

**Leicestershire
Police Authority**

Statement of Accounts

2008/09

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Explanatory Foreword

Introduction

The Statement of Accounts includes the Income and Expenditure Account showing the spending for the year, a Statement of Movement on the General Fund Balance which reconciles the deficit on the Income and Expenditure Account to the surplus or deficit required by statute, a Statement of Total Recognised Gains and Losses, a Balance sheet showing the assets owned by the Authority and its liabilities, a cash flow statement showing the source and application of funds together with the Pension Holding Account with the amounts paid out and into the Fund specified by Regulation.

Overview of 2008/2009

In early 2007 the Government announced a 3 year funding settlement with 2008/09 being the first year. Again, the government formula was not implemented, and a flat rate increase for all authorities applied. As a result the Leicestershire Police Authority lost grant of £3.420m to which it was entitled according to the formula.

Largely as a result of this grant loss, and in response to identified risks and pressures facing the service, the Police Authority resolved to increase the local precept by 15.43%. The Authority was asked by Government to justify the size of that increase, which it did successfully, although precept increases in both 2009/10 and 2010/11 will be limited to 3%. As a result of the increase it was possible to recruit an additional 105 police officers and 22 police staff during 2008/09 to support the Force's activities in relation to Neighbourhood Policing and Protective Services.

Financing the police service

The Police Authority set a net revenue budget of £164.696m for the year, after drawing £1.639m from reserve. The majority of the funding for this budget is provided by Government, with just 30% met via the local precept. The Authority levied a precept of £160.40 for a Band D property, an increase of 15.43% over the previous year.

Revenue spending

The Authority underspent its revenue budget by £4.458m, or 2.7%. This was attributable to the delayed recruitment of both the police officers and staff pending the outcome of the Department for Communities and Local Government ruling on the precept increase of £0.428m, a managed underspend on police pay and allowances of £1.256m, an underspend on corporate budgets of £2.209m, together with a net further underspend of £0.565m on delegated activities. This has allowed the Authority to add £1.300m to its General Reserve, bringing its value closer to its declared policy.

The Authority agreed to utilise the £4.458m underspend in the following areas: 1) £3.158m to part fund the 2009/10 and 2010/11 budget requirement and 2) transfer the balance of £1.300m to the General Reserve.

Reserves

The Police Fund was increased during the year to £4.881m. The closing balance on the Budget Equalisation reserve is £7.871m, including the balance from the Police Pay Judicial Review reserve which is no longer required and will be used to help fund revenue budgets in future years. A number of other smaller reserves have been created during 08/09 for

specific purposes.

Retirement Benefits

The accounting for Retirement Benefits in the 2008/09 accounts has resulted in a pension liability of £868m. The police officer pension scheme liability is £846m with the balance relating to Local Government Pension Scheme. The Retirement Benefit disclosures take account of the changes made to the FRS17 accounting standard and the prior year figures have been amended accordingly.

Capital spending

£8.030m 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 external debt at the year end was £17.1m.

A number of capital projects were undertaken during 2008/09 including improvements to the firearms accommodation, upgrading of the custody provision for safety detention requirements, refurbishment of the Wigston cells, and significant investments in IT to support the introduction of 300 vehicle data terminals and 600 handheld communication devices. The mobile data project has been funded via a £2.1m government grant.

Outlook for 2009/10

The Police authority has approved the 2009/10 net revenue and capital budgets of £169.8m and £5.5m respectively, and a precept of £165.21 for a Band D property, an increase of 3% 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 £3.122m.



B Roper
Vice 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.

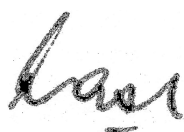
The Treasurer is responsible for the preparation of the Authority's Statement of Accounts. Under the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the accounts are required to present fairly the income and expenditure of the Authority, and its financial position at the end of 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)
29th September 2009

Annual Governance Statement

Position as at June 2009 including plans for the financial year 2009-10

1. SCOPE OF RESPONSIBILITIES

The Leicestershire Police Authority (“the 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. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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.

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 of the Code is on our website at www.leics-pa.police.uk or can be obtained from the Chief Executive, Leicestershire Police Authority, St. Johns, Enderby, Leicester, LE19 2BX. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended, in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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.

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. The system of internal control is based on a continuous 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 to manage them effectively, efficiently and economically.

The systems that underpin this governance framework have been in place at the Authority for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

This section describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and the Force. It includes reference to the overarching structures that have been put in place in both Authority and Force to deal with these areas and indicates how they are linked to each other and held to account by the Authority.

Although the Chief Constable is responsible for operational policing matters, for the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him to account for the exercise of those functions. 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.

- *The Authority and Force should identify and communicate their vision of purpose and intended outcomes for citizens and service users.* The Constabulary strives to be “Second to None”. It seeks to achieve this by three specific elements – getting personal with communities; getting personal with criminals; and getting personal with our people. The Authority supports this vision. The vision has been reviewed by the Chief Officer Group in 2008. The vision appears on the Constabulary website. It also appears in the statutory publications issued by the Authority such as the local policing summaries. In 2008 a new communications strategy was prepared.
- *The Authority and Force should review their vision and strategy and the implications for governance arrangements. The Authority and Force should have systems for setting objectives and targets outlined in the policing plan including decision making structures.* Following a prompt from an audit inspection, the Police Authority has adopted a new approach to strategic business planning. This will ensure that members are involved at the initial stage of the planning process as well as throughout the formation of the draft policing plan. In 2008/09 the new process was applied by engaging more fully with the Constabulary in Autumn 2008. This is further underpinned by a report taken to the Police Authority on 30 June 2009.
- *The Authority and Force should monitor performance against operational, financial and other strategic plans including how key issues are identified and tasked.* The Authority monitors Force performance against volume crime and key performance indicators at each of four quarterly meetings throughout the year. Additionally its Performance Panel meets quarterly to examine performance in greater detail. Its Human Resources Committee considers performance data relating to the staffing elements of the organisation. Professional Standards Committee meets three times a year and considers a comprehensive performance report on complaints made about police staff and police officers. Financial performance is within the remit of the Finance and General Purposes Committee and the Treasurer monitors the debts owed to the organisation. Performance against the local policing plan is undertaken by the full Authority with a report to its November meeting indicating any key areas at risk of not being fulfilled by the end of the year.
- *The Authority and Force should measure the quality of service for users to ensure services are delivered in accordance with the Authority’s objectives and represent the best use of resources.* The Authority undertakes a comprehensive consultation cycle to seek the views of the people of Leicester, Leicestershire and Rutland on a number of issues. Its main quantitative source of data is a questionnaire it puts on the council tax leaflet with a prepaid reply facility. The questions on this questionnaire are reviewed annually by the Consultation and Communications Committee. In January 2009 the Committee decided to adapt the questionnaire to include the Confidence question. As well as the MSF (most similar group of forces) data on satisfaction, the Force and Authority also utilise their own data from the CRAVE surveys (Confidence, Reassurance, Accessibility, and Visibility Evaluation) to inform direction of travel. The full implementation of Neighbourhood Policing throughout Leicester, Leicestershire and Rutland also means that local priorities are efficiently and effectively managed and communicated.
- *The Authority and Force should have systems to risk manage their business and identify ways in which key risks are mitigated.* The Authority has approved a Leicestershire Police risk management strategy and facilitated the purchase of the Orchid Risk Register software. This has been implemented and training has been provided to key personnel across the organisation. This software enables the key strategic risks to be examined by authorised persons on a daily basis. Key Force risks are reviewed by the Audit Committee at each meeting, as well as the specific Police Authority Risk register. In 2008/09 the Audit Committee decided to review the grouping of the risks on the register to make it more effective. These were then ranked afresh by members for impact and likelihood.

- *The Authority and Force should define and document the roles and responsibilities of the Authority and Force and the 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 Authority and its members have been defined and appear in the members' allowances scheme and other recruitment documentation. It also appears on the web. This forms a chapter in the Members' handbook which is kept for reference by each member. Also in the handbook is a list of powers that have been delegated to the Authority officers and the Chief Constable and the Finance Director by the Police Authority. This is updated regularly in line with new developments. The terms of reference of committees and their role are set out in the members' handbook.
- *The Authority and Force should develop communicate and embed codes of conduct defining the standards of behaviour for members, officers and staff.* The code of conduct for members was adopted on 3 May 2007. An annual report on standards matters was provided to the Standards Committee on 3 February 2009 and the Chairman of that Committee made a formal report to the full Authority on 5 May 2009. Members are reminded of conduct and governance issues through a "tip of the week" appearing on each weekly members' newsletter. The staff code of conduct for the Police Authority staff, agreed by Human Resources Committee on 21 November 2007, has been replaced by the Code applying to all police staff which became effective from 1 December 2008. Codes of conduct for police staff and police officers are dealt with through regulations and the Independent Police Complaints Commission has a role in overseeing this as well as the Authority.
- *The Authority should review and update standing orders, standing financial instructions, scheme of delegation, contract regulations and supporting procedure notes which clearly define how decisions are taken and processes and controls required to manage risks.* A set of Financial Regulations, updated at intervals of two years, is maintained by the Authority. The most recent review was in March 2009. A guide to the Regulations is published for the benefit of employees responsible for incurring expenditure on behalf of the Authority and Force. A set of Financial Instructions is also published, aimed at employees concerned with financial aspects of the organisation. The Delegated Powers list is being reviewed by the Police Authority at its meeting on 30 June 2009.
- *The Authority should maintain a set of Contract Standing Orders, updated at intervals of two years.* The Contract Standing Orders were revised in March 2009 together with an easy to follow summary guide for the benefit of employees responsible for entering into contracts on behalf of the Authority and Force.
- *The Authority should undertake the core functions of an Audit Committee, as identified in CIPFA's Audit Committee – practical guidance for local authorities.* An Audit Committee, comprising members of the Authority, meets on a quarterly basis. It is independent from the Authority and its terms of reference are in line with the guidance provided by the Chartered Institute of Public Finance and Accountancy. Training is provided for members of the Committee on a regular basis. The Committee reviews its own effectiveness annually, and from 2009 will provide the Authority with an annual report of its work.
- *The Authority and Force should ensure compliance with relevant laws, regulations, internal policies and procedures and that expenditure is lawful.* The Authority has adopted, and reviews regularly, a set of Financial Regulations and Contract Standing Orders. The organisation is subject to external audits by its external auditors currently PricewaterhouseCoopers. The organisation also has its internal audit provision undertaken by an external firm, currently Bentley Jennison. The service is provided within a collaborative contract with four other Police Authorities, thus providing opportunities to benefit from best practice elsewhere. Further external inspection arises by Her Majesty's Inspectorate of Constabulary and by the Independent Police Complaints Commission all of whom have statutory access to documentation and provide for a robust auditing mechanism. The Police Authority inspection regime will start in 2009.

- *The Force should have systems for whistle blowing and receiving and investigating complaints from the public and handling citizen and other redress.* The Professional Standards Department (PSD) has both a reactive and pro-active capability which means that complaints made by the public are fully investigated when reported, and any concerns over integrity and corruption issues are equally followed through. An anonymous anti-corruption reporting line is available to staff via a separate Crimestoppers number which is then fed through to the PSD to investigate any issues or individuals of concern. A full record is kept of all complaints, including outcome and resolution, diversity aspects and any significant trends. This information is reported back to APEX as well as the Strategic Equality and Confidence Board which reviews any disproportionate aspects arising.
- *The Authority and Force should determine the conditions of employment and remuneration of senior officers and staff.* Police officer remuneration and conditions of service are largely the remit of regulations. The Authority's Remuneration Committee considers issues each January. The police staff is not regulated. The Authority has recognised that its lack of job evaluation scheme is a risk which appears on its risk register and is monitored through that process.
- *The Authority and Force should identify the development needs of members and senior officers in relation to their strategic role supported by appropriate training.* Police Authority members receive induction training on starting their roles with the Authority. Training needs are identified and implemented. In March 2009 every member undertook a development interview. These, and a skills audit have fed into the Member Training Plan, agreed on 5 May 2009, which the Standards Committee will monitor. Police Authority staff are also inducted into their role and training needs are identified through performance and development reviews. Senior police officers are subject to performance development reviews undertaken with the assistance of HMIC and limited involvement by the Authority Chairman. The organisation has also introduced leadership training.
- *The Authority and Force should establish clear channels of communication with all sections of community and other stakeholders ensuring accountability and encouraging open consultation.* The Authority undertakes a cycle of consultation each year which includes a public meeting in every local policing unit. The Authority has a designated Performance Analyst and an Engagement and Communications Officer. The Force has a Corporate Communications Team. Members of the public are able to ask questions of the Authority at its quarterly meetings.
- *The Authority and Force should incorporate good governance arrangements in respect of partnerships and other group working.* The community safety programme board acts as a strategic body above the CDRPs in the police area.

4. REVIEW OF EFFECTIVENESS

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

These reviews have been informed by the Audit Commission's external auditors and the Authority's internal auditors. The internal auditors carried out a number of reviews into activities within both Force and Authority.

- The full **Police Authority** is responsible for receiving and approving the annual governance statement.
- The **Constabulary** has various systems through which assurance is provided throughout the year including :
 - The framework of regular management information.
 - Extensive internal audit reviews, compliance checks, and progress reports (National Crime Recording Standard /NSIR / Victim Code / HOOCR etc)

- Performance monitoring arrangements (APEX / PDG)
 - Management of data (Freedom of Information / Management of Police Information)
 - The role of the Professional Standards Department.
 - Policy Guidance and retention
 - Project Management and Governance
 - Business Continuity / Risk Management
- The **Audit Committee** meets quarterly, and considers reports from both internal and external auditors. Progress on the implementation of recommendations from audit reports is monitored against the timescales set. The Committee is also responsible for Risk Management and reviews at each meeting both the Police Authority and Force Risk Registers. The Audit Committee is responsible for amending the code of corporate governance and for checking progress against the areas for improvement identified in the annual governance statement.
 - The **Standards Committee's** terms of reference include promoting high ethical standards of conduct by members, advising members in relation to matters of conduct and making recommendations to the Authority on the revision of the code of conduct, and arranging training and development for members on all matters relating to standards, ethics and probity. It receives an annual report on the governance of ethical standards each year. On 3 March 2009 the Committee agreed an action plan for 2009/10. These are detailed in the Areas for Improvement set out below.
 - **Internal Audit** services are outsourced on a contract basis. The current auditors are RSM Bentley Jennison. Audit briefs are considered by the Police Authority Treasurer, the Force Finance Director, and the Deputy Chief Constable. Audit reports are considered in detail by the Audit Committee. Governance issues feature in the annual audit plan.

In addition both the Chief Executive and the Treasurer to the Authority, and the Deputy Chief Constable and his staff all have responsibility for the development and maintenance of the governance environment. Comments by other review agencies and inspectorates inform this review.

In the Governance Statement for 2007-08 three areas for improvement were identified. These, together with progress in implementation, are detailed below.

ITEM	PROGRESS
Prepare new Communications Strategy	A new Strategy was prepared and adopted during 2008.
Ensure Strategic Business Planning with full member involvement	Members' Discussion Day on 16 October 2008, followed by discussions through to March 2009 on Policing Plan and budget.
Monitor risk of absence of job evaluation scheme through Risk Register	Review of JES currently taking place This review includes identification of risk associated with implementing new scheme and/or equal pay claims under current scheme.

During 2008 the Audit Committee received an internal audit report on Governance Arrangements at the Authority and Force. In the opinion of the auditors substantial assurance can be given that the risks material to the achievement of objectives within this area of activity are adequately managed and controlled. One significant recommendation was made. This is detailed below for implementation during 2009-10.

5. AREAS FOR IMPROVEMENT 2009-10

ITEM	WHO	WHEN
<p>Review and update the documented procedures relating to Partnerships to ensure they reflect the organisational requirements and any statutory requirements and are in line with recommended good practice.</p> <p>Ensure that for new partnerships appropriate Terms of Reference are agreed.</p> <p>Prepare a list of all current partnerships and critically appraise why the Authority is a member of these partnerships and how they help achieve organisational objectives. The Authority should consider withdrawing from those partnerships where the benefit of membership cannot be identified.</p>	Chief Executive	<p>May 2009</p> <p><i>(LPA Circular 07/2009 issued to members highlighted the partnership links and advocating that all current partnerships should continue)</i></p>
<p>As new members join the Standards Committee their training needs for this role should be formally reviewed. Review needs of individual member.</p>	Chief Executive.	Within month of joining committee – as part of induction or after AGM.
<p>Maintain training in Code and Ethics for all members. Training session offered. Follow up by Chief Executive for any members not attending.</p>	Chief Executive and Standards Committee	31 October 2009.
<p>Business Interests Form. Standards Committee to review the form to check accuracy and ease of use by members.</p>	Chief Executive	Standards Committee June 2009.
<p>Business Interests. Standards Committee to monitor how up to date forms are.</p>	Standards Committee	Each meeting
<p>Member training. Standards Committee to monitor implementation of member training plan.</p>	Standards Committee	Each meeting
<p>Member Development Interview process to be reviewed in the light of Standards Committee's comments.</p>	Police Authority	November 2009

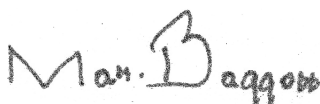
Signed



Mr B Roper
Vice Chairman of Leicestershire Police Authority



Mr R Swinfield
Chief Executive of Leicestershire Police Authority



Mr M Baggott
Chief Constable, Leicestershire Constabulary

Audit Opinion

Independent auditors' report to the members of Leicestershire Police Authority

Opinion on the financial statements

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

Respective responsibilities of the Treasurer and Auditors

The Treasurer's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

This report, including the opinion, has been prepared for and only for the members of Leicestershire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure and cashflows for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We 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 and Statement of Responsibility for the Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our 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 and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom, the financial position of the Authority as at 31 March 2009 and its income and expenditure and cash flows for the year then ended.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

*PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT*

30th September 2009

- (a) The maintenance and integrity of the Leicestershire Police Authority website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Authority's Responsibilities

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

Auditor's Responsibilities

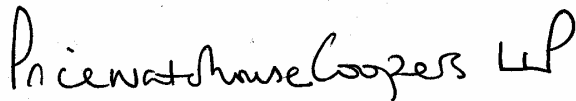
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are 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 2009.

Certificate

We certify that we 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

*PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT*

30th September 2009

Statement of Accounting Policies

1. General principles

The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice* (hereafter referred to as **the SORP 2008**) as published by CIPFA. The accounting convention used is Historic Cost, other than for those categories of fixed assets which may be subject to revaluation (for example Buildings) which are shown at Current Value within the accounts.

2. Recognition of Income & Expenditure (including Capital)

The accounts are prepared on an accruals basis in accordance with FRS18. Both income and expenditure are therefore included in the accounts during the financial year to which they relate rather than when cash is paid or received. For example where goods or services have been received before 31st March but have not yet paid for, an accrual is made to reflect their receipt or consumption by the Authority.

The only exceptions to this policy are transfer values in and out of the Police Pension Scheme (in respect of employees either commencing or leaving the employment of the Authority) which are included in the Pension Fund Account when they are received or paid.

3. Financial Instruments

The Authority's Balance Sheet contains Financial Assets & Liabilities valued at amortised cost. Examples of these Assets or Liabilities include Debtors, Creditors, Cash Overdrafts and Short/Long-term Borrowings. 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.

Where assets or liabilities mature within 12 months of the Balance Sheet date the carrying amount is assumed to approximate the fair value. In the example of short-term cash investments this means that they are shown at cost plus accrued interest receivable at the Balance Sheet date as this approximates fair value.

Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability. For example, interest payable on long-term borrowing (with the Public Works Loan Board or PWLB) is defined by the terms of each loan and the interest rate is fixed at the outset.

Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset (in this case the short-term cash investment) multiplied by the effective rate of interest (or in other words the agreed rate of return on the investment).

Deferred Liabilities (long-term borrowing with Leicestershire County Council) are accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

4. Interest

Interest payable on external borrowings and interest receivable on short-term investments are accounted for on an accruals basis within the accounts. This is to

reflect the overall economic effect of the borrowings or investments.

5. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets (over specified de minimis levels – currently £5,000) is capitalised in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefit to the Authority and the benefit 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 Income & Expenditure Account.

Expenditure that is financed by capital funding but does not result in either a new asset or an increase in value of an existing asset is classified as *Revenue Expenditure Funded From Capital Under Statute* and is amortised fully through the Income & Expenditure Account in the year that the expenditure is incurred. A reversing entry is made in the Statement of Movement on the General Fund to neutralise the effect on the Authority's revenue funds.

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 – all remaining Police Houses were disposed of during the year and hence no asset remains on the Balance Sheet.

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.

Where a gain occurs due to an asset revaluation, this is credited to the Revaluation Reserve against the specific asset. Future deficits due to a downward revaluation on the same asset (unless due to impairment) are debited to the Revaluation Reserve until the residual gain is exhausted. A deficit due to impairment is debited to the Income & Expenditure Account. If no residual gain exists for a specific asset (in the Revaluation Reserve) all deficits are charged to the Income & Expenditure Account.

The Revaluation Reserve was created at 1st April 2008 with a zero opening balance. The balance on this Reserve at the Balance Sheet date therefore represents revaluation gains accumulated since 1st April 2008.

Intangible Fixed Assets

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

6. Depreciation

In accordance with FRS15, land is not depreciated. Buildings are depreciated over their estimated remaining useful life as determined by the valuer on a straight-line basis.

IT assets (tangible & intangible) and Operational Equipment are depreciated (amortised in the case of intangible assets) over their various useful lives also on a straight-line basis. The Helicopter (1/3 share) is depreciated on a straight-line basis over its useful life (currently estimated to be 10 years).

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.

7. 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 the Income & Expenditure Account.

8. Redemption of Debt

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue (the "MRP" or "Minimum Revenue Provision") to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by the minimum revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

9. Leases

Where a lease is determined to be a Finance Lease (as laid out in SSAP21), an entry is made in the Balance Sheet of the Authority during the year that the lease commences. This entry comprises the creation of a Fixed Asset and a Liability (representing the lease payments due), the value of which is equal to the present value of the minimum lease payments. The present value is calculated by taking the minimum lease payments and discounting them by the interest rate implicit in the lease.

Two Finance Leases are currently held by the Authority on the properties at Shepshed and Spinney Hill. The Authority made a lump sum payment at the inception of each lease which effectively negated the need to make future lease payments over the 99 year term. In both cases there is no adjustment made on the Authority's Balance Sheet for the Liability but both properties are included within Fixed Assets.

Leases which do not meet the definition of a Finance Lease are classed as Operating Leases. The Authority has a number of operating leases in respect of property & vehicles. Expenditure under operating leases is charged to the Income & Expenditure Account in the period in which it is incurred.

10. 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.

11. Stocks

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

Stock is valued on the basis of average cost price.

12. 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 SORP, 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.

13. Investments

Investments (all maturing within 12 months and hence short-term in nature) are included in the accounts at cost price plus accrued interest owed to the Authority at the Balance Sheet date.

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. The Authority has made adjustments to comply with the revised version of FRS17, this is explained further in Accounting Policy 18 – Prior Year Adjustments.

15. Overheads

The accounts have been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP). The Income & Expenditure Account is produced by apportioning support services (e.g. Human Resources and Finance) to operational areas and departments, which are subsequently shown on the "Police Services" line of the Income & Expenditure Account.

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

FRS17 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). The additional partners for EMASU are Northamptonshire Police Authority and Warwickshire Police Authority. The additional partners for EMSOU are Derbyshire Police Authority, Lincolnshire Police Authority, Northamptonshire Police Authority and Nottinghamshire Police Authority.

Adjustments have been made to the Balance Sheet to reflect the share of each Joint Arrangement's gross assets and liabilities controlled by the Police Authority as at 31st March 2009. Adjustments have also been made to the Income & Expenditure Account to reflect the Authority's share of each Joint Arrangement's transactions during the year.

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

Leicestershire contributes 1/3 (one third) and 23.1% respectively to the net revenue budgets of the EMASU and EMSOU.

18. Prior Year Adjustments

Four prior-year adjustments have been made to 2007/08's comparative figures in the statement of accounts. The detail of these adjustments is as follows:

- Impairments through the Income & Expenditure Account have been increased by £74k in respect of the police stations at Oakham (buildings) and Melton (land). This is to correctly identify the impairments through the I&E Account rather than net them off with other revaluation gains on land (Oakham) or buildings (Melton).
- Accounting policy 17 sets out the accounting method for both EMSOU and EMASU, this is a change from the method used in 2007/08. Both 2007/08 and 2008/09's Income & Expenditure Account and Balance Sheet have been restated to show the Authority's share of Income, Expenditure, Assets and Liabilities in respect of the two Joint Arrangements. In addition, a one-off adjustment has been made to the Authority's Cashflow statement in 2007/08 to compensate for the change in accounting policy.
- To comply with the revised requirements of FRS17, the Authority's pension liabilities in respect of the Local Government Pension Scheme (LGPS) have been restated following revised valuations from the Actuary. At 1st April 2007 the LGPS pension liability was increased by £408k in respect of an actuarial loss whilst at 31st March 2008 the pension liability was reduced by £4k in respect of an actuarial gain. The net overall movement in the pension liability at 31st March 2008 was therefore £404k.
- Partnership agreement was reached after the Balance Sheet date on how to treat the Reserves held on the EMSOU Balance Sheet. This led to the creation of new earmarked reserves from existing funds and a resultant decrease in the General Reserve balance for EMSOU. These reserves can be seen in the EMSOU statement of accounts starting on page 53. This change has no overall impact on the Authority's Balance Sheet nor does it affect the EMSOU surplus/deficit figure for 2007/08 on the Income & Expenditure Account.

Income & Expenditure Account

2007/08 Restated Outturn £000		Note	Outturn 2008/09		
			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
158,997	Police Services		203,907	(23,840)	180,067
705	Corporate & Democratic Core				737
153	Non distributed Costs				1,115
159,855	Net Cost of Service				181,919
76	(Profit)/Loss on Disposal of Fixed Assets				121
384	Levies to National Police Services				427
23	Seconded Officers (Net Cost)				140
1,093	Interest payable				930
-	Interest on Backdated Pension Commutations				145
(1,408)	Interest on investments				(1,479)
(3,233)	Grant from Home Office re Pension Fund Account				(7,562)
-	Grant from Home Office re Interest on Backdated Pension Commutations				(145)
49,916	Pensions interest cost and expected return on pensions assets	28			62,981
206,706	Net Operating Expenditure	3			237,477
	Funding:				
(43,234)	Precept on Collection Authorities				(50,030)
(6,992)	Revenue Support Grant				(6,152)
(62,812)	Police Grant				(64,318)
(41,666)	National Non-Domestic Rates				(44,196)
52,002	(Surplus) / Deficit for the year				72,781

Statement of Movement on the General Fund Balance

2007/08 Restated £000		Note	2008/09 £000
52,002	(Surplus)/Deficit for the year on the Income and Expenditure Account		72,781
(52,002)	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	(74,081)
-	(Increase)/Decrease in General Fund Balance for the Year		(1,300)
(3,581)	General Fund Balance brought forward		(3,581)
(3,581)	General Fund Balance carried forward	27	(4,881)

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.

2007/08 Restated £000		Note	2008/09 £000
52,002	(Surplus)/Deficit for the year on the Income and Expenditure Account		72,781
(10,123)	Gain / (Loss) arising on revaluation of fixed assets	30	6,535
34,610	Actuarial (gains)/losses on pension fund assets and liabilities	28	(231,402)
76,489	Total recognised (gains) / losses for the year		(152,086)

Balance Sheet

31 st March 2008 Restated £000		Note	31 st March 2009 £000	
	Net Fixed Assets			
2,043	Intangible Fixed Assets	13		2,080
	Operational Tangible Fixed Assets			
99,335	Land and buildings	14	82,322	
7,644	Vehicles and equipment	14	9,718	
225	Police houses	14	-	
109,247				92,040
	Non-Operational Tangible Fixed Assets			
-	Assets under construction	14		-
109,247				94,120
-	Long Term Debtors	19		35
109,247	Total Long Term Assets			94,155
	Current Assets			
198	Stocks	18		282
7,539	Debtors	19		9,313
1,087	Payments in advance			830
22,534	Short term investments	20		19,528
1,029	Cash in hand			2,854
32,387				32,807
	Current Liabilities			
(9,293)	Creditors	22		(11,055)
(90)	Short term borrowing			(236)
(1,433)	Receipts in advance			(1,317)
(5,848)	Cash overdrawn			(3,484)
(16,664)				(16,092)
15,723	Net Current Assets			16,715
	Long Term Liabilities			
(12,656)	Long term borrowing	23		(12,559)
(4,869)	Deferred Liabilities	21		(4,430)
(683)	Provisions	25		(597)
(341)	Gov't Grant / Contributions unapplied	29		(535)
(19,412)	Grants and contributions deferred	31		(20,760)
(1,035,427)	Liability related to defined benefit schemes	28		(868,321)
(1,073,388)				(907,202)
(948,418)	Net Liabilities			(796,332)
	Represented By :			
61,189	Capital Adjustment Account	31		49,682
9,631	Revaluation Reserve	30		3,013
-	Capital Receipts Reserve	29		-
(1,035,427)	Pensions Reserve (FRS 17)	28		(868,321)
12,608	Revenue Reserves	26		14,413
3,581	Police Fund	27		4,881
(948,418)				(796,332)

Cash Flow Statement

2007/08 Restated £000		Note	2008/09	
			£000	£000
151,816	Revenue cash outflows		164,482	
25,830	Cash paid to and on behalf of employees		28,224	
177,646	Other operating cash payments			192,706
(43,234)	Revenue cash inflows		(50,030)	
(41,666)	Precepts on district councils		(44,196)	
(6,992)	Non-domestic rate income		(6,152)	
(65,069)	Revenue Support Grant		(66,820)	
(15,912)	Government grants - Police grant	34	(21,074)	
(8,787)	- Others		(11,111)	
(181,660)	Cash received for goods and services			(199,383)
(4,014)	Revenue activities cash inflow	33		(6,677)
964	Servicing of finance		934	
(1,374)	Cash outflows - interest paid		(1,566)	
	Cash inflows - interest received			(632)
4,574	Capital activities		8,032	
(515)	Cash outflows - purchase of fixed assets		(167)	
(2,100)	Cash inflows - sale of fixed assets	34	(2,100)	
(581)	- capital grants rec'd		(149)	5,616
	- other capital income			
(3,046)	Net cash inflow before financing	32		(1,693)
4,410	Management of Liquid Resources			
	Net increase / (decrease) in short term deposits			(3,025)
522	Financing			
-	Cash outflows - loan repayments			529
	Cash inflows - new loans raised			-
1,886	(Increase) / Decrease in cash	32		(4,189)

Pension Fund 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 revised funding arrangements, the Authority is required to make a contribution to the Pension Fund based on a percentage of each police officer's pay (2008/09 – 24.2%).

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 Authority acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the Authority's Income & Expenditure Account but is transferred to the Pension Fund Account by an adjustment in the Statement of Movement on the General Fund (SMGF). The Fund does not hold any investment assets and follows the accounting policies of the Authority.

At 31st March 2009, Debtors includes £2,334k in respect of pension top-up grant receivable from the Home Office to make up the deficit on the Pension Fund. This includes £1,242k due to the Authority's requirement to pay additional backdated pension commutations following rule changes on the "old" Police Pension Scheme. These additional payments were made after 31st March 2009, however adjustments have been made to include the payments (and compensating grant) in the figures shown below:-

2007/08 £000		2008/09	
		£000	£000
(17,627)	Contributions Receivable:	(18,394)	
(136)	- Normal employer contributions	(344)	
(62)	- Ill-health early retirements	(77)	
(7,838)	- Reimbursement of unabated pensions of '30+' officers	(8,266)	
(25,663)	- Employee contributions		(27,081)
(426)	Transfers in from other schemes		(429)
	Benefits Payable:		
23,392	- Pensions paid to retired officers	25,004	
5,294	- Commutations / lump-sum benefits	8,970	
114	- Ill-health commutations / lump-sum benefits	567	
121	- Lump-sum death benefits	136	
28,921			34,677
	Payments to and on account of leavers:		
39	- Refund of contributions	39	
362	- Transfers out to other schemes	356	
401			395
3,233	Sub-total for the year before transfer from the police authority of amount equal to the deficit		7,562
(3,233)	Additional funding payable by the police authority to fund the deficit for the year		(7,562)
-	Surplus/Deficit on the account at 31st March 2009		-

£000	Net Assets Statement	£000
2,144	Contributions due from employer (top-up grant)	2,334
-	Pension commutations / lump sums paid in advance	-
2,144		2,334

Notes to the Accounts

1. Authorisation of Financial Statements

The financial statements were authorised for issue by Mr C Smith, Treasurer, on **29th September 2009**. The Authority can confirm that events after the Balance Sheet date have been considered for inclusion in these accounts up to the date of the Audit opinion.

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.

2007/08 Restated £000		2008/09 £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		
(4,098)	Depreciation of fixed assets	(4,799)	
2,491	Government Grants Deferred amortisation	2,950	
(138)	Impairments	(9,866)	
(1,051)	Revenue Expenditure Funded From Capital Resources	(1,842)	
(183)	(Profit) / Loss on disposal of fixed assets	(227)	
3,233	Grant from Home Office re Pension Fund Account	7,562	
(81,443)	Net charges made for retirement benefits in accordance with FRS 17	(96,797)	
(81,189)			(103,019)
	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		
873	Minimum revenue provision for capital financing	848	
840	Capital expenditure charged in-year to the General Fund Balance	1,135	
23,408	Employer's contributions payable to the LGPS and Police Pension Fund	24,939	
25,121			26,922
	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		
3,880	Net Transfer to/from earmarked reserves	1,805	
186	Voluntary revenue provision for capital financing	211	
4,066			2,016
(52,002)	Net additional amount required to be credited to the General Fund Balance for the year		(74,081)

3. Subjective Analysis

2007/08 Restated Outturn £000		Note	2008/09 Outturn £000
107,932	Police Officer pay and allowances		112,221
37,785	Police Staff pay and allowances		40,881
1,849	Police pensions		2,143
8,119	FRS 17 Current Cost Adjustment		8,877
2,092	Other employees expenses		2,280
4,534	Premises		4,936
3,674	Transport		3,999
11,721	Supplies and services		12,872
5,779	Agency and contracted services		6,353
705	Services to the Police Authority		737
139	Impairments		9,866
1,051	Revenue Expenditure financed from Capital Resources		1,842
1,607	Depreciation (net of Government Grants amortised)		1,849
186,987	Gross Operating Expenditure		208,856
(17,419)	Income from Government Grants		(16,430)
(5,969)	Income from fees and charges		(7,239)
(3,337)	Contributions from Other Local Authorities		(2,701)
1,093	Interest paid		930
(1,408)	Interest Received from investments		(1,479)
-	Interest Paid on Backdated Pension Commutations		145
76	Profit/Loss on disposal of fixed assets		121
-	Grant from Home Office re Interest on Commutations		(145)
(3,233)	Grant from Home Office re Pension Fund Account		(7,562)
49,916	Pensions interest cost and expected return on pensions assets		62,981
206,706	Net Operating Expenditure		237,477

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	
	2007/08	2008/09		2007/08	2008/09
50,000 to 59,999	119	151	100,000 to 109,999	1	2
60,000 to 69,999	17	20	110,000 to 119,999	1	-
70,000 to 79,999	13	13	120,000 to 129,999	-	-
80,000 to 89,999	4	6	130,000 to 139,999	1	-
90,000 to 99,999	-	1	140,000 to 149,999	1	1

5. *Services to the Police Authority*

The total amount of members allowances (including employers N.I) paid during 2008/09 was **£190k** (2007/08 £183k)

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 2008/09 such spending totalled **£785k** (£564k in 2007/08) analysed as follows:

2007/08 £000		2008/09 £000
128	Staff Advertising / Recruitment	237
58	Other Advertising on public relations	72
378	Cost of staff involved in Publicity	476
<hr/> 564	Total	<hr/> 785

7. *Sponsorship*

In 2008/09 a total of **£52k** (£47k in 2007/08) was raised in sponsorship. This was used to support operational activities including St Bernards & Juniper Lodge.

Juniper Lodge provides a specialist service and an appropriate environment for adult victims of rape and sexual assault. St Bernards provides a similar service for child victims (and witnesses) of rape and sexual assault.

In addition the Authority had the use of third party vehicles at a notional value of **£29k** (£67k in 2007/08).

8. *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 the Serious & Organised Crime Agency (SOCA). Income and related expenditure from these services during 2008/09 was as follows:

2007/08 £000		2008/09 £000
	Leicestershire & Rutland Combined Fire Authority	
1	Income	-
1	Related expenditure	-
	Serious & Organised Crime Agency (SOCA)	
36	Income	33
34	Related expenditure	31

9. 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.

10. Disclosure of audit costs

In 2008/09 Leicestershire Police Authority incurred the following fees relating to external audit.

2007/08 £000		2008/09 £000
80	External Audit Services	73
<u>80</u>	Total	<u>73</u>

11. Leases

In 2008/09 the Authority spent **£345k** on operating leases for property, **£134k** for vehicles, **£115k** for photocopiers and **£3k** for vending machines. Outstanding commitments in respect of operating leases at 31st March 2009 are as follows:

Property	31st March 2008 £000	31st March 2009 £000
Lease Ends:		
Within 12 months	7	76
Between 2 and 5 years	56	9
More than 5 years	257	260
Vehicles	31st March 2008 £000	31st March 2009 £000
Lease Ends:		
Within 12 months	37	28
Between 2 and 5 years	101	106
More than 5 years	-	-
Photocopiers	31st March 2008 £000	31st March 2009 £000
Lease Ends:		
Within 12 months	-	-
Between 2 and 5 years	114	115
More than 5 years	-	-

Vending Machines	31st March 2008 £000	31st March 2009 £000
Lease Ends:		
Within 12 months	-	-
Between 2 and 5 years	3	3
More than 5 years	-	-

The Authority also holds finance leases in respect of the land at the Spinney Hill and Shepshed LPUs (Local Policing Units). 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.

12. 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 2009, the Authority held **£3k** (2007/08 £11k) within cash and creditors under the Police Property Act 1997.

13. Movement of intangible fixed assets during the year

	Software Licenses £000
Net book value as at 1st April 2008	2,043
Additions - <i>Leicestershire</i>	849
- <i>EMSOU</i>	3
Disposals	-
Re-valuations	-
Transfers	-
Amortisation (2008/09) - <i>Leicestershire</i>	(813)
- <i>EMSOU</i>	(2)
Amortisation on assets sold	-
Amortisation on Revaluations	-
Net book value at 31st March 2009	2,080

14. Movement of tangible fixed assets during the year

	Land and Buildings £000	Police Houses £000	Vehicles Equipment & Helicopter £000	Assets Under Construction £000	TOTAL £000
Net book value as at 1st April 2008	99,335	225	7,644	-	107,204
Additions - <i>Leicestershire</i>	1,932	-	5,249	-	7,181
- <i>EMASU</i>	4	-	10	-	14
- <i>EMSOU</i>	110	-	197	-	307
Disposals - <i>Leicestershire</i>	-	(225)	(1,020)	-	(1,245)
- <i>EMASU</i>	-	-	-	-	-
- <i>EMSOU</i>	-	-	(27)	-	(27)
Impairments - <i>Leic'shire</i>	(19,083)	-	(110)	-	(19,193)
- <i>EMASU</i>	(7)	-	(2)	-	(9)
- <i>EMSOU</i>	(111)	-	(134)	-	(245)
Transfers	-	-	-	-	-
Depreciation - <i>Leic'shire</i>	(1,015)	-	(2,708)	-	(3,723)
- <i>EMASU</i>	(3)	-	(152)	-	(155)
- <i>EMSOU</i>	-	-	(106)	-	(106)
Depreciation on assets sold	-	-	-	-	-
- <i>Leic'shire</i>	-	-	858	-	858
- <i>EMASU</i>	-	-	-	-	-
- <i>EMSOU</i>	-	-	19	-	19
Depreciation Written off on Revaluations	1,160	-	-	-	1,160
Net book value at 31st March 2009	82,322	-	9,718	-	92,040

The Leicestershire County Council Estates Department has been retained on behalf of the Force to provide valuation services. A full revaluation was completed at 31st March 2009, the impact of which is contained within the figures above.

The Land & Buildings Net Book Value above includes **£120k** in respect of the land at Spinney Hill. Land held at Shepshed has been revalued to zero as at 31st March 2009 – reflecting the value of the land to the Authority. Both assets are held under finance leases.

15. Financing of capital expenditure during the year

In accordance with the SORP 2008, capital expenditure is financed on an accruals basis.

	2007/08	2008/09
	£000	£000
Opening Capital Financing Requirement	19,630	19,016
<i>Capital Investment</i>		
Operational Assets	4,703	8,354
Non-Operational Assets	-	-
<i>Sources of Finance</i>		
Capital Receipts	(515)	(167)
Government Grants & Other Contributions	(2,900)	(4,343)
Revenue Contribution - Force	(526)	(822)
Revenue Contribution - EMSOU	(317)	(299)
Revenue Contribution - EMASU	-	(14)
Revenue Provision (incl MRP)	(1,059)	(1,059)
Closing Capital Financing Requirement	19,016	20,666
Explanations of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	(614)	1,162
Increase in underlying need to borrow (unsupported by Government financial assistance)	-	488
Increase/(Decrease) in Capital Financing Requirement	(614)	1,650

16. Details of assets owned by the Police Authority

31st March 2008

18.4ha	Land
27	Police stations
1	Custody Suite
1	Police houses
2	Radio aerial sites
One third share	Helicopter and Hangar
378	Vehicles (e.g. police cars, vans, etc.)
82	EMSOU Vehicles (23.1% Share)
-	EMASU Vehicle

31st March 2009

18.4ha
27
1
-
2
One third share
405
76
One third share

17. 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 2009.

18. Stocks

31 st March 2008 £000		31 st March 2009 £000
119	Police uniforms	185
44	Vehicle parts and fuel	86
33	Stationery	10
2	Other	1
<u>198</u>		<u>282</u>

19. Debtors (incl Long-Term Debtors)

31 st March 2008 £000		31 st March 2009 £000
<u>-</u>	Long-Term Debtors	<u>35</u>
	Car Loans to employees	
	Current Debtors	
5,270	Government departments	5,249
1,414	Local & Police Authorities	3,356
858	Sundry debtors	714
-	Car Loans to employees	14
(3)	Less: Provision for bad debts	(20)
<u>7,539</u>		<u>9,313</u>

Government departments (above) includes £2,334k receivable from the Home Office in respect of the Pensions Fund Holding Account.

The increase in Local & Police Authorities debtors is attributable to the Mobile data grant of £2,202k.

Of the Provision for bad debts of £20k, £12k refers to a single outstanding amount.

20. Short Term Investments

Short-term investments total **£19.53m** (£22.53m in 2007/08) 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 on an accruals basis and hence the Short-term Investments figure on the Balance Sheet includes interest earned but not yet paid as at 31st March 2009 of **£18.5k** (£105.7k in 2007/08).

21. Deferred Liabilities

31st March 2008 £000	Deferred Liabilities	31st March 2009 £000
4,869	Leicestershire County Council	4,430

The deferred liability 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.

22. Creditors

31st March 2008 £000	Category	31st March 2009 £000
3,167	Government Departments & Agencies	3,086
816	Police & Local Authorities	786
589	Capital Creditors	910
1,592	Salary & Overtime Payments	1,318
3,129	Sundry creditors	4,955
9,293		11,055

23. Long term borrowing

Long term borrowing is with the Public Works Loan Board (PWLB)

Debt as at 31/3/08 £000	Maturity	Debt as at 31/3/09 £000
97	1-2 years	105
160	2-5 years	56
-	5-10 years	-
2,830	10-15 years	2,829
9,569	More than 15 years	9,569
12,656		12,559

A significant proportion of the Authority's long-term borrowing (98.7%) matures more than 10 years after the Balance Sheet date. The maximum amount repayable in any one year is **£3.46m**.

24. Financial Instruments – Assets & Liabilities

A financial instrument is any contract that results in a financial asset on the Balance Sheet of one entity (for example the Authority) and a financial liability or equity instrument on the Balance Sheet of another entity. The term “financial instrument” covers both financial assets and financial liabilities ranging from the most straightforward (i.e. Cash Investments, Debtors and Creditors) to the most complex (i.e. Derivatives and Embedded Derivatives).

The fair value of each class of financial assets and liabilities which is carried in the Balance Sheet at amortised cost is as follows:

	31 st March 2008		31 st March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Debtors	7,539	7,539	9,313	9,313
Payments in Advance	1,087	1,087	830	830
Short-Term Investments	22,534	22,534	19,528	19,528
Financial Liabilities				
Cash Overdrawn	4,819	4,819	630	630
PWLB Borrowing	12,746	14,002	12,795	15,037

The financial assets listed above have a carrying amount which is assumed to approximate the fair value due to the fact they are due to mature within 12 months of the Balance Sheet date. In the case of Debtors, the fair value is taken to be the invoiced amount.

Cash overdrawn is assumed to have a fair value which is equivalent to the carrying amount due to the short-term nature of the liability. The second financial liability listed above (PWLB borrowing) has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The fair value of PWLB borrowing has been calculated by reference to the “premature repayment” set of rates as at 31st March 2009.

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

- *Credit Risk* – the possibility that other parties might fail to pay amounts due to the Authority
- *Liquidity Risk* – the possibility that the Authority might not have funds available to meet its commitments to make payments
- *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

Credit Risk

Credit risk for the Authority has two main sources. Firstly, the short-term (less than 12 months) lending of surplus cash funds to banks and the UK Debt Management Office (part of the UK Government) and secondly the risk of customers failing to pay the Authority for goods/services provided.

The Authority follows a defined policy of only lending surplus cash resources to a limited list of banks and the Debt Management Office in the United Kingdom. This list is regularly reviewed by the Treasurer to the Police Authority in consultation with Authority Members. Revisions were made to the lending list in response to the current difficulties facing the financial sector to further protect the Authority from undue risk. No Icelandic banks were on the Authority lending list for 2008/09 and hence no investments were made. At 31st March 2009 several investments were held with Irish banks however these institutions have subsequently been removed from the Authority's lending list and monies withdrawn on maturity. The banks on the Authority's lending list are carefully selected using credit ratings whilst the Authority sets a prudent maximum investment limit with each bank.

The Authority does not expect any losses connected with the short-term investments placed with Banks or the Debt Management Office.

Customer credit risk has a very low overall effect on the Authority by virtue of income from customers being equal to only 3.76% of total income (2007/08 – 3.27%). The risk is managed via the Authority's Credit Control Policy. This policy sets out the framework within which financial relationships with the Authority's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Treasurer to the Police Authority must give authorisation before any write-off of unrecoverable amounts can take place.

To further mitigate the risk of Customer credit default, the Authority makes a bad debt provision each year. The provision is equal to 0.21% of the total Debtors value (2007/08 – 0.04%). Further information concerning this provision can be seen in Note 19.

Liquidity Risk

The Authority's cashflow is managed on a daily basis to ensure that sufficient liquid cash resources are available to meet future payment obligations (for example payments to creditors and payments *to* and *in respect of* the Authority's employees).

If unexpected movements happen, the Authority has access to borrowings from both the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Risk may arise should the Authority have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the Authority's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the Authority's PWLB debt commitment, please see Note 23 – Long Term Borrowing.

All standard creditors are due to paid within one year – further information can be found in Note 22 – Creditors.

Market Risk

Interest Rate Risk

The Authority is exposed to a limited degree of risk regarding interest rate fluctuations on both short-term investments and on new borrowings. Both short-term investments and new borrowings are entered into by the Authority at a fixed interest rate for the term of each. The risk therefore arises from the uncertainty of what level interest rates will be at when the Authority either makes a short-term investment or enters into a new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Future borrowings would be more costly and result in a higher interest expense charged to the Income & Expenditure Account
- The fair value of existing borrowings would alter
- Future short-term investments would realise a greater return and result in a higher interest receipt credited to the Income & Expenditure Account

Borrowings are not carried at fair value in the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income & Expenditure Account or STRGL. Movements in the fair value of fixed rate short-term investments will be reflected in the STRGL, although as the investments are due to mature within 12 months, no such movement is expected.

The Authority sets a Prudential Indicator regarding the percentage of borrowings held as variable rate loans. The limit is set at 40% and has not been breached during the financial year

The Authority will consider during periods of falling interest rates, and where economic circumstances allow, the viability of repaying loans early in order to limit the Authority's exposure to Interest Rate Risk.

Price Risk

The Authority does not hold equity shares or other shareholdings and hence has no exposure to the gains or losses arising from a movement in the price of shares.

Foreign Exchange Risk

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

25. Provisions, movements during the year

	Balance at 1 st April 2008 £000	Movements From £000	To £000	Balance at 31 st March 2009 £000
Insurance	667	(330)	260	597
Other	16	(16)	-	-
TOTAL	683	(346)	260	597

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

Provisions under the "other" category have been released back to the I&E Account during 2008/09.

26. Revenue reserves, movements during the year

These reserves are earmarked for the specific purposes noted below:

	Balance at 1 st April 2008 £000	Movements from £000	To £000	Balance at 31 st March 2009 £000
Pensions (General)	956	(205)	-	751
Budget Equalisation Reserve	5,684	(1,639)	3,826	7,871
C/Fwds (Specific)	1,433	(1,433)	1,919	1,919
Equip Replacement	298	(225)	60	133
Capital Expenditure	306	(245)	48	109
PCSO Reserve	1,749	(16)	453	2,186
Fleet Insurance	100	-	-	100
Police Pay Judicial Review	670	(670)	-	-
Radio Mast Income	50	-	69	119
Proceeds of Crime Act	645	(538)	626	733
Drug Testing on Charge (North)	-	-	60	60
IT Infrastructure	-	-	35	35
Other	1	-	13	14
Sub Total : Force	11,892	(4,971)	7,109	14,030
EMSOU Reserves (23.1% share)	547	(1,309)	995	233
EMASU Reserves (1/3 share)	169	(19)	-	150
Grand Total	12,608	(6,299)	8,104	14,413

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 both the 2009/10 and 2010/11 revenue budget requirements.

Carry Forward (Specific)

This reserve includes those sums that the Police Authority has approved to carry forward to finance specific expenditure in 2009/10.

Equipment Replacement

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

Capital Expenditure

This represents contributions from revenue to fund future capital expenditure.

Police Community Support Officers (PCSOs)

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.

Police Pay Judicial Review

This reserve was held pending the Judicial Review into the 2007 Police Officer Pay Award. Following conclusion of the Judicial Review, this reserve is no longer required for its intended purpose. The balance of the reserve has been transferred to the Budget Equalisation Reserve via Revenue.

Radio Mast Income

Following contractual re-negotiations, the Authority has become responsible for the maintenance of Radio Mast Sites. This reserve has been earmarked to support estates expenditure during 2009/10.

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.

DTOC (Drug Testing on Charge) – North

This provides an element of future funding for the Drug Testing on Charge project which is not covered by the Home Office Grant.

IT Infrastructure

A reserve held to provide resilience for the Authority's Information Technology infrastructure.

EMSOU Reserve

This represents the Authority's share of Reserves held by the East Midlands Special Operations Unit.

EMASU Reserve

This represents the Authority's share of Reserves held by the East Midlands Air Support Unit.

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 1st April 2008	3,581
2008/09 Surplus / (Deficit)	1,300
Total at 31st March 2009	4,881

28. 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 need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the following pension schemes:

- The Local Government Pension Scheme for police staff, is administered by Leicestershire 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 liabilities with investment assets
- Two Police Pension Schemes for Police Officers (the “old” scheme which was closed to new entrants on 31st March 2006 and the “new” scheme which was available to new entrants from 1st April 2006 onwards). Both are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they fall due. Police Officers (or transferees from other forces) who were members of the old scheme at 1st April 2006 are able to retain their membership or elect to transfer to the new scheme, whilst all newly recruited Police Officers are limited to the new scheme. Employer contributions were paid at 24.2% during 2008/09 on both schemes.

Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts receivable, the Authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Authority which then must repay the amount to central government.

Change of accounting policy

The Authority has adopted the changes to FRS17 and the actuaries for both pension schemes have reflected the revised requirements (where appropriate) in arriving at the valuations for each scheme.

Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The 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	
	2007/08	2008/09	2007/08	2008/09
	Restated		Restated	
	£000	£000	£000	£000
Net Cost Of Services				
Current Service Cost	4,442	3,039	26,996	29,662
Past Service Cost	77	1,115	-	-
Curtailment	76	-	-	-
	4,595	4,154	26,996	29,662
Net Operating Expenditure				
Interest Cost	4,858	5,679	50,555	62,889
Expected return on assets in the scheme	(5,497)	(5,587)	-	-
	3,956	4,246	77,551	92,551
Net Charge to the Income & Expenditure Account				
Statement of Movement on the General Fund Balance:				
Reversal of net charges made for retirement benefits in accordance with FRS17	(24)	(188)	(58,011)	(71,670)
Actual amounts charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	3,932	4,058	19,540	20,881

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains of **£231m** (losses of **£35m** 2007/08 as restated) were included in the STRGL.

Assets & Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
	Restated		Restated	
	£000	£000	£000	£000
1st April	87,770	80,155	934,081	1,030,365
Current Service Cost	4,442	3,039	26,996	29,662
Interest Cost	4,858	5,679	50,555	62,889
Contributions by Scheme Participants	1,608	1,856	7,861	8,266
Actuarial Gains & Losses	(16,904)	(9,499)	41,506	(248,652)
Benefits Paid	(1,772)	(1,649)	(30,634)	(36,709)
Past Service Costs	153	1,115	-	-
31st March	80,155	80,696	1,030,365	845,821

Reconciliation of fair value of the scheme assets:

	Scheme Assets: Local Government Pension Scheme	
	2007/08	2008/09
	Restated	
	£000	£000
1st April	75,836	75,093
Expected Return on Assets	5,497	5,587
Actuarial Gains & Losses	(10,008)	(26,749)
Employer Contributions	3,932	4,058
Contributions by Scheme Participants	1,608	1,856
Benefits Paid	(1,772)	(1,649)
31st March	75,093	58,196

The Police Pension Scheme(s) are unfunded in nature and hence have no scheme assets.

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 **£19.3m** (2007/08 - **£3.9m**).

Scheme History

	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	Restated £000	Restated £000	£000
Present Value of Liabilities:					
Police Officer "Old" Pension Scheme	815,306	935,211	877,587	963,872	788,897
Police Officer "New" Pension Scheme	-	-	256	2,538	3,400
Police Officer "Injury" Pension Scheme	-	-	56,238	63,955	53,524
Local Government Pension Scheme	65,690	84,700	87,770	80,155	80,696
Total Liabilities	880,996	1,019,911	1,021,851	1,110,520	926,517
Fair Value of Assets in the Local Government Pension Scheme	(50,430)	(66,400)	(75,836)	(75,093)	(58,196)
Net Liabilities:	830,566	953,511	946,015	1,035,427	868,321
Split as:					
Police Officer "Old" Pension Scheme	815,306	935,211	877,587	963,872	788,897
Police Officer "New" Pension Scheme	-	-	256	2,538	3,400
Police Officer "Injury" Pension Scheme	-	-	56,238	63,955	53,524
Local Government Pension Scheme	15,260	18,300	11,934	5,062	22,500

The Authority has elected not to restate the fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised). A separate valuation of the three Police schemes was first carried out in 2007/08, the figures shown above for 2006/07 are taken from the opening position of the 2007/08 valuation.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£868m** has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of **£796m**. 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 31st March 2008, the employers' contributions has remained at the same rate as set in the 31st March 2004 valuation. The deficit on the LGPS scheme has increased by £17.4m between March 2008 & 2009
- 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 as required by FRS17. The Police Schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

Mortality assumptions for both the LGPS and Police Pension schemes are as follows:

Mortality	Local Gov't Scheme		Police Scheme	
	2007/08 Years	2008/09 Years	2007/08 Years	2008/09 Years
Longevity at 65 for current pensioners:				
- Men	19.6	19.6	25.9	25.9
- Women	22.5	22.5	28.8	28.8
Longevity at 65 for future pensioners:				
- Men	20.7	20.7	27.0	27.0
- Women	23.6	23.6	29.8	29.8

The main additional assumptions used in the calculations are:

	Local Gov't Scheme		Police Scheme	
	2007/08	2008/09	2007/08	2008/09
- rate of inflation	3.6%	3.1%	3.6%	3.3%
- rate of increase in salaries	5.1%	4.6%	5.1%	4.8%
- rate of increase in pensions	3.6%	3.1%	3.6%	3.3%
- rate for discounting scheme liabilities	6.9%	6.9%	6.1%	7.1%
- take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	0.0%	0.0%

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

	31st March 2008		31st March 2009	
	Value £000	Expected Return (% per annum)	Value £000	Expected Return (% per annum)
Equity Investments	55,580	7.7%	45,974	7.0%
Bonds	12,287	5.7%	5,237	5.4%
Property	6,039	5.7%	6,985	4.9%
Cash	1,187	4.8%	-	4.0%
	<u>75,093</u>		<u>58,196</u>	(* See below

* An adjustment was required to the LGPS scheme assets valuation at 31st March 2009 to reflect the movement between the actuarial valuation of the scheme assets (prepared before 31st March 2009) and the valuation that was reported by the Investment Managers as at 31st March 2009. The downward movement (£1,985k or 3.3%) in the LGPS scheme assets valuation has been treated as an Actuarial Loss and shown in both the Balance Sheet and the Statement of Total Recognised Gains and Losses. The asset figures in the table above have each been reduced by 3.3% at 31st March 2009, however the expected return percentages have not been adjusted.

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

“OLD” Police Pension Scheme:

	2004/05	2005/06	2006/07	2007/08 Restated	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	19.2	7.7	(5.8)	3.8	(29.4)

“NEW” Police Pension Scheme:

(prior to 2007/08 the Police schemes were valued in aggregate)

	2004/05	2005/06	2006/07	2007/08 Restated	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	n/a	n/a	n/a	26.4	(62.9)

“INJURY” Police Pension Scheme:

(prior to 2007/08 the Police schemes were valued in aggregate)

	2004/05	2005/06	2006/07	2007/08 Restated	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	n/a	n/a	n/a	6.8	(26.8)

Local Government Pension Scheme:

	2004/05	2005/06	2006/07 Restated	2007/08 Restated	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	3.3	13.6	1.3	(13.3)	(46.0)
Experience gains and losses on liabilities	(4.6)	(0.1)	0.0	3.4	(0.0)

29. 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 2008/09	167	4,537
Amounts applied to finance new capital investment in 2008/09	(167)	(4,343)
Total increase / (decrease) in realised capital resources in 2008/09	-	194
Balance brought forward at 1 st April 2008	-	341
Balance carried forward at 31st March 2009	-	535

30. Revaluation Reserve

The Revaluation Reserve contains the residual gains realised when Fixed Assets are revalued. The account is credited with a revaluation gain or debited with a revaluation loss (in so far as it can be contained by previous gains) on an asset by asset basis. When the Revaluation Reserve balance for a specific asset is exhausted due to losses, any future losses are instead transferred to the Income & Expenditure Account.

Adjustments are made to credit the Capital Adjustment Account with depreciation amounts attributable to residual revaluation gains. Residual gains are transferred to the Capital Adjustment Account when an asset is disposed of.

There are currently no residual revaluation gains held in respect of EMSOU.

	Force £000	EMASU (1/3) £000	Total £000
Movements in unrealised value of fixed assets			
Gains on revaluation of fixed assets in 2008/09	755	-	755
Losses on revaluation of fixed assets due to general changes in prices in 2008/09	(7,286)	(4)	(7,290)
Transfer to Capital Adjustment Account in respect of fixed asset depreciation (on a revaluation gain) in 2008/09	(33)	-	(33)
Transfer to Capital Adjustment Account in respect of residual gains held at the point of disposal of a Fixed Asset in 2008/09	(50)	-	(50)
Total movement on reserve in 2008/09	(6,614)	(4)	(6,618)
Balance brought forward at 1st April 2008	9,616	15	9,631
Balance carried forward at 31st March 2009	3,002	11	3,013

31. Capital Adjustment Account & Government Grants Deferred

Capital Adjustment Account

The Capital Adjustment Account is the replacement for the FARA (Fixed Asset Restatement Account) and CFA (Capital Financing Account) which have subsequently been removed. It contains the financing and consumption of the Authority's fixed assets (valued at historic cost) and interacts with both the Government Grants Deferred Account and Revaluation Reserve (depreciation on the revalued element of an asset's carrying value or when an asset is disposed of).

	Force £000	EMSOU (23.1%) £000	EMASU (1/3) £000	Total £000
Capital expenditure financed from revenue	822	299	14	1,135
Revenue Provision (including MRP)	1,059	-	-	1,059
Depreciation/Amortisation charge in year	(4,536)	(108)	(155)	(4,799)
Amounts transferred from Revaluation Reserve in respect of depreciation/amortisation	33	-	-	33
Government Grants written-down during 2008/09 in respect of depreciation/amortisation	2,792	44	114	2,950
Revenue Expenditure funded from Capital during 2008/09	(1,597)	(245)	-	(1,842)
Transfer from Revaluation Reserve in respect of Fixed Asset disposals	50	-	-	50
Transfer from Income & Expenditure Account in respect of carrying value of Fixed Asset disposals	(388)	(7)	-	(395)
Government Grants written-down during 2008/09 in respect of fixed asset disposals	-	1	-	1
Useable receipts applied to finance capital expenditure	167	-	-	167
Transfer from Income & Expenditure Account in respect of Fixed Asset Impairments	(9,864)	-	(2)	(9,866)
Total Movement During 2008/09	(11,462)	(16)	(29)	(11,507)
Balance b/fwd at 1 st April 2008	60,493	185	511	61,189
Balance c/fwd at 31st March 2009	49,031	169	482	49,682

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 to the Income & Expenditure Account. Residual grant / contributions are transferred to the Income & Expenditure Account when an asset is disposed of.

	Force £000	EMSOU (23.1%) £000	EMASU (1/3) £000	Total £000
Grants applied to capital investment in 2008/09	4,331	12	-	4,343
Amounts credited to the Income & Expenditure Account in 2008/09 (re Depreciation/Amortisation)	(2,792)	(44)	(114)	(2,950)
Amounts credited to the Income & Expenditure Account in 2008/09 (re Fixed Asset Disposals)	-	(1)	-	(1)
Amounts credited to the Income & Expenditure Account in 2008/09 (re Revenue Expenditure funded from Capital Resources)	(44)	-	-	(44)
Total Movement during 2008/09	1,495	(33)	(114)	1,348
Balance b/fwd at 1 st April 2008	18,249	150	1,013	19,412
Balance b/fwd at 31st March 2009	19,744	117	899	20,760

32. Analysis of changes in net debt

	Balance 1/4/08 £000	Balance 31/3/09 £000	Movement in year £000
Cash overdrawn	(5,848)	(3,484)	2,364
Cash with accounting officers	1,029	2,854	1,825
Net increase / (decrease in cash)	(4,819)	(630)	4,189
Temporary investments	22,534	19,509	(3,025)
Debt repayable within one year	(90)	(97)	(7)
Debt repayable after one year	(17,525)	(16,989)	536
Net cash inflow before financing	100	1,793	1,693

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

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

2007/08		2008/09	
£000		£000	£000
52,002	(Surplus) / Deficit on the I&E Account		72,781
	<i>Non cash transactions :</i>		
(1,607)	Depreciation / Amortisation of Gov't Grants	(1,849)	
(1,189)	Impairments / Deferred Charges	(11,708)	
(81,443)	Reverse FRS17 adjustments	(96,797)	
23,408	Superannuation payments	24,939	
(183)	Profit / (Loss) on disposal of fixed assets	(227)	
(49)	Decrease / (Increase) in provisions	87	
3,233	Pension Top-Up Grant credited to I&E Account	7,562	
(57,830)			(77,993)
	<i>Items on an accruals basis :</i>		
(531)	(Increase)/decrease in revenue creditors	(1,666)	
2,618	Increase/(decrease) in revenue debtors	(374)	
-	Decrease in long term debtors	35	
(49)	Increase/(decrease) in stocks	84	
(663)	(Increase)/decrease in receipts in advance	81	
(840)	Increase/(decrease) in revenue payments in advance	(257)	
869	Change in Accounting Treatment of EMSOU & EMASU	-	
1,404			(2,097)
	<i>Items classified elsewhere in the cash flow statement</i>		
1,374	Investment income		1,566
(964)	Interest paid		(934)
(4,014)	Net cash inflow from revenue activities		(6,677)

34. Analysis of Government Grants (cash received)

2007/08		2008/09	
£000		£000	£000
4,062	Crime fighting fund	4,062	
4,361	Police Community Support Officers	4,274	
1,385	Dedicated Security Grant	1,524	
2,347	Pensions Top-Up Grant	7,372	
282	Basic Command Unit (BCU) Fund	764	
536	Drug testing on charge	551	
434	Proceeds of Crime Act	364	
303	IPDLP Grant (initial police training)	-	
950	Special operations	1,045	
373	Local Criminal Justice Board	263	
173	Loan charges	170	
108	DNA	-	
-	EMSOU (23.1% share)	570	
598	Others	115	
15,912			21,074
2,100	Capital		2,100
18,012	Total Grants Received		23,174

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. During 2008/09, Leicestershire contributed £316k (2007/08 - £303k) to EMASU.

Income & Expenditure Account 2008/09

2007/08 Outturn £000		Note	2008/09 Outturn £000
326	Employees' expenses		294
54	Premises		38
452	Transport		532
43	Supplies and services		38
-	Agency & Contracted Services		49
135	Depreciation		138
-	Impairments		5
1,010	Gross Operating Expenditure		1,094
(229)	Other income		(6)
-	Profit/Loss on Disposal of Fixed Assets		-
781	Net Operating Expenditure		1,088
	Financed by:		
(917)	Contributions from partners		(928)
(136)	(Surplus) / Deficit for the year		160

Reconciliation of Movement on the General Fund 2008/09

2007/08 £000		Note	2008/09 £000
(136)	(Surplus) / Deficit for the year		160
(476)	Reversal of Depreciation		(478)
-	Reversal of Impairments		(5)
341	Government Grants Released		340
-	Capital Expenditure charges to Revenue		41
-	(Profit)/Loss on Disposal of Fixed Assets		-
(271)	Movement of General Fund	4	58

Balance Sheet as at 31st March 2009

31 March 2008 £000		Note	31 March 2009 £000
4,614	Net Fixed assets Helicopter, hangar and equipment	1	4,159
4,614	Total Long Term Assets		4,159
624	Current Assets Cash		478
148	Debtors	2	66
(263)	Current Liabilities Creditors	3	(93)
509	Net Current assets		451
-	Gov't Grant / Contributions unapplied		-
(3,038)	Gov't Grants Deferred		(2,697)
2,085	Net assets		1,913
508	Represented By : EMASU Reserve	4	451
45	Revaluation Reserve		32
1,532	Capital Adjustment Account	5	1,430
2,085			1,913

Notes to the Accounts

1. Fixed Assets

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).

Helicopter, hanger, and equipment valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Movement of fixed assets during the year :

	Helicopter £000	Hanger £000	Equipment £000	Vehicles	Total £000
Net book value at 1/4/08	3,946	451	217	-	4,614
Transfers	-	-	-	-	-
Revaluations	-	-	-	-	-
Additions	-	11	-	29	40
Disposals	-	-	-	-	-
Depreciation	(438)	(10)	(27)	(3)	(478)
Depreciation on Disposals	-	-	-	-	-
Impairment	(5)	(12)	-	-	(17)
Net book value at 31/3/09	3,503	440	190	26	4,159

2. Debtors

31st March 2008 £000		31st March 2009 £000
138	Sundry debtors	49
-	Local Authorities & Police Authorities	17
10	Government departments (VAT)	-
<u>148</u>		<u>66</u>

3. Creditors

31st March 2008 £000		31st March 2009 £000
2	Government departments (VAT)	3
-	Local Authorities & Police Authorities	31
-	Capital	29
261	Sundry creditors	30
<u>263</u>		<u>93</u>

4. EMASU Reserve

	31st March
	2009
	£000
Opening balance brought forward	508
Outturn 2008/09	(58)
	<hr/>
	450
	<hr/>

5. Capital Adjustment Account

This is not a cash backed reserve. Instead it is simply the result of CIPFA's capital accounting regime, and reflects the written down value of funding the cost of Fixed Assets.

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. During 2008/09, Leicestershire contributed £485k (2007/08 - £277k) to EMSOU.

Income & Expenditure Account 2008/09

2007/08 Outturn £000		Note	2008/09 Outturn £000
2,199	Employees' expenses		2,260
132	Premises		601
355	Transport		299
1,285	Supplies and services		1,579
-	Agency and Contracted Services		95
214	Depreciation		275
760	Revenue Expenditure funded from Capital Resources		1,060
4,945	Gross Operating Expenditure		6,169
(403)	Other income		(596)
9	Profit/Loss on Disposal of Fixed Assets		1
4,551	Amount to be met from Partners		5,574
	Financed by:		
(1,199)	Contributions from partners		(2,100)
(5,726)	External Grants		(2,050)
(2,374)	(Surplus) / Deficit for the year		1,424

Reconciliation of Movement on the General Fund 2008/09

2007/08 £000		Note	2008/09 £000
(2,374)	(Surplus) / Deficit for the year		1,424
(411)	Reversal of Depreciation		(466)
(760)	Reversal of Revenue Expenditure funded from Capital Resources		(1,060)
197	Governments Grants Released		191
(25)	(Profit) / Loss on Disposal of Fixed Assets		(25)
1,359	Capital Expenditure charged to Revenue		1,295
1,725	Transfer to/from Revenue Reserves		(1,442)
(289)	Movement of General Fund		(83)

Balance Sheet as at 31st March 2009

31 st March 2008 £000		Note	31 st March 2009 £000
	Net Fixed assets		
1,451	Vehicles and equipment	1	1,239
1,451	Total Long Term Assets		1,239
	Current Assets		
3,049	Cash		1,382
867	Debtors	2	909
	Current Liabilities		
(1,454)	Creditors	3	(1,180)
(95)	Receipts in advance		(103)
2,367	Net Current assets		1,008
(650)	Govt Grants Deferred		(503)
3,168	Net assets		1,744
	Represented By :		
189	EMSOU Reserve	4	272
1,175	Titan House Reserve		70
100	Titan House Contingency Reserve		100
100	Communications Reserve		100
253	Asset Replacement Reserve		466
550	Force Contributions Reserve		-
801	Capital Adjustment Account	5	736
3,168			1,744

Notes to the Accounts

1. Fixed Assets

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).

Vehicle valuation is based on the acquisition cost (plus the value of any work carried out on the asset before it goes into service), less the depreciation over the expected life of the asset, modified where necessary by the judgement of the relevant expert manager.

Movement of fixed assets during the year :

	Property £000	Vehicles £000	Equipment £000	Total £000
Net book value at 1/4/08	-	700	751	1,451
Additions	-	65	220	285
Revaluation	-	-	-	-
Disposals	-	(115)	-	(115)
Depreciation	-	(197)	(269)	(466)
Depreciation on Disposal	-	84	-	84
Net book value at 31/3/09	-	537	702	1,239

2. Debtors

31 st March 2008 £000		31 st March 2009 £000
14	Government departments	146
853	Police & Local Authorities	587
-	Sundry Debtors	176
<u>867</u>		<u>909</u>

3. Creditors

31 st March 2008 £000		31 st March 2009 £000
1,062	Police & Local Authorities	373
-	Capital	152
-	Salary & Overtime	267
392	Sundry creditors	388
<u>1,454</u>		<u>1,180</u>

4. EMSOU Reserves

	Balance at 1st April 2008 £000	Movements from	To	Balance at 31st March 2009 £000
EMSOU General Reserve	189	-	83	272
Titan House Reserve	1,175	(1,105)	-	70
Titan House Contingency	100	-	-	100
Communications Reserve	100	-	-	100
Asset Replacement Reserve	253	-	213	466
Grand Total	1,817	(1,105)	296	1,008

The EMSOU reserves at 1st April 2008 have been restated from the 2007/08 published accounts following partnership agreement on the classification of reserves. The overall reserves balance has not changed, however specific earmarked reserves have been created from the original balance on the EMSOU General Reserve.

General Reserve

To meet unbudgeted revenue cost pressures.

Titan House Reserve

This represents funds set a side from previous years to finance the capital expenditure relating to Titan House.

Titan House Contingency

This reserve is to cover any unforeseen costs associated with the fit-out of the building.

Communications Reserve

This provides an element of future funding for the replacement of Airwave equipment and un-insured losses of technical equipment.

Asset Replacement Reserve

This is to fund the cost of replacement vehicles and technical assets

5. Capital Adjustment Account

This is not a cash backed reserve. Instead it is simply the result of CIPFA's capital accounting regime, and reflects the written down value of funding the cost of Fixed Assets

GLOSSARY OF TERMS

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through : - recognising
- selecting measurement bases for, and
- presenting
assets, liabilities, gains, losses and changes to reserves.

Agency & Contracted Services

Services which are performed by or for another Authority or public body, where the agent or contractor is reimbursed for the cost of work done.

Budget

A statement of the Authority's plans in financial terms. A budget is prepared and approved by the Police Authority prior to the start of each financial year.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

Proceeds 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.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

Commuted Lump Sums

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

Contingent Liabilities

A contingent liability is either :

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

Corporate and Democratic Core

These represent the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

Creditors

Amounts owed by the Police Authority for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Debtors

Sums of money due to the Authority for work done or services supplied but not received at the end of the financial year.

Deferred Liabilities

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

Defined Benefit Scheme

A pension or other retirement benefit scheme, with rules that usually define the benefits independently of the contributions payable and where the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or the demand for the service produced by the asset.

Financial Regulations

A written code of procedures approved by the Authority and intended to provide a framework for the proper financial management of the Authority. The financial regulations are supported by detailed financial instructions.

Financial Year

The period of time commencing on the 1st April covered by the accounts.

Fixed Assets

Tangible and intangible assets that yield benefits to the Authority for a period of more than one year.

Formula Spending Share

The proportion of spending by Local Authorities which the Government considers should be attributed to each authority and used as a basis for distributing grant.

FRS

Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

Impairment

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

Leasing

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

(a) finance leases which transfer all of the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

(b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

Liquid Resources

Assets which can be realised within a very short period of time. For example cash held in an instant-access bank account is considered a liquid resource.

Minimum Revenue Provision

The minimum amount that the Authority is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the Authority this relates to a principal sum based on a prudent assessment of the useful life of the asset, which is used for the redemption of external debt.

Medium Term Financial Strategy (MTFS)

A statement setting out a forecast of possible spending and government support for a forward three year period and used as a basis for planning.

Net Book Value

The amount at which fixed assets are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation.

Non Distributed Costs

This is where overheads are not charged or apportioned to activities within the service expenditure analysis in the Income and Expenditure Account.

Precept

The method by which the Police Authority obtains the income it requires from council tax via the appropriate authorities.

Receipts and Payments

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.