

# NOTTINGHAMSHIRE POLICE AUTHORITY

## STATEMENT OF ACCOUNTS 2008/2009

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## EXPLANATORY FOREWORD

### 1. Introduction

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and a summary of the Authority's financial activities during 2008/09 and its financial position as at 31 March 2009.

### 2. Background

Nottinghamshire Police Authority is responsible for the finances of Nottinghamshire Police, with a net budget of £187 million for 2008/2009. It is responsible for providing policing services to a population of over 1 million in the City of Nottingham and County of Nottinghamshire.

The main duty of the Police Authority is to provide an efficient and effective Police Service. The Authority sets its own budget and its own council tax precept to finance expenditure not met by Central Government funding. It is responsible for managing overall expenditure within the budget. However, responsibility for day-to-day financial management is delegated to the Chief Constable in accordance with the Authority's Scheme of Delegation and Financial Regulations.

### 3. The Financial Statements

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP 2008).

To assist the reader an explanation of the various sections contained within the Statement of Accounts is set out below.

- **The Statement of Accounting Policies (Page 8)**  
This shows the policies adopted in compiling the Statement of Accounts.
- **The Statement of Responsibilities (Page 15)**  
This sets out the responsibilities of the Authority and Treasurer and also includes the Chairs certificate.

□ **The Accounting Statements:**

□ **Income & Expenditure Account (Page 17)**

This summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year.

□ **Statement of the Movement on the General Fund Balance (Page 18)**

This reconciles the surplus or deficit on the Income and Expenditure Account to the items that are required to be charged or credited to the General Fund and which therefore must be taken into account in determining the Authority's budget requirement and in turn its Council Tax demand.

□ **Statement of Total Recognised Gains & Losses (Page 20)**

This reconciles the outturn on the Income and Expenditure Account to the total movement in the Authority's net worth during the year. This statement recognises those gains and losses in the Balance Sheet that are not debited or credited to the Income and Expenditure Account.

□ **Balance Sheet (Page 21)**

This shows Nottinghamshire Police Authority's financial position as at 31 March 2009 (the end of the financial year 2008/2009).

□ **Cash Flow Statement (Page 23)**

This shows a summary of the cash flowing in and out of the Police Authority arising from transactions with Third Parties.

□ **Pension Fund Account and Net Assets Statement (Page 24)**

This shows the Fund Account for the year and the Net Assets Statement at the 31st March 2009 for the Police Officers Pension Scheme.

□ **Notes to the Accounts (Page 25)**

These provide additional information concerning items in the core financial statements.

□ **Independent Auditor's Report (Page 55)**

This sets out the opinion of the Authority's external auditor on whether the Police Authority's accounts present fairly the financial position and operations of the Authority for 2008/2009.

#### **4. Governance Arrangements**

Nottinghamshire Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Police Authority is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper procedures for the governance of the Authority's affairs and the stewardship of the resources at its disposal.

The Chief Constable is responsible for the operational activities of the Force. This responsibility is discharged in accordance with statutory requirements, Oath of Police Officers, the Police Discipline Code and Police Regulations.

The annual review of the system of Internal Control has been included within the arrangements for the Annual Governance Statement. The Annual Governance Statement details how the Police Authority are doing the right things, in the right way, for the people, in a timely, inclusive, open, honest and accountable manner.

## 5. Budget Variance

Against a budget of £186.9 million the overall net expenditure for 2008/2009 was £182.6 million. This leaves an under spending of £4.3 million.

The main variations in net expenditure for the year were:

Main Variations	£m
Police Pay and Allowances	3.0 (-)
Increase in Income	2.1 (-)
All other net changes	0.8 (+)
<b>2008/2009 over/(under) spending</b>	<b>4.3 (-)</b>

## 6. Revenue Expenditure

The analysis of expenditure within the net cost of the service, as shown on the Income and Expenditure Account, for the year was as follows:

	Amount £m	Proportion %
Employees		
Police Officers	101.8	47.1
Police Staff	50.9	23.5
Other Employee Expenses	2.1	1.0
	154.8	71.6
Other Running Costs	31.5	14.6
Capital Charge to Income & Expenditure Account	3.3	1.5
Pensions	26.7	12.3
<b>Total Expenditure</b>	<b>216.3</b>	<b>100.0</b>
Income	-29.5	
<b>Net Cost of Service</b>	<b>186.8</b>	

## 7. Financing of Revenue Expenditure

The amount to be met from government grants and local taxation in 2008/2009 was £184.7 million this was funded as follows:

	Budget £m	Actual £m	Difference £m
<b>Financing of Net Revenue Expenditure</b>			
Police Grant	76.3	76.3	0.0
Precept	47.8	47.8	0.0
Revenue Support Grant	7.4	7.4	0.0
Non Domestic Rates Redistribution	53.2	53.2	0.0
<b>Total Financing</b>	184.7	184.7	0.0

## 8. Balances and Reserves

Reserves are maintained to finance future expenditure and to protect the Authority against unforeseen events. The General Fund is used to support revenue expenditure and any overspending in the financial year is funded from this source. The regulations also allow the Authority to earmark reserves for specific purposes. There are further details of earmarked reserves in Note 22 to the accounts.

The following table summarises the reserves held, and the movements within the year:

	01.04.2008 £m	Movement £m	31.03.2009 £m
General Fund	6.0	0.1	6.1
Earmarked Reserves	9.6	2.1	11.7
<b>Total Reserves</b>	15.6	2.2	17.8

## 9. Capital Expenditure

The Police Authority's capital expenditure in 2008/2009 compared to the approved capital programme was as follows:

	<b>Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
<b>Capital Expenditure</b>			
Intangible Fixed Assets	0.0	0.9	0.9
Operational Land & Buildings	1.7	1.8	0.1
Vehicles	0.0	0.5	0.5
Equipment	6.6	5.5	-1.1
Assets Under Construction	0.8	0.9	0.1
<b>Total Capital Expenditure</b>	<b>9.1</b>	<b>9.6</b>	<b>0.5</b>
<b>Financing of Capital Expenditure</b>			
Supported Capital Expenditure	1.2	1.2	0.0
Government Grant	3.6	4.0	0.4
External Borrowing	4.0	4.0	0.0
Capital Receipts	0.3	0.3	0.0
Capital Contribution	0.0	0.1	0.1
<b>Total Financing</b>	<b>9.1</b>	<b>9.6</b>	<b>0.5</b>

## 10. Borrowing

The Authority borrows, where necessary, to finance capital expenditure that it can not meet from its own resources. The main source of borrowing is the Public Works Loan Board (PWLB).

At 31 March 2009 the level of debt outstanding was £15.5m, this includes £12.0m of PWLB debt and a market loan of £3.5m. The maximum amount of PWLB debt due to mature in any future year is £1.3m. The £3.5m market loan matures in 2066. During 2008/2009 £1.3m principal was repaid on PWLB loans.

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008* (SORP). The accounting convention adopted is historical cost, other than for certain categories of tangible fixed assets which are subject to revaluation and are then shown at Current Value.

### 2. Fixed Assets

All expenditure, above the de minimis level, on the acquisition of fixed assets has been capitalised.

Operational assets are fixed assets held and used by the Authority in the direct delivery of its service or used directly supporting that service. This includes Police Stations, Vehicles and Equipment. Non-operational assets are not directly used in the delivery of the service or are in the process of construction or development. This includes Police Houses, Police Stations under construction, and equipment purchased during the initial phases of a project that has two or three years before becoming operational.

Asset values have been included in the balance sheet as follows:

- a) Land and building values used in the Accounts are based on a valuation carried out by Lambert Smith Hampton, independent valuers, dated the 1 April 2004. Operational buildings have been valued on the basis of Existing Use Value. Non-Operational buildings have been valued on the basis of Open Market Value.

Where there has been significant expenditure on works to an existing building Lambert Smith Hampton have revalued the property and the Existing Use Value has been revised.

All buildings are valued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.



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

Where a loss (impairment) in value is recognised this is charged to the Income and Expenditure Account. If there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

- b) Vehicles, I.T. and other equipment have been included at their written down valuation at 31 March 2009.
- c) Furniture and Fittings are assessed to have a life of 15 years. Since 1 April 2003 furniture and fittings for new buildings have been capitalised at cost. For all buildings purchased or constructed between 1 April 1990 and 31 March 2003 furniture and fittings are included on the balance sheet at a written down value based on an original valuation of 7% of the cost of
- d) Assets under Construction are included at actual cost.

The value of assets shown is subject to the following de minimis levels:

Land and Buildings	£6,000
Vehicles and Plant	£0
Equipment	£2,500
Assets under Construction	£0

### **3. Charges to Revenue for Fixed Assets**

The Income and Expenditure Account is debited with depreciation and the amortisation of intangible fixed assets to record the real cost of holding fixed assets during the year.

The Authority is not required to raise council tax to cover depreciation or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (Minimum Revenue Provision). Depreciation and amortisation are therefore replaced by revenue provision in the Statement of the Movement on the General Fund Balance, adjusting transactions are also shown in the Capital Adjustment Account.

## **4. Depreciation**

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

Operational Buildings - straight line allocation over the life of the property as estimated by the valuers

Vehicles and Equipment - straight line allocation over the life of each asset

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.

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 offset depreciation charges made for the related assets in the Income and Expenditure Account, in line with the depreciation policy applied to them.

## **5. Disposal of Fixed Assets**

When an asset is disposed of, the gain or loss on disposal is written off to the Income and Expenditure Account. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts, which are required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital expenditure or set aside to reduce the Authority's need to borrow (the Capital Financing Requirement).

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of the Movement on the General Fund Balance.

## **6. Grants**

Government grants, third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution.

Revenue grants are matched in the Income and Expenditure Account with the expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

Capital grants are used in the financing of expenditure on fixed assets. If the grant relates to a specific asset then it is released from the Government Grants Deferred Account over the life of that asset, alternatively if the grant is of a more general nature then it is written off to the Capital Adjustment Account in the year the grant is used to finance the capital expenditure.

## **7. Leasing of Vehicles and Equipment**

The Authority currently leases a number of properties and items of equipment. All of these leases are accounted for as operating leases because all the risks and rewards relating to the leased items remain with the lessor. 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.

No assets have been acquired under finance leases.

## **8. Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged 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.

The Authority makes appropriate provision for bad debts.

## **9. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of the Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Authority.

## **10. Debtors and Creditors**

The Income and Expenditure Account has been prepared on a general accruals basis in accordance with the Code of Practice and FRS18. Debtors and Creditors are included in the Accounts to provide for sums owing to and by the Authority at 31 March 2009, where the cash has not actually been paid or received during the year.

## **11. Temporary Investments**

All temporary investments are in the form of interest earning cash deposits held by approved financial institutions.

## **12. Stocks**

Stock accounts are maintained for uniforms, fuel, stationery, catering provisions and cleaning materials and these are valued at latest buying price. This is a departure from SSAP9, but the differences are not material to the Accounts.

## **13. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

## **14. Pensions**

The Authority participates in two different pension schemes, both of which provide members with defined benefits (retirement lump sums and pensions) related to pay and service. The Police Officers scheme is unfunded. Police Staff are, subject to certain criteria, eligible to join the Local Government Pension Scheme. This is a funded defined benefit scheme administered by Nottinghamshire County Council.

The Authority accounts for Pension costs in accordance with Financial Reporting Standard (FRS) 17, Retirement Benefits.

This requires an organisation to account for retirement benefits in the year they are earned, even if the actual payment of the benefit will be sometime in the future.

The Income and Expenditure Account shows the cost of pensions at current service cost within the net cost of the service, pension interest costs and return on assets appear within the net operating expenditure. However to ensure that the only liability is for the cash cost of the pension contributions these costs are reversed out as movements on the pension reserve prior to the amount to be met from government grant and local taxation.

The Balance Sheet recognises the net pension liability, reserve and long term debtors.

## **15. Private Finance Initiative Contracts (PFI)**

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

The Authority has entered into two long-term contractual agreements, under PFI, with two contractors. The first was responsible for the initial design and construction and now the ongoing maintenance of a traffic wing. The second contractor is responsible for the provision of vehicle services. Such PFI schemes are required to meet the conditions set out in FRS5; professional advice has been provided which indicates there is no impact on the balance sheet of the Authority. Details of the ongoing revenue commitments are described on page 26.

## **16. Overheads and Support Services**

In CIPFA Best Value Code of Practice, Police Services are merged into one line on the Income and Expenditure Account. The costs of overheads and support services are charged to Police Services, with the exception of:

Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.

Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## **17. Joint Arrangement not an entity (JANE)**

The East Midlands Special Operations Unit (EMSOU) (see note 25) is treated as a JANE in line with Financial Reporting Standard 9 and the SORP.

A JANE is defined as a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own.

In the case of EMSOU the contractual arrangement is between the five local forces, Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire. This arrangement is to undertake special operations in the area of the five forces, but the EMSOU is not treated as a separate entity because it is not carrying out functions different to those carried out by the five forces.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- ❑ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Authority has determined the Treasurer as that officer,
- ❑ manage its affairs to secure economic, efficient and effective use of resources and safe guard its assets,
- ❑ approve the Statement of Accounts.

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The statement is required to present fairly, the financial position of the Authority at the accounting date and its Income and Expenditure for the year ended 31 March 2009.

In preparing the Accounts, the Treasurer has:

- ❑ selected suitable Accounting Policies and then applied them consistently,
- ❑ made judgements and estimates that were reasonable and prudent,
- ❑ complied with the Code of Practice.

The Treasurer has also:

- ❑ kept proper records which were up to date,
- ❑ taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents fairly the financial position of the Nottinghamshire Police Authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

**C Radford CPFA**  
**Treasurer to the Nottinghamshire Police Authority**  
**24 June 2009**

### **Police Authority Approval**

In accordance with Regulation 10(3)b of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006), I certify that the Police Authority approved the Statements of Accounts on the 24 June 2009.

**Councillor WJ Clarke**  
**Chair of the Nottinghamshire Police Authority**  
**24 June 2009**



## INCOME & EXPENDITURE ACCOUNT

Restated 2007/2008 £000		Gross Expenditure 2008/2009 £000	Gross Income 2008/2009 £000	Net Expenditure 2008/2009 £000
190,561	Nottinghamshire Police	214,122	-28,895	185,227
-656	EMSOU	1,124	-730	394
<b>189,905</b>	<b>Police Services</b>	<b>215,246</b>	<b>-29,625</b>	<b>185,621</b>
1,003	Corporate and Democratic Core	1,197	0	1,197
1,350	Non Distributed Costs	10	0	10
<b>192,258</b>	<b>Net Cost of Services</b>	<b>216,453</b>	<b>-29,625</b>	<b>186,828</b>
-26	(Gain)/Loss on the disposal of fixed assets			-53
3	EMSOU (Gain)/Loss on the disposal of fixed assets			0
-6,991	Police Pension Top Up Grant			-13,858
690	Interest payable and similar charges			937
-529	Interest and investment income			-522
73,345	Pensions interest cost and expected return on pensions assets			83,970
<b>258,750</b>	<b>Net Operating Expenditure</b>			<b>257,302</b>
-45,154	Precepts			-47,830
-81,755	General Government Grants			-83,685
-50,909	Non Domestic Rates Redistribution			-53,177
<b>80,932</b>	<b>(Surplus)/Deficit for the year</b>			<b>72,610</b>

## STATEMENT OF THE MOVEMENT ON THE GENERAL FUND

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

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

This reconciliation statement summarises the differences between the out-turn on the Income and Expenditure Account and the General Fund Balance.

Total Restated 2007/2008 £000		Notts Police 2008/2009 £000	EMSOU 2008/2009 £000	Total 2008/2009 £000
80,932	(Surplus)/Deficit for the year on the Income & Expenditure Account	72,216	394	72,610
-82,508	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-72,351	-417	-72,768
-1,576	(Increase)/Decrease in General Fund Balance for the year	-135	-23	-158
-4,490	General Fund Balance brought forward	-6,014	-52	-6,066
-6,066	General Fund Balance carried forward	-6,149	-75	-6,224

**RECONCILING ITEMS FOR THE STATEMENT OF THE MOVEMENT ON  
THE GENERAL FUND BALANCE**

Total Restated 2007/2008 £000		Notts Police 2008/2009 £000	EMSOU 2008/2009 £000	Total 2008/2009 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
-197	Amortisation of intangible fixed assets	-398	0	-398
-5,292	Depreciation of fixed assets	-6,406	-129	-6,535
4,378	Government Grants Deferred amortisation	4,043	53	4,096
19	Net gain/(loss) on sale of fixed assets	53	-7	46
-117,066	Net charges made for retirement benefits in accordance with FRS 17	-115,002	0	-115,002
-4,015	Impairment Charge	-215	-1	-216
-209	Revenue Expenditure funded from Capital	0	-292	-292
-122,382	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	-117,925	-376	-118,301
1,255	Minimum Revenue Provision for Capital financing	2,189	0	2,189
374	Capital Expenditure charged in year to the General Fund Balance	0	357	357
6,991	Transfer of Top Up Grant to Pension Fund	13,858	0	13,858
26,824	Employer's contribution payable to the Pensions Account and retirement benefits payable direct to pensioners	27,387	0	27,387
35,444	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	43,434	357	43,791
4,431	Net transfer to or from earmarked reserves	2,140	-398	1,742
4,431		2,140	-398	1,742
<b>-82,507</b>	<b>Net additional amount required to be (credited)/debited to the General Fund balance for the year</b>	<b>-72,351</b>	<b>-417</b>	<b>-72,768</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Police Authority for the year and shows the aggregate increase in its net worth. In addition to the (surplus)/deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Total Restated 2007/2008 £000		Notts Police 2008/2009 £000	EMSOU 2008/2009 £000	Total 2008/2009 £000
80,932	(Surplus)/Deficit for the year on the Income and Expenditure Account	72,216	394	72,610
-839	(Surplus)/Deficit arising on revaluation of fixed assets	-79	0	-79
-220,258	Actuarial (gains)/losses on pension fund assets and liabilities	-156,554	0	-156,554
<b>-140,165</b>	<b>Total (gain)/loss for the year</b>	<b>-84,417</b>	<b>394</b>	<b>-84,023</b>

## BALANCE SHEET

	Note	Restated 31 March 2008		31 March 2009	
		£000	£000	£000	£000
<b>Intangible Fixed Assets</b>					
Intangible Fixed Assets	17	856		1360	
EMSOU - Intangible Fixed Assets	25	3		6	
			<b>859</b>		<b>1,366</b>
<b>Tangible Fixed Assets</b>					
<b>Operational Assets</b>					
Land and Buildings	10	42,354		43,167	
Helicopter	10	1,078		940	
Vehicles	10	1,148		1,224	
Equipment, Furniture & Fittings	10	10,589		11,161	
EMSOU - Tangible Fixed Assets	25	396		336	
<b>Non-Operational Assets</b>					
Land and Buildings	10	1,830		1,463	
Assets under Construction	10	30		910	
<b>Total Tangible Fixed Assets</b>			<b>57,425</b>		<b>59,201</b>
Long Term Debtors	8		18		150
<b>Total Long Term Assets</b>			<b>58,302</b>		<b>60,717</b>
<b>Current Assets</b>					
Bank		0		393	
Stocks		656		645	
Debtors	8	11,563		15,306	
Temporary Investments		1,000		589	
Imprest Accounts		47		47	
EMSOU - Debtors	25	238		251	
EMSOU - Bank	25	839		381	
			14,343		17,612
<b>Total Assets</b>			<b>72,645</b>		<b>78,329</b>
<b>Current Liabilities</b>					
Short Term Borrowing		-871		-1,271	
Creditors	9	-15,085		-16,848	
Bank		-523		0	
EMSOU - Creditors	25	-426		-354	
			-16,905		-18,473
<b>Total Assets less Current Liabilities</b>			<b>55,740</b>		<b>59,856</b>
<b>Long Term Liabilities</b>					
Long Term Borrowing	32	-11,900		-14,229	
Government Grants Deferred		-736		-742	
Capital Grants Unapplied		-92		-974	
Provisions	20	-2,851		-2,560	
Defined Benefit Pension Scheme	30	-1,236,781		-1,153,984	
EMSOU - Government Grants Deferred	25	-179		-139	
			<b>-1,252,539</b>		<b>-1,172,628</b>
<b>Total Assets less Liabilities</b>			<b>-1,196,799</b>		<b>-1,112,772</b>

**BALANCE SHEET CONTINUED**

	Note	Restated 31 March 2008		31 March 2009	
		£000	£000	£000	£000
<b>Financed by:</b>					
Earmarked Reserves	22	9,625		11,766	
General Fund	22	6,014		6,149	
Capital Adjustment Account	22	22,644		21,988	
Revaluation Reserve	22	828		828	
Pension Reserve	30	-1,236,781		-1,153,984	
EMSOU - Capital Adjustment Account	25	220		203	
EMSOU - General Fund	25	52		75	
EMSOU - Earmarked Reserves	25	599		203	
<b>Total Net Worth:</b>			<b>-1,196,799</b>		<b>-1,112,772</b>

## CASH FLOW STATEMENT

Restated 2007/2008 £000		Note	2008/2009 £000
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
178,692	Cash paid to and on behalf of employees		190,867
28,822	Other operating cash payments		30,111
	<b>Cash Inflows</b>		
-45,154	Precept		-47,830
-8,544	Revenue Support Grant		-7,402
-50,909	National Non Domestic Rate		-53,177
-73,211	Police Grant		-76,282
-31,634	Other Government Grants	31.5	-32,319
-3,784	Cash Received for Goods & Services		-6,303
<b>-5,722</b>	<b>Revenue Activities Cashflow</b>	<b>31.1</b>	<b>-2,335</b>
	<b>SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
693	Interest Paid		941
	<b>Cash Inflows</b>		
-565	Interest Received		-632
<b>128</b>			<b>309</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
8,208	Purchase of Fixed Assets		9,420
	<b>Cash Inflows</b>		
-467	Sale of Fixed Assets		-239
-2,684	Capital Grants Received		-4,872
-140	Other Capital Cash Receipts		-59
<b>4,917</b>			<b>4,250</b>
<b>-677</b>	<b>Net Cash (Inflow)/Outflow Before Financing</b>	<b>31.2</b>	<b>2,224</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>845</b>	Net increase/(decrease) in Short-term Deposits	<b>31.4</b>	<b>-411</b>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
871	Repayments of amounts borrowed		1,271
	<b>Cash Inflows</b>		
0	New Loans Raised		-4,000
<b>871</b>		<b>31.4</b>	<b>-2,729</b>
<b>1,039</b>	<b>Net (Increase)/Decrease in Cash</b>	<b>31.3</b>	<b>-916</b>

## PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

The Police Pension Scheme, for police officers, is maintained under the Police Pension Fund Regulations 2007. It is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities. The fund is balanced to nil each year by a transfer out of the police fund. The police fund payment is matched by additional grant funding from the Home Office.

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

PENSION FUND ACCOUNT	2007/2008 £000	2008/2009 £000
<b>Contributions receivable</b>		
From employer		
normal	-19,731	-19,826
early retirements	0	-567
From members	-8,772	-8,924
<b>Transfers in</b>		
Individual	-435	-334
<b>Benefits Payable</b>		
Pensions	30,725	32,333
Commutations and lump sum retirement benefits	4,764	10,790
Lump sum death benefits	0	158
<b>Payments to and on account of leavers</b>		
Refund of contributions	3	2
Individual transfers	437	226
<b>Net amount receivable for the year</b>	6,991	13,858
Transfer from Police Fund	-6,991	-13,858
<b>Balance at 31 March</b>	0	0

NET ASSETS STATEMENT	2007/2008 £000	2008/2009 £000
Debtors - Pensions paid in advance	2,616	2,844
Creditors - Unpaid pensions benefits	-610	-1,250
Other Current Assets	-2,006	-1,594
	0	0



## NOTES TO THE ACCOUNTS

### 1. Prior Period Adjustments

The Code of Practice on Local Authority Accounting in the United Kingdom 2008, A Statement of Recommended Practice (SORP), included amendments to the disclosure requirements under Financial Reporting Standard (FRS) 17, Retirement Benefits. The majority of these amendments are reflected in Note 30 to the Accounts, but there is also a necessity to restate the FRS 17 disclosures on the Balance Sheet. Assets are now to be revalued on a "bid value" rather than at a "mid point" value by the actuary. The 2008/09 assets have been valued on this basis and the 2007/08 valuation has been reassessed on this basis.

These changes revise the FRS 17 disclosures on the Balance Sheet as follows:-

	<b>2007/2008</b>	<b>2007/2008 Restated</b>
<b>Long Term Liabilities</b>		
Defined Benefit Pension Scheme	-1,235,969	-1,236,781
<b>Financed By</b>		
Pension Reserve	-1,235,969	-1,236,781

The East Midlands Special Operation Unit (EMSOU) is a joint arrangement administered by Leicestershire Police (see Notes to the Accounts 25). The 2007/08 Statement of Accounts saw an increased level of disclosure for EMSOU, this has again been increased in 2008/09 to show a full disclosure of EMSOU within the Income and Expenditure Account, Statement of Movement on the General Fund, Statement of Total Recognised Gains and Losses and Balance Sheet. The 2007/08 accounts have been restated to show comparative figures.

The Force receives grant from the Home Office to cover the costs of the Pension Fund Account. The SORP does not specify how the grant should be treated but suggests that it would be more transparent to show it in Net Operating Expenditure rather than the Net Cost of Services, in the Income and Expenditure Account.

In the 2008/2009 accounts the grant has been treated in this way. In the 2007/2008 accounts it was shown in the Net Cost of Services and therefore a prior period adjustment has been made so the two years are comparable.

These changes revise the Income and Expenditure Account as follows:-

	<b>2007/2008</b>	<b>2007/2008 Restated</b>
Nottinghamshire Police	183,570	190,561
Police Services	182,914	189,905
Net Cost of Services	185,267	192,258
Police Pension Top Up Grant	0	-6,991
Net Operating Expenditure	258,750	258,750

## **2. Private Finance Initiative**

The Authority has two Private Finance Initiative (PFI) project agreements:-

The PFI contract for the provision of vehicle services to the Authority commenced in October 2001. The estimated capital value of this scheme is £14.8 million. The arrangement is for 25 years from 2001/2002 until 2026/2027. The amount paid in 2008/2009 was £3.1 million (£3.06 million in 2007/2008). Future payments will be linked to the movement in inflation, and are shown in the table below.

The Authority receives Special Grant towards the financing of the Vehicle Services PFI scheme. Grant of £1,311,912 was received in 2008/2009.

The PFI contract for the provision of a new Traffic Wing building commenced in February 2002. The estimated capital value of this scheme is £6.6 million. The arrangement is for 25 years from 2001/2002 until 2026/2027. The amount paid in 2008/2009 was £0.91 million (£0.88 million in 2007/2008). Future payments will be linked to the movement in inflation, and are shown in the table below.

The Authority receives Special Grant towards the financing of the Traffic wing PFI scheme. Grant of £613,003 was received in 2008/2009.

<b>Future PFI Payments</b>	<b>Vehicle Services £000</b>	<b>Traffic Wing £000</b>
2009/2010	3,128	917
2010/2011 to 2014/2015	15,638	4,586
2015/2016 to 2019/2020	15,638	4,586
2020/2021 to 2024/2025	15,638	4,586
2025/2026 to 2026/2027	3,909	1,605

### 3. Expenditure on Publicity

In accordance with Section 5 of the Local Government and Finance Act 1986 the Police Authority is required to disclose spending on publicity during the year.

	2007/2008 £000	2008/2009 £000
Staff costs of Press & Public Relations Office	448	430
Advertising for staff	96	146
Other publicity expenditure	120	195
<b>Expenditure</b>	<b>664</b>	<b>771</b>

### 4. Members' Allowances

The total amount of members allowances paid during 2008/2009 was £253,473 (2007/2008 £264,911).

### 5. Officers' Emoluments

The Accounts and Audit Regulations 2003 specifically requires disclosure of amounts paid to officers during the financial year, to be shown in multiples of £10,000 starting with £50,000.

All amounts paid to employees, excluding pension contributions, but including expense allowances and the money value of benefits, are included.

Remuneration Band	Number of Employees	
	2007/2008	2008/2009
£50,000 - £59,999	52	80
£60,000 - £69,999	18	11
£70,000 - £79,999	6	11
£80,000 - £89,999	2	4
£90,000 - £99,999	1	0
£100,000 - £109,999	1	1
£110,000 - £119,999	0	1
£120,000 - £129,999	1	1

## 6. Related Party Transactions

In accordance with the requirement of Financial Reporting Standard 8, the Authority is required to disclose details of any material transactions with bodies or individuals who have the potential to control or influence the Authority, and those who could potentially be controlled, or influenced by the Authority.

The Treasurer to the Police Authority has written to all Members, Senior Officers and Departmental Heads to obtain the required declarations.

The Authority has business relationships with Central Government and a number of other public organisations including Nottinghamshire County Council and Nottingham City Council.

	Payments £000	Receipts £000
<b>Central Government</b>		
Revenue Support Grant & NNDR	0	136,862
Other Government Grants	0	27,315
Capital Grants	0	2,460
<b>Local Authority - Precepts</b>		
Precepts and surpluses	0	47,830
<b>Local Authorities</b>		
Nottinghamshire County Council	7,792	476
Nottingham City Council	1,035	2,654
District Councils	1,227	435

## 7. Audit Costs

The following fees were paid to the Audit Commission, as appointed auditor, with regard to external audit services and inspection.

	2007/2008 £000	2008/2009 £000
Financial Statements (inc Whole of Gov't Acc'ts)	44	45
Use of Resources	32	31
<b>Total Audit Costs</b>	76	76

## 8. Debtors

The analysis of debtors shown on the Balance Sheet is:

	2007/2008 £000	2008/2009 £000
<b>Long Term Debtors</b>		
Car Loans to Staff	18	32
Cycle Loans to Staff	0	118
<b>Balance at 31 March</b>	18	150
<b>General Debtors</b>		
Invoices issued but not paid	2,732	4,532
Pension payments in advance	233	232
Grants and Contributions due	4,004	7,747
Investments	116	9
VAT	2,400	819
Capital	45	178
Other Debtors	2,033	1,789
<b>Balance at 31 March</b>	11,563	15,306

## 9. Creditors

The analysis of creditors shown on the Balance Sheet is:

	2007/2008 £000	2008/2009 £000
Invoices processed but not paid	-4,381	-4,057
Payroll	-6,067	-6,332
Capital	-742	-922
Grants in Advance	-1,448	-1,780
Other Creditors	-2,447	-3,757
<b>Balance at 31 March</b>	-15,085	-16,848

## 10. Fixed Assets

Operational Assets	Land and Buildings £000	Helicopter £000	Vehicles £000	Equipment £000	Total £000
<b>Certified Value of Assets as at 31 March 2008</b>	44,084	1,631	2,225	22,869	70,809
Accumulated Depreciation	-1,730	-553	-1,077	-12,280	-15,640
<b>Net Book Value of Assets as at 31 March 2008</b>	42,354	1,078	1,148	10,589	55,169
<b>Movement in 2008/2009</b>					
Additions	1,842	0	461	5,507	7,810
Disposals	-75	0	-94	-31	-200
Revaluation - Upwards	30	0	0	0	30
Impairment (No CEB)	0	0	0	-23	-23
Transfer	8	0	0	0	8
Asset not previously recognised	0	0	0	4	4
Depreciation:					
Current Year Depreciation	-997	-138	-344	-4,927	-6,406
Disposals	0	0	53	27	80
Revaluations	5	0	0	15	20
<b>Net Book Value of Assets as at 31 March 2009</b>	<b>43,167</b>	<b>940</b>	<b>1,224</b>	<b>11,161</b>	<b>56,492</b>

Non-Operational Assets	Land and Buildings £000	Assets Under Construction £000	Total £000
<b>Certified Value of Assets as at 31 March 2008</b>	1,830	30	1,860
Accumulated Depreciation	0	0	0
<b>Net Book Value of Assets as at 31 March 2008</b>	1,830	30	1,860
<b>Movement in 2008/2009</b>			
Additions	0	888	888
Disposals	-200	0	-200
Revaluation - Upwards	25	0	25
Impairment (No CEB)	-192	0	-192
Depreciation	0	0	0
Transfer	0	-8	-8
<b>Net Book Value of Assets as at 31 March 2009</b>	<b>1,463</b>	<b>910</b>	<b>2,373</b>

## 11. Financing of Capital Expenditure

	2007/2008 £000	2008/2009 £000
<b>Capital Investment</b>		
Operational Assets	5,232	7,810
Non Operational Assets	2,203	888
Intangible Assets	312	902
<b>Total</b>	7,747	9,600
<b>Sources of Finance</b>		
Supported Capital Expenditure	1,178	1,178
External Borrowing	0	4,000
Internal Borrowing	1,557	0
Government Grant	4,361	3,982
Capital Receipts	494	373
Capital Contribution	157	67
<b>Total</b>	7,747	9,600

## 12. Capital Expenditure Commitments

The estimated commitments for capital expenditure in future years for which the Authority had contractual commitments at 31 March 2009 are:

Estimated Capital Commitments	£000
2009/2010	1,727
2010/2011	1,880
2011/2012	940
2012/2013	0

## 13. Information on Assets Held

Number of Assets	At 31 March	
	2008	2009
Police Operational Buildings	42	41
Police Houses	10	9
Radio Masts	4	4
Vehicles	225	245
Helicopter (share of)	1	1

## 14. Assets Held Under Lease

(a) **Finance Leases**

The Police Authority has no obligations under capitalised finance leases.

(b) **Operating Leases**

In the year to 31 March 2009 the amount paid to lessors was £816,600.

Outstanding commitments in respect of operating leases at 31 March 2009 were as follows:-

	31 March 2009	
	Property £000	Other £000
<b>Lease Payments Committed to:-</b>		
In 2009/2010	404	147
Between 2010/2011 and 2014/2015	1,171	158
After 2014/2015	645	0

## 15. Valuation of Assets

The Authority is required to ensure that valuations for those assets held at current value are reviewed at intervals of no more than five years. All properties were valued in April 1999 and 2004 and are due for revaluation in April 2009. After completion of major improvement works, properties are revalued to incorporate effects of that expenditure.

The valuations are carried out by Lambert Smith Hampton, external valuers. The basis for valuation is set out in the Statement of Accounting Policies.

Due to the recent fluctuation in property prices the valuer has been asked to assess the potential effect on operational property prices. The view is from those properties valued in 2004 that the Forces provision for depreciation adequately covers any reduction in value.

For all non operational buildings, consisting of Police Houses, the value has been reduced by 11.6% in line with the Land Registry House Price Index for Nottinghamshire.



	<b>Operational Land and Buildings £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Non Op Land and Buildings £000</b>	<b>Total £000</b>
Valued at historical cost	0	33,217	0	33,217
Valued at current value in:				
2008/2009	0	0	1,463	1,463
2007/2008	12,875	0	0	12,875
2006/2007	5,025	0	0	5,025
2005/2006	0	0	0	0
2004/2005	29,015	0	0	29,015
<b>Total</b>	<b>46,915</b>	<b>33,217</b>	<b>1,463</b>	<b>81,595</b>

## 16. Depreciation

Assets are depreciated over their useful economic lives. Depreciation is calculated on a straight-line basis, using the following asset lives:-

Property	15 – 50 years
Vehicles	2 – 11 years
Equipment	2 – 15 years
Furniture and Fittings (new buildings)	15 years

A full years charge is made in the year of acquisition, with no charge made in the year of disposal. Depreciation is charged to the Income & Expenditure Account.

## 17. Intangible Assets

Intangible Assets consist of assets capitalised at cost that do not have physical substance but are identifiable and controlled by the Authority. The amount stated on the Balance Sheet consists of purchased software licences.

<b>Movement in Intangible Assets</b>	<b>£000</b>
Original Cost	1,381
Amortisations to 1 April 2008	-525
Balance at 1 April 2008	856
Expenditure in Year	902
Amortisation in Year	-398
<b>Balance at 31 March 2009</b>	<b>1,360</b>

Software licences are held for various systems, the cost is being written off over a seven year period, on a straight line basis.

## 18. Contingent Liabilities

Contingent Liabilities arise where the Authority is aware of a possible obligation that has arisen because of events prior to the Balance Sheet date, but where the existence will only be confirmed by future events which are not in the Authority's control.

The Authority has no contingent liabilities at 31st March 2009.

## 19. Post Balance Sheet Events

Since the accounts were prepared no material events have occurred which are not reflected in the accounts.

## 20. Provisions

Provisions are amounts that have been set aside to meet liabilities that are certain to arise but because of their inherent nature cannot be quantified with any certainty. The only provision made is for insurance.

	<b>01.04.2008 £000</b>	<b>Movement in year £000</b>	<b>31.03.2009 £000</b>
Employer and Public Liability	-1,965	182	-1,783
Motor Vehicle Liability	-886	109	-777
	<b>-2,851</b>	<b>291</b>	<b>-2,560</b>

## 21. Insurance Provision

The Authority takes out insurance policies to protect against the financial cost of several risks. However the policies carry an excess whereby the first part of a claim is the responsibility of the Authority. The Authority makes a provision in respect of outstanding liabilities based on the professional judgement of the Insurance Company. The level of provision required is reviewed by members during the year. The provision at 31 March 2009 was £2.5m (£2.8m 2008).

In addition to the above, the Authority has external insurances in place to protect its exposure to Business Continuity risks and a number of other minor risks including Personal Accident risks for members and volunteers.

The Authority has decided that it will not insure against damage caused to its own vehicles and any necessary repairs or replacements are financed directly from current expenditure.

## 22. Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	<b>Restated 01.04.2008 £000</b>	<b>Movement in year £000</b>	<b>31.03.2009 £000</b>
Revaluation Reserve	828	0	828
Capital Adjustment Account	22,644	-656	21,988
Usable Capital Receipts	0	0	0
Pensions Reserve	-1,236,781	82,797	-1,153,984
General Fund	6,014	135	6,149
Earmarked Reserves	9,625	2,141	11,766
<b>Total</b>	<b>-1,197,670</b>	<b>84,417</b>	<b>-1,113,253</b>

### Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value, as a result of inflation or other factors. The overall balance on the Reserve thus represents the amount by which the Current Value (C.V.) of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated Historical Cost (H.C.).

Whilst these gains arising from revaluations increases the net worth of the Authority they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2007/2008 £000	2008/2009 £000
<b>Balance at 1 April</b>	0	-828
Increase in Valuation (includes depreciation)	-839	-75
Difference between C.V. and H.C. depreciation	11	19
Assets not previously recognised	0	-4
Write off on Disposal	0	60
<b>Balance at 31 March</b>	-828	-828

### Pensions Reserve

As explained in Note 30. The Balance Sheet shows a liability which is the long term commitment the Authority has to pay retirement benefits. The amount shown as a Pension Reserve is the offset to that liability, and does not represent usable resources for the Authority.

### Capital Adjustment Account

The Capital Adjustment Account contains the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

The balance on the account thus represents timing differences between the amount of the Historical Cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2007/2008 £000	2008/2009 £000
<b>Balance at 1 April</b>	26,419	22,644
MRP	1,255	2,189
Depreciation	-5,179	-6,407
Intangible Assets	-197	-398
Impairment losses	-4,015	-215
Disposals - Book Value	-467	-320
Revaluations written off on disposal	0	60
Difference between C.V. and H.C. depreciation	11	19
Government Grant Deferred	4,323	4,043
Capital Financing: Capital Receipt	494	373
<b>Balance at 31 March</b>	22,644	21,988

### Usable Capital Receipts

The use of capital receipts is regulated by Part 1 of the Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. It is expected that all future receipts will be used to finance capital expenditure in the year they are received.

	2007/2008 £000	2008/2009 £000
<b>Balance at 1 April</b>	0	0
Receivable	494	373
Applied	-494	-373
<b>Balance at 31 March</b>	0	0

### General Fund

The General Fund is used to support revenue expenditure and any overspending in the financial year is funded from this source.

	2007/2008 £000	2008/2009 £000
<b>Balance at 1 April</b>	4,518	6,014
Increase	1,496	135
<b>Balance at 31 March</b>	6,014	6,149

### Earmarked Reserves

These are amounts that have been set aside to meet future expenditure that may be incurred but as yet are not sufficiently certain to be included within the general provisions.

	<b>01.04.2008</b> <b>£000</b>	<b>Movement</b> <b>in year</b> <b>£000</b>	<b>31.03.2009</b> <b>£000</b>
Medium Term Financial Plan	7,823	1,320	9,143
Helicopter Operational Reserve	90	0	90
Carry Forwards	179	731	910
Police Payroll Reserve	683	-135	548
Policing For You	500	0	500
Outstanding Legal Issues	350	-350	0
Market Loan Repayment	0	175	175
Special Operation	0	400	400
<b>Total</b>	<b>9,625</b>	<b>2,141</b>	<b>11,766</b>

### 23. Authorisation of Accounts

The Statement of Accounts were authorised for issue at the Police Authority on the 24th June 2009.

### 24. Christopher McDonald Memorial Trust

Nottinghamshire Police operates the above Trust, which does not form a part of the Authority's Accounts. The Trust was set up in the late 1970's with donations that were received from the public, following the murder of PC McDonald whilst on duty in Worksop.

At the 31 March 2009 the balance of the Trust stood at £8,800. During 2008/2009 awards of £4,800 were made.

## 25. East Midlands Special Operations Unit (EMSOU)

The East Midlands Special Operations Unit (EMSOU) was formed on the 1 January 2003 and is responsible for undertaking special operations across Nottinghamshire, Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire act as the lead authority.

Nottinghamshire contributes 27.6% to the net revenue budget of the EMSOU, this is included in the Forces Income and Expenditure Account. The contribution in 2008/2009 was £579,600.

The following tables show the accounts for the Joint Arrangements together with the balances attributable to Nottinghamshire.

31 March 2008		Income and Expenditure Account	31 March 2009	
EMSOU £000	Notts Police £000		EMSOU £000	Notts Police £000
2,199	605	Employee Expenses	2,259	624
129	35	Premises	601	166
355	98	Transport	299	83
1,278	351	Supplies and Services	1,674	462
974	268	Capital Charges	1,336	369
<b>4,935</b>	<b>1,357</b>	<b>Gross Operating Expenditure</b>	<b>6,169</b>	<b>1,704</b>
-394	-108	Other Income	-596	-164
10	3	Profit & Loss on Disposal of Fixed Assets	1	0
<b>4,551</b>	<b>1,252</b>	<b>Net Operating Expenditure</b>	<b>5,574</b>	<b>1,540</b>
		<b>Financed by:</b>		
-1,199	-330	Contributions from Partners	-2,100	-580
-5,726	-1,575	External Grants	-2,050	-566
<b>-2,374</b>	<b>-653</b>	<b>(Surplus) / Deficit for the year</b>	<b>1,424</b>	<b>394</b>

31 March 2008		Reconciliation of Movement on the General Fund	31 March 2009	
EMSOU £000	Notts Police £000		EMSOU £000	Notts Police £000
-2,374	-653	(Surplus) / Deficit for the year	1,424	394
-1,170	-322	Reversal of Capital Charges	-1,526	-422
197	54	Government Grants Released	191	53
-25	-7	(Profit)/Loss on Disposal of Fixed Assets	-25	-7
1,359	374	Capital Expenditure Charged to Revenue	1,295	357
1,725	474	Transfer to/from Reserves	-1,442	-398
<b>-288</b>	<b>-80</b>	<b>Movement on General Fund</b>	<b>-83</b>	<b>-23</b>
<b>99</b>	<b>28</b>	<b>Balance Brought Forward</b>	<b>-189</b>	<b>-52</b>
<b>-189</b>	<b>-52</b>	<b>Balance Carried Forward</b>	<b>-272</b>	<b>-75</b>

31 March 2008		Balance Sheet	31 March 2009	
EMSOU £000	Notts Police £000		EMSOU £000	Notts Police £000
		<b>Net Fixed Assets</b>		
1,451	399	Vehicles and Equipment	1,239	342
<b>1,451</b>	<b>399</b>	<b>Total Long Term Assets</b>	<b>1,239</b>	<b>342</b>
		<b>Current Assets</b>		
3,050	839	Cash	1,382	381
867	238	Debtors	909	251
		<b>Current Liabilities</b>		
-1,454	-400	Creditors	-1,180	-326
-96	-26	Receipts in Advance	-103	-28
<b>2,367</b>	<b>651</b>	<b>Net Current Assets</b>	<b>1,008</b>	<b>278</b>
-650	-179	Government Grants Deferred	-503	-139
<b>3,168</b>	<b>871</b>	<b>Net Assets</b>	<b>1,744</b>	<b>481</b>
		<b>Represented by:-</b>		
189	52	EMSOU Reserve	272	75
801	220	Capital Adjustment Account	736	203
2,178	599	Earmarked Reserves	736	203
<b>3,168</b>	<b>871</b>	<b>Total Net Worth</b>	<b>1,744</b>	<b>481</b>



## 26. National Special Branch Account

Nottinghamshire Police provides the finance function for the above to which all Police Authorities and associated national security organisations contribute. The Force processes all transactions and holds the balance of contributions. None of the transactions, or the year end balance of £0.9m are reflected in the Force's Income and Expenditure Account or Balance Sheet.

## 27. Police Property Act Fund

Police Authorities are required under the Police Property Act 1997 to set aside any money received from the sale of property which has come into their possession in connection with a criminal charge. The net proceeds from this fund are subsequently either repaid to the individual, used to defray expenses incurred in the storage and safe custody of property, or distributed to local charities as directed by the Chief Constable.

	2007/2008 £000	2008/2009 £000
Balance at 1 April	-332	-430
Income	-288	-488
Expenditure	194	409
<b>Balance at 31 March</b>	<b>-426</b>	<b>-509</b>
Held in Property Act Bank A/C	429	509
Held by Nottinghamshire Police	-3	0

## **28. North Midlands Helicopter Support Unit**

This consortium was set up between Nottinghamshire Police and Derbyshire Constabulary to provide air support for the two counties. The consortium's new helicopter became operational in April 2004, this was purchased using Home Office Capital Grant and supported by Supplementary Credit Approval, both of which were granted to Derbyshire Constabulary.

The accounts for the unit are included as part of Derbyshire Constabulary's Accounts. The running costs of the unit are split 50:50 between the two Authorities, Nottinghamshire Police's budgeted contribution, for 2008/2009 was £534,100.

Both authorities hold a reserve earmarked for the Helicopter Unit, into this any surplus can be paid or deficit charged. At the 31st March Nottinghamshire's share of the reserve was £90,000. For 2008/2009 the net expenditure of the unit was £1,190,534. The Nottinghamshire Police share of this figure is £606,192.

## **29. Local Area Agreement**

The Authority is a participant in a Local Area Agreement (LAA) - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/2009 the LAA has completed the third year of its three year agreement.

The purpose of the LAA is:

- to form an agreement between Partners and Government (represented by the Government Office for the East Midlands (GOEM)) to establish a collective vision for Nottinghamshire in accordance with the County Community Strategy;
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement;
- to improve the effectiveness and efficiency of public services in Nottinghamshire by pooling and aligning funding streams.

The LAA partners are:

Local Government Bodies (Nottinghamshire County Council, and the seven District Councils), Community Protection Authorities (Nottinghamshire Police Authority, Nottinghamshire & City of Nottingham Fire Authority, Nottinghamshire Probation Service), and Nottinghamshire Health, Learning and Voluntary Bodies.

Nottinghamshire County Council acts as the accountable body for the LAA.

Nottinghamshire Police Authority received payment of a grant during 2006/2007 and 2007/2008 to fund volume crime initiatives. No further grant was received during 2008/2009.

### **30. Pensions**

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

The Authority participates in two pension schemes:

The Local Government Pension Scheme for police staff is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Police Pension Scheme for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Police Authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government Pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police Authority, which then must repay the amount to Central Government. In April 2006 the Home Office introduced changes to the arrangements for Police Pension financing. The existing Police Pension Scheme (1987) closed to new members on 5 April 2006. New Police recruits from 6 April 2006 will join the New Police Pension Scheme (2006).

#### **Change of Accounting Policy**

Under the 2008 SORP the Authority has adopted the amendment to FRS17, Retirement benefits. As a result, the quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the assets at 31 March 2008 has been restated from £81.2m to £80.4m, a decrease of £0.8m.

#### **Transactions relating to retirement benefits**

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

	Local Government Pension Scheme		Police Pension Scheme	
	Restated 2007/2008 £000	2008/2009 £000	Restated 2007/2008 £000	2008/2009 £000
<b>Income and Expenditure Account</b>				
<b>Net Cost of Services:</b>				
Current service costs	5,291	4,832	37,060	26,190
Past service costs	1,350	0	20	1
<b>Net Operating Expenditure:</b>				
Interest cost	6,030	7,823	72,620	81,840
Expected return on assets in the scheme	-5,305	-5,693	0	0
<b>Net Charge to the Income and Expenditure Account</b>	7,366	6,962	109,700	108,031

	Local Government Pension Scheme		Police Pension Scheme	
	Restated 2007/2008 £000	2008/2009 £000	Restated 2007/2008 £000	2008/2009 £000
<b>Statement of the Movement on the General Fund Balance</b>				
Reversal of net charges made for retirement benefits in accordance with FRS 17	-7,366	-6,962	-109,700	-108,031
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	4,655	4,905		
Retirement benefits payable to pensioners (net of employee contributions)			29,160	36,431

In addition to the recognised gains included in the Income and Expenditure Account, actuarial gains of £156m (£220m 2007/2008 as restated) were included in the Statement of Total Recognised Gains and Losses.

## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded liabilities: Police Pension Scheme	
	Restated 2007/2008 £000	2008/2009 £000	Restated 2007/2008 £000	2008/2009 £000
<b>Balance at 1 April</b>	-108,727	-126,064	-1,340,810	-1,191,130
Current Service Cost	-5,291	-4,832	-37,060	-26,190
Interest Cost	-6,030	-7,823	-72,620	-81,840
Contributed by scheme participants	-2,080	-2,465	-9,140	-9,250
Actuarial Gains & (Losses)	-4,457	26,629	230,830	150,700
Benefits Paid	1,871	2,852	37,690	45,590
Past Service Costs	-1,350	0	-20	-10
<b>Balance at 31 March</b>	-126,064	-111,703	-1,191,130	-1,112,130

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	Restated 2007/2008 £000	2008/2009 £000
<b>Balance at 1 April</b>	75,795	80,413
Expected rate of return	5,259	5,693
Actuarial Gains & (Losses)	-5,505	-20,775
Employer Contributions	4,655	4,905
Contributions by scheme participants	2,080	2,465
Benefits Paid	-1,871	-2,852
<b>Balance at 31 March</b>	80,413	69,849

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 investment are based on gross redemption at the Balance Sheet date. Expected returns on equity investments reflect long term real rates experienced in the respective markets.

The actual return on scheme assets in the year was £5.7m (2007/2008 £5.3m)

## Scheme History

	Local Government Pension Scheme				
	Restated 2004/2005 £000	Restated 2005/2006 £000	Restated 2006/2007 £000	Restated 2007/2008 £000	2008/2009 £000
Present Value of liabilities					
Local Government Pension Scheme	-83,525	-104,273	-108,727	-126,064	-111,703
Police Pension Scheme	-1,086,870	-1,332,220	-1,340,810	-1,191,130	-1,112,130
Fair value of assets in the Local Government Pension Scheme	50,057	66,076	75,795	80,413	69,849
Surplus/(deficit) in the Scheme					
Local Government Pension Scheme	-33,468	-38,197	-32,932	-45,651	-41,854
Police Pension Scheme	-1,086,870	-1,332,220	-1,340,810	-1,191,130	-1,112,130
<b>Total</b>	<b>-1,120,338</b>	<b>-1,370,417</b>	<b>-1,373,742</b>	<b>-1,236,781</b>	<b>-1,153,984</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £1.154bn has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1.113bn.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy;

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary,
- finance is only required to be raised to cover police pensions when the pensions are actually paid out.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2010 is £5.7m. Expected contributions for the Police Pension Scheme in the year to 31 March 2010 is £20.1m.

### Basis for estimated assets and liabilities

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

For the Local Government Pension Scheme, liabilities have been assessed by Barnett Waddingham, working for Nottinghamshire County Council, estimates for the fund being based on the latest full valuation as at 31 March 2007.

For the Police Pension Scheme the authority appointed the Government Actuary's Department to assist with the assessment of accrued pension liabilities under the Police Pension Scheme for the year to 31 March 2009.

The principal assumptions used by the actuary have been:-

	Local Government Pension Scheme		Police Pension Scheme	
	Restated 2007/2008	2008/2009	Restated 2007/2008	2008/2009
Long-term expected rate of return on assets in the scheme				
Equity Investments	7.50%	6.90%		
Bonds	5.10%	4.70%		
Other	6.30%	5.70%		
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	20.30 years	20.30 years		
Women	24.00 years	23.91 years		
Longevity at 65 for future pensioners				
Men	21.30 years	21.22 years		
Women	25.00 years	24.91 years		
Rate of inflation	3.60%	3.00%	3.70%	3.00%
Rate of increase in salaries	5.10%	4.50%	5.20%	4.50%
Rate of increase in pension	3.60%	3.00%	6.70%	3.00%
Rate of discounting scheme liabilities	6.10%	6.70%	6.90%	6.90%
Take up of option to convert annual pension into retirement	50.00%	50.00%		

The Police Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

	<b>2007/2008</b>	<b>2008/2009</b>
	<b>%</b>	<b>%</b>
Equity Investments	62.0	59.3
Bonds	15.2	20.8
Property	17.0	15.9
Cash	5.8	4.0
	<b>100.0</b>	<b>100.0</b>

### **History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets of liabilities at 31 March 2009.

	<b>2004/2005</b>	<b>2005/2006</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>
	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>	<b>%</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Local Government Pension Scheme <i>Difference between the expected and actual return on assets</i>	N/A	12.7	2.0	-29.7	-6.8
<i>Experience gains and losses on liabilities</i>	N/A	-3.0	0.0	-0.3	0.0
Police Pension Scheme (1987) <i>Experience gains and losses on liabilities</i>	1.3	1.3	-1.5	-0.8	1.2
Police Pension Scheme (2006) <i>Experience gains and losses on liabilities</i>	N/A	N/A	23.5	-28.9	-2.8



## 31. Cash Flow Statement

### 1. Reconciliation of (Surplus)/Deficit to Revenue Activities Cash Flow

The table below shows the reconciliation of the net (surplus)/deficit on the Income and Expenditure Account to the net cash inflow from revenue activities.

				£000
<b>(Surplus)/Deficit for the year</b>				72,216
<b>Non-Cash transactions</b>				
			Capital charges	-2,977
			Contributions (to)/from Provisions	291
			FRS 17 Adjustment	-73,757
			Gain/(Loss) on disposal of Fixed Asset	53
<b>Items on an Accrual Basis</b>	<b>01.04.2008</b>	<b>31.03.2009</b>	<b>Movement</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
			Stocks	-11
			Debtors	3,849
			Creditors	-1,583
Interest Received				2,255
				-416
<b>Revenue Activities Net Cash Flow</b>				<b>-2,335</b>

### 2. Reconciliation of Net Cash flow to Movement in Net Debt

		£000
(Increase)/Decrease in cash		916
Cash (inflow)/outflow from (increase)/decrease in debt		-2,729
Cash (inflow)/outflow from (increase)/decrease in liquid resources		-411
<b>Change in Net Debt resulting from Cash Flows</b>		<b>-2,224</b>
Net debt at 1 April 2008		-12,247
Net debt at 31 March 2009		-14,471
<b>Movement in Net Debt during the year</b>		<b>-2,224</b>

### 3. Movement in Cash and Cash Equivalents

The following table shows the reconciliation of the Net (Increase)/Decrease in Cash, from the Cash Flow Statement, to the movement in cash shown on the Balance Sheet.

	01.04.2008	31.03.2009	Movement
	£000	£000	£000
Cash Overdraft	-523	393	916
Imprest Account	47	47	0
<b>Net (Increase)/Decrease in Cash</b>	<b>-476</b>	<b>440</b>	<b>916</b>

#### 4. Reconciliation of Financing and Management of Liquid Resources

	01.04.2008 £000	31.03.2009 £000	Movement £000
<b>Financing</b>			
Repayment of amounts borrowed:-			
Repayable within 12 months	-871	-1,271	-400
Long term borrowing	-11,900	-14,229	-2,329
	-12,771	-15,500	-2,729
<b>Management of Liquid Resources</b>			
Temporary Investments	1,000	589	-411
<b>Net Cash (Inflow)/Outflow from Financing and Management of Liquid Resources</b>	<b>-11,771</b>	<b>-14,911</b>	<b>-3,140</b>

#### 5. Analysis of other Government Grants

	£000
Pension Fund Top-up Grant	-11,043
PCSO Grant	-4,831
Crime Fighting Fund	-4,633
Miscellaneous Grants	-2,904
P F I Grant	-1,925
SPP Grant	-1,322
Drug Testing Pilot	-1,018
Community Neighbourhood Protection Service	-986
Highways Agency M1 Widening	-552
DNA Expansion Programme	-468
BCU Fund	-448
Neighbourhood Renewal Fund	-405
Knife Crime	-350
Initial Police Learning and Development Programme	-303
Dedicated Security Posts	-237
Sherwood Project	-214
Local Criminal Justice Board	-192
Sexual Assault & Rape Centre	-175
Police Incentivisation Scheme	-159
Prostitution Task Force	-154
<b>Total Grants Received</b>	<b>-32,319</b>

## 32. Financial Instruments

### Gains and Losses from Financial Assets and Liabilities

The gains and losses recognised in the Income and Expenditure and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	2008/2009			
	Financial Liabilities measured at amortised cost £000	Loans and Receivables £000	Financial Assets Available for sale assets £000	Total £000
Interest	-937	0	0	-937
Losses on Derecognition	0	0	0	0
Impairment losses	0	0	0	0
<b>Interest payable and similar charges</b>	<b>-937</b>	<b>0</b>	<b>0</b>	<b>-937</b>
Interest Income	0	522	0	522
Gains on Derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>522</b>	<b>0</b>	<b>522</b>
Gains on Revaluation	0	0	0	0
Losses on Revaluation	0	0	0	0
Amounts recycled to the I & E account after Impairment	0	0	0	0
<b>Surplus arising on Revaluation of Financial Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>-937</b>	<b>522</b>	<b>0</b>	<b>-415</b>

### Fair Value of Assets and Liabilities carried at Amortised Cost

Financial Liabilities and Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- ❑ the fair value of PWLB loans has been calculated by reference to the "premature payment" set of rates in force on that day;
- ❑ no early repayment or impairment is recognised.

The fair values calculated are as follows:

	31.03.2008		31.03.2009	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Financial Liabilities				
- PWLB	9,271	10,101	12,000	13,754
- Market Loan	3,500	2,979	3,500	3,266
	12,771	13,080	15,500	17,020
Loans and Receivables				
- Temporary Investments	1,000	1,000	580	580

The fair value of the PWLB loans is more 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 at the Balance Sheet date.

The table above excludes other Financial Liabilities such as cash overdrawn, creditors and other liabilities. The carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature within the next 12 months.

The table above also excludes other Financial Assets such as debtors as the value shown in the Balance Sheet is assumed to approximate fair value.

## Nature and Extent of Risks Arising from Financial Instruments

### Credit Risk

This is the risk that one party to a Financial Instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Authority's Treasury Management strategy. The Authority only invests in approved institutions with secure credit ratings, there are also limits in place as to how much can be invested with counterparties. The Authority publishes its strategy to the Police Authority in February for the forthcoming year.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

At 31st March 2009 the amount owed by customers was £4.7m (£2.8m in 2007/2008). The Authority's policy is to set aside a provision for bad debts in order to minimise the effect of default. At the end of 2008/2009 the provision for bad and doubtful debts was £182,000 (£110,000 in 2007/2008).

### Liquidity Risk

This is the risk that a party will be unable to raise funds to meet its commitments associated with Financial Instruments. As the Authority currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant portion of its borrowings at a time of unfavourable interest rates. This risk is reduced because the financial liabilities have a spread of maturity dates. The maturity analysis of financial liabilities is as follows:

	2007/2008 £000	2008/2009 £000
<b>Analysis of Loans by Maturity</b>		
Maturing between 1 and 2 years	-871	-1,271
Maturing between 2 and 5 years	-2,613	-3,813
Maturing between 5 and 10 years	-3,606	-4,891
Maturing between 10 years or more	-4,810	-4,254
<b>Amount outstanding at 31 March</b>	<b>-11,900</b>	<b>-14,229</b>

### Market Risk

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices and foreign currency exchange rates. The Authority has limited risk. PWLB interest rates are fixed, the Authority has one market loan which is a LOBO (Lender Option Borrower Option) for which the interest rate is fixed for the first five years and reviewable at 5 year intervals. Investments are only temporarily invested (less than a year). The Authority does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

## Borrowings and Investments

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

	Long-Term		Current	
	2007/2008 £000's	2008/2009 £000's	2007/2008 £000's	2008/2009 £000's
Financial Liabilities:				
at amortised cost - PWLB	8,400	10,729	871	1,271
at amortised cost - LOBO	3,500	3,500	0	0
at fair value through profit and loss	0	0	0	0
<b>Total Borrowings</b>	<b>11,900</b>	<b>14,229</b>	<b>871</b>	<b>1,271</b>
Loans and Receivables:				
- Temporary Investments	0	0	1,000	589
Available for sale financial assets	0	0	0	0
Unquoted equity investments at cost	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>589</b>

## **GLOSSARY OF TERMS**

The definitions within the glossary are designed to give the user an understanding of the technical terminology contained in the Statement of Accounts.

### **Accounting Policies**

These are a set of rules and codes of practice used when preparing the accounts.

### **Accrual**

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

### **Actuarial Gain or Loss**

The change in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or because the actuarial assumptions have changed.

### **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.

### **Amortisation**

This is the amount set aside to pay for the loss in value of intangible assets.

### **Budget**

This is a statement of the Authority's (financial) plans for a specific period of time. A budget is prepared and approved by the Police Authority prior to the start of the financial year. The Authority's budget is prepared on an outturn basis, which means that increases for pay and prices during the financial year are contained within the total budget figure.

**Call Off Contract**

The Authority tenders for the supply of I.T. equipment. All I.T. equipment is then called off this contract.

**Capital Expenditure**

This is expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance market value.

**Capital Grant**

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

**Capital Receipts**

Proceeds, exceeding £10,000, from the sale of an asset which may be used to finance new capital expenditure, or to repay outstanding loan debt as laid down within rules set by Central Government. They cannot be used to finance normal day to day revenue spending.

**Consumption of Economic Benefits (CEB)**

Impairment caused by either physical damage, or a deterioration in the quality of the service provided by the asset. Impairment caused by a general fall in prices is referred to as No CEB.

**Corporate & Democratic Core**

The costs associated with corporate policy making and member based activities, together with costs relating to corporate management, public accountability and treasury management.

**Creditor**

An amount owed by the Police Authority for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.



**Current Service Cost (Pensions)**

This measures the increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

**Debtor**

A sum of money due to the Police Authority in the relevant financial year but not received at the Balance Sheet date.

**Depreciation**

The measure of the consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Earmarked Reserves**

These reserves represent monies set aside that can only be used for that specific, “earmarked”, purpose.

**Emoluments**

All taxable sums paid to or received by an employee including the value of any none cash benefits received.

**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.

**Financial Reporting Standard (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 would be disclosed in the notes to the accounts.

### **Government Grants Deferred**

The balance of grants applied to the financing of fixed assets, awaiting amortisation to the Income and Expenditure Account to match depreciation on relevant assets.

### **Impairment**

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

### **Imprest Account**

Cash held locally to pay for small or urgent items.

### **Intangible Fixed Assets**

Assets that are not physical such as software licences.

### **Minimum Revenue Provision (MRP)**

The statutory minimum amount which an authority is required to charge to revenue on an annual basis as a provision to redeem debt.

### **Non-Domestic Rates Re-Distribution**

Redistribution by Central Government of monies collected from business rates to all Local Authorities according to a pre-determined formula.

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet.

### **Operating Lease**

Agreement whereby ownership of the asset remains with the lessor and an annual rental is charged to the Income and Expenditure Account.

### **Operational Assets**

Fixed assets held, occupied, or utilised by the Police Authority in the direct delivery of those services for which it has statutory responsibility.

**Past Service Cost (Pensions)**

These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from years of service earned in earlier years.

**Police Grant**

Central government support for policing distributed to Police Authorities according to a pre-determined formula.

**Precept**

A levy, which the Authority makes through the council tax to pay for services.

**Public Works Loan Board (PWLB)**

A government agency that provides longer term loans to local authorities at advantageous interest rates.

**Revenue Expenditure**

The day to day running costs incurred by an Authority in providing services.

**Revenue Financing**

Resources provided from the Authority's revenue budget to finance the cost of capital projects.

**Revenue Support Grant (RSG)**

Grant provided by Central Government, through the Office of the Deputy Prime Minister, to all Local Authorities, distributed according to a pre-determined formula.

**Tangible Fixed Assets**

Assets which are physical such as buildings or land.