NOTTINGHAMSHIRE
POLICE AUTHORITY

Nottinghamshire Police Authority

Statement of Accounts

2011 - 2012

Nottinghamshire Police Authority

Statement of Accounts

Contents Page

PAGE

Explanatory Foreword

1. Introduction

This will be the last Statement of Accounts published by Nottinghamshire Police Authority. From midnight on the 21st November 2012 the Police Authority will cease to exist as the legal entity responsible for Policing in Nottinghamshire (see also note 15 regarding going concern).

The successor organisation will be the Police and Crime Commissioner and the Chief Constable will also become a legal entity. All assets, liabilities and staff will transfer from the Police Authority to the Police and Crime Commissioner.

Both legal entities will take retrospective responsibility for the Statement of Accounts 2012-13.

This statement of accounts 2011-2012 puts in place a good financial position for the future. 2011-2012 is the first year of the current spending review requiring the Authority to make significant cuts in expenditure to reflect the reduction in grant that the Government has made in order to address the economic problems. £10.3m has been saved to achieve balanced budget and in totality savings exceed this as an under spend has also been achieved and transferred to reserves.

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, summary of the Authority's financial activities during 2011 - 12 and its financial position as at 31 March 2012. The values within the financial statements are disclosed with roundings that are appropriate to their individual presentation. The roundings are explained within the header for each statement that has financial information.

2. Background

Nottinghamshire Police Authority (NPA) is responsible for the finances of Nottinghamshire Police, with a net budget of £197.2 million for 2011-2012. The Authority 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 2011-2012 (The Code) which fully incorporates International Financial Reporting Standards.

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 12)**

  This states the policies adopted in compiling the Statement of Accounts

- **The Statement of Responsibilities (Page 27)**

  This sets out the responsibilities of the Authority and the Treasurer and also includes the Chair's certificate of approval signed on behalf of Nottinghamshire Police Authority.

- **Comprehensive Income & Expenditure Statement (Page 29)**

  This Statement shows the accounting cost in the year of providing services in accordance with The Code, rather than the amount to be funded from taxation.

  Nottinghamshire Police Authority is a precepting Authority. This means a substantial part of the funds required to operate are generated from a direct charge on the Council Tax payer, the remainder coming from Government Grant and income generated by the Authority.

  Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in note 3.3.

- **Movement in Reserves Statement (Page 30)**

  This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce Local Taxation) and other unusable reserves. The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'Net increase / decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

- **Balance Sheet (Page 32)**

  The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund Capital Expenditure or repay debt). The second category of reserves is Unusable Reserves, which are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between Accounting Basis and Funding Basis under Regulations”.

- **Cash Flow Statement (Page 33)**
  The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

- **Notes to the Accounts (including a summary of significant accounting policies and other explanatory information) (Page 35)**
  These provide additional information concerning items in the Core Financial Statements.

- **Fund Account, Net Assets Statement and notes for the Police Pensions Schemes (P1, Page 34 and note 17),**
- This gives detailed information regarding the Pension Schemes.

- **Independent Auditor's Report (Page 76)**
  This sets out the opinion of the Authority's external auditor on whether the Police Authority's Accounts present a true and fair view of the financial position and operations of the Authority for 2011-2012.

- **Annual Governance Statement (page 78)**
  This sets out governance arrangements..

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 Governance and 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 of Nottinghamshire, in a timely, inclusive, open, honest and accountable manner.
.

5. Budget Variance

During 2011/12 there has been a £9.2m reduction in employee costs primarily due to restructuring in response to the Government Comprehensive Spending Review. The restructuring involved redundancies, both voluntary and compulsory for staff and the use of A19 for the retirement of officers with over 30 years service. The drive to generate savings had a knock on effect on the costs of Supplies and Services which reduced by £2.7m this year. These savings of £11.9m were partly offset by an increase of £2.7m in agency charges as the force entered into a number of collaboration agreements with other police forces. This is discussed further in section 11 of this Foreword.

Transport costs, although down by £0.2m on the previous year, was £0.4m over budget because of increases in fuel costs and vehicle maintenance charges. Pension costs increased on budget primarily because of an increase in the number and cost of early medical retirements. The £8m budget reduction in income is mainly explained by specific Home Office grants e.g. the Crime Fighting fund being rolled into the main Police grant. Central Government did however agree to additional finance in the year. The most significant of these being £1.2 million to meet the additional cost of the civil disturbances in August.

The £2.6 million underspend has been transferred into the Medium Term Financial Plan which is used to support restructuring.

Budget Management Statement

Actual 2010-11 £m	Revenue Expenditure	Budget 2011-12 £m	Actual 2011-12 £m	Variance + (-) £m
175.7	Employee Costs	166.8	166.5	-0.3
5.9	Premises Maintenance	5.9	5.8	-0.1
6.4	Transport	5.8	6.2	0.4
17.1	Supplies and Services	15.5	14.4	-1.1
1.6	Agency costs	4.1	4.3	0.2
2.5	Capital Financing	3.3	2.8	-0.5
2.9	Pensions	3.3	4.6	1.3
1.5	Police Authority	1.2	1.2	0.0
-0.8	Budget Adjustments	0.0	0.0	0.0
-16.5	Income	-8.7	-11.2	-2.5
196.3	**Net Cost of Services**	**197.2**	**194.6**	**-2.6**
0.0	Use of Reserves	0.0	0.0	0.0
196.3	**Net Budget Requirement**	**197.2**	**194.6**	**-2.6**
	Statutory Accounting Adjustments:			
196.3	**Net Operating Expenditure (within the Comprehensive Income and Expenditure Statement)**	**197.2**	**194.6**	**-2.6**

A reconciliation of this expenditure to the Comprehensive Income and Expenditure Account is shown in Note 19.2.

Financing of Net Operating Expenditure

The net expenditure to be met from general Government Grants and Local Taxation in 2011-2012 was £194.6m This was funded as follows;

Actual 2010-11 £m	Taxation and Non-Specific Grant Income	Budget 2011-12 £m	Actual 2011-12 £m	Variance + (-) £m
-80.7	Police Grant	-88.2	-88.2	0.0
-53.3	Precept	-53.3	-53.3	0.0
-8.3	Revenue Support Grant	-12.1	-12.1	0.0
-57.0	Non Domestic Rates Redistribution	-43.6	-43.6	0.0
0.0	Precept Freeze Grant	0.0	-1.3	-1.3
199.3	**Total Financing**	**-197.2**	**-198.5**	**-1.3**

General and Earmarked Reserves

The underspend on the revenue expenditure has increased the value of the Medium Term Financial Plan Reserve. This will be utilised in future years to support the cost of change, in preparation for downsizing. A breakdown is provided in Note 4.1.

6. Pensions

The Authority participates in two different pension schemes, both of which provide members with defined benefits (retirement lump sums and monthly 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 International Accounting Standard (IAS) 19.
This requires an organisation to account for retirement benefits in the year in which they are earned, even if the actual payment of benefit will be in the future.

The Comprehensive Income and Expenditure Statement shows the cost of pensions at current service cost within the Cost of Services. Pension interest cost and return on assets appear within the Financing and Investment Income and Expenditure line. However to ensure that the only liability is for the cash cost of 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.

7. Changes to Accounting Policies

The changes to accounting for grants introduced in 2010-2011 required an additional de-minimis level to be set. This sets a sensible minimum level of £50,000 for income to be investigated to assess whether it should form part of the Earmarked Reserves. This avoids unnecessary administration cost without materially distorting the accounts. Other existing de-minimis levels have been reviewed and found to be satisfactory.

8. Borrowing Facilities

The Authority borrows, where necessary, to finance Capital Expenditure that it cannot meet from its own resources. The main source of borrowing is the Public Works Loan Board (PWLB). The Authority also has a £3.5 million Market Loan which is due to expire in 2066. The Authority borrowed £10 million during the year from the PWLB. This was raised to finance 2011-2012 Capital Expenditure and also to finance in part, previous year's expenditure which has utilised internal reserves. The main area of Capital Expenditure during 2011-2012 was the refurbishment of Force Headquarters buildings.

The Authority ensures by use of a Treasury Management Strategy, which is closely monitored, that all borrowing is prudent and only for capital purposes. At 31 March 2012 the accumulated capital financing requirement from all previous Capital Expenditure was £46.5 million. This has purchased assets with a current value assessed to be £54.5 million. The value of outstanding borrowings for these assets is £31.9 million (excluding finance lease liabilities).

The majority of the Authority's borrowings are due to mature in the next 10 years. Borrowing is only undertaken after Capital Receipts and Capital Grant are applied.

The Authority has a 4 year Capital plan of expenditure and financing summarised in the following table:

	Budget 2012-13 £m	**Budget 2013-14 £m**	**Budget 2014-15 £m**	**Budget 2015-16 £m**
Building Projects	2.4	0.0	0.0	2.6
Technology Projects	4.0	3.3	3.3	3.4
Total	**6.4**	**3.3**	**3.3**	**6.0**
Financed by				
Capital Receipts	0.7	1.5	1.5	0.0
Capital Grants	1.9	1.8	1.8	1.9
Borrowing	3.8	0.0	0.0	4.1
Total	**6.4**	**3.3**	**3.3**	**6.0**

9. Capital Expenditure

A complete review of Capital Expenditure has been undertaken and the asset base of the Authority will change over the next few years with greater partnership working, and with the placing of Police Officers in the heart of communities. As such only essential capital expenditure has been incurred during 2011-2012, and this situation is expected to continue in the forthcoming years.

The Police Authority's Capital Expenditure and its financing in 2011-2012 compared to the approved capital programme was as follows:

Actual 2010-11 £m	Capital Expenditure	Budget 2011-12 £m	Actual 2011-12 £m	Variation + (-) £m
0.1	Intangible Fixed Assets	0.0	0.1	0.1
3.2	Operational Land & Buildings	4.4	3.1	-1.3
2.3	Plant, Vehicles & Equipment	3.8	1.9	-1.9
0.7	Assets Under Construction	0.0	0.0	0.0
6.3	**Total**	**8.2**	5.1	**-3.1**
	Financed by			
-1.2	Supported Capital Expenditure	-1.2	-1.2	0.0
-2.5	Grants & Contributions	-1.4	-2.1	-0.7
0.0	Internal Borrowing from Reserves	0.0	0.0	0.0
-0.1	Capital Receipts	-0.2	-0.2	0.0
-2.5	External Borrowing	-5.4	-1.6	3.8
-6.3	**Total Financing**	**-8.2**	**-5.1**	**3.1**

10. Details of significant Provisions and Contingencies

Provisions are made to meet estimated insurance claim liabilities outstanding. This has decreased by £0.4m during the year. There are number of potential liabilities due to fines or legal action which are not certain enough to be designated as provisions or reserves but are included as contingent liabilities. A breakdown is provided in Note 10.

11. Other Significant events during the year

2011-2012 is the first year of significant cuts in grant funding and the Authority has had to achieve £10.3m in savings to balance the budget. Key to achieving this has been restructuring and downsizing of the Corporate Services Departments and the application of the A19 regulation, which enforces the retirement of Police Officers with fully pensionable service of 30 years.

The use of A19 was a difficult decision for the Authority and limited to use in 2011-2012. These and other savings enabled the rebasing of expenditure to a level where the financial position of the authority is on a healthy footing to respond to the future expenditure cuts.

In addition to these local collaborations has been recognition that a National Police Air Service would improve service delivery and achieve further savings. Work has been undertaken to move to a national service which the current Nottinghamshire and Derbyshire collaboration will transfer to in 2013-14.

During 2011-2012 collaboration projects have been developed to final business case and in year the Authority has signed eleven agreements covering the following functions;

- Legal Services
- Major Crime
- Technical Surveillance
- Serious and Organised Crime
- Counter Terrorism
- Intelligence

- Occupational Health
- Learning and Development
- Procurement
- Forensics
- Air Support Maintenance

These collaborations will drive out further efficiencies and improve service delivery. On 15th September 2011 the Police and Social Responsibility Act was passed by Parliament. This is the most significant change in Policing accountability and democracy to take place in the last 20 years at least. The Authority and Force have been working together with partners on transition to ensure the smooth transfer to the Police and Crime Commissioner.

The summer of 2011 saw public disturbances starting in London and being replicated in major cities. Nottingham was one City that experienced disturbances however; these did not escalate to riot. Robust policing together with partner support resulted in significantly less damage and disturbance to the public. The Authority applied to the Government for Special Grant and the Government has agreed to a 100% reimbursement. The costs of Officers supplied to the Met have been reimbursed through mutual aid.

12. Post Balance Sheet Events

There are no Post Balance Sheet events which have affected the Accounts presented.

13. Future Outlook

As detailed within the introduction and significant events the future outlook will include the introduction of a Police and Crime Commissioner. With this elected individual comes a significant expansion of role beyond policing to include the commissioning of services for the prevention of crime.

In accountancy terms there will be a change to group accounting with the Police and Crime Commissioner being the “parent” organisation and the Chief Constable entity forming a “subsidiary” in the group accounts.

The Authority has set a balanced budget for 2012-13 which includes a further £10.3m of savings that will continue to be monitored closely. Over the following 2 years there is a need to achieve further savings of £18.3m. Despite these savings, the Authority supported a growth budget for 2012-13 utilising a precept increase to recruit 56 additional PCSO’s (one per each neighbourhood cluster).The Authority also supported a Medium Term Financial Plan which would see an increase of Police Officers to 1700 by 2014-15.

2012 sees the Queens Diamond Jubilee celebrations following by The Olympic Torch Relay through the County and City and the Olympics and Para Olympics. These events will be well policed and Nottinghamshire will provide 250 officers over the Olympic period.

14. Early Closedown

The Authority and Force has achieved an earlier closedown of the Authority’s Accounts for 2011-2012 than in previous years. As a result the Authority also made the Accounts available for inspection earlier.

15. Going Concern

The abolition of Police Authorities to be replaced by the Police and Crime Commissioner means that due regard needs to be taken for the future concern of the Authority and any impact this may have on the Statement of Accounts, particularly in 2012-13.

The Statement of Accounts for 2012-13 will be produced on the basis that the Police and Crime Commissioner and the Chief Constable as the successor legal entities take retrospective responsibility for the financial accounts from 1st April 2012.

All assets, liability and staff will transfer to the Police and Crime Commissioner on 22nd November 2012.There is no requirement on the Authority to produce a Statement of Accounts up to 21st November. However, there will be a "soft close" valuing the organisations it transfers.

The Authority is continuing "business as usual" right up to the election on 15th November and handover on the 21st/22nd November. As such the Authority has supported a Medium Term Financial Plan for growth in Police Officer numbers and continues to monitor the budget and scrutinise performance.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011-2012 financial year and its position at the 31 March 2012. The Authority is required to prepare annual Statement of Accounts by the Accounts and Audit Regulations 2011, which state a requirement that these be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012 and the Best Value Accounting Code of Practice 2011-2012, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, and not when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Income from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed, where there is a gap between the date supplies are received and their consumption; they are carried as inventory on the Balance Sheet.
- Expenditure in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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 debts may not be settled, the debt is written off and a charge made to the Comprehensive Income and Expenditure Statement for the income that may not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition. These are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

6. Charges to Revenue for Non-Current Assets

Central Service Costs are charged with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation of Non-Current Assets.
- Revaluation and Impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Revaluation Gains reversing previous losses charged to the Comprehensive Income and Expenditure Statement
- Amortisation of Intangible Assets.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution, from revenue towards the reduction in its overall borrowing requirement in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of a Minimum Revenue Provision (MRP).

7. Employee Benefits

Benefits Payable during Employment

Short-term Employee Benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements or any form of leave, e.g. time off in lieu earned by employees, but not taken before the year-end, which employees can carry forward into the next financial year, (Accumulated Absences Account Note 4.2). The accrual is made at the wages and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. (Note 24).

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Local Government Pensions Scheme, 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 pension liabilities with investment assets.

- The Police Pension Scheme (PPS) 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 pension fund for the year are 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 a 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 be repaid 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 join the New Police Pension Scheme (2006).

Both types of scheme provide defined benefits to members (retirement lump sums and pensions), earned whilst employed by the Authority.

8. The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions of mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

The assets of Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension's liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned during this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees. Note 17 to the accounts includes information regarding retirement benefits.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Authority made no material payments in relation to injury awards during the year ended 31 March 2012.

9. Post Balance Sheet Events

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date on which the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of financial instruments and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Long term borrowing presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement where applicable.

During the year ended 31 March 2012 the Authority did not undertake any re-financing of loans.

The fair value of the finance lease liabilities is published by the Debt Management Office (PWLB).

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and-or do not have fixed or determinable payments.

Loans and Receivables

Loans and Receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the appropriate amount receivable for the year. 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 relevant service or the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable Revenue Grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced Revenue Grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where grants and contributions are unconditional they are carried in the Balance Sheet as an Earmarked Reserve.

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

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, but are controlled by the Authority as a result of past events (e.g. software licences), are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only re valued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and are therefore carried at amortised cost. Software licenses are amortised over seven years.

The depreciable amount of an intangible asset is amortised over its useful life to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Comprehensive Income and Expenditure Statement.

13. Inventories

Inventories are included in the Balance Sheet at the latest buying price as a proxy to fair value. All inventory valuations are based on current purchase price. Inventory Accounts are maintained for uniforms, fuel and stationery. Write-offs are made for obsolete items which are out of date.

14. Jointly Controlled Operations and Jointly Controlled Assets

The East Midlands Special Operations Unit (EMSOU), The East Midlands Special Operations Major Crime (EMSOUMC) and The East Midlands Technical Surveillance Unit (EMTSU) (see Notes 13 and 14) are treated as a Joint Asset Non Entities (JANES) in accordance with IAS 31- Interests in Joint Ventures. The contractual arrangements for EMSOU, EMSOUMC and EMTSU are between Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Police Authorities and Nottinghamshire's proportion is 27.6%.

NPA collaborate with other East Midland Authorities in a number of other back office functions, such as Legal Services. Staff involved in these collaborations have transferred under TUPE agreements. Nottinghamshire Police are charged for their proportion of the service use.

15. Leases

The Accounting Code no longer uses the terms hire or rental, all such arrangements are referred to as leases. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease, but convey a right to use an asset in return for payment, are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under a finance lease are recognised on the Balance Sheet at the commencement of their lease at their fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The assets recognised are matched by a liability for the obligation to pay the lessor. Initial direct costs to the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

16. Overheads and Support Services

The Service analysis is based Service Expenditure analysis Code of Practice (SeRCOP) 2011-2012. SeRCOP analyses expenditure into nine groups relating the main areas of Police activity. This analysis was agreed following consultation between all the major stakeholders and aims to identify the costs of policing in a consistent manner across all Forces. The costs of overheads and support services are charged to the category of service that benefits from the usage of that service, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a single purpose, democratic organisation.
- The cost of discretionary benefits awarded to employees retiring early, has previously been a Non distributed cost however the cost is significant and has been disclosed separately on the face of the CIES to avoid distortion between years.

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

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used for more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred, to the Comprehensive Income and Expenditure Statement.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority).

PFI assets capitalised:

- Minimum lease payments over the term of the lease.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

  a) Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Previously this was done for all assets at 1 April 2009. During 2011-2012 approximately 25% of the assets have been revalued which will have the effect of the overall value staying closer to current value and for any major trends to be identified. Land and building values used in the Accounts are based on a valuation carried out by Andrew Martin BSc MRICS, (Director) and Roger Smalley BSc MRICS, (Associate Director) of the independent valuers Lambert Smith Hampton. 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. Bridewell custody suite is valued on a depreciated replacement cost (DRC) basis as this is deemed to be a specialised asset.

b) Plant, vehicles and equipment have been included at their depreciated historic valuation.

c) Furniture and Fittings are capitalised at cost.

d) Assets under Construction are included at actual cost.

e) Investment Properties are revalued annually at market value.

f) Assets held for sale and Police Houses are held at market value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement once the Revaluation Reserve is fully used.

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.

18. Investment Properties

Investment properties are those that are used to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale. The carrying value is annually revalued to current fair value. Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Account.

19. Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated, and where this is less than the carrying amount of the asset, an impairment loss is recognised for the deficit. Where impairment losses are identified, they are accounted for as follows;

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently by a revaluation gain, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

20 Depreciation

Depreciation is provided for on all operational Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives after allowing for residual values.

Depreciation is calculated on the following bases:

Asset Type	Depreciation Method	Period of Years
Land	Nil	Nil as will not reduce in value
Property	Straight Line	10-50 years or as estimated by the valuer
Vehicles	Straight Line	1-20 years
Plant and Equipment	Straight Line	1-20 years
Capitalised finance leases (various assets)	Straight Line	Over the life of the finance lease

Where an item of Property, Plant and Equipment asset has major components whose cost and life span is significantly different from the rest, the components are depreciated separately. 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 Comprehensive Income and Expenditure Account. 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. This is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

21. Disposals and Non-Current Assets Held for Sale

When a non current asset is actively marketed, and the sale is reasonably expected in the next 12 months, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and revalued appropriately.

When an asset is disposed of or decommissioned for less than £10,000, the receipt is credited to the Comprehensive Income and Expenditure Statement and the carrying amount of the asset forms the loss on disposal.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

All Revaluation Reserve balances relating to disposed assets are transferred to the Capital Adjustment Account.

22. Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services remains with the PFI contractor.

The Authority has entered into two long-term contractual agreements, under PFI, with two contractors. The first is responsible for the initial design and construction, and now the ongoing maintenance of a Riverside Accommodation. The second contractor is responsible for the provision of vehicles and maintenance thereof. The vehicles have been judged against IFRIC4 and those valued above the Authority's de-minimis, and where at the inception of the lease the minimum lease payments amounted to at least 75% of the fair value of the asset, have been re-classified retrospectively, as finance leases. The majority have been reclassified with the small remainder being included within the Cost of Services within the Comprehensive Income and Expenditure Account.

For the Riverside Accommodation the amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 21.38% on the outstanding Balance Sheet liability, has been debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the building PFI.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – whereby a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

23. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

24. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

25. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

26. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and hence included within the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and Employee Benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies. A description of the purpose of these reserves is shown in the Glossary at the end of the Statement of Accounts.

27. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

28. Cash Flow Statement

This has been prepared using the 'Indirect Method'.

29. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year has been written off as expenditure to the relevant service revenue account in the year.

The Authority had no directly expended revenue from capital under statute (REFCUS) during the year ended 31 March 2012, but has included its share of REFCUS from the joint venture known as the East Midlands Special Operations Unit (EMSOU).

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 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;
- Ensure that there is an adequate Annual Governance Statement.
- 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 2012.

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 in my opinion the Statement of Accounts present a true and fair view of the financial position of the Nottinghamshire Police Authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

C M H Radford CPFA
Treasurer to Nottinghamshire Police Authority

I certify on behalf of the Police Authority that the Statement of Accounts presents a true and fair view of the financial position of the Nottinghamshire Police Authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Jon Collins
Chair of Nottinghamshire Police Authority

26 September 2012

Core Financial Statements

CS1. Comprehensive Income and Expenditure Statement

CS2 Movement in Reserves Statement

CS3 Balance Sheet

CS4 Cash Flow Statement

P1 Pension Fund Account

These financial statements replace the previously audited and approved in principle accounts presented to the Police Authority on the 18 July 2012.

C M H Radford CPFA

Treasurer to Nottinghamshire Police Authority

26 September 2012

CS1. Comprehensive Income and Expenditure Statement

2010-2011			2010-2011 Restated				2011-2012					
Gross Exp' £000	Gross Income £000	Net Exp' £000	Gross Exp' £000	Gross Income £000	Net Exp' £000		Gross Exp' £000	Gross Income £000	NPA Net Exp' £000	JANE's Adj' £000	Total £000	Note
134,719	-14,728	119,991	134,804	-14,305	120,499	Local Policing	126,192	-11,067	115,125	0	115,125	
16,389	1,595	17,984	17,744	-540	17,204	Dealing with the Public	16,232	-116	16,116	0	16,116	
19,177	-925	18,252	18,936	-1,220	17,716	Criminal Justice Arrangements	16,614	-651	15,963	0	15,963	
8,481	-4,896	3,585	6,265	-3,616	2,649	Road Policing	5,046	-2,370	2,676	0	2,676	
14,705	-118	14,587	14,633	-666	13,967	Specialist Operations	13,678	-403	13,275	0	13,275	
9,626	-2,118	7,508	11,219	-1,205	10,014	Intelligence	11,234	-191	11,043	0	11,043	
28,058	1,027	29,085	29,472	-951	28,521	Specialist Investigations	29,026	-1,215	27,811	0	27,811	
7,106	389	7,495	7,391	-152	7,239	Investigative Support	6,798	-49	6,749	0	6,749	
6,387	-5,076	1,311	4,184	-2,195	1,989	National Policing	4,601	-2,756	1,845	0	1,845	
770	-663	107	770	-663	107	EMSOU	489	-498	0	-9	-9	13
0	0	0	0	0	0	EMSOUMC	16	0	0	16	16	13
0	0	0	0	0	0	EMTSU	-49	-14	0	-63	-63	14
1,611	-5	1,606	1,611	-5	1,606	Corporate and Democratic Core	1,371	0	1,371	0	1,371	
2,367	-197,996	-195,629	2,367	-197,996	-195,629	Non Distributed Costs	2,372	0	2,372	0	2,372	
249,396	**-223,514**	**25,882**	**249,396**	**-223,514**	**25,882**	**Cost Of Services**	**233,620**	**-19,330**	**214,346**	**-56**	**214,290**	
1,057	0	1,057	1,057	0	1,057	**Other Operating Expenditure**	738	0	738	0	738	3
94,427	0	94,427	94,427	0	94,427	**Financing and Investment Income & Expenditure**	91,406	0	91,406	0	91,406	3
0	-221,405	-221,405	0	-221,405	-221,405	**Taxation and Non-Specific Grant Income**	0	-228,673	-228,673	0	-228,673	3
344,880	**-444,919**	**-100,039**	**344,880**	**-444,919**	**-100,039**	**Surplus (-) or Deficit on Provision of Services**	**325,764**	**-248,003**	**77,817**	**-56**	**77,761**	
		-61			-61	Surplus (-) or deficit on revaluation of non-current assets			-867	0	-867	4
		-69,189			-69,189	Pension Fund Adjustment under regulations			67,920	0	67,920	4
		-69,250			**-69,250**	**Other Comprehensive Income & Expenditure**			**67,053**	**0**	**67,053**	
		-169,289			**-169,289**	**Total Comprehensive Income & Expenditure**			**144,870**	**-56**	**144,814**	

CS2. Movement in Reserves

2011-2012	General Fund £000	Earmarked Reserves £000	Capital Receipts £000	Capital Grants £000	Total Usable Reserves £000	Reval'n Reserve £000	Capital Adj' £000	Pensions Reserve £000	Collection Fund Adj £000	Accum' Absence £000	Total Unusable Reserves £000	Total Reserves £000
Note ref		4.1				4.3	4.5	4.4	11	4.2		
Balance at 1 April 2011	**-7,000**	**-9,048**	**0**	**-232**	**-16,280**	**-2,174**	**-10,822**	**1,617,137**	**-140**	**5,747**	**1,609,749**	**1,593,469**
Surplus (- deficit) on the provision of services (accounting basis)	**77,817**	**0**	**0**	**0**	**77,817**	**0**	**0**	**0**	**0**	**0**	**0**	**77,817**
Other Comprehensive I & E - revaluation gains & losses	**0**	**0**	**0**	**0**	**0**	**-867**	**0**	**67,920**	**0**	**0**	**67,053**	**67,053**
Total CIES	**77,817**	**0**	**0**	**0**	**77,817**	**-867**	**0**	**67,920**	**0**	**0**	**67,053**	**144,870**
Depreciation/Amortisation of non-current assets	-5,475	**0**	**0**	0	**-5,475**	0	5,475	0	0	0	**5,475**	**0**
Impairment/Revaluation losses	-4,785	**0**	**0**	0	**-4,785**	0	4,785	0	0	0	**4,785**	**0**
Capital grants and contributions credited to the CIES	1,981	**0**	**0**	0	**1,981**	0	-1,981	0	0	0	**-1,981**	**0**
Net gain or loss (-) on sale of non-current assets	-102	**0**	**-1,141**	0	**-1,243**	0	1,243	0	0	0	**1,243**	**0**
Pension costs adj between calculated in accordance with IAS19 and from the contributions due under pension scheme regulations	-135,787	**0**	**0**	0	**-135,787**	0	0	135,787	0	0	**135,787**	**0**
Amount by which council tax income included in the CIES	-127	**0**	**0**	0	**-127**	0	0	0	127	0	**127**	**0**
Minimum Revenue Provision	1,836	**0**	**0**	0	**1,836**	0	-1,836	0	0	0	**-1,836**	**0**
Minimum Revenue Provision (Finance Lease Liabilities)	949	**0**	**0**	0	**949**	0	-949	0	0	0	**-949**	**0**
Employers contribution to Pension Scheme	59,189	**0**	**0**	0	**59,189**	0	0	-59,189	0	0	**-59,189**	**0**
Use of Capital Receipts Reserve to finance capital expenditure	0	**0**	**241**	0	**241**	0	-241	0	0	0	**-241**	**0**
Use of Capital grants unapplied for capital exp	0	**0**	**0**	99	**99**	0	-99	0	0	0	**-99**	**0**
Adjustment for depreciation between historical and revalued basis	0	**0**	**0**	0	**0**	125	-125	0	0	0	**0**	**0**
Loss on disposal of non current assets met from revaluation reserve	0	**0**	**0**	0	**0**	63	-63	0	0	0	**0**	**0**
Charges for Employee Benefits	658	**0**	**0**	0	**658**	0	0	0	0	-658	**-658**	**0**
Total adjustment between accounting basis & funding basis under regulations	**-81,663**	**0**	**0**	**99**	**-81,564**	**188**	**6,210**	**76,598**	**127**	**-658**	**82,464**	**900**
Net decrease / (- increase) before transfers to earmarked reserves	**-3,846**	**0**	**-900**	**99**	**-4,647**	**-680**	**6,210**	**144,518**	**127**	**-658**	**149,517**	**144,870**
Transfers from / (- to) earmarked reserves	**3,846**	**-3,846**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2012	**-7,000**	**-12,894**	**-900**	**-134**	**-20,928**	**-2,853**	**-4,611**	**1,761,655**	**-13**	**5,088**	**1,759,266**	**1,738,338**
JANE 31 March 2011	-75	-190	0	0	-265	0	-187	0	0	23	-165	-429
Inclusive of JANE's 31 March 2011	**-7,075**	**-9,238**	**0**	**-232**	**-16,545**	**-2,174**	**-11,009**	**1,617,137**	**-140**	**5,770**	**1,609,584**	**1,593,040**
JANE 31 March 2012	-83	-259	0	0	-342	**0**	-179	0	0	36	-143	**-485**
Inclusive of JANE's 31 March 2012	**-7,083**	**-13,153**	**-900**	**-134**	**-21,270**	**-2,853**	**-4,790**	**1,761,655**	**-13**	**5,124**	**1,759,123**	**1,737,853**

CS2. Movement in Reserves

2010-2011	General Fund £000	Earmarked Reserves £000	Capital Receipts £000	Capital Grants £000	Total Usable Reserves £000	Reval'n Reserve £000	Capital Adj' £000	Pensions Reserve £000	Collection Fund Adj £000	Accum' Absence £000	Total Unusable Reserves £000	Total Reserves £000
Note ref		4.1				4.3	4.5	4.4	11	4.2		
Balance at 1 April 2010	-7,000	-9,380	0	-35	-16,415	-2,228	-13,795	1,789,011	-204	6,494	1,779,278	1,762,863
Surplus (- deficit) on the provision of services (accounting basis)	-100,144	0	0	0	-100,144	0	0	0	0	0	0	-100,144
Other Comprehensive I & E - revaluation gains & losses	0	0	0	0	0	-61	0	0	0	0	-61	-61
Total CIES	-100,144	0	0	0	-100,144	0	0	0	0	0	0	-100,144
Depreciation/Amortisation of non-current assets	-7,654	0	0	0	-7,654	0	7,669	0	0	0	7,669	15
Impairment/Revaluation losses	-144	0	0	0	-144	0	130	0	0	0	130	-14
Capital grants and contributions credited to the CIES	2,742	0	0	-197	2,545	0	-2,545	0	0	0	-2,545	0
Net gain or loss (-) on sale of non-current assets	-530	0	0	0	-530	0	530	0	0	0	530	0
Pension costs adj between calculated in accordance with IAS19 and from the contributions due under pension scheme regulations	-144,378	0	0	0	-144,378	0	0	-171,874	0	0	-171,874	-316,252
Amount by which council tax income included in the CIES	-64	0	0	0	-64	0	0	0	64	0	64	0
Minimum Revenue Provision	1,712	0	0	0	1,712	0	-1,712	0	0	0	-1,712	0
Minimum Revenue Provision (Finance Lease Liabilities)	984	0	0	0	984	0	-984	0	0	0	-984	0
Actuarial gain on pension liabilities due to index change	197,995	0	0	0	197,995	0	0	0	0	0	0	197,995
Employers contribution to Pension Scheme	49,067	0	0	0	49,067	0	0	0	0	0	0	49,067
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Use of Capital grants unapplied for capital exp	0	0	0	0	0	0	0	0	0	0	0	0
Adjustment for depreciation between historical and revalued basis	0	0	0	0	0	115	-115	0	0	0	0	0
Loss on disposal of non current assets met from revaluation reserve	0	0	0	0	0	0	0	0	0	0	0	0
Charges for Employee Benefits	747	0	0	0	747	0	0	0	0	-747	-747	0
Total adjustment between accounting basis & funding basis under regulations	100,477	0	0	-197	100,280	115	2,973	-171,874	64	-747	-169,469	-69,189
Net decrease / (- increase) before transfers to earmarked reserves	333	0	0	-197	136	54	2,973	-171,874	64	-747	-169,530	-169,394
Transfers from / (- to) earmarked reserves	-333	333	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2011	-7,000	-9,047	0	-232	-16,279	-2,174	-10,822	1,617,137	-140	5,747	1,609,748	1,593,469
JANE 31 March 2010	-84	-202	0	0	-286	0	-271	0	0	23	-248	-534
Inclusive of JANE 31 March 2010	-7,084	-9,582	0	-35	-16,701	-2,228	-14,066	1,789,011	-204	6,517	1,779,030	1,762,329
JANE 31 March 2011	-75	-190	0	0	-265	0	-187	0	0	23	-164	-429
Inclusive of JANE 31 March 2011	-7,075	-9,237	0	-232	-16,544	-2,174	-11,009	1,617,137	-140	5,770	1,609,584	1,593,040

CS3. Balance Sheet

31 Mar 2011 Total £000	Note		31 Mar 2012 NPA £000	31 Mar 2012 JANE's £000	31 Mar 2012 Total £000
57,857	5	Property, Plant & Equipment	51,213	175	51,388
585	5	Investment Properties	585	0	585
210	5	Assets Held for Sale	1,891	0	1,891
1,050	5.5	Intangible Assets	821	5	826
57		Long Term Debtors	23	0	23
59,759		**Non-Current Assets**	**54,533**	**180**	**54,713**
2,600	6.1	Short Term Investments	11,600	0	11,600
749	6.2	Inventories	720	0	720
15,513	6.3	Short Term Debtors	13,325	530	13,855
2,385	6.4	Cash and Cash Equivalents	2,446	336	2,782
21,247		**Current Assets**	**28,091**	**866**	**28,957**
-5,396	7.1	Short Term Borrowing	-4,944	0	-4,944
-17		Grant Receipts in Advance	-1,091	-49	-1,140
-21,498	7.2	Short Term Creditors	-20,910	-344	-21,254
0	6.4	Overdraft	0	-168	-168
-5,298	7.3	Short Term Provisions	-2,712	0	-2,712
-32,209		**Current Liabilities**	**-29,657**	**-561**	**-30,218**
-21,686	8.1	Long Term Borrowing	-26,915	0	-26,915
-3,014	8.2	Other Long Term Liabilities	-2,735	0	-2,735
-1,617,137	17.4	Net Pension Liability	-1,761,655	0	-1,761,655
-1,641,837		**Long Term Liabilities**	**-1,791,305**	**0**	**-1,791,305**
-1,593,040		**Net Assets**	**-1,738,338**	**485**	**-1,737,853**
-7,075		General Fund	-7,000	-83	-7,083
0		Capital Receipts Reserve	-900	0	-900
-9,237	4.1	Earmarked Reserves	-12,894	-259	-13,153
-232		Capital Grants Unapplied	-134	0	-134
-16,544		**Usable Reserves**	**-20,928**	**-342**	**-21,270**
-2,174	4.3	Revaluation Reserve	-2,853	0	-2,853
-11,010	4.5	Capital Adjustment Account	-4,611	-179	-4,790
1,617,137	4.4	Pensions Reserve	1,761,655	0	1,761,655
-140		Collection Fund Adjustment	-13	0	-13
5,771	4.2	Accumulated Absences	5,088	36	5,124
1,609,584		**Unusable Reserves**	**1,759,266**	**-143**	**1,759,123**
1,593,040	**CS2**	**Total Reserves**	**1,738,338**	**-485**	**1,737,853**

CS4. Cash Flow Statement

31 Mar 2011 £000	Note	Excluding JANE's	31 Mar 2012 £000
-100,144		**Net surplus (-) or deficit on the provision of services**	**77,817**
104,349		Adjust net surplus or deficit on the provision of services for non cash movements	-84,542
0		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
4,205		**Net cash flows from Operating Activities**	**-6,725**
6,041	**12**	Investing Activities	11,106
-10,729	**12**	Financing Activities	-4,777
-483		**Net increase (-) / decrease in cash and cash equivalents**	**-396**
483		**Representing an equivalent Balance Sheet movement**	**396**
1,567		Cash and cash equivalents 1 April	2,050
2,050	12	**Cash and cash equivalents 31 March**	**2,446**

31 Mar 2011 £000	Note	Including JANE's	31 Mar 2012 £000
-100,039		**Net surplus (-) or deficit on the provision of services**	**77,762**
105,063		Adjust net surplus or deficit on the provision of services for non cash movements	-84,319
0		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
5,024		**Net cash flows from Operating Activities**	**-6,557**
5,468	**12**	Investing Activities	11,106
-10,729	**12**	Financing Activities	-4,777
-237		**Net increase (-) / decrease in cash and cash equivalents**	**-228**
237		**Representing an equivalent Balance Sheet movement**	**228**
2,148		Cash and cash equivalents 1 April	2,385
2,385	12	**Cash and cash equivalents 31 March**	**2,614**

P1. Pension Fund Account

2010-11 £000		2011-12 £000
	Contributions Receivable	
-18,608	Employers Contributions 1987 Scheme	-17,605
-2,254	Employers Contributions 2006 Scheme	-2,408
-48	Additional Contributions for early retirements 1987 Scheme	-1,135
-8,476	Members contributions 1987 Scheme	-7,999
-887	Members contributions 2006 Scheme	-938
-469	**Transfer in 1987 Scheme**	0
-24	**Transfer in 2006 Scheme**	-441
	Benefits Payable	
36,384	Pensions 1987 Scheme	40,197
5	Pensions 2006 Scheme	5
13,169	Commutations and lump sum retirement benefits 1987 Scheme	18,120
66	Lump sum death benefits 1987 Scheme	99
	Payments to / on account of leavers	
9	Refund of contributions 2006 Scheme	2
554	Transfers out 1987 Scheme	331
2	Transfers out 2006 Scheme	0
19,423	**Sub total before transfer from the Police Authority of amount equal to the deficit**	**28,228**
-19,423	Transfer of Government Grant from the Police Authority to meet the deficit	**-28,228**
0	**Balance at 31 March**	**0**

All notes relating to pensions can be found at Note 17 with the net asset statement being at 17.9.

Notes to the Accounts

1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 12-26, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are;

- There is a high degree of uncertainty about future levels of funding for the Police Service. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities.

- The Authority has in the past undertaken capital improvements to a property store. The Authority is in dispute with the contractor in relation to faults that have developed subsequently. Legal advice has been sought and because of the uncertainty of the outcome no account has been taken of any monies which may be received in the future. There is insufficient certainty to treat this as a probable contingent asset therefore prudence requires that no adjustments are made in the Financial Statements.

Major Estimations

The largest area of estimation included within the Accounts is in staff related costs. Accruals for overtime, bonuses, early retirement costs and other one off payments have been checked retrospectively and found to be reasonable.

The Authority relies on the professional judgement of the Transport Manager to provide vehicle valuations to be added to the Balance Sheet. These estimations were required due to the unavailability of the purchase information from the PFI supplier.

The item in the Authority's Accounts for 2011-2012 for which there is a significant risk of material adjustment in the forthcoming financial year is the Insurance Claim Provision. There is generally a time lag between insurable events and the date insurance liability claims are received by the Authority. No allowance is made for this value unless specific incidents have occurred which make it appropriate to do so. One potential use of the General Reserve is to cover for emerging trends of liability claims or an exceptional value of incurred but not reported claims. Estimates of the value of claims change as information regarding the circumstances evolve. The Authority has made a provision of £2.7m to meet the estimated outstanding amount of insurance claims. This is based on estimates provided by Insurance Companies and by the Legal Services Team at Derbyshire.Constabulary. An increase / decrease in the number of value of claims of 10% have the effect of adding to / or reducing the provision by £0.3m.

2. Prior Period Adjustments and Post Balance Sheet Events

There are no prior period adjustments in 2011-2012. There are no post balance sheet events which have affected the Accounts presented.

3. Surplus or Deficit on Provision of Services

The methodology for calculating the analysis of the Cost of Services has been amended slightly to give a more accurate representation of how income and expenditure has been spent. To enable more accurate comparisons with 2010-2011, the income and expenditure for 2010-2011 has been restated using the new methodology. Both sets of comparators are included for completeness. The Cost of Services within the Comprehensive Income and Expenditure Accounts has other items added to calculate a surplus or deficit on Provision of Services. During 2010-2011 included within the non-distributed costs there was an exceptional item for £197.9m income. This related to the capitalised gain relating to changing to the use of Consumer Price Index from Retail Price Index as required by Government Policy. The costs included for non distributed costs in 2010-2011 also included £2.0 million of redundancy restructuring costs. There have been similar redundancy restructuring costs of £1.9 million in 2011-2012 but these are included within the objective analysis per the 2011-2012 Code of Practice. For clarity the income and expenditure relating to JANE's has been shown separately.

3.1

2010-11 £000	Other Operating Expenses	2011-12 £000
531	Gains (-) and Losses on Disposal of Non Current Assets	102
528	Levies to National Police Services	636
1,059	**Total NPA**	**738**
-2	EMSOU	0
0	EMSOUMC	0
0	EMTSU	0
1,057	**Total**	**738**

3.2

2010-11 £000	Financing and Investment Income and Expenditure	2011-12 £000
748	Interest payable on Debt	1,013
169	Interest element of Finance Leases (Lessee)	-236
471	Interest payable on PFI Unitary Payments	492
100,330	Pensions Interest Cost	98,044
-7,063	Expected return on Pensions Assets	-7,785
-185	Interest Income	0
-43	Investment Interest Income	-120
94,427	**Total**	**91,408**

3.3

2010-11 £000	Taxation and Non-Specific Grant Income	2011-12 £000
-53,257	Council Tax Income	-53,257
-57,019	National Non Domestic Rates	-43,561
-8,280	Revenue Support Grant	-13,465
-80,685	Non-ringfenced Government Grants	-88,181
-19,423	Home Office Pension Grant	-28,228
-2,742	Capital Grants and Contributions	-1,981
-221,406	**Total**	**-228,673**
	Central Government	
-5,491	NPF Grant	-5,487
-1,774	PFI Grant	-1,858
-1,063	Drug Action Teams	-852
-6,852	Other Home Office Grants	-1,211
	Local Authority Grants & Contributions	
-2,381	Other Grants & Contributions	-278
-17,561	**Total**	**-9,686**

The Central and Local Government grants and contributions are included within the Income figures credited to Cost of Services as on the Comprehensive Income and Expenditure Account of £19.3 million in 2011-2012 (£223.5 million 2010-2011).

4. Movement in Reserves

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

4.1. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet revenue expenditure in 2011-2012.

	Balance 31 March 2011 £000	Transfers Out 2011-12 £000	Transfers In 2011-12 £000	Balance 31 March 2012 £000
Medium Term Financial Plan	-7,919	0	-4,177	-12,096
Helicopter Operational Reserve	-90	0	0	-90
Police Property Act Fund	0	0	-81	-81
Drug Fund	0	0	-60	-60
Revenue Grants	-768	768	-380	-380
PFI Life Cycle Costs	-271	119	-35	-187
Total NPA	**-9,048**	**887**	**-4,733**	**-12,894**
EMSOU	**-190**	**0**	**-22**	**-212**
EMSOUMC	**0**	**0**	**0**	**0**
EMTSU	**0**	**0**	**-47**	**-47**
Total	**-9,238**	**887**	**-4,802**	**-13,153**

4.2 Accumulated Absences Account

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

2010-11 £000		2011-12 £000
6,494	**Balance 1 April**	**5,747**
-6,494	Settlement of accrual brought forward	-5,747
5,747	Amounts by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	5,088
5,747	**Total NPA**	**5,088**
23	EMSOU	15
0	EMSOUMC	16
0	EMTSU	5
5,770	**Balance 31 March**	**5,124**

4.3 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010-11 £000		2011-12 £000
-2,228	**Balance 1 April**	**-2,174**
-250	Upward revaluation of assets	-1,030
189	Downward revaluation of assets and impairments losses not charged to the Surplus/ Deficit on the provision of Services	163
-61	**Surplus (-) or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services**	**-867**
115	Difference between fair value depreciation and historical cost depreciation	125
0	Accumulated gains on assets sold or scrapped	63
115	**Amount written off to the Capital Adjustment Account**	**188**
-2,174	**Balance 31 March**	**-2,853**

4.4 Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for the accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority Accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010-11 £000		2011-12 £000
1,789,011	**Balance 1 April**	**1,617,137**
0	Liability arising from injury awards being restated for previous years	0
-69,189	Actuarial gains or losses on pensions assets and liabilities	67,920
-58,236	Reversal of retirement benefits charged to the Surplus or Deficit on the Provision of Services in the CIES	135,787
-44,449	Employers pensions contributions and direct payments to pensioners payable in the year	-59,189
1,617,137	**Balance 31 March**	**1,761,655**
-171,874	**Movement in year as reported in Statement of Reserves**	**144,518**

4.5. Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010-11 £000		2011-12 £000
	Balance 1 April	
-13,795	Balance of items relating to capital expenditure debited or credited to the CIES	**-10,822**
7,302	Charges for depreciation and impairment of non-current assets	6,176
144	Revaluation losses on Property, Plant and Equipment	3,781
352	Amortisation of intangible assets	303
640	Amounts of non current assets written off on disposal to the CIES	1,076
8,438		**11,336**
-115	Adjusting amounts written out of the Revaluation Reserve	-188
8,323	Net written out amount of the cost of non current assets consumed in the year	**11,148**
	Capital financing applied in the year:	
-109	Use of Capital Receipts to finance new capital expenditure	-241
-2,545	Capital grants and contributions credited to the CIES applied to capital financing	-2,079
	Statutory provision for capital financing charged to the General Fund	
-1,712	Minimum Revenue Provision	-1,836
-984	Finance Lease Liability	-781
-5,350		**-4,937**
-10,822	**Total NPA 31 March**	**-4,611**
-188	EMSOU	-158
0	EMSOUMC	0
0	EMTSU	-21
-11,010	**Total**	**-4,790**

5. Non Current Assets

5.1 Non-current Asset Movements	Land & Buildings £000	Plant Vehicle & Equipment £000	Investment Properties £000	Assets under Construction £000	Assets Held for Sale £000	Total £000	PFI Assets Included £000
1 April 2011	**47,931**	**40,684**	**585**	**1,528**	**210**	**90,938**	**2,044**
Adjustment for leasing residual values		-1,727	0	0	0	-1,727	0
Additions	2,552	2,994	0	4	0	**5,550**	0
Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve	867	0	0	0	0	**867**	0
Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-3,164	0	0	-1,207	0	**-4,371**	0
Derecognition - Disposals	0	-1,356	0	0	-750	**-2,106**	0
Derecognition - Other	0	0	0	0	0	**0**	0
Assets reclassified to/ from Held for Sale	-2,435	0	0	0	2,431	**-4**	0
Other Movements in cost or valuation	-400	0	0	-325	0	**-725**	0
31 March 2012	**45,351**	**40,595**	**585**	**0**	**1,891**	**88,422**	**2,044**
Accumulated Depreciation and Impairment							
1 April 2011	**2,331**	**30,135**	**0**	**0**	**0**	**32,466**	**221**
Adjustment for leasing residual values	0	-2,317	0	0	0	-2,317	0
Depreciation charge	1,173	5,003	0	0	0	**6,176**	**107**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	**0**	0
Impairment losses (Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	**0**	0
Impairment losses (Reversals) recognised in the Surplus / deficit on the Provision of Service	-725	0	0	0	0	**-725**	0
Derecognition - Disposals	0	-863	0	0	0	**-863**	0
Derecognition - Other	0	0	0	0	0	**0**	0
Assets reclassified to/ from Held for Sale	-4	0	0	0	0	**-4**	0
Other Movements in Depreciation and Impairment	0	0	0	0	0	**0**	0
31 March 2012	**2,775**	**31,958**	**0**	**0**	**0**	**34,733**	**328**
Net Book Value **NPA 31 March 2011**	45,600	10,549	585	1,528	210	**58,472**	**1,823**
JANE's 31 March 2011		180				**180**	
NPA 31 March 2012	42,576	8,637	585	0	1,891	**53,689**	**1,716**
JANE's 31 March 2012		175				**175**	

5.2 Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011-2012 and the future years is budgeted to cost £1,706k. Similar commitments at 31 March 2011 were £1,753k. The table below lists commitments over £50k only;

Main Capital Commitments	31 March 2012 £000
Criminal Justice System	757
Essential Equipment Renewal	135
Property Store, Arnold	72
Southern Control Room	86
Fingerprint Bureau	53
Sherwood Lodge Police HQ	88
Bridewell Custody Suite	123
Total	**1,314**

5.3 Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. It has been agreed that the asset portfolio will be revalued over the next four years at least 25% per annum as part of the revised estates management programme for Land and Buildings assets. Investment properties and properties for sale are revalued on an annual basis at fair value. Remaining assets are assessed by managers with direct responsibility for them.

During 2011-2012, 68 properties which equated to approximately 44% of the portfolio value were revalued. Property revaluations were undertaken by Lambert Smith Hampton, external valuers. These valuations were subject to componentised valuation as prescribed by IAS 16 and adopted by the Royal Institute of Chartered Surveyors in its Red Book.

Valuations of Plant, Vehicles and Equipment use depreciated historical cost as proxy for fair value. This is because the assets have relatively short lives and values.

Valuation Summary

	Land & Buildings £000	Plant Vehicles & Equipment £000	Investment Properties £000	Assets Held for Sale £000	Assets under Construction £000	Total £000	PFI Assets Included £000
Carried at Historical Cost	5	8,637	0	0	0	8,642	0
Valued at Fair Value							
01 April 2007	0	0	0	608	0	608	0
01 April 2009	30,347	0	0	383	0	30,730	1,716
01 April 2010	96	0	585	0	0	681	0
01 April 2011	12,128	0	0	900	0	13,028	0
Total Valuation	42,576	8,637	585	1,891	0	53,689	1,716

5.4 Investment Properties

The Authority receives income on investment properties from Arqiva, an external organisation that also undertakes the maintenance and repair of the telecoms masts that the Authority owns. These costs are not identified separately in the statement of Accounts and are subsumed within the management charge levied by Arqiva to the Authority. Investment income received during the year is shown net of this management charge. The income relating to investment income was £113k in 2011-2012 (£145k 2010-2011).

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property, neither is it required to undertake repairs, maintenance or enhancement.

5.5 Intangible Assets

The Authority accounts for its software as intangible assets. This is because the software is not an integral part of a particular IT system and therefore not accounted for as part of the hardware item of Property Plant and Equipment. The intangible assets included purchased licences. All software is given a finite useful life of 7 years based on an assessment of the software's useful life. The carrying amount of intangible assets is amortised on a straight -line basis. The amortisation of £303k in 2011-2012 was charged to the central expenses cost centre within revenue. Movements are summarised in the table below:

2010-2011 £000		2011-2012 £000
1,292	**Balance 1 April**	**1,042**
2,570	Gross Carrying amounts	2,575
-1,278	Accumulated amortisation	-1,533
	Additions:	
102	Purchases	82
0	Revaluations increases or decreases	0
0	Provision of Services	0
-352	Amortisation for the period	-303
1,042	**Net Carrying amount 31 March**	**821**
2,672	Gross carrying amounts	2,657
-1,630	Accumulated amortisation	-1,836
1,042	**Total NPA**	**821**
8	EMSOU	5
0	EMSOUMC	0
0	EMTSU	0
1,050	**Total**	**826**

5.6 Capital Expenditure and Capital Financing

The total amount of Capital Expenditure incurred in the year is shown in the table below (including the value of assets acquired under the finance leases and PFI-PP contracts), together with the resources that have been used to finance it. Capital Expenditure which is to be financed in future years by charges to revenue, (as assets are used by the Authority) results in an increase to the Capital Financing Requirement (CFR). The CFR therefore shows Capital Expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed below:

2010-11 £000		2011-12 £000
44,796	**Opening Capital Financing Requirement**	**47,516**
	Capital investment	
6,984	Property, Plant and Equipment	5,550
102	Intangible Assets	82
	Sources of finance	
-109	Capital Receipts	-241
-2,545	Government grants and other contributions	-2,080
	Sums set aside from revenue	
-1,712	MRP / loans funded principal	-1,836
0	Lease liability previous years	-998
47,516	**Closing Capital Financing Requirement**	**47,993**
2,720	**Movement in the year**	**477**
	Explanation of movements in year	
1,178	Increase in underlying needs to borrowing (supported by government finance)	1,178
2,465	Increase in underlying need to borrowing (unsupported by government finance)	1,665
0	Lease liability previous years	-998
-1,712	MRP / Loans funded principles	-1,836
789	Assets acquired under finance leases	468
2,720	**Increase / decrease (-) in Capital Financing Requirement**	**477**

5.7 Heritage Assets

The Code of Practice 2012 requires that Heritage Assets are accounted for separately. An assessment has been made and Nottinghamshire Police Authority have no assets which meet the definition.

6. Current Assets

6.1 Short Term Investments

31 Mar 2011 £000		31 Mar 2012 £000
0	Bank Call Accounts	4,000
0	Greater London Authority	5,000
2,600	Money Market Funds	2,600
2,600		**11,600**

6.2 Inventories

2010-11 £000	Movement on stock inventories during the year	2011-12 £000
652	**Balance 1 April**	**748**
2,168	Purchases	2,208
-2,054	Recognised as an expense in the year	-2,201
-18	Written off balances	-35
748	**Balance 31 March**	**720**
	Analysed as follows;	
59	Petrol	71
323	Derv	272
382	**Fuel Total**	**343**
321	Clothing & Uniform	377
6	Prisoner Clothing	0
327	**Clothing Total**	**377**
39	**Other Totals**	**0**
748	**Balance 31 March**	**720**

6.3 Debtors

The analysis of debtors shown on the balance sheet is:

2010-11 £000		2011-12 £000
9,195	Central Government Bodies	5,552
2,036	Other Local Authorities	2,089
3	Public Corporations and Trading Funds	0
4,133	Other Entities and Individuals	5,684
15,367	**Total NPA**	**13,325**
146	EMSOU	331
0	EMSOUMC	199
0	EMTSU	0
15,513	**Total**	**13,855**

The level of trade debtors outstanding at 31st March 2012 was analysed. A bad debt provision of £197k was provided against specific debts considered to be irrecoverable (£216k at 31st March 2011).

A provision of £2,407k is held against Council Tax arrears of £3,901k at the 31st March 2012. This level of provision has been independently assessed by the Council Tax Billing Authority. This compares to a provision of £2,324k against arrears of £4,073k at 31st March 2012.

6.4 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 Mar 2011 £000		31 Mar 2012 £000
1,833	Monies held by/on behalf of others	1,796
57	Imprest Accounts	75
160	Bank Accounts	575
2,050	**Total NPA**	**2,446**
335	EMSOU	279
0	EMSOUMC	-168
0	EMTSU	57
2,385	**Total Cash and Cash Equivalents**	**2,615**

In 2010-2011 £314k had been included within the creditors balance for items relating to proceeds of crime. This year £658k is included within the monies held on behalf of others category within cash and cash equivalents for this. It is considered that this is a more accurate analysis.

7. Current Liabilities

7.1 Short Term Borrowing

31 Mar 2011 £000		31 Mar 2012 £000
-4,000	Edinburgh City	0
0	Market Loans	-3,500
-1,396	PWLB	-1,444
-5,396		**-4,944**

7.2 Creditors

The analysis of creditors shown on the Balance Sheet is:

31 Mar 2011 £000		31 Mar 2012 £000
-4,292	Central Government Bodies	-3,728
-2,744	Other Local Authorities	-3,348
-14,238	Other Entities and Individuals	-13,834
-21,274	**Total NPA**	**-20,910**
-224	EMSOU	-283
0	EMSOUMC	-47
0	EMTSU	-15
-21,498	**Total**	**-21,254**

7.3 Provisions

The liability claims are generally paid out within 1 and 3 years. Further information is included within the explanatory foreword.

	Employer & Public Liability Claims £000	Motor Vehicle Liability Claims £000	Comp' to Sports & Social Club £000	Legal Expenses £000	Restruct'g Costs £000	Total £000
Balance 1 April 2011	**2,281**	**872**	**70**	**75**	**2,000**	**5,298**
Provisions made in 2011-2012	76	423	0	0	0	499
Amounts Used in 2011-2012	-395	-545	-70	-75	-2,000	-3,085
Balance 31 March 2012	**1,962**	**750**	**0**	**0**	**0**	**2,712**

Long Term Liabilities

8.1 Long Term Borrowing

2010-11 £000		2011-12 £000
-18,186	PWLB	-26,915
-3,500	Market Loan	0
-21,686		**-26,915**

The Market Loan of £3.5m was taken out with Danske Bank in May 2006 for 60 years. From May 2011 it features break clauses every 6 months (Lenders Option, Borrowers Option LOBO).and in accordance with the CIPFA Treasury Management Code this is now treated as a short term liability.

8.2 Other Long Term Liabilities

2010-11 £000		2011-12 £000
-1,252	Finance Leases	-973
-1,762	PFI Liability	-1,762
-3,014		**-2,735**

9. Contingent Assets

The Authority has no contingent assets as at 31 March 2012.

10. Contingent Liabilities

The following contingent liabilities have been identified;

- There is still the potential of a proportion of a fine from the Information Commissioner. This has been estimated to be up to the value of £0.3m.
- There is the possibility of a further fine from the Information Commissioner. Insufficient information is available to quantify but the maximum available fine is £0.5m.

- The Authority is also defending employment claims relating to A19. It is estimated that the maximum impact could be £3.5m.

11. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from the council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010-11 £000		2011-12 £000
-204	**Balance 1 April 2011**	**-140**
64	Amount council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	127
-140	**Balance 31 March 2012**	**-13**

12. Cash Flow

12.1 Analysis of interest included within Operating Activities

31 Mar 2011 £000		31 Mar 2012 £000
-228	Interest received	-358
1,219	Interest paid	1,506
991	**Total**	**1,148**

12.2 Analysis of Investing Activities

31 Mar 2011 £000		31 Mar 2012 £000
6,250	Purchase of non current assets	5,228
-67	Proceeds from the sale of non current assets	-1,141
2,600	Short Term investments made	9,000
-2,742	Other receipts for investing activities	-1,981
6,041	**Net cash flows from investing activities**	**11,106**

12.3 Analysis of Financing Activities

31 Mar 2011 £000		31 Mar 2012 £000
-12,000	Cash receipts of short and long-term borrowing	-10,000
1,271	Repayment of borrowing	5,223
-10,729	**Net cash flows from financing activities**	**-4,777**

13. East Midlands Special Operations Unit (EMSOU) and East Midlands Special Operations Unit Major Crime (EMSOUMC)

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. On 12th September 2011 an additional unit to specifically tackle major crime (EMSOUMC) was created. Leicestershire act as the lead Authority for both of these units. Nottinghamshire contributes 27.6% to their net revenue budgets. This is included in the Authority's Comprehensive Income and Expenditure Account. The contribution for 2011-2012 was £1,384 for EMSOU and £199k for EMSOUMC.

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

13.1 EMSOU Comprehensive Income & Expenditure Statement

2010-11 EMSOU £000	2010-11 NPA £000		2011-12 EMSOU £000	2011-12 NPA £000
4,095	1,130	Employee Expenses	3,870	1,068
729	201	Premises	872	241
393	108	Transport	389	107
1,325	366	Supplies and services	1,331	367
543	150	Capital Charges	323	89
7,085	**1,955**	**Gross Operating Expenditure**	**6,784**	**1,873**
-326	-90	Other Income	-45	-12
-8	-2	Loss / Profit (-) on Disposal of Fixed Assets	33	9
6,751	**1,863**	**Amount to be met from Partners**	**6,772**	**1,869**
-4,293	-1,185	Contributions from Partners	-5,013	-1,384
-2,077	-573	External Grants	-1,790	-494
381	**105**	**Surplus (-) / Deficit for the year**	**-31**	**-9**
0	0	Surplus (-) / Deficit on revaluation of non current assets	0	0
0	**0**	**Other Comprehensive Income and Expenditure**	**0**	**0**
381	**105**	**Total Comprehensive Income and Expenditure**	**-31**	**-9**

13.2 EMSOU Balance Sheet

2010-11 EMSOU £000	2010-11 NPA £000		2011-12 EMSOU £000	2011-12 NPA £000
651	180	Property, Plant & Equipment	553	153
32	9	Intangible Assets	19	5
683	**189**	**Long Term Assets**	**572**	**158**
529	146	Short Term Debtors	1,200	331
1,213	335	Cash and Cash Equivalents	1,009	279
1,742	**481**	**Current Assets**	**2,209**	**610**
-60	-17	Receipts in Advance	-179	-49
-85	-24	Employee Benefits	-55	-15
-726	-200	Short Term Creditors	-963	-266
-871	**-241**	**Current Liabilities**	**-1,197**	**-330**
1,554	**429**	**Net Assets**	**1,584**	**438**
-957	-265	Usable Reserves	-1,067	-294
-597	-164	Unusable Reserves	-518	-143
-1,554	**-429**	**Total Reserves**	**-1,584**	**-437**

13.3 EMSOU Movement in Reserves

	EMSOU Total							Nottinghamshire Police Authority						
	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2011	**-271**	**-686**	**-956**	**-682**	**85**	**-597**	**-1,553**	**-75**	**-190**	**-264**	**-187**	**23**	**-164**	**-429**
Surplus / deficit (-) on the provision of services	-31	0	**-31**	0	0	**0**	**-31**	-9	0	-9	0	0	0	-9
Other CIES														
Surplus / deficit (-) on revaluation of non current assets	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	0
Total CIES	**-31**	**0**	**-31**	**0**	**0**	**0**	**-31**	**-9**	**0**	**-9**	**0**	**0**	**0**	**-9**
Adjustments between accounting & funding basis														
Charges for depreciation	-289	0	**-289**	289	0	**289**	**0**	-80	0	-80	80	0	80	0
Revenue expenditure funded from capital under statute	-34	0	**-34**	34	0	**34**	**0**	-9	0	-9	9	0	9	0
Disposal of non-current assets	-36	0	**-36**	36	0	**36**	**0**	-10	0	-10	10	0	10	0
Capital grants and	40	0	**40**	-40	0	**-40**	**0**	11	0	11	-11	0	-11	0
Charges for Employee Benefits	31	0	**31**	0	-31	**-31**	**0**	8	0	8	0	-8	-8	0
Insertion of items not debited or credited to the CIES														
Capital expenditure charged against the General Fund	209	0	**209**	-209	0	**-209**	**0**	58	0	58	-58	0	-58	0
Net increase / Decrease (-) before transfers to Earmarked Reserves	**-110**	**0**	**-110**	**110**	**-31**	**79**	**-31**	**-30**	**0**	**-30**	**30**	**-8**	**22**	**-9**
Transfers from Earmarked Reserves	79	-79	**0**	0	0	**0**	**0**	22	-22	0	0	0	0	0
Increase / Decrease (-)	**-31**	**-79**	**-110**	**110**	**-31**	**79**	**-32**	**-9**	**-22**	**-30**	**30**	**-8**	**22**	**-10**
Balance at 31 March 2012	**-302**	**-765**	**-1,066**	**-572**	**53**	**-518**	**-1,585**	**-83**	**-212**	**-294**	**-157**	**15**	**-142**	**-437**

13.3 EMSOU Movement in Reserves prior year comparators

	EMSOU Total							Nottinghamshire Police Authority						
	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2010	**-303**	**-731**	**-1,034**	**-983**	**83**	**-901**	**-1,934**	**-84**	**-202**	**-285**	**-271**	**23**	**-249**	**-534**
Surplus / deficit (-) on the provision of services	381	0	**381**	0	0	**0**	**381**	105	0	105	0	0	0	105
Other CIES														
Surplus / deficit (-) on revaluation of non current assets	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	0
Total CIES	**381**	**0**	**381**	**0**	**0**	**0**	**381**	**105**	**0**	**105**	**0**	**0**	**0**	**105**
Adjustments between accounting & funding basis														
Charges for depreciation	-535	0	**-535**	535	0	**535**	**0**	-148	0	-148	148	0	148	0
Revenue expenditure funded from capital under statute	-8	0	**-8**	8	0	**8**	**0**	-2	0	-2	2	0	2	0
Disposal of non-current assets	-17	0	**-17**	17	0	**17**	**0**	-5	0	-5	5	0	5	0
Charges for Employee Benefits	-3	0	**-3**	0	3	**3**	**0**	-1	0	-1	0	1	1	0
Insertion of items not debited or credited to the CIES														
Capital expenditure charged against the General Fund	260	0	**260**	-260	0	**-260**	**0**	72	0	72	-72	0	-72	0
Net increase / Decrease (-) before transfers to Earmarked Reserves	**77**	**0**	**78**	**301**	**3**	**304**	**381**	**21**	**0**	**21**	**84**	**1**	**85**	**105**
Transfers from Earmarked Reserves	-45	45	**0**	0	0	**0**	**0**	-12	12	0	0	0	0	0
Increase / Decrease (-)	**32**	**45**	**78**	**301**	**3**	**304**	**381**	**9**	**12**	**21**	**84**	**1**	**85**	**105**
Balance at 31 March 2011	**-271**	**-686**	**-956**	**-682**	**85**	**-597**	**-1,553**	**-75**	**-190**	**-264**	**-187**	**23**	**-164**	**-429**

13.4 EMSOUMC Comprehensive Income & Expenditure Statement

EMSOUMC £000	2010-11 NPA £000		EMSOUMC £000	2011-12 NPA £000
0	0	Employee Expenses	771	213
0	0	Premises	0	0
0	0	Transport	4	1
0	0	Supplies and services	2	1
0	0	Capital Charges	0	0
0	**0**	**Gross Operating Expenditure**	**777**	**215**
0	0	Other Income	-0	-0
0	0	Loss / Profit (-) on Disposal of Fixed Assets	0	0
0	**0**	**Amount to be met from Partners**	**777**	**214**
0	0	Contributions from Partners	-719	-199
0	0	External Grants	0	0
0	**0**	**Surplus (-) / Deficit for the year**	**58**	**16**
0	0	Surplus (-) / Deficit on revaluation of non current assets	0	0
0	**0**	**Other Comprehensive Income and Expenditure**	**0**	**0**
0	**0**	**Total Comprehensive Income and Expenditure**	**58**	**16**

13.5 EMSOUMC Balance Sheet

EMSOUMC £000	2010-11 NPA £000		EMSOUMC £000	2011-12 NPA £000
0	0	Property, Plant & Equipment	0	0
0	0	Intangible Assets	0	0
0	**0**	**Long Term Assets**	**0**	**0**
0	0	Short Term Debtors	719	199
0	0	Cash and Cash Equivalents	-609	-168
0	**0**	**Current Assets**	**111**	**31**
0	0	Receipts in Advance	0	0
0	0	Employee Benefits	-58	-16
0	0	Short Term Creditors	-111	-31
0	**0**	**Current Liabilities**	**-169**	**-47**
0	**0**	**Net Assets**	**-58**	**-16**
0	0	Usable Reserves	0	0
0	0	Unusable Reserves	58	16
0	**0**	**Total Reserves**	**58**	**16**

13.6 EMSOUMC Movement in Reserves

	EMSOUMC Total							Nottinghamshire			
	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOUMC Reserves**	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Balance at 1 April 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Surplus / deficit (-) on the provision of services	58	0	**58**	0	0	**0**	**58**	16	0	16	
Other CIES	58	0	**58**	0	0	**0**	**58**	0	0	**0**	
Surplus / deficit (-) on revaluation of non current assets	0	0	**0**	0	0	**0**	**0**	0	0	0	
Total CIES	**115**	**0**	**115**	**0**	**0**	**0**	**115**	**16**	**0**	**16**	
Adjustments between accounting & funding basis	0	0	**0**	0	0	**0**	**0**	0	0	**0**	
Charges for depreciation	0	0	**0**	0	0	**0**	**0**	0	0	0	
Revenue expenditure funded from capital under statute	0	0	**0**	0	0	**0**	**0**	0	0	0	
Disposal of non-current assets	0	0	**0**	0	0	**0**	**0**	0	0	0	
Capital grants and	0	0	**0**	0	0	**0**	**0**	0	0	0	
Charges for Employee Benefits	-58	0	**-58**	0	58	**58**	**0**	-16	0	-16	
Insertion of items not debited or credited to the CIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Net increase / Decrease (-) before transfers to Earmarked Reserves	**58**	**0**	**58**	**0**	**58**	**58**	**115**	**0**	**0**	**0**	
Transfers from Earmarked Reserves	0	0	**0**	0	0	**0**	**0**	0	0	0	
Increase / Decrease (-)	**58**	**0**	**58**	**0**	**58**	**58**	**115**	**0**	**0**	**0**	
Balance at 31 March 2012	**58**	**0**	**58**	**0**	**58**	**58**	**115**	**0**	**0**	**0**	

14. East Midlands Technical Surveillance Unit (EMTSU)

The East Midlands Technical Surveillance Unit (EMTSU) was formed on the 20th June 2011 and has responsibility across Nottinghamshire, Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. Derbyshire act as the lead Authority for this unit. Nottinghamshire contributes 27.6% to their net revenue budgets. This is included in the Authority's Comprehensive Income and Expenditure Account. The contribution for 2011-2012 was £430k.

14.1 EMTSU Comprehensive Income & Expenditure Statement

EMTSU £000	2010-11 NPA £000		EMTSU £000	2011-12 NPA £000
0	0	Employee Expenses	1,187	329
0	0	Premises	0	0
0	0	Transport	2	1
0	0	Supplies and services	185	51
0	0	Capital Charges	0	0
0	**0**	**Gross Operating Expenditure**	**1,374**	**381**
0	0	Other Income	-51	-14
0	0	Loss / Profit (-) on Disposal of Fixed Assets	0	0
0	**0**	**Amount to be met from Partners**	**1,323**	**367**
0	0	Contributions from Partners	-1,553	-430
0	0	External Grants	0	0
0	**0**	**Surplus (-) / Deficit for the year**	**-229**	**-63**
0	0	Surplus (-) / Deficit on revaluation of non current assets	0	0
0	**0**	**Other Comprehensive Income and Expenditure**	**0**	**0**
0	**0**	**Total Comprehensive Income and Expenditure**	**-229**	**-63**

14.2 EMTSU Balance Sheet

2010-11 EMTSU £000	2010-11 NPA £000		2011-12 EMTSU £000	2011-12 NPA £000
0	0	Property, Plant & Equipment	79	22
0	0	Intangible Assets	0	0
0	**0**	**Long Term Assets**	**79**	**22**
0	0	Short Term Debtors	0	0
0	0	Cash and Cash Equivalents	207	57
0	**0**	**Current Assets**	**207**	**57**
0	0	Receipts in Advance	0	0
0	0	Employee Benefits	-19	-5
0	0	Short Term Creditors	-37	-10
0	**0**	**Current Liabilities**	**-56**	**-16**
0	**0**	**Net Assets**	**229**	**63**
0	0	Usable Reserves	-170	-47
0	0	Unusable Reserves	-60	-16
0	**0**	**Total Reserves**	-229	-63

14.3 EMTSU Movement in Reserves

	EMTSU Total							Nottinghamshire Police Authority						
	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMTSU Reserves**	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMTSU Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Surplus / deficit (-) on the provision of services	-229	0	**-229**	0	0	**0**	**-229**	-63	0	-63	0	0	0	**-63**
Other CIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Surplus / deficit (-) on revaluation of non current assets	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	**0**
Total CIES	**-229**	**0**	**-229**	**0**	**0**	**0**	**-229**	**-63**	**0**	**-63**	**0**	**0**	**0**	**-63**
Adjustments between accounting & funding basis	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Charges for depreciation	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	**0**
Revenue expenditure funded from capital under statute	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	**0**
Disposal of non-current assets	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	**0**
Capital grants and	0	0	**0**	0	0	**0**	**0**	0	0	0	0	0	0	**0**
Charges for Employee Benefits	-19	0	**-19**	0	19	**19**	**0**	-5	0	-5	0	5	5	**0**
Insertion of items not debited or credited to the CIES	0	0	**0**	0	0	**0**	**0**	0	0	**0**	0	0	**0**	**0**
Capital expenditure charged against the General Fund	79	0	**79**	-79	0	**-79**	**0**	22	0	22	-22	0	-22	**0**
Net increase / Decrease (-) before transfers to Earmarked Reserves	**-170**	**0**	**-170**	**-79**	**19**	**-60**	**-229**	**-47**	**0**	**-47**	**-22**	**5**	**-16**	**-63**
Transfers from Earmarked Reserves														
Increase / Decrease (-)	**-170**	**0**	**-170**	**-79**	**19**	**-60**	**-229**	**-47**	**0**	**-47**	**-22**	**5**	**-16**	**-63**
Balance at 31 March 2012	**-170**	**0**	**-170**	**-79**	**19**	**-60**	**-229**	**-47**	**0**	**-47**	**-22**	**5**	**-16**	**-63**

15. Christopher McDonald Memorial Trust

Nottinghamshire Police operates the above Trust, which does not form 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 31 March 2012 the balance of the Trust stood at £963.03. No awards were made during the year.

16. Proceeds Of Crime Act and Police Property Act

Police Authorities are required under the Police Property Act 1997 and Proceeds of Crime Act 2002, as amended by the Serious Crime Act 2005 and the Serious Crime Act 2007, to set aside monies received from the confiscation or sale of property which has come into their possession in connection with a criminal charge. Once judgement is made monies are either, paid over to the State, repaid to the individual or made available for the Force to use on specific purposes. Monies held before judgement are shown as a reduction in the Force's available cash balances. At 31 March 2012 cash totalling £658k was held in the Force bank account (£314k at 31 March 2011).

17. Pensions

Employee's and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department.

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Pension Fund account is shown in note P1.

Basis for estimating Pension Assets and Liabilities

Liabilities have been assessed on an actual basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme for staff has been assessed by Barnett Waddingham, Public Sector Consulting. Estimates for the Local Government Pension Scheme are based on the latest full valuation of the scheme as at 31 March 2010. However this has been amended to take account of the liability based on the reduction in payroll due to leavers. This reduced the liability by 2.9%. The adjustment was also applied to the service cost projection.

The Discretionary Benefits Scheme for officers use The Government's Actuary Department and is also based on the latest full valuation of the scheme as at 31 March 2012. The Discretionary Benefits arrangements have no assets to cover its liabilities.

17.1 The principal assumptions used by the Actuary

	Pension Scheme Staff		Discretionary Benefits Officers	
	2010-11	2011-12	2010-11	2011-12
Long term expected rate of return on assets in the scheme				
Equity investments	7.30%	6.20%		
Gilts	4.40%	3.30%		
Other Bonds	5.50%	4.60%		
Property	6.80%	5.70%		
Cash	3.00%	3.00%		
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	18.5 Yrs	18.6 Yrs		23.3 Yrs
Women	22.6 Yrs	22.7 Yrs		25.7 Yrs
Longevity at 65 for future pensioners				
Men	20.5 Yrs	20.6 Yrs		25.6 Yrs
Women	24.5 Yrs	24.5 Yrs		27.8 Yrs
Rate of inflation				
RPI Increases	3.50%	3.30%	3.80%	3.60%
CPI Increases	2.70%	2.50%	3.00%	2.80%
Rate of increase in salaries	5.00%	4.70%	5.30%	4.70%
Rate of increase in pensions	2.70%	2.50%	3.00%	2.50%
Rate for discounting scheme liabilities	5.50%	4.60%	5.70%	4.90%

17.2 The Local Government Pension Scheme Assets

The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

Take up option to convert annual pension into retirement lump sum	**50.00%**	**50.00%**
	31-Mar-2011	**31-Mar-2012**
	%	%
Equity Investments	73.0	70.0
Gilts	7.0	7.0
Other Bonds	4.0	5.0
Property	12.0	14.0
Cash	4.0	4.0
Other Assets	0.0	0.0
	100.0	**100.0**

17.3 Analysis of Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011-2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Expressed as a percentage of assets	-6.8	-29.7	19.5	3.1	-4.2
Expressed as a percentage of liabilities	-0.3	0.0	0.2	-4.9	2.9

17.4 Scheme History

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Present Value of Liabilities					
Local Government Pension Scheme	-126,064	-111,703	-178,589	-150,153	-189,364
Discretionary benefits	-1,191,130	-1,112,130	-1,709,070	-1,580,100	-1,691,190
Fair value of assets in the Local Government Pension Scheme	80,413	69,849	98,648	113,116	118,899
Surplus / deficit (-) on the scheme	**-1,236,781**	**-1,153,984**	**-1,789,011**	**-1,617,137**	**-1,761,655**
Local Government Pension Scheme	-45,651	-41,854	-79,941	-37,037	-70,465
Discretionary benefits	-1,191,130	-1,112,130	-1,709,070	-1,580,100	-1,691,190
Total	**-1,236,781**	**-1,153,984**	**-1,789,011**	**-1,617,137**	**-1,761,655**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,761.7 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as a result of the following:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions; expected to be made to the Local Government Pension Scheme by the Authority in the year ending 31 March 2013 are £4.5m. Expected contributions for the Discretionary Benefits Scheme in the year ending 31 March 2013 are £20.0m.

17.5 Pensions Liability and Sensitivity

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied, with regards to the staff pensions. The Governments Actuary Department provides this for Police Officers. The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivity of the pension liabilities are shown below with the assumptions provided by the Authority's actuaries:

The sensitivity of the pension liabilities is shown as below	£000
For the Nottinghamshire County Pension Scheme	
+ 0.1% change to the discount rate would result in a reduction of the pension liability by :	-5,463
- 0.1% change to the discount rate would result in an increase in the pension liability by :	5,639
For the various Police Pension Schemes	
+0.5% change to the discount rate would result in a reduction of the pension liability by:	-42,280
-0.5% change to the discount rate would result in a reduction of the pension liability by:	42,280

However, the assumptions interact in complex ways. During 2011-2012, the Authority's actuaries advised that the net pension liability had increased by £365k to £3.553 million attributable to updating of the assumptions.

17.6 Financing and Investment Income and Expenditure

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the times that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local governments pension scheme, administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension’s liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement- this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investments assets built up to meet these pension's liabilities, and cash has to be generated to meet actual pension’s payments as they eventually fall due.

17.7 Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when; they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be against Council Tax is based on the cash payable in the year. The true cost of employer retirement benefits is reversed out of The Movement in Reserves Statement. The following table shows the transactions made during the year :

	Local Government Pension Scheme Staff		Discretionary Benefits Arrangements Officers	
	2010-11 £000	2011-12 £000	2010-11 £000	2011-12 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	10,954	7,508	39,760	35,650
Past service costs	0	0	30	40
Settlements and curtailments	367	2,332	0	0
Financing and Investment Income and Expenditure				
Interest cost	9,450	8,452	90,880	89,590
Expected return on scheme assets	-7,063	-7,785	0	0
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	**13,708**	**10,507**	**130,670**	**125,280**
Other Post Employment Benefit charged to the CIES				
Actuarial gains (-) and losses	35,959	-29,810	33,230	-38,110
Movement in Reserve Statement				
Reversal of net charges made to the Surplus / Deficit for the Provision of Services for pensions in accordance with the code	-13,341	-10,507	-130,640	-125,280
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	5,687	6,889	0	0
Retirements benefits payable to pensioners	0	0	41,360	49,490

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £471.4m (£403.4m loss 31 March 2011).

17.8 Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liability: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2010-11 £000	2011-12 £000	2010-11 £000	2011-12 £000
Opening Balance 1 April	**-178,589**	**-150,153**	**-1,709,070**	**-1,580,100**
Current service Cost	-10,954	-7,508	-39,760	-35,650
Interest Cost	-9,450	-8,452	-90,880	-89,590
Contributions by scheme participants	-2,776	-2,421	-9,860	-9,380
Actuarial gains and losses	32,399	-24,782	33,230	-38,110
Benefits paid	4,618	6,284	53,240	61,680
Past service costs	14,966	0	183,000	-40
Curtailments	-367	-2,332	0	0
Settlements	0		0	0
Closing Balance 31 March	**-150,153**	**-189,364**	**-1,580,100**	**-1,691,190**

Reconciliation of fair value of the scheme assets:

	Funded Liability: Local Government Pension Scheme	
	2010-11 £000	2011-12 £000
Opening Balance at 1 April	**98,648**	**113,116**
Expected rate of return	7,063	7,785
Actuarial gains and losses	3,560	-5,028
Employers contributions	5,687	6,889
Contributions by scheme participants	2,776	2,421
Benefits paid	-4,618	-6,284
Entity combinations	0	0
Settlements	0	0
Closing Balance at 31 March	**113,116**	**118,899**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £2.8m (2010-2011, £8.2m).This was due mainly to a past service gain in 2010-2011.

17.9 Pension Net Assets Statement

2010-11 £000	Discretionary Benefits - Officers	2011-12 £000
3,188	Debtors - Pensions paid in advance	3,553
-3,188	Other Current Assets	-3,553
0		**0**

18. Financial Instruments Notes

18.1 Gains and Losses

2010-11	Financial liabilities at amortised cost £000	Financial Assets Loans & receivables £000	Assets & Liabilities at Fair value through CIES £000	Total £000
Total interest expense in Surplus or Deficit on the Provision of Services	1,219	0	0	**1,219**
Total interest income in Surplus or Deficit on the Provision of Services	0	-228	0	**-228**
Net Gain / Loss (-) for the year	**1,219**	**-228**	**0**	**991**

2011-12	Financial liabilities at amortised cost £000	Financial Assets Loans & receivables £000	Assets & Liabilities at Fair value through CIES £000	Total £000
Total interest expense in Surplus or Deficit on the Provision of Services	1,506	0	0	**1,506**
Total interest income in Surplus or Deficit on the Provision of Services	0	-358	0	**-358**
Net Gain / Loss (-) for the year	**1,506**	**-358**	**0**	**1,148**

18.2 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit Risk - the possibility that the Authority might fail to pay amounts due to the Authority.
- Liquidity Risk - the possibility that the Authority might not have sufficient funds available to meet expenditure commitments.
- Market Risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Authority in the annual treasury management strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poor's Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Credit risk is also mitigated by imposing a short term investment period.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies was £19.8 million during the year ended 31 March 2012. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of deposits not being recoverable always exists, but there was no evidence at the 31 March 2012 that this was likely to happen.

At 31 March 2012 the amount owed by customers was £2.3 million (£2.0 million in 2010-2011). The Authority's policy is to set aside a provision for debts in order to minimise the effect of default. At the end of 2011-2012 the provision for bad or doubtful debts was £0.2 million (£0.2 million in 2010-2011) The estimated exposure of default is £0.03m which equates to 1.09% of the amount owing from customers.

31 Mar 2011 £000		31 Mar 2012 £000
1,669	Less than three months	1,897
80	Three to six months	254
22	Six to twelve months	22
212	More than twelve months	140
1,983		2,313

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans 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 have to replace a significant proportion of borrowing at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods, and reviews these every year as part of its Treasury Management Strategy.

The strategy specifies upper and lower limits as set out in the table below:

	Lower Limit	Upper limit
Less than one year	5%	30%
Between one and two years	5%	20%
Between two and five years	20%	50%
More than five years	25%	50%
More than 10 years	10%	100%

The maturity analysis of financial liabilities is shown as follows:

31 Mar 2011 £000	31 Mar 2011 Total %		31 Mar 2012 £000	31 Mar 2012 Total %
-5,396	19.9%	Less than one year	-4,944	15.5%
-1,271	4.7%	Between one and two years	-3,771	11.8%
-8,663	32.0%	Between two and five years	-8,363	26.3%
-8,017	29.6%	More than five years	-9,605	30.1%
-3,735	13.8%	More than 10 years	-5,176	16.2%
-27,082	**100.0%**		**-31,859**	**100.0%**
		Summarised as follows		
-5,396	19.9%	Due in less than one year	-4,944	15.5%
-21,686	80.1%	Due in more than one year	-26,915	84.5%
-27,082	**100.0%**		**-31,859**	**100.0%**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates- the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates- the interest income credited to the Surplus or Deficit on the Provision of Service will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried out at fair value, so nominal gains and losses on fixed rate borrowings would not impact of the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to have no more than 50% of borrowings in variable rate loans. The borrowing portfolio is reviewed quarterly for opportunities to re-finance.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any changes to be accommodated.

During the year £10 million of new long term borrowings was arranged from the Public Works Loan Board. The money was borrowed in four packets of £2.5 million detailed in the table below:

	Loan Type	Value £million	Interest rate %	Period for Repayment
1	Fixed	2.5	3.25	10.5
2	Fixed	2.5	4.22	45.0
3	Fixed	2.5	4.14	25.0
4	Fixed	2.5	1.97	5.0

If interest rates had been 1% higher or lower with all other variables held constant, the full year financial effect would have been £100,000 more or less expense.

Price Risk

The Authority does not invest in equity shares. The Authority is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to loss arising from movements in exchange rates.

18.3 Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables, and long term debtors and creditors 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 range of interest rates during 2011 - 2012 of 1.65% to 8% for loans from the PWLB and 0.3% to 1.07 % for other receivables. The Interest rate on the market loan (LOBO) was 3.73%.
- No early repayment or impairment is recognised.
- Where an instrument, matures in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans with the PWLB where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from this commitment to pay the PWLB an average rate above current market rates.

	31 March 2011		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	-27,082	-28,535	-31,859	-35,245
PFI and Finance Lease Liabilities	-3,014	-3,014	-2,735	-2,735
Receipts in Advance	0	0	-1,091	-1,091
Creditors	-21,274	-21,274	-20,910	-20,910
	-51,370	**-52,823**	**-56,595**	**-59,981**

The fair value of the assets is the carrying value at 31 March 2012 since these are all variable rate instruments. Long Term Debtors are car loans to staff, which are not adjusted to fair value because they are at a prevailing PWLB rate when initially recognised. Debtors are reviewed and impaired for the likelihood of default hence the carrying value approximates to fair value.

	31 March 2011		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and Receivables	20,498	20,498	27,371	27,371
Debtors	57	57	23	23
	20,555	**20,555**	**27,394**	**27,394**

19. Amounts reported for resource allocation decisions

The analysis of Income and Expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice as modified by the Police Objective Analysis. Decisions about resource allocation are taken by the Authority and Force on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in Financial Statements. In particular:

- No charges are made in relation to Capital Expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retiring benefits is based on cash flows (payment of employers pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to the services.

19.1 The income and expenditure of the Authority's Principal Directorates recorded in the budget management reports for the year are as follows:

Division & Department Income and Expenditure 2011/12	Local Policing £m	Specialist Services £m	Corporate Services £m	Total £m
Total Income	**-2.2**	**-0.7**	**-8.3**	-11.2
Employee expenses	104.0	41.8	20.7	166.5
Other service expenses	8.5	12.9	13.9	35.3
Capital Financing	0.0	0.0	2.8	2.8
Police Authority Dept	0.0	0.0	1.2	1.2
Total Expenditure	**112.5**	**54.7**	**38.6**	**205.8**
Net Expenditure	**110.3**	**54.0**	**30.3**	**194.6**

Division & Department Income and Expenditure 2010/11	Local Policing £m	Specialist Services £m	Corporate Services £m	Total £m
Total Income	**-1.9**	**-0.8**	**-13.8**	**-16.5**
Employee expenses	110.4	46.0	19.3	175.7
Other service expenses	9.0	11.9	12.2	33.1
Capital Financing	0.0	0.0	2.5	2.5
Police Authority Dept	0.0	0.0	1.5	1.5
Total Expenditure	**119.4**	**57.9**	**35.5**	**212.8**
Net Expenditure	**117.5**	**57.1**	**21.7**	**196.3**

The amounts reported to management for decision making differ from the amounts included within the Comprehensive Income and Expenditure Statement, because statutory accounting adjustments require entries which do not impact upon the precept required to be levied.

19.2 Reconciliation of Division and Departmental Income and Expenditure to Surplus / Deficit in the Comprehensive Income and Expenditure Statement

		2011-12 £ million
As reported for decision making		
	Expenditure	205.8
	Income	-11.2
	Net	**194.6**
Items excluded from Management Reports		
	Items capitalised	-0.2
	Other than Found Property income	-0.1
Items related to External Bodies		
	JANE's Surplus	-0.1
	Collection Fund adjustment	0.1
Included for Taxation/Management purposes but not in Provision of Services		
	Minimum Revenue Provision	-1.8
	Interest Payable	-1.0
	Interest Receivable	0.1
	Levies to National Police Services	-0.6
Excluded for Taxation/Management purposes but included Provision of Services - Valuation adjustments		
	Adjustment relating to fair value of loans	0.0
	Adjustments relating to Finance leases / PFI	-0.9
	Adjustments relating to Pensions	14.7
	Adjustments relating to Capital Financing	10.3
	Adjustments relating to Accumulated Absences	-0.7
	Cost of Services	**214.4**
	Other Operating Expenditure	0.7
	Financing & Investment Income and Expenditure	91.4
	Taxation & Non-specific Grant Income	-228.6
		77.9

20. Authority as Lessee

20.1 Finance Leases

The Authority has acquired a number of buildings vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in the future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts, payable over the following periods:

	Finance Lease Liabilities Gross		Finance Lease Liabilities Net	
	31 Mar 2011 £000	31 Mar 2012 £000	31 Mar 2011 £000	31 Mar 2012 £000
No later than one year	969	741	849	648
Later than one year and no later than five years	1,220	859	1,088	826
Later than five years	173	149	164	147
	2,362	**1,749**	**2,101**	**1,621**

	31 Mar 2011 £000	31 Mar 2012 £000
Future finance charges on finance leases	261	193
Present Value of lease obligations	2,101	1,621
	2,362	**1,814**

The assets acquired under these leases are carried as Plant, Vehicle & Equipment and are included at £1,302k net value as at 31 March 2012 (£1,448k 31 March 2011).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Currently there are no such events.

20.2 Operating Leases

The Authority has acquired land, buildings and equipment on operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 2011 £000	31 Mar 2012 £000
No later than one year	579	658
Later than one year and not later then 5 years	1,804	1,984
Later than 5 years	1,300	1,067
	3,683	**3,709**

The treatment of leases in the financial statements has been adjusted to reflect the requirements of IAS 17. The financial statements and associated notes for 2011-2012 have been adjusted to reflect the distinction between operating leases and finance leases and the necessary accounting treatment. The most significant impact is that operating leases that expire after more than 5 years have now been classified as finance leases. This is in accordance with IAS 17 which requires the Authority to capitalise these leases on its balance sheet.

21. Private Finance Initiatives

The Authority has two Private Finance Initiatives (PFI) project agreements.

For both of the PFI agreements the following are applicable:

- The Authority has the sole right to use the PFI assets over the period of the agreement.
- Both PFI providers have to ensure that the Authority can use the assets per the agreement.
- For the Riverside Accommodation, Miven (the PFI provider) maintains the building over the period of the agreement.
- For the vehicles Vensons (the PFI provider) ensures that the Authority has use of an agreed number of vehicles
- The Authority has no right to ownership of the assets at the end of the agreements.

There were no changes to the agreement during the year ended 31 March 2012.

Building PFI Scheme

The PFI contract for the provision of the Riverside Accommodation building, commenced in February 2002. The estimated capital value of this scheme is £6.6 million. The arrangement is for 25 years from 2001-02 to 2026-27. The amount paid in 2011-2012 was £1.0 million (£0.97 million in 2010-2011). Future payments will be linked to the movement in RPI inflation.

The Authority received special grants towards the financing of the Riverside Accommodation PFI scheme. Grant of £588,213 was received in 2011-2012. (£564,942 2010-2011).

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability - performance deductions, based on the latest payments made) are as follows:

Riverside Accomodation Future PFI Payments	Payment for Services £000	Payment for Capital £000	Total £000
2012-13	443	543	986
2013-14 to 2017-18	2,214	2,714	4,928
2018-19 to 2022-23	2,214	2,714	4,928
2023-24 to 2026-27	1,694	2,081	3,775
	6,565	8,052	14,617

Vehicle PFI Scheme

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 agreement is for 25 years from 2001-02 to 2026-27. The amount paid in 2011-2012 was £3.2 million (£3.2 million in 2010-2011). Future payments will be linked to the movement in inflation.

The Authority receives special grants towards the financing of the vehicle services PFI scheme. Grant of £1,269,513 was received in 2011-2012 (£1,209,058 in 2010-2011).

The Authority reviewed the Vehicle PFI scheme as required by IFRS. This resulted in the reclassification of vehicles as finance lease assets in accordance with IAS17. The future liability for the resultant finance lease payments is shown in note 28. The authority has decided to disclose the contractual PFI obligation within this note.

22. Members Allowances

The Authority paid £233k of allowances to members (£221k 2010-11) and £10k of expenses were reimbursed (£30k 2010-11) during the year.

Members of the Authority have direct control over the Authority's financial and operating policies.

Members complete an Annual Register of Interest form and declaration, in addition to which they are requested to declare at the start of each Authority meeting any interest prejudicial or personal and where appropriate excuse themselves when a decision on that item is being considered. These forms are available for inspection at the Police Authority Office, County Hall, West Bridgford during office hours.

23. Officer Emoluments

23.1 Employees earning over £50,000

The Authority's employees receiving more than £50,000 remuneration (excluding senior officers reported in 23.2) for the year (excluding employers pension contributions) were paid the following amounts:

2010-11 No of employees	Remuneration Band	2011-12 No of employees
144	£50,000 - £54,999	102
69	£55,000 - £59,999	67
17	£60,000 - £64,999	13
5	£65,000 - £69,999	5
8	£70,000 - £74,999	3
9	£75,000 - £79,999	12
5	£80,000 - £84,999	4
4	£85,000 - £89,999	1
1	£90,000 - £94,999	1

23.2 Senior Officers Remuneration

The following table sets out the remuneration for senior officers posts. The officers included in this table are not included in the table showing officers earning over £50,000.

SENIOR OFFICERS EMOLUMENTS 2011-2012

2011-2012 Post Holder Information	Notes	Salary £	Expenses Allowances £	Benefits in Kind £	Other Payments £	Sub Total £	Employers Pension Contrib' £	Total inc Pension Contrib' £
			Note 3	Note 4	Note 5			
Chief Constable		142,143	357	8,046	8,112	158,658	34,399	193,057
Deputy Chief Constable		139,119	591	7,870	3,554	151,134	33,667	184,801
Assistant Chief Constable (TKAP)	1	105,849	5,134	8,603	9,780	129,366	25,615	154,981
Assistant Chief Constable (Crime)		98,337	688	7,265	5,603	111,893	23,798	135,691
Assistant Chief Constable (Change)	2	90,408	20	5,570	2,828	98,826	20,404	119,230
Assistant Chief Constable (Territorial)		98,337	37	7,056	5,603	111,033	23,798	134,831
Assistant Chief Officer (Resources)		96,780	29	7,517	0	104,326	13,743	118,069
Deputy Chief Executive and Treasurer		69,496	0	0	0	69,496	9,868	79,364
Chief Executive		76,935	0	0	0	76,935	12,240	89,175

Note Officers' Remuneration

Note1: Assistant Chief Constable (TKAP) was attached to the Home Office and was required to be based in London.

Note 2: Assistant Chief Constable (Change) retired on 17th January 2012.

Note 3: Expenses include Travel, Accommodation, Subsistence and Relocation Expenses.

Note 4: Benefits in Kind include Car Allowance, Lease Car benefit, Medical Insurance, and Mortgage Interest Payments for relocation.

Note 5: Other Payments includes Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for loss of Office

SENIOR OFFICERS EMOLUMENTS 2010-2011

2010-2011 Post Holder Information	Notes	Salary £	Expenses Allowances £	Benefits in Kind £	Other Payments £	Sub Total £	Employers Pension Contrib' £	Total inc Pension Contrib' £
			Note 15	Note 16	Note 17			
Chief Constable		140,671	0	15,737	7,814	164,222	34,042	198,264
Deputy Chief Constable - A	1	38,116	0	2,471	165,349	205,936	9,224	215,160
Deputy Chief Constable - B	2	110,078	6,478		2,833	119,389	26,639	146,028
Assistant Chief Constable (Crime) - A	3	108,416	9,053	550	7,637	125,656	25,350	151,006
Assistant Chief Constable (Crime) - B	4	33,424	0	1,020	5,324	39,768	8,195	47,963
Assistant Chief Constable (Crime) - C	5	70,677	136	5,308	3,260	79,381	17,104	96,485
Assistant Chief Constable (Territorial) - A	6	25,255	2,167	1,477	857	29,756	6,112	35,868
Assistant Chief Constable (Territorial) - B	7	70,677	4,359	7,663	3,260	85,959	17,104	103,063
Assistant Chief Constable (Performance)	8	79,498	6,821	5,523	2,697	94,539	19,238	113,777
Director of Finance	9	45,240	0	3,775	30,000	79,015	6,198	85,213
Director of Information	10	40,228	0	3,500	30,500	74,228	5,511	79,739
Director of Human Resources	11	20,520	4,899	0	19,000	44,419	2,811	47,230
Assistant Chief Officer (Resources)	12	49,465	0	3,853	0	53,318	6,777	60,095
Deputy Chief Executive and Treasurer		65,259	0	0	0	65,259	10,078	75,337
Chief Executive - A	13	21,754	0	0	88,951	110,705	2,980	113,685
Chief Executive - B	14	9,598	0	0	0	9,598	691	10,289

Note Officers' Remuneration

Note 1: Deputy Chief Constable A retired on 31st July 2010.

Note 2: Deputy Chief Constable B commenced employment with effect from 14th June 2010.

Note 3: Assistant Chief Constable (Crime) A was on secondment for the 2010-2011 financial year and was recharged for this period.

Note 4: Assistant Chief Constable (Crime) B retired on 31st July 2010.

Note 5: Assistant Chief Constable (Crime) C commenced employment with effect from 28th June 2010.

Note 6: Assistant Chief Constable (Territorial) A - data covers period 1st April 2010 to 27th June 2010.

Note 7: Assistant Chief Constable (Territorial) B commenced employment with effect from 20th June 2010.

Note 8: Assistant Chief Constable (Performance) transferred to this post with effect from 28th June 2010.

Note 9: Director of Finance retired on 30th September 2010.

Note 10: Director of Information retired on 30th September 2010.

Note 11: Director of Human Resources left this employment on 30th June 2010.

Note 12: Assistant Chief Officer Resources commenced employment on 27th September 2010.

Note 13: Chief Executive A left this employment on 7th July 2010.

Note 14: Chief Executive B commenced employment on 14th February 2011.

Note 15: Expenses include Travel, Accommodation, Subsistence, and Relocation Expenses.

Note 16: Benefits in Kind include Car Allowance, Medical Allowance and Mortgage Interest Payments relating to relocation.

Note 17: Other Payments includes Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for loss of Office.

24. Termination Benefits

The Authority terminated contracts of a number of employees in 2011-2012, incurring liabilities of £4.2million (£0.7 million in 2010-2011). This comprised redundancy payments of £1.9 million, pension strain costs of £1.8million, other payments £0.5million. The £0.5 million includes £85k adjusting payment to an employee who left service during 2010-11. These are included in the table below. In addition a number of police officers left the organisation under the A19 rule and are included within the table below. The lump sum payments relate to the pension lump sum due for pensionable service, these amounted to £10.4million. The pension lump sums for officers are included in the Pension Fund Account (P1). The table does not include those officers who left on the A19 rule who had already taken their lump sum in previous years having reached 30 years service. Other departures agreed covers voluntary redundancies and compromise agreements. The table below gives more detail:

Exit Package cost band (including special payments)	Number of compulsory redundancies		Officers who left on A19 with lump sum		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11 £000	2011-12 £000
£0 - £20,000	5	12	0	0	10	150	15	162	144	1,455
£20,001 -£40,000	1	3	0	0	6	53	7	56	181	1,578
£40,001 -£60,000	0	0	0	0	1	16	1	16	52	795
£60,001 -£80,000	0	0	0	0	1	2	1	2	73	131
£80,001 -£100,000	0	0	0	0	1	1	1	1	89	89
£100,001 -£150,000	0	0	0	50	0	1	0	51	0	6,632
£150,001 -£200,000	0	0	0	19	0	0	0	19	0	3,398
£200,001 -£250,000	0	0	0	0	1	0	1	0	233	0
Over £250k	0	0	0	2	2	0	2	2	595	525
Total	**6**	**15**	**0**	**71**	**22**	**223**	**28**	**309**	**1,367**	**14,603**

25. Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 10 on reporting for resources allocation decisions.

26. Related Parties

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be the controlled or influence by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates. It provides the majority of its funding in the form of grants and sets out the precepting legislation. A total of the grants and precepts are shown in note 3.3 and receipts outstanding at the end of the year are shown in note 7.2.

Members of the Authority have a direct control over finances and influence operations. Note 22 shows members allowances paid during the year. As part of good practice under the CIPFA Code of Practice the Authority is required to get members to complete a declaration of personal interests under section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) Order 2007. This is achieved by the completion of a register of members' interest form for each member.

CIPFA recommends that senior managers complete a declaration of personal interests. The Authority's Annual Governance form allows for this declaration.

Joint arrangements and collaborations are areas where significant influence can be exerted both by and on the Authority. More information is included in the explanatory foreword note 11, and notes 13 and 14.

27. External Audit Costs

The Authority uses the services of the Audit Commission for external audit. The Authority has incurred costs of £92k in relation to the audit of the Statement of Accounts (£90k – 2010-2011). Nothing additional was paid for 'National Fraud Initiative' data matching services (£1k – 2010-2011).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE POLICE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the police pension fund financial statements of Nottinghamshire Police Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012.

This report is made solely to the members of Nottinghamshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and Auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the police pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

• give a true and fair view of the financial position of Nottinghamshire Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;

• give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

• in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

• I issue a report in the public interest under section 8 of the Audit Commission Act 1998;

• I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

• I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Other matters on which I am required to conclude

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements. I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

• My review of the annual governance statement;

• The work of Her Majesty's Inspectorate of Constabulary, to the extent the results of the work have an impact on my responsibilities; and

• My locally determined risk-based work as directed by the Audit Commission on the abolition of police authorities and managing the transition.

As a result, I have concluded that there are no matters to report.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

John R Cornett

Officer of the Audit Commission District Auditor

Audit Commission

Unit 10 Whitwick Business Centre

Whitwick Business Park

Stenson Road

Coalville

LE67 4JP

26 September 2012

NOTTINGHAMSHIRE POLICE AUTHORITY

and

NOTTINGHAMSHIRE POLICE FORCE

ANNUAL JOINT GOVERNANCE STATEMENT

2011-2012

1. SCOPE OF RESPONSIBILITIES

1.1 The Nottinghamshire Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2 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.

1.3 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

1.4 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government.* A copy is on our website at www.nottinghamshire.police.uk/npa or can be obtained from the Police Authority office. 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 2011 in relation to the publication of a Statement on Internal Control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

2.3 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 effectively, efficiently and economically.

2.4 The governance framework has been in place for the year ended 31st March 2012 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 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 the Chief Constable to account for the exercise of those functions and those persons under that direction and control.

3.2 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.

This section describes the key elements of the systems and processes that comprise the governance arrangements that have been in place for the Authority and Force.

Introduction

This Annual Governance Statement will be the last published by the Police Authority. It is therefore fitting that it is able to describe part of what will become the legacy that the Authority will leave for the elected Police and Crime Commissioner in November 2012.

2011-2012 has been another year of significant change for the Authority and Force. The year started with needing to identify and deliver £10.3 million in savings in order to deliver a balanced budget and in the knowledge that a further £32m was needed in savings from the following 3 years.

The start of the year with Performance beginning to show signs of improvement and indeed during 2011-2012 significant improvements in relation to performance have been achieved. The total number of offences recorded fell from 84,263 in 2010/11 to 77,421 in 2011/12 representing a drop of -8.1% (6,842 offences). Many categories of crime saw offences plummet by more than 20% including domestic burglaries which fell by 24.1% during the year, robbery by 21.9% and drug offences by 21.1%.

Therefore despite the financial pressures the Authority and Force saved there was still an improvement in performance making Nottinghamshire safer for the public.

The cuts that had to be made resulted in some difficult decisions relating to redundancy both voluntary and compulsory and the application of A19, which enforce the retirement of officers with 30 years experience. Without these changes the Authority would not have been able to realign its financial base to a level that would provide the ability to achieve the future cuts also.

With such significant changes in staffing levels and the recruitment of new staff there are invariably some internal control problems. These have been identified in numerous ways and are being managed to ensure improved quality of service.

Further good news came with the setting of the budget for 2012-13. Whilst the Police Authority agreed to increase the precept this was not used to finance the budget gap (that had to be found within existing services), but to finance additional PCSO's and Police Officer recruitment to ensure the minimum level of frontline policing was reached and maintained over the next two years.

2012-13 will another year of significant change with the transition and handover to the elected Police and Crime Commissioner. The Authority and Force have been working together and with Partners to ensure a smooth transition and handover.

The Police Authority itself continues with business as usual and will ensure it leaves a lasting legacy that the Commissioner would be proud to inherit.

- ***Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users***

  The vision statement is:

  '*Policing for You' by working in partnership to protect and reassure through a visible and accessible service that is flexible and responsive to community and individual needs.'*

  The three strategic priorities identified in the Policing Plan 2011-15 are:

  - To cut crime and keep you safe
  - To spend your money wisely
  - To earn your trust and confidence

  There has been a comprehensive integrated strategic and business intelligence assessment conducted to identify the priorities and the actions to support delivery of the Policing Plan. These priorities are supported by a Control Strategy. The priorities are being monitored through the development of a Performance and Insight Report, which is reported to the committees of the Police Authority.

The Policing Plan is the key document for communicating the Force and Authority vision to the public. The process for communication with the public and stakeholders on the 2011-15 Policing Plan then commenced in the Autumn and the final Policing Plan for 2011-15 was approved by Members and published on the website February 2011. The annually updated plan for 2012-16 was published in February 2012.

Members and Senior Officers attended community engagement events in the major shopping centres and consultation also took place at focus groups in the City and County. The priorities contained within the policing plan is verification that these voices have been heard.

- ***Reviewing the Authority's vision and strategy and its implications for governance arrangements***

  2011-2012 was the first year of significant cuts in funding for the Authority and Force, as such the new committee structure from 2010-11 became key to ensuring that not only the savings were achieved, but also that performance continued to improve. To further enhance the governance the authority set up a Joint Leadership Group to replace the former Joint Strategic Planning Group. The leadership group received and monitored the achievements against planned savings and was also the first stage in making the difficult decisions that had to be made in relation to redundancy and A19.

  Further enhanced governance was achieved through the introduction of scrutiny committees, which covered victim, partnership and force views in relation to Domestic Violence. A second review has recently commenced in relation to anti-social behaviour.

  In both public and private meetings members have been more challenging of the Force to ensure that the decisions being made are correct, appropriate and based upon valid and full information.

  The Force itself has reviewed its governance structures and there is a clear link to organisational scrutiny and challenge through the Authority.

  The Authority is now facing its biggest change in governance since inception in 1996. The Authority itself will cease to exist at midnight on 21st November 2012 and the newly elected Police & Crime Commissioner will replace the 17 members of the authority. This brings with it new challenges in relation to governance and decision making. Since the summer 2011 there have been arrangements put into place to ensure a smooth transition from Police Authority to Police & Crime Commissioner. There are two project implementation boards, which involve Force and Partners in the progression of work streams. There is also a PCC Transition Board chaired by the Chair to the Police Authority, which has oversight of the projects and their implementation.

  Update reports are also reviewed at the Joint Leadership Group and where appropriate decision making reports are produced to the relevant Police Authority Committee.

  The Authority is also keen to ensure that it continues "Business as usual" and has a full agenda of meetings up to the 14th November.

- ***Setting objectives and targets outlined in the Annual Policing Plan, including decision making structures***

Starting with the 2011 Policing Plan, where the process of review was started in September and was closely linked with the budget process; this process was repeated for the 2012 Policing Plan and budget. This continues to ensure that resources are aligned with performance need.

During the year Authority members worked closely with the Force to further improve the performance data and information supplied. This results in better analysis and understanding of performance and focus on specific areas of concern during the year.

The performance stretch targets set were done so with the aim of achieving the required step change in performance improvement. The targets themselves are set based upon information from The Strategic Intelligence assessment and the assessment of Threat Harm and Risk. The Performance & Policing Committee monitors performance against the targets set. Similarly, the other committees monitor performance against the targets set relating to their terms of reference. The three priorities and supporting targets for the next three years are shown in the tables below:

Priority 1: To cut crime and keep you safe	**Target 2012-13**	**Target 2013-14**	**Target 2014-15**
Percentage reduction in crime	-8%	-8%	-8%
Percentage reduction in violent crime	-8%	-8%	-8%
Percentage of crimes where an offender is detected for sanction and local resolution	36%	> 36%	> 36%
Percentage reduction in antisocial behaviour (ASB) incidents	-10%	-7%	-7%
Percentage reduction in people killed or seriously injured (KSI) on roads in Nottinghamshire[1]	-10%	-6%	-6%

Priority 2: To spend your money wisely	**Target 2012-13**	**Target 2013-14**	**Target 2014-15**	**Target 2015-16**
Total savings / efficiencies	£10.3m	£11.2m	£12.9m	£8.8m
Procurement savings	£1.3m	£1.3m	£1.3m	-
Estates programme savings	£0.3m	£1.0m	£1.4m	-
Percentage reduction in carbon emissions[2]	-	-	-30%	-
Collaboration savings	£0.5m	£0.5m	£1.6m	£1.5m

Priority 3: To earn your trust and confidence	**Target 2012-13**	**Target 2013-14**	**Target 2014-15**
Satisfaction of victims of crime with the service they have received[3]	90%	> 90%	> 90%
Percentage of all crimes and crime-related incidents attended where required	90%	> 90%	> 90%
Percentage of people who agree that the police and council are dealing with local ASB and crime issues	58%	59%	60%
Percentage of complaint allegations of misconduct that are upheld	< 5%	< 5%	< 5%

- ***Monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked***

During 2011-2012 significant improvements have been achieved in relation to performance. The stretch targets set had not been achieved by the end of the year but significant progress had been made and the Authority will continue to monitor and challenge how the force addresses this issue.

The table below shows the Force performance in respect of 2011-2012. Overall, total crime fell by 8.1% against a target of 12%.

2011/12 Target Performance - Force

Force	2011/12	2010/11	Diff	% Diff	Target	Diff to Target	% Diff to Target
All Crime	77,421	84,263	-6,842	-8.1%	74,329	3,092	4.0%
Burglary Dwelling	**4,401**	**5,798**	**-1,397**	**-24.1%**	**4,935**	**-534**	**-12.1%**
Vehicle Crime	7,280	8,211	-931	-11.3%	5,815	1,465	20.1%
Robbery	1,136	1,455	-319	-21.9%	1,069	67	5.9%
Theft & Handling	22,699	22,416	283	1.3%	20,341	2,358	10.4%
Criminal Damage	13,613	15,617	-2,004	-12.8%	12,740	873	6.4%
VAP - with injury	6,694	8,168	-1,474	-18.0%	6,535	159	2.4%
Anti Social Behaviour	57,950	63,104	-5,154	-8.2%	56,794	1,156	2.0%
Most Serious Violence	549	617	-68	-11.0%	502	47	8.6%
Violent Knife Crime	538	557	-19	-3.4%	489	49	9.1%
Gun Crime	119	129	-10	-7.8%	102	17	14.3%
Serious Sexual Offences	**638**	**741**	**-103**	**-13.9%**	**679**	**-41**	**-6.4%**
All Crime SDs	33.2%	32.4%	n/a	0.8%	35.0%	n/a	-1.8%
SAC SDs	22.0%	20.8%	n/a	1.2%	27.0%	n/a	-5.0%

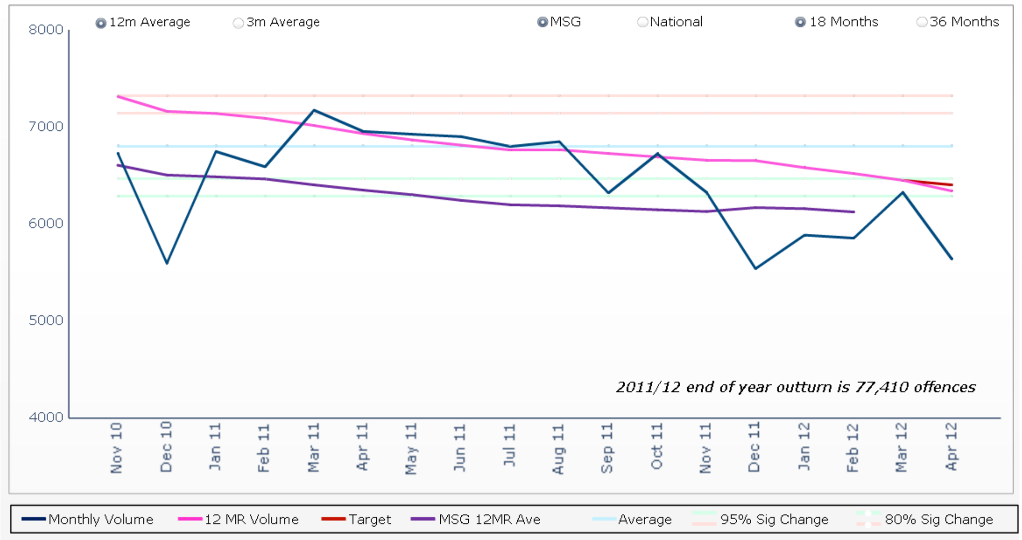
Performance and Finance are monitored very closely throughout the year with regular reports to the Performance and Policing Committee and the Finance and Business Committee. Other areas scrutinised include collaboration and through the Community Engagement and Partnerships Committee satisfaction and confidence performance is monitored and challenged. The HR & Professional Standards Committee monitors performance relating to Health and Safety and other Human Resource targets.

The links between all areas of performance and resources are now clearer and this will enable the movement of resources to match need.

- ***Measuring quality of service for users, to ensure they are delivered in accordance with the Authority's objectives and represent the best use of resources***

Performance is monitored through three performance insight reports – one for each priority. The chart below is an extract from the most recent Priority 1 Insight Report (April 2012) in respect of 'To Cut Crime & Keep You Safe' and shows the trend in respect of total recorded crime.

Total Recorded Crime – Trend Nov 2010 to April 2012



As seen in the table above in 2011-2012 crime continues to fall with reductions in total crime of 8.1% which equates to 6,842 fewer victims. Some other key achievements include a fall in burglary dwelling with 1,397 fewer victims (-24.1%); criminal damage with 2,004 fewer victims (-12.8%); violence against the person with injury with 1,474 few victims (-18%) and antisocial behaviour with 5,154 few victims (-8.2%). All of these improvements have been achieved whilst making savings over £10 million in year.

Improving the quality of service provided by officers and staff is at the heart of the Authority and Force vision and is central to the force’s commitments to the public.

The Authority plays a key role in supporting the force improve its service quality as a ‘critical friend’ providing feedback directly from public engagement activity. This has allowed the Force to change the way it delivers its services in critical areas such as Hate Crime prevention and for consideration during the 2011 Estates review. The Force now feedback much more information of interest and relevance to the public. This has been driven by the Authority through the introduction of a “we asked, you said, we did” media campaign.

Members also took part in an in-depth scrutiny review relating to Domestic Violence – an area of concern that had come to light during the year. The aim of which was to ensure that the Police and Partners continue to provide the best service it can for the people of Nottinghamshire in preventing such crime.

- ***Risk management processes by which key risks are identified and mitigated in Force and Authority***

The Authority and Force have a Corporate Risk Strategy, which integrates the Risk Management Process into the Strategic Planning Framework, Strategic Business Review and Business Planning.

There has been regional collaboration for the purchase of Orchid, the system which will improve the recording, management and monitoring of strategic risks. Unfortunately delays in getting the system operational will mean that the benefits will not be realised until 2012-13.

Training has been given in relation to the new system and Managers are aware of their responsibilities in relation to risk management.

During 2011-2012 the Change programme has identified and registered risks within each of the change projects. A Risk assessment has been undertaken of all partnership funding and risks have been identified and costed for the Medium Term Financial Plan. Other elements of the Medium Term Financial Plan have also been risk assessed to ensure that savings targets are robust; some opportunities have not been included to reflect particular risks.

There has been further integration of a Risk, Treat and Harm approach to the Strategic Intelligence Assessment to ensure identification of the key areas for Change and improvement for the Force.

Information Risk

Information Assurance is an area of significant importance to the force and proactive management of information is being progressed, with training also being given to all relevant officers and staff.

The ACPO Information Assurance Policy and strategy assists all forces to reach a common and satisfactory level of Information Assurance across the police community through the implementation of the ACPO Community Security Policy (CSP).

Nottinghamshire Police Force Security Board has long been established to provide governance on Information Assurance matters and comprises of key senior police officers and staff. The Board meets every 2 months and is chaired by the Deputy Chief Constable (DCC) in their role as Senior Information Risk Owner (SIRO). Information Assurance risks are incorporated into the Corporate Risk Management structure and are regularly reviewed at Board level.

ACPO Police Information Assurance Board (PIAB) and Information Management Business Area (IMBA) adopted the HMG Information Assurance Maturity Model (IAMM) in 2011 as the methodology in providing evidence to demonstrate levels of Information Assurance maturity and compliance to the Community Security Policy (CSP). It is designed to be used as part of an Enterprise approach to managing Information Risk and therefore provides an opportunity for the Force to develop and manage a comprehensive improvement programme. This will enable the Force to generate greater trust in their information systems and processes, both internally and with partnerships.IAMM links into the Force objectives:

- **Priority One - Cut crime and keep you safe** – by ensuring the right information is delivered at the right time to the right people in the right place
- **Priority Two - Spend your money wisely** – to ensure that pragmatic and cost effective solutions are found to ensure that staff can manage their information handling, sharing, disclosing etc in a secure and efficient way.

  Priority Three - Earn your trust and confidence – Reduce the risks of information being compromised and thereby enhancing both the publics and our partners confidence in the way we handle their information

Identified issues

Many of Nottinghamshire's baseline requirements have been assessed by the Force Information Security Manager as part of the security accreditation process for the Force's RESTRICTED and CONFIDENTIAL networks. This assessment has led to a number of recommendations that include:

- Enhancements to the Force's protective monitoring capability
- Improvements to system use audit and monitoring
- Improvements to remote working procedures including Home Working
- Greater integration of IA standards into project management processes
- Improvements to third party working arrangements including the arrangements for collaborative regional projects and teams
- A full review of physical security arrangements
- Improved access control procedures
- New Information Assurance training package

The remaining work identified for compliance with CSP and IAMM includes:

- Enforcement of protective marking of documents and assets
- Re-accreditation of the RESTRICTED and CONFIDENTIAL networks in line with the new ACPO Modular Codes of Connection
- Production of outstanding accreditation documents for business critical systems and related System Operating Procedures
- Identification of Information Asset Owners and ensuring the implementation of the IA Governance structure both regionally and locally with associated policies, procedures and training materials

Benefits and Achievements

The Force is an information led organisation and requires a programme of continual improvement to ensure that information security risks are being appropriately managed to meet the changing environment. If carried out effectively, Information Assurance not only protects the organisations key assets but it also supports reliable and effective policing.

The NPIA tasked all Forces with achieving Level 1 of the IAMM by 31st March 2012 and Level 2 by 31st March 2013.

The force has achieved the following:

- 100% of Level 1 IAMM maturity has been achieved after reviewing the following:
  - Relevant Force Documentation
  - Force processes both in place and under development
  - Responses from relevant Departments including ICT, Organisational Development and Information Security (PSD)

- The level 2 maturity level will be achieved when IAMM is adopted as part of the Force Action Plan and implementation of the relevant subject areas with new and reviewed documentation and processes are embedded across the Force

- ***Defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity***

  The roles and responsibilities of the Chair, Vice Chair and Members are set out in the job descriptions in the Scheme of Delegation and Members Allowances Scheme.

  To facilitate there is a Members handbook available on the website and induction sessions were held with the new members during the year. Members themselves undertake an annual review and this is used to identify training needs.

  The Authority has had a long-standing scheme of delegation in place, which has been reviewed over the years. There is a current review to assess the changes required for when the Police & Crime Commissioner is in post to enable business continuing as normal.

  The Authority has protocols in place with the Force Chief Officer Team to enable understanding and clarity of responsibility in relation to agreed ways of working. For example Special Operations and the use of reserves and Internal Audit and Professional Standards department. Theses are also currently being reviewed.

- ***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff***

  During the year, the Chair of the Police Authority undertook a Member Review process aimed at reviewing performance and identifying development requirements. A training programme is being developed from this for 2012-13.

  The Standards Committee is responsible for reviewing developmental programmes for members including compliance with the code of conduct. The Standards Committee receives and investigates conduct complaints made against members of the authority. The Authority's website provides the public with details on how to make a complaint against members and the process that will be followed.

  The HR & Professional Standards Committee has responsibility to review action take in respect of complaints made against police officers and staff. This would include complaints made against the Chief Constable and the outcome of reviews by the Independent Police Complaints Commission.

  Annually members are requested to declare any interests that they have.

  The Police Reform Act 2002 is fully embedded. This is a prescriptive piece of legislation that sets out the Standards of Professional Behaviour for Police Officers. The Police Reform and Social Responsibility Act 2012 will come into effect with the advent of Police and Crime Commissioners in November 2012 and the Force is prepared for the minor amendments that this makes to the 2002 Act.

The Police Staff Discipline Code similarly addresses the Code of Conduct and standards of behaviour for Police Staff.

The Professional Standards Directorate has responsibility for the recording and investigation of all matters relating to the Standards of Professional Behaviour and the recording of public complaints. When dealing with issues concerning Police Staff, the Professional Standards Directorate has responsibility for recording public complaints and matters relating to gross misconduct. The investigative process is agreed with the Head of Human Resource Management. Police Staff sanctions are determined by the Head of Human Resource Management.

The Heads of the Professional Standards Directorate and Human Resource Management meet on a regular basis to discuss Police Staff suspensions and discipline investigations.

Similarly, there is a Police Disciplinary Group that is working to align Police Officer and Police Staff discipline procedures. This has been assisted with the implementation of the Taylor recommendations that is designed to bring Police Officer misconduct in line with current ACAS arrangements.

All new recruits and Police Staff receive training in the Standards of Professional Behaviour, including public and organisational expectations. This training is further extended to newly promoted Sergeants and Inspectors.

- ***Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks***

The Authority undertook a full review of its Financial Regulations in 2007-08 and there is an ongoing process of review and amendment by the Treasurer, with reports to the Police Authority where required. During the year additional guidance in support of the financial regulations was provided in respect of gifts and hospitality. During the year a review of authorisation levels relating to Contract Standing Orders was undertaken to ensure consistency between the three Authorities collaborating on procurement. All other standing orders and financial regulations and guidance are under review as part of the Police & Crime Transition work.

The Financial Regulations clearly define individuals' responsibilities and the assurance process requires certification by all officers with responsibilities as part of the year-end routine.

In addition to this the Force has a Manual of Financial Guidance, which provides detail on financial procedure, authorisation and controls. There is a programme of review to ensure that this document is kept current.

- ***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities***

The full functions of an Audit Committee are within the terms of reference of the Finance & Business Committee. The terms of reference and roles of members on this committee have also been evaluated against the CIPFA checklist for Audit Committees within the practical guidance.

The changes to committee structures and terms of reference now have all audit issues being reported to the Finance & Business Committee. In addition to this key documents such as the Annual Governance Report by the External Auditors will be reported to the Police Authority.

- ***Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful***

The Authority's Chief Executive has with Members approval appointed a Monitoring Officer through a contract with the County Council; this will continue to ensure compliance with relevant laws and regulations.

The Authority has a contract for the provision of Internal Audit to ensure compliance across the organisation with relevant laws and regulations. This is further supplemented by the work of the External Auditor and HMI.

Legal advice is also provided by the Force solicitor and only where necessary external legal advice is sought.

- ***Whistle blowing and for receiving and investigating complaints from the public and handling citizen and other redress***

  As stated above the Authority has a mechanism in place for receiving complaints made by the public against members of the Authority. Such matters are investigated and managed by the Standards Committee.

  The HR & Professional Standards Committee has responsibility for managing complaints made against the staff of the Authority and Chief Constable and reviewing the management of complaints made against police officers and police staff.

  Nottinghamshire Police has a Professional Standards Directorate (PSD) that is responsible for receiving and investigating complaints from the public and handling citizen and other redress. The PSD has responsibility for the recording of all public complaints and misconduct matters in accordance with the Police Reform Act 2002. A specific database called Centurion provides the facility to record and manage all public complaints and internal investigations and provides direct data to the IPCC for National analysis.

  While It should be noted that Nottinghamshire Police do not use the term 'whistleblower' as a result of the negative connotations of the word and potential impact it can have on persons making internal

reports, it does have a confidential reporting process. The PSD is also about to launch 'Integrity Messenger' an anonymous e-reporting system that has proved successful in other forces.

All matters are prioritised in line with the Independent Police Complaints Commission Guidance and are dealt with in the following manner:

- ***Local resolution are dealt with by Divisional supervisors and are a quick and efficient method of providing local redress at a level where advice and guidance can be offered to staff to address failings in customer service.***
- ***Local investigations are completed by either Divisional supervisors or the Professional Standards Directorate depending on the severity of the complaint and whether or not the complaint, if proven would be likely to result in formal discipline procedures. .***
- ***The Independent Police Complaints Commission may also supervise, manage or independently investigate matters which are referred to them either mandatory or voluntarily.***

Underpinning the above procedures is the Professional Standards Reporting Procedures that cater for members of staff who report internal misconduct and matters of concern.

As part of the Professional Standards Reporting Procedures the authority and Force have the following methods of reporting:

- ***Confidential reporting line is an internal phone line that is available to all staff and is staffed during working hours and has an answer phone facility during out of hours. This will be supplemented by the new e-reporting process 'Integrity Messenger' when launched.***
- ***PSD officers and staff are trained to receive complaints via the telephone. We have currently moved to an extended shift pattern allowing greater public access outside of normal office hours and are monitoring the volume of calls in the early evening period.***
- ***Independent Police Complaints Commission confidential reporting line is available to all staff and is an independent method of reporting.***
- ***Both the PSD and the Independent Police Complaints Commission has an Internet based facility where complaints can be recorded electronically.***
- ***Electronic reporting is also encouraged if staff do not feel able to use the phone facility.***
- ***Alternative methods of reporting through local line managers and staff associations are also available.***

When confidential reports are received, Professional Standards Directorate staff will implement the Professional Standards Reporting Procedures and complete a statement of expectation with the member of staff. Similarly, the Department has launched a support scheme to assist staff through this process.

The Police Authority has established a "Whistle Blowing" Policy for its own staff and members.

- ***Determining the conditions of employment and remuneration of officers and staff***

Police Officer Terms and Conditions, including pay are governed by Police Regulations, as agreed through the Police Negotiating Board. For Police Staff, National Terms and Conditions are agreed by the Police Staff Council. Pay scales are determined at local level, via Hay evaluation.

National Terms and Conditions are supplemented at Force level through local policies and procedures, negotiated and approved by the Joint Negotiating Consultative Committee. Where practicable, local agreements cover both Police Officers and Police Staff, although it is recognised that this is not always possible.

All policies adopted are evaluated to ensure compliance to the Equality Act 2010 by undertaking "equality analysis to provide evidence that all elements of the equalities duties within the Act.

During 2011-2012 the first set of new policies have been approved by the Authority, following a process of review by the HR team. This work will continue in 2012-13.

Towards the end of 2011-2012 the final agreement of the first Winsor report recommendations were signed by the Home Secretary, these are being worked through and implemented. The negotiations in relation to the second Winsor report have yet to take place at a national level and are unlikely to be resolved until 2013 at the earliest. The medium term financial Plan has incorporated the potential savings from the recommendations, but not all of the recommendations will deliver savings and therefore timing of te recommendations is important.

Police Authority staff have the same terms and conditions as police staff and therefore the Police HR policies apply.

- ***Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training***

As discussed above the Authority has a Member Review process in place, which inter alia identifies training needs, these are then incorporated in an NPA Training Programme. This is monitored and reviewed by the Standards Committee.

Staff training is identified via the Supervisory process for all Police Authority Staff. There is a PDR process in place within the force for recognising developmental needs of staff and officers. This includes an assessment against strategic requirements and organisational needs. Where required for professional purposes training is provided to ensure compliance for practicing certificates and continuing professional development.

- ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

The Force and Authority have jointly developed a Public Engagement and Consultation Strategy and an accompanying action plan of events and activities. This strategy highlights the jointly held intent to enable public feedback to influence policing in Nottinghamshire.

The introduction of a Police and Crime Commissioner and the budget restrictions over the next few years means that there will be significant changes to the way the policing service is delivered across Nottinghamshire. It is important that the public and partners are engaged in helping shape policing for the future. A robust consultation and communication action plan has been implemented outlining who will be consulted, about what and when. This is underpinned by an extensive programme of communications using different methods to ensure the widest audience is reached.

Feedback from the public and partners is routinely received by the Authority at the Community Engagement and Partnerships Committee where service and improvement recommendations are identified and presented to the Force. If appropriate, Force improvement plans are submitted to the Committee for approval and monitoring. Feedback is provided to the public – “You Said, We Did”.

The Safer Nottinghamshire Board (SNB) is responsible for achieving improvements in community safety and is focused on improving the lives of everyone in the county area and on building safer communities.

Each local authority area in Nottinghamshire is served by a Community Safety Partnership (CSP). They bring together the police, local authorities, fire service and NHS primary care trusts in a partnership with other organisations to take local action to reduce crime and the fear of crime. They can help to address underlying social and environmental problems that contribute to crime and antisocial behaviour by, for example, improving street lighting to make people feel safer at night or providing leisure activities to engage young people and encourage them to feel part of the community.

CSP’s report into the SNB and are legally responsible for the development and delivery of community safety strategies and action plans, which are built on understanding the needs of local communities. They work to reduce crime, disorder and substance misuse in each local authority area of the County.

The City Crime & Disorder Partnership (CDP) is made up of five responsible authorities: Nottingham City Council, Nottinghamshire Police, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and the Primary Care Trust. The five responsible authorities are required by law to assess the levels of crime, disorder and drug and alcohol use in Nottingham. Once this has been done, the CDP ensures that the people of Nottingham have a say on their priorities for action. The CDP then has a duty to produce and implement a Partnership Plan, which involves commissioning services and ensuring that activity is co-ordinated across the city.

The Force have a joint City and County Division Independent Advisory Group (IAG) representing the diverse communities across the whole of Nottinghamshire and provides advice to Divisional Commanders. City Division have a Lesbian Gay Bisexual and Transgender (LGBT) IAG,. The groups provide constructive advice to the Authority and Force on way to improve the quality of service delivery to all communities. Further IAGs will be in place later in 2012, Disability IAG and Youth IAG together with a Force Strategic IAG.

There have been supporting communication and engagement plans, together with equality analysis conducted on the projects within the Change Programme with clear stakeholder matrix to manage the communications, consultation and engagement activities of the programme.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Police Authority is charged with ensuring good governance and the Finance & Business Committee has responsibility for reporting on this during the year.

The Force recognises the continual need to prioritise community safety throughout the city and county. The City and County Policing Divisions are divided into neighbourhood policing areas (NPA) and every three months the public are invited to set policing priorities for their NPA. The aggregated findings from all the NPA's are used by the Force in the production of the strategic assessment and Policing Plan priorities.

In light of the financial position that all public sector bodies are facing the area of partnerships becomes a significant risk that could affect current funding arrangements. However, opportunities also arise through joint working arrangements as partnership working will be able to deliver savings (e.g. through economies of scale) and it is these relationships that the Force and Authority will continue to foster.

4. REVIEW OF EFFECTIVENESS

4.1 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

The review of internal control and governance is done through an annual assurance questionnaire completed by all senior officers and managers responsible for the use of resources within the Force and Authority. Periodically, the assurance process is reviewed and reported to the Finance & Business Committee (last reported March 2011). The District Auditor has commented that the existing process demonstrates best practice.

4.2 The comments made by senior officers and managers in their questionnaires have been incorporated where applicable in the accounts and actions plans. For example contingent liabilities and accruals have been made where appropriate.

4.3 Reviews have been completed/informed by the work of the Her Majesties Inspectorate**,** internal auditors – Annual Report, and also managers within the Authority who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

4.4 Specifically, the Authority and Force have received feedback on the HMI Integrity Review during the year and recently the HMI review relating to PCC Transition preparedness. Both reviews have been positive about the progress being made and no major risks have been identified.

4.5 The Annual Internal Audit Report showed that the Authority and Force had improved in relation to Governance (previously rated amber now green) and this reflects previous comments made by the HMI and the District Auditor in last year's Annual Governance Report.

Internal Control (previously rated green now amber) reflects the internal audit issues identified in the year that have been addressed and there is no change in the assessment of Risk Management (amber). This reflects the Authority's view and Risk Management is being addressed.

4.6 As laid out in the section on the Governance Framework the Authority and the Force have complimentary governance arrangements in place. The Risk Management process in which the Authority and force work jointly at both working group and Strategic Board level is a prime example of the effectiveness of the joint governance arrangements. Members also sit on working groups throughout the Force to provide governance on development projects at the earliest possible stage.

4.7 The Authority's Standards Committee is proactive and has taken on an important role relating to Member Development particularly in relation to training on the code of conduct.

4.8 Internal Audit provides quarterly updates to the Finance & Business Committee on the work they have been doing and the findings of the audit reviews. Annually the members receive a report on the performance of Internal Audit against the Audit plan and an Annual Report on the assurance that they give in relation to Governance, Risk Management and internal Control Members scrutinise these reports. There is extensive evidence of members challenging internal auditors within the Committee.

4.9 Other assurance mechanisms include the Regional Joint Committee to oversee regional collaboration and the Joint Member Panel for the Police Helicopter operated in partnership with the Derbyshire force. The deliberations of the Joint Committee are reported back to the Authority as a further governance check.

4.10 A Chief Financial Officer Compliance Statement relevant to Police Authorities is being developed by CIPFA, but not yet in place.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 The **Financial Climate** remains a significant cause for concern for the public sector. It is therefore important for the Authority and Force to demonstrate that it has appropriate governance structures in place to ensure that it able to meet these challenges and ensure value for money in the activities it undertakes.

During 2011-2012 the Authority and force delivered over £10 million in savings to achieve a balanced budget and under spends at the end of the year were transferred to reserves to smooth future budget pressures. A further £10.3 million in savings has been identified to balance the budget for 2012-13 and risks have been identified in relation to potential areas for savings in 2013-14 and 2014-15. These have been included within the medium term financial plan. The Authority and Force continue to work together on identifying and monitoring where savings can and are being achieved. The Governance arrangements in place will ensure that there is close monitoring and if necessary corrective action taken.

In addition to the cuts in grants further cuts are also being identified such as cuts in the Council Tax Support Grant to billing authorities and the consequential effect on the Police authority precept in future years. Other areas of partnership funding remains a risk that is being monitored.

5.2 **Performance** will always be the main priority for the Authority and Force. As such there is a joint understanding that the cuts in resources being made will not impact on the delivery of the frontline service. This has been evidenced during 2011-2012 where substantial improvements in performance have been delivered, whilst delivering major restructuring to corporate services departments and achieving the required savings.

Ongoing the risks relating to performance delivery increase as resources are reduced. Continued cuts into the nest CSR are likely to have an impact on frontline delivery.

To mitigate some of the risk in future years the Authority supported a growth in PCSO and Officer numbers over the next four years, through the precept increase and requiring the required savings to be met form the existing service not the precept.

5.3 **Partnership working** has improved significantly during 2011-2012 and this will continue to be built upon through the scrutiny committees and the PCC Transition work. Partnership funding has been risk assessed during the year and further risks will have to be managed as they arise. But we fully recognise that our key partners face similar financial challenges.

Regional Collaboration has moved forward during the year with 9 section 23 agreements having been signed and joint working commenced in areas such as major crime, forensics, legal services and Learning and development. This work will drive out efficiencies but will also provide resilience in areas where single Forces would struggle to meet required standards.

The Governance arrangements relating to collaboration are through the East Midlands Police Authority Joint Committee, with the support and approval of the individual authorities.

The Regional Collaboration Unit has provided a separate Annual Governance Statement.

5.3 The transformation of the **Human Resources Department** has been essential to facilitate the changes the other support services and corporate services departments. There are still some risks in relation to HR but these are currently being managed.

A contingent liability has been identified within the statement of accounts relating to the application of regulation A19 during the 2011-2012 financial year.

5.5 Through the Authority and **Joint Leadership** Group there has been robust review and challenge in relation to business cases and the achievement of the savings required. This will continue.

5.6 Throughout this statement reference has been made to the challenges that the Authority and Force are currently facing and will continue to face in relation to performance and finance. The Governance arrangements in place will ensure that **Future Challenges** managed well and for the benefit of the people of Nottinghamshire.

The major change for the Authority is the transition to Police & Crime Commissioner. Members of the authority have overview of the transition and the options being developed for the Commissioner when he/she takes up office. This process has been subject to review by HMIC and External Audit, with the Internal Audit plan also undertaking a review of the arrangements.

There are also concerns about the financing that the Police & Crime Commissioner will actually have available for the commissioning of services such as victim support and community safety.

The recent HMI review confirms that the Authority and Force with the support of partners is making good progress in relation to the transition programme.

5.7 During the year **Internal Control issues** were identified and these are being managed through the processes identified under section 3.2 of this statement such as Risk Management, Human Resource Management, Professional Standards, Whistle blowing policies and the reallocation of resources.

Specifically two main areas relating to internal control have been highlighted by Internal Audit and have been addressed. These relate to HR recruitment processes (where the follow-up internal audit report show that controls are now in place and satisfactory) and Financial Management (where reconciliations have been put in place since October 2011 to address the issues identified).

Additionally, Nottinghamshire Police is leading an investigation into a breach of information security. The breach relates to an area of partnership work undertaken jointly by the Police and Nottingham City Council. The full extent of the breach is not yet known but is being monitored closely by the Chief Officer Team. Steps are being taken to contain the risk and prevent a reoccurrence. The Information Commissioners Office are aware of the ongoing investigation.

ANNUAL JOINT ASSURANCE STATEMENT

2011-2012

SIGNED:

Cllr Jon Collins
Chair of Nottinghamshire Police Authority
26th September 2012

Mr Chris Eyre
Chief Constable of Nottinghamshire Police Force
26th September 2012

Mr Kevin Dennis
Chief Executive – Nottinghamshire Police Authority
26th September 2012

On behalf of the members and senior officers of the Nottinghamshire Police Authority and Nottinghamshire Police Force.

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 works 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 Financing Requirement (CFR)

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

Capital Grant

Grant 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 Grants Unapplied

The Grants as described above which contractual arrangements to finance future capital expenditure have not yet incurred.

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 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)

These measure 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.

General Fund

This reserve is to provide for unexpected expenditure that cannot be managed within existing budgets.

Heritage Assets

These assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held mainly for educational or cultural reasons.

International Financial Reporting Standard (IFRS)

These standards are developed by the International 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. International Financial Reporting Standards are new standards developed by the IASB.

International Accounting Standards Board (IASB)

The International Accounting Standards Board (IASB) is an independent, privately-funded accounting standard-setter based in London with representatives from several countries in the world. The IASB as the successor to the International Accounting Standards Committee (IASC) on creation adopted existing International Accounting Standards (IAS's), and has revised many of these.

International Accounting Standard

International accounting standards (IAS) were issued by the Board of the International Accounting Standards Committee (IASC).The IASC was the predecessor to the IASB.

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 which 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 Current Assets

These are assets which are physical such as buildings or land.

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.

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

This is a levy, which the Authority makes through the Authority 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.

Remuneration

Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, and pension plan), bonuses, cash incentives, and monetary value of the noncash incentives.

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, to all Local Authorities, distributed according to a pre-determined formula.

Unusable Reserves

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

Usable Reserves

These are held as a working balance or for a specific future purpose.