

STATEMENT OF ACCOUNTS – 2009/2010

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TREASURER'S INTRODUCTION

1. THE POLICE AUTHORITY REVENUE BUDGET FOR 2009/2010

The following table shows the 2009/2010 budget and the final outturn:

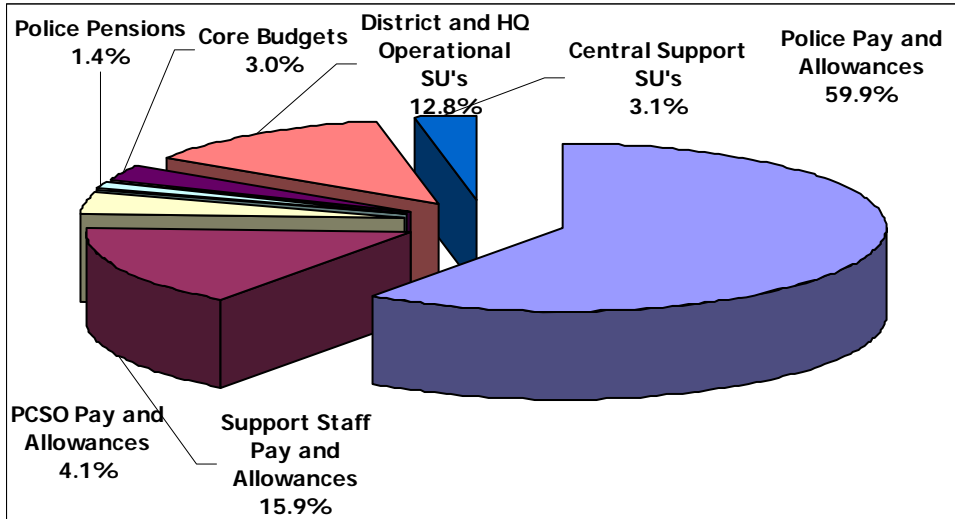
Final Results 2008/2009		Outturn Budget	Final Results 2009/2010	Variation from Budget
£000		£000	£000	£000
79,926	Police Pay and Allowances	82,217	82,220	3
20,982	Support Staff Pay and Allowances	21,799	21,786	(12)
5,170	PCSO Pay and Allowances	5,661	5,584	(78)
2,287	Police Pensions	1,960	1,866	(94)
(614)	Core Budgets	(4,582)	(4,051)	531
17,306	District and HQ Operational SU's	17,615	17,567	(48)
4,348	Central Support SU's	4,550	4,215	(336)
129,403	EXPENDITURE	129,220	129,187	(32)
(47,762)	Police Grants and Other Funding	(48,939)	(48,940)	(1)
(5,806)	Revenue Support Grant	(9,137)	(9,137)	0
(41,710)	National Non Domestic Rates	(39,584)	(39,584)	(0)
(29,344)	Council Tax Income	(31,037)	(31,037)	(0)
(124,622)	GROSS FUNDING	(128,697)	(128,698)	(1)
	Contributions			
	To (+ve) or from (-ve) reserves:			
(2,184)	Earmarked	402	402	0
(2,623)	General	(925)	(925)	0
(26)	NET (UNDER)/OVERSPENDING	0	(33)	(33)

2. POLICE AUTHORITY GENERAL REVENUE BALANCES

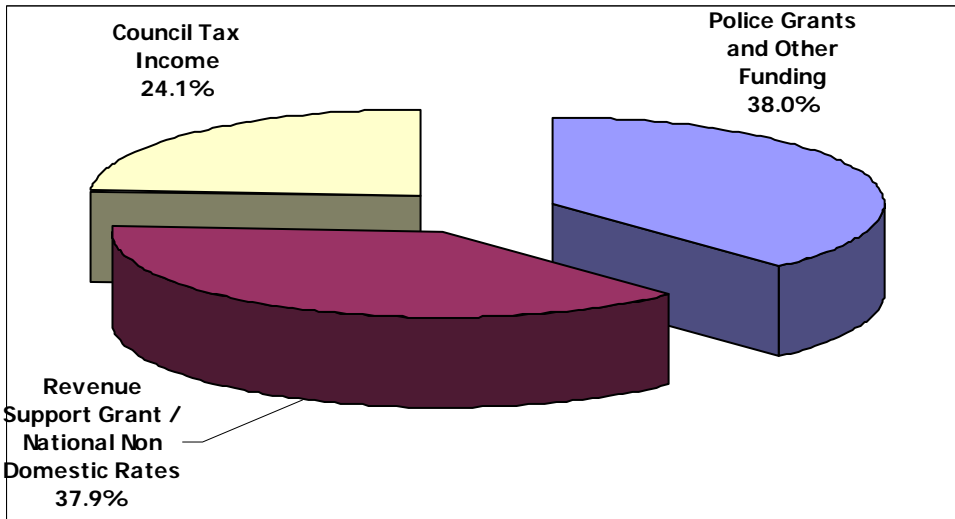
2008/2009 £000		2009/2010 £000
(8,882)	Opening Balance	(6,285)
2,623	Budgeted transfer into balances	925
(6,259)	Planned Position	(5,360)
(26)	Surplus (-ve) or Deficit on Years activities	(33)
(6,285)	Available balance at 31 March	(5,393)

A detailed final outturn report is presented to the Police Authority at the end of each financial year.

WHERE THE MONEY GOES TO



WHERE THE MONEY COMES FROM



3. CAPITAL

The Authority spent £8,523k on capital projects during the year. The programme was fully financed from capital resources in the year as analysed below:

	£000
General Grant	(1,601)
Specific Grant	(1,604)
Partnership Funding	(8)
Revenue	(275)
Capital Receipts	(1,763)
Supported Capital Expenditure (SCE)	(872)
Borrowing	(2,400)
	(8,523)

4. PENSIONS

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments, which need to be recognised at the time that employees earn their future entitlement. This is a requirement of Financial Reporting Standard (FRS) 17 – Retirement Benefits.

5. CHANGES TO ACCOUNTING POLICIES

Under the 2009 SORP the authority has adopted the requirements of International Financial Reporting Interpretations Committee (IFRIC) 12 – Service Concessions. This requires all PFI associated assets and liabilities to be brought onto the Balance Sheet.

The Authority has also adopted the requirements of Agency Accounting for Council Tax as a precepting authority.

The Authority has made no other changes to Accounting Policies.

6. BORROWING FACILITIES

The Authority currently has £14,380k worth of borrowing taken out with the Public Works Loan Board (PWLb), the repayment of these loans are phased over the next 11 years and have been taken out to fund the Authority's capital programme.

7. FURTHER INFORMATION

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This was advertised in the local press.

Further information may be obtained from the Treasurer at Cleveland Police Authority, P O Box 70, Ladgate Lane, Middlesbrough TS8 9EH

P. KIRKHAM,
TREASURER

STATEMENT OF RESPONSIBILITIES

The Police Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority that Officer is the Treasurer to the Police Authority;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice).

In preparing the Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Treasurer has also ensured that the Assistant Chief Officer - Finance and Commissioning has:

- Applied the accounting policies consistently and in a prudent manner;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts give a true and fair presentation of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2010

Date:

Signature:

P Kirkham, Treasurer

The Chair's Responsibilities

In accordance with the requirements of Section 10 of the Accounts and Audit Regulations 2003 I confirm that the Statement of Accounts was approved by a resolution of the Police Authority on 15th June 2010:

Date:

Signature:

Chair of Cleveland Police Authority

AUDITOR'S REPORT

To Follow

ANNUAL GOVERNANCE STATEMENT

Position as at 31st March 2010 including plans for the financial year 2010/2011:

1. SCOPE OF RESPONSIBILITIES

- 1.1 Cleveland Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 1.3 At its meeting on 11th December 2007, the Authority approved and adopted a revised Code of Corporate Governance, and which is compliant with CIPFA/SOLACE principles of good governance, and guidance. It has been the subject of regular review and updating since then. A copy of the current Code is on our [website](#) or can be obtained from Cleveland Police Authority, Police Headquarters, Ladgate Lane Middlesbrough, TS8 9EH.
- 1.4 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

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.3 An approved governance framework has been in place at the Authority for the year ended 31st March 2010 and up to the date of approval of the statement of accounts on 15th June 2010.

3 THE GOVERNANCE FRAMEWORK

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

- 3.2 It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The Authority

- 3.3 The Authority now has a well established process to review its Code of Governance at least annually, and to ensure its panel structure meets its needs. Major changes to the Code were agreed at the meeting on 4th June 2009 and included alterations to the panel structure. The new Operational Policing Panel, effective from 1st June 2009, took over the remits of the Community Protection Panel and the Strategic Policing and Performance Panel. This new Panel encompasses all aspects of operational policing from the formulation of policies and strategies through to the reporting of results. Also a new Human Resources and Diversity Panel, effective from 1st June 2009, was established with a remit to address human resources matters (including workforce modernisation) and the need to embed policies to support equality and diversity. A consequence of the development of the business plan was the conclusion that the work of the Human Resources and Diversity Panel should be folded into an expanded remit of the Policy & Resources Panel from November 2009. The business plan, which replaces the service improvement plan, was agreed on 25th February 2010.
- 3.4 The Audit & Internal Control Panel has the remit to act as the Authority's Audit Committee. Force performance is scrutinised by the Operational Policing panel, whilst responsibility for overseeing financial management, efficiency and effectiveness rests with the Policy & Resources panel. All panels report to the Police Authority Executive largely on a two monthly cycle. The frequency of meetings has changed to reduce bureaucracy whilst ensuring timely decision making and this has been assisted by an annual timetable of decision making and scrutiny by panels.
- 3.5 The Code of Corporate Governance is accessible through the Authority's website. It meets the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The next major review is to be considered at the Authority's June meeting.
- 3.6 A further appraisal of member training needs was completed in year, and this has informed the programme of training undertaken in 2009/2010. Training has encompassed, amongst other matters: NPIA Policing Pledge and Neighbourhood Policing; Annual Governance Statement; Police Conduct Regulations; Police Authority Inspection arrangements and Business Continuity Management;

The Force

- 3.7 Within the Force, the Chief Constable has assigned to members of his Force Executive specific areas of responsibility, including key elements of the internal control environment. Executive officers attend those panels whose remits cover their areas of responsibility to present reports and answer questions on behalf of the Chief Constable. The Chief Constable particularly attends the Policy & Resources Panel, and Police Authority Executive meetings.
- 3.8 The work of the Force Executive is supported by Service Units.
- 3.9 This support structure is designed to manage service delivery whilst ensuring that effective governance is applied throughout the Force. Corporate Planning and Governance Unit has direct responsibility for business planning, policy co-ordination, change & corporate performance management and more recently risk management / service continuity. Whilst the Operational Performance Team has a more day to day focus on improving Force performance including operations audit, inspection and review. The Strategic Development Group oversees development of operational and business policies. This is chaired by the Chief Constable. It follows the Chief Constable's operational vision of Putting People First, and is guided by the

local and national Policing Plan, applicable legislation and best practise. All of these have key roles in corporate governance.

- 3.10 The Force Performance Management Framework is well established with monthly performance reviews with service unit managers by the Executive lead officers.
- 3.11 The Chief Constable has tasked the Deputy Chief Constable to lead the efforts of the Force to ensure a sound system of governance and to co-ordinate an appropriate response to the significant governance issues listed at Section 5 of the Statement.

4. REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control

- 4.2 These reviews have been completed by the work of the PURE & Annual Governance Statement Group (PURE & AGS group), internal auditors, Panels and also managers within the Authority and Force who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review. Brief comments on their roles are as follows:-

- The PURE & AGS group

This is a multidisciplinary team comprised of representatives from the Police Authority the Force, and internal audit. Its role is to conduct the review of governance arrangements including systems of internal control, in accordance with CIPFA guidance. This is achieved by gathering evidence and for example, surveying managers about compliance with the control framework. The outcome of its work is reported to management and to the Audit & Internal Control Panel. One outcome is the drafting of the Annual Governance Statement, including identification of areas for improvement, for management and Member scrutiny.

- Internal Audit:

The responsibility for maintaining and reviewing the system of internal control rests with the Authority. In practice however the Authority takes assurance from the work of Internal Audit (it has procured its Internal Audit function from RSM Tenon). In fulfilling this responsibility:

 - Internal Audit operates to CIPFA's Code of Internal Audit Practice 2006 and the Accounting Practices Board Guidance for Internal Auditors. The Authority received a self assessment from internal audit on 25th March 2010 in relation to compliance against the 2006 CIPFA Code. It is satisfied that Internal Audit operates to the standards set out in the Code and can take assurance from their opinion.
 - The Code requires the Head of Internal Audit to include in the annual internal audit report an opinion on the internal control environment; providing any details of weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of this Annual Governance Statement. The Audit & Internal Control Panel formally received the Internal Audit Annual Report for 2009/2010 on 3rd June 2010 and endorsed the Head of Internal Audit's assurance on internal control.

- Internal Audit reports to the Chief Executive and the Audit & Internal Control Panel. Prior to each meeting of the Panel all of its Members have a collective opportunity to meet with the Head of Internal Audit. Protocols also provide for the Chair and Vice Chair to meet privately with the Head of Internal Audit if and when required.
 - Internal audit work is planned using a risk-based approach that aims to ensure that the Treasurer's responsibilities under Sec 151 and 144 are fulfilled and that an effective internal audit service is provided to the Authority.
- External Audit – the Audit Commission in its annual audit letter reports on:
 - The Authority's accounts; and
 - Whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

External audit express an opinion on the adequacy of internal audit work.

After each meeting of the Panel all of its Members have a collective opportunity to meet with the Audit Manager.

- Audit and Internal Control Panel

This panel acts as the Audit Committee for the Authority. During 2009-2010 the Panel has met formally on 5 occasions to conduct its business. Business includes, but is not limited to consideration and scrutiny of: proposed changes to internal control arrangements such as new Contract Standing Orders; exceptions from tendering; the Annual Governance Statement; and the Annual accounts. It also receives all internal audit reports, and those from the external auditors related to its remit. Implementation of recommendations from these reports is reported to the panel.

In conjunction with the Force and Authority officers semi-structured interviews have been introduced as a further means to provide assurance to both the Chief Constable and the Authority about the effectiveness of the governance framework.

With the assistance of the Audit Commission the panel concluded a process of self assessment in November 2008. Designed to identify and remedy any significant shortfalls against best practice, this proved to be a very helpful process in developing the panel's core knowledge and was exceptionally well attended by the panel membership. With the exemption of a review of financial standing orders the actions identified have now been completed during the course of 2009/2010.

On behalf of the Panel the Chair and Vice Chair attend the Joint Risk Management Group, and the Quarterly Audit meeting which is comprised of internal auditors, external auditors and officers.

- Operational Policing Panel

The Panel's remit includes monitoring and scrutinising the Force's performance; in reducing crime and increasing offences brought to justice; against the operational objectives set in the Annual Policing Plan; and against the components of the Assessment of Policing & Community Safety.

- Professional Standards Panel

To ensure the Authority fulfils its role to secure an effective and efficient police service in respect of complaints against police.

- Standards Committee

The Standards Committee is a requirement of the Local Government Act 2000. This Committee deals with statutory issues such as hearing cases referred by the Standards Board. The Standards Committee has an Independent Chair and Vice Chair who are not regular members of the Police Authority but classed as co-opted members for this purpose.

4.3 Assurance is drawn from a number of other sources. For example HMIC, Health & Safety Inspectorate, external insurers, partners and organisations such as the courts. The Audit & Internal Control Panel review the sources of assurance as part of the AGS process. This review takes place annually.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Internal Control Panel and a plan to address areas for improvement and ensure continuous improvement of the system is in place.

5. **SIGNIFICANT GOVERNANCE ISSUES**

5.1 There are no matters which are required to be classified as significant.

5.2 However there are still some issues which require continued focus:

- The Force restructured some of its support functions in April 2009. One of the outcomes was to consolidate key corporate governance functions into the Corporate Planning & Governance Service Unit to provide a greater focus on activity in this area. Following this, the Force Governance Framework was developed significantly during the year but further work is required to refine and embed the new processes.
- Significant progress has been made in strengthening the corporate planning process during the last year. Further refinements are required to further integrate service and financial planning during the planning round for 2011/12.
- The Force is midway through a two year programme to implement and embed robust risk management and service continuity arrangements. This is planned to be complete by the end of March 2011

5.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed this 15th June 2010 by

Cllr Dave McLuckie
Chair of Cleveland Police Authority

Joe McCarthy
Chief Executive of
Cleveland Police Authority

Sean Price QPM
Chief Constable of
Cleveland Police

On behalf of the Members and officers of
Cleveland Police Authority and Cleveland Police.

STATEMENT OF ACCOUNTING POLICIES

INTRODUCTION

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2009 (which includes Police Authorities for these purposes), the CIPFA Code of Practice on Accounting for Best Value and also with guidance notes issued by CIPFA on the application of Financial Reporting Standards (FRSs) to the accounts of Police Authorities.

FIXED ASSETS

From 1 April 2007 the Fixed Asset Replacement Account and Capital Financing Account have been replaced by a Revaluation Reserve and a Capital Adjustment Account.

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis i.e. supplies and services received rather than actual cash paid.

Fixed assets are valued on the basis recommended by CIPFA and the Royal Institute of Chartered Surveyors and included in the balance sheet on the following basis:

- Operational assets have been included in the balance sheet at Market Value if they would be available for alternate uses, and Depreciated Replacement Cost if they are assets only able to be utilised for their current specific use.
- Additions and enhancements to fixed assets during the financial year 2009/2010 are included in the accounts at their cost of acquisition, or of their improvement. Assets not brought into use are accounted for in the Capital Adjustment Account.
- Expenditure in respect of building works is transferred to the Capital Adjustment Account and only transferred to operational assets once the asset is brought into full operational use. The value of assets taken out of operational use pending their disposal is also shown as non-operational assets in the balance sheet.

Purchased Intangible assets (e.g. Software Licences) are capitalised at cost.

Assets included in the Balance Sheet at current value are revalued at a minimum of every 5 years or when there have been material changes in the values of assets. A general revaluation took place in 2008/09 and therefore the next revaluation will take place in 2013/14. Increases in valuations are matched by credits to the Revaluation reserve to recognise unrealised gains.

The SORP requires that authorities should undertake a review of the balance sheet value of each category of assets at the end of each reporting period. Where there is reason to believe that its value has changed materially in the period, the valuation should be adjusted accordingly. Cleveland Police Authority has complied with this requirement during 2009/10.

DEPRECIATION

Depreciation is charged on fixed and intangible assets with a finite useful life using the straight line method of depreciation over the following periods:

Buildings and Land	40 years
Equipment and Plant	5 - 10 years
Motor Vehicles	3 years
Specialist vehicles	4 - 15 years

For assets acquired in the year, depreciation is applied from the 1st April of the following financial year. Assets in the course of construction are not depreciated until they are brought into use.

Where intangible assets have no finite life they will be amortised over a maximum of 20 years.

CAPITAL CHARGES

Capital charges made to Revenue Accounts equate to the sum of depreciation.

FIXED ASSET DISPOSALS

Fixed assets are disposed of in the year in which they are sold. A full years depreciation is charged in the year of disposal to be consistent with not charging any depreciation until the 1st April of the year after an asset is brought into use.

When an asset is disposed of the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on the disposal. Any revaluation gains in the revaluation reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as Capital Receipts and can be used to finance capital expenditure or to repay debt. Amounts not utilised at 31st March are held in the Capital Receipts Unapplied Account pending decisions as to their use in future years.

DE MINIMIS LEVEL

The Police Authority has agreed a de minimis level of £5,000 for the acquisition, renewal or replacement of buildings, vehicles, plant, machinery or other equipment to count as prescribed capital expenditure. There is also a de minimis level of £10,000 before receipts, from the sale of fixed assets, are classified as Capital receipts.

GOVERNMENT GRANTS

All Government Grants are accounted for on an accruals basis. Revenue Grants are credited to the income and expenditure account in the same period in which the matching expenditure is charged. Capital Grants are credited initially to the Government Grants – Deferred Account and released to revenue to offset any depreciation charge on the assets to which the grant relates.

LEASING

The Police Authority has a small number of operating leases in respect of the acquisition of items of equipment. All lease rentals are charged to the income and expenditure account on an accruals basis.

DEBTORS AND CREDITORS

Both the revenue and capital accounts of the Authority are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to or payable by the Police Authority during the year are included in the accounts whether or not the cash has actually been received or paid in the year. No de minimis is applied to this process.

VALUATION OF STOCK

Stocks held at 31st March are valued at the lower of cost or current market value.

LOANS AND RECEIVABLES

Loans and receivables are initially measured at fair value and carried at their amortised cost. Credits to the income and expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all investments that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year.

FINANCIAL INSTRUMENTS

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another. The term 'financial instrument' covers both financial assets and financial liabilities. They are recognised in the Balance Sheet when, and only when, the holder becomes committed to the purchase. The only exceptions are trade receivables and trade debtors when the Authority recognises these transactions on delivery or receipt.

PROVISIONS

Provisions represent the best estimate, at the balance sheet date, of expenditure required to settle the present obligation. Details of individual provisions are given in the Notes to the Core Financial Statements.

RESERVES

Amounts set aside for purposes outside the definition of provisions are considered as reserves. Revenue reserves are available to fund future years' operational costs and may be earmarked for specific purposes e.g. Insurance.

Capital reserves, which are created to comply with capital accounting guidance, are not available to fund current expenditure. They include:

- Revaluation Reserve, which was opened on 1st April 2007 with a zero balance and after that date represents the balance of surpluses and deficits arising on the periodic revaluation of fixed assets.
- Capital Adjustment Account, which was opened on 1st April 2007 and the balances from the former Fixed Asset Restatement Account and Capital Financing Account transferred into it.

SELF-INSURED RISKS

The Authority maintains external insurance policies with Gallagher Bassett for major risks such as Third Party Motor cover and Employer's Liability. The excess on these policies and claims arising from less significant risk areas are borne by the Insurance Fund. Details of the Fund balance are shown in the notes on Reserves at page 42.

INVESTMENTS

Surplus cash is invested externally on a day-to-day basis. Investments at 31 March are shown in the balance sheet at cost value.

PENSIONS

The Police Authority participates in two different pension schemes, which meet the needs of police officers and support staff. The schemes provide members with defined benefits related to pay and service. Employees' and employers' contribution levels are based on percentages on pensionable pay set nationally by the Home Office and are subject to triennial review by the Government Actuary Department. The schemes are as follows: -

A) Uniformed Police

The funding arrangements for the Police Pension scheme changed on 1st April 2006. Before the 1st April 2006 the Police Authority was responsible for the Pensions of its former employees on a pay-as-you-go basis. The Authority will no longer meet the pension payments directly, instead they will pay an employer's pension contribution based on a percentage of pay into the pension fund.

The pension fund is balanced to nil each year by a transfer to/from the Police Fund.

This scheme has no assets and does not take into account the liabilities to pay pensions and other benefits after the period end. Details of the Pension Fund can be found on pages 49 and 50.

B) Support Staff

Support Staff, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme, which is operated by Teesside Pension Fund. The pension costs charged to the Authority's accounts equate to the employer's contributions paid to the fund on behalf of eligible employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pensions costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government Regulations. The Authority complies with the requirements of FRS17 in that the balance sheet shows the full value of future liabilities in respect of retirement benefits payable to its employees. Relevant disclosure notes can be found in Notes 1 – 2 on pages 25 – 31.

The 2009 Statement of Recommended Practice (SORP) requires the following accounting policies to be applied to the various elements of the net asset/liability.

- Where an authority participates in more than one scheme, schemes with net assets should be shown separately from those with net liabilities.
- The attributable assets of each scheme should be measured at fair value, which is based on bid value.
- The attributable liabilities of each scheme should be measured on an actuarial basis using the projected unit method.
- Scheme liabilities should be discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The surplus/deficit in each scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme.
- The current service cost should be based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date.

- The interest cost should be based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.
- Actuarial gains/losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- Past service costs should be disclosed on a straight-line basis over the period in which the increase in benefits rest.
- Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions should be measured at the date on which the employer becomes demonstrably committed to the transaction and disclosed in the notes to the accounts covering that date. Gains arising from settlement/curtailments not allowed for in the actuarial assumptions should be measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

INTERNAL INTEREST

Interest is calculated and credited to the Insurance Fund and Police Property Act Fund based upon month-end fund balances. The amounts are calculated using the average 7 day borrowing rate for each calendar month of the financial year and the rate is applied to the monthly average balance in each fund.

A special funds account is maintained which has a corresponding interest bearing bank account and therefore attracts the market rate of interest in its own right.

COSTS OF SUPPORT SERVICES

The overhead costs of management and administration have been charged proportionately to services in accordance with CIPFA guidance.

Corporate and Democratic Core costs shown in the Income and Expenditure Account relate to the activities necessary to provide the structure which allows services to be provided, including Members' allowances and expenses, the costs of meetings, including the committee function and related officer support.

PRIVATE FINANCE INITIATIVE

The Authority is party to two separate PFI schemes. One for the provision of Firearms Training facilities at Urlay Nook. The other is for the provision of centralised custody and District HQ facilities.

The treatment of transactions under the schemes is in accordance with IFRIC 12 – Service Concessions and the 2009 Statement of Recommended Practice (SORP).

VALUE ADDED TAX

VAT is included in the accounts only if it is irrecoverable from Customs & Excise. There have been no significant VAT issues in 2009/2010.

COMPENSATORY GRANT

Compensatory Grant is accounted for on a cash basis.

PRECEPT

Precept is accounted for on an agency basis.

POST BALANCE SHEET EVENTS

Events after the Balance Sheet date are reflected by the Authority up to the date when the Statement of Accounts are authorised for issue.

EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional and Extraordinary items, of which the Authority has none in 2009/10, would be disclosed on the face of the Income and Expenditure Account and fully explained in the notes to the accounts.

Prior period adjustments, where material and applicable to prior years, are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of the reserves for the cumulative effect. The cumulative effect of the adjustments are also noted at the foot of the Statement of Total Recognised Gains and Losses of the current period.

EXPLANATORY FOREWORD

This Statement of Accounts covers the financial year ended on 31st March 2010 and has been prepared in accordance with the provisions of the Accounts and Audit Regulations 2003, the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2009 and the CIPFA Code of Practice on Accounting for Best Value.

The Police Authority receives funding from Central Government and precept income from District Councils.

The Statements required by the 2009 SORP are detailed below along with the objective of each statement:

- **Income and Expenditure Account** – A summary of the resources generated and consumed by the Authority in the year.
- **Statement of Movement on the General Fund Balance** – A reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
- **Statement of Total Recognised Gains and Losses** – Demonstration of how the movement in Net Worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- **The Balance Sheet** – sets out the financial position at 31 March 2010
- **The Cash Flow Statement** – summarises the total movements of the Authority's funds.

The Statement of Accounting Policies supports these accounts and there are explanatory notes following these core financial statements.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31st MARCH 2010

2008/2009 Restated Net Expenditure £000	DETAIL	2009/2010 Gross Expenditure £000	2009/2010 Gross Income £000	2009/2010 Net Expenditure £000
68,650	Local Policing	68,102	12,349	55,753
12,156	Dealing with the Public	11,255	2,246	9,009
18,605	Criminal Justice Arrangements	17,932	2,040	15,892
7,665	Road Policing	7,868	1,290	6,577
5,473	Specialist Operations	6,114	558	5,555
837	Intelligence	1,400	200	1,200
14,303	Specialist Investigation	15,450	1,998	13,452
8,431	Investigative Support	6,953	964	5,989
385	National Policing	114	0	114
1,375	Corporate and Democratic Core	1,224	1	1,223
1,047	Undistributed Costs	211	0	211
138,926	Net Cost of Services	136,622	21,647	114,975
243	(Profit)/Loss on sale of fixed assets			(220)
309	Levies for National Police Services			315
2,843	Interest Payable and Similar Charges			2,897
(895)	Interest and Investment Income			(106)
(9,944)	Police Pensions Grant			(10,882)
46,152	Pensions Interest Cost and Expected Return on Pensions Assets			43,322
177,634	Net Operating expenditure			150,301
(5,806)	Revenue Support Grant			(9,137)
(47,762)	Police Grants			(48,940)
(41,710)	National Non-Domestic Rates			(39,584)
(29,554)	Precepts			(31,037)
52,802	(Surplus)/Deficit for the year			21,603

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 rather than as future benefits are earned

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

The reconciliation overleaf shows the differences between the outturn on the Income and Expenditure account and the General Fund Balance.

STATEMENT OF MOVEMENT ON THE GENERAL FUND
BALANCE AT 31st MARCH 2010

2008/2009 Restated £000		2009/2010 £000	2009/2010 £000
52,802	(Surplus)/Deficit for the Year on the Income and Expenditure Account		21,603
	Amounts to be included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(21,787)	Depreciation, Amortisation and Impairment of Fixed Assets	(3,825)	
1,926	Government Grants Deferred Amortisation	1,539	
(243)	Net Gain or Loss on the Sale of Fixed Assets	220	
209	Collection Fund Adjustment Account	(93)	
(44,730)	Net Change in Pension Liability	(32,005)	
(64,625)	Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year		(34,164)
1,681	MRP	2,169	
9,944	Additional Contribution to the Pension Fund to balance the deficit on the Fund Account	10,882	
11,625	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		13,051
2,795	Net Transfer to or from Earmarked Reserves		402
2,597	Decrease in General Fund Balance for the Year		892
(8,882)	General Fund Balance brought forward		(6,285)
(6,285)	General Fund Balance carried forward		(5,393)

**STATEMENT OF TOTAL RECOGNISED GAINS AND
LOSSES AT 31st MARCH 2010**

2008/2009 £000 Restated		2009/2010 £000
52,802	(Surplus)/Deficit for the Year on the Income and Expenditure Account	21,603
(2,270)	(Surplus)/Deficit arising on the Revaluation of Fixed Assets	(2,874)
(96,082)	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	290,362
<u>(45,550)</u>	Total Recognised (Gains)/Losses for the year	<u>309,092</u>

Prior Period Adjustments:

Cleveland Police Authority have adopted new accounting policies regarding agency accounting for Precept and the inclusion of PFI schemes on the face of the Balance Sheet as per the SORP 2009. This has had the following effects on the main statements for 2008/09:

Net Cost of Services	13,360
Interest Payable and Similar Charges	2,315
Precept	(209)
Net Effect on (Surplus)/Deficit	15,466
Collection Fund Adjustment Account	209
Depreciation, Amortisation and Impairment of Fixed Assets	(17,388)
MRP	1,102
Net Transfer to/from Earmarked Reserves	611
Net Effect on General Fund	0

PFI Assets	30,150
Long Term Debtor	(3,841)
Debtors	283
Unapplied PFI Grant	3,841
PFI Liability	(44,146)
Net Effect on Total Assets & Liabilities	(13,713)
Capital Adjustment Account	13,996
Collection Fund Adjustment Account	(283)
Net Effect on Net Worth	13,713

Other Operating Cash Payments	(965)
Other Grants	(1,961)
Interest Paid	2,315
Purchase of Fixed Assets	611
Net Effect on (Increase)/Decrease in Cash	0

BALANCE SHEET AT 31st MARCH 2010

31 March 2009			31 March 2010	
£000		Notes	£000	£000
Restated				
400	Intangible Assets (net of amortisation)	9	765	
	Fixed Assets (net of depreciation)			
	Operational Assets			
14,856	Land and Buildings	9	20,709	
30,150	PFI Assets	7 & 9	29,538	
9,940	Vehicles, Plant and Equipment	9	11,286	
55,346				62,299
-	Non Operational Assets	9		-
-	Long Term Debtors			-
55,346	Total Long Term Assets			62,299
	Current Assets			
111	Stocks	14	98	
10,739	Debtors and Payments in Advance	13	8,652	
11,200	Investments		7,500	
128	Imprests		130	
258	Cash at Bank		156	
22,436				16,536
77,782	Total Assets			78,835
	Current Liabilities			
-	Bank Overdraft		-	
(12,700)	Creditors and Receipts in Advance	15	(8,793)	
(320)	Short Term Loans	16	(354)	
(13,020)				(9,147)
64,762	Total Assets Less Current Liabilities			69,688
	Long Term Liabilities			
(11,108)	Long Term Borrowing	16	(14,026)	
(630,973)	Deferred Benefit Pension Scheme	2	(942,458)	
(130)	Provisions	17	(92)	
(356)	Unapplied Grants and Contributions	26	(227)	
-	Unapplied PFI Grants		-	
(44,146)	PFI Liability		(42,615)	
(8,235)	Government Grants Deferred	21	(9,548)	
(694,948)				(1,008,965)
(630,186)	Total Assets less Liabilities			(939,278)
	Represented By			
16,334	Capital Adjustment Account	19		11,797
(636)	Revaluation Reserve	20		(636)
(1,133)	Usable Capital Receipts Reserve	22		(207)
(283)	Collection Fund Adjustment Account	24		(191)
630,973	Pension Reserve	2		942,458
(8,785)	Earmarked reserves	25		(8,551)
(6,285)	General Fund Balance			(5,393)
630,186	Net Worth			939,278

CASH FLOW STATEMENT 2009/2010

2008/2009 £000		Notes	2009/2010	
			£000	£000
	REVENUE ACTIVITIES			
	<u>Cash Outflows</u>			
116,766	Cash paid to and on behalf of employees		115,792	
29,644	Other operating cash payments		30,802	
146,410				146,595
	<u>Cash Inflows</u>			
(29,344)	Precept received		(31,130)	
(41,710)	National non-domestic rates		(39,584)	
(5,806)	Revenue Support Grant		(9,137)	
(65,412)	Other grants	27	(65,576)	
(42)	Rents		(7)	
(315)	Cash received for goods and services		(294)	
(1,634)	Other operating cash receipts		(2,066)	
(144,264)				(147,794)
2,146	Revenue Activities Net Cash Flow	28		(1,199)
	<u>Returns on Investments and Servicing of Finance</u>			
2,843	Cash outflows - Interest paid		2,897	
(1,107)	Cash inflows - Interest received		(231)	
1,735				2,666
	<u>Capital Activities</u>			
10,715	Cash outflows - Purchase of fixed assets		8,846	
(10)	Cash inflows - Sale of fixed assets		(837)	
(2,431)	- Capital grant received		(2,723)	
8,273				5,286
12,155	Net Cash Outflow/(Inflow) before financing			6,752
	<u>Management of Liquid Resources</u>			
(8,800)	Net increase/(decrease) in investments	30	(3,700)	
36	Net increase/(decrease) in imprests	31	2	
(8,764)				(3,698)
	<u>Financing</u>	30		
355	Cash outflows - Repayment of amounts borrowed		320	
(2,772)	Cash inflows - New loans raised		(3,272)	
(2,417)				(2,952)
974	Net (Increase)/Decrease in cash	31		102

NOTES TO THE CORE FINANCIAL STATEMENTS

1. PENSIONS

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 disclose the payments that will need to be made at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

The **Local Government Pension Scheme** for civilian employees, administered by Teesside Pension Fund – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The **Police Pension Scheme** for police officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

We recognise 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 injury and medical pensions paid in the year and the capital equivalent charge as a result of medical/injury early retirements, so the real cost of retirement benefits is reversed out within the Statement of Movement on the General Fund. The following transactions have been made in the Income and Expenditure Account during the year:

	Local Government Pension Scheme		Police Pension Scheme	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
Net Cost of Services				
Current service cost	3,774	2,696	18,145	13,854
Curtailement/settlements	88	188		
Past service cost	330	-	605	-
Change to accounting policies	610	-	-	-
Net Operating Expenditure				
Interest cost	4,595	4,088	45,647	42,706
Expected return on assets	(4,090)	(3,472)		
Amounts to be met from Government Grants and Local Taxation				
Movement on pensions reserve	(5,307)	(3,500)	(64,397)	(56,560)
	-	-	-	-
Actual amount charged against council tax for pensions in the year				
Employers contributions	3,085	3,302		
Unfunded Pension Payments	16	23		
Retirement benefits paid			21,873	24,730
Total Transfer to Reserves	(2,206)	(175)	(42,524)	(31,830)

Employer contributions are calculated as the difference between the benefits paid and the member contributions in the year.

Note 2 contains details of the assumptions made in estimating the figures included in this note.

2. PENSIONS DISCLOSURE - FINANCIAL REPORTING STANDARD NO. 17 (FRS 17)

Note 1 contains details of the Authority's participation in the Local Government Pension Scheme (administered by Teesside Pension Fund) and the Police Pension Scheme in providing civilian and uniformed officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2010 are as follows:

	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme		Total	
	31/03/09 £000	31/03/10 £000	31/03/09 £000	31/03/10 £000	31/03/09 £000	31/03/10 £000	31/03/09 £000	31/03/10 £000
Estimated funded liabilities in scheme	59,585	103,388					59,585	103,388
Estimated unfunded liabilities in scheme	231	401	640,698	939,248	2,055	6,064	642,984	945,713
Additional Employers	-	-	17,771	28,653	-	-	17,771	28,653
Estimated assets in scheme	53,825	77,990			-	-	53,825	77,990
Net liability	5,991	25,799	622,927	910,595	2,055	6,064	630,973	942,458

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £942.5M has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £939.3M. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Police Pension Scheme and the Teesside Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Authority being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/09	31/03/10	31/03/09	31/03/10
Rate of inflation	3.0%	3.9%	3.0%	3.9%
Rate of increase in salaries	4.5%	5.4%	4.5%	5.4%
Rate of increase in pensions	3.0%	3.9%	3.0%	3.9%
Rate for discounting scheme liabilities	6.7%	5.5%	6.7%	5.5%

Life Expectancy from age 65 (years):

	Mortality Assumptions					
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Males	Females	Males	Females	Males	Females
Retiring today	19.51	22.55	19.62	22.63	19.62	22.63
Retiring in 20 years	20.41	23.43	20.50	23.50	20.50	23.50

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Teesside Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Long-term Return	Assets at 31 March 2009	Assets at 31 March 2010
	% pa	%	%
Equities	7.3	72.1%	83.0%
Gilts	4.5	11.2%	7.0%
Bonds	5.5	1.5%	1.0%
Property	5.5	5.2%	4.0%
Cash	3.0	10.0%	5.0%
		100.0%	100.0%

Analysis of Amount Recognised in Statement of Total Recognised Gains & Losses (STRGL)						
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Year to 31/03/09	Year to 31/03/10	Year to 31/03/09	Year to 31/03/10	Year to 31/03/09	Year to 31/03/10
	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	(14,040)	17,618	0	0	0	0
Experience Gains and Losses Arising on the Scheme Liabilities	0	(136)	0	0	0	0
Other Experience Gains/(Losses) on Liabilities	0	0	0	0	0	0
Changes in Demographic/Financial Assumptions Underlying the Present Value of the Scheme Liabilities	16,897	(37,115)	92,758	(268,329)	467	(2,400)
Actuarial Gain/(Loss) in Pension Plan	2,857	(19,633)	92,758	(268,329)	467	(2,400)
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0
Actuarial Gain/ (Loss) Recognised in STRGL	2,857	(19,633)	92,758	(268,329)	467	(2,400)
Effect of Change in Accounting Methodology	0	0	0	0	0	0

Asset and Benefit Obligation Reconciliation						
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Year to 31/03/09 £000	Year to 31/03/10 £000	Year to 31/03/09 £000	Year to 31/03/10 £000	Year to 31/03/09 £000	Year to 31/03/10 £000
Opening Defined Benefit Obligation	67,620	59,816	684,404	622,927	1,223	2,055
Service Cost	3,774	2,696	17,380	13,039	765	815
Interest Cost	4,595	4,088	45,528	42,521	119	185
Actuarial losses (gains)	(16,897)	37,251	(92,758)	268,329	(467)	2,400
Losses (gains) on curtailments	88	188	0	0		
Liabilities extinguished on settlements	0	0	0	0	0	0
Liabilities assumed in a business combination	0	0	0	0	0	0
Estimated benefits paid net of transfers in	(975)	(1,617)	(28,012)	(30,965)	0	0
Past Service Cost	330	0	605	0	0	0
Contribution by Scheme participants	1,297	1,390	5,724	5,626	415	609
Additional Employer Contributions	0	0	(9,944)	(10,882)	0	0
Unfunded pension payments	(16)	(23)	0	0	0	0
Closing Defined Benefit Obligation	59,816	103,789	622,927	910,595	2,055	6,064

Opening fair value of Scheme assets	60,979	53,826	0	0	0	0
Expected return on Scheme assets	4,090	3,472	0	0	0	0
Actuarial gains (losses)	(14,040)	17,618	0	0	0	0
Contributions by employer including unfunded benefits	3,101	3,325	0	0	0	0
Contributions by Scheme participants	1,297	1,390	0	0	0	0
Change to Accounting Policies	(610)	0	0	0	0	0
Estimated benefits paid including unfunded benefits	(991)	(1,640)	0	0	0	0
Receipt of bulk transfer value	0	0	0	0	0	0
Fair value of Scheme assets at end of period	53,826	77,991	0	0	0	0

Accounting Methodology

The actuary uses a discount rate used to uplift the provisions made at present value in previous years to reflect the fact that members of the scheme are one year older and thus one year closer to receiving their pension. The discount rate is the yield on the Merrill Lynch Non Gilt Sterling AA Over 15 year Corporate Bond Index with an adjustment of -0.2% to reflect the duration of the liabilities relative to the duration of the index.

History of Experience Gains & Losses					
	Local Government Pension Scheme				
	Year to 31/03/06 £000	Year to 31/03/07 £000	Year to 31/03/08 £000	Year to 31/03/09 £000	Year to 31/03/10 £000
Difference Between the Expected and Actual Return on Assets	9,036	221	(4,661)	(14,040)	17,618
Value of Assets	52,023	58,949	60,978	53,825	77,990
Percentage of Assets	17.4%	0.4%	(7.6%)	(26.1%)	22.6%
Experience Gains/(Losses) on Liabilities	0	0	(23)	0	(136)
Total Present value of Liabilities	67,141	72,140	67,620	59,585	103,789
Percentage of the Total Present Value of Liabilities	0.0%	0.0%	(0.0%)	0.0%	(0.1%)
Actuarial Gains/Losses Recognised in STRGL	2,505	3,098	7,363	2,857	(19,633)
Total Present Value of Liabilities	67,141	72,140	67,620	59,585	103,789
Percentage of the Total Present Value of Liabilities	3.7%	4.3%	10.9%	4.8%	(18.9%)
Effect of change in accounting methodology	0	0	0	0	0
Present Value of Liabilities	67,141	72,140	67,620	59,585	103,789
Percentage of the Present Value of Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
History of Experience Gains & Losses					
	1987 Police Pension Scheme				
	Year to 31/03/06 £000	Year to 31/03/07 £000	Year to 31/03/08 £000	Year to 31/03/09 £000	Year to 31/03/10 £000
Difference Between the Expected and Actual Return on Assets	0	0	0	0	0
Value of Assets	0	0	0	0	0
Percentage of Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Experience Gains/(Losses) on Liabilities	0	0	(33,346)	0	0
Total Present value of Liabilities	690,705	711,285	684,404	622,927	910,595
Percentage of the Total Present Value of Liabilities	0.0%	0.0%	(4.9%)	0.0%	0.0%
Actuarial Gains/Losses Recognised in STRGL	(44,816)	20,281	66,636	92,758	(268,329)
Total Present Value of Liabilities	690,705	711,285	684,404	622,927	910,595
Percentage of the Total Present Value of Liabilities	(6.5%)	2.9%	9.7%	14.9%	(29.5%)
Effect of change in accounting methodology	0	0	0	0	0
Present Value of Liabilities	690,705	711,285	684,404	622,927	910,595
Percentage of the Present Value of Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

History of Experience Gains & Losses					
	2006 Police Pension Scheme				
	Year to 31/03/06 £000	Year to 31/03/07 £000	Year to 31/03/08 £000	Year to 31/03/09 £000	Year to 31/03/10 £000
Difference Between the Expected and Actual Return on Assets	0	0	0	0	0
Value of Assets	0	0	0	0	0
Percentage of Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Experience Gains/(Losses) on Liabilities	0	0	(546)	0	0
Total Present value of Liabilities	0	223	1,223	2,055	6,064
Percentage of the Total Present Value of Liabilities	0.0%	0.0%	(44.6%)	0.0%	0.0%
Actuarial Gains/Losses Recognised in STRGL	0	8	(170)	467	2,400
Total Present Value of Liabilities	0	223	1,223	2,055	6,064
Percentage of the Total Present Value of Liabilities	0.0%	0.0%	(13.9%)	22.7%	39.6%
Effect of change in accounting methodology	0	0	0	0	0
Present Value of Liabilities	0	223	1,223	2,055	6,064
Percentage of the Present Value of Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

Projected Pension Expense for the year to 31 March 2011:

	Local Government Pension Scheme	1987 Police Pension Scheme	2006 Police Pension Scheme
	Year to 31/03/11	Year to 31/03/11	Year to 31/03/11
	£000s	£000s	£000s
Service cost	5,663	26,630	1,842
Interest cost	5,856	51,694	400
Return on assets	(5,405)	-	-
Total	6,114	78,324	2,242
Employer contributions	3,327	13,007	1,635

3. LEASED ASSETS – RENTALS

The Police Authority has leased photocopying/printing equipment in the Central Print Unit.

Leased Assets	Finance Leases £000	Operating Leases £000
Total Rentals paid in 2009/2010	0	83
Outstanding undischarged Leasing Obligations.		
2010/2011	0	125
2011/2012	0	125
2012/2013	0	79

The Police Authority entered into a Finance Lease in 2006/07 in relation to the land on which the Kirkleatham PFI building is situated. The 125 year lease is in relation to the land only and was acquired for £130k. There are no additional obligations in respect of this transaction. The Lease is recorded within the asset register of the Authority at a nominal figure, this is consistent with the accounting for land elsewhere in the Authority.

4. OFFICERS' EMOLUMENTS

During the financial year 2009/2010, the numbers of senior police officers (above the rank of Superintendent) and staff whose remuneration, excluding employers pension contributions, was £50,000 or more in bands of £5,000 were:

2008/2009	Remuneration Band	Number of staff		
		Police Officers	Support Staff	Total
3	£50,000 - £54,999	0	1	1
4	£55,000 - £59,999	0	2	2
2	£60,000 - £64,999	0	3	3
1	£65,000 - £69,999	0	0	0
1	£70,000 - £74,999	0	1	1
1	£75,000 - £79,999	2	0	2
2	£80,000 - £84,999	0	0	0
0	£85,000 - £89,999	2	1	3
2	£90,000 - £94,999	0	0	0
1	£95,000 - £99,999	0	0	0
0	£100,000 - £104,999	0	0	0
1	£105,000 - £109,999	0	2	2
1	£110,000 - £114,999	1	0	1
1	£115,000 - £119,999	1	0	1
0	£120,000 - £124,999	0	0	0
0	£125,000 - £129,999	0	0	0
0	£130,000 - £134,999	1	0	1
0	£135,000 - £139,999	0	0	0
0	£140,000 - £144,999	0	0	0
0	£145,000 - £149,999	0	0	0
0	£150,000 - £154,999	0	0	0
0	£155,000 - £159,999	0	1	1
1	£160,000 - £164,999	0	1	1
0	£165,000 - £169,999	0	0	0
0	£170,000 - £174,999	0	0	0
0	£175,000 - £179,999	0	0	0
0	£180,000 - £184,999	0	0	0
0	£185,000 - £189,999	0	0	0
0	£190,000 - £194,999	0	0	0
0	£195,000 - £199,999	0	0	0
0	£200,000 - £204,999	0	0	0
1	£205,000 - £209,999	1	0	1
0	£210,000 - £214,999	0	0	0
0	£215,000 - £219,999	0	0	0

This table includes senior employees and relevant police officers (as per the requirements of LAAP bulletin 85) which are disclosed by position or name (as required) overleaf:

2009/10:

Post Holder	End Date	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 09/10	Pension Contributions
Chief Constable - S Price		130,093	130,093	20,000	0	0	4,176	54,421	208,691	30,420
Chief Executive		112,398	112,398	17,000	8,000	0	0	25,613	163,011	16,523
DCC		112,852	112,852	13,000	0	0	4,249	0	130,101	25,545
ACC		100,071	100,071	8,000	0	0	4,683	0	112,754	23,927
ACC		106,631	106,631	8,000	0	0	3,988	0	118,619	24,390
ACO		92,442	92,442	8,000	8,000	0	0	0	108,442	13,589
Solicitor to the Chief Constable		108,632	108,632	0	0	0	0	0	108,632	15,174
Police Authority Executive Accountant		102,490	29,546	0	0	0	0	0	29,546	0
Deputy Chief Executive		52,723	52,723	8,000	0	0	0	0	60,723	7,750

2008/09:

Post Holder	End Date	Annualised Salary	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for Loss of Office	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contribution 08/09	Pension Contributions
Chief Constable - S Price		126,892	126,892	24,000	0	0	3,139	53,041	207,072	29,645
Chief Executive		113,596	113,596	17,000	8,000	0	0	26,121	164,717	16,699
DCC	30/09/2008	109,283	59,081	0	0	0	1,304	0	60,385	3,772
DCC		112,022	91,223	15,000	0	0	3,620	0	109,843	21,176
ACC		97,553	97,553	7,500	0	0	2,642	0	107,695	23,318
ACC	31/05/2008	105,599	18,562	0	0	0	0	0	18,562	3,637
ACC		99,959	81,207	10,000	0	0	3,335	0	94,542	18,773
ACO		90,099	43,853	3,333	8,000	0	0	0	55,186	7,844
Solicitor to the Chief Constable		101,032	101,032	10,000	0	0	0	0	111,032	14,852
Police Authority Executive Accountant		99,892	29,168	0	0	0	0	0	29,168	0
Deputy Chief Executive		49,736	49,736	10,000	0	0	0	0	59,736	7,311

DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

ACO = Assistant Chief Officer Finance & Commissioning

5. MEMBERS ALLOWANCES

Approved allowances paid to and on behalf of Members of the Police Authority for the financial year 2009/2010 were as follows:

2008/2009 £000		2009/2010 £000
193	Allowances for approved duties	195
52	Travel and Subsistence	53
244		248

6. RELATED PARTIES

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

Central Government has 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 its funding in the form of Grants. During the year material transactions with related parties arose as follows and are included within the Income and Expenditure account:

Government Departments	£000's
Police Grant	48,940
NNDR	39,584
Revenue Support Grant	9,137
Special Grant	1,478
Crime Fighting Fund	2,184
Police Community Support Officers Grant	2,888
Dedicated Security Funding	969
PFI Grant	4,098
Basic Command Unit Grant	512
Drug Testing Grant	232
Capital Financing Grant	292
Specials Grant	11

During 2009/10 there were 2, non Government department, related party transactions. The amounts involved were not significant.

7. PRIVATE FINANCE INITIATIVE

As at the end of 2009/10 the Authority has 2 long term contracts under the Private Finance Initiative.

The contract for the Tactical Training Centre for Urray Nook (referred as Urray Nook) was entered into in April 2000 with payments commencing in April 2001.

The contract expires in 2025/6.

During 2006/07 the contract for the Centralised Cell Accommodation and District HQ facilities (referred as Action Stations) commenced with payments beginning in January 2007.

The contract expires in 2031/2.

The contracts are accounted for in accordance with IFRIC 12 and details of the movement in assets and liabilities, plus information regarding future payments is shown below:

	Urlay Nook		Action Stations	
	Asset £000s	Liability £000s	Asset £000s	Liability £000s
Balance b/f	4,750	(8,279)	25,400	(35,867)
Movements:				
Depreciation	(119)		(635)	
Lifecycle maintenance	55		87	
Principal repayment		381		1,150
Balance c/f	4,686	(7,898)	24,852	(34,717)

	Urlay Nook		
	Services	Finance Cost	Principal Repayment
Within 1 year	625	427	359
2 to 5 years	2,686	1,619	1,578
6 to 10 years	4,069	1,708	2,145
11 to 15 years	3,975	1,532	3,098
16 to 20 years	833	257	718

	Action Stations		
	Services	Finance Cost	Principal Repayment
Within 1 year	1,856	1,847	946
2 to 5 years	7,653	6,982	4,531
6 to 10 years	10,684	7,586	7,079
11 to 15 years	14,175	5,356	7,554
16 to 20 years	15,939	3,315	9,797
21 to 25 years	5,420	972	4,809

8. AUDIT COSTS

In 2009/10 the Police Authority incurred the following fees totalling £80k relating to external audit and inspection by the Audit Commission:

2008/2009 £000		2009/2010 £000
85	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	79
11	Fees payable to the Audit Commission in respect of additional services requested	1
0	Fees payable to the Audit Commission for the certification of grant claims and returns	0
0	Fees payable in respect of other services provided by the appointed auditor	0

9. MOVEMENT OF FIXED ASSETS 2009/2010

	Land and Buildings	PFI	Non Operational	Vehicles	Plant and Equipment	Intangibles	Total
	£000		£000	£000	£000	£000	£000
Gross book value at 1 April 2009	14,936	30,150	-	5,741	18,992	1,581	71,400
Accumulated depreciation	(81)	-	-	(2,461)	(12,333)	(1,181)	(16,056)
Net Book Value at 1 April 2009	14,855	30,150	-	3,280	6,659	400	55,345
Adjustments to opening balances	-	-	-	-	-	-	-
	14,855	30,150	-	3,280	6,659	400	55,345
Additions	6,230	142	-	2,377	2,218	430	11,397
Disposals	-	-	-	(1,540)	-	-	(1,540)
Revaluations	-	-	-	-	-	-	-
Non Operational Assets	-	-	-	-	-	-	-
Book value at 31 March 2010	21,085	30,292	-	4,118	8,877	830	65,201
Depreciation for 2009/10	(376)	(754)	-	(1,099)	(1,533)	-	(3,761)
Amortisation for 2009/10	-	-	-	-	-	(65)	(65)
Depreciation on Disposals 2009/10	-	-	-	923	-	-	923
Revaluations	-	-	-	-	-	-	-
Net Book Value at 31 March 2010	20,709	29,538	-	3,941	7,344	765	62,299

CAPITAL COMMITMENTS

As at 31st March 2010, the Police Authority was contractually committed to capital works which amounted to approximately £1,086K.

10. FIXED ASSET VALUATION

Freehold properties were re-valued during 2008/09 by Sanderson Weatherall, Chartered Surveyors in accordance with the CIPFA Capital Accounting Guidance notes VGM8A and 8B and the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual "The Red Book". Inspections were carried out between February 2009 and March 2009. The next five yearly revaluation will take place in 2013/14.

The SORP requires that authorities should undertake a review of the balance sheet value of each category of assets at the end of each reporting period. Where there is reason to believe that its value has changed materially in the period, the valuation should be adjusted accordingly.

For Land & Buildings, this is taken care of as part of the revaluation. For Plant & Machinery and Vehicles, all asset lives and residual values were reviewed and therefore any values adjusted accordingly.

11. INFORMATION ON ASSETS HELD

Analysis of Assets	2008/2009	2009/2010
Buildings		
Police Headquarters	1	1
Operational Police Stations	10	10
Non-Operational Police Stations	0	0
Radio Mast site	1	1
	12	12
Vehicles		
Cars	186	214
Vans	113	110
Other Vehicles	36	23
	335	347

12. CAPITAL EXPENDITURE IN THE YEAR

	£000	%
Capital Expenditure	11,397	
Movement on expenditure not yet adding to asset values	(2,874)	
Total Capital Expenditure	8,523	
FINANCED BY		
	£000	
General Grant	(1,601)	19%
Specific Grant	(1,604)	19%
Partnership Funding	(8)	0%
Revenue	(275)	3%
Capital Receipts	(1,763)	21%
Supported Capital Expenditure (SCE)	(872)	10%
Borrowing	(2,400)	28%
	(8,523)	100%

13. DEBTORS

31 March 2009 £000		31 March 2010 £000
7,347	Amounts falling due within 1 year	
2,304	Government Departments	5,140
580	Other Local Authorities	1,549
	Other Debtors	899
10,231		7,588
(70)	Less provision for doubtful debts	(83)
10,161		7,504
578	Payments in Advance	1,148
10,739		8,652

14. STOCKS

31 March 2009 £000		31 March 2010 £000
111	Uniforms	98
111		98

15. CREDITORS

31 March 2009 £000		31 March 2010 £000
(43)	Government Departments	(370)
(2,144)	Inland Revenue/ Customs and Excise	(2,155)
(2,258)	Other Local Authorities	(308)
(6,804)	Sundry Creditors	(5,334)
(11,249)	Sub total	(8,167)
(1,451)	Income in Advance	(626)
(12,700)		(8,793)

16. EXTERNAL BORROWING

31 March 2009 £000		31 March 2010 £000
	Public Works Loans Board	
(320)	Due in the next Financial Year	(354)
(11,108)	Long term loans	(14,026)
(11,428)		(14,380)

31 March 2009 £000	Maturity Period	31 March 2010 £000
(354)	1/2 years	(385)
(2,926)	2/5 years	(3,881)
(5,056)	5/10 years	(6,488)
(2,772)	Over 10 years	(3,272)
(11,108)		(14,026)

Interest rates vary between 4.23% and 5.30%. The average rate is 4.785%

17. PROVISIONS

31 March 2009 £000		31 March 2010 £000
(28)	Police Property Act Fund	(38)
(102)	Legal Provision	(54)
(130)	Balance at 31 March	(92)

Provisions have been established to meet the costs of liabilities which are certain to arise but for which the actual cost is uncertain.

A Provision of £1M was established in 2006/07 to enable the Police Authority to discharge legal obligations that had arisen. The majority of the provision was utilised during 2007/08, and some of the remainder in 2008/09 and 2009/10 but the remaining balance on the provision is being maintained and will be released when it is prudent to do so.

18. SUMMARY INTRODUCTION TO DETAIL OF MOVEMENTS ON RESERVES

Reserve	Note	Balance	Net Movement in Year	Balance	Purpose of Reserve
		£000	£000	£000	
Capital Adjustment Account		16,334	(4,537)	11,797	Store of Capital resources set aside to meet past expenditure
Revaluation Reserve		(636)	0	(636)	Reflects upward movements in the book values of fixed assets
Usable Capital Receipts		(1,133)	926	(207)	Proceeds of fixed asset sales available to meet future capital expenditure
Collection Fund Adjustment Account		(283)	93	(191)	Account to allow for agency accounting of precept income
Pensions Reserve		630,973	311,485	942,458	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
General Fund		(6,285)	893	(5,393)	Resources available to meet future running costs of the Authority
Other Reserves		(8,785)	234	(8,551)	Reserves that are Earmarked for specific areas of expenditure in the future
		630,186	309,094	939,278	

19. CAPITAL ADJUSTMENT ACCOUNT

31 March 2009 £000		31 March 2010 £000
2,954	Balance at 1 April	16,334
119	Capital expenditure not adding to asset values	(2,874)
17,623	Revaluation adjustments	-
(221)	Partnership financing of Capital Expenditure	(60)
(794)	Revenue contribution to capital	(576)
804	MRP less Depreciation	1,656
(1,926)	Transfer from Government Grants Deferred	(1,539)
(2,478)	Capital Receipts Applied	(1,763)
253	Disposals	617
16,334	Balance at 31 March	11,797

20. REVALUATION RESERVE

31 March 2009 £000		31 March 2010 £000
-	Balance at 1 April	(636)
(636)	Revaluations adjustments	-
-	Disposals	-
(636)	Balance at 31 March	(636)

21. GOVERNMENT GRANTS DEFERRED ACCOUNT

Where the purchase of a fixed asset is financed partly by Home Office capital grant, the amount of the grant has been credited to the Government Grants - Deferred Account. The balance is written off over the useful life of the asset to match the depreciation of the asset to which it relates.

31 March 2009 £000		31 March 2010 £000
(5,385)	Balance at 1 April	(8,235)
(4,776)	Grants applied	(2,852)
1,926	Written off to Income and Expenditure Account	1,539
(8,235)		(9,548)

22. USABLE CAPITAL RECEIPTS RESERVE

Capital receipts of £837k were received in 2009/10. The balance of £207K in the Usable Capital Receipts Reserve is available to finance future years' capital expenditure.

31 March 2009 £000		31 March 2010 £000
(3,600)	Balance at 1 April	(1,133)
2,478	Capital Receipts applied	1,763
(10)	Capital Receipts received	(837)
(1,133)		(207)

23. CAPITAL GRANTS

31 March 2009 £000		31 March 2010 £000
(2,700)	Balance at 1 April	(356)
(2,431)	Grants received	(2,723)
4,776	Grants Applied	2,852
(356)	Balance at 31 March	(227)

24. COLLECTION FUND ADJUSTMENT ACCOUNT

31 March 2009 £000		31 March 2010 £000
(74)	Balance at 1 April	(283)
74	Precept received	283
(283)	Precept receivable	(191)
(283)	Balance at 31 March	(191)

25. EARMARKED RESERVES

31 March 2009 £000		Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2010 £000
(1,560)	Insurance Fund			(1,560)
(270)	Risk/Insurance Team		150	(120)
(2,549)	Direct Revenue Funding of Capital	(869)	576	(2,843)
(60)	Specific Capital Grant		60	0
(980)	Injury Pension Reserve			(980)
(473)	Airwaves Project			(473)
(456)	Urlay Nook Sinking Fund	(114)		(570)
(190)	PFI Sinking Fund	(42)		(232)
(362)	Incentivisation Grant	(231)	238	(354)
(196)	Neighbourhood Policing			(196)
(30)	Specials			(30)
(45)	Corporate Finance Training Plan			(45)
(644)	Air Support Unit	(163)	301	(506)
(64)	Urlay Nook TTC			(64)
(42)	Development Fund		30	(12)
(140)	Web Services Architecture		140	0
(130)	Invest to Save			(130)
(24)	Devolved Budget Carry Forwards	(260)	24	(260)
(174)	Project I		174	0
(308)	Accommodation Costs		131	(177)
(88)	Performance Improvement Ops		88	0
(8,784)		(1,679)	1,912	(8,551)

The reserves can only be used for the purpose for which they have been created.

Insurance Reserve

The Authority maintains an internal Insurance Fund that carries virtually all insurable risks with a limited amount of external cover for special risk incidents and to cover accumulated losses exceeding an agreed amount depending on risk. The fund receives income from the income and expenditure account to cover the cost of external insurance premiums and internal insurable risks.

Based on an independent actuarial review of the insurance fund, as at 31st March 2008, it was estimated that £1.32m of claims payments will have been made from the Fund after the 31st March 2008 relating to incidents that occurred between 1/12/1995 and 31/03/2008. They also suggested that based on the funds claims experience it would not be unreasonable to have a surplus of £0.5m. This figure is subject to change as settlements are agreed. At 31st March 2010, the Insurance Fund balance was £1.56 million (a contingency of £0.24m). Any movement in the reserve will be addressed as part of the normal budgetary processes in future years.

Risk Management Team

The establishment of a business continuity team was agreed at the December 2006 Police Authority Meeting. This earmarked reserve is to fund this interim solution.

Direct Revenue Funding of Capital

This reserve is held to meet the cost of capital schemes in future years.

Injury Pension Reserve

To allow for the variable nature of future injury/medical retirements of Police Officers and the capital equivalent charges of these occurring.

Airwaves Project

This reserve enables the Authority to smooth out the cash flows in respect of the set up costs associated with the Airwaves Project.

Urlay Nook Sinking Fund

This fund has been established to offset the diminishing PFI Grant in the latter years of the scheme.

Action Stations PFI Sinking Fund

Changes to the PFI buildings will result in variable increases to the Unitary Charge across the life of the contract. However, these changes are of variable amounts given their different life cycles. This sinking fund will be used to manage the uneven changes to that charge across the remaining life of the contract.

Incentivisation Grant

This reserve relates to Cleveland's share of seized cash provided by the Government and will be spent on eligible schemes in future years.

Neighbourhood Policing

This specific Home Office grant was higher than anticipated in 2008/09 due to a late change made by the Government in respect of our increased numbers of PCSOs – this specific funding will be utilised for Neighbourhood Policing in future years as the need arises.

Specials

This was an unexpected Government grant awarded late in 2008/09. It can only be used for Specials and is therefore earmarked to be used in future years as the need arises.

Corporate Finance Training Plan

Monies set aside from in year revenue budgets for training needs and skills development.

Development Fund

Funding carried forward to support operational development projects as directed by the Chief Constable in collaboration with the Police Authority.

Air Support Unit

Cleveland's own Air Support Unit came into existence on 1st April 2009 and this reserve relates to a "Power by the Hour" contract.

Tactical Training Centre

The Tactical Training Centre has reserves that total £128k which are held by Durham Police Authority, Cleveland Police Authority's share of these reserves total £64k.

Invest to Save

Funding set aside to allow the Force to invest in resources or people to generate process improvements that will in turn generate savings in future years.

Web Services Architecture

This is a multi-year scheme and the funding has been set aside to cover the whole project – a reserve that was released during 2009/10.

Project I

Members agreed that any budget remaining from that previously approved for spending on Project I could be carried forward into 2009/10 for use on the project and these funds have been utilised in 2009/10.

Accommodation Costs

These are for dilapidation costs upon the exit of a building and the fit out costs for a new building for the same purpose.

Performance Improvement Initiatives

Funding carried forward to continue Performance Improvement Initiatives that were approved in 2008/09 and carried out in 2009/10.

Devolved Budget Carry Forwards

Devolved Service Unit budgets that have been carried forward into 2010/11.

26. PROCEEDS OF CRIME ACT 2002

The Authority is holding cash at bank totalling £536k in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

27. ANALYSIS OF GRANTS

ANALYSIS OF GRANTS	£000	
	£000	£000
Main Police Grant		48,940
Partnership Grants		3,972
Specific Grants:		
Special Grant	1,478	
Crime Fighting Fund	2,184	
PCSO Grant	2,888	
PFI - Urlay Nook	933	
Dedicated Security Posts Funding	969	
PFI - Action Stations	3,165	
BCU Grant	512	
Drug Testing Grant	232	
Capital Financing Grant	292	
Specials Grant	11	
Specific Grants Total		12,664
		65,576

28. RECONCILIATION OF THE NET DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO THE REVENUE ACTIVITIES NET CASH FLOW

	£000	£000
Net Deficit on the Income and Expenditure account		21,603
Deduct:		
Interest paid	(2,897)	
Interest received	106	
Interest Accrual	125	
(Increase)/Decrease in provisions, reserves & surplus	1,845	
Fixed Asset Accruals	(323)	
Net Change in Pension Liability	(32,005)	
Depreciation and Impairment of Fixed Assets	(3,825)	
Government Grants Deferred amortisation	1,539	
Profit on the sale of Fixed Assets	220	
MRP on PFI	1,531	
Contribution to Pension Fund	10,882	
		(22,802)
Net Cash Flow from Revenue Activities		(1,199)

29. MOVEMENT IN PROVISIONS, RESERVES AND CURRENT ASSETS

	31 March 2009 £000	31 March 2010 £000	Movement £000
Stocks	111	98	(13)
Debtors	10,739	8,652	(2,087)
Creditors	(12,700)	(8,793)	3,907
Provisions	(130)	(92)	38
	(1,980)	(135)	1,845

30. RECONCILIATION OF FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	1 April 2009 £000	31 March 2010 £000	Movement £000
Financing			
Increase in Long Term Borrowing	(11,108)	(14,026)	(2,918)
Reduction in Short Term Borrowing	(320)	(354)	(34)
Net Change in Borrowing	(11,428)	(14,380)	(2,952)
Short Term Investments	11,200	7,500	(3,700)
Net Cash Flow from Financing and Management of Liquid Resources	(228)	(6,880)	(6,652)

31. MOVEMENT IN CASH AND CASH EQUIVALENTS

	1 April 2009 £000	31 March 2010 £000	Movement £000
Cash Overdraft	-	-	-
Imprests	128	130	(2)
Cash in Hand	258	156	102
Net (Increase)/decrease in Cash	386	286	100

32. OTHER LIQUID RESOURCES

These relate to cash balances arising from the day to day transactions of the authority that are invested in the Money Market until required.

33. AGENCY SERVICES

Consortium Charges

The Authority has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2009/10 amounted to £0.468m (£0.455m in 2008/09).

Urlay Nook Tactical Training Centre

The Urlay Nook Tactical Training Centre which is jointly run by Cleveland Police Authority and Durham Police Authority has reserves as at the 31st of March 2010 of £0.128m which sits with Durham but of which £0.064m is Cleveland Police Authority's share.

Other National Police Services

The Authority made a subscription payment for the Police National Computer of £0.315m in 2009/10 (£0.309m in 2008/09).

34. FINANCIAL INSTRUMENTS

31 March 2009 £000		31 March 2010 £000
	Debtors:	
7,347	Government Departments	5,140
2,304	Other Local Authorities	1,549
580	Other Debtors	899
(70)	Less provision for doubtful debts	(83)
578	Payments in Advance	1,148
10,739		8,652
11,200	Investments	7,500
128	Imprests	130
258	Cash at bank	156
	Creditors:	
(43)	Government Departments	(370)
(2,144)	Inland Revenue/ Customs and Excise	(2,155)
(2,258)	Other Local Authorities	(308)
(6,804)	Sundry Creditors	(5,334)
(1,451)	Income in Advance	(626)
(12,700)		(8,793)
(320)	Short term loans	(354)
(11,108)	Long term borrowing	(14,026)

	31 March 2009	31 March 2010
Interest Expense	2,843	2,897
Interest Income	(895)	(106)
Net (gain)/loss for the year	1,948	2,791

All the Authority's financial assets relate to loans and receivables and are measured at fair value which, in all cases, is their absolute value. Debtors are reviewed for impairment and the provision for doubtful debts reflects any risk relating to uncertainty around receipt.

All financial liabilities relate to creditors and are measured at their fair value.

Financial instruments give rise to certain areas of risk which must be mitigated:

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.

The Authority is not open to material exposures to these risks due to a range of controls:

- an authorisation procedure for all investments
- access to borrowing from the Public Works Loan Board
- a high proportion of fixed rate investments
- a programme of authorised and reviewed Prudential Indicators and Treasury Management Reports which are taken to Members bi-monthly throughout the year

35. AUTHORISATION OF ACCOUNTS

The Treasurer of the Police Authority has set and authorised the date of issue for the Statement of Accounts as the 15th June 2010. This is the date that the Statement was approved by the Authority's members and is the date, up to which, any known events are reported.

PENSION FUND

Police Pension Fund Regulations 2007 (SI 2007 No 1932)

2008/09 £000	FUND ACCOUNT	2009/10 £000
	Contributions Receivable	
	From Employer	
(13,710)	Normal	(14,008)
(558)	Capital contribution due to Ill Health Early Retirement	(70)
(6,174)	From Members	(6,287)
	Transfers In	
(213)	Individual Transfers in from Other Schemes	(890)
	Benefits Payable	
21,042	Pensions	22,895
8,434	Commutations and Lump Sum Retirement Benefits	7,958
791	Ill Health Lump Sum Benefits	124
	Payments to and on Account of Leavers	
23	Refunds of Contributions	5
209	Inter Authority Adjustments	167
99	Individual Transfers out to Other Schemes	989
9,944	Sub-Total for the year before transfer from the Police Authority to fund the deficit for the year	10,882
(9,944)	Additional funding payable by the Police Authority to fund the deficit for the year	(10,882)
0	Net Amount Payable/Receivable for the Year	0

£000	NET ASSETS STATEMENT	£000
	Net Current Assets and Liabilities	
111	Contributions due from Employer	116
5,381	Pension Top-Up Grant Receivable	3,617
(1,516)	Unpaid Pension Benefits	(0)
0	Amount due to Sponsoring Department	0
(44)	Other Current Assets & Liabilities	22

Notes to the Pension Fund

The funding arrangements for the Police Pension scheme in England and Wales changed on 1 April 2006. Before 1 April 2006 the scheme did not have a percentage of pensionable pay type of employer's contribution, rather each Police Authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis as far as individual Police Authorities are concerned. Authorities will no longer meet the pension outgo directly, instead they will pay an employer's pension contribution based on a percentage of pay into the Pension Fund. Each Police Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation.

The Pension fund has no investment assets and the fund is balanced to nil each year by a transfer to/from the Police Fund. Benefits payable are funded by contributions from employers and employees and any difference is met by a top-up grant from the Home Office.

The Pension Fund was established and is controlled under the Police Pension Fund Regulations 2007 (SI 2007 No 1932)

The Fund is administered by the Authority

The Net Assets Statement does not include liabilities to pay pension and other benefits after the Balance Sheet date. The liabilities of the Pension scheme is accounted for under FRS17 and details can be found above under notes 1 and 2.