional standards.
8. The work of the Internal Audit Service is based upon a risk based three-year Strategic Audit Plan that covers all areas of the Authority's operations.
9. Under the Authority's Standing Orders, the Internal Audit Service reports upon its planning and performance to the Audit Committee on an annual basis with other periodic reports being presented throughout the year. In 2005/06 reporting will be on a quarterly and annual basis.
10. The Authority has a Corporate Risk Management Framework in place, and is working with the Chief Constable to develop a joint approach in 2005/06 to improve mechanisms for the identification and control of risks on both a Strategic and Operational basis. It produces an Annual Risk Management Report, which is reported to the Police Authority.
11. As part of its performance management processes the Authority produces a number of statutory and local performance indicators, which are presented to the Police Authority on a quarterly basis.
12. There is a process by way of a statement from the Chief Constable whereby managers assigned with the ownership of risk provide assurances of the effectiveness of the related key controls.

REVIEW OF EFFECTIVENESS

13. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Audit Service, Strategic Managers in the Authority and the Chief Constable who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates such as HMIC.

STATEMENT ON INTERNAL CONTROL

14. The Chief Internal Auditor reports to the Treasurer, but in order to ensure independence has direct access to the Clerk to the Authority, Chief Constable, and the Audit Committee.
15. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee.
16. The Annual Internal Audit Report for 2004/2005, which was presented to the Audit and Service Improvement Committee (formally the Audit Committee) on the 27 July 2005, concluded that, based on the work undertaken the Authority's system of internal control is satisfactory.
17. By way of the Annual Risk Management Report to the Police Authority, the Treasurer provides an opinion on the soundness of risk management arrangements to manage principal risk.
18. By way of the statement from the Chief Constable, assurances are provided of the effectiveness of key controls.
19. The review of the effectiveness of the system of internal control is informed by:
- The work of managers within the Authority;
 - The work of the Internal Audit Service as described above;
 - The work of Corporate Risk Management as described above;
 - The external auditors in their annual audit letter and other reports; and
 - HMIC.
20. Whilst the results of the review of the Authority's system of internal control has concluded that it is satisfactory, the dynamic nature of controls and the environment in which they operate, requires that they are always improved upon. In conjunction with the Authority's Senior Management, we will endeavour to ensure that any recommendations for improvement to the system of internal control arising from the review process are implemented to support continuous improvement of the system.

Signed

Signed

Signed

Signed

Clerk to the
Authority

Treasurer to the
Authority

Chairman

Chief Constable

Dated

Dated

Dated

Dated

INDEPENDENT AUDITOR'S REPORT TO NORTHUMBRIA POLICE AUTHORITY

Independent Auditor's Report to Northumbria Police Authority

I have audited the statement of accounts on pages 20 to 53 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 14 to 19.

This report is made solely to Northumbria Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Treasurer and Auditor

As described on page 8 the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on internal control on pages 9 to 11 reflects compliance with CIPFA's guidance 'The Statement of Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

INDEPENDENT AUDITOR'S REPORT TO NORTHUMBRIA POLICE AUTHORITY

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts presents fairly the financial position of Northumbria Police Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

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

Signature:

Date:

Name: David Jennings
District Auditor
Audit Commission

ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Authority's financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice ("the SORP"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and conform with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) relevant to Local Authorities.

Any departure from the relevant SSAPs/FRSs will be stated in the notes below: -

CIPFA's BEST VALUE ACCOUNTING CODE OF PRACTICE

In line with CIPFA's best practice approach to accounting for best value, the consolidated revenue account is presented using the Service Expenditure Analysis set out in CIPFA's Best Value Accounting Code of Practice (BVACOP) as well as in a subjective analysis format.

GROUP ACCOUNTS

The SORP 2004 requires the Police Authority to produce Group Accounts to include services provided by organisations other than the Police Authority itself but in which the Authority has a material interest. The Police Authority has complied with the SORP and, while it has identified certain bodies in which it has an interest, it has concluded that none of these interests, either individually or in total, are material in value and therefore that full compliance with the SORP would not assist the reader of the accounts.

INCOME AND EXPENDITURE

Revenue

The revenue accounts are maintained on a receipts and payments basis during the year and converted at the end of the year to an income and expenditure basis by the creation of debtors and creditors.

As a general principle a full year's charge is included in the accounts for those services used continuously (for example gas, electricity and telephones), although the period covered does not always coincide with the financial year.

Police overtime is adjusted from a payments basis in the accounts so that it is charged to the financial year that the liability is incurred.

Capital

Capital transactions are accounted for on an accrual basis during the year. Capital expenditure, which does not result in the creation of a fixed asset, is treated as a deferred charge.

Support Services

The Police Authority's consolidated revenue account includes some support services such as payroll and estates management, which are provided by Gateshead Council in accordance

ACCOUNTING POLICIES

with s.113 of the Local Government Act 1972. For technical staff the allocation is based upon actual time spent, with their administrative staff being allocated pro rata. With other professional staff, allocation is based on estimated time spent and is calculated on an annual basis. The consolidated revenue account also includes the cost of advice to the Authority from its appointed officers, such as the Clerk and Treasurer, along with support to those officers. These costs are allocated using the same method as professional staff. Office accommodation is allocated on a floor area basis.

CURRENT ASSETS

Stocks and Stores are included in the accounts at the lower of cost and net realisable value.

REDEMPTION OF DEBT

To realise economies of scale, Gateshead Council borrows on behalf of the Police Authority. The consolidated revenue account of the Police Authority is charged with the minimum revenue provision calculated at 4% of outstanding debt. Interest is also charged to the consolidated revenue account, the average rate being 8.42% (2003/04 8.91%).

The Police Authority's consolidated revenue account also includes charges in respect of Public Works Loan Board that was transferred to the Police Authority upon abolition of Tyne and Wear County Council. Principal was repayable at maturity and the average rate of interest charged was 7.36% (2003/04 7.22%).

CAPITAL ASSETS

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to the consolidated revenue account.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting:

- operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value;
- non-operational properties (including investment properties) and other non-operational assets that are surplus to requirements, are included in the balance sheet at net realisable value.

ACCOUNTING POLICIES

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing reserve is included in the balance sheet as usable capital receipts.

The freehold and leasehold properties which comprise the Authority's property portfolio were re-valued at 1 April 2003 on behalf of the Clerk (Estates) by the Authority's valuation officer, S.Brown BSc, FRICS. The valuation was in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Police houses which were vacant at the balance sheet date were valued at market value; whilst those which were occupied were valued on the basis of existing use value for social housing. It was neither practicable nor considered by the valuation officer to be necessary to inspect each property for the purposes of the valuation.

When an asset is included in the balance sheet at current value, it is formally re-valued at intervals of not more than five years and the revised amount is included in the balance sheet with any surpluses arising on the re-valuation being credited to the fixed asset restatement reserve. Full valuations are programmed every five years. In addition, the Police Headquarters is valued annually.

Depreciation

Financial Reporting Standard 15 (FRS15 *Tangible Fixed Assets*) requires depreciation to be provided for all fixed assets with a finite useful life (which is determined at the time of acquisition or revaluation) according to the following policy: -

- a full years depreciation is charged on newly acquired assets in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use.
- depreciation is calculated using the straight-line method.

Generally, assets are depreciated in accordance with the following estimate of useful lives: -

- Police Houses: 50 years
- Police Stations: 10 or 30 years depending on use, construction type and condition
- Computer and other Equipment: 5 years
- Communication Towers: 8 - 13 years depending on condition
- Vehicles: 3 years

The residual value adopted for all land and buildings is 10%. All other assets have a zero residual value.

Another requirement of FRS15 is that separate charges should be made for the depreciation of major elements of a single asset, which have materially useful economic lives. This requirement has been complied with in 2004/05.

On the revaluation of fixed assets the SORP states that the accumulated depreciation can either be written off or maintained for the life of the asset. The accumulated depreciation on revaluation has therefore been maintained on the basis that the consumption of benefits (benefit from using the asset) has still occurred regardless of the change in valuation.

ACCOUNTING POLICIES

Revaluations and Impairment

Financial Reporting Standard 11 (*FRS11 Impairment of Fixed Assets and Goodwill*) requires the Authority to consider on an annual basis whether there has been a permanent diminution in the value of its assets to ensure that assets recorded in its accounts are at no more than realisable value and any impairment loss is measured and recognised on a consistent basis.

A review of fixed assets by the Authority's valuation officer in 2004/05 revealed no instances of impairment.

Intangible Fixed Assets

Financial Reporting Standard 10 (*FRS10 Goodwill and Intangible Fixed Assets*) defines intangible fixed assets as "non financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights". Assets falling under this category therefore include purchased software licenses, patents and licenses, trademarks and artistic originals. Until 2004 the SORP did not require these types of assets to be separately disclosed.

A review of the Authority's assets has identified purchased software licenses, which in accordance with the 2004 SORP, are separately disclosed on the balance sheet and in note 1 to the balance sheet.

The licenses are being amortised over five years on a straight-line basis. This policy will be subject to an annual review.

Charges to Revenue

The consolidated revenue account is charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to the service is determined on the basis of the capital employed.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges charged to revenue. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriate.

Capital Grants

Where the acquisition of a fixed asset is financed wholly or in part by a Government grant, the amount of the grant is credited to revenue over the useful life of the project, in accordance with Statement of Standard Accounting Practice No.4 (SSAP 4).

ACCOUNTING POLICIES

Private Finance Initiative (PFI)

The Authority has an existing PFI arrangement in respect of its Mounted Section Facility at Kirkley Hall. This arrangement represents a continuing commitment by the Authority for 15 years and is accounted for as an operating lease in accordance with Statement of Standard Accounting Practice No.21 (SSAP 21). There is therefore no direct impact on the balance sheet. The revenue commitment is given in note 14 to the consolidated revenue account.

Capital Receipts

Receipts from the sale of capital assets are excluded from the consolidated revenue account. They are held on the balance sheet until such time as they are used to finance new expenditure. Interest earned on the capital receipts is credited to the consolidated revenue account.

Disposal of Assets

Upon the disposal of assets the fixed assets account is reduced by the net book value of the asset.

PROVISIONS AND RESERVES

Provisions

Financial Reporting Standard 12 (FRS12 *Provisions, Contingent Liabilities and Contingent Assets*) requires that provisions are established for any material liabilities of uncertain timing or amount to be settled by the transfer of economic benefits.

The Authority has an insurance provision to cover the estimated cost of outstanding claims. Full details are disclosed in note 10 to the balance sheet.

Reserves

The types of reserve that the Authority has are differentiated below: -

- those representing unrealised gains e.g. fixed asset restatement account
- those containing resources available to finance future revenue or capital expenditure e.g. balances earmarked from revenue, usable capital receipts
- those containing resources that have been applied to past expenditure e.g. capital financing account

PENSIONS COSTS

Scheme Participation

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. To do this, it participates in two different pension schemes which both offer defined benefits related to pay and service.

The Police Pension Scheme is an unfunded, defined benefit scheme, 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 eventually fall.

ACCOUNTING POLICIES

The Local Government Pension Scheme (Tyne and Wear Pension Fund), which is administered by South Tyneside Metropolitan Borough Council, is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

Although retirement benefits will not actually be payable until employees retire, the Authority has a commitment to recognise liabilities at the point at which employees earn their future entitlement. This is in accordance with Financial Reporting Standard 17 (FRS17 - Retirement Benefits). In simple terms, the aim of this standard is to ensure that the true net asset / liability of a defined benefit pension scheme is recognised in the Consolidated Balance Sheet, and the true costs of retirement benefits are reflected in the Consolidated Revenue Account.

Movements during the year in the net asset / liability of the pension scheme are reflected in the Consolidated Revenue Account. As with capital charges, FRS17 entries are reconciled back to cash amounts payable to ensure that there is no effect upon Council Tax Precepts.

Investments

Funds of the Authority are invested on its behalf by Gateshead Council under the direction of the Treasurer. An agreement is in place which sets out the services provided for the Authority.

Value Added Tax (VAT)

VAT is included in the income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

Post Balance Sheet Events

Post balance sheet events are defined as those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer. In accordance with CIPFA's Statement of Recommended Practice (SORP), material post balance sheet events which are not reflected in the financial statements are disclosed as a note to the balance sheet. There are no such events in relation to the 2004/05 Statement of Accounts.

Financial Relationships

Gateshead Council provides a range of support services in accordance with s.113 of the Local Government Act 1972.

NORTHUMBRIA POLICE AUTHORITY

CONSOLIDATED REVENUE ACCOUNT - BVACOP SUMMARY

Net Expenditure 2003/04 £000s	BVACOP Service Expenditure Analysis (note 1)	Gross Expenditure 2004/05 £000s	Gross Income 2004/05 £000s	Net Expenditure 2004/05 £000s
97,915	Crime	134,501	(21,339)	113,162
125,698	Policing in the Community	158,660	(25,171)	133,489
	0 National police services undertaken locally	0	0	0
	0 Exceptional costs of legal settlements	0	0	0
1,873	Corporate and democratic core (note 2)	1,476	0	1,476
428	Non distributed costs (note 3)	207	0	207
225,914	Net Cost of Services	294,844	(46,510)	248,334
	(618) Levies to national police services	0	0	0
	(934) Asset Management Revenue Account		(2,350)	(2,350)
	(3,811) Interest and investment income		(4,634)	(4,634)
	357 Premium on early resettlement of borrowing	2		2
	Pensions interest cost and expected return on 70,650 assets	95,960	(5,080)	90,880
291,558	Net Operating Expenditure	390,806	(58,574)	332,232
	1,859 Government grants applied			3,042
	5,471 Transfers to reserves			5,858
	2,574 Capital expenditure financed from revenue			2,808
	(4,248) Provision for repayment of external loans			(4,300)
	(58,170) Contribution from pensions reserve			(89,830)
239,044	Amount to be met from government grants and local taxation			249,810
123,558	Police Grant			124,860
71,038	Revenue Support Grant			77,690
19,751	National Non-domestic rates			18,821
26,883	Precepts			28,439
241,230				249,810
	(2,186) Surplus for the year			0
	(18,460) Balance brought forward 01/04/04			(20,646)
	(20,646) Balance carried forward 31/03/05			(20,646)

NORTHUMBRIA POLICE AUTHORITY
CONSOLIDATED REVENUE ACCOUNT

2003/04		2004/05	
£000s		£000s	
EMPLOYEES			
126,181	Operational Personnel	132,596	
28,941	Support Staff	33,035	
13,036	National Insurance	13,884	
3,734	Support Staff Pensions (note 4)	5,242	
36,626	Police Pensions (note 4)	49,515	
6,843	Allowances	6,360	
215,361			240,632
PREMISES			
3,938	Maintenance and Improvements	3,911	
1,429	Energy Costs	1,375	
316	Furniture and Fittings	245	
2,030	Rent and Rates	1,907	
1,542	Contract Cleaning	1,551	
9,255			8,989
SUPPLIES AND SERVICES			
1,902	Computer Equipment	2,163	
2,941	Communications	2,834	
2,702	Equipment and Materials	2,976	
64	Catering	79	
873	Clothing and Uniforms	816	
1,256	Education and Training	924	
9,738			9,792
TRANSPORT			
3,097	Vehicle Running Expenses	3,362	
991	Car Allowances/Vehicle Hire	1,173	
1,647	Air Support Services	1,533	
5,735			6,068
ESTABLISHMENT EXPENSES			
1,435	Printing, Stationery & Advertising	1,925	
1,214	Travelling & Subsistence	1,314	
3,023	Insurances	2,174	
2,834	Support Services	2,999	
8,506			8,412

CONSOLIDATED REVENUE ACCOUNT

2003/04 £000s		2004/05 £000s
	AGENCY SERVICES (note 5)	
234	Consortium Charges	237
4,145	Forensic Science Service	3,759
585	Other National Police Services	595
1,223	Airwave	1,314
6,187		5,905
	MISCELLANEOUS	
2,171	Surgeons & Pathologists Fees	1,647
934	Community Safety	1,122
396	Crime Management	452
3,729	Other Expenses	3,201
7,230		6,422
	CAPITAL ACCOUNTING CHARGES	
6,513	Depreciation	6,428
2,147	Interest	2,196
8,660		8,624
270,672	TOTAL EXPENDITURE	294,844
	INCOME	
(3,389)	Fees and charges	(3,176)
(4,851)	Secondments	(3,827)
(13,993)	Pension Contributions	(14,900)
(367)	Rents	(396)
(22,776)	Grant & Other Income	(24,211)
(45,376)	TOTAL INCOME	(46,510)
225,296	NET POLICE EXPENDITURE	248,334
(934)	Transfer to / (from) Asset Management Revenue Account (note 6)	(2,350)
(3,811)	Interest and Investment Income	(4,634)
357	Premium on Early Resettlement of Borrowing (note 7)	2
70,650	Pensions Interest Costs and Expected Return on Assets (note 4)	90,880
291,558	NET OPERATING EXPENDITURE	332,232

CONSOLIDATED REVENUE ACCOUNT

2003/04 £000s		2004/05 £000s
<u>291,558</u>	NET OPERATING EXPENDITURE	<u>332,232</u>
1,859	Government Grants Applied	3,042
	Appropriations to / (from) Earmarked Reserves	
0	Deferred Charges Applied	0
483	Pensions Commutations Reserve	1,069
0	Pensions General Reserve	0
0	Airwave Reserve	0
(84)	Air Support Unit Reserve	150
41	Air Support Unit Capital Reserve	2
617	Devolved Budget Reserve	226
4,000	Capital Development Reserve	3,929
32	Trading Reserve	4
382	Insurance Reserve	478
<u>5,471</u>		5,858
(4,248)	Provision for Repayment of External Loans (note 8)	(4,300)
2,574	Revenue Contributions to Capital Outlay	2,808
(58,170)	Contribution from Pensions Reserve	(89,830)
<u>239,044</u>	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION	<u>249,810</u>
	FINANCED BY	
(123,558)	Home Office Grant	(124,860)
(71,038)	Revenue Support Grant	(77,690)
(19,751)	National Non-Domestic Rates	(18,821)
(26,883)	Proceeds of Police Authority Precepts (note 9)	(28,439)
<u>(241,230)</u>		<u>(249,810)</u>
(2,186)	SURPLUS FOR THE YEAR	0
(18,460)	BALANCE BROUGHT FORWARD	(20,646)
(20,646)	BALANCE CARRIED FORWARD	(20,646)

NOTES TO THE REVENUE ACCOUNTS

1. Best Value Accounting Code of Practice

In line with CIPFA's best practice approach to accounting for best value, the consolidated revenue account is presented using the Service Expenditure Analysis set out in CIPFA's Best Value Accounting Code of Practice (BVACOP).

The BVACOP 2004 represents a significant change to the previous reporting requirements. In the interest of providing consistent, accurate recording of the costs of major activities of police forces the Service Expenditure Analysis (SEA) has been revised to reflect more closely the reporting requirements of the Police Activity-Based Costing (ABC) Model.

The revised SEA provides detail on the basis of two categories (crime and policing in the community) as opposed to eight as was previously necessary and the separate disclosure of police pensions has been removed with pension costs being absorbed into the two SEA categories. The 2003/04 net cost of service has been adjusted to reflect the revised reporting requirements.

2. Corporate and Democratic Core

Corporate and Democratic Core is defined in two divisions of service, Democratic Representation and Management (DRM) and Corporate Management (CM). These service divisions accommodate the wide range of governance structures adopted by police authorities. DRM includes all aspects of members' activities and the officer time in the provision of advice and support to members. CM concerns those activities that provide the infrastructure that allows services to be provided, whether by the Authority or not, and the information that is required for public accountability.

3. Non Distributed Costs

The Best Value Accounting Code of Practice treats pension costs relating to past service costs and gains or losses on settlements or curtailments, as defined by FRS17, as non-distributed costs.

4. Pensions

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 the payments, and these need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

- the Local Government Pension Scheme for civilian employees, administered by South Tyneside Metropolitan Borough Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- the Police Pension Scheme for police officers – this is an unfunded scheme, 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 eventually fall due.

NOTES TO THE REVENUE ACCOUNTS

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the consolidated revenue account after Net Operating Expenditure. The transactions shown below have been made in the consolidated revenue account during the year:

	Local Government Pension Scheme		Police Pension Scheme	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Net Cost of Services:				
Current service cost	5,190	3,340	49,360	36,600
Past service costs	100	320	260	0
Non distributed costs	(48)	74	(105)	26
Total Net Cost of Services	5,242	3,734	49,515	36,626
Net Operating Expenditure:				
Interest cost	6,850	5,980	89,110	68,910
Expected return on assets in the scheme	(5,080)	(4,240)	0	0
Total Net Operating Expenditure	1,770	1,740	89,110	68,910
Amounts to be met from Government Grants and Local Taxation:	7,012	5,474	138,625	105,536
Contribution to / from pensions reserve	(2,290)	(960)	(87,540)	(57,210)
Actual amount charged against council tax for pensions in the year:				
Employers' contributions payable to scheme	4,722	4,514		
Retirement benefits payable to pensioners			51,085	48,326

The non-distributed costs above show the gains/losses on settlement and curtailment, plus rounding differences between the actuarial estimate of pension payments and the actual cash payments made during the year.

Note 9 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movements on Reserves details the costs that have arisen through the year.

NOTES TO THE REVENUE ACCOUNTS

Further information on the Tyne and Wear Pension Fund can be found in the Annual Report which is available upon request from:

South Tyneside Metropolitan Borough Council
 Town Hall and Civic Offices
 Westoe Road
 South Shields
 Tyne & Wear

5. Agency Services

Consortium Charges

The Authority has an agency agreement with the National Automated Fingerprint Identification System (NAFIS) to provide fingerprinting services. Payments in 2004/05 amounted to £0.237m (2003/04 £0.234m).

Forensic Science Service

The Authority has an agency agreement with the Forensic Science Service in Wetherby, North Yorkshire. Payments in 2004/05 amounted to £3.759m (£4.145m in 2003/04).

Other National Police Services

The Authority made a subscription payment for the Police National Computer of £0.595m in 2004/05 (£0.585m in 2003/04).

6. Asset Management Revenue Account

This account enables the Authority to offset the impact of the capital charges in arriving at the total level of expenditure to be financed from Government Grant and precept.

2003/04 £000s		2004/05 £000s	2004/05 £000s
	<u>Income</u>		
	Capital Charges: -		
(6,513)	Depreciation	(6,428)	
<u>(2,147)</u>	Interest	<u>(2,196)</u>	
(8,660)			(8,624)
<u>(1,859)</u>	Transfer from Government Grants Deferred		<u>(3,042)</u>
(10,519)			(11,666)
	<u>Expenditure</u>		
6,513	Provision for Depreciation	6,428	
<u>3,072</u>	External Interest Charges	<u>2,888</u>	
<u>9,585</u>			<u>9,316</u>
<u>(934)</u>	Balance to Consolidated Revenue Account		<u>(2,350)</u>

NOTES TO THE REVENUE ACCOUNTS

7. Premium on Early Resettlement of Borrowing

The Reorganisation of debt results in either a premium payable or discount receivable, which is written off over the remaining life of the loan to which the restructuring relates. In 2001/02 and 2002/03 the Authority restructured debt resulting in an additional premium charge of £0.002m per annum but this is more than offset by savings to the Authority in respect of interest repayments.

8. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires an Authority to set aside an amount from revenue, the minimum revenue provision (MRP) for the repayment of external loans. This charge is based upon a statutory percentage of the Authority's underlying need to borrow for a capital purpose (the Capital Financing Requirement) at the start of each year.

	2003/04	2004/05
	£000s	£000s
Minimum Revenue Provision - Managed Debt	979	813
- General	1,286	1,315
Amount Charged as Depreciation	<u>(6,513)</u>	<u>(6,428)</u>
Transfer to Consolidated Revenue Account	<u>(4,248)</u>	<u>(4,300)</u>

9. Police Authority Precept

The Police Authority precept generated proceeds as outlined below:

2003/2004		Surplus on	2004/2005
£000s		Collection Funds	Precept
		£000s	Levied
			£000s
3,690	Gateshead MBC	161	3,789
4,694	Newcastle CC	23	4,954
3,935	North Tyneside MBC	32	4,091
2,808	South Tyneside MBC	0	2,949
5,105	Sunderland CC	43	5,329
754	Alnwick DC	(4)	832
598	Berwick Upon Tweed BC	7	651
1,517	Blyth Valley BC	0	1,602
1,221	Castle Morpeth BC	(6)	1,280
1,402	Tynedale DC	24	1,464
<u>1,159</u>	Wansbeck DC	<u>20</u>	<u>1,198</u>
<u>26,883</u>		<u>300</u>	<u>28,139</u>

10. Publicity

The Local Government Act 1986 Section 5 requires the Authority to keep a separate account of expenditure on publicity. The Authority spent £264,874 on all forms of publicity in 2004/05 (2003/04 £231,330), the majority of this being advertising.

NOTES TO THE REVENUE ACCOUNTS

11. Officer Emoluments

The number of employees whose remuneration, excluding pension contributions was £50,000 or more (in bands of £10,000) were:

Remuneration Band	Number of Employees	
	2003/04	2004/05
£50,000 - £59,999	35	31
£60,000 - £69,999	8	18
£70,000 - £79,999	-	-
£80,000 - £89,999	2	2
£90,000 - £99,999	1	1
£100,000 - £109,999	-	-
£110,000 - £119,999	1	1
£120,000 - £129,000	-	-
£130,000 - £139,999	-	1

12. Members' Allowances

The total of members' allowances paid during 2004/05 was £159,580 (2003/04, £155,029).

13. Related Party Transactions

During the year material transactions with related parties arose as follows and are included within the Consolidated Revenue Account:

Government Departments

	2003/04	2004/05
Police Grant	£123,558,391	£124,859,764
Revenue Support Grant	£71,038,015	£77,690,002
NNDR	£19,750,785	£18,820,626
Crime Fighting Fund	£6,876,898	£7,272,104
Special Priority Payments	£1,186,429	£1,652,794
Loan Charges Grant	£967,261	£820,143
DNA Expansion Grant	£779,443	£549,522
PFI Grant	£202,088	£194,004

Precepts

The Authority obtains part of its income from precepts levied on the collection authorities in its area. During the year transactions with these related parties were as previously shown in note 9 to the consolidated revenue account.

NOTES TO THE REVENUE ACCOUNTS

Gateshead Council

Gateshead Council provides a range of support services to the Police Authority. The necessary power for this exists within s.113 of the Local Government Act 1972. The Authority is also advised by appointed officers, some of which are statutory posts.

The combined cost of support services and advice to the Police Authority amounted to £2.999m in 2004/05 (£2.834m in 2003/04).

In respect of this: -

The Clerk of the Police Authority is also Gateshead Council's Chief Executive.

The Deputy Clerk and Solicitor of the Police Authority is also Gateshead Council's Strategic Director, Legal and Corporate Services.

The Treasurer of the Police Authority is also Gateshead Council's Strategic Director, Finance and ICT.

The Deputy Treasurer of the Police Authority is also Gateshead Council's Deputy Director, Finance and ICT

The Personnel and Management Services Adviser of the Police Authority is also Gateshead Council's Strategic Director, Human Resources.

The Architect and Technical Adviser to the Police Authority is also Gateshead Council's Director of Development Services.

In addition, a survey of members' and chief officers' declared interests has been carried out and there are no disclosures to be made under FRS8 in respect of material transactions with members and chief officers.

14. Private Finance Initiative (PFI)

On 15 May 1998 an agreement for the provision of Mounted Section Facilities at Kirkley Hall was signed. The arrangement is for 15 years commencing 13 October 1998. The annual payment in accordance with the original agreement comprises an availability element and service charge as follows: -

	<u>Availability</u>	<u>Service</u>	<u>Total</u>
Annual Payments	£81,778	£173,997	£255,775

Actual payments are linked to fluctuations in the GDP Deflator and performance targets of the lessor and this was reflected in the 2004/05 payments of £294,145 (2003/04 £285,973).

NOTES TO THE REVENUE ACCOUNTS

15. Audit Commission Fees

In 2004/05 Northumbria Police Authority incurred the following fees relating to external audit and inspection:

	2003/04 £000s	2004/05 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor and in respect of statutory inspection	83	86
Fees payable to the Audit Commission for the certification of grant claims and returns	8	2
Fees payable in respect of other services provided by the appointed auditor	4	0
Total	<u>95</u>	<u>88</u>

16. Operating Leases

In 2004/05 the Authority paid £135,066 (£134,491 2003/04) in respect of buildings leased for operational purposes.

17. North East Air Support Consortium

Northumbria Police Authority are the lead authority in the North East Air Support Unit Consortium which also comprises Durham Police Authority and Cleveland Police Authority. The Consortium is co-ordinated and managed by the Consortium Monitoring Group comprising officers from each consortium member.

The share of running costs and reserves are allocated on the basis of Formula Spending Share (FSS), which is reviewed every two years. Assets are allocated on the basis of the FSS in place when the asset is purchased.

The air support costs shown in the consolidated revenue account are Northumbria Police Authority's contribution to the annual running costs of the Consortium.

The assets of the Authority shown in the consolidated balance sheet are Northumbria Police Authority's share of the aircraft.

The air support reserves shown in the consolidated balance sheet are Northumbria Police Authority's share of the reserves, with Durham Police Authority and Cleveland Police Authority's shares being shown in external creditors and lenders.

CAPITAL EXPENDITURE

The Police Service operates under the prudential framework supported by the Local Government Act 2003. Authorities are able to determine their own spending plans according to prudent estimates of affordability. Expenditure for capital purposes is financed from Home Office approvals relating to capital grant and supported borrowing. The balance of capital must be met from revenue contributions, capital receipts or prudential borrowing. In 2004/05 the Police Authority did not undertake any prudential borrowing. The Police Authority's capital payments made during 2004/05 are summarised below together with the method of financing:

2003/04		2004/05	
£000s		£000s	£000s
	MAJOR SCHEMES		
47	Ponteland HQ Development	13	
0	Estates Strategy	7	
2,042	Premises Improvement Fund	169	
0	Gold Command Relocation	469	
2,089			658
	MINOR BUILDINGS WORKS		
32	Washington Cell Extension	0	
101	Whickham Locker & Changing/Cell Extension	0	
615	Gilbridge Police Station–Upgrade of Services	331	
84	Refurbishment of HQ Dining Facilities	1	
66	Collocation of South Tyneside ASU	0	
193	CCTV in Custody Suites	337	
1	Community Access Police Stations	6	
13	Forcewide DDA Building Modifications	120	
46	Forcewide Cell Refurbishments, Ligature/Fire Precautions	89	
209	HQ Training Classrooms	7	
70	Stonehills Printing Workshop Modifications	0	
2	Locker and Changing Room Rationalisation	687	
0	Energy Management Initiatives	104	
0	Collocation of Newcastle ASU	113	
0	Collocation of North Tyneside ASU	6	
1,432			1,801

CAPITAL EXPENDITURE

2003/04		2004/05	
£000s		£000s	£000s
COMPUTERS AND COMMUNICATIONS			
6	Computer Equipment		0
2,424	Airwave		142
8	I2 Project		0
569	Technology Upgrade		683
1	Central Ticket Office IT Application Changes		0
199	Microsoft Office Licenses		199
599	Personnel Phase II		158
93	CRISP		12
4	NSPIS PNC		15
7	Community Safety Dept. Burglar Alarm System		23
0	GIS Mapping Gazetteer		79
0	Data/Radio/Telephone Network		346
0	Windows 2000 Upgrade		42
0	Software Distribution		16
0	Professional Standards – Implement National System		33
0	Community Safety i2 Installation		11
0	Integrated Competency Framework		3
0	National Violent and Sex Offenders Database		12
0	Communications Sites Upgrade		160
0	IPLDP Set Up Costs - IT		7
3,910			1,941
VEHICLES AND EQUIPMENT			
2,801	Vehicles & Equipment		3,329
0	Air Support		2,035
2,801			5,364
10,232	TOTAL CAPITAL PAYMENTS		9,764
FINANCING			
5,641	Capital Grant		4,926
2,017	Borrowing		2,030
2,574	Revenue		2,808
10,232			9,764

CAPITAL EXPENDITURE

The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose. The following statement shows the effect of the Authority's capital investment decisions in 2004/05 upon the capital financing requirement.

	2003/2004	2004/2005
	£000s	£000s
Opening Capital Financing Requirement	34,506	34,259
Capital Investment		
Intangible Fixed Assets	199	199
Building Works	3,521	2,459
Computers and Communications	3,711	1,742
Vehicles and Equipment	2,801	5,364
Sources of Finance		
Government Grants and Other Contributions	(5,641)	(4,926)
Revenue Provision (NB: includes MRP)	(4,838)	(4,936)
Closing Capital Financing Requirement	34,259	34,161
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	2,017	2,030
Repayment of Principal Outstanding (Deferred Liability)	(978)	(813)
Minimum Revenue Provision	(1,286)	(1,315)
Increase/(Decrease) in Capital Financing Requirement	(247)	(98)

CONSOLIDATED BALANCE SHEET

31/03/2004 £000s		£000s	31/03/2005 £000s	Note
Long Term Assets				
159	Net Fixed Assets: Intangible	278		1
7,362	Net Fixed Assets: Police Houses	7,039		2
42,851	Net Fixed Assets: Other Land / Buildings	42,377		2
1,249	Net Fixed Assets: Non-Operational	968		
9,217	Net Fixed Assets: Vehicles and Equipment	11,496		2
38	Long Term Debtors	13		3
60,876			62,171	
Current Assets				
637	Stocks and Stores	980		4
9,990	External Debtors & Borrowers	12,261		5
113,537	Short Term Investments	119,010		6
124,164			132,251	
Current Liabilities				
20,925	External Creditors and Lenders		20,982	7
164,115	ASSETS LESS CURRENT LIABILITIES		173,440	
Long Term Liabilities				
31,708	Long Term Borrowing		33,593	8
565	Deferred Liability		4	9
1,405,400	Pensions Liability		1,860,710	10
3,332	Insurance Provision		2,800	11
(1,276,890)	NET ASSETS		(1,723,667)	

CONSOLIDATED BALANCE SHEET

31/03/2004 £000s		31/03/2005 £000s	Note
	Represented by:		
(14,211)	Fixed Asset Restatement Account	(16,227)	12
35,064	Capital Financing Account	36,614	13
15,141	Capital Grants Unapplied	15,598	14
7,953	Capital Receipts Unapplied	8,598	15
5,727	Government Grants Deferred	7,611	16
20,646	General Reserve	20,646	17
11,997	Insurance Reserve	12,475	18
220	Trading Reserve	224	19
2,263	Devolved Budget Reserve	2,489	20
124	Air Support Unit General Reserve	274	21
41	Air Support Unit Capital Reserve	43	22
(1,405,400)	Pensions General Reserve	(1,860,710)	10
13,830	Police Officers Pensions Reserve	13,830	23
4,092	Support Staff Pensions Reserve	4,092	23
13,713	Police Officers Commutations Reserve	14,782	23
1,000	Airwave Reserve	1,000	24
524	Revenue Equalisation Reserve	524	25
9,385	Capital Development Reserve	13,314	26
1,001	Other Funds	1,156	27
(1,276,890)		(1,723,667)	

D V Coates BA CPFA IRRV
Treasurer

Dated:

NOTES TO THE BALANCE SHEET

1. Intangible Fixed Assets

	Purchased Software Licenses £000s
Original Cost	199
Amortisations to 1 April 2004	40
Balance at 1 April 2004	159
Expenditure in year	199
Written off to revenue in year	80
Balance at 31 March 2005	278

The software licenses relate to the purchase of Forcewide Microsoft Office Licenses. The contract for the licenses ensures updates for three years. The licenses are being amortised over a five-year period as this is considered to be the maximum life of the licenses.

2. Tangible Fixed Assets

	Police Houses £000s	Other Land/ Buildings £000s	Non Operational £000s	Vehicles and Equipment £000s	Total £000s
Valuation at 01/04/2004	7,420	48,555	1,455	44,537	101,967
Additions		2,334		7,231	9,565
Disposals	(85)		(490)		(575)
Revaluations		(1,544)	98		(1,446)
Value at 31/03/2005	7,335	49,345	1,063	51,768	109,511
Depreciation at 01/04/2004	(167)	(5,704)	(97)	(35,320)	(41,288)
Charge for the Year	(132)	(1,264)		(4,952)	(6,348)
Disposal Depreciation	3		2		5
Depreciation at 31/03/2005	(296)	(6,968)	(95)	(40,272)	(47,631)
Net Book Value 31/03/2005	7,039	42,377	968	11,496	61,880
Net Book Value 31/03/2004	7,362	42,851	1,249	9,217	60,679

NOTES TO THE BALANCE SHEET

Fixed Assets Held	Number at 31/03/04	Number at 31/03/05
Designated Police Stations	26	26
Police Houses	70	67
Other Police Stations and Buildings	120	120
	<u>216</u>	<u>213</u>
Cars	606	651
Vans and Heavy Goods Vehicles	153	205
Motor Cycles	25	20
Aircraft	2	3
	<u>786</u>	<u>879</u>

The freehold and leasehold properties which comprise the Authority's property portfolio were re-valued as at 1 April 2003 on behalf of the Clerk (Estates) by the Authority's valuation officer, S.Brown BSc, FRICS. The valuation was in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Police houses which were vacant at the balance sheet date were valued at market value; whilst those which were occupied were valued on the basis of existing use value for social housing. It was neither practicable nor considered by the valuation officer to be necessary to inspect each property for the purposes of the valuation.

When an asset is included in the balance sheet at current value, it is formally re-valued at intervals of not more than five years and the revised amount is included in the balance sheet with any surpluses arising on the re-valuation being credited to the fixed asset restatement reserve. Full valuations are programmed every five years. In addition, the Police Headquarters is valued annually.

Plant and machinery is included in the valuation of the buildings.

Properties regarded by the Authority as operational were valued on the basis of the lower of net current replacement cost and net realisable value. Properties regarded by the Authority as non-operational have been valued on the basis of net realisable value.

The main items of capital expenditure related to: -

	£000s
Intangible Fixed Assets	199
Building works	2,459
Communications and Information Technology	1,742
Vehicles	<u>5,364</u>
	<u>9,764</u>

Operating Leases

The Authority holds a number of buildings on an operating lease basis, which are not included within the Authority's tangible fixed assets. In respect of these assets the Authority has commitments to make payments in the forthcoming year as follows:

NOTES TO THE BALANCE SHEET

<u>Commitment Expires</u>	£000s
Less than 1 year	78
2 to 5 years	24
Over 5 years	<u>36</u>
Total	<u>138</u>

3. Long Term Debtors

	31/03/04	31/03/05
	£000s	£000s

Amounts falling due after one year: -
Car Loans to Employees

	<u>38</u>	<u>13</u>
--	-----------	-----------

4. Stocks and Stores

Clothing and Other	497	814
Motor Vehicle Parts	<u>140</u>	<u>166</u>
	<u>637</u>	<u>980</u>

5. External Debtors and Borrowers

Amounts falling due in one year: -

Government Departments	2,500	5,525
Inland Revenue	21	19
Other Local Authorities	2,100	477
Sundry Debtors and Prepayments	5,414	6,360
Car Loans to Employees	<u>55</u>	<u>17</u>
	10,090	12,398
Less Bad Debt Provision	<u>(100)</u>	<u>(137)</u>
	<u>9,990</u>	<u>12,261</u>

6. Short Term Investments

Under the Authority's Treasury services agreement, surplus cash balances are deposited on its behalf by Gateshead Council with banks and building societies for periods ranging from overnight up to a maximum of 364 days.

7. External Creditors and Lenders

These amounts represent sums owing to various sources and receipts in advance:

	31/03/04	31/03/05
	£000s	£000s
Government Departments	5,687	5,018
Inland Revenue	3,953	4,092
Other Local Authorities	3,352	1,887
Sundry Creditors	<u>7,933</u>	<u>9,985</u>
	<u>20,925</u>	<u>20,982</u>

NOTES TO THE BALANCE SHEET

8. Long Term Borrowing

<u>Source of Loan</u>	<u>Interest Rate Payable (%)</u>	<u>Interest</u>				<u>Total</u>
		<u>1-2 yrs</u>	<u>2-5 yrs</u>	<u>5-10 yrs</u>	<u>10 yrs+</u>	
		£000s	£000s	£000s	£000s	£000s
PWLB	8.42	3	2,615	11,674	19,301	33,593

Borrowing from the PWLB is undertaken in the name of Gateshead Council on the Authority's behalf under the pooled arrangements specified in the Treasury Service agreement. Long term borrowing at 31 March 2004 was £31.708m.

9. Deferred Liability

<u>Source of Loan</u>	<u>Range of Interest Rates Payable (%)</u>	<u>Range of Interest</u>				<u>Total</u>
		<u>1-2 yrs</u>	<u>2-5 yrs</u>	<u>5-10 yrs</u>	<u>10 yrs+</u>	
		£000s	£000s	£000s	£000s	£000s
PWLB Transferred Debt	3.75 – 9.50	0.5	0.5	1	2	4

Debt which was transferred to the Police Authority from Tyne & Wear County Council is classified as a deferred liability (2003/04 £0.565m).

10. Pensions

Note 4 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme (administered by South Tyneside Metropolitan Borough Council) and the Police Pension Scheme in providing civilian and uniformed officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2005 are as follows:

	<u>Local Government Pension Scheme</u>		<u>Police Pension Scheme</u>		<u>Police Pension Scheme Pre 1974</u>	<u>Total</u>	
	£m	£m	£m	£m	£m	£m	£m
	31 March 2005	31 March 2004	31 March 2005	31 March 2004	31 March 2005	31 March 2005	31 March 2004
Estimated liabilities in scheme	(133.79)	(106.03)	(1,804.57)	(1,371.79)	(4.82)	(1,943.18)	(1,477.82)
Estimated assets in scheme	82.47	72.42	0.00	0.00	0.00	82.47	72.42
Net asset / (Liability)	(51.32)	(33.61)	(1,804.57)	(1,371.79)	(4.82)	(1,860.71)	(1,405.40)

NOTES TO THE BALANCE SHEET

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £1,861m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £1,724m. However, statutory arrangements for funding the deficit mean that the financial position of The Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- finance is only required to be raised to cover police pensions when the pensions are actually paid.
- the Authority's pension liability is matched by a corresponding (negative) pension reserve.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement for schemes in which the age profile of the active membership is rising significantly.

Hewitt, Bacon and Woodrow Limited, an independent firm of actuaries, has valued the Tyne and Wear Fund assets and liabilities in respect of Police Support Staff in accordance with FRS17. Their calculations are based on an update of the liabilities determined in the actuarial valuation of the fund (as at 31st March 2004) on a going concern basis.

In respect of the Police Scheme, an actuarial valuation has not been carried out as at 31 March 2005. Instead, the Authority has followed the approach set out in the joint Government Actuary's Department (GAD) / CIPFA paper "Assessment of Pension Liabilities for Disclosures for the Year 2004/05", as realised in GAD's model. This model values liabilities on an actuarial basis using the Projected Unit Method model and satisfies the disclosure requirements of CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2004, A Statement of Recommended Practice (the SORP). In 2004/05 GAD have provided a separate disclosure for pension liabilities resulting from the reorganisation of local government and police authorities in 1974. As this was not separately available in 2003/04 there are no comparative figures.

The main assumptions used in their calculations have been:

	Local Government Pensions Scheme		Police Pension Scheme		Police Pension Scheme Pre 1974
	2004/05	2003/04	2004/05	2003/04	2004/05
Rate of Inflation	2.9%	2.9%	2.9%	2.9%	2.9%
Rate of increase in salaries	4.4%	4.7%	4.4%	4.4%	N/A
Rate of increase in pensions	2.9%	2.9%	2.9%	2.9%	2.9%
Rate for discounting scheme liabilities (NB based on 3.5% real)	5.3%	6.4%	5.4%	6.5%	5.4%
Rate for pension cost over following year	5.3%	5.4%			

NOTES TO THE BALANCE SHEET

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Tyne & Wear Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2005		31 March 2004	
	Long Term	Proportion	Long Term	Proportion
	Return	Assets	Return	Assets
	%	%	%	%
Equities	7.7	65	7.7	64
Governemt Bonds	4.7	15	4.7	10
Other Bonds	5.3	10	5.5	18
Property	6.7	8	6.7	7
Other Assets	4.8	2	4.2	1
Average long term expected rate of return	6.9		6.9	

The Local Government Pension Scheme figures shown above have been provided by the actuaries to the Tyne and Wear Pension Fund using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

11. Provisions

Insurance Provision

The Authority holds an insurance provision to cover the estimated cost of outstanding liability claims as at 31 March 2005 as informed by the Authority's insurers. These outstanding liability claims have been received from claimants, the level of the potential cost has been estimated by insurers and the cost of future claim settlements will be met by the Authority.

	£000s
Balance Brought Forward	3,332
Payments in Year	<u>(532)</u>
Insurance Provision as at 31 March 2005	<u>2,800</u>

12. Fixed Asset Restatement Account

	£000s
Balance Brought Forward	14,211
Disposals in Year	570
Revaluation in Year	<u>1,446</u>
	<u>16,227</u>

NOTES TO THE BALANCE SHEET

13. <u>Capital Financing Account</u>	£000s
Balance Brought Forward	(35,064)
2004/05 Capital Financing:	
- Revenue	(2,808)
Usable Capital Receipts	0
Transfer from Asset Management Revenue Account	(3,042)
Less Depreciation Provision in Excess of MRP	<u>4,300</u>
	<u>(36,614)</u>

14. Capital Grants Unapplied

This represents capital grants currently held by the Authority in order to finance future capital expenditure.

15. Capital Receipts Unapplied

This represents capital receipts currently held by the Authority in order to finance future capital expenditure.

16. Government Grants Deferred

	£000s
Balance Brought Forward	(5,727)
Less Transfer to Asset Management Revenue Account	3,042
Grant Received in Year	<u>(4,926)</u>
	<u>7,611</u>

17. General Reserve

The general reserve exists to protect the Authority against unexpected events and to finance future revenue or capital expenditure.

18. Insurance Reserve

The insurance reserve is maintained for potential liabilities and costs, which fall onto the Authority where no external insurance cover is arranged by or available to the Authority. Potential liabilities include storm damage, business interruption and claims that would fall within the Authority's policy excess limits. In line with the requirements of the SORP, the Authority operates an Internal Insurance Account, where surpluses generated are credited to the reserve. An assessment of the level of insurance reserve, however, has resulted in a proportion of the surplus being transferred to the Consolidated Revenue Account. Movements during 2004/05 are outlined below:

NOTES TO THE BALANCE SHEET

Internal Insurance Account	£000s
Premium received	(2,808)
Death in service	(10)
Movement in insurance provision	(532)
Current year claims settled	<u>1,515</u>
Revenue Surplus	<u>(1,835)</u>
Insurance Reserve	
Balance b/fwd	(11,997)
Appropriation received from Internal Insurance Account	(1,835)
Appropriation to Consolidated Revenue Account due to reassessment	<u>1,357</u>
Balance c/fwd	<u>(12,475)</u>

19. Trading Reserve

This reserve represents the cumulative operating surplus achieved by the Authority's Cleaning of Buildings Trading organisation.

20. Devolved Budget Reserve

This amount represents the cumulative net unspent element of the budget devolved to specific departments which is carried forward into the following financial year.

21. Air Support Unit General Reserve

This represents the cumulative net unspent element of the Air Support Unit (pertinent to Northumbria) that is carried forward into the next financial year. The reserve is maintained to allow for future unexpected events.

22. Air Support Unit Capital Reserve

This represents the Authority's share of the Air Support Unit's capital reserve.

23. Pensions Reserves

In addition to the (negative) reserve which matches the pensions liability as prescribed by FRS17, the Authority also holds cash backed reserves to allow for future increases in pension commitments. There are separate reserves for Police Officers and Police staff, and there is also a separate Police Officers' commutations reserve, which is earmarked specifically for the purpose of lump sum (commutation) payments made to Police Officers upon retirement.

24. Airwave Reserve

The Airwave reserve is maintained to allow for the future costs associated with the national radio communications system.

25. Revenue Equalisation Reserve

The Revenue Equalisation Reserve is to assist in financing additional revenue expenditure commitments relating to job evaluation during future financial years.

NOTES TO THE BALANCE SHEET

26. Capital Development Reserve

The Capital development reserve is to assist in developing and improving the capital assets of the Authority particularly the Estates Strategy Development Programme.

27. Other Funds

Balance 01/04/04 £000s		Receipts In Year £000s	Payments In Year £000s	Balance 31/03/05 £000s
39	Police Property Act	175	54	160
22	Police Charities	13	2	33
940	Police Retention of Crime Related Funds	1,066	1,043	963
1,001	Total	1,254	1,099	1,156

28. Movement in Revenue Reserves

Balance 01/04/04 £000s	Reserve	Receipts In Year £000s	Payments In Year £000s	Balance 31/03/05 £000s
20,646	General Reserve	0	0	20,646
11,997	Insurance Reserve	478	0	12,475
220	Trading Reserve	4	0	224
2,263	Devolved Budget Reserve	800	(574)	2,489
124	Air Support Unit General Reserve	150	0	274
13,830	Pensions Reserve	0	0	13,830
13,713	Pensions Commutations Reserve	1,069	0	14,782
4,092	Support Staff Pensions Reserve	0	0	4,092
1,000	Airwave Reserve	0	0	1,000
524	Revenue Equalisation Reserve	0	0	524
1,001	Other Funds	1,254	(1,099)	1,156
(1,405,400)	Pensions Reserve	0	(455,310)	(1,860,710)
(1,335,990)	Total	3,755	(456,983)	(1,789,218)

The total movement on revenue reserves during 2004/05, excluding the movement on the pensions reserve amounts to £2.082m.

29. Prior Period Adjustment

In accordance with the SORP 2004 the requirement to separately disclose intangible fixed assets has resulted in the movement of £0.159m from Net Fixed Assets: Vehicles and Equipment to Intangible Fixed Assets in 2003/04.

STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	2003/04 £000s	2004/05 £000s
Surplus/(Deficit) for the Year:	2,186	0
add back Movements on earmarked revenue reserves (excluding pensions reserve)	1,891	2,082
Movements on pension reserve.	(374,890)	(455,310)
Appropriation (to) / from pensions reserve	58,170	89,830
Actuarial (gains) / losses relating to pensions	<u>316,720</u>	<u>365,480</u>
Total increase/(decrease) in revenue resources (note 1)	4,077	2,082
Increase/(decrease) in useable capital receipts	1,456	645
Increase/(decrease) in unapplied capital grants and contributions	1,643	4,388
Total increase/(decrease) in realised capital resources (note 2)	3,099	5,033
Gains/(losses) on revaluation of fixed assets	10,362	(1,446)
Impairment losses on fixed assets due to general changes in prices	0	0
Total increase/(decrease) in unrealised value of fixed assets (note 3)	10,362	(1,446)
Value of assets sold, disposed of or decommissioned (note 4)	(639)	(570)
Capital receipts set aside	0	0
Revenue resources set aside	185	1,550
Movement on Government Grants Deferred	<u>3,782</u>	<u>1,884</u>
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)	3,967	3,434
Increase / (decrease) in the pensions reserve	(374,890)	(455,310)
Total recognised gains and losses	(354,024)	(446,777)

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	General Fund Balances £000s	Earmarked Revenue Reserves £000s	Pensions Reserve £000s	TOTAL £000s
NOTE 1				
Movements in revenue resources				
Surplus/(deficit) for 2004/05				0
Appropriations to / (from) revenue		2,082	(89,830)	(87,748)
Actuarial gains / (losses) relating to pensions			(365,480)	(365,480)
		2,082	(455,310)	(453,228)
Balance brought forward at 1 April 2004	20,646	48,764	(1,405,400)	(1,335,990)
Balance carried forward at 31 March 2005	20,646	50,846	(1,860,710)	(1,789,218)

An analysis of the movement on earmarked revenue reserves and the pensions reserve is provided at note 27 to the balance sheet.

The actuarial gains identified as movements on the pensions reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	Local Government Pension Scheme		Police Pension Scheme		Police Pensions Scheme Pre 1974	
	£m	%	£m	%	£m	%
Actual less expected return on pension assets	2.83	3.4	-		0.0	
Experience gains / (losses) arising on the pension liabilities	0.54	0.4	5.56	0.3	(4.9)	102.5
Changes in assumptions underlying the present value of pension liabilities	(18.79)	14.0	(344.66)	19.1	(5.4)	112.0
	(15.42)		(339.10)		(10.3)	
Comparative totals for 2003/04	7.75		(324.47)		No Separate disclosure	

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	Useable capital Receipts	Unapplied Capital grants And Contributions
	£000s	£000s
NOTE 2 – Movements in realised capital resources		
Amounts receivable in 2004/05	645	9,314
Amounts applied to finance new capital investment in 2004/05	0	(4,926)
	645	4,388
Total increase/(decrease) in realised capital resources in 2004/05	645	4,388
Balance brought forward at 1 April 2004	7,953	24,567
Balance carried forward at 31 March 2005	8,598	28,955

Capital Receipts Unapplied

This represents capital receipts currently held by the Authority in order to finance future capital expenditure.

Capital Grants Unapplied

This represents capital grants currently held by the Authority in order to finance future capital expenditure.

Capital Contributions Unapplied

This represents contributions held by the Authority to finance future capital expenditure.

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	Fixed Asset Restatement Account £000s
NOTE 3 – Movements in unrealised value of fixed assets	
Gains / losses on revaluation of fixed assets in 2004/05	(1,446)
Impairment losses on fixed assets due to general changes in prices in 2004/05	0
Total increase / (decrease) in unrealised capital resources in 2004/05	<hr/> (1,446)

NOTE 4 – Value of assets sold, disposed of or decommissioned

Amounts written off fixed assets balances for disposals in 2004/05	(570)
Total movement on reserve in 2004/05	<hr/> (2,016)
Balance brought forward at 1 April 2004	(14,211)
Balance carried forward at 31 March 2005	<hr/> (16,227)

Fixed Asset Restatement Account

This represents the surplus/deficit on revaluation of fixed assets and will be written down by the net book value of assets as they are disposed of.

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	Capital Financing Account £000s	Government Grants Deferred £000s	Total £000s
NOTE 5 – Movements in amounts set aside to finance capital investment			
Capital receipts set aside in 2004/05:			
- reserved receipts	0		0
- useable receipts applied	0		0
Total capital receipts set aside in 2004/05	0		0
Revenue resources set aside in 2004/05:			
- capital expenditure financed from revenue	2,808		2,808
- reconciling amount for provisions for loan repayment	(1,258)		(1,258)
Total revenue resources set aside in 2004/05	1,550		1,550
Grants applied to capital investment in 2004/05		4,926	4,926
Amounts credited to the asset management revenue account in 2004/05		(3,042)	(3,042)
Movement on Government Grants Deferred		1,884	1,884
Total increase / (decrease) in amounts set aside to finance capital investment			3,434
Total movement on reserve in 2004/05	1,550	1,884	
Balance brought forward at 1 April 2004	35,064	5,727	
Balance brought forward at 31 March 2005	36,614	7,611	

Capital Financing Account

This represents the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

Government Grants Deferred

Government grants and other contributions are credited to the balance sheet and amortised to revenue over the life of the relevant assets to offset provisions made for depreciation.

CASHFLOW STATEMENT

2003/04 £000s		2004/2005 £000s	2004/2005 £000s
REVENUE ACTIVITIES			
Cash Inflow			
(71,038)	Revenue Support Grant	(77,690)	
(123,558)	Police Grant	(124,860)	
(19,751)	Redistributed Non-Domestic Rates	(18,821)	
(26,562)	Precepts	(28,139)	
	Share of Net Surplus on District		
(321)	Council Collection Funds	(300)	
(11,303)	Other Government Grants	(11,864)	
<u>(37,447)</u>	Sales, Fees & Charges	<u>(32,582)</u>	
(289,980)			(294,256)
Cash Outflow			
227,129	Cash paid to and on behalf of employees	240,683	
<u>46,023</u>	Other operating costs	<u>45,423</u>	
<u>273,152</u>			<u>286,106</u>
(16,828)	Net Cash Inflow – Revenue Activities		(8,150)
SERVICING OF FINANCE			
Cash Inflow			
(3,811)	Interest Received	(4,634)	
Cash Outflow			
<u>3,072</u>	Interest Paid	<u>2,888</u>	
(739)	Net Cash Outflow/ (Inflow) – Servicing of Finance		(1,746)
CAPITAL ACTIVITIES			
Cash Inflow			
(1,456)	Sale of Fixed Assets	(645)	
<u>(3,253)</u>	Capital Grants Received	<u>(4,754)</u>	
(4,709)		(5,399)	
Cash Outflow			
10,125	Purchase of Fixed Assets	9,879	
<u>10</u>	Other Capital Cash Payments	<u>0</u>	
10,135		9,879	
5,426	Net Cash Outflow/ (Inflow) – Capital Activities		4,480
(12,141)	Net Cash Inflow Before Financing		(5,416)

CASHFLOW STATEMENT

2003/04 £000s		2004/2005 £000s	2004/2005 £000s
MANAGEMENT OF LIQUID RESOURCES			
12,355	Net Increase / (Decrease) in Short Term Investments		5,473
FINANCING			
Cash Inflow			
(2,017)	New loans raised	(2,030)	
(461)	Other Funds	(155)	
<u>(2,478)</u>		<u>(2,185)</u>	
Cash Outflow			
<u>2,264</u>	Repayments of amounts borrowed	<u>2,128</u>	
<u>(214)</u>	Net Cash Inflow from Financing		<u>(57)</u>
<u>0</u>	(Increase)/Decrease in Cash		<u>0</u>

NOTES TO THE CASHFLOW STATEMENT

Note 1: Reconciliation of net surplus on the Consolidated Revenue Account to the movement in cash

2003/04		2004/05	
£000s		£000s	£000s
2,186	Surplus for the year		0
	Non-cash transactions		
6,513	Depreciation	6,428	
2,574	Direct Revenue Funding	2,808	
0	Deferred Charge	0	
618	Provisions Set Aside	(532)	
5,471	Movement on Reserves	5,858	
<u>(4,248)</u>	Depreciation in Excess of MRP	<u>(4,300)</u>	
10,928			10,262
	Items on an accruals basis		
14	(Increase) / Decrease in Stocks	(343)	
1,602	Increase / (Decrease) in Creditors	1,594	
69	(Increase) / Decrease in Long Term Debtors	25	
<u>2,768</u>	(Increase) / Decrease in Debtors	<u>(1,642)</u>	
4,453			(366)
	Items classified elsewhere in Cash Flow Statement		
3,072	Interest Paid	2,888	
<u>(3,811)</u>	Interest Received	<u>(4,634)</u>	
(739)			(1,746)
<u>16,828</u>	Net Cash Inflow from Revenue Activities		<u>8,150</u>

NOTES TO THE CASHFLOW STATEMENT

Note 2: Reconciliation of net cash flow to the movement in net debt

2003/04 £000s		2004/05 £000s	2004/05 £000s
	(Increase)/Decrease in cash per Cash Flow Statement		
0	Less		0
(12,355)	Management of Liquid Resources	(5,473)	
16,828	Revenue Activities	8,150	
(5,426)	Capital Activities	(4,480)	
739	Servicing of Finance	1,746	
(214)			(57)
214			57

Movement 2003/2004 £000s	Movement in Net Debt:	Balance 01/04/2004 £000s	Balance 31/03/2005 £000s	Movement 2004/2005 £000s
	Financing:			
(441)	Long Term Borrowing	31,708	33,593	1,885
(812)	Deferred Liability	565	4	(561)
1,006	Borrowing due within 1 yr	1,986	564	(1,422)
461	Other Funds	1,001	1,156	155
214		35,260	35,317	57

Note 3: Reconciliation of items under the Financing and Management of Liquid Resources sections to the opening and closing balance sheets

Movement 2003/2004 £000s		Balance 01/04/2004 £000s	Balance 31/03/2005 £000s	Movement 2004/2005 £000s
	(INCREASE)/DECREASE IN LIQUID RESOURCES			
(12,355)	Short Term Investments	113,537	119,010	(5,473)

Note 4: Analysis of other Government Grants

2003/2004 £000s		2004/2005 £000s
6,877	Crime Fighting Fund	7,272
1,304	Basic Command Unit	1,375
1,186	Special Priority Payments	1,653
955	Loan Charges	820
779	DNA Expansion	550
202	Private Finance Initiative	194
11,303		11,864