

**Leicestershire
Police Authority**

Statement of Accounts

2006/07

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Explanatory Foreword

Introduction

Following changes to CIPFA's SORP (Statement of Recommended Practice) 2006, the structure of the Statement of Accounts has been amended. The Revenue Account has been renamed the "Income & Expenditure Account" and the Statement of Total Movement in Reserves replaced with the 'Statement of Total Recognised Gains and Losses' in order to harmonise the accounting requirements with UK GAAP (Generally Accepted Accounting Principles). In making the above changes it has been necessary to include "Statement of Movement on the General Fund Balance" to reconcile the surplus or deficit on the Income & Expenditure Account to the surplus or deficit required by statute. The comparatives for 2005/06 have been restated accordingly.

The Statement of Accounts also includes a statement on internal control, a Balance Sheet showing the assets owned by the Authority and its liabilities together with a cash flow statement showing the source and application of funds.

The funding arrangements for the police pension scheme changed on 1st April 2006. The authority is now required to maintain a pension fund with the amounts paid out and into the Fund specified by regulation. Further details are shown in Note 28 to the accounts.

Overview of 2006/2007

The new Government formula for calculating police authority grants was not implemented, and a flat rate increase for all authorities applied. As a result the Leicestershire Police Authority lost grant of £2.8m to which it was entitled according to the formula.

As a result a number of savings strategies were put in place including holding 30 police officer vacancies and reducing the police overtime, fuel and uniform budgets to achieve a balanced budget within a 5% precept increase.

2006/07 saw significant investment in Police Community Support Officers with the number of posts increasing to 229 FTE. These have been funded through a combination of Home Office grant and partnership contributions.

Financing the police service

The Police Authority set a net revenue budget of £148.3m for the year. The vast majority of the financing of this budget is determined by Government, with just 27.4% met via the local precept. The Authority levied a precept of £132.33 for a Band D property, an increase of 5% over the previous year.

Revenue spending

The Authority underspent its revenue budget by £3.526m. This was attributable to a managed underspend on police pay and allowances of £2.404m, an underspend on corporate budgets of £0.810m, together with a net further underspend of £0.312m on other activities.

The Authority agreed to utilise the £3.526m underspend in the following areas: 1) £2.4m to part fund the 2007/08 budget requirement, 2) £0.156m to fund 2007/08 commitments

which commenced in 2006/07, and 3) transfer the balance of £0.970m to the Budget Equalisation Reserve to part-fund the 2008/09 budget requirement.

Reserves

The Police Fund and Pensions (General) Reserves remain unchanged at £3.581m and £0.751m respectively. The Pension (specific) and Capital Reserve of £1.2m and £1.6m were released during 2006/07 to assist with the financing of the base revenue budget. The closing balance on the Budget Equalisation Reserve is £2.024m and this will be available to help fund revenue budgets in future years.

Retirement Benefits

The accounting for Retirement Benefits in the 2006/07 accounts has resulted in a pension liability of £945.6m. The police officer pension scheme liability is £934.1m with the balance relating to Local Government Pension Scheme

Capital spending

£7.44m was spent on improving the buildings stock, investing in information technology and the vehicle fleet. This was funded by a combination of grant, asset sales, revenue and borrowing. Outstanding debt at the year end was £18.1m.

A number of capital projects were undertaken during 2006/07 including improvements to security of the estate, cell heating and network environment, implementation of new NSPIS case & Custody system and the purchase of new covert radios.

A new helicopter has been purchased by the East Midlands Air Support Unit during 2006/07 in which the Authority holds a third interest. This will be brought into full operational use during 2007/08.

Outlook for 2007/2008

The Police authority has approved the 2007/08 net revenue and capital budgets of £154.7m and £6.1m respectively, and a precept of £138.96 for a Band D property, an increase of 5% over the previous year.

Once again the Government grant calculation formula has not been applied, resulting in a further loss of grant to the Authority of £3m.

J B Rhodes
Chairman of the Police Authority

C A C Smith
Treasurer to the Police Authority

Statement of Responsibility for the Accounts

The Police Authority, the Treasurer to the Police Authority, and the Chief Constable, all have a share in the responsibility for these Accounts. (The Chief Constable's responsibility is exercised by the Force Finance Director.)

The Police Authority

The Authority is required to

- 1 manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 2 make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.
- 3 approve the statement of accounts

The Treasurer

The Treasurer is accountable to the Police Authority, and is appointed by them to be responsible for the proper administration of the Authority's financial affairs.

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts. Under the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the accounts are required to present fairly the income and expenditure of the Authority, and its financial position at the end of the year.

The Chief Constable

In practice, the day to day financial management of the budget is undertaken by the Force Finance Director, who is accountable to the Chief Constable.

In consultation with the Treasurer, the Force Finance Director

- 1 selects suitable accounting policies and applies them consistently
- 2 makes judgements and estimates that are reasonable and prudent and comply with the CIPFA Code of Practice
- 3 keeps proper accounting records which are up to date
- 4 takes reasonable steps for the prevention and detection of fraud and other irregularities.

C A C Smith CPFA Treasurer
28th June 2007

Statement of Internal Control for Leicestershire Police Authority

1. SCOPE OF RESPONSIBILITY

The Leicestershire Police Authority is responsible for ensuring that 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. Leicestershire Police Authority also has a duty 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.

In discharging this overall responsibility, the Leicestershire Police Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Leicestershire Police functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2007 and up to the date of approval of the statement of accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

Key Element of Internal Control		Action
A	establishing and monitoring the achievement of the Authority's objectives.	<ul style="list-style-type: none"> • Agreement by Chief Constable and Police Authority of a three-year policing strategy and annual plan linked to the budget and capital programme. • Strategic response to funding pressures by the Strategic Financial Planning Group, reporting in turn to the Finance and General Purposes Committee. • Preparation each year of a 3 year Medium Term Financial Plan. • Preparation of annual revenue budget and capital programme. • Monitoring within Force at strategic, managerial and tactical levels by the Chief Officer Group, Area Commanders/Heads of Departments and supervisors respectively. • Monitoring by the Police Authority through the various Committees and Panel structures currently in place.

Key Element of Internal Control		Action
B	the facilitation of policy and decision-making	<ul style="list-style-type: none"> • Determination of policies through the Force Chief Officer Group with approval or comment as required by the Authority or its Committees. (Supported by a framework of programme boards and strategic groups). • Robust systems for regular review and, as required, updating of policy. • Structured programme of policy review and reports where needed to Force Chief Officer Group and the Authority or its committees. • Scheme of delegation from Authority to Chief Constable and delegation within Force. • Scheme of delegation from Authority to Committees and to the Clerk and to the Treasurer.
C	ensuring compliance with established policies, procedures, laws and regulations	<ul style="list-style-type: none"> • Review programmes carried out by External Audit/HMIC Review & Inspection Regime/Internal Audit in line with the agreed 3 year plan. • Quality Assurance audits performed within Child Protection investigations. • Consideration of reports to the Authority and its Committees and Panels by Monitoring Officer (Clerk) and Statutory Finance Officer (Treasurer). • Self Inspection reports by Areas and Departments. • Internal quality audit of Police Complaint files. • User satisfaction survey for compliance within Service Delivery Standards. • Audits and Inspections carried out by the Inspectorate function within Corporate Development. • Liaison between statutory officers and Force Senior Officers. • Use of external tax and VAT consultants. • Employment of Health and Safety professionals. Training of risk assessors. • Employment of Data Protection Professionals. Data Protection audit framework.

Key Element of Internal Control		Action
D	ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.	<ul style="list-style-type: none"> • Best value review programme and other service improvement activity including self inspection of same. • Preparation and approval of the annual Efficiency Plan. • Use of professional purchasing officer and appropriate purchasing consortium and national contracts.
E	the financial management of the Authority and the reporting of financial management	<ul style="list-style-type: none"> • Financial Regulations • Force Financial Procedures • Standing Orders relating to contracts • Scheme of financial delegation to Chief Constable and within the Force. • Establishment of a separate Audit Committee. • Investment appraisal procedures. • Post project reviews • Adoption of a policy on the level of reserves and balances. • Adoption of the CIPFA Code of Practice on Treasury Management, including the approval of an annual treasury management strategy. • Consideration by the Authority, and the Finance and General Purposes Committee of reports by Treasurer, Chief Constable, internal/external audit and HMIC. • Publication of annual statement of Accounts. • Revenue and Capital Budget preparation and decision programme including work of Programme Boards, the Strategic Financial Planning Group and Chief Officer Group. • Monthly budget monitoring reports to all members and budget holders. • Capital Strategy incorporating Estates (including an annual inspection of all premises), IT and Fleet strategies. • Inter authority statistical comparisons.

Key Element of Internal Control		Action
F	the performance management of the Authority and the reporting of performance management.	<ul style="list-style-type: none"> • Incorporation of agreed performance targets in annual plan. • Setting of area targets by Chief Constable. • Monitoring within Force as per item A of this table. • Monitoring by the Police Authority reviewing the Chief Constable's quarterly Performance Report at meetings of the full Authority.
G	embed Risk Management into the activities of the Authority and Force.	<ul style="list-style-type: none"> ▪ Risk Management championed by Deputy Chief Constable. ▪ Establishment of Force Strategic Risk Group. ▪ Identification of key risks to services is supported by a Risk Management Policy ▪ Use of Risk Frameworks by Areas and Departments ▪ Compilation and continuous review of a risk register. ▪ Nomination of a Police Authority Member as Risk Lead Member. ▪ Use of external consultants

4. REVIEW OF EFFECTIVENESS

The Leicestershire Police Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Authority and Force who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their annual audit letter and other review agencies and inspectorates and other reports.

Key areas of review of the effectiveness of internal control can be summarised as follows:-

- Reports from the Internal Auditors
- Reports from the External Auditors, the Audit Commission – the 2005/6 Annual Audit Letter was considered by the Police Authority and its recommendations implemented
- Reports from HMIC

- Best Value Reviews were undertaken during 2006/07 in the following areas –
 - i. Executive Support to BCU Command
 - ii. Neighbourhood Policing (to be completed following HMIC inspection in 2007)
- A process of policy review has been set up for all policies to be examined on a rolling programme including checks for compliance with human rights, diversity, data protection/freedom of information and other legal requirements.
- Although the Police and Justice Act 2006 has removed the need for Best Value Performance Plans to be prepared in future, there remains a duty for police authorities to secure continuous improvement, having regard to economy, efficiency and effectiveness. This duty will be overseen by the Strategic Financial Planning Group, reporting in turn to the Finance and General Purposes Committee.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The review of the internal control system has not revealed any significant control weaknesses.

An internal audit report on IT Disaster Recovery Planning has identified a need to develop, document and test recovery arrangements. Action will be taken over the coming year to finalise this work.

Byron Rhodes
Chairman

Chris Smith
Treasurer

Matt Baggott
Chief Constable

Audit Opinion

Independent auditor's report to the Members of Leicestershire Police Authority

Opinion on the financial statements

I have audited the financial statements and the police pension fund accounting statements of Leicestershire Police Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Authority's Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements and the police pension fund accounting statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

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

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland)

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

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

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the police pension fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Mr N Bellamy
District Auditor
Audit Commission
1st Floor, Bridge Business Park
Thurmaston
Leicester
LE4 8BL
XX September 2007

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Leicestershire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 23 November 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Mr N Bellamy
District Auditor
Audit Commission
1st Floor, Bridge Business Park
Thurmaston
Leicester
LE4 8BL
XX September 2007

Statement of Accounting Policies

1. General principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2006, the CIPFA Code of Practice on accounting for Best Value (BVACOP) and also with guidance issued by CIPFA on the application of accounting standards (FRS's and SSAP's), relevant to Police Authorities.

2. Debtors and Creditors

Both the revenue and capital accounts are prepared on an accruals basis in accordance with FRS18. Both income and expenditure are therefore included when the sums are payable or receivable. The only exceptions to this are debt repayments and pension transfer values, which are included when they are paid / received.

In accordance with the CIPFA Code of Practice on Local Authority Accounting, accruals have also been made for capital expenditure & income.

3. Interest

Interest payable on external borrowings, and interest receivable on short-term investments, are accounted for on an accruals basis, and reflect the overall economic effect of the net borrowings.

4. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets (over specified de minimis levels) is capitalised in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the Authority and the service it provides is for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly to the revenue account.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The basis of valuation is as follows:

Tangible Fixed Assets

Land and buildings -depreciated replacement cost (DRC), reflecting their value to the Police Authority in their current use. Because of the specialist nature of these buildings, the DRC value is normally higher than open market value.

Police houses - open market value.

Vehicles, helicopter, IT and equipment valuation is based on the acquisition costs (plus the value of any work done on the asset before it goes into service), less depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Assets under construction are included at actual expenditure to date.

Revaluations of land and buildings are carried out at least every five years. Any material changes to the valuation of the assets will be adjusted in the interim period as they occur. Capital expenditure in-year (other than acquisitions) is reflected in asset valuations only to the extent that it adds to the value of the asset.

Any surplus or deficits arising from revaluation are credited or debited to the Fixed Asset Restatement Account except for deficits that arise from a reduction due to impairment of assets, which are debited directly to the revenue account as part of the net cost of services.

Intangible Fixed Assets

IT Software / Licences are valued on the basis of their acquisition costs, less depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager

5. Depreciation

In accordance with FRS 15, land is not depreciated. Buildings are depreciated over their estimated remaining useful life as determined by the valuer on a straight-line basis. Police Houses are not depreciated as these are treated as non-depreciating assets. IT (tangible & intangible) and other equipment are depreciated over their various useful lives (usually 3-7 years) also on a straight-line basis. Vehicles are depreciated over 5 full years, 10% in the year of purchase (representing six months), 20% in years two, three, four and five, leaving a 10% residual value until disposal.

6. Capital Receipts

Capital receipts from the disposal of assets are held in the capital reserve until such time as they are used to finance other capital expenditure. Individual receipts of less than £10,000 are credited to revenue income.

7. Redemption of Debt

The Authority is required by statute to charge 4% of the opening General Fund (GF) Capital Financing Requirement (CFR) to the General Fund each financial year. Prior to the 1st April 2004 the 4% would have been applied to the opening General Fund credit ceiling. In order to achieve stability the GF CFR, which is a new concept introduced in the Prudential Code, has been brought into line with the credit ceiling. The adjustment is a fixed transitional factor, known as adjustment 'A' in the regulations.

The difference between the 4% and amounts already charged for depreciation and impairment is disclosed separately as an appropriation to or from the Capital Financing Account.

8. Leases

The Authority has a number of operating leases in respect of property & vehicles. Expenditure under operating leases is charged to the revenue account in the period in which it is incurred.

9. Government Grants and Contributions

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

In the case of capital grants these are credited to the Capital Grants unapplied account pending its application to finance capital expenditure, when it is then transferred to the Government Grants Deferred account. Amounts are then released

from this account over the life of the asset to offset any depreciation on assets financed from government grants.

10. Stocks

Stocks of uniforms, vehicle parts, vehicle fuel, stationery and other operating equipment are held. Cleaning materials and other items are fully charged to revenue in the year of purchase.

Stock is valued on the basis of average cost price.

11. Reserves and Provisions

The Police Authority maintains reserves to finance expenditure on projects which will be carried out in future years, and to protect the Authority against unexpected events. In accordance with the Accounting Code of Practice, the Authority has made provisions for liabilities or losses which are likely to be incurred or certain to be incurred but with uncertain amounts or dates on which they will arise, by charging expenditure to services in anticipation of the liability having to be met.

Details of the nature of reserves and provisions made by the Authority are set out in the notes to the accounts.

12. Investments

Investments are included in the accounts at cost price.

13. Police Pay

Police officers are paid at four weekly intervals rather than monthly. The result is that they are actually paid 13 times a year in 20 out of 21 years. In the 21st year, there are 14 payments in the 12 month period. The fourteenth is treated as a payment in advance.

14. Pensions

The cost of retirement benefits is recognised in the Net Cost of Services during the period when they are earned by employees, rather than when the benefits are actually paid as pensions in accordance with FRS17. However, the charge we are required to make against Government Grants & Council Tax is based on the employer's contributions to each pension scheme during the year as assessed by an independent actuary.

15. Overheads

The accounts have been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP). The Income & Expenditure Account on page 14 is produced by apportioning support services (e.g. Human Resources and Finance) to operational areas and departments, which are subsequently analysed over the main areas of police activity (or "Domains").

16. Estimation Techniques

The following estimation techniques have been used in the accounts:

Capital Creditors – quantity surveyors estimate of the value of the work undertaken
Payroll creditors i.e. overtime – average overtime rates

FRS 17 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.

17. Joint Arrangements

The Police Authority has an interest in two Joint Arrangements for which it is the lead accounting authority, the East Midlands Air Support Unit (EMASU) and the East Midlands Special Operations Unit (EMSOU).

Adjustments have been made to the Balance Sheet to reflect the share of net assets controlled by the Police Authority as at 31st March 2007.

These adjustments have no affect on the overall amount to be met from government grants and Council Tax.

Leicestershire contributes 33% and 23% respectively to the net revenue budgets of the EMASU and EMSOU.

A prior-year adjustment has been made to the Balance Sheet to correctly reflect the Authority's interests in the two Joint Arrangements.

Income & Expenditure Account

2005/06 Restated Outturn £000		Note	Outturn 2006/07		
			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
78,902	Crime		94,851	(9,785)	85,066
68,523	Policing in the Community		82,805	(9,343)	73,462
610	Corporate & Democratic Core				596
200	Non distributed Costs				137
148,235	Net Cost of Service				159,261
(47)	(Profit)/Loss on Disposal of Fixed Assets				(84)
311	Levies to National Police Services				342
514	Seconded Officers (Net Cost)				404
972	Interest payable				972
(771)	Interest on investments				(1,152)
-	Contribution to Pension Fund Account in respect of deficit on account	28			2,454
44,128	Pensions interest cost and expected return on pensions assets	29			45,687
193,342	Net Operating Expenditure	3			207,884
	Funding:				
(38,558)	Precept on Collection Authorities				(40,735)
(26,766)	Revenue Support Grant				(7,471)
(65,412)	Police Grant				(63,478)
(15,253)	National Non-Domestic Rates				(38,298)
-	Non-specific Government grant (deficit on Pension Fund Account)	28			(2,454)
47,353	(Surplus) / Deficit for the year				55,448

Statement of Movement on the General Fund Balance

2005/06 £000		Note	2006/07 £000
47,353	(Surplus)/Deficit for the year on the Income and Expenditure Account		55,448
(47,353)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	2	(55,448)
-	(Increase)/Decrease in General Fund Balance for the Year		-
(3,581)	General Fund Balance brought forward		(3,581)
(3,581)	General Fund Balance carried forward	27	(3,581)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the authority for the year and shows the aggregate change in its net worth. In addition to the (surplus)/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits. It also includes any additional gains and losses not recognised through the Income and Expenditure Account.

2005/06 £000		2006/07 £000
47,353	(Surplus)/Deficit for the year on the Income and Expenditure Account	55,448
(5,259)	Surplus arising on revaluation of fixed assets	(3,332)
74,669	Actuarial (gains)/losses on pension fund assets and liabilities	(64,807)
	Other gains and losses	
111	(Increase) / Decrease in Gov't Grants & Contributions Unapplied	(166)
(37)	(Increase) / Decrease in Joint Arrangement Reserves	(68)
(137)	(Gains) / Losses related to Joint Arrangements	(164)
116,700	Total recognised (gains) / losses for the year	(13,089)

Balance Sheet

31 March 2006 £000		Note	31 March 2007 £000	
	Net Fixed Assets	14,15, 17,18		
1,570	Intangible Fixed Assets			2,122
86,375	Operational Tangible Fixed Assets		90,497	
6,116	Land and buildings		6,380	
299	Vehicles and equipment		299	
92,790	Police houses			97,176
-	Non-Operational Tangible Fixed Assets			1,127
	Assets under construction			100,425
94,360				
4	Long term debtors	20		-
94,364	Total Long Term Assets			100,425
	Current Assets			
308	Stocks	19		247
3,650	Debtors	20		4,657
1,895	Payments in advance	21		1,927
17,150	Short term investments	22		18,125
122	Cash in hand			120
23,125				25,076
(7,038)	Current Liabilities			(8,680)
(516)	Creditors	23		(522)
(1,134)	Short term borrowing			(887)
(3,045)	Receipts in advance			(3,881)
(11,733)	Cash overdrawn			(13,970)
11,392	Net Current Assets			11,106
	Long Term Liabilities			
(12,829)	Long term borrowing	24		(12,746)
(5,308)	Long term creditors	23		(4,869)
(467)	Provisions	25		(634)
(17,925)	Grants and contributions deferred	32		(18,938)
(953,511)	Liability related to defined benefit schemes	29		(945,607)
(990,040)				(982,794)
72	EMASU - Share of Net Current Assets			79
21	EMSOU - Share of Net Current Assets			82
(884,191)	Net Liabilities			(871,102)
	Represented By :			
42,987	Fixed Asset Restatement Account	31		45,964
15,067	Capital Financing Account	32		15,894
-	Capital Receipts Reserve	30		-
172	Gov't Grant / Contributions unapplied	30		338
(953,511)	Pensions Reserve (FRS 17)	29		(945,607)
7,420	Revenue Reserves	26		8,567
72	EMASU - Share of Reserve			79
21	EMSOU - Share of Reserve			82
3,581	Police Fund	27		3,581
(884,191)				(871,102)

Cash Flow Statement

2005/06 £000		Note	2006/07	
			£000	£000
	Revenue cash outflows			
139,299	Cash paid to and on behalf of employees		146,023	
234	Provisions		(167)	
23,996	Other operating cash payments		24,111	
163,529				169,967
	Revenue cash inflows			
(38,558)	Precepts on district councils		(40,735)	
(15,253)	Non-domestic rate income		(38,298)	
(26,766)	Revenue Support Grant		(7,471)	
(65,412)	Government grants - Police grant		(63,478)	
(11,927)	- Others	36	(14,217)	
(8,712)	Cash received for goods and services		(8,834)	
(166,628)				(173,033)
(3,099)	Revenue activities cash inflow	35		(3,066)
	Servicing of finance			
973	Cash outflows - interest paid		974	
(752)	Cash inflows - interest received		(1,137)	
	Capital activities			(163)
	Cash outflows - purchase of fixed assets			
6,000			6,995	
(315)	Cash inflows - sale of fixed assets		(39)	
(2,272)	- capital grants rec'd	36	(2,559)	
(1,281)	- other capital income		(1,821)	2,576
	Net cash inflow before financing			(653)
	Management of Liquid Resources			
3,015	Net increase / (decrease) in short term deposits			975
	Financing			
510	Cash outflows - loan repayments		516	
(1,500)	Cash inflows - new loans raised			516
1,279	(Increase) / Decrease in cash	34		838

Notes to the Accounts

1. Authorisation of Financial Statements

The financial statements were authorised for issue by Mr C Smith, Treasurer, on 14th June 2007

2. Reconciling items for the Statement of Movement on the General Fund Balance

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as the future benefits are earned.

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

This reconciliation statement details the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £000		2006/07 £000	
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(4,076)	Depreciation of fixed assets	(4,352)	
2,539	Government Grants Deferred amortisation	2,779	
(39)	(Profit) / Loss on disposal of fixed assets	(316)	
(71,652)	Net charges made for retirement benefits in accordance with FRS 17	(79,890)	
(73,228)			(81,779)
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
797	Minimum revenue provision for capital financing	823	
686	Capital expenditure charged in-year to the General Fund Balance	1,310	
23,376	Employer's contributions payable to the LGPS and Police Pension Fund	22,986	
24,859			25,119
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
969	Net Transfer to/from earmarked reserves	1,147	
47	Voluntary revenue provision for capital financing	65	
1,016			1,212
(47,353)	Net additional amount required to be credited to the General Fund Balance for the year		(55,448)

3. Subjective Analysis

2005/06 Outturn £000		Note	2006/07 Outturn £000
87,431	Police Officer pay and allowances		105,186
30,314	Police Staff pay and allowances		33,925
20,276	Police pensions		2,106
4,148	FRS 17 Current Cost Adjustment		11,217
1,617	Other employees expenses		2,144
4,039	Premises		4,360
3,218	Transport		3,479
10,486	Supplies and services		11,063
5,012	Agency and contracted services		5,639
610	Services to the Police Authority		597
1,537	Capital charges		1,573
168,688	Gross Operating Expenditure		181,289
(10,780)	Income from Government Grants		(12,867)
(7,044)	Income from fees and charges		(5,839)
(1,803)	Contribution from OLA's		(2,576)
971	Interest paid		972
(771)	Interest on investments		(1,152)
(47)	Profit/Loss on disposal of fixed assets		(84)
-	Contribution to Pension Fund Account in respect of deficit on account		2,454
44,128	Pensions interest cost and expected return on pensions assets		45,687
193,342	Net Operating Expenditure		207,884

4. Senior salary levels

The number of staff receiving total pay and allowances above £50,000 per year was as follows

Band (£)	No. of staff	Band (£)	No. of staff
50,000 to 59,999	95	100,000 to 109,999	1
60,000 to 69,999	13	110,000 to 119,999	1
70,000 to 79,999	12	120,000 to 129,999	0
80,000 to 89,999	3	130,000 to 139,999	1
90,000 to 99,999	1		

5. Services to the Police Authority

The total amount of members allowances (including employers N.I) paid during 2006/07 was **£178k** (2005/06 £169k)

6. **Publicity**

Section 5 of the Local Government Act 1986 requires the Authority to maintain a separate account of expenditure on a wide range of publicity activities. During 2006/07 such spending totalled **£615k** (£574k in 2005/06) analysed as follows:

2005/06		2006/07
£000		£000
158	Staff Advertising / Recruitment	157
69	Other Advertising on public relations	98
347	Cost of staff involved in Publicity	360
574	Total	615

7. **Agency and contracted services**

2006/07 agency and contracted services includes:

2005/06		2006/07
£000		£000
2,418	Forensic Science Service	2,314
311	Police National Computer (PITO)	342
144	East Midlands Special Operations Unit	276
330	East Midlands Air Support Unit.	332
3,203	Total	3,264

8. **Sponsorship**

In 2006/07 a total of **£50k** (£49k in 2005/06) was raised in sponsorship. This was used to support operational activities such as St Bernards & Juniper Lodge. In addition the Authority had the use of third party vehicles at a notional value of **£129k**.

9. **Local Authorities (Goods and Services) Act 1970**

The authority is empowered by this Act to provide goods and services to other public bodies. The authority provided a vehicle maintenance service to both the Leicestershire & Rutland Combined Fire Authority and the Serious & Organised Crime Agency (SOCA). Income and related expenditure from these services during 2006/07 was as follows:

2005/06		2006/07
£000		£000
	Leicestershire & Rutland Combined Fire Authority	
15	Income	7
14	Related expenditure	7
	Serious & Organised Crime Agency (SOCA)	
44	Income	44
41	Related expenditure	41

10. Related party transactions

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 controlled or influenced by the Authority.

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, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in a note to the Cash Flow Statement.

Members of the Authority have direct control over the Authority's financial and operating policies. Certain senior officers might also be in a position to influence significantly the policies of the Authority. No material related party transactions have been identified following consultation with members and relevant officers.

11. Disclosure of audit costs

In 2006/07 Leicestershire Police Authority incurred the following fees relating to external audit.

2005/06 £000		2006/07 £000
65	External Audit Services	69
-	Certification of grant claims and returns	-
<u>65</u>	Total	<u>69</u>

12. Leases

In 2006/07 the Authority spent **£331k** on operating leases for property, **£195k** for vehicles and **£67k** for photocopiers. Outstanding commitments in respect of operating leases at 31st March 2007 are as follows:

Property	31 March 2007 £000	31 March 2006 £000
Lease Ends:		
Within 12 months	-	4
Between 2 and 5 years	78	78
More than 5 years	249	249
Vehicles	31 March 2007 £000	31 March 2006 £000
Lease Ends:		
Within 12 months	39	-
Between 2 and 5 years	86	32
More than 5 years	-	-
Photocopiers	31 March 2007 £000	31 March 2006 £000
Lease Ends:		
Within 12 months	-	-
Between 2 and 5 years	83	-
More than 5 years	-	-

The Authority also holds finance leases in respect of the land at the Spinney Hill and Shepshed LPUs. In entering into both leases, the Authority made initial lump sum payments which negated the need to make further payments to the landlords over the 99 years of the leases.

13. Police Property Act 1997

Police Authorities are required, under the Police Property Act 1997, to set aside monies received from the sale of stolen goods so that it may provide financial support to charities and other deserving organisations.

At 31st March 2007, the Authority held **£12k** (2005/06 £15k) within cash and creditors under the Police Property Act 1997.

14. Movement of intangible fixed assets during the year

	Software Licenses £000
Gross book value as at 1 April 2006	4,937
Additions - <i>Leicestershire</i>	1,153
- <i>EMSOU</i>	3
Disposals	-
Re-valuations	-
Transfers	-
Gross book value as at 31 March 2007	6,093
Depreciation at 1 April 2006	3,367
Depreciation (2006/07) - <i>Leicestershire</i>	603
- <i>EMSOU</i>	1
Depreciation on assets sold	-
Depreciation on Revaluations	-
Balance as at 31 March 2007	3,971
Net book value at 31 March 2007	2,122
Net book value at 31 March 2006	1,570

15. Movement of tangible fixed assets during the year

	Land and Buildings	Police Houses	Vehicles Equipment & Helicopter	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000
Gross book value as at 1 April 2006	90,882	309	17,144	-	108,335
Additions - Leicestershire	1,698	-	3,127	-	4,825
- EMASU	-	-	-	1,127	1,127
- EMSOU	-	-	332	-	332
Disposals - Leicestershire	-	-	(1,716)	-	(1,716)
Revaluations - Leic'shire	3,425	-	(100)	-	3,325
- EMASU	7	-	-	-	7
Transfers	-	-	-	-	-
Gross book value as at 31 March 2007	96,012	309	18,787	1,127	116,235
Depreciation at 1 April 2006	4,507	10	11,028	-	15,545
Depreciation - Leic'shire	1,005	-	2,583	-	3,588
- EMASU	3	-	101	-	104
- EMSOU	-	-	56	-	56
Depreciation on assets sold - Leic'shire	-	-	(1,361)	-	(1,361)
Depreciation on Revaluations	-	-	-	-	-
Balance as at 31 March 2007	5,515	10	12,407	-	17,932
Net book value at 31 March 2007	90,497	299	6,380	1,127	98,303
Net book value at 31 March 2006	86,375	299	6,116	-	92,790

The Leicestershire County Council Estates Department has been retained on behalf of the Force to provide valuation services. It is of the opinion that an overall increase of 5.5% should be applied to the depreciated replacement cost valuations of both Land & Buildings for the period 1 April 2006 to 31 March 2007. A full revaluation was completed at 31 March 2004.

The Land & Buildings Net Book Value above includes **£120k** in respect of the land at Spinney Hill and **£46k** in respect of the land at Shepshed. Both assets are held under finance leases.

16. Financing of capital expenditure during the year

In accordance with the Code of Practice 2004, capital expenditure is financed on an accruals basis.

	2005/06	2006/07
	£000	£000
Opening Capital Financing Requirement	17,726	18,382
<i>Capital Investment</i>		
Operational Assets	5,927	6,313
Non-Operational Assets	-	1,127
<i>Sources of Finance</i>		
Capital Receipts	(315)	(39)
Government Grants & Other Contributions	(3,426)	(3,792)
Revenue Contribution - Force	(686)	(1,310)
Revenue Contribution - EMSOU		(163)
Revenue Provision (incl MRP)	(844)	(888)
Closing Capital Financing Requirement	18,382	19,630
Explanations of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	656	1,162
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	86
Increase/(Decrease) in Capital Financing Requirement	656	1,248

17. Details of assets owned by the Police Authority

31 March 2006		31 March 2007	
18.4ha	Land	18.4ha	
27	Police stations	27	
1	Custody Suite	1	
2	Police houses	2	
2	Radio aerial sites	2	
One third share	Helicopter and Hangar	One third share	
487	Vehicles (e.g. police cars, vans, etc.)	395	
11	EMSOU Vehicles (23% Share)	66	

18. Commitments Under Capital Contracts

The Authority has no significant amounts outstanding on capital contracts which have been entered into by the Police Authority as at 31st March 2007.

19. Stocks

31 March 2006 £000		31 March 2007 £000
212	Police uniforms	154
36	Vehicle parts and fuel	46
54	Stationery	33
6	Other	14
<u>308</u>		<u>247</u>

20. Debtors

31 March 2006 £000		31 March 2007 £000
	Long Term Debtors <i>(amounts falling due after more than 1 year)</i>	
<u>4</u>	Car loans to employees	<u>-</u>
	Current Debtors	
1,984	Government departments	2,570
1,236	Local & Police Authorities	1,589
426	Sundry debtors	495
11	Car Loans to employees	4
(7)	Less: Provision for bad debts	(1)
<u>3,650</u>		<u>4,657</u>

Government departments (above) includes £1,256k receivable from the Home Office in respect of the Pensions Fund Holding Account. This is due to changes in the funding arrangements for the Police Pension Scheme. Please see note 28 for further details.

21. Payments in advance

31 March 2006 £000		31 March 2007 £000
665	Police Pay	545
1,230	Other	1,382
<u>1,895</u>		<u>1,927</u>

22. Short Term Investments

Short-term investments total **£18.12m** (£17.15m in 2005/06) and represents cash invested in temporary investments and short term deposits with a range of financial institutions. Interest earned is credited to the revenue account.

23. Creditors

31 March 2006 £000		31 March 2007 £000
	Long Term Creditors <i>(amounts payable after more than 1 year)</i>	
<u>5,308</u>		<u>4,869</u>
	Current Creditors	
2,593	Government departments & Agencies	2,690
227	Police & Local Authorities	903
576	Capital Creditors	687
1,501	Salary & Overtime Payments	1,455
2,141	Sundry creditors	2,945
<u>7,038</u>		<u>8,680</u>

The long term creditor represents sums borrowed from Leicestershire County Council before April 1995 to finance police capital spending. This sum is repayable to LCC in annual instalments over 25 years from April 1995.

24. Long term borrowing

Post 1995 long term borrowing is with the Public Works Loan Board (PWLB)

Debt as at 31/3/06 £000	Maturity	Debt as at 31/3/07 £000
83	1-2 years	90
291	2-5 years	257
56	5-10 years	-
1,723	10-15 years	1,723
10,676	More than 15 years	10,676
<u>12,829</u>		<u>12,746</u>

25. Provisions, movements during the year

	Balance at 1 April 2006 £000	Movements		Balance at 31 March 2007 £000
		From	To	
		£000	£000	
Insurance	450	(217)	386	619
Other	17	(3)	1	15
TOTAL	<u>467</u>	<u>(220)</u>	<u>387</u>	<u>634</u>

The insurance provision reflects the self insured part of known and potential Public and Employers liability claims.

Other provision covers small sums of money currently held by the Force, but which will be paid out in the future.

26. Revenue reserves, movements during the year

These reserves are earmarked for the specific purposes noted below:

	Balance at 1 April 2006 £000	Movements from £000	To £000	Balance at 31 March 2007 £000
Pensions (Specific)	1,206	(1,206)	-	-
Pensions (General)	751	-	-	751
Budget Equalisation Reserve	935	(164)	1,253	2,024
C/Fwds (Specific)	456	(456)	881	881
C/Fwds (General)	1,000	(1,000)	2,400	2,400
Equip Replacement	520	(452)	-	68
Capital Expenditure	1,553	(1,553)	-	-
CSO Reserve	781		1,140	1,921
Fleet Insurance	142	(50)	12	104
Memorial Garden	1	-	-	1
BCU Reserve	34	(34)	14	14
Proceeds of Crime Act	41	(41)	403	403
TOTAL	7,420	(4,956)	6,103	8,567

Pensions (Specific)

From the 1st April 2006 the funding arrangements for police pensions changed. As a result, the 'Pension Specific' reserve is no longer required as all lump sum pension payments are now met from the 'Pension Fund Holding Account' (see note 28). The balance on this reserve has therefore been released.

Pensions (General)

The general pensions reserve exists to help the Force meet future but uncertain pensions costs. These are most likely to arise from ill health retirements of police officers. The number, timing and cost of these is unpredictable and would have a direct and adverse impact on the revenue account.

Budget Equalisation Reserve

This represents revenue funds set aside to part-fund the 2008/09 revenue budget requirement.

Carry Forward (Specific)

This reserve includes those sums that the Police Authority has approved to carry forward to finance specific expenditure in 2007/08.

Carry Forward (General)

The general carry forward reserve holds those funds which have been allocated to

fund the base budget the following year.

Equipment Replacement

This provides an element for future funding of the renewal and replacement of equipment.

Capital Expenditure

This represented contributions from revenue to fund future capital expenditure. However, it was released back to the General Fund during 2006/07 to assist with the financing of the base revenue expenditure. The capital expenditure has been financed from other sources.

Police Community Support Officers

This provides an element for the future funding of Police Community Support Officers. Transfers to the reserve represent the savings in the Traffic Wardens budget and grant / partnership funding received in excess of the expenditure incurred.

Fleet Insurance

The excess on the vehicle insurance policy is **£10k**. The reserve is to meet the cost of claims that fall below this value.

BCU Fund

This is the permitted carry forward on the Basic Command Unit Fund for 2006/07.

Proceeds of Crime Act

These are the funds awarded to the Authority by the Courts under the Proceeds of Crime Act. These funds are used to further the Force's capability in financial and other investigative areas.

27. Police fund

The Police Fund represents the Authority's uncommitted reserves available to meet the very large demands that are occasionally made on the police service.

	£000
Total at 1 April 2006	3,581
2006/07 Surplus	-
Total at 31 March 2007	3,581

28. Pension Fund Holding Account

The funding arrangements for the police pension scheme changed on 1st April 2006. Prior to 1st April 2006 the Authority was responsible for the payment of police pensions to retired officers as they became payable. Under the new funding arrangements, the Authority is required to make a contribution to the Pension Fund based on a percentage of each police officer's pay (2006/07 – 24.6%).

The Authority is required by law to operate a Pension Fund and the amounts that must be paid into and out of the Fund are specified by regulation. The Fund will be balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The Fund does not hold any investment assets and follows the accounting policies of the Authority.

At 31st March 2007, Debtors includes £1,256k in respect of pension top-up grant receivable from the Home Office to make up the deficit on the Pension Fund. The Fund does not take account of the liability to pay pensions or other benefits after the year-end.

For the year to 31st March 2007, the key transactions within the Pension Fund Holding Account were as follows:

	£000	£000
Contributions Receivable:		
- Normal employer contributions	(17,331)	
- Ill-health early retirements	(442)	
- Reimbursement of unabated pensions of '30+' officers	(60)	
- Employee contributions	(7,734)	
		(25,567)
Transfers in from other schemes		(702)
Benefits Payable:		
- Pensions paid to retired officers	21,829	
- Commutations / lump-sum benefits	5,747	
- Ill-health commutations / lump-sum benefits	459	
- Lump-sum death benefits	374	
		28,409
Payments to and on account of leavers:		
- Refund of contributions	15	
- Transfers out to other schemes	299	
		314
Sub-total for the year before transfer from the police authority of amount equal to the deficit		2,454
Additional funding payable by the police authority to fund the deficit for the year		(2,454)
Surplus/Deficit on the account at 31st March 2007		-

Net Assets Statement	£000
Contributions due from employer	-
Pension top-up grant receivable from sponsoring department	-
Unpaid pension benefits	-
Pension commutations / lump sums paid in advance	346
Other current assets and liabilities	-
	346

29. Retirement Benefits

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

The authority participates in two pension schemes:

- The Local Government Pension Scheme for police staff, is administered by Leicestershire 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 for police officers – under the new funding arrangements described in note 28, the Authority now makes a contribution to the Pension Fund equal to 24.6% of an officer's pay. In 2005/06, the Authority was still required to pay pensions to former police officers as the liability arose. The change in funding can be seen in the section marked "Actual amounts charged against government grants and council tax for pensions in the year" below

The transactions within the Income & Expenditure Account and Statement of Movement on the General Fund Balance are as follows:

	Local Government Pension Scheme		Police Pension Scheme	
	2005/06 £000	2006/07 £000	2005/06 £000	2006/07 £000
Net Cost Of Services				
Current Service Cost	3,300	4,708	24,024	29,358
Past Service Cost	-	137	-	-
Curtailment	200	-	-	-
	3,500	4,845	24,024	29,358
Net Operating Expenditure				
Interest Cost	3,600	4,277	44,128	46,008
Expected return on assets in the scheme	(3,600)	(4,598)	-	-
	-	(321)	44,128	46,008
Amounts to be met from Government Grants and Local Taxation				
Movement on pensions reserve	(400)	(974)	(47,876)	(55,929)
Actual amounts charged against government grants and council tax for pensions in the year:				
Employers' contributions payable to scheme	3,100	3,550	-	21,891
Retirement benefits payable to pensioners	-	-	20,276	-

The Authority's assets and liabilities are:

	31 March 2006 £000	31 March 2007 £000
Estimated liabilities in Police Officer Pension Scheme	935,211	934,081
Share of liabilities in Local Government Pension Scheme	84,700	87,770
Total Liabilities	1,019,911	1,021,851
Less: Share of assets in Local Government Pension Scheme	(66,400)	(76,244)
Net pension Liability	953,511	945,607

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£946m** has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of **£871m**. However, the statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2004, the employers' contributions has remained at the same rate as set in the 31 March 2001 valuation. The deficit on the LGPS scheme has reduced by £6.8m between March 2006 & 2007
- Under the new police pension funding arrangements, any shortfall between the employer's contributions to the Pension Fund and the pensions paid to former officers will be met by the Home Office through a top-up grant. The rate (%) at which employer contributions are made to the Pension Fund is set by the Home Office.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value (real discount rate 3.5%). The Police Scheme and the County Council fund liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

The main assumptions used in the calculations are:

	Local Gov't Scheme		Police Scheme	
	2006	2007	2006	2007
- rate of inflation	3.1%	3.2%	2.9%	3.1%
- rate of increase in salaries	4.6%	4.7%	4.4%	4.6%
- rate of increase in pensions	3.1%	3.2%	2.9%	3.1%
- rate for discounting scheme liabilities	4.9%	5.4%	4.9%	5.4%

Assets in the Pension Fund administered by the County Council are valued at fair value, principally market value for investments, and consist of:

	31 March 2006		31 March 2007	
	Value £000	Expected Return (% per annum)	Value £000	Expected Return (% per annum)
Equity Investments	48,700	7.4%	54,199	7.8%
Bonds	10,000	4.6%	12,831	4.9%
Property	5,700	5.5%	6,522	5.8%
Cash	2,000	4.6%	2,692	4.9%
	<u>66,400</u>		<u>76,244</u>	

The movement in the net pensions deficit for the year can be analysed as follows:

	Local Government £000	Police £000	Total £000
Net Surplus / (deficit) at 1 April 2006	(18,300)	(935,211)	(953,511)
Movements in the year:			
Current Service Cost	(4,708)	(29,358)	(34,066)
Contributions	3,550	21,891	25,441
Past Service costs (incl curtailment)	(137)	-	(137)
Net Return on assets	321	(46,008)	(45,687)
	<u>(19,274)</u>	<u>(988,686)</u>	<u>(1,007,960)</u>
Actuarial gains / (losses)	7,748	54,605	62,353
Net Pension (deficit) at 31 March 2007	(11,526)	(934,081)	(945,607)

30. Capital Receipts Reserve / Unapplied Capital Grants & Contributions

Capital Receipts Reserve

This reserve is cash backed. Capital receipts from the disposal of assets are held in the capital receipts reserve until such time as they are used to finance other capital expenditure.

Unapplied Capital Grants & Contributions

Again, a cash backed reserve to finance future capital spending. Capital grants and other contributions are credited to this account until required to finance capital expenditure.

	Capital Receipts Reserve	Unapplied capital grants & Contributions
	£000	£000
Movements in realised capital resources		
Amounts receivable in 2006/07	39	3,958
Amounts applied to finance new capital investment in 2006/07	(39)	(3,792)
Total increase / (decrease) in realised capital resources in 2006/07	-	166
Balance brought forward at 1 April 2006	-	172
Balance carried forward at 31 March 2007	-	338

31. Fixed Asset Restatement Account

The fixed asset restatement account records the deficit or surplus arising on the revaluation of assets, and is written down by the net book value of assets as they are disposed of.

	Fixed Asset Restatement Account £000
Movements in unrealised value of fixed assets	
Gains/(losses) on revaluation of fixed assets in 2006/07	3,332
Impairment losses on fixed assets due to general changes in prices in 2006/07	-
Total increase / (decrease) in unrealised capital resources in 2006/07	3,332
Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2006/07	(355)
Total movement on reserve in 2006/07	2,977
Balance brought forward at 1 April 2006	42,987
Balance carried forward at 31 March 2007	45,964

32. Capital Financing Account & Government Grants Deferred

Capital Financing Account

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans together with the sums of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. It is not a cash backed reserve.

Government Grants Deferred

Capital grant and contributions used to finance capital expenditure are credited to this account. As assets are depreciated the grant / contribution is released.

	Capital Financing Account £000	Government Grants Deferred £000
Movements in amounts set aside to finance capital investment		
<i>Capital receipts set aside in 2006/07</i>		
-reserved receipts		
-useable receipts applied	39	-
Total capital receipts applied in 2006/07	39	-
<i>Revenue resources set aside in 2006/07</i>		
-capital expenditure financed from revenue		
-Force	1,310	-
-EMSOU	163	-
-reconciling amount for provisions for loan repayment	(685)	-
Total revenue resources set aside in 2006/07	788	-
Grants applied to capital investment in 2006/07	-	3,792
Amounts credited to the Income & Expenditure Account in 2006/07	-	(2,779)
Movement on Government Grants Deferred	-	1,013
Total movement on reserve in 2006/07		
Balance brought forward at 1 April 2006	15,067	17,925
Balance carried forward at 31 March 2007	15,894	18,938

33. Pensions Reserve (FRS 17) – Actuarial Gains & Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities at 31 March 2007:

	Local Government Pension Scheme		Police Pension Scheme	
	£000	%	£000	%
Differences between the expected and actual return on assets	1,359	11.8%	-	-
Differences between the actuarial assumptions about liabilities and actual experience	(31)	(0.3%)	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	6,420	55.7%	54,605	5.8%
	7,748	67.2%	54,605	5.8%
Comparative totals for 2005/06	(2,640)	(14.4%)	(72,029)	(7.7%)
Comparative totals for 2004/05	(8,240)	(54.0%)	(156,862)	(19.2%)
Comparative totals for 2003/04	5,990	78.9%	2,399	0.4%
Comparative totals for 2002/03	(10,110)	(78.3%)	40,072	6.9%

34. Analysis of changes in net debt

	Balance 1/4/06 £000	Balance 31/3/07 £000	Movement in year £000
Cash overdrawn	(3,045)	(3,881)	(836)
Cash with accounting officers	122	120	(2)
Net increase / (decrease in cash)	(2,923)	(3,761)	(838)
Temporary investments	17,150	18,125	975
Debt repayable within one year	(516)	(522)	(6)
Debt repayable after one year	(18,137)	(17,615)	522
Net cash inflow before financing	(4,426)	(3,773)	653

Liquid resources are temporary investments less short-term borrowings which are readily convertible to cash.

35. Reconciliation of Income & Expenditure Account to revenue activities cash flow

2005/06 £000		2006/07 £000	£000
47,353	(Surplus) / Deficit on the I&E Account		55,448
	Non cash transactions :		
(1,537)	Depreciation / Amortisation of Gov't Grants	(1,573)	
(71,652)	Reverse FRS17 adjustments	(79,890)	
23,376	Superannuation payments	22,986	
(39)	Profit / (Loss) on disposal of fixed assets	(316)	
234	Decrease / (Increase) in provisions	(167)	
(37)	Decrease / (Increase) in Joint Arrangement Reserves	(68)	
		(59,028)	
	Items on an accruals basis :		
181	(Increase)/decrease in revenue creditors	(1,478)	
(478)	Increase/(decrease) in revenue debtors	1,306	
(11)	Decrease in long term debtors	(4)	
110	Increase/(decrease) in stocks	(61)	
(463)	(Increase)/decrease in receipts in advance	488	
48	Increase/(decrease) in revenue payments in advance	32	
37	Increase in Joint Arrangement net assets	68	
		351	
	Items classified elsewhere in the cash flow statement		
752	Investment income		1,137
(973)	Interest paid		(974)
(3,099)	Net cash inflow from revenue activities		(3,066)

36. Analysis of Government Grants

2005/06		2006/07	
£000		£000	£000
5,078	Crime fighting fund	4,062	
1,317	Police Community Support Officers	3,287	
-	Dedicated Security Grant	1,449	
-	Pensions Top-Up Grant	1,197	
913	BCU Fund	1,076	
453	Drug testing on charge	579	
-	Proceeds of Crime Act	416	
-	IPDLP Grant (intial police training)	258	
585	Special operations	812	
191	LCJB	214	
287	Loan charges	183	
115	No Witness No Justice	177	
643	DNA	165	
448	Others	342	
428	Rural policing	-	
92	Healthy Initiatives	-	
220	RIC Funding	-	
94	National Intelligence model	-	
1,063	Special Priority Payments		14,217
1,959	Capital	2,102	
313	Others	457	
			2,559
<u>14,199</u>	Total Grants Received		<u>16,776</u>

East Midlands Air Support Unit

The East Midlands Air Support Unit (EMASU) is responsible for the operation of a police helicopter in Leicestershire, Northamptonshire and Warwickshire. Leicestershire acts as the lead authority.

REVENUE ACCOUNT

2005/06 Outturn £000		2006/07 Outturn £000
294	Employees' expenses	322
31	Premises	41
505	Transport	692
35	Supplies and services	30
865	Gross Operating Expenditure	1085
(905)	Contributions from partners	(971)
(13)	Other income	(134)
(53)	(Surplus) / Deficit for the year	(20)

Air Support Unit Reserve

Opening Balance	217
Surplus for the year	20
Balance of Night Vision Goggles	-
Balance Carried Forward	237

East Midlands Special Operations Unit

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

REVENUE ACCOUNT

2005/06 Outturn £000		2006/07 Outturn £000
323	Employees' expenses	1,561
-	Premises	76
74	Transport	204
502	Supplies and services	1,068
899	Gross Operating Expenditure	2,909
(296)	Other Income	(73)
-	Transfer to / (from) earmarked reserves	-
9	Revenue funding of capital expenditure	435
612	Amount to be met from Partners	3,271
	Finance By	
(687)	Contributions from partners	(1,199)
-	External Grants	(2,336)
(75)	Surplus for the year	(264)

East Midlands Special Operations Unit Reserve

Opening Balance	89
Transfer from Reserve	-
Surplus for the year	264
Balance Carried Forward	353