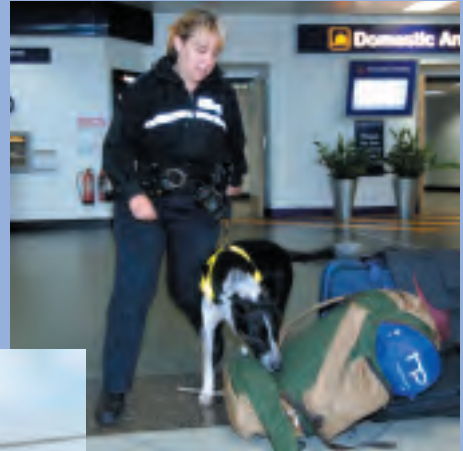


NORTHUMBRIA POLICE AUTHORITY



Statement of Accounts

2008/2009



NORTHUMBRIA POLICE AUTHORITY STATEMENT OF ACCOUNTS – 2008/09

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Introduction

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 the United Kingdom 2008, A Statement of Recommended Practice (SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). It shows the financial affairs of Northumbria Police Authority during 2008/09 and the financial position as at 31 March 2009.

The SORP for 2008 has introduced a number of small changes to the format of the statements. The substantive change that affects the Authority's Statement of Accounts for 2008/09 is that amendments have been made to the Pension Fund Account to implement the requirements of the Pension SORP 2007. The new disclosures show more detail for the Police Staff Pension Fund (which is a Local Government Pension Scheme) and these can be found within note 3 on pages 34 to 40.

When read in conjunction with the Northumbria Police Authority Local Policing Plan, the statements provide an insight into the many activities and achievements of the Authority during the year.

The Accounts of the Police Authority are set out on pages 8 to 65. They consist of:

- i. **Statement of Accounting Policies (Page 8)** - 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.
- ii. **Statement of Responsibilities (Page 16)** - This statement sets out the respective responsibilities of the Authority and its Treasurer.
- iii. **Annual Governance Statement (Page 17)** - This statement outlines the Authority's system of internal control, in line with Regulation 4 of the Accounts and Audit Regulations 2006, which has been approved by the Authority's Audit and Scrutiny Committee.
- iv. **Independent Auditor's Report to the Authority (Page 22)** - This report details the basis of the Auditor's opinion on the Financial Statements.

The Accounting Statements

- v. **Income and Expenditure Account (Page 25)** - 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 Income and Expenditure 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 budget during the year.

Explanatory Foreword

- vi. **Statement of Movement on the General Fund Balance (Page 28)** - This statement reconciles the surplus or deficit on the Income and Expenditure Account to the movement in the General Fund Balance.
- vii. **Statement of Total Recognised Gains and Losses (Page 29)** - This statement shows all the recognised gains and losses during the year.
- viii. **Balance Sheet (Page 30)** - This shows the Authority's financial position and net assets at 31 March 2009. It summarises the fixed and current assets, which are used in carrying out the Authority's activities, together with its liabilities.
- ix. **Cash flow Statement (Page 32)** - This summarises the cash receipts and payments of the Authority arising from transactions for both revenue and capital purposes.
- x. **Notes to the Core Statements (Page 34)** - The notes provide additional information to support the core statements.
- xi. **Police Officer Pension Fund Statements (Page 65)** - This shows the Police Officer Pension Fund Account and Net Assets Statement for the year.
- xii. **Glossary of Terms (Page 67)** - This explains the terms used within the previous 66 pages in order to aid the readers' understanding.

Revenue Income and Expenditure Summary

Revenue expenditure is the day-to-day running costs of providing the Authority's services and includes expenses such as employees, equipment, heating, cleaning and repairs and maintenance. For 2008/09, the net revenue budget to be met from Government Grants and local taxation was approved by the Police Authority at £277.822m, resulting in budgeted net appropriations of £6.783m from the General Reserve and £3m from Earmarked reserves. This meant the Band D precept was set at £78.27 representing an increase of 4.9% over the 2007/08 Band D Precept. The revised estimate that the Authority later agreed recognised that an underspend of £6.98m was likely to arise during the year resulting in net appropriations from reserves of £2.803m.

Budget monitoring is carried out monthly and is supplemented by quarterly formal budget monitoring reports to the Resource Management Committee, which detail the budget review and spending forecasts for capital and revenue expenditure.

From the summary table below, it can be seen that the financial position at the year-end is an increase in the general fund balance of £1.010m. However, this measure on its own is not the best indicator of financial performance during the year. If account is taken of reclassification of earmarked reserves to the General Fund during the year (£3m) and appropriation from earmarked reserves of relevant revenue overspends (£0.462m) and to earmarked reserves of underspends (£0.156m), the revenue position is actually a net appropriation from reserves of £2.296m. This movement is illustrated below:

	£000s	£000s
Increase in General Fund balance		1,010
Less reclassification of earmarked reserves to the General Fund	(3,000)	
Less appropriation from earmarked reserves to General Fund of relevant revenue underspends	(462)	
Plus appropriation to earmarked reserves of relevant revenue overspends	156	
Net transfer from earmarked reserves credited to the General Fund		(3,306)
Net Appropriation from Reserves		<u>(2,296)</u>

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When compared to the revised budget position which forecast a net appropriation from reserves of £2.803m, the outturn position is an underspend against the revised budget of £0.507m (0.18%). The fact that expenditure has been contained within the revised estimate reflects effective budget monitoring and budgetary control during the year. The most significant areas are Police Overtime and Police Staff, the majority of which are controlled at a local level under the scheme of Devolved Financial Management which resulted in expenditure in these areas being contained within the budget. Further detail was considered at the meeting of the Authority's Resource Management Committee on 3 June 2009. The revenue surplus allows appropriations of £1.010m to the General Fund, which is broadly consistent with the Authority's Medium Term Financial Strategy (MTFS), which was agreed in December 2008. The MTFS sets out the proposed use of the General Reserve to 2011/12.

The following table summarises the financial position for the year:

	2007/08 Outturn	2008/09 Original Budget	2008/09 Revised Budget	2008/09 Outturn
	£000s	£000s	£000s	£000s
Expenditure on Services	300,813	293,796	302,948	301,277
(Gain) / Loss on disposal of Fixed Assets	0	0	0	(397)
Interest Payable and similar charges	2,274	1,949	1,950	3,248
Interest and Investment Income	(7,159)	(5,265)	(7,832)	(7,569)
Return on Pensions Assets	120,030	133,010	133,010	133,010
Top Up Grant Receivable from Home Office	(15,924)	(22,217)	(22,217)	(22,217)
Net Operating Expenditure	400,034	401,273	407,598	407,352
Police Grant	(107,609)	(108,833)	(108,833)	(108,833)
Revenue Support Grant	(18,737)	(16,497)	(16,497)	(16,497)
National Non Domestic Rates Precepts	(111,647)	(118,509)	(118,509)	(118,509)
	(270,145)	(277,822)	(277,822)	(277,822)
(Surplus)/Deficit for the year	129,889	123,451	130,037	129,530
Net Transfer to / (from) Earmarked Reserves debited / (credited) to the General Fund Balance for the year.	(14,493)	(3,000)	(2,703)	(3,306)
Other additional amounts required to be debited or (credited) to the General Fund Balance for the year.	(134,915)	(127,234)	(127,234)	(127,234)
(Increase) / Decrease in General Fund Balance for the Year	(19,519)	(6,783)	100	(1,010)

From the Income and Expenditure Account, significant variations in expenditure since the previous year are as follows:

- Expenditure on Operational Personnel has increased to £146.867m (£141.403m in 2007/08) and Support Staff has increased to £52.535m (£47.602m in 2007/08). This increase is a result of the application of the pay award and also an increase in operational capacity to contribute to the delivery

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of the Chief Constable's 2020 Vision. A presentation to members on 19 November 2008 outlined how resources were being deployed to deliver the Vision, increasing operational capacity by 340 police officers and staff.

- Expenditure on Police Pensions has decreased to £46.288m (£63.210m in 2007/08) and Support Staff Pensions to £5.564m (£9.737m in 2007/08). The figures in the statement recognise the cost of retirement benefits to the Authority as employees earn them, rather than when the benefits are eventually paid as pensions. The actuarial basis applied by the actuary to calculate the scheme liabilities and estimate the current service cost was changed this year for both Police and Support Staff, resulting in a reduction in the figure in the statement for both categories. These entries are reconciled back to cash amounts payable to ensure that there is no effect upon Council Tax.

Appropriations to / from Reserves

The net transfer from earmarked reserves to the General Fund balance of £3.306m is made up of the following appropriations:

- £3.000m has been appropriated from the pensions commutations reserve as agreed in the Authority's Medium Term Financial Strategy.
- £0.144m has been appropriated to the North East Air Support General Reserve and £0.012m to the North East Air Support Unit Capital Reserve; as a result of Northumbria's share of the revenue underspend by the Consortium and interest earned on the General and Capital Reserves.
- £0.462m has been appropriated from the Devolved Budget Reserves to support local expenditure decisions in line with the Scheme of Devolvement.

Impact of the Current Economic Climate

The Authority's strong financial position has enabled it to respond positively to the challenges presented as a consequence of the significant downturn in the economic climate during the year.

One impact for the Authority was as a consequence of the turmoil in the financial markets leading to the collapse of the Icelandic banking system. The Authority invests money in a wide range of banks to ensure that risk is spread and to minimise the impact of specific problems in the financial markets. The Authority does not have any money deposited directly in any Icelandic Bank, however a claim for £3.5m has been submitted to the administrator in respect of funds invested in a UK bank, Heritable Bank, that is wholly owned by an Icelandic Bank, Landsbanki. Heritable Bank was placed in administration under Scottish law and a statutory creditor committee has been established with local authority representation from Kent and Haringey councils. The Treasurer is also working closely with the Local Government Association. The full deposit in Heritable was due to mature by the end of 2008/09 with interest, but was not repaid within this timescale. Feedback from the creditor committee, however, is fairly positive. The administrator, Ernst and Young, has carried out a great deal of work and the proposal to run off the business rather than a quick sale has been supported by the creditor committee. The administrator also reported the first release of monies expected later in 2009, although has described the prospect of a "material dividend" over the life of the administration.

The downturn in the global economy and its impact on financial organisations has also had a significant effect on the practical application of the Treasury Strategy over the last

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six months. Changes arising from these exceptional events in the banking sector are reflected in the reviewed strategy.

A full review of the Authority's property assets was undertaken at the end of 2008/09 to assess the impact on the asset valuations of the economic downturn. This assessment resulted in the inclusion of net downward revaluations of £6.6m in the Authority's fixed asset balances, the majority of which relates to the Police HQ buildings at Ponteland. In accordance with the SORP the impairment has been taken to the Income and Expenditure Account. Whilst this process of revaluation and accounting is necessary to satisfy statutory accounting requirements the downward revaluation does not impact on the finances available to the Authority to deliver services.

Income from local taxpayers

The Authority received £33.983m from the precept it levied on billing authorities within its area during 2008/09. A breakdown is provided in note 7 to the core statements.

Capital Expenditure

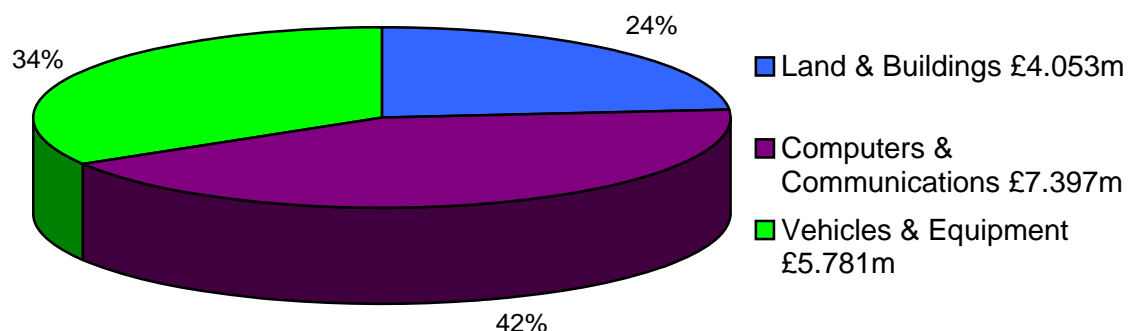
In addition to spending on day-to-day activities, the Authority incurs expenditure on fixed assets such as buildings, information technology and other major items of plant and equipment. These items will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

The Authority approved a Capital Programme of £28.237m at its meeting in February 2008, which was revised to £19.990m at the third quarter. The final capital outturn for the year of £17.231m is £2.759m less than the revised estimate. A summary of how this was financed is shown below:

	£m
Capital Grant	7.307
Receipts	9.826
Capital Development Reserve	98
	<u>17.231</u>

The Authority has, as at 31 March 2009, Capital Receipts Unapplied of £0.059m and a Capital Development Reserve of £30.978m. These amounts will be used to finance future capital projects, including the implementation of the Estates Strategy, which represents the critical operational needs of the Chief Constable, as outlined in the Medium Term Financial Strategy.

The breakdown of capital expenditure for 2008/09 is shown in the following pie chart.



Material Assets and Liabilities

As at 31 March 2009, the Authority holds £90.132m of fixed assets and short term investments amounting to £129.528m. Long Term Assets have increased by £9.424m, the majority of the increase is £6.682m of Long Term Investments which have been placed during the year. Fixed assets have increased by £2.742m, largely due to the acquisition of assets such as land / buildings and vehicles and equipment consistent with the Authority's capital programme.

The Authority also has current liabilities of £39.226m, long term borrowing and deferred liabilities of £47.870m and provisions for future liabilities of £2.407m.

In accordance with FRS 17 the Authority's pensions liability of £1,820.180m 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 core statements.

Cash flow

On 23 January 2008, the Authority agreed an amendment to the banking arrangements covered by the Service Agreement for treasury management activities, involving the transfer of risk to the Authority for investments and a change in the calculation of interest on investments from the local authority 7-day rate to the actual interest earned on investments which continue to be pooled. This came into effect from 1 April 2008.

During 2008/09 work has been carried out to amend systems and procedures to provide the new banking arrangements to enable the Authority's cash balances to be separately identified.

Cash flow is monitored closely during the year to ensure that optimum investment returns are obtained. 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 3 years. In the current economic climate it was identified that there is an increased risk that funds deposited in banks and building societies could be lost due to the collapse of a financial institution. This risk is mitigated by controls in the Treasury Management Strategy which focuses on security and liquidity of deposits rather than returns. The potential impact is mitigated by the strategy of a diverse portfolio with top rated banks and building societies which are also covered by Government guarantees.

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 Income and Expenditure Account. The Authority's Financial Ledger system is Euro compliant.

Impact Of Financial Reporting Standard 17 – Retirement Benefits (FRS 17)

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 (FRS 17).

The Authority's financial statements have been compiled in accordance with the requirements of FRS 17, and further details are outlined in note 3 to the core statements.

Prospects for 2009/10 and Beyond

For the financial year 2009/10 Northumbria Police Authority has approved a net revenue budget of £285.123m. This translates into a precept at Band D of £81.32, the lowest in England and Wales, a 3.9% increase on the 2008/09 precept. This revenue budget will ensure a continuation of the existing level of service including the full year effect of the agreed three-year pay award along with the continued delivery of the significant increase in operational capacity to contribute to the delivery of the 2020 Vision.

The Authority approved a capital budget of £36.057m for 2009/10. The programme has been set at a level to reflect the uncertainty of phasing of some of the major schemes. Given the availability of internal resources, there is flexibility to bring forward any scheme if progress is achieved faster than anticipated, for example site acquisition. The capital programme for 2009/10 includes £24.268m for major building work and £11.789m for Minor Building Works, Vehicles, Plant & Equipment and Computers & Communications.

The Authority's relatively sound financial position backed by a Medium Term Financial Strategy supports the Chief Constable's continuing success in reducing crime and helping to make Northumbria a safer place to live and work.

Further Information

This publication provides a review of the financial performance of the Police Authority for 2008/09. A summary set of accounts has been produced and published on the Authority's website www.northumbria-police-authority.org. These will also be included in the Local Policing Summaries for 2008/09 which are sent to all households in the Northumbria area during 2009. Comments are invited on the usefulness and readability of this summary document.



D V Coates BA CPFA IRRV
Treasurer

Dated: 18 September 2009

Introduction

The purpose of this Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and / or estimation technique followed can significantly affect the Authority's reported results and financial position.

Accounting policies are the principles, bases, conventions, rules and practices applied by an authority 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 in reserves.

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 2008: A Statement of Recommended Practice (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 Income and Expenditure 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 which is used for budget monitoring purposes.

Group Accounts

The SORP 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.

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 Income and Expenditure Account includes support services which are provided by Gateshead Council in accordance 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 Income and Expenditure Account also includes the cost of advice to the Authority from its appointed officers, such as the Chief Executive 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.

The broad services provided, to whom they are provided, appropriate performance measures and the annual cost are outlined in a series of support service agreements. The agreements cover the resources provided by Gateshead Council to the Police Authority to support the statutory and delegated roles of Chief Officers, and also financial processes and administrative services provided by the Chief Constable. The agreements are approved for periods of three years by the Police Authority, subject to annual review for any significant variation in service provision.

Balance Sheet

– Current Assets

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

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 Income and Expenditure 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 following 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.

The Statement of Accounting Policies

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income is included in the Balance Sheet as usable capital receipts (Capital Receipts Unapplied).

Under normal circumstances, the policy for asset valuations is to include an asset on the Balance Sheet at current value, then formally re-value it at intervals of not more than five years. The revised amount is included in the Balance Sheet with any surpluses arising on the re-valuation being credited to the Revaluation Reserve. Valuations are carried out on a rolling programme of valuations, with 20% of the Authority's property portfolio being revalued each year. This provides a full revaluation every five years, in line with statutory requirements. In addition, the Police Headquarters is valued annually

The last full valuation of freehold and leasehold properties which comprise the Authority's property portfolio was undertaken as at 31 March 2004. 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.

However, due to the current economic climate, a full re-valuation of all assets has taken place as at 31 March 2009, rather than the usual 20% due according to the rolling programme. This approach has been agreed as the most prudent approach to ensure the Authority is not overstating the value of its assets in light of falling property prices.

Valuations are carried out by the Authority's valuation officer, D Gillbanks BSc (Hons), FRICS, and IRRV.

– Depreciation

Financial Reporting Standard 15 (FRS 15 *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:

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
- Computers and other Equipment: 5 years
- Communication Towers: 8 - 13 years depending on condition
- Vehicles: 3 years

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

The Statement of Accounting Policies

Another requirement of FRS 15 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 2008/09.

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. Previously, the accumulated depreciation has been maintained for the life of the asset, but this policy was reviewed in 2007/08 so depreciation on revaluations is now written off.

– Revaluations and Impairment

Financial Reporting Standard 11 (FRS 11 *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 caused by or due to factors such as obsolescence, lack of ongoing maintenance, environmental changes or declining market values 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.

– Intangible Fixed Assets

Financial Reporting Standard 10 (FRS 10 *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 licences, which in accordance with the SORP, are separately disclosed on the Balance Sheet and in note 18 to the core statements.

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

– Charges to Revenue

The Income and Expenditure Account is charged with a depreciation charge for all fixed assets used in the provision of services.

– 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).

– 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 11 to the core statements.

– Capital Receipts

Receipts from the sale of capital assets 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 Income and Expenditure 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 (FRS 12 *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.

Full details are disclosed in notes 29 and 30 to the core statements.

– Reserves

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

- Those representing unrealised gains e.g. Revaluation Reserve
- 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 Adjustment Account.

Full details of all Reserves held by the Authority can be found in notes 31 to 44.

Contingent Assets and Liabilities

Contingent assets are not recognised in the Statement of Accounts but are disclosed within the notes to the core financial statements if the inflow of a receipt or economic benefit is probable.

Contingent liabilities are disclosed within the notes to the core financial statements if there is a possible obligation that may require a payment or transfer of economic benefit.

Exceptional Items, Extraordinary Items and Prior Period Adjustments

Exceptional items are included on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of any exceptional items is given within the notes to the accounts.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the Authority and are explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments

constitute normal transactions in the year in which they are identified, and are accounted for accordingly. Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is also noted at the foot of the Statement of Total Recognised Gains and Losses of the current period.

Financial Instruments

– Financial Assets

The Authority classifies its financial assets as loans and receivables, which are carried at amortised cost using the effective interest rate method. Loans and receivables with a fixed rate to maturity are deemed not to require an effective interest rate calculation to be carried out.

All investments are short term fixed term investments which are invested by Gateshead Council on behalf of the Authority under the direction of the Treasurer. The Treasury Management Support Services Agreement sets out the services provided for the Authority. Investment interest is calculated based on estimated cash flows, all interest relating to 2008/09 has been charged to the Income and Expenditure Account during the year.

– Financial Liabilities

Financial liabilities are carried at amortised cost using the effective interest rate method. Amortised cost is adjusted for any premiums, discounts, material transaction costs and accrued interest. Where financial liability interest rates are fixed until maturity they are deemed not to require an effective interest rate calculation to be carried out.

– Fair Value

For each class of financial asset and financial liability the Authority is required to disclose the fair value of that class of assets and liabilities in a way that permits it to be compared to its carrying amount. The Authority assess the fair value calculating the present value of the cash flows that take place over the remaining life of the instruments, using a number of assumptions detailed in note 27.

Fair values have not been calculated for assets or liabilities where the carrying amount is a reasonable approximation of fair value, such as trade creditors and debtors.

– Redemption of Debt

The Income and Expenditure Account of the Police Authority is charged with the minimum revenue provision calculated at 4% of outstanding debt.

– External Interest

Interest paid on external borrowing is accrued and charged to the Income and Expenditure Account, the average rate being 6.94% (2007/08 6.94%). Interest on investments held is received on a monthly basis and shown in the Income and Expenditure Account.

– Repurchase of Borrowing

Gains or losses on the repurchases or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which the repurchase or early settlement is made. Where however the repurchase of borrowing was coupled with a refinancing of borrowing via an exchange of debt instruments or the terms of an existing liability has not been substantially modified or are not substantially different the gain or loss adjusts the carrying amount of the loan received under the exchanged or modified financial liability.

Pension Costs

– Scheme Participation

As part of the terms and conditions of employment of Police 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 a defined benefit scheme, which is balanced to nil at the end of each year by receipt of a pension top-up grant from the Home Office or by paying the surplus over to the Home Office. There are no investment assets built up to meet the pensions liabilities and cash has to be generated by the Home Office to meet actual pensions payments as they eventually fall.

The Local Government Pension Scheme (Tyne & Wear Pension Fund) is administered by South Tyneside Metropolitan Borough Council. It 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 (FRS 17 *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 Balance Sheet, and the true costs of retirement benefits are reflected in the Income and Expenditure Account.

Movements during the year in the net asset / liability of the pension scheme are reflected in the Income and Expenditure Account. As with capital charges, FRS 17 entries are reconciled back to cash amounts payable to ensure that there is no effect upon Council Tax.

The Accounting Standards Board (ASB) amended FRS 17 on 7 December 2006, effective for accounting periods on or after 1 April 2007. As the Authority reports under CIPFA guidance, the adoption of the amendment was 31 March 2009. The amendment requires the Authority to adopt new disclosures:

- Separate reconciliations of liabilities and assets from the prior year
- Separation of funded and unfunded liabilities
- The fair value of assets will comprise the bid-value for quoted securities, rather than the mid-market value.

The adoption of these changes can be found within the Pension Fund notes (note 3).

Investments

Gateshead Council undertakes investment on behalf of the Police Authority under powers delegated to the Treasurer and regulated through a Service Agreement. When undertaking investment on behalf of the Police Authority, Gateshead Council operates an integrated treasury management strategy and has adopted the *CIPFA Code of Practice for Treasury Management in the Public Services*.

Value Added Tax (VAT)

VAT is included in the Income and Expenditure Account, whether of a revenue or capital nature, only to the extent that it is irrecoverable. There is no irrecoverable VAT for 2008/09.

Events After the Balance Sheet Date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any new information about that adjusting event.

Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but are disclosed as a separate note to the accounts.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts are authorised for issue and published.

FRS 21 *Events After The Balance Sheet Date* specifies the accounting treatment to be adopted for events occurring between the Balance Sheet date and the date when the financial statements are authorised for issue.

Financial Relationships

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

Statement of Responsibilities

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; and
- to approve the Statement of Accounts.

I certify that the Northumbria Police Authority approved this Statement of Accounts at its meeting on 23 September 2009.



M Henry
Chair of Northumbria Police Authority
Dated: 23 September 2009

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 Authority's financial position 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; and
- complied with the Code.

The Treasurer has also: -

- kept proper accounting records which are up to date; and
- 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 2009, required by the Accounts and Audit Regulations 2006, 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 2009, and its income and expenditure for the year ended 31 March 2009.



D V Coates BA CPFA IRRV
Treasurer
Dated: 18 September 2009

Scope of responsibility

- 1 The Northumbria Police Authority (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 responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective 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.
- 3 The Authority has carried out a first annual review of its 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 in the 'who are we' section at <http://www.northumbria-police-authority.org/Code%20of%20Governance%202009-10%20Final.doc>. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

- 4 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, engages with and leads 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.
- 5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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.
- 6 The governance framework has been in place at the Authority for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

The governance environment

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

- 8 Public opinion, national priorities, force performance and information on crimes and future trends are reviewed together as part of a Strategic Assessment report, which identifies priority areas for Northumbria Police and Authority. The findings of the Strategic Assessment contribute directly to the development of the Force Objectives and Actions as set out in the Policing Plan 2009-2012. Members of the Authority then agree the Policing Plan and achievement of objectives is monitored six monthly by the Audit and Scrutiny Committee.
- 9 Risk management is addressed from the perspective of the Authority and Force, with an emphasis on the shared objectives, risks and integrated approach to risk. Risk management is embedded into the culture of the Authority through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Authority and Force maintains and reviews their register of strategic risks, linking them to strategic business objectives and assigning ownership for each risk. Corporate risk management awareness training is provided for all members and is part of the Lead Authority's Employee/Management Competency Framework. The Audit and Scrutiny Committee receives quarterly reports on risk management and takes appropriate action to ensure that strategic risks are being actively managed; the Committee also receives the annual corporate risk management report and agrees the soundness of risk management arrangements.
- 10 The behaviour of the Authority's members is regulated through a Revised Code of Conduct for Members. The Code governs behaviour and Members registration and disclosure of interests. In addition, the Authority's Standards Committee has the duty of maintaining high standards of conduct in the Authority and takes the lead on raising awareness of the issue amongst Members. Officers of the Authority are paid in accordance with national conditions of service and are also guided by formal codes of conduct and a number of specific policies (e.g. on bullying and harassment) developed by the Lead Authority.
- 11 In support of open and transparent accountability arrangements complaints can be made to the Standards Board for England where it is considered that a Member has not followed the Code of Conduct. Other issues can be raised through a complaints procedure if there is dissatisfaction with the actions (or lack of action) of the Authority and its Officers. Authority officers refer to the Lead Authority's 'whistleblowing' procedure set out in the employee handbook.
- 12 Policy and decision-making are facilitated by a clear framework of delegation set out in the Standing Orders and the Financial Regulations. The Code of Corporate Governance demonstrates these arrangements and how they support the six core principles of effective governance. The Deputy Chief Executive and Solicitor to the Authority has a duty to ensure the lawfulness and fairness of decision-making. Standing Orders and Financial Regulations are reviewed on an annual basis along with an annual review of risk management procedures. The opportunity for officers within the Authority to consider the financial and legal implications of decisions to be made by the Authority ensures compliance with established policies, procedures, laws and regulations.
- 13 The Treasurer is designated as the responsible officer for the administration of the Authority's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues and giving financial information.

- 14 The Lead Authority provides a Human Resources Strategy, which enables managers of Authority officers to realise the full potential of their team and officers participate in a regular review of their achievement and development needs.
- 15 The Authority is pro-active in its approach to community engagement with all stakeholders. The aim is to ensure all local people are well informed about the Authority; actively involved in influencing what happens in their local area and ensuring delivery of the policing services that meet the needs of local people. In addition to make the Authority more accessible to local communities and stakeholders we now hold an annual Stakeholder Conference, are rolling out a “trust us” campaign and holding “on the road” meetings in different venues across Northumbria.

Review of effectiveness

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

These reviews have been completed/informed by the work of Members, the Chief Executive, the Chief Constable, the Treasurer, covering risk management and financial controls, internal auditors and managers within the Authority who have the responsibility for the development and maintenance of the governance environment. In addition comments made by external auditors and other review agencies and inspectorates have informed this review.

- 17 The Audit and Scrutiny Committee carries out the functions of an Audit Committee, its terms of reference include to consider both the external and internal audit plan and activity with a specific brief to independently contribute to the overall process of ensuring that an effective internal control environment is in place in the Authority. The Committee reviews control, risk and governance issues relating to the Authority and Force.
- 18 The review of the effectiveness of governance arrangements will be informed by:
 - The opinion of Members of the Authority;
 - The work of managers;
 - The System of the Internal Audit;
 - The work of Corporate Risk Management;
 - Performance Management and Data Quality information;
 - The external auditors in their annual audit letter and other reports;
 - Assurance from the Monitoring Officer on the operation of Authority’s Legal and Regulatory Framework;
 - Assurance from the Treasurer on the operation of the Authority’s financial controls, and
 - Partnerships arrangements with third party organisations.
- 19 The Authority’s Code of Governance sets out the role of Northumbria Police Authority as follows:
 - Listen to local people, and deal with issues that matter to them and their community;

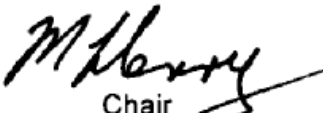
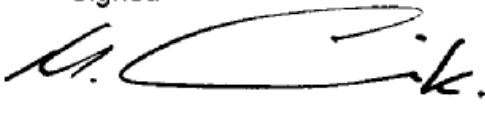

- Make sure that performance improves each year and tell local people about it;
- Provide a police service that reflects the communities it serves and treats everyone fairly, regardless of who they are;
- Talk to local people, and deal with the issues that matter to them and their community; and
- Be open and honest in all that we do.

The Code of Governance is reviewed annually and the first review was approved by members on 25 March 2009.

- 20 A report was presented to the Audit and Scrutiny Committee of 22 June 2009 in which Members identified that they felt reliance could be placed on the Authority's corporate governance arrangements.
- 21 The Chief Internal Auditor reports to the Authority's Chief Finance Officer (the Treasurer), but in order to ensure independence has direct access to the Monitoring Officer, and the Audit and Scrutiny Committee.
- 22 The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control and governance arrangements, which is incorporated in the Annual Internal Audit Report to the Audit and Scrutiny Committee. The Annual Internal Audit Report for 2008/2009, which was presented to Committee on 22 June 2009, concluded that, based on the work undertaken the Authority's internal control systems and governance arrangements are considered to be satisfactory.
- 23 The Annual Risk Management Report was presented to the Audit and Scrutiny Committee on 22 June 2009, in which it was concluded that risk management arrangements are sound.
- 24 Area Commanders and Heads of Departments have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. A report was submitted to the Audit and Scrutiny Committee on 22 June 2009, which concluded that based on the self-assessments Area Commander/Heads of Department, agreed that effective controls and governance arrangements were in place.
- 25 Regular reports on performance management information and data quality have been considered by the Audit and Scrutiny Committee over the course of the year. Based on the information provided during the year and reviews of data quality, controls are in place.
- 26 Assurance on the effectiveness of the Authority's legal and regulatory framework has been provided by the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Authority. Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Standing Orders to give the Authority Solicitor the opportunity to comment on every committee report submitted to a decision-making body.
- 27 Assurance on the effectiveness of the Authority's financial controls has been provided by the Treasurer who is designated as the responsible officer for the administration of the Authority's financial affairs under section 151 of the Local Government Act 1972. Systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role.

Annual Governance Statement

- 28 Area Commanders and Heads of Department have reviewed key partnerships following an exercise carried out by the Chief Constable and have produced a risk register. Area Commanders and Heads of Departments have also been required to provide assurance on partnership governance arrangements through self-assessments. From this work it was concluded that governance arrangements with partnerships were operating effectively.
- 29 The results of the review of the Authority's governance arrangements, including the internal control environment, have concluded that it is satisfactory and effective, with no significant weaknesses being identified.
- 30 We have been advised of the result of the review of the effectiveness of the governance framework by the Audit and Scrutiny Committee.

Signed  Chair	Signed  Chief Constable	Signed  Chief Executive
Dated 23/6/09	Dated 23.06.09.	Dated 23/6/09

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Northumbria Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, 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 statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Northumbria Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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 accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- the accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the police pension fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I

considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Northumbria Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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.

Steve Nicklin
District Auditor

Audit Commission
Nickalls House
Metro Centre
Gateshead
NE11 9NH

September 2009

Income and Expenditure Account

CIPFA Best Value Accounting Code of Practice (BVACOP) Classification

These accounts are presented in accordance with the Best Value Accounting Code of Practice (BVACOP). The Police Services line includes all costs associated with the former mandatory divisions of Crime, Policing in the Community and National Police Services.

Net Expenditure 2007/08 £000s	BVACOP Service Expenditure Analysis	Gross Expenditure 2008/09 £000s	Gross Income 2008/09 £000s	Net Expenditure 2008/09 £000s
295,108	Police Services	335,866	(36,704)	299,162
1,478	Corporate and Democratic Core (note 1)	1,551	0	1,551
4,227	Non Distributed Costs (note 2)	564	0	564
300,813	Net Cost of Services	337,981	(36,704)	301,277
0	(Gain) / Loss on disposal of Fixed Assets			(397)
0	Levies to National Police Services			0
2,274	Interest Payable and similar charges			3,248
(7,159)	Interest and investment income			(7,569)
120,030	Pensions interest cost and expected return on pensions assets			133,010
(15,924)	Top Up Grant receivable from Home Office			(22,217)
400,034	Net Operating Expenditure			407,352
(107,609)	Police Grant			(108,833)
(18,737)	Revenue Support Grant			(16,497)
(111,647)	National Non-Domestic Rates			(118,509)
(32,152)	Precepts			(33,983)
(270,145)				(277,822)
129,889	Deficit for the year			129,530

Income and Expenditure Account

CIPFA Subjective Classification

This statement summarises the Income and Expenditure Account. It shows the day-to-day running costs of all services paid for by council tax, government grants and other income. It reconciles to the BVACOP revenue account on page 25 at the net cost of services line.

2007/08 £000s		2008/09 £000s	2008/09 £000s
	Employees		
141,403	Operational Personnel	146,867	
47,602	Support Staff	52,535	
15,304	National Insurance	15,782	
9,737	Support Staff Pensions (note 3)	5,564	
63,210	Police Pensions (note 3)	46,288	
5,124	Allowances	4,754	
282,380			271,790
	Premises		
3,516	Maintenance and Improvements	3,663	
2,208	Utilities	2,967	
309	Furniture and Fittings	264	
2,660	Rent and Rates	2,870	
1,817	Contract Cleaning (note 10)	1,875	
10,510			11,639
	Supplies and Services		
1,935	Computer Equipment	2,404	
3,841	Communications	3,376	
2,273	Equipment and Materials	2,461	
79	Catering	78	
1,004	Clothing and Uniforms	1,192	
2,590	Education and Training	2,434	
11,722			11,945
	Transport		
3,541	Vehicle Running Expenses	3,788	
1,255	Car Allowances / Vehicle Hire	1,304	
1,791	Air Support Services (note 14)	1,976	
6,587			7,068
	Establishment Expenses		
1,815	Printing, Stationery & Advertising	1,885	
1,244	Travelling & Subsistence	1,261	
2,338	Insurances	2,102	
2,770	Support Services (note 10)	2,615	
8,167			7,863
	Agency Services (note 4)		
180	Consortium Charges	260	
4,169	Forensic Science Service	4,759	
657	Other National Police Services	732	
1,356	Airwave	1,208	
6,362			6,959

Income and Expenditure Account

2007/08 £000s		2008/09 £000s	£000s
	Miscellaneous		
2,435	Surgeons & Pathologists Fees	2,618	
865	Community Safety	1,605	
610	Crime Management	715	
5,007	Other Expenses	5,065	
8,917			10,003
	Capital Accounting Charges		
10,078	Depreciation	12,106	
(7,330)	Government Grants Deferred Credits	(8,012)	
111	Impairment Loss	6,620	
2,859			10,714
337,504	Total Expenditure		337,981
	Income		
(3,732)	Fees and charges	(4,459)	
(1,881)	Secondments	(1,431)	
(364)	Rents	(360)	
(30,714)	Grants & Other Income	(30,454)	
(36,691)	Total Income		(36,704)
300,813	Net Cost of Services		301,277
0	(Gain) / Loss on disposal of Fixed Assets	(397)	
2,274	Interest Payable and similar charges (note 26)	3,248	
(7,159)	Interest and Investment Income (note 26)	(7,569)	
120,030	Pensions Interest Costs and Expected Return on Assets (note 3)	133,010	
(15,924)	Top Up Grant receivable from Home Office	(22,217)	
400,034	Net Operating Expenditure		407,352
	Financed by		
(107,609)	Home Office Grant	(108,833)	
(18,737)	Revenue Support Grant	(16,497)	
(111,647)	National Non-Domestic Rates	(118,509)	
(32,152)	Proceeds of Police Authority Precepts (note 7)	(33,983)	
(270,145)			(277,822)
129,889	Deficit for the Year		129,530

Statement of Movement on the General Fund Balance

This statement reconciles the surplus or deficit on the Income and Expenditure Account to the movement in the General Fund Balance (see note 15 page 45). Note 16 on page 45 provides a breakdown of the net additional amount required by statute and non-statutory proper practices to be debited / (credited) to the General Fund balance for the year.

2007/08		2008/09
£000s		£000s
129,889	(Surplus) or deficit for the year on the Income and Expenditure Account	129,530
(149,408)	Net Additional amount required by statute and non-statutory proper practices to be debited / (credited) to the General Fund balance for the year (note 16)	(130,540)
(19,519)	Increase in General Fund Balance for the year	(1,010)
(26,689)	General Fund Balance Brought Forward	(46,208)
(46,208)	General Fund Balance Carried Forward	(47,218)

Statement of Total Recognised Gains and Losses

Not all gains and losses experienced by a Police Authority are reflected in the Income and Expenditure Account. It is necessary to consider all gains and losses recognised in a period when assessing the financial result during the year.

The additional gains and losses not recognised in the Income and Expenditure Account are shown below, the total recognised gains and losses for the year reconciles to the movement on the Balance Sheet (see following pages) from 2007/08 to 2008/09.

2007/08		2008/09
£000s		£000s
129,889	(Surplus) / Deficit for the year on the Income and Expenditure Account.	129,530
(4,100)	(Surplus) / Deficit arising on revaluation of fixed assets	(5,421)
(450,170)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	(234,540)
1,066	Other (Gains) / Losses	405
(323,315)	Total recognised (Gains) and Losses for the year	(110,026)

Balance Sheet

31/03/2008 £000s		31/03/2009 £000s	31/03/2009 £000s	Note
Long Term Assets				
249	Intangible Fixed Assets	516		18
	Tangible Fixed Assets			19
	Operational			
4,622	Police Houses	3,882		
52,076	Other Land / Buildings	54,699		
17,680	Vehicles and Equipment	20,108		
	Non-Operational			
2,520	Surplus/ Investment	1,415		
3,561	Assets Under Construction	2,830		
0	Deferred premiums on early repayment of debt	0		
0	Long Term Investment	6,682		25
80,708			90,132	
Current Assets				
690	Stocks and Stores	675		20
16,152	Debtors	13,530		21
0	Cash	137		
117,801	Short Term Investments	115,186		22
134,643			129,528	
Current Liabilities				
(27,504)	Creditors	(30,416)		23
0	Bank overdraft	(8,810)		
(27,504)			(39,226)	
187,847	Total Assets less Current Liabilities		180,434	
Long Term Liabilities				
(32,838)	Long Term Borrowing		(32,833)	25
(1,937,230)	Pensions Liability		(1,820,180)	41
(2,073)	Insurance Provision		(2,407)	31
(15,755)	Government Grants Deferred		(15,037)	32
(1,800,049)	Total Assets less Liabilities		(1,690,023)	

Balance Sheet

31/03/2008	Financed by:	31/03/2009	Note
£000s		£000s	
3,480	Revaluation Reserve	7,457	33
29,940	Capital Adjustment Account	30,822	34
8,720	Capital Receipts Unapplied	59	35
46,208	General Reserve	47,218	36
6,000	Insurance Reserve	6,000	37
1,967	Devolved Budget Reserve	1,505	38
571	Air Support Unit General Reserve	715	39
20	Air Support Unit Capital Reserve	32	40
(1,937,230)	Pensions General Reserve	(1,820,180)	41
8,199	Police Officers Commutations Reserve	5,199	
1,000	Airwave Reserve	1,000	42
31,076	Capital Development Reserve	30,978	43
0	Financial Instrument Adjustment Account	(828)	44
(1,800,049)	Total Net Worth	(1,690,023)	



D V Coates BA CPFA IRRV
Treasurer

Dated: 21 September 2009

Cash Flow Statement

2007/08 £000s		2008/2009	
		£000s	£000s
	Revenue Activities		
	Cash Outflows		
252,915	Cash paid to and on behalf of employees	265,629	
50,843	Other operating cash payments	47,642	
15,924	Contribution to Police Pension Fund	22,217	
<u>319,682</u>			335,488
	Cash Inflows		
(18,737)	Revenue Support Grant	(16,497)	
(107,609)	Police Grant	(108,833)	
(111,647)	National Non-Domestic Rate receipts from national pool	(118,509)	
(31,903)	Precepts received	(33,775)	
(249)	Net Surplus Collection Funds	(208)	
(12,522)	Top Up Grant Receivable from Home Office	(23,609)	
(23,378)	Other Government Grants (note 54)	(23,287)	
(11,787)	Cash received from Sales, Fees & Charges	(10,249)	
<u>(317,832)</u>			<u>(334,966)</u>
1,850	Net Cash Outflow – Revenue Activities (note 51)		521
	Returns on Investments and Servicing of Finance		
	Cash Outflow		
2,274	Interest Paid	3,248	
	Cash Inflow		
<u>(7,159)</u>	Interest Received	<u>(7,569)</u>	
(4,885)	Net Cash Outflow / (Inflow) – Servicing of Finance		(4,321)
	Capital Activities		
	Cash Outflows		
12,406	Purchase of fixed assets	16,154	
<u>12,406</u>			16,154
	Cash Inflows		
(1,599)	Sale of fixed assets	(1,166)	
(5,033)	Capital grants received	(4,179)	
<u>(6,632)</u>			<u>(5,345)</u>
5,774	Net Cash Outflow / (Inflow) – Capital Activities		10,809
2,739	Net Cash Outflow / (Inflow) Before Financing		7,009

Cash Flow Statement

2007/08 £000s		2008/09	
		£000s	£000s
	Management of Liquid Resources (note 53)		
(2,744)	Net Increase / (Decrease) in Short Term Investments		1,659
	Financing (note 52)		
	Cash Outflow		
5	Repayments of amounts borrowed	5	
	Cash Inflow		
0	New loans raised	0	
0	Other Funds	0	5
<u>5</u>		<u>0</u>	
<u>5</u>	Net Cash Outflow / (Inflow) from financing		<u>5</u>
0	Net (Increase) / Decrease in cash		8,673

1. 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.

2. 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 FRS 17, as Non Distributed Costs. Rounding differences between the actuarial estimate of pension payments and the actual cash payments made during the year are also included in Non Distributed Costs.

3. Pensions

As part of the terms and conditions of employment of Police 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 Police Staff, administered by South Tyneside Metropolitan Borough Council (Tyne & Wear Pension Fund). This is primarily 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 over the long term.
- The Police Pension Scheme is a defined benefit scheme, which is balanced to nil at the end of each year by receipt of a pension top-up grant from the Home Office or by paying the surplus over to the Home Office. There are no investment assets built up to meet the pensions liabilities and cash has to be generated by the Home Office to meet actual pensions payments as they eventually fall.

In May 2008 the Home Office announced new commutation factors for the police service, based on the Government Actuary Department's (GAD's) recommendation of gender-neutral age-related factors. The new factors took effect from 1 July 2008 for those in the New Police Pension Scheme, and from 1 October 2007 for those in the 1987 Pension Scheme. The result of this was that backdated payments were due to officers who had already taken their lump sum so a provision was included in the 2007/08 Statement of Accounts for the additional payments due. In May 2009 there was a further announcement that the new factors would take effect from 1 December 2006, which means additional payments are necessary to those who have already taken their lump sum. As per the 2007/08 Statement of Accounts, provision has been made for the payments that are due.

The Government Actuary Department (GAD) has provided confirmation that the new commutation factors will not result in an increase in the liabilities for lump sums due after the Balance Sheet date.

Due to a change in the SORP 2008, the funded and unfunded liabilities of Pension Schemes must be split where previously they were consolidated. The Tyne & Wear Pension Scheme has funded and unfunded liabilities (an unfunded scheme has no assets to fund its liabilities, hence being called unfunded) which are split below. The 2007/08 figures have been restated in accordance with the SORP. The Police Pension Scheme is an unfunded scheme; therefore no restatement or changes are necessary.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, 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. The transactions shown below have been made during the year:

	Police Pension Scheme	
	2007/08	2008/09
	£000	£000
Net Cost of Services:		
Current service cost	60,940	45,848
Past service costs	410	540
Non distributed costs	1,860	(100)
Total Net Cost of Services	63,210	46,288
Net Operating Expenditure:		
Interest cost	119,230	130,970
Expected return on assets in the scheme	0	0
Total Net Operating Expenditure	119,230	130,970
Amounts to be met from Government Grants and Local Taxation:	182,440	177,258
Contribution to / (from) pensions reserve	(130,480)	(117,700)
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	48,466	55,766
Retirement benefits payable to pensioners	3,494	3,792

	Tyne & Wear Pension Scheme – Funded		Tyne & Wear Pension Scheme – Unfunded	
	2007/08*	2008/09	2007/08*	2008/09
	£000	£000	£000	£000
Net Cost of Services:				
Current service cost	7,780	5,440	0	0
Past service costs	1,730	100	0	0
Non distributed costs	227	24	0	0
Total Net Cost of Services	9,737	5,564	0	0
Net Operating Expenditure:				
Interest cost	9,060	10,370	190	220
Expected return on assets in the scheme	(8,420)	(8,550)	0	0
Total Net Operating Expenditure	640	1,820	190	220
Amounts to be met from Government Grants and Local Taxation:	10,377	7,384	190	0
Contribution to / (from) pensions reserve	(2,950)	210	30	0
Actual amount charged against council tax for pensions in the year:				
Employers contributions payable to scheme	7,427	7,594	220	220

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.

* These are restated figures

Notes to the Core Statements

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2009 are as follows:

	Tyne & Wear Pension Scheme – Funded		Tyne & Wear Pension Scheme – Unfunded	
	£m	£m	£m	£m
	31 March 2008	31 March 2009	31 March 2008	31 March 2009
Estimated Liabilities in scheme	(150.11)	(175.99)	(3.31)	(3.50)
Estimated Assets in scheme	120.82	104.75	0.00	0.00
Net Asset / (Liability)	(29.29)	(71.24)	(3.31)	(3.50)

	Police Pension Scheme	
	£m	£m
	31 March 2008	31 March 2009
Estimated Liabilities in scheme	(1,904.63)	(1,745.44)
Estimated Assets in scheme	0.00	0.00
Net Asset / (Liability)	(1,904.63)	(1,745.44)

	Total	
	£m	£m
	31 March 2008	31 March 2009
Estimated Liabilities in scheme	(2,058.05)	(1,924.93)
Estimated Assets in scheme	120.82	104.75
Net Asset / (Liability)	(1,937.23)	(1,820.18)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £1,820m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,690m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains sound based on the following principles:

- 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;
- the Home Office will finance police pensions when the pensions are actually paid through the top up grant;
- and 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 & Wear Fund assets and liabilities in respect of Police Support Staff in accordance with FRS 17. Their calculations are based on an update of the liabilities determined in the actuarial valuation of the fund (as at 31 March 2004) on a going concern basis.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme

In respect of the Police Scheme, an actuarial valuation has not been carried out as at 31 March 2009. 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 2006/07", 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 2008, A Statement of Recommended Practice (SORP).

The principal financial assumptions used in the calculations for the Tyne & Wear Pension Scheme (Local Government Pension Scheme) have been:

Funded	2006/07	2007/08	2008/09
	%	%	%
Rate of Inflation	3.2	3.7	3.6
Rate of general increase in salaries	4.7	5.2	5.1
Rate of increase to pensions in payment	3.2	3.7	3.6
Rate of increase to deferred pensions	3.2	3.7	3.6
Discount rate	5.3	6.8	6.5
Unfunded	2006/07	2007/08	2008/09
	%	%	%
Rate of Inflation	3.2	3.7	3.6
Rate of increase to pensions in payment	3.2	3.7	3.6
Discount rate	5.3	6.8	6.5

The Police Pension Scheme's liabilities are valued on an actuarial basis using the Projected Unit Method. The main actuarial assumptions used are as follows:

	2006/07	2007/08	2008/09
	%	%	%
Rate of Inflation	3.4	3.7	3.0
Rate of increase in salaries	4.9	5.2	4.5
Rate of increase in pensions	3.4	3.7	3.0
Rate for discounting scheme liabilities	5.4	6.9	6.9

Notes to the Core Statements

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

Tyne & Wear Pension Fund	Long term expected rate of return 2006/07	Asset split 2006/07	Long term expected rate of return 2007/08	Asset split 2007/08	Long term expected rate of return 2008/09	Asset split 2008/09
Equities	7.7	67.1	7.6	63.7	7.0	66.1
Property	6.7	9.9	6.6	10.5	6.0	8.4
Government Bonds	4.7	13.6	4.6	11.0	4.0	10.2
Corporate Bonds	5.3	7.6	6.8	8.9	5.8	10.4
Cash / Other	5.6	1.8	6.0	5.9	1.6	4.9
Total	7.0	100	7.0	100	6.2	100

The Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with a higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within the above note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2009.

In accordance with paragraph 79 of FRS 17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note presents the history of liabilities and experience gain / (loss) on liabilities for 2007/08 and 2008/09. For periods pre-2007/08, unfunded liabilities are included in the disclosure note for funded benefits. The Fund assets and liabilities are set out below:

Funded:	Value 2006/07 £m	Value 2007/08 £m	Value 2008/09 £m
Notional value of Assets	120.09	120.82	104.75
Present value of Liabilities	(168.25)	(150.11)	(175.99)
Net pension Asset / (Liability)	(48.16)	(29.29)	(71.24)

Unfunded:	Value 2006/07 £m	Value 2007/08 £m	Value 2008/09 £m
Present value of liabilities	(3.5)	(3.31)	(3.6)
Net pension Asset / (Liability)	(3.5)	(3.31)	(3.6)

The disclosures below show the history of experience gains / (losses) on liabilities, which have not been re-stated for 2006/07 or earlier:

Funded:	2007/08 £m	2008/09 £m
Experience gains / (losses) on Assets	(12.69)	(31.40)
Experience gains / (losses) on Liabilities	4.38	(0.48)
Unfunded:	2007/08 £m	2008/09 £m
Experience gains / (losses)	(0.03)	(0.04)

The Local Government Pension Scheme figures shown above have been provided by the actuaries to the Tyne & 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.

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

South Tyneside Metropolitan Borough Council
Town Hall & Civic Offices
Westoe Road
South Shields
Tyne & Wear
NE33 2RL

4. Agency Services

Consortium Charges

The Authority has an agency agreement with the National Automated Fingerprint Identification System (NAFIS) to provide fingerprinting services. Payments in 2008/09 amounted to £0.260m (£0.180m in 2007/08).

Forensic Science Service

The Authority has an agency agreement with the Forensic Science Service in Wetherby, North Yorkshire. Payments in 2008/09 amounted to £4.759m (£4.169m in 2007/08).

Other National Police Services

The Authority made a subscription payment for the Police National Computer of £0.732m in 2008/09 (£0.657m in 2007/08).

Airwave

The Authority made payments of £1.208m to Airwave (£1.356m in 2007/08) for the digital radio-communications system.

5. 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.

2007/08 £000s		2008/09 £000s
<u>1,314</u>	Minimum Revenue Provision	<u>1,400</u>
1,314		1,400

6. Publicity

The Local Government Act 1986 Section 5 requires the Authority to keep a separate account of expenditure on publicity. The Authority spent £0.879m on all forms of publicity in 2008/09 (£0.746m in 2007/08).

7. Police Authority Precept

The Police Authority precept generated proceeds as outlined below:

2007/08		2008/09	
£000s		Surplus on Collection Funds £000s	Precept Levied £000s
4,447	Gateshead MBC	58	4,679
5,685	Newcastle CC	48	6,069
4,719	North Tyneside MBC	39	4,981
3,300	South Tyneside MBC	0	3,465
5,975	Sunderland CC	34	6,298
944	Alnwick DC	0	1,000
756	Berwick Upon Tweed BC	0	795
1,802	Blyth Valley BC	0	1,910
1,466	Castle Morpeth BC	0	1,535
1,696	Tynedale DC	29	1,804
1,362	Wansbeck DC	0	1,447
32,152		208	33,983

8. 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	
	2007/08	2008/09
£50,000 - £59,999	49	50
£60,000 - £69,999	18	26
£70,000 - £79,999	8	8
£80,000 - £89,999	1	3
£90,000 - £99,999	1	1
£100,000 - £109,999	-	1
£110,000 - £119,999	-	-
£120,000 - £129,000	1	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	1
£150,000 - £159,999	1	-
Total	79	90

9. Members' Allowances

The total of Members' Allowances paid during 2008/09 was £0.166m (£0.176m in 2007/08).

10. Related Party Transactions

The Financial Reporting Standard on Related Party Disclosures (FRS 8) and the 1998 Code of Practice require that material 'related party' transactions with the Authority / Force are disclosed in the Statement of Accounts. During the year material transactions with related parties arose as follows and are included within the Income and Expenditure Account:

Government Departments

2007/08 £000s		2008/09 £000s
107,609	Police Grant	108,833
18,737	Revenue Support Grant	16,497
111,647	NNDR	118,509
23,196	Other Home Office Grants	24,118
181	Other DCLG Grants	181
261,370		268,138

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 7 to the core statements.

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 £2.615m in 2008/09 (£2.770m in 2007/08).

In respect of this: -

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

The Deputy Chief Executive 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 & ICT.

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

The Human Resources Adviser of the Police Authority is also Gateshead Council's Director of Corporate Services.

The Property Adviser to the Police Authority is also Gateshead Council's Group Director, Development and Enterprise.

A payment of £1.875m was paid to Gateshead Council in respect of contract cleaning in 2008/09 (£1.817m in 2007/08).

Notes to the Core Statements

In addition, a survey of members and chief officers declared interests has been carried out and there are no disclosures to be made under FRS 8 in respect of material transactions with members and chief officers.

11. 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: -

	Availability	Service	Total
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 2008/09 payments of £0.333m (£0.320m in 2007/08).

12. Audit Commission Fees

In 2008/09 Northumbria Police Authority incurred the following fees relating to external audit and inspection:

	2007/08	2008/09
	£000s	£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	89	96
Fees payable to the Audit Commission for the certification of grant claims and returns	0	0
Fees payable in respect of other services provided by the appointed auditor	16	1
Total	105	97

13. 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.

The Authority has commitments to make payments in the forthcoming year as follows:

	31/03/2008	31/03/2009
	£000s	£000s
Commitment Expires:		
Less than 1 year	59	95
2 to 5 years	12	34
Over 5 years	264	173
Total	335	302

In respect of these leases the Authority paid £0.335m in 2008/09 (£0.270m in 2007/08).

14. North East Air Support Consortium

The North East Air Support Unit is a consortium arrangement between Northumbria, Durham and Cleveland Police Authorities. The consortium was established to share the use of Aircraft (Helicopters) to support ground-based policing. There are currently two Helicopters which serve the geographical areas covered by the three Authorities as and when required. One of the Helicopters is based at Newcastle International Airport and the other is based at Durham Tees Valley Airport. The Consortium is co-ordinated and managed by the Consortium Monitoring Group comprising officers from each consortium member.

The costs are initially incurred by Northumbria Police Authority and subsequently apportioned between the three Authorities on the basis of 56.87% (Northumbria), 21.55% (Durham) and 21.58% (Cleveland).

The Revenue Account for 2008/09 is shown below:

NEASU Revenue Account	2007/08	2008/09
	£000s	£000s
Helicopters (including Pilotage)	2,088	2,148
Employee costs	903	948
Premises	88	94
Transport	7	8
Supplies & Services	67	80
Net Expenditure of Service	3,223	3,278
Income received by constituent Authorities:		
Durham Police Authority	(706)	(749)
Cleveland Police Authority	(707)	(750)
Northumbria Police Authority	(1,791)	(1,976)
Closing net balance of Service to carry-forward	(51)	(197)

The Air Support Services costs shown in the Income and Expenditure Account are Northumbria's contribution to the annual running costs of the consortium, and the Assets of the Authority shown in the Balance Sheet are the Authority's share of Aircraft and Equipment. The Air Support Reserves shown in the Balance Sheet are the Authority's share of the Reserves, with Durham Police Authority and Cleveland Police Authority's shares being shown in Creditors.

Further information can be obtained from:

Chief Constable
Northumbria Police Force Headquarters
North Road
Ponteland
Newcastle-upon-Tyne
NE20 0BL

The three Authorities agreed that the Consortium be wound up on 31 March 2009. Thereafter Northumbria entered into a new partnership with Durham Police Authority to provide Air Support Services. This essentially involves sharing the costs of operating a single Helicopter from Newcastle Airport.

An assessment of all assets and liabilities of the Consortium at 31 March 2009 is currently under consideration including valuations for the helicopters following which

agreement will be reached between the three Authorities regarding the final value of net assets to be apportioned to each Authority in line with the Consortium agreement.

15. Statement of Movement on the General Fund Balance

The Statement of Movement on the General Fund Balance shows the opening balance, debited with the deficit for the year as per the Income and Expenditure Account and credited with the net additional amount required by statute and non-statutory proper practices to produce the closing General Fund Balance.

The movement on the General Fund Balance is the difference between the amount raised by Government Grants and Local Taxation and the amount financed by Government Grants and Local Taxation.

The closing General Fund Balance is the amount available to fund future deficits through the Income and Expenditure Account in line with the Medium Term Financial Strategy.

16. Breakdown of the amounts additional to the (surplus) / deficit on the Income and Expenditure Account to be debited / (credited) to the General Fund.

2007/08 £000s		2008/09 £000s	2008/09 £000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining movement on the General Fund Balance:		
(154)	Amortisation of Intangible Fixed Assets	(114)	
(10,035)	Depreciation and Impairment of Fixed Assets	(18,611)	
7,330	Government Grants Deferred Amortisation	8,012	
0	Net Gain / (Loss) on Sale of Fixed Assets	397	
0	Amount by which finance costs calculated as per the SORP differ from the amount of finance costs calculated as per financial	(828)	
(133,370)	Net Changes made for the Retirement Benefits in Accordance with FRS 17	(117,490)	
(136,229)			(128,634)
	Amounts not included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance:		
1,314	Minimum Revenue Provision for Capital Financing	1,400	
1,314			1,400
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:		
(14,493)	Net Transfer to or (from) Reserves	(3,306)	
(14,493)			(3,306)
(149,408)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to General Fund Balance for the year		(130,540)

17. 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 capital receipts, reserves or prudential borrowing. In 2008/09 the Police Authority did not undertake any borrowing. The Police Authority's capital payments made during 2008/09 are summarised below together with the method of financing:

2007/08		2008/09	
£000		£000	£000
Major Schemes			
7	Ponteland HQ Development	296	
470	Refurbishment of Southwick Custody Suite	12	
1	Southern Communications Upgrade	0	
20	Newcastle- New Command HQ	24	
685	North Tyneside- New Command HQ	1,068	
13	HQ Administration Building	0	
491	Recovery of Non- Operational Space	9	
17	Additional Custody Capacity	1,585	
0	HQ Modular Accommodation	114	
0	FIID	9	
0	New Morpeth Sector Station	43	
0	New Training Facilities – Public Order & Firearms	3	
1,704			3,163
Minor Building Works			
3	Upgrading of Residential Accommodation Block 1 and 2	0	
1	Blyth Police Station	0	
9	Viking Park Marine Unit	0	
82	NCC Improvements	0	
241	Forcewide DDA Building Modifications	130	
	Forcewide Cell Refurbishments, Ligature/Fire		
248	Precautions	348	
331	Locker and Changing Room Rationalisation	47	
136	Energy Management Initiatives	186	
78	Ashington Cell Complex and Additional Car Parking	44	
43	Clifford Street Station – Land Purchase	0	
1	Gateshead Area Command Replacement Windows	3	
0	Front Office Refurbishments	23	
0	CCTV upgrade – Newcastle Airport	100	
0	Replacement Air Conditioning in IS&T Equip Room	9	
1,173			890

Notes to the Core Statements

2007/08 £000		2008/09	
		£000	£000
	Computers and Communications		
807	Technology Refresh	673	
225	Airwave	43	
0	Software Licences	381	
69	Personnel Phase 2	58	
43	GIS Mapping & Gazetteer	0	
346	Data/Radio/Telephone Network	0	
286	Socrates System	0	
23	National Management Information System	15	
268	Application Server Refresh	1,324	
82	Windows XP/ 2003 Upgrade	0	
0	E-services	121	
0	Communications Rooms Review	66	
11	Replacement of PROMAT video ID Equipment	0	
533	Single Non Emergency Number Equipment	0	
0	Storage Area Network	774	
9	Unified Police Security	10	
150	Case Preparation	0	
1,342	Airwave Refresh	785	
125	S/W Licence Realignment	0	
64	USB Monitoring System	0	
114	E-Mail Archiving	120	
20	ANPR Capture Systems	44	
72	CJX Capacity Increase	0	
6	Neighbourhood Policing BVR	0	
111	Airwave –ICCS Interface	0	
266	FIID Computer Equipment	1	
1,480	IS&T Storage Area Network	0	
87	Performance Management System Software	0	
0	S7000 Upgrade	1,879	
0	Voice-Data Network	67	
0	Mobile Data/Blackberrys	26	
0	Resource Management System	423	
0	Easy Link Vehicle Information Suite (ELVIS)	72	
0	Intelligence Gap Analysis (CRISP)	26	
0	Workforce Modernisation Demo Site Pilot	2	
0	FIID – RIPA IT Surveillance	75	
0	Automatic Number Plate Recognition (ANPR)	4	
0	Vetting Management Database	32	
0	Web Based Services	329	
0	E-recruitment	47	
6,539			7,397
	Vehicles and Equipment		
2,635	Vehicles and Equipment	5,781	
2,635			5,781
12,051	Total Capital Payments		17,231

Notes to the Core Statements

		Financing	
9,174	Capital Grant		7,307
2,877	Receipts		9,826
0	Capital Development Reserve		98
12,051			17,231

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 2008/09 upon the capital financing requirement.

2007/08		2008/09
£000s		£000s
32,848	Opening Capital Financing Requirement	31,534
Capital Investment		
125	Intangible Fixed Assets (Software Licences)	381
2,877	Building Works	4,053
6,414	Computers and Communications	7,016
2,635	Vehicles and Equipment	5,781
Sources of Finance		
(12,051)	Government Grants and Other Contributions	(17,231)
(1,314)	Revenue Provision (Includes MRP)	(1,400)
31,534	Closing Capital Financing Requirement	30,134
Explanation of movements in year		
0	Increase in underlying need to borrow (supported by Government financial assistance)	0
0	Repayment of Principal Outstanding (Deferred Liability)	0
(1,314)	Minimum Revenue Provision	(1,400)
(1,314)	Increase/(Decrease) in Capital Financing Requirement	(1,400)

18. Intangible Fixed Assets

	Purchased Software Licences £000s
Original Cost	768
Amortisations to 1 April 2008	<u>(519)</u>
Balance at 1 April 2008	249
Expenditure in year	381
Written off to revenue in year	<u>(114)</u>
Balance at 31 March 2009	516

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

19. Tangible Fixed Assets

	Police Houses £000s	Other Land & Buildings £000s	Vehicles & Equipment £000s	Non Operational & Surplus £000s	Assets Under Construction £000s	Total £000s
Value at 1/04/08	4,839	61,226	44,949	2,614	3,561	117,189
Reclassification	(244)	0	0	244	0	0
Revaluations	(623)	(7,428)	0	(259)	(2,200)	(10,510)
Additions	0	2,450	12,930	1	1,469	16,850
Disposals	0	0	(6,308)	(1,184)	0	(7,492)
Gross Book Value at 31/03/09	3,972	56,248	51,571	1,416	2,830	116,037
Depreciation at 01/04/08	(217)	(9,150)	(27,269)	(94)	0	(36,730)
Reclassification	25	0	0	(25)	0	0
Write out on Revaluation	176	9,017	0	118	0	9,311
Write out on Disposal	0	0	6,308	0	0	6,308
Depreciation charge for the year	(74)	(1,416)	(10,502)	0	0	(11,992)
Depreciation at 31/03/09	(90)	(1,549)	(31,463)	(1)	0	(33,103)
Net Book Value 31/03/09	3,882	54,699	20,108	1,415	2,830	82,934
Net Book Value 31/03/08	4,622	52,076	17,680	2,520	3,561	80,459

	Number as at 31/3/08	Number as at 31/3/09
Police Stations	52	53
Police Houses	46	44
Surplus and Non Operational Buildings	48	26
	<u>146</u>	<u>123</u>
Cars	699	693
Vans and Heavy Goods Vehicles	287	275
Motor Cycles	21	21
Aircraft	2	2
	<u>1,009</u>	<u>991</u>

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. Full valuations are programmed every five years. In addition, the Police Headquarters at Ponteland is valued annually.

20. Stocks and Stores

	31/03/08 £000s	31/03/09 £000s
Clothing and Other	515	526
Motor Vehicle Parts	175	149
	690	675

21. Debtors

Amounts falling due in one year:	31/03/08 £000s	31/03/09 £000s
Government Departments	12,815	11,395
Other Local Authorities	1,005	259
Sundry Debtors and Prepayments	2,388	1,899
	16,208	13,553
Less Bad Debt Provision	(56)	(23)
	16,152	13,530

22. Short Term Investments

Under the Authority's Treasury Management Services Agreement, Gateshead Council deposits surplus cash balances on its behalf with banks and building societies for periods ranging from overnight to a maximum of 3 years. This is consistent with the principles in the Authority's agreed Treasury Management Strategy.

23. Creditors

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

	31/03/08 £000s	31/03/09 £000s
Government Departments	4,043	4,940
Inland Revenue	4,705	5,449
Other Local Authorities	2,107	5,456
Sundry Creditor	13,232	14,281
Capital Grants Unapplied	3,417	290
	27,504	30,416

Prior to 2007/08, Capital grants unapplied were classified on the Balance Sheet as part of the Authority's financing. However in 2007/08 they were reclassified as receipts in advance and this classification remains for 2008/09.

24. Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks being:

- 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 the funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and on implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice, and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Authority's overall borrowing;
 - its maximum and minimum exposure to fixed and variable rates;
 - its maximum and minimum exposures within the maturity structures of its debt;
 - its maximum annual exposures to investments maturing beyond a year
- by approving an annual investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instruments exposure. Actual performance is also reported annually to members.

Gateshead Council provides treasury advice to the Authority under S.113 of the Local Government Act. Gateshead Council undertakes investments on behalf of the Authority under powers delegated by the Treasurer and regulated through a Service Agreement. When undertaking investments on behalf of the Authority, Gateshead Council operates an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Authority also utilises treasury consultants to provide guidance in all areas of treasury management.

Credit Risk

Credit risk arises from deposits with banks, building societies, other local authorities and the Debt Management Office, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria previously outlined in the TMP's. The Authority's investment priorities are the security of capital and the liquidity of its investments.

Notes to the Core Statements

Counter parties are assessed taking into account their financial position and credit limits are set in accordance with internal ratings.

As at 31 March 2009 23.7% of the Authority's £121.868m of deposits were with financial institutions domiciled outside of the UK.

Country of Domicile	Amount £000s	%
Republic of Ireland	23,887	19.6
Belgium	3,339	2.7
Abu Dhabi	1,722	1.4
	28,948	23.7

The information below shows the gross amounts due to the Authority from its financial assets, and the amounts which have been impaired due to likely non receipt. The net carrying value represents the maximum credit rating to which the Authority is exposed.

	Gross Value £000s	Impairment Value £000s	Net Value £000s
Deposits with financial institutions	122,837	(969)	121,868
Long term debtors	0	0	0
Debtors	13,553	(23)	13,530

The Debtors balance represents the amount due to the Authority from customers. A Bad Debt Provision of £0.023m is held on the Balance Sheet to provide against the risk of default on debt outstanding.

During the reporting period the Authority held no collateral as security.

Liquidity Risk

The Authority has ready access to borrowings from the Co-operative Bank to cover any day-to-day cash flow need, and whilst the Public Works Loans Board (PWL) provides access to longer-term funds, it also acts as a lender of last resort to Authorities (although it will not provide funding to an Authority whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Authority maintains a debt portfolio of £32.843m and investment portfolio of £121.868m. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and financial assets.

The approved prudential indicator limits for the maturity structure of debt and the

limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The treasury and investment strategies approved by the Authority address the main risks, and Gateshead Council's treasury team address the operational risks within the approved parameters, including:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day-to-day cash flow needs; and
- monitoring the maturity profile of investments to ensure the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The details of the maturity profiles of financial liabilities and financial assets can be found in note 25 – Financial Instrument Balances.

Market Risk

Interest Rate Risk – The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing periods. For example, a rise in variable and fixed interest rates would have the following effects:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact the Balance Sheet as the majority of assets are held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative affect for those assets held at fair value on the Balance Sheet, which would also be reflected in the STRGL.
- The fair value of fixed assets will rise if interest rates fall. This will not affect the Balance Sheet for the majority of liabilities held at amortised cost, but will affect the disclosure note for fair value.

Where assets and liabilities are not carried at fair value on the Balance Sheet, nominal gains and losses on fixed rate borrowings would not impact the Income and Expenditure Account or STRGL.

The Authority has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Gateshead Council treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term rates.

The risk of interest rate loss is partially mitigated by the fact that a proportion of Government grants payable on financing costs will normally move with prevailing

Notes to the Core Statements

interest rates of the Authority's cost of borrowing and therefore provide 'compensation' for a proportion of any higher costs.

The Authority had no variable rate borrowings or investments as at 31 March 2009; therefore there was no exposure to interest rate sensitivity.

Price Risk – The Authority does not invest in equity shares so this risk is not applicable.

Foreign Exchange Risk – The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

25. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long Term		Current	
	31/03/08 £000s	31/03/09 £000s	31/03/08 £000s	31/03/09 £000s
Financial Liabilities at amortised cost	32,838	32,833	5	5
Total Borrowing	32,838	32,833	5	5
Loans and Receivables	0	6,682	117,801	115,186
Total Investments	0	6,682	117,801	115,186

Analysis of Financial Liabilities at Amortised Cost

Source of Loan	Range of Interest Rates Payable	Total Outstanding 31 March	
		2008 £000s	2009 £000s
Public Works Loan Board	3% – 9.75%	32,843	32,838

An analysis of loan by maturity is:

Maturing within one year	5	5
Maturing in 1 – 2 years	5	1,836
Maturing in 2 – 5 years	3,237	1,403
Maturing in 5 – 10 years	8,248	9,161
Maturing in more than 10 years	21,348	20,433
	32,838	32,833

Loans and Receivables

As at 31 March 2009 £6.682m (£0 in 2007/08) of loans and receivables over 364 days are outstanding. These financial instruments were placed in accordance with the Treasury Management Strategy. All of these loans mature within 2 years.

26. Financial Instruments Gains and Losses

The Authority does not hold any financial instruments that have been recognised at fair value and income received in relation to the available-for-sale assets held is considered to be immaterial. Therefore all gains and losses on financial instruments have been recognised in the Authority's Income and Expenditure Account.

The gains and losses recognised in the Income and Expenditure Account in relation to loans and receivables and financial liabilities at amortised cost are as follows:

	£000s
Interest and Investment Income	(7,569)
Interest Payable and Similar Charges	3,248
Total	<u>(4,321)</u>

27. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets are carried at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- the new borrowing rates from the PWLB have been applied to provide the fair value of PWLB debts to ensure that the rate used to calculate fair value is a rate currently available from a comparable lender for the same loan;
- for market loans the prevailing rate of a similar instruments with a published market rate has been used, where this was unavailable the assumption above has been applied;
- loans from sources other than the PWLB and the market have not been assessed for fair value and are included in the calculation at the carrying amount. The amounts involved are considered to be immaterial and would have minimal impact on the calculation of the fair value of the debt held;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount; and
- a consistent approach has been applied to assets and liabilities.

	31 March 2008		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
PWLB Debt	32,843	41,764	32,838	41,852
Trade Creditors	27,504	27,504	30,416	30,416
Total Financial Liabilities	60,347	69,268	63,254	72,268
Market Loans < 1 Year	117,801	117,706	115,186	114,124
Market Loans > 1 Year	0	0	6,682	7,156
Trade Debtors	16,152	16,152	13,530	13,530
Total Loans and Receivables	133,953	133,858	135,398	134,810

The fair value of the total financial liabilities is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The differences between the carrying amount and the fair value of total loans and receivables are attributable to fixed interest instruments being held by the Authority whose interest rate is lower than the prevailing rate estimated to be available at 31 March 2009. This decreases the fair value of loans and receivables.

28. Impairment of Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer and Friedlander went into administration. The Authority had £3.473m deposited with Heritable bank with varying maturity dates and interest rates as follows:

Date Invested	Maturity Date	Interest Rate %	Amount Invested £000s	Carrying Amount £000s	Impairment Value £000s
24/06/2008	19/12/2008	6.25	405,793	293,396	112,397
21/07/2008	19/01/2009	6.06	895,496	646,532	248,964
22/07/2008	19/01/2009	6.06	439,143	317,002	122,141
25/07/2008	26/01/2009	6.05	443,854	320,298	123,556
19/08/2008	19/02/2009	6.00	438,340	315,295	123,045
22/08/2008	23/02/2009	6.02	425,085	305,505	119,580
22/08/2008	23/02/2009	6.02	425,085	305,505	119,580
Total			3,472,795	2,503,533	969,263

All monies within Heritable bank are currently subject to the respective administration and receivership processes. The administrators will determine the amounts and timing of payments to depositors such as the Authority.

The current situation regarding the recovery of sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that further adjustments will have to be made to the accounts in future years.

Heritable bank is a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young dated 17 April 2009 outlined that the return to creditors was projected to be 80p per £1 by the end of 2012 with the first dividend payment of 15p per £1 due in the summer of 2009. The Authority has therefore decided to recognise an impairment based on it recovering 80p per £1. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions regarding timing of recoveries:

July 2009 – 15%
 July 2010 – 30%
 July 2011 – 15%
 July 2012 – 10%
 July 2013 – 10%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued to 7 October 2008.

The impaired investments are included in the current assets figure in the Balance

Sheet, the carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investments' original interest rate. The expected repayments have been estimated as £0.527m in relation to 2009/10 and £1.054m in relation to 2010/11.

Interest of £0.141m has been credited to the Income and Expenditure Account in respect of 2008/09.

Regulations issued in March 2009 allow the Authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instrument Adjustment Account. This account records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred £0.969m to this account in relation to deposits placed with Heritable Bank during 2008/09.

Under the regulations, the Authority must transfer the balance on the account relating to the impaired investments to the General Fund no later than 31 March 2011, and must also credit the account with interest earned until such time as the balance has been transferred to the General Fund. The Authority estimates that the following credits will be made to the account in relation to Heritable Bank:

	£000s
Balance as at 31/03/09	0.969
Transfers 2009/10	(0.134)
Transfers 2010/11	(0.835)
	<u>0</u>

29. Contingent Liabilities

Contingent liabilities are disclosed within the notes to the core financial statements if there is a possible obligation that may require a payment or transfer of economic benefit. As at 31 March 2009 the Authority had no contingent liabilities.

30. Contingent Assets

Contingent assets are not recognised in the Statement of Accounts but are disclosed within the notes to the core financial statements if the inflow of a receipt or economic benefit is probable.

Claim to HMRC for Overpaid VAT

In 1996 the Government introduced a time limit for claiming overpaid VAT to three years from the date of the overpayment, introducing the same time limit for input tax claims from 1997. Both provisions applied to claims that arose in accounting periods both before and after the enactment of the legislation, neither containing transitional provisions to allow claims to be made for a limited period under the old rules, before the new time limits came in to effect.

Following legal challenge, the House of Lords ruled that claims could be made up to the 31 March 2009 for:

- Output tax over-paid/declared in accounting periods before 4 December 1996
- Input tax in respect of which entitlement to deduct arose in accounting periods ending before 1 May 1997.

The Authority employed VAT consultants to identify potential claims and submit to Her Majesty's Revenue and Customs (HMRC). The Consultant subsequently submitted claims of £6.365m to HMRC, and successful claims will be also be subject to statutory compound interest from HMRC, which will further increase the scale of any refund. The Authority has a contingent asset in this case as there is no guarantee that HMRC will pay out in all cases, so is not possible at this stage to estimate with any certainty how much money is likely to be received.

31. Insurance Provision

The Authority holds an Insurance Provision to cover the estimated cost of outstanding liability claims as at 31 March 2009 as informed by the Authority's insurers. These outstanding liability claims have been received from claimants, Insurers have estimated the potential cost, and the Authority will meet the cost of future claim settlements.

	£000s
Balance Brought Forward	2,073
Movement in the Year	334
Insurance Provision as at 31 March 2009	<u>2,407</u>

32. Government Grants Deferred

Where Grants are received that are used to finance the purchase of fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to the Income and Expenditure Account to balance depreciation charges made for the related assets.

	£000s
Balance Brought Forward	15,755
Less Transfer to Income and Expenditure Account	(8,012)
Grant Received in Year	7,307
Balance Carried Forward	<u>15,049</u>

33. Revaluation Reserve

The Revaluation Reserve records any revisions in the value of assets held on the Balance Sheet.

	£000s
Balance Brought Forward	3,480
Upwards Revaluations	8,126
Transfer to Capital Adjustment Account on Disposal	(1,444)
Downward Revaluations	(2,705)
Balance Carried Forward	<u>7,457</u>

34. Capital Adjustment Account

The Capital Adjustment Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans together with the sums of capital expenditure financed from revenue, capital receipts, and reserves. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal amount of external loans (depreciation provision in excess of MRP). It contains the value of disposals written out of the accounts, as well as the associated depreciation of these disposals.

	£000s
Balance Brought Forward	29,940
2008/09 Capital Financing:	
Reserves	98
Carry-forward	13
Capital Receipts	9,826
Disposals	(8)
Depreciation on Disposals	268
Transfer from Government Grants Deferred	8,012
Less Depreciation Provision in Excess of MRP	(10,707)
Downward revaluations	(6,620)
Balance Carried Forward	<u>30,822</u>

35. Capital Receipts Unapplied

This represents capital receipts from the sale of assets held by the Authority in order to finance future capital expenditure.

36. General Fund

The General Fund exists to protect the Authority against unexpected events and to finance future revenue or capital expenditure. The Authority has an agreed strategy to reduce this reserve to £16.5m by 31 March 2012. This will allow growth in services identified by the Chief Constable and set out in the Medium Term Financial Strategy to be met without a detrimental impact on the precept and the Authority's medium term financial position

37. 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 SORP, the Authority operates an Internal Insurance Account. An assessment of the level of insurance reserve has resulted in the deficit being transferred to the Income and Expenditure Account. Movements during 2008/09 are outlined below:

Internal Insurance Account

	£000s
Premium Received	(1,108)
Death in service	(10)
Movement in insurance provision	334
Current year claims settled	<u>913</u>
Revenue Deficit	<u>129</u>

38. Devolved Budget Reserve

The Police Authority has approved a scheme of financial devolution to ensure that responsibility and accountability for resources rests with those managers who are responsible for service delivery. To give devolved budget holders the necessary freedom to manage their resources, they are allowed to carry forward underspends. This amount represents the cumulative net unspent element of the budget devolved to specific departments and area commands which is carried forward into the following financial year to cover future events.

39. 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.

40. Air Support Unit Capital Reserve

This represents the Authority's share of the Air Support Unit's capital reserve. It is maintained for any future alterations to the Aircraft.

41. Pensions Reserves

In addition to the (negative) reserve which matches the pensions liability as prescribed by FRS 17, the Authority also holds cash backed reserves for Police Officers to allow for future increases in pension commitments.

42. Airwave Reserve

The Airwave reserve is maintained to allow for the future costs associated with the national radio communications system. The Authority's capital budget for 2009/10 includes estimated expenditure of £2m on upgrading the Airwave system, which will require the use of this reserve for financing.

43. 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.

	£000s
Balance Brought Forward	31,076
Utilised to finance the capital programme	(98)
Balance Carried Forward	<u>30,978</u>

44. Financial Instrument Adjustment Account

This account holds any impairment of investments that may have occurred during the year, for example when financial institutions holding the Authorities' investments go into administration. It records the timing differences between making a charge for the impairment of an investment and receiving any claimed monies which are expected to be recovered. During October 2008 a number of banks holding many Local and Police Authority investments went into administration. As the collapse of these banks affected so many Public Authorities, new regulations were issued in March 2009 allowing Authorities not to charge the impairment of investments to the General Fund and instead charge them to the Financial Instrument Adjustment Account.

45. North East Centre for Policing Skills (NECPS)

The North East Centre for Policing Skills (NECPS) is a joint service established by Durham and Northumbria Police Authorities. The aim of the service is to deliver the Initial Police Learning and Development Programme for Police Officer Recruits and provide training for Police Community Support Officers (PCSOs). NECPS is primarily based at Durham Police Headquarters and staffed with Officers from both Forces and Staff employed by Durham Police Authority. The cost of NECPS is incurred by Durham Police Authority and subsequently apportioned between Durham and Northumbria on a 28% to 72% basis.

Notes to the Core Statements

Further information can be obtained from:
 Chief Constable
 Durham Constabulary Headquarters
 Aykley Heads
 Durham
 DH1 5TT

The NECPS Revenue Account is shown below:

NECPS Revenue Account	2007/08 £000s	2008/09 £000s
Employee costs	955	963
Premises	238	245
Transport	10	6
Supplies & Services	66	129
Net Expenditure of Service	1,269	1,343
Income received by constituent Authorities:		
Durham Police Authority	(387)	(388)
Northumbria Police Authority	(995)	(997)
Closing net balance of Service to carry-forward	(113)	(42)

46. Other Funds

The Authority administers other funds on behalf of third parties. Money held in the funds is not included on the Balance Sheet as it is not the Authority's property. The balance of these funds as at 31 March 2009 is as follows:

- Retention of Crime Related Funds: £1.406m (£1.499m as at 31 March 2008).
- Charities: £0.067m (£0.069m as at 31 March 2008).
- Police Property Act: £0.074m (£0.106m as at 31 March 2008).

47. Movement in Reserves

Balance 01/04/08 £000s	Reserve	Gains or Losses £000s	Transfers to / from reserves £000s	Balance 31/03/09 £000s
3,480	Revaluation Reserve	3,977	0	7,457
29,940	Capital Adjustment Account	882	0	30,822
8,720	Capital Receipts Unapplied	(8,661)	0	59
46,208	General Reserve	1,010	0	47,218
6,000	Insurance Reserve	0	0	6,000
1,967	Devolved Budget Reserve	(462)	0	1,505
571	Air Support Unit General Reserve	144	0	715
20	Air Support Unit Capital Reserve	12	0	32
(1,937,230)	Pensions General Reserve	117,050	0	(1,820,180)
8,199	Police Officers Commutations Reserve	(3,000)	0	5,199
1,000	Airwave Reserve	0	0	1,000
31,076	Capital Development Reserve	(98)	0	30,979
0	Financial Instrument Adjustment Account	(828)	0	(828)
(1,800,049)	Total	110,026	0	(1,690,023)

48. Regional Intelligence Unit

The Regional Intelligence Unit is a joint project involving Durham Police Authority, Cleveland Police Authority and Northumbria Police Authority. The purpose of the project is to scope the feasibility of inter-operability and joint working practices.

Durham Police Authority became the accountable body for the Unit with effect from 1 April 2008. Funding for the project comes from Durham Police Authority, Cleveland Police Authority, Northumbria Police Authority and the Home Office.

The RIU Revenue Account is shown below:

RIU Revenue Account	2008/09 £000s
Employee costs – Officers	258
Employee costs – Staff	163
Other employee expenses	9
Premises	14
Transport	20
Supplies & Services	27
Net Expenditure of Service	491
Income:	
Home Office Grant	(242)
Northumbria Police Authority	(141)
Durham Police Authority	(54)
Cleveland Police Authority	(54)
Closing net balance of Service	0

49. Extraordinary items

There have been no extraordinary items during 2008/09.

50. Events After the Balance Sheet Date

Note 28 sets out the impairment of the deposits in Heritable Bank, based on the initial notification from the administrator estimating the first interim payment to be 15p per £1. Since the draft statement was approved on 24 June 2009, a first dividend of 16.13p per £1 has been received from the administrators in August 2009, along with a notification of the intention to pay a further 10p per £1 in December 2009. The impairment calculation has been recalculated to reflect this change, which results in the original impairment figure of £1.110m reducing by £0.031m which is equivalent to 2.8%. Given the non-material nature of this variance, no adjustments have been made to the figures in the core statements to reflect the new values.

Notes to the Cash Flow Statement:

51. Reconciliation of net deficit on the Income and Expenditure Account to the movement in cash

2007/08 £000s		2008/09 £000s	2008/09 £000s
(129,889)	Deficit on the Income and Expenditure Account		(129,530)
	Non-cash transactions		
10,078	Depreciation	12,106	
0	(Gain) / Loss on sale of fixed assets	(397)	
111	Downward Revaluations	6,620	
170	Provisions Set Aside	334	
(7,330)	Government Grants Deferred Amortisation	(8,012)	
133,370	FRS 17 Adjustments	117,490	
136,399			128,141
	Items on an accruals basis		
105	(Increase) / Decrease in Stocks	15	
1,347	Increase / (Decrease) in Creditors	6,951	
0	(Increase) / Decrease in Long Term Debtors	0	
(4,927)	(Increase) / Decrease in Debtors	(1,777)	
(3,475)			5,189
	Items classified elsewhere in Cash Flow Statement		
2,274	Interest Paid	3,248	
(7,159)	Interest Received	(7,569)	
(4,885)			(4,321)
(1,850)	Net Cash Outflow from Revenue Activities		(521)

52. Reconciliation of Net Cash Flow to the Movement in Net Debt

2007/08 £000s		2008/09 £000s	2008/09 £000s
0	(Increase) / Decrease in cash per Cash Flow Statement		(8,673)
	Less:		
2,744	Management of Liquid Resources	(1,659)	
(1,850)	Revenue Activities	(521)	
(5,774)	Capital Activities	(10,809)	
4,885	Servicing of Finance	4,321	
5			(8,668)
(5)	Net Cash Outflow from Financing		(5)

Movement 2007/08 £000s	Movement in Net Debt:	Balance 01/04/08 £000s	Balance 31/03/09 £000s	Movement 2008/09 £000s
	Financing:			
(5)	Long Term Borrowing	32,838	32,833	(5)
0	Deferred Liability	0	0	0
0	Borrowing due within 1 yr	5	5	0
(5)		32,843	32,838	(5)

53. Reconciliation of items under the Financing and Management of Liquid Resources sections to the opening and closing Balance Sheets

Movement 2007/08 £000s	(Increase) / Decrease in Liquid Resources	Balance 01/04/08 £000s	Balance 31/03/09 £000s	Movement 2008/09 £000s
2,744	Short Term Investments	117,801	119,460	(1,659)

The balance of short term investments as at 31 March 2009 differs to that on the balance sheet. This is because the balance sheet includes an accrual for interest due but not yet received, whereas the balance above used to calculate the cash flow only includes actual cash received.

54. Analysis of other Government Grants

2007/08 £000s		2008/09 £000s
181	Department for Communities and Local Government (DCLG)	181
23,197	Home Office Grants	23,106
23,378		23,287

Police Officer Pension Fund Statements

Pensions Fund Account

This account shows the detail of the Pensions Fund Account for the Police Officers Pension Fund as at 31 March 2009.

	2007/08		2008/09	
	£000s	£000s	£000s	£000s
Contributions Receivable				
From Employer				
Normal	(32,325)		(33,108)	
Early Retirements	0		0	
Other	(217)		(441)	
		(32,542)		(33,549)
From Members	(14,254)		(14,812)	
		(14,254)		(14,812)
Transfers in				
Individual Transfers	(802)		(546)	
Other	0		0	
		(802)		(546)
Total Contributions Receivable		(47,598)		(48,907)
Benefits Payable				
Pensions	47,503		51,043	
Commutations and Lump Sum Retirement Benefits	15,153		19,180	
Lump Sum Death Benefits	61		0	
Other	469		453	
		63,186		70,676
Payments To and On Account of Leavers				
Refunds of Contributions	24		18	
Individual Transfers Out To Other Schemes	312		430	
Other		336		448
Total Benefits Payable		63,522		71,124
Sub total for the year before transfer from the police authority of amount equal to the deficit		15,924		22,217
Additional funding payable by the police authority to fund the deficit for the year		(15,924)		(22,217)
Net Amount (Receivable) / Payable For The Year		0		0

Net Assets Statement

	£000s
Contributions Due From Employer	0
Pension Top-Up Grant Receivable From Home Office	0
Unpaid Pension Benefits	0
Amount Due To Home Office	0
Other Current Assets and Liabilities	0

Notes to the Police Officer Pension Fund Statements

1. The Police Officer Pension Fund is managed by the Police Authority.

There are no investment assets and the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office or by paying over the surplus to the Home Office.

2. The accounting policies detailed in this Statement of Accounts have been followed in dealing with items which are judged material in accounting for, or reporting on, the transactions and net assets of the fund. No significant estimation techniques have been adopted.
3. The Funds' financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Glossary of Terms

Accrual – A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or work done, but for which payment has not been received / made by the end of the period.

Actuarial Valuation – A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

Agency Services – The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

Airwave – The digital radio system used by all police forces in England and Wales.

Appropriations – Amounts transferred to or from revenue or capital reserves.

Audit Commission – An independent body, responsible for the appointment of external auditors to the Police Authority. Assesses whether the Police Authority makes proper arrangements for economy, efficiency and effectiveness in its use of resources and is also required to review the Authority's corporate governance arrangements.

Best Value – The means of reviewing services for areas of improvement revolving around the 4 C's: Challenge, Compare, Compete, and Consult.

Best Value Accounting Code of Practice (BVACOP) – A CIPFA Code providing guidance on all formal financial disclosures required in relation to the Best Value regime.

Budget – A statement of the Authority's forecast of net revenue and capital expenditure over a period of time, ie a financial year.

Capital Accounting Charge – A charge to the Income and Expenditure Account to reflect the cost of fixed assets consumed during the year.

Capital Expenditure – Expenditure on the acquisition of new assets (e.g. land, buildings, roads etc) or existing assets which increases the total value of assets on the Balance Sheet. Where expenditure is on existing assets, it must add to and not merely maintain the value of the existing fixed asset. Expenditure that does not fall within the definition must be charged to the Income and Expenditure Account.

Capital Adjustment Account – This account shows various transactions in relation to capital expenditure. It accommodates write outs on disposal and downward revaluations in excess of the balance on the revaluation reserve. It also includes accounting entries such as depreciation over MRP, capital financing entries, deferred charges and Government Grants amortisation.

Capital Grant – Grants from Central Government used to finance schemes in the capital programme.

Capital Grant Unapplied – This account holds the accumulated balance of capital grant not yet applied to finance capital expenditure. If it is unused within one year it can be carried-forward to finance capital expenditure in future years.

Capital Receipts – The income from the sale of land or other assets, for the Authority, this is mostly Police Houses. Capital receipts can be used to pay for new capital expenditure, within rules set down by the government, or to repay outstanding loans. They cannot be used to finance revenue (day-to-day) expenditure. Any unused capital receipts can be carried-forward to finance capital expenditure in future years.

CIPFA – The Chartered Institute of Public Finance and Accountancy. This is the professional body responsible for Accountants working in the public service. The Institute provides financial and statistical information on local government and public finance matters. CIPFA is privately funded with charitable status.

Creditor – A creditor is an organisation / body to whom the Authority owes money, for example money owed to suppliers for work done or goods received for which payment has not yet been made. At the year-end, the Authority must show all amounts owing to external parties on the Balance Sheet, hence the requirement for a category called creditors.

Current Assets – A category on the Balance Sheet which contains items such as cash, short term investments, debtors and stock. These items are classified as current (rather than fixed assets) as they are expected to be converted into cash within twelve months of the Balance Sheet date.

Debtor – An organisation / body which owes money to the Authority. This is the same concept as creditors, but the Authority is the creditor to whom external parties owe money.

Deferred Charges – An item on the Balance Sheet where there is no tangible asset.

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

Depreciation – The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes. Depreciation must be charged yearly on all fixed assets held by the Authority (with some exceptions, e.g. land).

Earmarked Reserves – These are reserves which have been set aside, “earmarked” for specific services, for example the Insurance reserve.

Emoluments – All taxable sums paid to or received by an employee including the value of any benefits received other than in cash.

Financial Regulations – A written code of procedures approved by the Authority, intended to provide a framework for proper financial management.

Financial Year – The period covered by a set of financial accounts – the Police Authority financial year commences 1 April and finishes 31 March the following year.

Fixed Asset – An asset that has value beyond one financial year, for example land, buildings (police stations), and vehicles (police cars).

Financial Reporting Standards (FRS) – These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. Any material departures from these standards should be disclosed in the notes to the accounts.

Government Grant – Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority. This type of grant is revenue as opposed to Capital Grant received from the Government.

Glossary of Terms

Gross Expenditure – The total cost of providing the Authority's services before taking into account income.

Gross Income – The total amount of money that the Authority receives or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants.

Impairment – An impairment is a reduction in the value of a fixed asset on the Balance Sheet due to lack of maintenance or change of use.

Interest Income – The money earned from the investment of surplus cash.

Investments – A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority for 365 days or more. A short term investment occurs when surplus funds are invested for 364 days or fewer.

Liabilities – Money owed to individuals or organisations that will be paid at some time in the future.

Minimum Revenue Provision (MRP) – The minimum amount which must be charged each year to the Authority's revenue account and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

National Non-Domestic Rates (NNDR) – A levy on businesses, based on a national rate in the pound set by the government, multiplied by the 'rateable value' of the premises they occupy. Collected by billing authorities in line with national criteria and then redistributed among all local authorities and police authorities on the basis of population.

Net Book Value – The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost less the cumulative amounts provided for depreciation.

Police Grant – The term used to specify all government grants to the Authority other than revenue support grant.

Precepts – The demands made by the Authority on the councils to finance the Authority's expenditure.

Provision – An amount set aside in the accounts for liabilities that are likely to be incurred, but the amounts or the dates on which they will arise are uncertain.

Prudential Code for Capital Finance in Local Authorities – This replaced the previous regulatory frameworks in England, Wales and Scotland. The 2003 Code introduced a need for local authorities to consider capital spending plans with reference to affordability (implications for Council Tax), prudence and sustainability, value for money, stewardship of assets, strategic objectives and the practicality of the plans.

Public Works Loan Board (PWLB) – A government agency which provides longer term loans to Local Authorities at interest rates only slightly higher than those at which the government itself can borrow.

Related Party Transactions – The transfer of assets or liabilities or the performance of services, to or for a related party, irrespective of whether a charge is made.

Reserves – Monies set aside by the Authority that do not fall within the definition of provisions.

Revenue Contribution to Capital Outlay – Resources provided from the Authority's revenue budget to finance the cost of capital projects.

Revenue Expenditure – The day-to-day running costs incurred by an Authority in providing services. The summary of revenue expenditure forms the Income and Expenditure Account.

Revenue Support Grant (RSG) – A grant paid by central government to aid Authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

Revaluation Reserve – Where Assets have been revalued upwards, the increase is recorded in this reserve for as long as the Authority holds the asset on the Balance Sheet.

Statement of Recommended Practice – This is a Code of Practice developed by CIPFA/LASAAC Joint Committee. The ASB's Financial Standards (FRSs and SSAPs) are primarily applicable to general purpose company financial statements, so the SORP interprets these Standards to aid Accountants in preparing the Statement of Accounts.

Statements of Standard Accounting Practice (SSAPs) – Standards developed by the Accounting Standards Board and its predecessor bodies to regulate the preparation and presentation of financial statements. Any new standards are now referred to as Financial Reporting Standards (FRSs). The CIPFA Code of Practice on Local Authority Accounting requires local authorities to comply with SSAPs and FRSs or to disclose the nature and effect of non-compliance. (See Financial Reporting Standards)

