

**Leicestershire
Police Authority**

Statement of Accounts

2007/08

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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.

Following changes to CIPFA's SORP (Statement of Recommended Practice) 2007, the balance sheet figures for 31/03/07 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account. Further details are shown in Note 30 to the accounts. Changes to the notes have also been made to comply with the requirements of accounting for financial instruments.

Overview of 2007/2008

The Government announced on January 2006 a 2 year funding settlement with 2007/08 being the second 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 £3.038m to which it was entitled according to the formula.

As a result a number of savings strategies were put in place including reducing the police officer establishment by 30. In addition, £2.4m of managed savings from 2006/07 were used to part fund the 2007/08 budget requirement to achieve a balanced budget within a 5% precept increase.

2007/08 also saw the Force move to a 3 Basic Command Unit structure aligning it's boundaries with those of local government and partners.

Financing the police service

The Police Authority set a net revenue budget of £154.7m for the year. The vast majority of the financing of this budget is determined by Government, with just 27.9% met via the local precept. The Authority levied a precept of £138.96 for a Band D property, an increase of 5% over the previous year.

Revenue spending

The Authority underspent its revenue budget by £4.670m. This was attributable to a managed underspend on police pay and allowances of £2.206m, an underspend on corporate budgets of £1.265m, together with a net further underspend of £1.199m on delegated activities.

The Authority agreed to utilise the £4.670m underspend in the following areas: 1) £4.0m to part fund the 2008/09 budget requirement and 2) transfer the balance of £0.67m to an earmarked reserve pending the outcome of the judicial review on the 2007 pay award.

Reserves

The Police Fund remains unchanged at £3.581m. The Pension (General) Reserve has been increased to cover the cost of 2 ill health retirements in April 2008. The closing balance on the Budget Equalisation Reserve is £5.684m and this will be available to help fund revenue budgets in future years.

Retirement Benefits

The accounting for Retirement Benefits in the 2007/08 accounts has resulted in a pension liability of £1,035m. The police officer pension scheme liability is £1,030m with the balance relating to Local Government Pension Scheme

Capital spending

£4.703m was spent on improving the buildings stock, investing in information technology and the vehicle fleet. This was funded by a combination of grant, asset sales, revenue and borrowing. Outstanding debt at the year end was £17.6m.

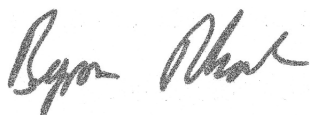
A number of capital projects were undertaken during 2007/08 including upgrading the estate electrical infrastructure and e-mail system, the creation of 4 new cells at Loughborough and investments in IT to support mobile technology.

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

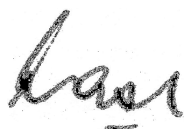
Outlook for 2008/09

The Police authority has approved the 2008/09 net revenue and capital budgets of £164.7m and £7.3m respectively, and a precept of £160.40 for a Band D property, an increase of 15.43% over the previous year. The Government had originally proposed to cap that budget at £162.4m, equivalent to a 10.22% precept increase, and to require the authority to re-bill council tax payers. However, that proposed course of action has now been cancelled, and replaced with a maximum 3% precept increase in each of the years 2009-10 and 2010-11.

Once again the Government grant calculation formula has not been applied, resulting in a further loss of grant to the Authority of £3.4m.



J B Rhodes
Chairman of the Police Authority



C A C Smith
Treasurer to the Police Authority

Statement of Responsibility for the Accounts

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

The Police Authority

The Authority is required to

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

The Treasurer

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

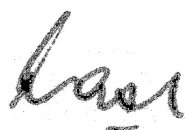
The Treasurer is responsible for the preparation of the Authority's Statement of Accounts. Under the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the accounts are required to present fairly the income and expenditure of the Authority, and its financial position at the end of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

The Chief Constable

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

In consultation with the Treasurer, the Force Finance Director

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



C A C Smith CPFA Treasurer
23rd June 2008

Annual Governance Statement

Position as at June 2008 including plans for the financial year 2008-09

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 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 by the Accounts and Audit (Amendment) (England) Regulations 2006 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 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 2008 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 2008/09 a new communications strategy will be 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 it will need to ensure that the new process is applied.
- *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 Audit Committee 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. There is a clearly defined internal performance management framework known as APEX (Achieving Performance Excellence) which encompasses both qualitative and quantitative data, and is attended by both Force and Authority representatives. The information for this process is provided, and quality assured, by the Performance Review Team, and is electronically available to view on the MIG (Management of Information Gateway) database. This allows direct comparison with most similar force (MSF) iQuanta groupings, as well as CDRP performance. Tasking from this meeting is recorded and actions held to account at the next meeting.
- *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 which generates around 3,000 replies each year. The questions on this questionnaire are reviewed annually by the Consultation and Communications Committee. The qualitative aspects of Customer Satisfaction feature as part of the APEX performance meetings, held bi-monthly. As well as the MSF 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. The register is reviewed by the Audit Committee at each meeting.
- *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 4 February 2008. 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 was agreed by Human Resources Committee on 21 November 2007. 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. 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 Authority should maintain a set of Contract Standing Orders, updated at intervals of two years.* The Contract Standing Orders were revised in January 2008 and now provide 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 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 the Audit Commission. The organisation also has its internal audit provision undertaken by an external firm, currently Bentley Jennison. 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 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 of the remit of regulations. 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. 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 been involved in the roll out of neighbourhood policing which the Constabulary had been at the forefront as one of the pilots for the national roll out. The Authority has a performance page on its website. The Authority has a designated Engagement and Communications Officer. The Force have a designated 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 and the Authority's internal auditors. The Audit Commission conducted a review of the work of internal audit, and 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 (NCRS /NSIR / Victim Code / HOOCR etc)
 - Performance monitoring arrangements (APEX / PDG)
 - Management of data (FOI / MOPI)
 - 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 in February each year.
- **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.

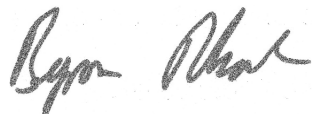
In addition both the Chief Executive and the Treasurer to the Authority, and the Deputy Chief Constable and his staff all have responsibility for the development and maintenance of the governance environment. Comments by other review agencies and inspectorates inform this review.

The Authority has been advised on the implications of the result of the review of the effectiveness of the governance framework. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Authority will over the coming year take steps to address the above matters to further enhance the governance arrangements. These steps will address the need for improvements that were identified in the review of effectiveness and the Audit Committee will monitor their implementation and operation as part of the next annual review.

5. AREAS FOR IMPROVEMENT 2008/09

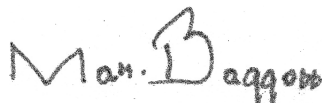
ITEM	WHO	WHEN
Prepare new Communications Strategy	Head of Corporate Communications	December 2008
Ensure Strategic Business Planning with full member involvement	Chief Executive	March 2009
Monitor risk of absence of job evaluation scheme through Risk Register	Chief Officer Group	March 2009



Mr J B Rhodes
Chairman of Leicestershire Police Authority



Mr R Swinfield
Chief Executive of Leicestershire Police Authority



Mr M Baggott
Chief Constable, Leicestershire Constabulary

Audit Opinion

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

Opinion on the financial statements

I have audited the accounting statements and the police pension fund accounting statements of Leicestershire Police Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Authority's Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the police pension fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.



Mr N Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SU

19 September 2008

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Leicestershire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

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



Mr N Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicester
LE19 1SU

19 September 2008

Statement of Accounting Policies

1. General principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2007, the CIPFA Code of Practice on accounting for Best Value (BVACOP) and also with guidance issued by CIPFA on the application of accounting standards (FRS's and SSAP's), relevant to Police Authorities.

2. Debtors and Creditors

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

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

3. 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. Deferred Liabilities are accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

4. Interest

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

5. Fixed Assets

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

All fixed assets are revalued to current/market value at the point of disposal (provided disposal proceeds exceed £10,000) to ensure that the profit/loss on the transaction is a true reflection of the transaction.

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

Tangible Fixed Assets

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

Police houses - open market value.

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

Assets under construction are included at actual expenditure to date.

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

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 1 April 2007 with a zero opening balance. The balance on this Reserve at the Balance Sheet date therefore represents revaluation gains accumulated since 1 April 2007.

Intangible Fixed Assets

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

6. Depreciation

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

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

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

9. 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 revenue 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 Accounting Code of Practice, the Authority has made provisions for liabilities or losses which are likely to be incurred or certain to be incurred but with uncertain amounts or dates on which they will arise, by charging expenditure to services in anticipation of the liability having to be met.

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

13. Investments

Investments are included in the accounts at cost price.

14. Police Pay

During 2007/08, Police officers were paid at four weekly intervals rather than monthly. The result is that they were actually paid 13 times a year in 20 out of 21 years. In the 21st year, there would be 14 payments in the 12 month period. The fourteenth was treated as a payment in advance. From 1st April 2008 onwards, Police Officers will be paid monthly. It will no longer be required to make an adjustment in the Income & Expenditure Account for a payment in advance. At 31st March 2008 the residual payment in advance on the Balance Sheet has been transferred to the Income & Expenditure Account.

15. 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.

16. 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 analysed over the main areas of police activity (or "Domains").

17. Estimation Techniques

The following estimation techniques have been used in the accounts:
Capital Creditors – quantity surveyors estimate of the value of the work undertaken
Payroll creditors i.e. overtime – average overtime rates
FRS 17 Valuation – actuarial valuations of future pensions liabilities are provided by independent actuaries.

18. Joint Arrangements

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

Adjustments have been made to the Balance Sheet to reflect the share of net assets controlled by the Police Authority as at 31st March 2008.

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

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

Income & Expenditure Account

2006/07 Restated Outturn £000		Note	Outturn 2007/08		
			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
156,272	Police Services		182,744	(22,955)	159,789
596	Corporate & Democratic Core				705
137	Non distributed Costs				153
157,005	Net Cost of Service				160,647
(84)	(Profit)/Loss on Disposal of Fixed Assets				76
342	Levies to National Police Services				384
404	Seconded Officers (Net Cost)				23
972	Interest payable				1,093
(1,152)	Interest on investments				(1,408)
(2,454)	Grant from Home Office re Pension Fund Account				(3,233)
45,687	Pensions interest cost and expected return on pensions assets	28			49,916
200,720	Net Operating Expenditure	3			207,498
	Funding:				
(40,735)	Precept on Collection Authorities				(43,234)
(7,471)	Revenue Support Grant				(6,993)
(61,222)	Police Grant				(62,813)
(38,298)	National Non-Domestic Rates				(41,666)
52,994	(Surplus) / Deficit for the year				52,792

Statement of Movement on the General Fund Balance

2006/07 £000		Note	2007/08 £000
52,994	(Surplus)/Deficit for the year on the Income and Expenditure Account		52,792
(52,994)	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	(52,792)
-	(Increase)/Decrease in General Fund Balance for the Year		-
(3,581)	General Fund Balance brought forward		(3,581)
(3,581)	General Fund Balance carried forward	27	(3,581)

Statement of Total Recognised Gains and Losses

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

2006/07 £000		2007/08 £000
52,994	(Surplus)/Deficit for the year on the Income and Expenditure Account	52,792
(3,332)	Surplus arising on revaluation of fixed assets	(10,049)
(64,807)	Actuarial (gains)/losses on pension fund assets and liabilities	34,614
	Other gains and losses	
(68)	(Increase) / Decrease in Joint Arrangement Reserves	(553)
(164)	(Gains) / Losses related to Joint Arrangement Capital Financing	(317)
-	Joint Arrangement Disposal Proceeds not transferred to Capital Adjustment Account	3
(15,377)	Total recognised (gains) / losses for the year	76,490

Balance Sheet

31 March 2007 £000		Note	31 March 2008 £000	
	Net Fixed Assets	13,14, 15,16,17		
2,122	Intangible Fixed Assets			2,043
	Operational Tangible Fixed Assets			
90,497	Land and buildings		99,334	
6,380	Vehicles and equipment		7,643	
299	Police houses		225	
97,176				107,202
	Non-Operational Tangible Fixed Assets			
1,127	Assets under construction			-
100,425				109,245
100,425	Total Long Term Assets			109,245
	Current Assets			
247	Stocks	18		198
4,657	Debtors	19		7,289
1,927	Payments in advance	20		1,087
18,125	Short term investments	21		22,535
120	Cash in hand			201
25,076				31,310
	Current Liabilities			
(8,680)	Creditors	22		(8,954)
(83)	Short term borrowing			(90)
(887)	Receipts in advance			(1,411)
(3,881)	Cash overdrawn			(5,848)
(13,531)				(16,303)
11,545	Net Current Assets			15,007
	Long Term Liabilities			
(12,746)	Long term borrowing	23		(12,656)
(5,308)	Deferred Liabilities	22		(4,869)
(634)	Provisions	25		(683)
(338)	Gov't Grant / Contributions unapplied	29		(341)
(19,025)	Grants and contributions deferred	31		(19,411)
(945,607)	Liability related to defined benefit schemes	28		(1,035,023)
(983,658)				(1,072,983)
79	EMASU - Share of Net Current Assets			169
82	EMSOU - Share of Net Current Assets			545
(871,527)	Net Liabilities			(948,017)
	Represented By :			
61,771	Capital Adjustment Account	31		61,262
-	Revaluation Reserve	30		9,557
-	Capital Receipts Reserve	29		-
(945,607)	Pensions Reserve (FRS 17)	28,32		(1,035,023)
8,567	Revenue Reserves	26		11,892
79	EMASU - Share of Reserve			169
82	EMSOU - Share of Reserve			545
3,581	Police Fund	27		3,581
(871,527)				(948,017)

Cash Flow Statement

2006/07 £000		Note	2007/08	
			£000	£000
	Revenue cash outflows			
146,023	Cash paid to and on behalf of employees		151,816	
(167)	Provisions		(49)	
24,111	Other operating cash payments		25,879	
169,967				177,646
	Revenue cash inflows			
(40,735)	Precepts on district councils		(43,234)	
(38,298)	Non-domestic rate income		(41,666)	
(7,471)	Revenue Support Grant		(6,992)	
(63,478)	Government grants - Police grant		(65,069)	
(14,217)	- Others	35	(15,912)	
(8,834)	Cash received for goods and services		(8,787)	
(173,033)				(181,660)
(3,066)	Revenue activities cash inflow	34		(4,014)
	Servicing of finance			
974	Cash outflows - interest paid		964	
(1,137)	Cash inflows - interest received		(1,374)	
(163)				(410)
	Capital activities			
6,995	Cash outflows - purchase of fixed assets		4,574	
(39)	Cash inflows - sale of fixed assets		(515)	
(2,559)	- capital grants rec'd	35	(2,100)	
(1,821)	- other capital income		(581)	1,378
(653)	Net cash inflow before financing	33		(3,046)
	Management of Liquid Resources			
975	Net increase / (decrease) in short term deposits			4,410
	Financing			
516	Cash outflows - loan repayments			522
-	Cash inflows - new loans raised			-
838	(Increase) / Decrease in cash	33		1,886

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 (2007/08 – 24.6%).

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

At 31st March 2008, Debtors includes £2,144k in respect of pension top-up grant receivable from the Home Office to make up the deficit on the Pension Fund. The Fund does not take account of the liability to pay pensions or other benefits after the year-end.

2006/07 £000		2007/08	
		£000	£000
(17,331)	Contributions Receivable:	(17,627)	
(442)	- Normal employer contributions	(136)	
(60)	- Ill-health early retirements	(62)	
(7,734)	- Reimbursement of unabated pensions of '30+' officers	(7,838)	
(25,567)	- Employee contributions		(25,663)
(702)	Transfers in from other schemes		(426)
	Benefits Payable:		
21,829	- Pensions paid to retired officers	23,392	
5,747	- Commutations / lump-sum benefits	5,294	
459	- Ill-health commutations / lump-sum benefits	114	
374	- Lump-sum death benefits	121	
28,409			28,921
	Payments to and on account of leavers:		
15	- Refund of contributions	39	
299	- Transfers out to other schemes	362	
314			401
2,454	Sub-total for the year before transfer from the police authority of amount equal to the deficit		3,233
(2,454)	Additional funding payable by the police authority to fund the deficit for the year		(3,233)
-	Surplus/Deficit on the account at 31st March 2008		-

£000	Net Assets Statement	£000
1,256	Contributions due from employer (top-up grant)	2,144
346	Pension commutations / lump sums paid in advance	-
1,602		2,144

Notes to the Accounts

1. Authorisation of Financial Statements

The financial statements were authorised for issue by Mr C Smith, Treasurer, on 23rd June 2008

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.

2006/07 £000		2007/08 £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		
(4,352)	Depreciation of fixed assets	(4,097)	
-	Deferred Charges & Impairments	(1,114)	
2,454	Grant from Home Office re Pension Fund Account	3,233	
2,779	Government Grants Deferred amortisation	2,491	
(316)	(Profit) / Loss on disposal of fixed assets	(180)	
(79,890)	Net charges made for retirement benefits in accordance with FRS 17	(81,443)	
(79,325)			(81,110)
	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		
823	Minimum revenue provision for capital financing	873	
1,310	Capital expenditure charged in-year to the General Fund Balance	526	
22,986	Employer's contributions payable to the LGPS and Police Pension Fund	23,408	
25,119			24,807
	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		
1,147	Net Transfer to/from earmarked reserves	3,325	
65	Voluntary revenue provision for capital financing	186	
1,212			3,511
(52,994)	Net additional amount required to be credited to the General Fund Balance for the year		(52,792)

3. Subjective Analysis

2006/07 Outturn £000		Note	2007/08 Outturn £000
105,186	Police Officer pay and allowances		107,630
33,925	Police Staff pay and allowances		37,515
2,106	Police pensions		1,849
11,217	FRS 17 Current Cost Adjustment		8,119
2,144	Other employees expenses		2,065
4,360	Premises		4,486
3,479	Transport		3,441
11,063	Supplies and services		11,435
5,639	Agency and contracted services		6,323
597	Services to the Police Authority		705
-	Capital Charges - Impairments		64
-	Capital Charges – Deferred Charges		1,050
1,573	Capital Charges		1,607
181,289	Gross Operating Expenditure		186,289
(15,123)	Income from Government Grants		(16,096)
(5,839)	Income from fees and charges		(5,802)
(2,576)	Contribution from OLA's		(3,337)
972	Interest paid		1,093
(1,152)	Interest on investments		(1,408)
(84)	Profit/Loss on disposal of fixed assets		76
(2,454)	Grant from Home Office re Pension Fund Account		(3,233)
45,687	Pensions interest cost and expected return on pensions assets		49,916
200,720	Net Operating Expenditure		207,498

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	
	2006/07	2007/08		2006/07	2007/08
50,000 to 59,999	95	119	100,000 to 109,999	1	1
60,000 to 69,999	13	17	110,000 to 119,999	1	1
70,000 to 79,999	12	13	120,000 to 129,999	-	-
80,000 to 89,999	3	4	130,000 to 139,999	1	1
90,000 to 99,999	1	-	140,000 to 149,999	-	1

5. Services to the Police Authority

The total amount of members allowances (including employers N.I) paid during 2007/08 was **£183k** (2006/07 £178k)

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 2007/08 such spending totalled **£564k** (£615k in 2006/07) analysed as follows:

2006/07		2007/08
£000		£000
157	Staff Advertising / Recruitment	128
98	Other Advertising on public relations	58
360	Cost of staff involved in Publicity	378
615	Total	564

7. **Sponsorship**

In 2007/08 a total of **£47k** (£50k in 2006/07) was raised in sponsorship. This was used to support operational activities such as St Bernards & Juniper Lodge. In addition the Authority had the use of third party vehicles at a notional value of **£67k**.

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 both the Leicestershire & Rutland Combined Fire Authority and the Serious & Organised Crime Agency (SOCA). Income and related expenditure from these services during 2007/08 was as follows:

2006/07		2007/08
£000		£000
	Leicestershire & Rutland Combined Fire Authority	
7	Income	1
7	Related expenditure	1
	Serious & Organised Crime Agency (SOCA)	
44	Income	36
41	Related expenditure	34

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 2007/08 Leicestershire Police Authority incurred the following fees relating to external audit.

2006/07 £000		2007/08 £000
69	External Audit Services	80
69	Total	80

11. Leases

In 2007/08 the Authority spent **£320k** on operating leases for property, **£138k** for vehicles and **£114k** for photocopiers. Outstanding commitments in respect of operating leases at 31st March 2008 are as follows:

Property	31 March 2008	31 March 2007
Lease Ends:	£000	£000
Within 12 months	7	-
Between 2 and 5 years	56	78
More than 5 years	257	249
Vehicles	31 March 2008	31 March 2007
Lease Ends:	£000	£000
Within 12 months	37	39
Between 2 and 5 years	101	86
More than 5 years	-	-
Photocopiers	31 March 2008	31 March 2007
Lease Ends:	£000	£000
Within 12 months	-	-
Between 2 and 5 years	114	83
More than 5 years	-	-
Vending Machines	31 March 2008	31 March 2007
Lease Ends:	£000	£000
Within 12 months	-	-
Between 2 and 5 years	3	-
More than 5 years	-	-

The Authority also holds finance leases in respect of the land at the Spinney Hill and Shepshed LPU's. 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 2008, the Authority held **£11k** (2006/07 £12k) 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 1 April 2007	2,122
Additions - <i>Leicestershire</i>	609
- <i>EMSOU</i>	1
Disposals	-
Re-valuations	-
Transfers	-
Depreciation (2007/08) - <i>Leicestershire</i>	(688)
- <i>EMSOU</i>	(1)
Depreciation on assets sold	-
Depreciation on Revaluations	-
Net book value at 31 March 2008	2,043

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 1 April 2007	90,497	299	6,380	1,127	98,303
Additions - <i>Leicestershire</i>	1,285	-	2,158	-	3,443
- <i>EMASU</i>	-	-	334	-	334
- <i>EMSOU</i>	175	-	141	-	316
Disposals - <i>Leicestershire</i>	-	(137)	(842)	-	(979)
- <i>EMASU</i>	-	-	(1,085)	-	(1,085)
- <i>EMSOU</i>	-	-	(12)	-	(12)
Revaluations - <i>Leic'shire</i>	8,697	63	(42)	-	8,718
- <i>EMASU</i>	15	-	369	-	384
- <i>EMSOU</i>	(175)	-	-	-	(175)
Transfers	-	-	1,127	(1,127)	-
Depreciation - <i>Leic'shire</i>	(1,157)	-	(2,003)	-	(3,160)
- <i>EMASU</i>	(3)	-	(151)	-	(154)
- <i>EMSOU</i>	-	-	(94)	-	(94)
Depreciation on assets sold	-	-	689	-	689
- <i>Leic'shire</i>	-	-	668	-	668
- <i>EMASU</i>	-	-	6	-	6
- <i>EMSOU</i>	-	-	-	-	-
Depreciation on Revaluations	-	-	-	-	-
Net book value at 31 March 2008	99,334	225	7,643	-	107,202

The Leicestershire County Council Estates Department has been retained on behalf of the Force to provide valuation services. It is of the opinion that an overall increase of 11% should be applied to the depreciated replacement cost valuations of both Land & Buildings for the period 1 April 2007 to 31 March 2008. A full revaluation was completed at 31 March 2004.

The Land & Buildings Net Book Value above includes **£133k** in respect of the land at Spinney Hill and **£51k** in respect of the land at Shepshed. Both assets are held under finance leases.

15. Financing of capital expenditure during the year

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

	2006/07	2007/08
	£000	£000
Opening Capital Financing Requirement	18,382	19,630
<i>Capital Investment</i>		
Operational Assets	6,313	4,703
Non-Operational Assets	1,127	-
<i>Sources of Finance</i>		
Capital Receipts	(39)	(515)
Government Grants & Other Contributions	(3,792)	(2,900)
Revenue Contribution - Force	(1,310)	(526)
Revenue Contribution - EMSOU	(163)	(317)
Revenue Provision (incl MRP)	(888)	(1,059)
Closing Capital Financing Requirement	19,630	19,016
Explanations of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	1,162	(614)
Increase in underlying need to borrow (unsupported by Government financial assistance)	86	-
Increase/(Decrease) in Capital Financing Requirement	1,248	(614)

16. Details of assets owned by the Police Authority

31 March 2007		31 March 2008
18.4ha	Land	18.4ha
27	Police stations	27
1	Custody Suite	1
2	Police houses	1
2	Radio aerial sites	2
One third share	Helicopter and Hangar	One third share
395	Vehicles (e.g. police cars, vans, etc.)	378
66	EMSOU Vehicles (23% Share)	82

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 2008.

18. Stocks

31 March 2007 £000		31 March 2008 £000
154	Police uniforms	119
46	Vehicle parts and fuel	44
33	Stationery	33
14	Other	2
<u>247</u>		<u>198</u>

19. Debtors

31 March 2007 £000		31 March 2008 £000
	Current Debtors	
2,570	Government departments	5,136
1,589	Local & Police Authorities	1,315
495	Sundry debtors	841
4	Car Loans to employees	-
(1)	Less: Provision for bad debts	(3)
<u>4,657</u>		<u>7,289</u>

Government departments (above) includes £2,144k receivable from the Home Office in respect of the Pensions Fund Holding Account. This is due to changes in the funding arrangements for the Police Pension Scheme. Please see note 28 for further details.

20. Payments in advance

31 March 2007 £000		31 March 2008 £000
545	Police Pay	-
1,382	Other	1,087
<u>1,927</u>		<u>1,087</u>

21. Short Term Investments

Short-term investments total **£22.53m** (£18.12m in 2006/07) 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.

22. Creditors

31 March 2007 £000		31 March 2008 £000
5,308	Deferred Liabilities	
	Leicestershire County Council	4,869
	Current Creditors	
2,690	Government departments & Agencies	3,167
903	Police & Local Authorities	731
687	Capital Creditors	501
1,455	Salary & Overtime Payments	1,592
2,945	Sundry creditors	2,963
8,680		8,954

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.

23. Long term borrowing

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

Debt as at 31/3/07 £000	Maturity	Debt as at 31/3/08 £000
90	1-2 years	97
257	2-5 years	160
-	5-10 years	-
1,723	10-15 years	2,830
10,676	More than 15 years	9,569
12,746		12,656

24. Financial Instruments – Assets & Liabilities

The only item on the Authority's Balance Sheet which has a fair value that differs from the carrying value is loans due to PWLB (see Note 23). The fair value of these loans is calculated to be **£14.002m**, whilst the carrying value in the Authority's Balance Sheet (split between short- and long-term borrowing) is **£12.746m**. The fair value of PWLB loans outstanding has been calculated by reference to the 'premature repayment' set of rates in force as at 31st March 2008.

25. Provisions, movements during the year

	Balance at 1 April 2007 £000	Movements From £000	To £000	Balance at 31 March 2008 £000
Insurance	619	(179)	227	667
Other	15	(8)	9	16
TOTAL	634	(187)	236	683

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

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

26. Revenue reserves, movements during the year

These reserves are earmarked for the specific purposes noted below:

	Balance at 1 April 2007 £000	Movements from £000	To £000	Balance at 31 March 2008 £000
Pensions (General)	751	-	205	956
Budget Equalisation Reserve	2,024	(340)	4,000	5,684
C/Fwds (Specific)	881	(881)	1,433	1,433
C/Fwds (General)	2,400	(2,400)	-	-
Equip Replacement	68	-	230	298
Capital Expenditure	-	-	306	306
CSO Reserve	1,921	(214)	42	1,749
Fleet Insurance	104	(71)	67	100
Police Pay Judicial Review	-	-	670	670
Memorial Garden	1	-	-	1
BCU Reserve	14	(14)	-	-
Radio Mast Income	-	-	50	50
Proceeds of Crime Act	403	(360)	602	645
TOTAL	8,567	(4,280)	7,605	11,892

Pensions (General)

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

Budget Equalisation Reserve

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

Carry Forward (Specific)

This reserve includes those sums that the Police Authority has approved to carry forward to finance specific expenditure in 2008/09.

Carry Forward (General)

The general carry forward reserve holds those funds which have been allocated to fund the base budget the following year.

Equipment Replacement

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

Capital Expenditure

This represents contributions from revenue to fund future capital expenditure.

Police Community Support Officers

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

Fleet Insurance

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

BCU Fund

No carry forwards were allowed on the Basic Command Unit Fund for 2007/08. The balance is therefore nil.

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.

Police Pay Judicial Review

The Judicial Review of the 2007 Police Pay Award was unknown at the balance sheet date. If the Authority is instructed to backdate the 2007 Pay Award from 1st December 2007 to 1st September 2007 unbudgeted expenditure in excess of £600k will arise. This reserve has therefore been earmarked to support this expenditure should it arise.

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 this expenditure during 2008/09.

27. Police fund

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

	£000
Total at 1 April 2007	3,581
2007/08 Surplus / (Deficit)	-
Total at 31 March 2008	3,581

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

The authority participates in two pension schemes:

- The Local Government Pension Scheme for police staff, is administered by Leicestershire County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets
- Two Police Pension Schemes for police officers – the new pension scheme began on 1st April 2006 at which point the old scheme was closed to new entrants. 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. New police officers whose employment start date is on/after 1st April 2006 may only join the new pension scheme. Employer contributions are paid at 24.6% (2007/08) on both schemes.

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	
	2006/07	2007/08	2006/07	2007/08
	£000	£000	£000	£000
Net Cost Of Services				
Current Service Cost	4,708	4,442	29,358	26,996
Past Service Cost	137	77	-	-
Curtailment	-	76	-	-
	4,845	4,595	29,358	26,996
Net Operating Expenditure				
Interest Cost	4,277	4,858	46,008	50,555
Expected return on assets in the scheme	(4,598)	(5,497)	-	-
	(321)	(639)	46,008	50,555
Amounts to be met from Government Grants and Local Taxation				
Movement on pensions reserve	(974)	(24)	(55,929)	(58,011)
Actual amounts charged against government grants and council tax for pensions in the year:				
Employers' contributions payable to scheme	3,550	3,932	21,891	22,773
Retirement benefits payable to pensioners	-	-	-	-

The Authority's assets and liabilities are:

	31 March 2007	31 March 2008
	£000	£000
Estimated liabilities in Police Officer Pension Scheme	934,081	1,030,365
Share of liabilities in Local Government Pension Scheme	87,770	80,155
Total Liabilities	1,021,851	1,110,520
Less: Share of assets in Local Government Pension Scheme	(76,244)	(75,497)
Net pension Liability	945,607	1,035,023

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of **£1,035m** has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of **£948m**. However, the statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The latest formal valuation of the Fund for the purpose of setting

employers' actual contributions was as at 31 March 2007, the employers' contributions has remained at the same rate as set in the 31 March 2004 valuation. The deficit on the LGPS scheme has reduced by £6.9m between March 2007 & 2008

- Under the new police pension funding arrangements, any shortfall between the employer's contributions to the Pension Fund and the pensions paid to former officers will be met by the Home Office through a top-up grant. The rate (%) at which employer contributions are made to the Pension Fund is set by the Home Office.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value (real discount rate 2.5% for the Police Scheme and 3.2% for LGPS). The Police Scheme and the County Council fund liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

The main assumptions used in the calculations are:

	Local Gov't Scheme		Police Scheme	
	2007	2008	2007	2008
- rate of inflation	3.2%	3.6%	3.1%	3.6%
- rate of increase in salaries	4.7%	5.1%	4.6%	5.1%
- rate of increase in pensions	3.2%	3.6%	3.1%	3.6%
- rate for discounting scheme liabilities	5.4%	6.9%	5.4%	6.1%

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

	31 March 2007		31 March 2008	
	Value £000	Expected Return (% per annum)	Value £000	Expected Return (% per annum)
Equity Investments	54,199	7.8%	55,879	7.7%
Bonds	12,831	4.9%	12,353	5.7%
Property	6,522	5.8%	6,072	5.7%
Cash	2,692	4.9%	1,193	4.8%
	<u>76,244</u>		<u>75,497</u>	

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

	Local Government £000	Police £000	Total £000
Net Surplus / (deficit) at 1 April 2007	(11,526)	(934,081)	(945,607)
Movements in the year:			
Current Service Cost	(4,442)	(26,996)	(31,438)
Contributions	3,932	22,773	26,705
Past Service costs (incl curtailment)	(153)	-	(153)
Net Return on assets	639	(50,555)	(49,916)
	<u>(11,550)</u>	<u>(988,859)</u>	<u>(1,000,409)</u>
Actuarial gains / (losses)	6,892	(41,506)	(34,614)
Net Pension (deficit) at 31 March 2008	<u>(4,658)</u>	<u>(1,030,365)</u>	<u>(1,035,023)</u>

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 2007/08	515	2,903
Amounts applied to finance new capital investment in 2007/08	(515)	(2,900)
Total increase / (decrease) in realised capital resources in 2007/08	-	3
Balance brought forward at 1 April 2007	-	338
Balance carried forward at 31 March 2008	-	341

30. Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see Accounting Policy 4). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the Capital Adjustment Account with an opening balance of **£61.771m**.

The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only represents revaluation gains accumulated since 1 April 2007.

	Revaluation Reserve £000
Movements in unrealised value of fixed assets	
Gains on revaluation of fixed assets in 2007/08	10,049
Losses on revaluation of fixed assets due to general changes in prices in 2007/08	-
Transfer to Capital Adjustment Account in respect of fixed asset depreciation (on a revaluation gain) in 2007/08	(111)
Transfer to Capital Adjustment Account in respect of residual gains held at the point of disposal of a Fixed Asset in 2007/08	(381)
Total movement on reserve in 2007/08	9,557
Balance brought forward at 1 April 2007	-
Balance carried forward at 31 March 2008	9,557

31. Capital Adjustment Account & Government Grants Deferred

Capital Adjustment Account

The Capital Adjustment Account was formed on 1st April 2007 from the residual balances held on 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).

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.

	Capital Adjustment Account £000	Government Grants Deferred £000
Useable receipts applied to finance capital expenditure	515	
Capital expenditure financed from revenue		
Force	526	
EMSOU	317	
Revenue Provision (including MRP)	1,059	
Depreciation charge in year	(4,097)	
Amounts transferred from Revaluation Reserve in respect of depreciation	111	
Government Grants written-down during 2007/08	2,491	
Deferred Charges during 2007/08		
Force	(875)	
EMSOU	(175)	
Transfer from Income & Expenditure Account in respect of revaluations on Fixed Asset disposals	381	
Transfer from Income & Expenditure Account in respect of carrying value of Fixed Asset disposals	(698)	
Transfer from Income & Expenditure Account in respect of Fixed Asset Impairments	(64)	
Grants applied to capital investment in 2007/08		2,900
Amounts credited to the Income & Expenditure Account in 2007/08 (re Depreciation)		(2,491)
Amounts credited to the Income & Expenditure Account in 2007/08 (re Fixed Asset Disposals)		(14)
Amounts credited to the Income & Expenditure Account in 2007/08 (re Deferred Charges)		(9)
Total Movement during 2007/08	(509)	386
Balance brought forward at 1 April 2007	61,771	19,025
Balance carried forward at 31 March 2008	61,262	19,411

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

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities at 31 March 2008:

	Local Government Pension Scheme		Police Pension Scheme	
	£000	%	£000	%
Differences between the expected and actual return on assets	(9,363)	(201.0%)	-	-
Differences between the actuarial assumptions about liabilities and actual experience	(3,409)	(73.2%)	22,550	2.2%
Changes in the demographic and financial assumptions used to estimate liabilities	19,664	422.2%	(64,056)	(6.2%)
	6,892	148.0%	(41,506)	(4.0%)
Comparative totals for 2006/07	7,748	67.2%	54,605	5.8%
Comparative totals for 2005/06	(2,640)	(14.4%)	(72,029)	(7.7%)
Comparative totals for 2004/05	(8,240)	(54.0%)	(156,862)	(19.2%)
Comparative totals for 2003/04	5,990	78.9%	2,399	0.4%

33. Analysis of changes in net debt

	Balance 1/4/07 £000	Balance 31/3/08 £000	Movement in year £000
Cash overdrawn	(3,881)	(5,848)	(1,967)
Cash with accounting officers	120	201	81
Net increase / (decrease in cash)	(3,761)	(5,647)	(1,886)
Temporary investments	18,125	22,535	4,410
Debt repayable within one year	(522)	(529)	(7)
Debt repayable after one year	(17,615)	(17,086)	529
Net cash inflow before financing	(3,773)	(727)	3,046

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

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

2006/07		2007/08	
£000		£000	£000
52,994	(Surplus) / Deficit on the I&E Account		52,792
	Non cash transactions :		
(1,573)	Depreciation / Amortisation of Gov't Grants	(1,606)	
	Impairments / Deferred Charges	(1,114)	
(79,890)	Reverse FRS17 adjustments	(81,443)	
22,986	Superannuation payments	23,408	
(316)	Profit / (Loss) on disposal of fixed assets	(180)	
(167)	Decrease / (Increase) in provisions	(49)	
2,454	Pension Top-Up Grant credited to I&E Account	3,233	
(68)	Decrease / (Increase) in Joint Arrangement Reserves	(553)	
		<hr/>	(58,304)
	Items on an accruals basis :		
(1,478)	(Increase)/decrease in revenue creditors	(531)	
1,306	Increase/(decrease) in revenue debtors	2,618	
(4)	Decrease in long term debtors	-	
(61)	Increase/(decrease) in stocks	(49)	
488	(Increase)/decrease in receipts in advance	(663)	
32	Increase/(decrease) in revenue payments in advance	(840)	
68	Increase in Joint Arrangement net assets	553	
		<hr/>	1,088
	Items classified elsewhere in the cash flow statement		
1,137	Investment income		1,374
(974)	Interest paid		(964)
		<hr/>	<hr/>
(3,066)	Net cash inflow from revenue activities		(4,014)

35. Analysis of Government Grants

2006/07		2007/08	
£000		£000	£000
4,062	Crime fighting fund	4,062	
3,287	Police Community Support Officers	4,361	
1,449	Dedicated Security Grant	1,385	
1,197	Pensions Top-Up Grant	2,347	
1,076	BCU Fund	282	
579	Drug testing on charge	536	
416	Proceeds of Crime Act	434	
258	IPDLP Grant (initial police training)	303	
812	Special operations	950	
214	LCJB	373	
183	Loan charges	173	
177	No Witness No Justice	-	
165	DNA	108	
342	Others	598	
14,217			15,912
2,102	Capital	2,100	
457	Others	-	
2,559			2,100
16,776	Total Grants Received		18,012

36. Post Balance Sheet Events

In early June 2008, CIPFA issued LAAP Bulletin 74 to provide guidance on the accounting impact of HO Circular 11/2008. This concerns the Police Officer Pension schemes (both old and new) and introduced new factors for calculating the lump sums payable to Police Officers on retirement.

The main impact is to:

- Increase the commuted lump sums payable to retiring members of the 1987 Police Pension Scheme (referred to as the “old” scheme in note 28 above)
- Reduce the additional pensions payable for exchanging lump sums under the 2006 Police Pension Scheme (the “new” scheme in note 28 above)

The changes to the old pension scheme are backdated to 1st October 2007 whilst the changes to the new scheme do not become effective until 1st July 2008.

A total of **£689k** was paid on 1st July 2008 to those officers who retired between 1st October 2007 and 31st March 2008 in addition to the normal commuted lump sums they had already received. The Statement of Accounts for the year ending 31st March 2008 has not been adjusted to reflect this additional payment as it is not material.

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.

Income & Expenditure Account 2007/08

2006/07 Outturn £000		Note	2007/08 Outturn £000
322	Employees' expenses		326
41	Premises		54
692	Transport		452
30	Supplies and services		43
294	Capital Charges		135
1,379	Gross Operating Expenditure		1,010
(134)	Other income		(229)
-	Profit & Loss on Disposal of F.Assets		-
1,245	Net Operating Expenditure		781
(971)	Financed by: Contributions from partners		(917)
274	(Surplus) / Deficit for the year		(136)

Reconciliation of Movement on the General Fund 2007/08

2006/07 £000		Note	2007/08 £000
274	(Surplus) / Deficit for the year		(136)
(310)	Reversal of Capital Charges (Depreciation)		(476)
16	Government Grants Released		341
-	(Profit)/Loss on Disposal of Fixed Assets		-
(20)	Movement of General Fund	4	(271)

Balance Sheet as at 31 March 2008

31 March 2007 £000		Note	31 March 2008 £000
	Net Fixed assets		
684	Helicopter, hangar and equipment	1	4,614
3,381	Assets under construction	1	-
4,065	Total Long Term Assets		4,614
	Current Assets		
152	Cash		624
139	Debtors	2	148
	Current Liabilities		
-	Creditors	3	(263)
291	Net Current assets		509
(55)	Gov't Grant / Contributions unapplied		-
(3,506)	Gov't Grants Deferred		(3,038)
795	Net assets		2,085
	Represented By :		
237	ASU Reserve	4	508
-	Revaluation Reserve		45
558	Capital Adjustment Account	5	1,532
795			2,085

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	Assets Under Construction £000	Total £000
Net book value at 1/4/07	144	415	125	3,381	4,065
Transfers	3,381			(3,381)	-
Revaluations	1,107	46	-	-	1,153
Additions	1,002	-	120	-	1,122
Disposals	(3,254)	-	-	-	(3,254)
Depreciation	(438)	(10)	(28)	-	(476)
Depreciation on Disposals	2,004	-	-	-	2,004
Net book value at 31/3/08	3,946	451	217	-	4,614

2. Debtors

31 March 2007 £000		31 March 2008 £000
138	Sundry debtors	138
1	Government departments (VAT)	10
<u>139</u>		<u>148</u>

3. Creditors

31 March 2007 £000		31 March 2008 £000
-	Government departments (VAT)	2
-	Sundry creditors	261
<u>-</u>		<u>263</u>

4. ASU Reserve

	31 March 2008 £000
Opening balance brought forward	237
Outturn 2007/08	271
	<hr/> 508 <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.

Income & Expenditure Account 2007/08

2006/07 Outturn £000		Note	2007/08 Outturn £000
1,561	Employees' expenses		2,199
76	Premises		132
204	Transport		355
1,068	Supplies and services		1,285
75	Capital Charges		214
-	Capital Charges – Deferred Charges		760
2,984	Gross Operating Expenditure		4,945
(73)	Other income		(403)
-	Profit & Loss on Disposal of F.Assets		9
2,911	Amount to be met from Partners		4,551
	Financed by:		
(1,199)	Contributions from partners		(1,199)
(2,336)	External Grants		(5,726)
(624)	(Surplus) / Deficit for the year		(2,374)

Reconciliation of Movement on the General Fund 2007/08

2006/07 £000		Note	2007/08 £000
(624)	(Surplus) / Deficit for the year		(2,374)
(248)	Reversal of Capital Charges (Depreciation)		(411)
-	Reversal of Deferred Charges		(760)
173	Governments Grants Released		197
-	(Profit) / Loss on Disposal of Fixed Assets		(25)
435	Capital Expenditure charged to Revenue		1,359
-	Transfer to/from Revenue Reserves		1,725
(264)	Movement of General Fund		(289)

Balance Sheet as at 31 March 2008

31 March 2007 £000		Note	31 March 2008 £000
	Net Fixed assets		
1,268	Vehicles and equipment	1	1,451
1,268	Total Long Term Assets		1,451
	Current Assets		
1,992	Cash		3,049
115	Debtors	2	867
	Current Liabilities		
(853)	Creditors	3	(1,454)
(901)	Receipts in advance		(95)
353	Net Current assets		2,367
(847)	Govt Grants Deferred		(650)
774	Net assets		3,168
	Represented By :		
353	EMSOU Reserve	4	642
-	Titan House Reserve		1,175
-	Force Contributions Reserve		550
421	Capital Adjustment Account	5	801
774			3,168

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 1/4/07	-	665	603	1,268
Additions	760	239	379	1,378
Revaluation	(760)	-	-	(760)
Disposals	-	(50)	-	(50)
Depreciation	-	(180)	(231)	(411)
Depreciation on Disposal	-	26	-	26
Net book value at 31/3/08	-	700	751	1,451

2. Debtors

31 March 2007 £000		31 March 2008 £000
18	Government departments (VAT)	14
97	Police & Local Authorities	853
<u>115</u>		<u>867</u>

3. Creditors

31 March 2007 £000		31 March 2008 £000
534	Police & Local Authorities	1,062
319	Sundry creditors	392
<u>853</u>		<u>1,454</u>

4. EMSOU Reserve

	31 March 2008 £000
Opening Balance	353
Outturn 2007/08	289
Balance Carried Forward	<u>642</u>

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