

NORTHUMBRIA POLICE AUTHORITY

Statement of Accounts

2009/2010



Northumbria Police Authority Statement of Accounts – 2009/10

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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.

The Statement of Accounts which follows demonstrates the Authority's financial performance for the year ended 31 March 2010, and presents its financial position at the end of that period. The statement has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009* (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The SORP constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003 and is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2003. The SORP 2009 will be replaced by the Code of Practice on Local Authority Accounting in the United Kingdom, based on International Financial Reporting Standards (IFRS) from 2010/11.

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 foreword provides a guide to the most significant matters in the financial statements.

The SORP for 2009 has introduced a number of substantive changes. The change that affects the Authority's Statement of Accounts for 2009/10 is that Accounting for Council Tax was not covered in detail in previous SORPS, but the 2009 SORP includes detailed requirements for accounting for Council Tax in England, which includes a requirement to include appropriate shares of Council Tax debtors in the billing authorities' and major preceptors' Balance Sheets.

In addition to the above, Local Authority Accounting Panel (LAAP) Bulletin 85 sets out the new disclosure requirements for remuneration reporting for Public Bodies in England and Wales. The new requirements have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. The new provisions, which came into force on 31 March 2010 introduced a new requirement to disclose individual remuneration details for the Command Team. In addition to this, the Chief Constable must also be identified by name. The amended Regulations also extend the existing disclosure requirement to disclose remuneration in bands of a scale to Senior Police officers, and changes the bands in the scale from multiples of £10,000 to £5,000.

Financial Statements

The Statement of Accounts of the Police Authority is set out on the following pages. It comprises the following financial statements that are required to be prepared under the SORP:

- i. **Explanatory Foreword** – The purpose of the foreword is to offer an easily understandable guide to the most significant matters reported in the accounts. It provide an explanation in overall terms of the Authority’s financial position, and assists in the interpretation of the accounting statements. It also contains a commentary on the major influences affecting the Authority’s income and expenditure and cash flow, and information on the financial needs and resources of the Council.
- ii. **Statement of Accounting Policies (Page 9)** - This statement discloses the accounting policies that are significant to the understanding of the Statement of Accounts and the Authority’s financial position.
- iii. **Statement of Responsibilities for the Statement of Accounts (Page 21)** - This statement sets out the respective responsibilities of the Authority and its Treasurer.
- iv. **Annual Governance Statement (Page 22)** - This statement outlines the Authority’s approach to corporate governance and 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.
- v. **Independent Auditor’s Report to the Authority (Page 27)** - This report details the basis of the external auditor’s opinion on the financial statements.

The Core Financial Statements

- vi. **Income and Expenditure Account (Page 30)** - 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 in accordance with CIPFA’s Best Value Accounting Code of Practice (BVACOP) using the Police Objective Analysis.
- vii. **Statement of Movement on the General Fund Balance (Page 31)** - This statement reconciles the surplus or deficit on the Income and Expenditure Account to the movement in the General Fund Balance.
- viii. **Statement of Total Recognised Gains and Losses (Page 32)** – Not all gains and losses experienced by the 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 results during the year.
- ix. **Balance Sheet (Page 33)** – This statement summarises the Authority’s financial position and net assets at 31 March 2010. It shows the balances and reserves available to the Authority, fixed and current assets employed in its operations, and its borrowing position.
- x. **Cash Flow Statement (Page 35)** - This summarises the cash receipts and payments of the Authority arising from transactions for both revenue and capital purposes.
- xi. **Notes to the Core Statements (Page 37)** - The notes provide additional information to support the core statements.

Supplementary Financial Statements

- xii. **Police Officer Pension Fund Statements (Page 76)** - This shows the Police Officer Pension Fund Account and Net Assets Statement for the year.

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 2009/10, the net revenue budget to be met from Government Grants and local taxation was approved by the Police Authority at £285.123m, resulting in budgeted net appropriations of £11.069m from the General Reserve and £2.773m from Earmarked reserves. This meant the Band D precept was set at £81.32 representing an increase of 3.9% over the 2008/09 Band D Precept.

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.

The revised budget for 2009/10 recognised an expected underspend of £0.68m which resulted in a reduction in the net appropriation of reserves from £13.842m to £13.162m.

From the summary table below, it can be seen that the financial position at the year-end is a decrease in the general fund balance of £6.155m. 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 (£3.360m) and appropriation from earmarked reserves of relevant revenue overspends (£1.211m) and to earmarked reserves of underspends (£0.211m), the revenue position is a net appropriation from reserves of £10.515m. This movement is illustrated below:

	£000s	£000s
Decrease in General Fund balance		(6,155)
Less reclassification of earmarked reserves to the General Fund	(3,360)	
Less appropriation from earmarked reserves to General Fund of relevant revenue overspends	(1,211)	
Plus appropriation to earmarked reserves of relevant revenue underspends	211	
Net transfer from earmarked reserves credited to the General Fund		<u>(4,360)</u>
Net Appropriation from Reserves		<u>(10,515)</u>

When compared to the revised budget position which forecast a net appropriation from reserves of £13.162m, the outturn position is an underspend against the revised budget of £2.647m (0.8%). Expenditure has been contained within the revised estimate as a consequence of effective budget monitoring and budgetary control during the year. The most significant areas contributing to this position are:

- Energy, attributable to a reduction in the contract price for electricity;
- Computer maintenance and rental, reflecting those projects included in the budget but which did not progress in 2009/10 following a strategic review of ICT. Savings were also realised following the renegotiation of a number of contracts; and
- Surgeons and pathologists, arising from changes to the planned review of injury award pensions.

Further detail was considered in the Revenue Outturn report that was agreed at the meeting of the Authority's Resource Management Committee on 26 May 2010. The revenue position results in appropriations of £6.155m from the General Fund, which is broadly consistent with the Authority's Medium Term Financial Strategy (MTFS). The MTFS was agreed by the Police Authority in December 2009 and it sets out the proposed use of the General Reserve to 2012/13.

Explanatory Foreword

The following table summarises the financial position for the year:

	2008/09 Restated Outturn £000s	2009/10 Original Budget £000s	2009/10 Revised Budget £000s	2009/10 Outturn £000s
Expenditure on Services	301,277	295,368	294,688	292,456
(Gain) / Loss on disposal of Fixed Assets	(397)	0	0	(344)
Interest Payable and similar charges	3,248	2,280	2,280	2,230
Interest and Investment Income	(7,569)	(3,676)	(3,676)	(1,892)
Return on Pensions Assets	133,010	124,860	124,860	124,860
Top Up Grant Receivable from Home Office	(22,217)	(20,715)	(20,715)	(20,607)
Net Operating Expenditure	407,352	398,117	397,437	396,703
Police Grant	(108,833)	(111,322)	(111,322)	(111,322)
Revenue Support Grant	(16,497)	(25,994)	(25,994)	(25,994)
National Non Domestic Rates	(118,509)	(112,619)	(112,619)	(112,619)
Precepts	(33,687)	(35,188)	(35,188)	(35,090)
	(277,526)	(285,123)	(285,123)	(285,025)
(Surplus)/Deficit for the year	129,826	112,994	112,314	111,678
Net Transfer to / (from) Earmarked Reserves debited / (credited) to the General Fund Balance for the year.	(3,306)	(2,773)	(2,241)	(4,360)
Other additional amounts required to be debited or (credited) to the General Fund Balance for the year.	(127,530)	(99,152)	(99,152)	(101,163)
(Increase) / Decrease in General Fund Balance for the Year	(1,010)	11,069	10,921	6,155

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

- Expenditure on Operational Personnel has increased to £154.752m (£146.867m in 2008/09) and Support Staff has increased to £57.814m (£52.535m in 2008/09). This increase is a result of the application of the pay award and also an increase in operational capacity to contribute to the delivery of the Chief Constable's 2020 Vision.
- Expenditure on Police Pensions has decreased to £34.933m (£46.288m in 2008/09). 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. 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 £4.360m 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.
- £0.429m has been appropriated from the North East Air Support General Reserve to the General Reserve and £0.032m from the North East Air Support Unit Capital Reserve to the Capital Development Reserve, representing Northumbria's share of the Air Support reserves upon reclassification.
- £0.21m has been appropriated to the Devolved Budget Reserves as a result of revenue underspends in the Scheme of Devolvement.
- Net appropriations of £1.11m have been made from the Capital Development Reserve.

Impact of the Current Economic Climate

The Country moved back into positive gross domestic product (GDP) growth in the fourth quarter of 2009 and official statistics suggest that the contraction of the economy and the first stage of the recession may be over. However, in line with other public sector bodies, the full impact of the recession and the impact on the Authority has been delayed due to the three year funding settlement, of which 2009/10 was the second year.

The Authority had a £5.2m deposit in Heritable Bank, a wholly owned subsidiary of an Icelandic bank, Landsbanki, when it entered administration in October 2008. The administrator is still positive about progress and issued a dividend of 16.13p in the pound in August 2009, along with 12.66p in the pound in December 2009. The prospects for recovery are still promising as reflected in the administrators' latest assessment and for the purpose of this statement of accounts the Authority has assumed that 89.98% of the deposit will be repaid. This confirms that a material impact on the Authority's finances is not anticipated.

Income from local taxpayers

The Authority received £35.090m from the £35.188m precept it levied on billing authorities within its area during 2009/10. The difference reflects that the precept was levied based on the Authority's share of the estimated Council Tax surplus, but the amount recorded reflects the actual amount received. A breakdown is provided in note 8 to the core financial 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 £36.057m at its meeting in February 2009, which was revised to £32.302m at the third quarter. The final capital outturn for the year of £30.843m is £1.459m less than the revised estimate. A summary of how this was financed is shown below:

Explanatory Foreword

	£m
Capital Grants and other contributions	4.157
Capital Receipts	0.790
Borrowing	25.896
	<u>30.843</u>

The Authority has, as at 31 March 2010, Capital Receipts Unapplied of £0.057m and a Capital Development Reserve of £29.868m. These amounts have been earmarked 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 2009/10 is shown in the following table.

	£m
Land & Buildings	25.353
Computers & Communications	2.386
Vehicles & Equipment	3.104
	<u>30.843</u>

Material Assets and Liabilities

As at 31 March 2009, the Authority holds £107.110m of Long Term Assets and Current Assets, including short term investments, amounting to £101.975m. Long Term Assets have increased by £16.978m, the majority of the increase relates to assets under construction consistent with the Authority's capital programme.

The Authority also has current liabilities of £29.239m, long term borrowing and deferred liabilities of £59.447m and provisions for future liabilities of £2.555m.

In accordance with FRS17 the Authority's pensions liability of £2,756.278m 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

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 financial institutions and public sector organisations for periods ranging from overnight up to a maximum of 3 years. The risk that funds deposited in banks and building societies could be lost due to the collapse of a financial institution is mitigated by controls in the Treasury Management Strategy which prioritise the 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.

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 (FRS17).

The Authority's financial statements have been compiled in accordance with the requirements of FRS 17, and further details are outlined in note 5 to the core statements.

Prospects for 2010/11 and Beyond

For the financial year 2010/11 Northumbria Police Authority has approved a net revenue budget of £292.448m. This translates into a precept at Band D of £83.68, the lowest in England and Wales, and a 2.9% increase on the 2009/10 precept. This revenue budget will ensure a continuation of existing levels of service including the full year effect of pay awards.

The Chancellor announced the intention to find £6.2bn of public spending cuts in 2010/11 on 24th May 2010. The Home Office were asked to find £367m of this in-year reduction. Subsequently the Home Office have announced a £3.5m reduction in Rule 2 Grant that the Authority will receive in 2010/11. This will require further consideration as to how the budget can continue to be balanced in the current year whilst maintaining standards of service provision. Options to deal with this in-year funding withdrawal are being prepared. These will take in to account the Authority's financial position which allows a medium term approach to be adopted in line with the current strategy to deliver VFM.

Further budget savings in addition to those identified in 2010/11 will be required to meet an expected challenging financial outlook in respect of future years. The outcome of the next Comprehensive Spending Review (CSR) will be announced in Autumn 2010 and it is widely anticipated that further cuts will impact on the Authority's budget. This will be considered as part of the Authority's Medium Term Financial Strategy: The Authority's approach to efficiency is set out in its Value for Money Strategy in the Local Policing Plan for 2010/11 onwards. The implementation of the Value for Money Strategy will continue during 2010/11 and beyond with the aim of identifying more efficiency savings whilst minimising the impact on operational performance.

The Authority approved a capital budget of £33.410m for 2010/11. The programme has been set at a level to reflect anticipated progress in relation to the delivery of the planned new Area Commands at North Tyneside and Newcastle and the remodelling of the headquarters site at Ponteland. The Police Authority's Estates Strategy will be subject to a comprehensive review in the current year and this will be reported to the Authority in July 2010. The capital programme for 2010/11 includes £20.495m for major building work and £12.915m 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 2009/10. 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 2009/10 which are sent to all households in the Northumbria area during 2010. Comments are invited on the usefulness and readability of this summary document.



D V Coates BA CPFA IRRV
Treasurer

Dated: 16/9/10

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.

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.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques are sometimes used when determining provisions and accruals.

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 2009: A Statement of Recommended Practice* (2009 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 except where such standards conflict with specific statutory requirements and except for accounting for Private Finance Initiative (PFI) which is accounted for in accordance with the 2009/10 IFRS-based government Financial Reporting Manual (iFReM). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets. Any departure from the relevant standards is stated in the notes below.

In line with CIPFA's best practice approach to accounting for best value, the Income and Expenditure Account is presented in compliance with CIPFA's *Best Value Accounting Code of Practice* (BVACOP), however, service expenditure analysis is now presented under Police Objective analysis. Comparative 2008/09 figures have been produced accordingly. In addition, income and expenditure is shown in a subjective analysis format, which is used for budget monitoring purposes.

The Accounting concepts and policies which have a material impact on the financial statements are as follows:

1. Accruals of Income and Expenditure

The financial statements, other than the cash flow, are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

a. Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it related on a basis which reflects the overall economic effect of the borrowings.

b. Supplies and Services

The cost of supplies and services are accrued and accounted for in the period that they are consumed or received. Accruals are made for all material sums unpaid at the year-end for goods and services received or work completed. Where there is a gap between the date supplies are received and their consumption, they are carried as stock on the balance sheet.

c. Employee Costs

The full costs of employees are charged to the accounts for the period within which the employee worked. Accruals are made for wages earned but unpaid at the year-end. This also applies to police overtime which is adjusted from a payments basis in the accounts so that it is charged to the financial year that the liability is incurred.

d. Customer and Client Receipts

Customer and client receipts in the form of sales, fees and charges and rents are accrued and accounted for in the period to which they relate. Payments received in advance are recognised as a liability in the Balance Sheet.

e. Debtors and Creditors

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2. Capital Assets

a. Intangible 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”. Expenditure on such assets are capitalised at cost. The only category of intangible assets that the Authority holds is software licences. Intangible assets are amortised to revenue over their useful economic lives on a straight-line basis. The asset life used for software licences is between 3 and 5 years depending on the nature of the asset. Any corresponding grant or contribution is written off over the same period.

b. Tangible Fixed Assets – land, buildings and other assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition - 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, or in accordance with Government capitalisation requirements. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to the Income and Expenditure Account.

Measurement - Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (6th Edition). 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.

When an asset is included in the Balance Sheet at current value, it is formally re-valued at intervals of not more than five years and the revised amount is included in the balance sheet with any surpluses arising on the revaluation being credited to the Revaluation Reserve.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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.

However, due to the current economic climate, a full re-valuation of all assets took place as at 31 March 2009, rather than the usual 20% as part of the usual 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.

Revaluation 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.

Where impairment is identified as part of the review or as part of the valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the Income and Expenditure Account;
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

Disposal of Assets – Upon the disposal of assets, the fixed assets account is adjusted by the value of the asset. Any gain or loss on disposal is identified within the Income and Expenditure Account.

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), with the exception of income from the sale of vehicles, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Income from the sale of vehicles is credited to the Income and Expenditure Account.

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

- A full years depreciation is charged on newly acquired assets in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use;
- Depreciation is calculated using the straight-line method;
- Generally, assets are depreciated in accordance with the following estimate of useful lives:
 - Police Houses: 50 years;
 - Police Stations: 10 or 30 years depending on use, construction type and condition;
 - Computers and other Equipment: 5 years;
 - Communication Towers: 8 - 13 years depending on condition; and
 - Vehicles: 3 years.

The residual value of a fixed asset is the estimated net realisable value at the end of its useful economic life. In general, this has been estimated at 10% for buildings. All other assets have a zero residual value.

Another requirement of FRS15 is that separate charges should be made for the depreciation of major elements of a single asset, which have materially useful economic lives.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and Contributions – Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the Income and Expenditure Account, in line with the depreciation policy applied to them.

c. Charges to Revenue

The Income and Expenditure Account is debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used;
- Impairment losses attributable to the clear consumption of economic benefit on tangible fixed assets used and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible fixed assets.

The Authority is not required to raise the council tax precept to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute to the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction in the Capital Adjustment Account for the difference between the two.

d. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of fixed assets has been charged as expenditure to the Income and Expenditure Account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amount charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax precept.

e. Basis of Charges for Capital

The Authority administers a consolidated advances and borrowing pool into which all loans raised are pooled. The average rate of interest charged by the pool was 7.23% in 2009/10 (6.94% in 2008/09).

As required by the Prudential Code, the Authority makes a charge to revenue for annual principal repayments (Minimum Revenue Provision). No additional voluntary contributions have been made in 2009/10.

f. Capital Receipts

Receipts from the sale of capital assets or the repayment of financial assistance are in general excluded from the revenue accounts. The useable part of capital receipts is used as required to finance capital expenditure or 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.

3. Council Tax income

Council Tax billing authorities act as agents of the Police Authority in the collection of Council Tax on its behalf. From 1 April 2009 the Council Tax income, paid as precepts from the six billing authorities, is included in the Income and Expenditure Account as accrued income. This contrasts with previous accounting requirements where Council Tax income included in the Income and Expenditure Account represented the amounts required under regulation to be paid from Collection Funds of the billing authorities. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. Any balances owed to or from each billing authority is shown as a creditor or debtor on the Balance Sheet.

The Balance Sheet recognises the Police Authority's share of impairment allowance for doubtful debts from each billing authority, calculated in accordance with their accounting policies. More details can be found in a note to the core financial statements.

The change of accounting policy for Council Tax requires prior year adjustment to the 2008/09 corresponding amounts in the Statement of Accounts.

4. 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.

5. Estimation Techniques

Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. The Authority has not employed any estimation techniques for the income and expenditure account, which is based on outturn figures. Estimation techniques have been used to determine provisions, reserves and pension liabilities, as there is uncertainty over the monetary amounts.

Except where specified in the Statement of Recommended Practice, the Council has determined the estimation techniques that most closely reflect the economic reality of the transactions.

6. 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.

FRS21 *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.

7. Prior Period Adjustments

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

8. Financial Instruments

Financial Assets

The Authority classifies its financial assets as loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Gateshead Council undertakes investments 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, all of which are fixed term investments, Gateshead Council operates an integrated treasury management strategy and has adopted the *CIPFA Code of Practice for Treasury Management in the Public Services*. Investment interest is calculated based on the actual rate of return, and all interest relating to 2009/10 has been charged to the Income and Expenditure Account during the year.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowing that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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.

The transaction costs of the financial liabilities held on the Authority's balance sheet are considered to be immaterial.

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. However, where repurchase has taken place as part of a restructure of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. Premiums are spread over the longer of the outstanding term of on the replaced loan or the term of the replacement loans. Discounts are spread over a minimum period equal to the outstanding term on the replaced loan, or 10 years, if this is shorter.

The reconciliation of amount charged to the Income and Expenditure Account to the net charge required against the General Fund Balance, is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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 a note to the Core Financial Statements.

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.

Impairment of Financial Assets

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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 payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest paid on borrowing is accrued and charged to the Income and Expenditure Account, the average rate being 7.23% (2008/09 6.94%). Interest on investments held is received from Gateshead Council and held in the Income and Expenditure Account.

9. Government Grants and Other Contributions

Revenue grants are matched with the expenditure to which they relate. Grants received to finance general activities are credited to the revenue account of the period of which they are payable. Where the precise amount is not known at the accounting date they are estimated and provided for in the financial statements.

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

General Government grants not aligned to any particular service are included as a separate line on the Income and Expenditure Account. This includes Revenue Support Grant (RSG) and Home Office Grant.

10. Group Accounts

The Authority has financial relationships with other related companies and joint arrangements. There is a number of criteria by which the Authority must determine whether its interests in such bodies is significant enough to be included in the Authority's consolidated accounts. After consideration of these criteria, the Authority has determined that the consolidation of related companies would have no material effect on the Authority's financial position and therefore is not necessary to produce Group Accounts for 2009/10.

11. Operating Leases

Leases are accounted for as operating leases where substantially all the risks and rewards relating to the leased property do not transfer to the Authority. Rentals payable are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. Rents receivable are credited to the Income and Expenditure Account on the same basis.

12. Overheads

In line with the Best Value Accounting Code of Practice and Police Objective Analysis, the costs of support services are fully allocated to the Authority's services. Support Service costs identified as Corporate and Democratic Core are not recharged to services and are shown separately in the Income and Expenditure Account.

13. Pension Costs

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 types of pension scheme. These are the Police Pension Scheme and the Tyne and Wear Pension Fund, both of which 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 classified as a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

Although retirement benefits will not actually be payable until employees retire, the Authority has a commitment to recognise liabilities at the point at which employees earn their future entitlement. This is in accordance with Financial Reporting Standard 17 (*FRS17 Retirement Benefits*). In simple terms, the aim of this standard is to ensure that the true net asset / liability of a defined benefit pension scheme is recognised in the 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, FRS17 entries are reconciled back to cash amounts payable to ensure that there is no effect upon Council Tax.

Further information relating to pension costs is included as a note to the core financial statements.

14. Private Finance Initiative (PFI)

The Authority has an existing PFI arrangement in respect of its Mounted Section Facility at Kirkley Hall. This PFI arrangement was previously accounted for in accordance with the provisions of Application Note F to Financial Reporting Standard (FRS) 5, which specified that assets used to provide services under PFI contracts should be recognised as an asset of whichever party has access to the risks and benefits of the asset. However, the accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on FRS 5 but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC 12 *Service Concession Arrangements* (which addresses concession operator accounting) interpreted for concession grantors, and is consistent with the approach adopted by the Government's IFRS-based Financial Reporting Manual (the iFReM). A review of this contract has concluded that it does not meet the criteria of IFRIC12 so there is no requirement to bring the scheme onto the balance sheet. This arrangement represents a continuing commitment by the Authority for 15 years and is accounted for as an operating lease. The revenue commitment is given in note 12 to the core statements.

15. Provisions

Financial Reporting Standard 12 (FRS12 *Provisions, Contingent Liabilities and Contingent Assets*) requires that provisions are established for any material liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. Provisions are charges to the Income and Expenditure Account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet.

Estimated settlements are reviewed annually by the Authority to ensure they are adequate to meet the anticipated liabilities. Any amount subsequently not required is reversed and credited back to the Income and Expenditure Account.

The provisions made by the Authority are reflected in the notes to the core financial statements.

16. Reserves

The Authority sets aside specific amounts as reserves for specific strategic purposes and to cover contingencies and cash flow management. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure is incurred for which the reserve was created, it is charged to the Income and Expenditure Account and the reserve is appropriated back into the Statement of Movement on the General Fund Balance.

The Authority's general and earmarked reserves are explained in notes to the core financial statements.

17. Stocks and Long Term Contracts

Stocks and stores are included in the accounts at the latest known price. Spares for the Authority's plant and vehicle fleets are also included in the latest known price.

18. 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 from HM Revenue and Customs.

19. 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. The allocation for other professional staff 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

The Statement of Accounting Policies

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 to 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.

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;
- manage its affairs to secure economic and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

I certify that the Northumbria Police Authority approved this Statement of Accounts at its meeting on 22 September 2010.



M Henry
Chair of Northumbria Police Authority

Dated: 22 September 2010

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 a true and fair view of the Authority's financial position at the accounting date and its income and expenditure for the year ended 31 March 2010.

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 2010, required by the Accounts and Audit Regulations 2006, are set out in the following pages.

I further certify that the Statement of Accounts presents a true and fair view of the Authority's financial position at the accounting date, and its income and expenditure for the year ended 31 March 2010.



D V Coates BA CPFA IRRV
Treasurer

Dated: 16/9/10

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>.
- 4 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

- 5 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.
- 6 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.
- 7 The governance framework has been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

The governance environment

- 8 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 those of the person 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.
- 9 Public opinion, national priorities, force performance and information on crime 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.
- 10 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.
- 11 The behaviour of the Authority's members is regulated through a Revised Code of Conduct for Members. This 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 are also who guided by formal codes of conduct and a number of specific policies (e.g. on bullying and harassment) developed by the Lead Authority.
- 12 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 'whistle blowing' procedure set out in the employee handbook.

- 13 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.
- 14 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. It also extends to ensuring the financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 15 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.
- 16 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 continue to consult the public regularly through User Satisfaction Surveys, Neighbourhood Meetings and a partnership Safer Communities Survey (with responses from more than 15,000 people since April 2009). Northumbria Police Authority also holds 60 Police and Community Forums a year across Northumbria.

Review of effectiveness

- 17 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.

- 18 The Audit and Scrutiny Committee carries out the functions of an Audit Committee, its terms of reference include it 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.

- 19 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.

- 20 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 was approved by members on 24th March 2010.

- 21 A report was presented to the Audit and Scrutiny Committee of 7th June 2010 in which Members identified that they felt reliance could be placed on the Authority's corporate governance arrangements.
- 22 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.
- 23 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 2009/2010, which was presented to Committee on 7th June 2010, concluded that, based on the work undertaken the Authority's internal control systems and governance arrangements are considered to be satisfactory.
- 24 The Annual Risk Management Report was presented to the Audit and Scrutiny Committee on 7th June 2010, in which it was concluded that risk management arrangements are sound.
- 25 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 7th June 2010, which concluded that based on their self-assessments Area Commanders/Heads of Department, agreed that effective controls and governance arrangements were in place.

- 26 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.
- 27 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.
- 28 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. The financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 29 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.
- 30 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.
- 31 We have been advised of the result of the review of the effectiveness of the governance framework by the Audit and Scrutiny Committee.

Signed

Signed

Signed



Chair

Chief Constable

Chief Executive

Dated 17.6.2010

Dated 17/6/10

Dated 17/6/2010

Opinion on the Accounting 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 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of 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 accounting 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and Auditor

The Treasurer's responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, 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 give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- 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 accounting 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 give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 regularly to 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 published in May 2008 and updated in October 2009. 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 October 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 ended 31 March 2010.

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
Officer of the Audit Commission
Nickall House
Metro Centre
Gateshead
NE11 9NH

22 September 2010

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). However, income and expenditure on Police Services is presented in more detail than previously using Police Objective Analysis. Comparative net expenditure figures for 2008/09 have been shown.

Net Expenditure (Restated) 2008/09 £000s	BVACOP Service Expenditure Analysis	Gross Expenditure 2009/10 £000s	Gross Income 2009/10 £000s	Net Expenditure 2009/10 £000s
178,085	Local Policing	191,789	(23,515)	168,270
16,243	Dealing With the Public	19,365	(980)	18,385
24,263	Criminal Justice Arrangements	26,860	(3,257)	23,603
9,414	Roads Policing	11,540	(2,656)	8,884
20,948	Specialist Operations	21,724	(2,246)	19,478
16,927	Intelligence	17,380	(1,039)	16,341
24,111	Specialist Investigations	27,408	(2,094)	25,314
8,148	Investigative Support	9,377	(1,153)	8,224
1,023	National Policing	4,791	(3,033)	1,758
1,551	Corporate and Democratic Core (note 3)	1,989	0	1,989
564	Non Distributed Costs (note 4)	210	0	210
301,277	Net Cost of Services	332,433	(39,977)	292,456
(397)	(Gain) / Loss on disposal of Fixed Assets			(344)
3,248	Interest Payable and similar charges			2,230
(7,569)	Interest and investment income			(1,892)
133,010	Pensions interest cost and expected return on pensions assets			124,860
(22,217)	Top Up Grant receivable from Home Office			(20,607)
407,352	Net Operating Expenditure			396,703
(108,833)	Police Grant			(111,322)
(16,497)	Revenue Support Grant			(25,994)
(118,509)	National Non-Domestic Rates			(112,619)
(33,687)	Precepts			(35,090)
(277,526)				(285,025)
129,826	Deficit for the year			111,678

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. Note 17 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.

2008/09 Restated £000s		2009/10 £000s
129,826	(Surplus) or deficit for the year on the Income and Expenditure Account	111,678
(130,836)	Net Additional amount required by statute and non-statutory proper practices to be debited / (credited) to the General Fund balance for the year (note 17)	(105,523)
(1,010)	(Increase)/ Decrease in General Fund Balance for the year	6,155
(46,208)	General Fund Balance Brought Forward	(47,218)
(47,218)	General Fund Balance Carried Forward	(41,063)

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 2008/09 to 2009/10. Gains and losses resulting from prior period adjustments are shown at the foot of the table.

2008/09 (Restated) £000s		2009/10 £000s
129,826	(Surplus) / Deficit for the year on the Income and Expenditure Account.	111,678
(5,421)	(Surplus) / Deficit arising on revaluation of fixed assets	(871)
(234,540)	Actuarial (gains) / losses on Pension Fund assets and liabilities	837,550
109	Other (gains) / losses	0
(110,026)	Total recognised (gains) and losses for the year	948,357
54	Prior year adjustments	
(109,972)	Total recognised (gains) and losses since Statement of Accounts 2008/09	

Balance Sheet

31/03/2009 (Restated) £000s		31/03/2010 £000s	31/03/2010 £000s	Note
Long Term Assets				
516	Intangible Fixed Assets	698		19
	Tangible Fixed Assets			20
	Operational			
3,882	Police Houses	3,578		
54,699	Other Land / Buildings	60,162		
20,108	Vehicles and Equipment	16,370		
	Non-Operational			
1,415	Surplus/ Investment	1,273		
2,830	Assets Under Construction	20,039		
6,682	Long Term Investment	4,990		26
90,132			107,110	
Current Assets				
675	Stocks and Stores	687		21
15,692	Debtors	15,022		22
137	Cash	2,156		
115,186	Short Term Investments	84,110		23
131,690			101,975	
Current Liabilities				
(32,632)	Creditors	(24,526)		24
(8,810)	Bank overdraft	(4,713)		
(41,442)			(29,239)	
180,380	Total Assets less Current Liabilities		179,846	
Long Term Liabilities				
(32,833)	Long Term Borrowing		(48,534)	26
(1,820,180)	Pensions Liability		(2,756,278)	43
(2,407)	Insurance Provision		(2,555)	32
(15,037)	Government Grants Deferred		(10,913)	33
(1,690,077)	Total Assets less Liabilities		(2,638,434)	

Balance Sheet

31/03/2009 (Restated)	Financed by:	31/03/2010	Note
£000s		£000s	
7,457	Revaluation Reserve	7,906	34
30,822	Capital Adjustment Account	28,343	35
59	Capital Receipts Unapplied	57	36
47,218	General Reserve	41,063	37
6,000	Insurance Reserve	6,000	38
1,505	Devolved Budget Reserve	1,715	40
715	Air Support Unit General Reserve	286	41
32	Air Support Unit Capital Reserve	0	42
(1,820,180)	Pensions General Reserve	(2,756,278)	43
5,199	Police Officers Commutations Reserve	2,199	43
1,000	Airwave Reserve	1,000	44
30,978	Capital Development Reserve	29,868	45
(828)	Financial Instrument Adjustment Account	(441)	46
(54)	Collection Fund Adjustment Account	(152)	
(1,690,077)	Total Net Worth	(2,638,434)	



D V Coates BA CPFA IRRV
Treasurer

Dated: 16/9/10

Cash Flow Statement

2008/09 Restated £000s	Revenue Activities	2009/10	
		£000s	£000s
	Cash Outflows		
265,629	Cash paid to and on behalf of employees	281,210	
47,642	Other operating cash payments	57,900	
22,217	Contribution to Police Pension Fund	20,607	
<u>335,488</u>			359,717
	Cash Inflows		
(16,497)	Revenue Support Grant	(25,994)	
(108,833)	Police Grant	(111,322)	
(118,509)	National Non-Domestic Rate receipts from national pool	(112,619)	
(33,775)	Council Tax Receipts	(35,085)	
(208)	Net Surplus Collection Funds	(103)	
(23,609)	Top Up Grant Receivable from Home Office	(19,934)	
(23,287)	Other Government Grants (note 57)	(22,543)	
(10,249)	Cash received from Sales, Fees & Charges	(14,871)	
<u>(334,967)</u>			<u>(342,471)</u>
521	Net Cash Outflow – Revenue Activities (note 54)		17,247
	Returns on Investments and Servicing of Finance		
	Cash Outflow		
3,248	Interest Paid	2,025	
	Cash Inflow		
(7,569)	Interest Received	(3,385)	
(4,321)	Net Cash Outflow / (Inflow) – Servicing of Finance		(1,360)
	Capital Activities		
	Cash Outflows		
16,154	Purchase of fixed assets	32,300	
<u>16,154</u>		<u>32,300</u>	
	Cash Inflows		
(1,166)	Sale of fixed assets	(790)	
(4,179)	Capital grants received	(4,963)	
<u>(5,345)</u>		<u>(5,753)</u>	
10,809	Net Cash Outflow / (Inflow) – Capital Activities		26,547
7,009	Net Cash Outflow / (Inflow) Before Financing		42,434

Cash Flow Statement

2008/09 Restated £000s		2009/10	
		£000s	£000s
	Management of Liquid Resources (note 56)		
1,659	Net Increase / (Decrease) in Short Term Investments		(31,018)
	Financing (note 55)		
	Cash Outflow		
5	Repayments of amounts borrowed	9,468	
	Cash Inflow		
0	New loans raised	<u>(27,000)</u>	
5		<u>(27,000)</u>	
<u>5</u>	Net Cash Outflow / (Inflow) from financing		<u>(17,532)</u>
8,673	Net (Increase) / Decrease in cash		(6,116)

1. CIPFA Subjective Classification

This statement shows the day-to-day running costs of all services paid for by council tax, government grants and other income. It reconciles the net cost of services as reported in the BVACOP Police Objective Analysis to the Income and Expenditure Account.

2008/09 Restated £000s	Employees	2009/10 £000s	2009/10 £000s
146,867	Operational Personnel	154,752	
52,535	Support Staff	57,814	
15,782	National Insurance	16,769	
5,564	Support Staff Pensions (note 5)	6,802	
46,288	Police Pensions (note 5)	34,933	
4,754	Allowances	4,397	
271,790			275,467
	Premises		
3,663	Maintenance and Improvements	3,122	
2,967	Utilities	2,578	
264	Furniture and Fittings	284	
2,870	Rent and Rates	3,047	
1,875	Contract Cleaning	1,805	
11,639			10,836
	Supplies and Services		
2,404	Computer Equipment	2,748	
3,376	Communications	3,483	
2,461	Equipment and Materials	2,106	
78	Catering	41	
1,192	Clothing and Uniforms	1,078	
2,434	Education and Training	2,361	
11,945			11,817
	Transport		
3,788	Vehicle Running Expenses	3,649	
1,304	Car Allowances / Vehicle Hire	1,207	
1,976	Air Support Services (note 15)	1,451	
7,068			6,307
	Establishment Expenses		
1,885	Printing, Stationery & Advertising	1,654	
1,261	Travelling & Subsistence	1,270	
2,102	Insurances	1,937	
2,615	Support Services (note 11)	2,455	
7,863			7,316
	Agency Services (note 6)		
260	Consortium Charges	256	
4,759	Forensic Science Service	4,468	
732	Other National Police Services	732	
1,208	Airwave	1,189	
6,959			6,645

Notes to the Core Statements

2008/09 Restated £000s		2009/10 £000s	2009/10 £000s
	Miscellaneous		
2,618	Surgeons & Pathologists Fees	2,689	
1,605	Community Safety	1,766	
715	Crime Management	628	
5,065	Other Expenses	4,642	
10,003			9,725
	Capital Accounting Charges		
12,106	Depreciation	11,064	
(8,012)	Government Grants Deferred Credits	(7,367)	
6,620	Impairment Loss	623	
10,714			4,320
337,981	Total Expenditure		332,433
	Income		
(4,459)	Fees and charges	(4,442)	
(1,431)	Secondments	(1,682)	
(360)	Rents	(338)	
(30,454)	Grants & Other Income	(33,515)	
(36,704)	Total Income		(39,977)
301,277	Net Cost of Services		292,456

2. Prior Year Adjustments

The SORP 2009 incorporated a change to accounting for Council Tax to recognise the fact that collection of council tax for preceptors by billing authorities are agency arrangements. As such, the Authority's accounts include the accrued income due from the billing authorities in the Income and Expenditure Accounts and any balances owed to or from the billing authorities as debtors or creditors in the Balance Sheet. This change required restatement of the previous year's accounts. These changes have resulted in the following adjustments to the 2008/09 figures:

	Original Figures £000s	Restatement Collection Fund	Restated Figures £000s
Income and Expenditure Account			
Precepts	33,983	(296)	33,687
Statement of Movement on the General Fund Balance			
Amount by which precepts calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	0	(296)	(296)
Statement of Total Recognised Gains and Losses			
Other (gains) / losses required to be included in the STRGL	(110,026)	54	(109,972)
Balance Sheet			
Debtors	13,530	2,162	15,692
Creditors	(30,416)	(2,216)	(32,632)
Collection Fund Adjustment Account	0	(54)	(54)

3. Corporate and Democratic Core

Corporate and Democratic Core accommodate the wide range of governance structures adopted by police authorities including all aspects of members' activities and the officer time in the provision of advice and support to members and 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.

4. 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.

5. 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 types of pension scheme:

- 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.

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.

Transactions Relating to Retirement Benefits

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	
	2008/09	2009/10
	£000	£000
Net Cost of Services:		
Current service cost	45,848	34,773
Past service costs	540	160
Non distributed costs	(100)	0
Total Net Cost of Services	46,288	34,933
Net Operating Expenditure:		
Interest cost	130,970	119,590
Expected return on assets in the scheme	0	0
Total Net Operating Expenditure	130,970	119,590
Amounts to be met from Government Grants and Local Taxation:		
Contribution to / (from) pensions reserve	(117,700)	(94,850)
	59,558	59,673
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	55,766	55,672
Retirement benefits payable to pensioners	3,792	4,001

Notes to the Core Statements

	Tyne & Wear Pension Scheme – Funded		Tyne & Wear Pension Scheme – Unfunded	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
Net Cost of Services:				
Current service cost	5,440	6,720	0	0
Past service costs	100	50	0	0
Non distributed costs	24	32	0	0
Total Net Cost of Services	5,564	6,802	0	0
Net Operating Expenditure:				
Interest cost	10,370	11,620	220	220
Expected return on assets in the scheme	(8,550)	(6,570)	0	0
Total Net Operating Expenditure	1,820	5,050	220	220
Amounts to be met from Government Grants and Local Taxation:	7,384	11,852	220	220
Contribution to / (from) pensions reserve	210	(3,698)	0	0
Actual amount charged against council tax for pensions in the year:				
Employers contributions payable to scheme	7,594	8,154	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.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2010 are as follows:

	Police Pension Scheme £m	
	31 March 2009	31 March 2010
Opening present value	(1,904.63)	(1,745.44)
Current service cost	(43.22)	(34.77)
Interest cost	(130.97)	(119.59)
Contributions by scheme participants	(15.36)	(17.53)
Actuarial gains and (losses)	276.89	(815.88)
Benefits paid	72.39	77.20
Past service costs	(0.54)	(0.16)
Closing present value	(1,745.44)	(2,656.17)

	Funded Liabilities: Tyne and Wear Pension Scheme £m		Unfunded Liabilities: Tyne and Wear Pension Scheme £m	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010
Opening present value	(150.11)	(175.99)	(3.31)	(3.50)
Current service cost	(5.44)	(6.72)	0.00	0.00
Interest cost	(10.37)	(11.62)	(0.22)	(0.22)
Contributions by scheme participants	(2.99)	(3.17)	0.00	0.00
Actuarial gains and (losses)	10.76	(54.71)	(0.19)	(0.35)
Benefits paid	3.78	4.35	0.22	0.22
Past service costs	(0.10)	(0.05)	0.00	0.00
Closing present value	(175.99)	(247.91)	(3.50)	(3.85)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £2,756m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £2,638m. 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.

Reconciliation of fair value of the scheme assets:

	Tyne and Wear Pension Scheme £m	
	31 March 2009	31 March 2010
Opening fair value	120.82	104.75
Expected rate of return	8.55	6.57
Actuarial gains and (losses)	(31.40)	33.39
Employer contributions	7.57	8.12
Contributions by scheme participants	2.99	3.17
Benefits paid	(3.78)	(4.35)
Closing fair value	104.75	151.65

Notes to the Core Statements

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

The actual return on scheme assets in the year was a gain of £39.96m (£22.85m loss in 2008/09).

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 Scheme	Long term expected rate of return 2007/08	Asset split 2007/08	Long term expected rate of return 2008/09	Asset split 2008/09	Long term expected rate of return 2009/10	Asset split 2009/10
	%	%	%	%	%	%
Equities	7.6	63.7	7.0	66.1	8.0	67.8
Property	6.6	10.5	6.0	8.4	8.5	7.4
Government Bonds	4.6	11.0	4.0	10.2	4.5	9.3
Corporate Bonds	6.8	8.9	5.8	10.4	5.5	11.4
Cash / Other	6.0	5.9	1.6	4.9	4.3	4.1
Total	7.0	100.0	6.2	100.0	7.3	100.0

Hewitt Associates Limited, an independent firm of actuaries, has valued the Tyne & Wear Scheme 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 2007) 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 2010. 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 2009, A Statement of Recommended Practice (SORP).

Scheme History Gains and Losses

The liabilities below show the underlying commitment that the Authority has to pay retirement benefits. In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6

Notes to the Core Statements

April 2007. This disclosure note presents the history of liabilities and experience gain / (loss) on liabilities for 2007/08, 2008/09 and 2009/10. 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:

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m
Present Value of Liabilities:				
Tyne and Wear Pension Scheme: Funded Liabilities	(171.85)	(150.11)	(175.99)	(247.91)
Tyne and Wear Pension Scheme: Unfunded Liabilities	0	(3.31)	(3.50)	(3.85)
Police Pension Scheme	(2,202.27)	(1,904.63)	(1,745.44)	(2,656.17)
Fair Value of Assets in the Tyne and Wear Pension Scheme	120.09	120.82	104.75	151.65
Surplus (Deficit) in the Scheme:				
Tyne and Wear Pension Scheme: Funded Liabilities	(51.76)	(29.29)	(71.24)	(96.26)
Tyne and Wear Pension Scheme: Unfunded Liabilities	0	(3.31)	(3.50)	(3.85)
Police Pension Scheme	(2,202.27)	(1,904.63)	(1,745.44)	(2,656.17)
Total Pension Liability	(2,254.03)	(1,937.23)	(1,820.18)	(2,756.28)

In accordance with FRS17, the assets for the current period and previous three periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose.

History of Experience Gains and Losses

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

Funded Liabilities: Tyne and Wear Pension Scheme	2007/08 %	2008/09 %	2009/10 %
Experience gains/ (losses) on assets	(10.5)	(30.0)	22.0
Experience gains/ (losses) on liabilities	2.9	(0.3)	0.6
Unfunded Liabilities: Tyne and Wear Pension Scheme	2007/08 %	2008/09 %	2009/10 %
Experience gains/ (losses) on assets	-	-	-
Experience gains/ (losses) on liabilities	(0.9)	(1.1)	3.1

In accordance with paragraph 79 of FRS17, unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note presents the history of liabilities and experience gains / (losses) on liabilities for periods ending in 2008 and 2009.

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 Authority in conjunction with the actuary.

Notes to the Core Statements

Police Pension Scheme	2007/08	2008/09	2009/10
	%	%	%
Experience gains/ (losses) on liabilities	2.2	3.6	0.7

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.

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projection unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

A building block approach is employed in determining the rate of return on fund assets. Historic markets are studied and assets with 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 in the assumption table below. 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 2010. The principal financial assumptions used in the calculations for the Tyne & Wear Pension Scheme (Local Government Pension Scheme) and the Police Pension Scheme have been:

	Funded Liabilities: Tyne and Wear Pension Scheme		Unfunded Liabilities: Tyne and Wear Pension Scheme		Police Pension Scheme	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010
Long-term Expected Rate of Return						
Equity investment	7.0%	8.0%	-	-	-	-
Government Bonds	4.0%	4.5%	-	-	-	-
Corporate Bonds	5.8%	5.5%	-	-	-	-
Other	1.6%	4.3%	-	-	-	-
Mortality Assumptions:						
<i>Longevity at 65 for current pensioners:</i>						
Men	19.9	20.0	19.9	20.0	-	23.9
Women	22.8	22.9	22.8	22.9	-	27.1
<i>Longevity at 65 for future pensioners (currently aged 45):</i>						
Men	22.1	22.2	22.1	22.2		26.0
Women	25.0	25.1	25.0	25.1		29.1
Financial Assumptions:						
Rate of inflation	3.6%	3.9%	3.6%	3.8%	3.0%	3.9%
Rate of increase in salaries	5.1%	5.4%	-	-	4.5%	5.4%
Rate of increase to pensions in payment	3.6%	3.9%	3.6%	3.8%	3.0%	3.9%
Rate of increase to deferred pensions	3.6%	3.9%	-	-		
Rate for discounting scheme liabilities	6.5%	5.5%	6.5%	5.5%	6.9%	5.8%
Take-up of option to convert annual pension into retirement lump sum (post 31 March 2008)	75%	75%	-	-	-	-
Take-up of option to convert annual pension into retirement lump sum (pre 1 April 2008)	50%	50%	-	-	-	-

Further information on the Tyne & Wear Pension Scheme 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

6. Agency Services

Consortium Charges

The Authority has an agency agreement with the National Automated Fingerprint Identification System (NAFIS) to provide fingerprinting services. Payments in 2009/10 amounted to £0.256m (£0.260m in 2008/09).

Forensic Science Service

The Authority has an agency agreement with the Forensic Science Service in Wetherby, North Yorkshire. Payments in 2009/10 amounted to £4.468m (£4.759m in 2008/09).

Other National Police Services

The Authority made a subscription payment for the Police National Computer of £0.732m in 2009/10 (£0.732m in 2008/09).

Airwave

The Authority made payments of £1.189m to Airwave (£1.208m in 2008/09) for the digital radio-communications system.

7. 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.

2008/09 £000s		2009/10 £000s
	2008/09 Adjustment	(139)
1,400	Minimum Revenue Provision	1,211
<u>1,400</u>		<u>1,072</u>

8. Police Authority Precept

The Police Authority precept generated proceeds as outlined below:

2008/09 (Restated)		2009/10		
		Precept levied (in accordance with regulation) £000s	Share of surplus / (deficit) at 31 March 2010 £000s	Precept due £000s
4,661	Gateshead MBC	4,888	(45)	4,843
5,931	Newcastle CC	6,205	13	6,218
4,973	North Tyneside MBC	5,166	(10)	5,156
3,459	South Tyneside MBC	3,588	35	3,623
6,247	Sunderland CC	6,546	60	6,606
8,416	Northumberland CC*	8,795	(151)	8,644
33,687		35,188	(98)	35,090

*In 2008-09, precepts were levied on the former Northumberland district councils of Alnwick, Berwick upon Tweed, Blyth Valley, Castle Morpeth, Tynedale and Wansbeck, prior to local government reorganisation in April 2009.

9. Disclosure of Remuneration for Senior Employees

The following tables set out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is more than £50,000 per year in 2009/10, and the equivalent disclosure for 2008/09.

2009/10

Post Holder Information	Notes	Salary (Including fees and allowances) £	Bonuses £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Constable M Craik	1	156,625	43,663	4,413	204,701	36,591	241,292
Deputy Chief Constable - A	2	127,379	33,247	5,480	166,106	30,188	196,294
Assistant Chief Constable - B		115,902	9,365	1,979	127,246	27,330	154,576
Assistant Chief Constable - C		96,096	0	2,985	99,081	22,280	121,361
Assistant Chief Constable - D		94,779	3,736	1,164	99,679	21,804	121,483
Assistant Chief Constable - E	3	74,088	0	3,297	77,385	17,452	94,837
Assistant Chief Constable - F	4	63,076	3,449	2,673	69,198	13,834	83,032
Asst Chief Officer, Fin & Resources		88,075	0	6,470	94,545	11,538	106,083
Asst Chief Officer, Human Resources		88,046	0	8,683	96,729	11,534	108,263

Notes to the Core Statements

- Note 1:** Bonus payments are made in arrears. The bonus paid in 2009/10 relates to performance in both 2007/08 and 2008/09.
- Note 2:** Bonus payments are made in arrears. The bonus paid in 2009/10 relates to performance in both 2007/08 and 2008/09.
- Note 3:** Commenced 1 June 2009 – new starter.
- Note 4:** Appointed wef 9 March 2009 but excluded from 2008/09 disclosure as not actual paid in post until 2009/10. Left employment in this post 19 November 2009.

The following statutory posts are provided by employees of Gateshead Council disclosure details are not included above:

- 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 and ICT.

2008/09

Post Holder Information	Notes	Salary (Including fees and allowances) £	Bonuses £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Constable - M Craik		152,774	0	6,416	159,190	35,927	195,117
Deputy Chief Constable - A	1	81,901	0	2,842	84,743	19,605	104,348
Deputy Chief Constable - B	2	35,432	0	1,679	37,111	8,012	45,123
Asst Chief Constable - A	3	34,672	0	1,468	36,140	8,187	44,327
Asst Chief Constable - B		96,384	0	7,589	103,973	22,792	126,765
Asst Chief Officer, Fin & Resources		85,849	0	6,470	92,319	11,246	103,565
Asst Chief Officer, Human Resources		80,577	0	7,612	88,189	10,556	98,745

Note 1: Appointed to post from 1 August 2008

Note 2: Left employment 6 July 2008

Note 3: Promoted to Deputy Chief Constable 1 August 2008

The following table set out the number of employees not already included in the tables above whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000:

Remuneration Band	Number of Employees	
	2008/09	2009/10
£50,000 - £54,999	168	198
£55,000 - £59,999	40	66
£60,000 - £64,999	11	6
£65,000 - £69,999	17	7
£70,000 - £74,999	5	16
£75,000 - £79,999	4	8
£80,000 - £84,999	5	7
£85,000 - £89,999	2	3
£90,000 - £94,999	1	1

10. Members' Allowances

The total of Members' Allowances paid during 2009/10 was £0.175m (£0.166m in 2008/09).

11. 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

2008/09		2009/10
£000s		£000s
108,833	Police Grant	111,322
16,497	Revenue Support Grant	25,994
118,509	NNDR	112,619
24,118	Other Home Office Grants	24,678
181	Other DCLG Grants	181
268,138		274,794

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 8 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 £2.455m in 2009/10 (£2.615m in 2008/09).

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.

Notes to the Core Statements

A payment of £1.805m was paid to Gateshead Council in respect of contract cleaning in 2009/10 (£1.875m in 2008/09).

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

12. Private Finance Initiative (PFI)

On 15 May 1998 an agreement with Bowey PFI Ltd 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 2009/10 payments of £0.34m (£0.33m in 2008/09).

From 1 April 2010 up to expiry of the contract on 12 October 2013, the Authority is committed to making estimated total future payments of £1.15m.

13. Audit Commission Fees

In 2009/10 Northumbria Police Authority incurred the following fees relating to external audit and inspection:

	2008/09 £000s	2009/10 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	96	97
Fees payable to the Audit Commission in respect of statutory inspection	0	0
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	1	0
Total	97	97

14. Operating Leases

The Authority holds a number of buildings on an operating lease basis, which are not included within the Authority's tangible fixed assets.

In respect of these leases the Authority paid £0.327m in 2009/10 (£0.335m in 2008/09). These figures are included in rent and rates in the Income and Expenditure statement

Notes to the Core Statements

The table below shows the Authority's commitments to make payments in the forthcoming financial year:

	31/03/2010
Commitment Expires:	£000s
Less than 1 year	100
2 to 5 years	47
Over 5 years	432
Total	579

15. North East Air Support Unit

The North East Air Support Unit is a partnership arrangement between Northumbria and Durham Police Authorities. The partnership was established from 1 April 2009 to share the costs of operating a single helicopter to support ground-based policing. The Helicopter is based at Newcastle International Airport, serving the geographical areas covered by the two Authorities as and when required. The NEASU is co-ordinated and managed by a Steering Group comprising officers from the two Forces.

The costs are initially incurred by Northumbria Police Authority and subsequently apportioned between the two Authorities on the basis of 70% (Northumbria) and 30% (Durham).

This arrangement superseded the previous Consortium arrangement between Northumbria, Durham and Cleveland Police Authorities which was wound up as at 31 March 2009, the costs of which were apportioned on the basis of 56.87% (Northumbria), 21.55% (Durham) and 21.58% (Cleveland). The Revenue Account and Balance Sheet for the Air Support Unit for 2009/10 is shown below, together with the comparator information for the Consortium arrangement in 2008/09:

NEASU Revenue Account	2008/09	2009/10
	£000s	£000s
Helicopters (including Pilotage)	2,148	1,146
Employee costs	948	510
Premises	94	55
Transport	8	4
Supplies & Services	80	40
Net Expenditure of Service	3,278	1,755
Income received by constituent Authorities:		
Durham Police Authority	(749)	(622)
Cleveland Police Authority	(750)	0
Northumbria Police Authority	(1,976)	(1,451)
Closing net balance of Service to carry-forward	(197)	(318)

Notes to the Core Statements

NEASU Balance Sheet	31/3/2009	31/3/2010
	£000s	£000s
Long Term Assets		
Helicopter	1,783	2,363
Ground Equipment	51	31
Current Assets		
Power by the Hour	0	408
Debtors	0	177
Cash	1,929	185
Total Assets	3,763	3,164
Current Liabilities		
Capital Grants Unapplied	(510)	(281)
Government Grants Deferred	(419)	(334)
Total Net Assets	2,834	2,549
Financed by:		
Air Support General Reserve	1,258	408
Air Support Capital Reserve	56	0
Capital Receipts Unapplied	105	82
Capital Adjustment Account	1,415	939
Revaluation Reserve	0	1,120
Total	2,834	2,549

The Air Support Services costs shown in the Income and Expenditure Account of the Police Authority are Northumbria's contribution to the annual running costs of the NEASU, and the Assets of the Authority shown in the Balance Sheet are the Authority's share of the assets. The Air Support Reserves shown in the Balance Sheet at 31 March 2010 are the Authority's share of the Reserves, with Durham Police Authority's share being shown in Creditors.

The Air Support Unit balance sheet for 2009/10 includes a debtor for £177,328 in relation to the money due from Cleveland Police Authority following the dissolution of the previous consortium, for which an invoice was raised in March 2010 and payment received in April 2010, after the Balance Sheet date.

Further information can be obtained from:

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

16. 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.

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

2008/09 (Restated) £000s		2009/10 £000s	2009/10 £000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining movement on the General Fund Balance:		
(114)	Amortisation of Intangible Fixed Assets	(138)	
(18,611)	Depreciation and Impairment of Fixed Assets	(11,549)	
8,012	Government Grants Deferred Amortisation	7,367	
397	Net Gain / (Loss) on Sale of Fixed Assets	344	
	Amount by which finance costs calculated as per the SORP differ from the amount of finance costs calculated as per financial regulations	387	
(828)	Net Changes made for the Retirement Benefits in Accordance with FRS 17	(98,548)	
(117,490)	Amount by which precepts included in the Income and Expenditure Account are different from the amount taken to the General Fund in accordance with regulation	(98)	
(296)		(98)	
(128,930)			(102,235)
	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:		
1,400	Minimum Revenue Provision for Capital Financing	1,072	
1,400			1,072
	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:		
0	Any voluntary provision for the requirement of Debt	0	
(3,306)	Net Transfer to or (from) Reserves	(4,360)	
(3,306)			(4,360)
(130,836)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to General Fund Balance for the year		(105,523)

18. 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 2009/10 the Police Authority undertook £25.896m of borrowing.

Notes to the Core Statements

The Police Authority's capital payments made during 2009/10 are summarised below together with the method of financing:

2008/09 £000		2009/10 £000	2009/10 £000
	Major Schemes		
296	Ponteland HQ Development	313	
12	Refurbishment of Southwick Custody Suite	0	
24	Newcastle- New Command HQ	608	
1,068	North Tyneside- New Command HQ	16,571	
9	Recovery of Non- Operational Space	0	
1,585	Additional Custody Capacity	2,132	
114	HQ Modular Accommodation	3,363	
9	FIID	440	
43	New Morpeth Sector Station	37	
3	New Training Facilities – Public Order & Firearms	142	
3,163			23,606
	Minor Building Works		
0	Adaptations	197	
130	Forcewide DDA Building Modifications	0	
348	Forcewide Cell Refurbishments, Ligature/Fire Precautions	366	
0	Rape, Examination, Advice, Counselling, Help (REACH)	349	
0	Major Investigation Team (MIT)	136	
47	Locker and Changing Room Rationalisation	4	
186	Energy Management Initiatives	71	
44	Ashington Cell Complex and Additional Car Parking	0	
0	Clifford Street Station – Fencing	80	
3	Gateshead Area Command Replacement Windows	414	
23	Front Office Refurbishments	42	
100	CCTV upgrade – Newcastle Airport	0	
9	Replacement Air Conditioning in IS&T Equip Room	88	
890			1,747

Notes to the Core Statements

2008/09 £000		2009/10	
		£000	£000
	Computers and Communications		
673	Technology Refresh	696	
43	Airwave	21	
381	Software Licences	320	
58	Personnel Phase 2	18	
0	GIS Mapping & Gazetteer	0	
15	National Management Information System	7	
1,324	Application Server Refresh	197	
121	E-services	156	
66	Communications Rooms Review	0	
774	Storage Area Network	3	
	Identity & Access Management (previously Unified		
10	Police Security)	26	
785	Airwave Refresh	28	
120	E-Mail Archiving	0	
44	ANPR Capture Systems	0	
1	FIID Computer Equipment	0	
1,879	S7000 Upgrade	115	
67	Voice-Data Network	23	
26	Mobile Data/Blackberrys	0	
423	Resource Management System	130	
72	Easy Link Vehicle Information Suite (ELVIS)	0	
26	Intelligence Gap Analysis (CRISP)	22	
2	Workforce Modernisation Demo Site Pilot	0	
75	FIID – RIPA IT Surveillance	27	
4	Automatic Number Plate Recognition (ANPR)	389	
0	New Hardware/ Network/ Software Development	123	
32	Vetting Management Database	0	
329	Web Based Services	85	
47	E-recruitment	0	
7,397			2,386
	Vehicles and Equipment		
5,781	Vehicles and Equipment	3,104	
5,781			3,104
17,231	Total Capital Payments		30,843
	Financing		
7,307	Capital Grant		4,157
9,826	Receipts		790
98	Capital Development Reserve		0
0	Borrowing		25,896
17,231			30,843

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 2009/10 upon the capital financing requirement.

Notes to the Core Statements

2008/09 £000s		2009/10 £000s
31,534	Opening Capital Financing Requirement	30,134
	2008/09 adjustment	139
<u>31,534</u>		<u>30,273</u>
	Capital Investment	
381	Intangible Fixed Assets (Software Licences)	320
4,053	Building Works	25,353
7,016	Computers and Communications	2,066
5,781	Vehicles and Equipment	3,104
	Sources of Finance	
(17,231)	Government Grants and Other Contributions	(4,947)
(1,400)	Revenue Provision (Includes MRP)	(1,211)
<u>30,134</u>	Closing Capital Financing Requirement	<u>54,958</u>
	Explanation of movements in year	
0	Increase in underlying need to borrow unsupported by Government financial assistance	25,896
(1,400)	Minimum Revenue Provision	(1,211)
<u>(1,400)</u>	Increase/(Decrease) in Capital Financing Requirement	<u>24,685</u>

It is estimated that the Authority has continuing capital contractual arrangements of approximately £6.3m in relation to the completion of its North Tyneside Area Command project. The costs will be incurred over the next two years as follows:

2010/11:	£6.0m
2011/12:	£0.3m

19. Intangible Fixed Assets

	Purchased Software Licenses £000s
Value at 1/04/09	1,149
Reclassification	0
Revaluations	0
Additions	320
Disposals	0
Gross Book Value at 31/03/10	1,469
Depreciation at 01/04/09	(633)
Reclassification	0
Write out on Revaluation	0
Write out on Disposal	0
Depreciation charge for the year	(138)
Depreciation at 31/03/10	(771)
Net Book Value 01/04/09	516
Net Book Value 31/03/10	698

Notes to the Core Statements

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.

20. 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 1/04/09	3,972	56,248	51,571	1,416	2,830	116,037
Reclassification	(107)	0	0	107		0
Revaluations	47	(859)	(198)	0	0	(1,010)
Additions	0	7,659	5,654	0	17,209	30,522
Disposals	(180)	0	(7,880)	(249)	0	(8,309)
Gross Book Value at 31/03/10	3,732	63,048	49,147	1,274	20,039	137,240
Depreciation at 01/04/09	(90)	(1,549)	(31,463)	(1)	0	(33,103)
Reclassification	0	0	0	0	0	0
Write out on Revaluation	3	236	1,035	0	0	1,274
Write out on Disposal	3	0	6,932	0	0	6,936
Depreciation charge for the year	(70)	(1,573)	(9,281)	0	0	(10,924)
Depreciation at 31/03/10	(154)	(2,886)	(32,777)	(1)	0	(35,818)
Net Book Value 31/03/10	3,578	60,162	16,370	1,273	20,039	101,422
Net Book Value 31/03/09	3,882	54,699	20,108	1,415	2,830	82,934

	Number as at 31/3/09	Number as at 31/3/10
Police Stations	53	53
Police Houses	44	42
Surplus and Non Operational Buildings	26	25
	<u>123</u>	<u>120</u>
Cars	693	678
Vans and Heavy Goods Vehicles	275	246
Motor Cycles	21	5
Aircraft	2	1
	<u>991</u>	<u>930</u>

Notes to the Core Statements

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.

21. Stocks and Stores

	31/03/09 £000s	31/03/10 £000s
Clothing and Other	526	521
Motor Vehicle Parts	149	166
	675	687

22. Debtors

	31/03/09 (Restated) £000s	31/03/10 £000s
Amounts falling due in one year:		
Government Departments	11,395	8,771
Other Local Authorities	3,682	4,899
Sundry Debtors and Prepayments	1,899	2,907
	16,976	16,577
Less Bad Debt Provision	(1,284)	(1,555)
	15,692	15,022

The bad debt provision includes £1.523m which relates to the Authority's share of council tax bad debt provisions of the billing authorities.

23. Short Term Investments

Under the Authority's Treasury Management Services Agreement, Gateshead Council deposits surplus cash balances on its behalf with financial institutions and public sector organisations 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.

24. Creditors

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

	31/03/09 (Restated) £000s	31/03/10 £000s
Government Departments	4,940	857
Inland Revenue	5,449	5,706
Other Local Authorities	7,672	7,915
Sundry Creditor	14,281	9,036
Capital Grants Unapplied	290	1,012
	32,632	24,526

25. 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 requiring 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 implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out 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 investments 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 utilise 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 TMPs. The Authority's investment priorities are the security of capital and the liquidity of its investments. Counter parties are assessed taking into account their financial position and credit limits are set in accordance with internal ratings.

At the 31 March 2010 5.26% of the Authority's £88.886m of deposits were with financial institutions domiciled outside of the UK.

Country of Domicile	Amount £000s	%
Singapore	4,675	5.26
	<u>4,675</u>	<u>5.26</u>

The table 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 £000	Impairment Value £000	Net Value £000
Financial Assets held by Financial Institutions	89,759	(659)	89,100
Long term debtors	0	0	0
Debtors	16,577	(1,555)	15,022

The debtors balance represents the amount due to the Authority from customers. A bad debt provision of £1.555m is held on the balance sheet to provide against the risk of default on debt outstanding, £1.532m of which relates to the Authority's share of the provisions for council tax bad debts in billing authorities.

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 PWLB provides access to longer-term funds, it also acts as a lender of last resort to Authority's (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 £50.37m and investment portfolio of £88.886m. 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 longer term 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 Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

The maturity profiles of financial liabilities and financial assets are detailed in note 26 Financial Instruments 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. The current interest rate risk for the Authority is summarised below:

- 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 on the balance sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative affect on the Balance Sheet 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 impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

Assets and liabilities are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on 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 central treasury team will 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 loans will be repaid to limit exposure to losses.

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 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 2010; 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.

26. 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	
	31/03/09 £000s	31/03/10 £000s	31/03/09 £000s	31/03/10 £000s
Financial Liabilities at amortised cost	32,833	48,534	560	2,435
Total Borrowing	32,833	48,534	560	2,435
Loans and Receivables	6,682	4,990	115,186	84,110
Total Investments	6,682	4,990	115,186	84,110

Analysis of Financial Liabilities at Amortised Cost

	Range of Interest Rates Payable	Total Outstanding 31 March	
		2009 £000s	2010 £000s
Source of Loan			
Public Works Loan Board	3% - 9.75%	33,393	43,946
Other Loan Instruments	3.87%	-	7,023
		<u>33,393</u>	<u>50,969</u>

An analysis of loan by maturity is:

Maturing within one year	560	2,435
Maturing in 1 – 2 years	1,836	8,398
Maturing in 2 – 5 years	1,403	6,840
Maturing in 5 – 10 years	9,161	17,327
Maturing in more than 10 years	20,433	15,969
	<u>32,833</u>	<u>48,534</u>

Loans and Receivables

As at 31 March 2010 £4.990m (£6.682m 2008/09) of loans and receivables over 364 days is outstanding. These financial instruments were placed in accordance with the treasury management strategy. All of these loans mature within 2 years.

27. 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:

	2008/09 £000s	2009/10 £000s
Interest and Investment Income	(7,569)	(1,892)
Interest Payable and Similar Charges	3,248	2,230
Total	<u>(4,321)</u>	<u>338</u>

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

Financial liabilities and financial assets are carried on the Balance Sheet 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;

Notes to the Core Statements

- for market loans the prevailing rate of a similar instrument 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 a 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.
- a consistent approach has been applied to assets and liabilities.

	31 March 2009		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
PWLB Debt	32,838	41,852	43,946	51,161
Non PWLB Debt	-	-	7,023	6,992
Trade Creditors	32,632	32,632	19,821	19,821
Total Financial Liabilities	65,460	74,484	70,790	77,974
Market Loans < 1 Year	115,186	114,124	84,110	84,107
Market Loans > 1 Year	6,682	7,156	4,990	5,006
Trade Debtors	16,110	16,110	11,381	11,381
Total Loans and Receivables	137,978	137,390	100,481	100,494

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 higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables

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 2010. This decreases the fair value of loans and receivables.

29. 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.

Heritable bank is a UK registered bank under Scottish Law. When the company was placed in administration on 7 October 2008 all monies held within Heritable bank became subject to the respective administration and receivership processes. The administrators will determine the amounts and timing of payments to depositors such as the Authority.

Notes to the Core Statements

The Authority had £5.238m deposited with Heritable bank with varying maturity dates and interest rates.

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 in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009.

Since this report was issued, dividends paid have exceeded initial predictions and the final return is now expected to exceed the projected 80p in the £, therefore the Authority has decided to recognise an impairment based on recovering 89.98p in the £. 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. In calculating the impairment the Council has made the following assumptions regarding timing of further recoveries:

July 2010 – 10%
Dec 2010 – 10%
Mar 2011 – 10%
Jul 2011 – 10%
Dec 2011 – 10%
Mar 2012 – 5%

The following table includes details of the initial investments, the total impairment based on the repayment assumption outlined above and the current carrying value of the investments:

Date Invested	Maturity Date	Amount Invested £000s	Interest Rate %	Total Impairment £000s	Carrying Amount £000s
24/06/2008	19/12/2008	403	6.25	68	211
21/07/2008	19/01/2009	1,782	6.06	297	928
22/07/2008	19/01/2009	744	6.06	124	388
25/07/2008	26/01/2009	894	6.05	149	465
19/08/2008	19/02/2009	683	6.00	113	354
22/08/2008	23/02/2009	366	6.02	61	190
22/08/2008	23/02/2009	366	6.02	61	190
TOTAL		5,238		873	2,726

To date the Authority has received actual dividends totalling £1,853,904.75 (including £21,638.13 relating to interest).

The impaired investments are included in the current assets figure in the Balance Sheet, the amount 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 £1.525m in 2010/11 and £1.201m in 2011/12.

In 2009/10 accrued interest of £0.218m (£0.214m 2008/09) and actual interest received of £0.022m have been credited to the Income and Expenditure Account.

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 £0.588m

from this account leaving a balance of £0.873m (£1.461m 2008/09) in relation to deposits placed with Heritable Bank.

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:

	£m
Balance as at 31/03/09	2.726
Transfers 2009/10	(1.525)
Transfers 2010/11	(1.201)
	<u>0</u>

30. 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 2010 the Authority had no contingent liabilities.

31. 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 submitted a claim of £6.365m to Her Majesty's Revenue and Customs (HMRC). Successful claims will also be subject to statutory compound interest from HMRC, which will further increase the scale of any refund. As at 31/03/10, no refunds have been received from HMRC. 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.

32. Insurance Provision

The Authority holds an Insurance Provision to cover the estimated cost of outstanding liability claims as at 31 March 2010 as informed by the Authority's

Notes to the Core Statements

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 at 1 April 2009	(2,407)
Movement in the Year	(148)
Insurance Provision as at 31 March 2010	<u>(2,555)</u>

33. 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 at 1 April 2009	(15,037)
Less Transfer to Income and Expenditure Account	7,367
Unamortised grant written out on disposal of fixed assets	914
Grant received in year	(4,157)
Balance at 31 March 2010	<u>(10,913)</u>

34. Revaluation Reserve

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

	£000s
Balance at 1 April 2009	(7,457)
Upwards Revaluations	(887)
Transfer to Capital Adjustment Account on disposal	84
Depreciation adjustment	354
Downward revaluations	0
Balance at 31 March 2010	<u>(7,906)</u>

35. 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.

Notes to the Core Statements

	£000s	£000s
Balance at 1 April 2009		(30,822)
2009/10 Capital Financing:		
Capital Receipts	(790)	
Government Grants Applied amortisation	(8,281)	
		(9,071)
Other movements		
Depreciation and impairment	11,687	
Minimum Revenue Provision	(1,072)	
Excess of current cost depreciation over historic cost depreciation	(354)	
Revaluation reserve balance write off on disposal	(84)	
Disposal of fixed assets	1,373	
		11,550
Balance at 31 March 2010		(28,343)

36. Capital Receipts Unapplied

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

37. 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 £16.4m by 31 March 2013.

38. 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. There has been no movement during 2009/10 in this reserve.

39. Internal Insurance Account

In line with the SORP, the Authority operates an Internal Insurance Account. An assessment of the level of insurance reserve has resulted in the surplus being transferred to the Income and Expenditure Account. Movements during 2009/10 are outlined below:

	£000s
Premium received	(1,102)
Death in service	(10)
Movement in insurance provision	148
Current year claims settled	910
Revenue surplus	(54)

40. 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.

41. 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. An assessment of this reserve has concluded that the General Reserve is adequate to cover for any unexpected events and the cash element of this reserve should be transferred to the Police Authority's General Reserve. The balance remaining on this reserve represents the value of the Authority's share of payments in advance at the year end.

42. 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. An assessment of this reserve has concluded that the Authority's share of any requirements for capital financing in the future will be met from the Authority's capital resources and this reserve will be reclassified into the Capital Development Reserve.

43. 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.

44. Airwave Reserve

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

45. 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 at 1 April 2009	30,978
Utilised to finance the cost of borrowing for the capital programme	(1,211)
Reclassification and appropriations (Air Support Unit)	101
Balance Carried Forward	<u>29,868</u>

46. Financial Instrument Adjustment Account

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 £0.588m from this account leaving a balance of £0.873m in relation to deposits placed with Heritable Bank.

47. 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. 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	2008/09	2009/10
	£000s	£000s
Employee costs	963	974
Premises	245	277
Transport	6	10
Supplies & Services	129	67
Net Expenditure of Service	1,343	1,328
Income received by constituent Authorities:		
Durham Police Authority	(388)	(373)
Northumbria Police Authority	(997)	(960)
Closing net balance of Service to carry-forward	(42)	(5)

48. Other Funds

The Authority is holding cash at bank totalling £1.583m (£1.406m as at 31 March 2009) in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

The Authority also holds cash totalling £0.073m (£0.067m as at 31 March 2009) in respect of its charitable funds. These funds are not included on the Balance Sheet.

49. Movement in Reserves

Balance 31/03/09 (Restated) £000s	Reserve	Appropriations to / from reserves £000s	Balance 31/03/10 £000s
7,457	Revaluation Reserve	449	7,906
30,822	Capital Adjustment Account	(2,479)	28,343
59	Capital Receipts Unapplied	(2)	57
47,218	General Reserve	(6,155)	41,063
6,000	Insurance Reserve	0	6,000
1,505	Devolved Budget Reserve	210	1,715
715	Air Support Unit General Reserve	(429)	286
32	Air Support Unit Capital Reserve	(32)	0
(1,820,180)	Pensions General Reserve	(936,098)	(2,756,278)
5,199	Police Officers Commutations Reserve	(3,000)	2,199
1,000	Airwave Reserve	0	1,000
30,978	Capital Development Reserve	(1,110)	29,868
(828)	Financial Instrument Adjustment Account	387	(441)
(54)	Collection Fund Adjustment Account	(98)	(152)
(1,690,077)	Total	(948,357)	(2,638,434)

50. 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 the three police authorities and the Home Office. The RIU Revenue Account is shown below:

RIU Expenditure	2009/10 £000s
Employee costs – Officers	243
Employee costs – Staff	153
Other employee expenses	15
Premises	147
Transport	22
Supplies & Services	55
Net Expenditure of Service	635
RIU Income	2009/10 £000s
Home Office Grant	(194)
Northumbria Police Authority	(251)
Durham Police Authority	(95)
Cleveland Police Authority	(95)
Net Income of Service	(635)
Closing Net Balance of Service	0

51. Extraordinary items

There have been no extraordinary items during 2009/10.

52. Events after the Balance Sheet Date

The Chancellor announced in his Budget on 22nd June 2010 that, from April 2011, increases to public sector pensions will be linked to Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) which is currently used. This will have the effect of reducing the defined pension scheme liability, a beneficial change, although it is not possible to estimate by how much without obtaining another valuation from the actuaries. It is considered that commissioning the actuaries to estimate a revised liability figure at this time would not add anything in terms of the statements providing a true and fair view. In addition, the Tyne & Wear Pension Fund will undergo a full actuarial revaluation in 2010. The Authority's opinion is that this is a non adjusting post accounting date event, so no adjustment has been made to the pension liability figures in the statement.

53. Authorisation of Accounts

The Treasurer of the Police Authority has set and authorised the date of issue for the Statement of Accounts as the 22nd September 2010. This is the date that the statement was approved by the Authority's members and is the date, up to which, any known events are reported.

Notes to the Cash Flow Statement:

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

2008/09 £000s		2009/10 £000s	2009/10 £000s
(129,826)	Deficit on the Income and Expenditure Account		(111,678)
	Non-cash transactions		
12,106	Depreciation	11,064	
(397)	(Gain) / Loss on sale of fixed assets	(344)	
6,620	Downward Revaluations	623	
334	Provisions Set Aside	148	
296	Council Tax Precept Adjustment	98	
0	Power By The Hour	(132)	
(8,012)	Government Grants Deferred Amortisation	(7,367)	
117,490	FRS 17 Adjustments	98,548	
128,437			102,638
	Items on an accruals basis		
15	(Increase) / Decrease in Stocks	(12)	
6,951	Increase / (Decrease) in Creditors	(9,705)	
0	(Increase) / Decrease in Long Term Debtors	0	
(1,777)	(Increase) / Decrease in Debtors	1,172	
5,189			(8,545)
	Items classified elsewhere in Cash Flow Statement		
3,248	Interest Paid	2,230	
(7,569)	Interest Received	(1,892)	
(4,321)			338
(521)	Net Cash Outflow from Revenue Activities		(17,247)

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

2008/09 £000s		2009/10 £000s	2009/10 £000s
8,673	(Increase) / Decrease in cash per Cash Flow Statement		(6,116)
	Less:		
(1,659)	Management of Liquid Resources	31,018	
(521)	Revenue Activities	(17,247)	
(10,809)	Capital Activities	(26,547)	
4,321	Servicing of Finance	1,360	
(8,668)			(11,416)
5	Net Cash Outflow/ (Inflow) from Financing		(17,532)

Notes to the Core Statements

Movement 2008/09 £000s	Movement in Net Debt:	Balance 01/04/09 £000s	Balance 31/03/10 £000s	Movement 2009/10 £000s
	Financing:			
(5)	Long Term Borrowing	32,833	48,534	15,701
0	Deferred Liability	0	0	0
0	Borrowing due within 1 yr	5	1,836	1,831
<u>(5)</u>		<u>32,838</u>	<u>50,370</u>	<u>17,532</u>

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

Movement 2008/09 £000s	(Increase) / Decrease in Liquid Resources	Balance 01/04/09 £000s	Balance 31/03/10 £000s	Movement 2009/10 £000s
(1,659)	Short Term Investments	119,460	88,442	31,018

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.

57. Analysis of other Government Grants

2008/09 £000s		2009/10 £000s
181	Department for Communities and Local Government (DCLG)	181
<u>23,106</u>	Home Office Grants	<u>22,362</u>
<u>23,287</u>		<u>22,543</u>

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 2010.

	2008/09		2009/10	
	£000s	£000s	£000s	£000s
Contributions Receivable				
From Employer				
Normal	(33,108)		(34,604)	
Early Retirements	0		0	
Other	(441)		(570)	
		(33,549)		(35,174)
From Members	(14,812)		(15,400)	
		(14,812)		(15,400)
Transfers in				
Individual Transfers	(546)		(2,132)	
Other	0		0	
		(546)		(2,132)
Total Contributions Receivable		(48,907)		(52,706)
Benefits Payable				
Pensions	51,043		55,096	
Commutations and Lump Sum Retirement Benefits	19,180		17,538	
Lump Sum Death Benefits	0		0	
Other	453		376	
		70,676		73,010
Payments To and On Account of Leavers				
Refunds of Contributions	18		33	
Individual Transfers Out To Other Schemes	430		270	
Other		448		303
Total Benefits Payable		71,124		73,313
Sub total for the year before transfer from the police authority of amount equal to the deficit		22,217		20,607
Additional funding payable by the police authority to fund the deficit for the year		(22,217)		(20,607)
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.

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

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

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the comprehensive income and expenditure statement or Balance Sheet it is to be presented.

Accruals – The accruals basis of accounting requires that the non-cash effects of transactions be recognised in the period that they affect, rather than when cash is paid or received. An accrual is 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 made / received 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.

Amortisation – This is the process of writing-off an intangible asset over its projected life. It is analogous to depreciation of tangible fixed assets.

Appropriations - Within the Income and Expenditure Account an appropriation is a transfer to/ from the Authority's capital and revenue reserves.

Assets - Assets are items of worth which are measurable in monetary terms. Current assets change in value on a day-to-day basis (e.g. cash, stocks, and work in progress). Fixed assets yield benefit to the Council and the services it provides for a period of more than one year.

Audit Commission – An independent body, responsible for the appointment of external auditors to the Police Authority. It 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 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 Charges - A charge to the revenue accounts to reflect the cost of using assets. It is based upon depreciation, which represents the cost of using the asset.

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 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 instruments – Financial Reporting Standard 4 - This standard exists to ensure that financial statements provide a clear, coherent and consistent treatment of capital instruments, particularly the classification of instruments. The standard also seeks to ensure that redeemable instruments are allocated to accounting periods on a fair basis over the period the instrument is in issue, and that the statement of accounts provides relevant information concerning the nature and amount of the Authority's sources of finance and associated costs, commitments and potential commitments.

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.

Contingent Asset - A contingent asset is a possible asset arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liabilities - are either:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- present obligations arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate & Democratic Core - The Corporate and Democratic Core comprises all activities that the Authority engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs of service.

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.

Current Liabilities - Money owed to individuals or organisations that will be paid within 12 months of the Balance Sheet date.

Current Service Cost (pensions) - The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

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.

Defined Benefit Scheme - A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme - A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation - This is the systematic allocation of the depreciable amount of a tangible fixed asset over its useful life, and reflects the economic benefits consumed by the asset during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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.

Glossary of Terms

Estimation Techniques - These are methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. A policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. They include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in a period; and
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events after the Balance Sheet date - Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Exceptional items - Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary items - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Expected rate of return on pension assets - For a funded defined benefit scheme, the expected rate of return is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value - The value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Leases - Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of a fixed asset. Title may or may not eventually be transferred.

Financial Instruments - Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 – These are tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year, for example land, buildings (police stations), and vehicles (police cars).

Glossary of Terms

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.

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 – Impairment is a permanent reduction in the valuation of an asset, caused either by a consumption of economic benefits (e.g. obsolescence, damage or adverse change in statutory environment), or a general fall in prices.

Intangible Assets - These are identifiable, non-monetary, non-current assets without physical substance. Examples include software licences, patents and copyrights.

Interest Cost (Pensions) is, for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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.

Liquid resources - Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

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.

Glossary of Terms

Net realisable value - This is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-operational assets - Those assets held by the Authority not directly occupied, used or consumed in the delivery of services (e.g. land awaiting development, commercial property, investment property, surplus assets, capital work in progress).

Operating leases - An operating lease is a lease other than a finance lease.

Operational assets - These are assets that are held, used, occupied or contracted to be used on behalf of the Authority in the direct delivery of services for which it has statutory or discretionary responsibility. Capital charges are required to be calculated for operational assets. Assets owned by the Authority but used by another organisation are classified as non-operational assets.

Past service cost - For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pension fund - An employees' pension fund is maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

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

Police Objective Analysis is a nationwide reporting format which provides a structured method of analysing local and specialised policing services, together with operational and business support functions, that are consistent for management accounting and service comparison purposes.

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

Private Finance Initiative (PFI) - PFIs are public authority / private sector partnerships designed to procure new major capital investment resources for authorities. They are intended to form a substantial and genuine additional source of funding to authorities rather than merely being a replacement for existing funding.

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 Borrowing - All borrowing must remain within the Authority's prudential borrowing limits, which are agreed by the Authority annually.

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 Parties - Two or more parties are related when at any time during the financial period:

- (i) One party has direct or indirect control of the other party, or
- (ii) The parties are subject to common control from the same source, or
- (iii) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- (iv) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) Central government
- (ii) Local authorities and other bodies precepting
- (iii) Its subsidiary and associated companies
- (iv) Its joint ventures and joint venture partners
- (v) Its members (councillors)
- (vi) Its chief officers, and
- (vii) Its pension fund.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) Members of the close family, or the same household, and
- (ii) Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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

Examples of related party transactions include:

- (i) The purchase, sale, lease, rental or hire of assets between related parties
- (ii) The provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund
- (iii) The provision of a guarantee to a third party in relation to a liability or obligation of a related party
- (iv) The provision of services to a related party, including the provision of pension fund administration services
- (v) Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as rents and payments of benefits.

Remuneration - This is defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

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

Residual Value - The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Glossary of Terms

Retirement Benefits - These are all forms of consideration given by the Authority in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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.

Scheme liabilities (of a defined benefit scheme) - These are outgoings due after the valuation date. They are measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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)

Stocks - The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period; it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Support services (or overheads) - Services that support the delivery of front line services. Support services include finance, administration, ICT, legal and other central services.

Tangible assets - These are physical assets owned by the Council, which can be seen or touched e.g. buildings and equipment.

