

# STATEMENT OF ACCOUNTS – 2008/2009

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## CHIEF EXECUTIVE'S INTRODUCTION

### 1. THE POLICE AUTHORITY REVENUE BUDGET FOR 2008/2009

The following table shows the 2008/2009 budget and the final outturn:

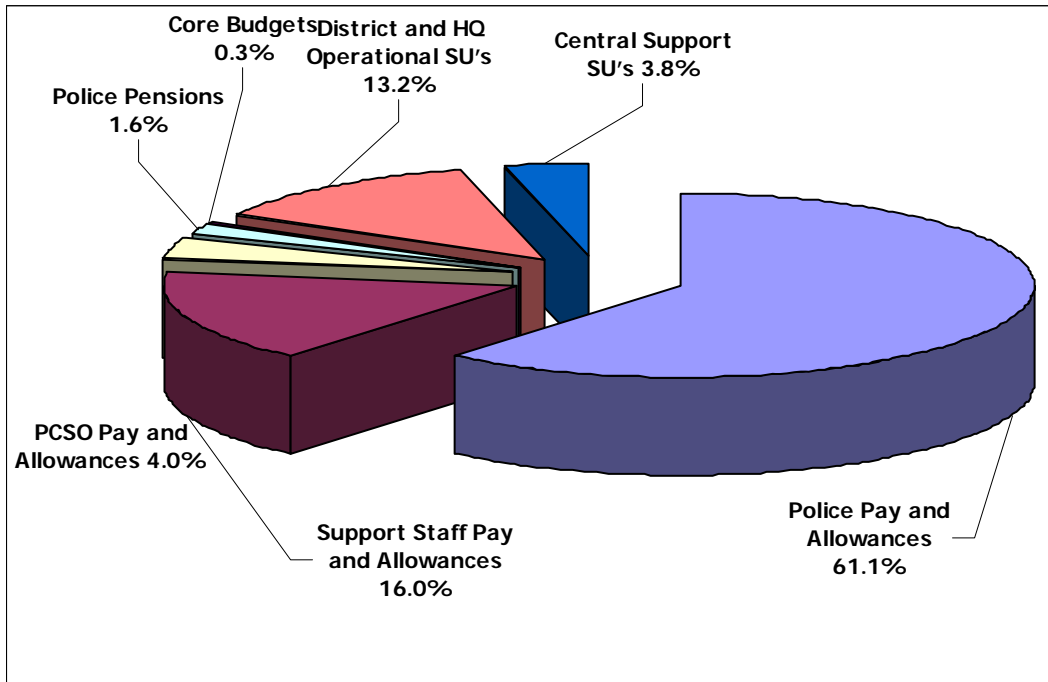
Final Results 2007/2008		Outturn Budget	Final Results 2008/2009	Variation from Budget
£000		£000	£000	£000
76,675	Police Pay and Allowances	80,028	79,926	(102)
19,675	Support Staff Pay and Allowances	20,980	20,982	2
3,548	PCSO Pay and Allowances	5,208	5,170	(38)
2,907	Police Pensions	2,055	2,287	232
(5,655)	Core Budgets	(392)	(833)	(441)
19,750	District and HQ Operational SU's	17,345	17,306	(39)
4,066	Central Support SU's	4,961	4,567	(394)
120,966	<b>EXPENDITURE</b>	130,184	129,403	(781)
(46,314)	Police Grants and Other Funding	(47,762)	(47,762)	0
(6,709)	Revenue Support Grant	(5,806)	(5,806)	(0)
(39,975)	National Non Domestic Rates	(41,710)	(41,710)	(0)
(26,739)	Council Tax Income	(29,345)	(29,344)	1
(119,737)	<b>GROSS FUNDING</b>	(124,623)	(124,622)	1
	Contributions			
	To (+ve) or from (-ve) reserves:			
(805)	Earmarked	(2,188)	(2,184)	4
(1,511)	General	(3,373)	(2,623)	750
(1,087)	<b>NET (UNDER)/OVERSPENDING</b>	(0)	(26)	(26)

### 2. POLICE AUTHORITY GENERAL REVENUE BALANCES

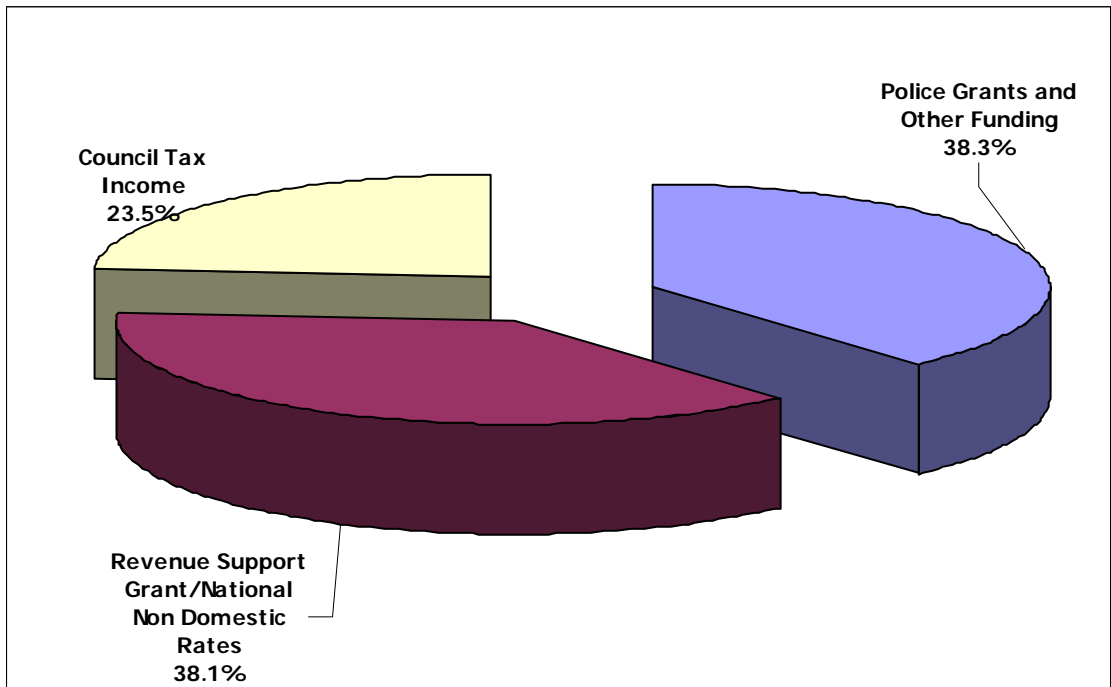
2007/2008 £000		2008/2009 £000
(9,306)	Opening Balance	(8,882)
1,511	Budgeted transfer into balances	2,623
(7,795)	Planned Position	(6,259)
(1,087)	Surplus (-ve) or Deficit on Years activities	(26)
(8,882)	<b>Available balance at 31 March</b>	(6,285)

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 £10,429k on capital projects during the year. The programme was fully financed from capital resources in the year as analysed below:

	<b>£000</b>
General Grant	(3,905)
Specific Grant	(1,052)
Partnership Funding	(41)
Revenue	(183)
Capital Receipts	(2,478)
Supported Capital Expenditure (SCE)	(872)
Borrowing	(1,900)
	<b>(10,429)</b>

### 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 2008 SORP the authority has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The Authority has made no other changes to Accounting Policies.

### 6. BORROWING FACILITIES

The Authority currently has £11,428k 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 Chief Executive at Cleveland Police Authority, P O Box 70, Ladgate Lane, Middlesbrough TS8 9EH

J. McCARTHY,  
CHIEF EXECUTIVE

# **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 Chief Executive 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 Chief Executive's Responsibilities**

The Chief Executive 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 Chief Executive 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 Chief Executive 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 presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009

Date:

Signature:

**J McCarthy, Chief Executive**

## **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 4<sup>th</sup> June 2009:

Date:

Signature:

**Chair of Cleveland Police Authority**

# **AUDITOR'S REPORT**

To Follow

# **ANNUAL GOVERNANCE STATEMENT**

Position as at 31<sup>st</sup> March 2009 including plans for the financial year 2009/2010:

## **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 31<sup>st</sup> March 2009 and up to the date of approval of the statement of accounts on 4th June 2009.

## **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. Material changes to the Code were agreed at the meeting on 5<sup>th</sup> June 2008. Also during 2008 the structure was changed to add two new panels: Strategic Air Support Panel; and Strategic Procurement & Major Projects Panel.
- 3.4 The Audit & Internal Control Panel has the remit to act as the Authority's Audit Committee. Force performance is scrutinised by the Strategic Policing and Performance panel, whilst responsibility for overseeing financial management, efficiency and effectiveness rests with the Policy & Resources (Corporate Development) panel. All panels report to the Police Authority Executive on a six weekly cycle. The frequency of meetings has changed to promote more timely decision making and this has been assisted by an annual timetable for reporting to 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 2008/2009. Training has encompassed: Annual Governance Statement; Proceeds of Crime Act; Child Sex Offenders pilot project; Finance including integration of business and financial planning; Audit; Contract Standing Orders; Performance Management and Comprehensive Area Assessment.

#### 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 Performance Unit has direct responsibility for business planning, policy co-ordination, change and corporate performance management. 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 now 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 Project Board which co-ordinates 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 and 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 Bentley-Jennison). 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 28<sup>th</sup> May 2009 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 2008/2009 on 28<sup>th</sup> May 2009 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. The Chair and Vice Chair meet privately with the Head of Internal Audit. In addition, prior to each meeting of the Panel all of its Members have a collective opportunity to meet with the Head of Internal Audit.
- 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 2008-2009 the Panel has met formally on six 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; exemptions 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.

During the year the panel has agreed two significant policies namely: the Whistle-blowing Policy and the Counter Fraud & Corruption Policy. Both of these were informed by specialist advisory work commissioned from the authority's internal auditors. Together with the Fraud Response plan they represent a re-emphasis and strengthening of the authority's approach to managing the risk of fraud.

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. Progress against the approved action plan was reported to the panel's March 2009 meeting.

- Strategic Policing and Performance 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.

- Complaints Panel

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

- 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 reviewed the sources of assurance in March 2009 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 weaknesses and ensure continuous improvement of the system is in place.

## 5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 The Force has established a Project Board to monitor and drive programmes of work, assisted by the Police Authority, which will help develop and enhance existing arrangements for corporate governance. In the last two years sufficient progress has been made on the significant issues identified for us to conclude that they no longer need to be classified as significant.
- 5.2 However there are still issues which require continued focus:
- Force organisational governance has been the subject of change in part in response to the challenge of integration of business and financial planning. Further work is needed to embed the principles, concepts and processes of corporate governance, flowing from the Code of Corporate Governance updated in June 2008, through training and communication to the Force, stakeholders and contractors.
  - The Force has made progress in developing risk management and to plan for major business disruption via business continuity planning. It is acknowledged that a considerable amount of progress remains to be made.
  - Significant progress has been made to integrate business and financial planning during this last year. However further developmental work needs to be undertaken, and the mechanisms need to run through further cycles before the arrangements can be judged to be fully embedded.
- 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 4<sup>th</sup> June 2009 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 2008 (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 use, 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 2008/2009 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 Licenses) 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 has 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 2008/09.

## **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 depreciated 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 40.

## **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 47 and 48.

### **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 – 30.

The 2008 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 now based on bid value rather than market 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 FRS5 – Reporting the Substance of Transactions.

## **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 2008-2009.

## **COMPENSATORY GRANT**

Compensatory Grant is accounted for on a cash 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 2008/09, 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 2009 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 2008 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 2008 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 2009
- **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 2009

2007/2008 Restated Net Expenditure £000	DETAIL	2008/2009 Gross Expenditure £000	2008/2009 Gross Income £000	2008/2009 Net Expenditure £000
127,398	Policing Services	156,887	33,742	123,145
1,311	Corporate and Democratic Core	1,375	0	1,375
25	Undistributed Costs	1,047	0	1,047
128,734	<b>Net Cost of Services</b>	159,308	33,742	125,566
297	(Profit)/Loss on sale of fixed assets			243
283	Levies for National Police Services			309
412	Interest Payable and Similar Charges			528
(1,098)	Interest and Investment Income			(895)
(4,680)	Police Pensions Grant			(9,944)
38,709	Pensions Interest Cost and Expected Return on Pensions Assets			46,152
162,657	<b>Net Operating expenditure</b>			161,959
(6,709)	Revenue Support Grant			(5,806)
(46,314)	Police Grants			(47,762)
(39,975)	National Non-Domestic Rates			(41,710)
(26,739)	Precepts			(29,344)
<b>42,920</b>	<b>(Surplus)/Deficit for the year</b>			<b>37,336</b>

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 below 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 31 MARCH 2009

2007/2008 Restated £000		2008/2009 £000	2008/2009 £000
42,920	<b>(Surplus)/Deficit for the Year on the Income and Expenditure Account</b>		37,336
	<b>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</b>		
(3,038)	Depreciation and Impairment of Fixed Assets	(4,399)	
2,458	Government Grants Deferred amortisation	1,926	
(297)	Net Gain or Loss on the Sale of Fixed Assets	(243)	
(46,079)	Net Change in Pension Liability	(44,730)	
<b>(46,956)</b>			<b>(47,446)</b>
	<b>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</b>		
567	MRP	579	
4,680	Additional Contribution to the Pension Fund to balance the deficit on the Fund Account	9,944	
<b>5,247</b>			<b>10,523</b>
	<b>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</b>		
(787)	Net Transfer to or from Earmarked Reserves		2,184
<b>424</b>	<b>Decrease in General Fund Balance for the Year</b>		<b>2,598</b>
<b>(9,306)</b>	<b>General Fund Balance brought forward</b>		<b>(8,882)</b>
<b>(8,882)</b>	<b>General Fund Balance carried forward</b>		<b>(6,285)</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND  
LOSSES AT 31 MARCH 2009**

2007/2008 £000 Restated		2008/2009 £000
42,920	(Surplus)/Deficit for the Year on the Income and Expenditure Account	37,336
(162)	(Surplus)/Deficit arising on the Revaluation of Fixed Assets	(517)
(73,829)	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(96,082)
<b>(31,071)</b>	<b>Total Recognised (Gains)/Losses for the year</b>	<b>(59,263)</b>

## BALANCE SHEET AT 31 MARCH 2009

31 March 2008			31 March 2009	
£000		Notes	£000	£000
Restated				
227	<b>Intangible Assets (net of depreciation)</b>	10	400	
	<b>Fixed Assets (net of depreciation)</b>	10		
	Operational Assets			
11,285	Land and Buildings		14,856	
7,390	Vehicles, Plant and Equipment		9,940	
18,902				25,196
-	Non Operational Assets	10		-
5,011	Long Term Debtors			3,841
23,913	<b>Total Long Term Assets</b>			29,037
	<b>Current Assets</b>			
150	Stocks	15	111	
5,450	Debtors and Payments in Advance	14	10,456	
20,000	Investments		11,200	
91	Imprests		128	
1,232	Cash at Bank		258	
26,923				22,153
50,836	<b>Total Assets</b>			51,189
	<b>Current Liabilities</b>			
-	Bank Overdraft		-	
(11,906)	Creditors and Receipts in Advance	16	(12,700)	
(355)	Short Term Loans	17	(320)	
(12,261)				(13,020)
38,575	<b>Total Assets Less Current Liabilities</b>			38,169
	<b>Long Term Liabilities</b>			
(8,656)	Long Term Borrowing	17	(11,108)	
(692,269)	Deferred Benefit Pension Scheme	2	(630,973)	
(291)	Provisions	18	(130)	
(2,700)	Unapplied Grants and Contributions	26	(356)	
(5,011)	Unapplied PFI Grants		(3,841)	
(5,385)	Government Grants Deferred	24	(8,235)	
(714,313)				(654,643)
(675,737)	<b>Total Assets less Liabilities</b>			(616,473)
	<b>Represented By</b>			
-	Fixed Asset Restatement Account	20		-
-	Capital Financing Account	21		-
2,954	Capital Adjustment Account	22		2,338
-	Revaluation Reserve	23		(636)
(3,600)	Usable Capital Receipts Reserve	25		(1,133)
692,269	Pension Reserve	2		630,973
(7,004)	Earmarked reserves	27		(8,785)
(8,882)	General Fund Balance			(6,285)
675,737	<b>Net Worth</b>			616,473

## CASH FLOW STATEMENT 2008/2009

2007/2008 £000		Notes	2008/2009	
			£000	£000
	<b>REVENUE ACTIVITIES</b>			
	<u>Cash Outflows</u>			
109,408	Cash paid to and on behalf of employees		116,766	
32,183	Other operating cash payments		30,609	
141,592				147,375
	<u>Cash Inflows</u>			
(26,739)	Precept received		(29,344)	
(39,975)	National non-domestic rates		(41,710)	
(6,709)	Revenue Support Grant		(5,806)	
(63,183)	Other grants	29	(63,451)	
(48)	Rents		(42)	
(237)	Cash received for goods and services		(315)	
(7,268)	Other operating cash receipts		(1,634)	
(144,160)				(142,303)
(2,568)	<b>Revenue Activities Net Cash Flow</b>	30		<b>5,072</b>
	<u>Returns on Investments and Servicing of Finance</u>			
412	Cash outflows - Interest paid		528	
(804)	Cash inflows - Interest received		(1,107)	
(392)				(580)
	<u>Capital Activities</u>			
4,096	Cash outflows - Purchase of fixed assets		10,104	
(6,002)	Cash inflows - Sale of fixed assets		(10)	
(1,686)	- Capital grant received		(2,431)	
(3,592)				7,662
(6,552)	<b>Net Cash Outflow/(Inflow) before financing</b>			<b>12,155</b>
	<u>Management of Liquid Resources</u>			
5,500	Net increase/(decrease) in investments	32	(8,800)	
2	Net increase/(decrease) in imprests	33	36	
5,502				(8,764)
	<u>Financing</u>	32		
249	Cash outflows - Repayment of amounts borrowed		355	
(872)	Cash inflows - New loans raised		(2,772)	
(623)				(2,417)
(1,673)	<b>Net (Increase)/Decrease in cash</b>	33		<b>974</b>

# **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	
	2007/8 £000	2008/9 £000	2007/8 £000	2008/9 £000
<b>Net Cost of Services</b>				
Current service cost	4,254	3,774	24,593	18,145
Curtailement/settlements	-	88		
Past service cost	-	330	-	605
Change to accounting policies	-	610	-	-
<b>Net Operating Expenditure</b>				
Interest cost	3,951	4,595	38,764	45,647
Expected return on assets	(4,006)	(4,090)		
<b>Amounts to be met from Government Grants and Local Taxation</b>				
Movement on pensions reserve	(4,199)	(5,307)	(63,357)	(64,397)
	-	-	-	-
<b>Actual amount charged against council tax for pensions in the year</b>				
Employers contributions	3,368	3,085		
Unfunded Pension Payments	16	16		
Retirement benefits paid			18,092	21,873
Total Transfer to Reserves	(815)	(2,206)	(45,265)	(42,524)

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 2009 are as follows:

	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme		Total	
	31/03/08 £000	31/03/09 £000	31/03/08 £000	31/03/09 £000	31/03/08 £000	31/03/09 £000	31/03/08 £000	31/03/09 £000
Estimated funded liabilities in scheme	67,370	59,585					67,370	59,585
Estimated unfunded liabilities in scheme	250	231	692,231	640,698	1,223	2,055	693,704	642,984
Additional Employers	-	-	7,827	17,771	-	-	7,827	17,771
Estimated assets in scheme	60,978	53,825	-	-	-	-	60,978	53,825
<b>Net liability</b>	<b>6,642</b>	<b>5,991</b>	<b>684,404</b>	<b>622,927</b>	<b>1,223</b>	<b>2,055</b>	<b>692,269</b>	<b>630,973</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £631.0M has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £616.5M. 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	
	31/03/08	31/03/09	31/03/08	31/03/09
Rate of inflation	3.7%	3.0%	3.7%	3.0%
Rate of increase in salaries	5.7%	4.5%	5.2%	4.5%
Rate of increase in pensions	3.7%	3.0%	3.7%	3.0%
Rate for discounting scheme liabilities	6.6%	6.7%	6.6%	6.7%

**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 2008	Assets at 31 March 2009
	% pa	%	%
Equities	6.8	74.1%	72.1%
Gilts	4.0	8.0%	11.2%
Bonds	6.5	1.1%	1.5%
Property	6.4	4.7%	5.2%
Cash	3.0	12.1%	10.0%
		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 31/03/08	Year to 31/03/09	Year to 31/03/08	Year to 31/03/09	Year to 31/03/08	Year to 31/03/09
	£000	£000	£000	£000	£000	£000
Actual Return Less Expected return on Pension Scheme Assets	(4,661)	(14,040)	0	0	0	0
Experience Gains and Losses Arising on the Scheme Liabilities	(23)	0	(33,346)	0	(546)	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	12,048	16,897	99,982	92,758	376	467
<b>Actuarial Gain/(Loss) in Pension Plan</b>	<b>7,364</b>	<b>2,857</b>	<b>66,636</b>	<b>92,758</b>	<b>(170)</b>	<b>467</b>
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0	0
Fall and Other Factors	0	0	0	0	0	0
<b>Actuarial Gain/ (Loss) Recognised in STRGL</b>	<b>7,364</b>	<b>2,857</b>	<b>66,636</b>	<b>92,758</b>	<b>(170)</b>	<b>467</b>
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 31/03/08	Year to 31/03/09	Year to 31/03/08	Year to 31/03/09	Year to 31/03/08	Year to 31/03/09
	£000	£000	£000	£000	£000	£000
Opening Defined Benefit Obligation	72,140	67,620	714,432	684,404	223	1,223
Service Cost	4,254	3,774	23,996	17,380	597	765
Interest Cost	3,951	4,595	38,731	45,528	33	119
Actuarial losses (gains)	(13,514)	(16,897)	(66,636)	(92,758)	170	(467)
Losses (gains) on curtailments	0	88	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	(391)	(975)	(24,073)	(28,012)	0	0
Past Service Cost	0	330	0	605	0	0
Contribution by Scheme participants	1,196	1,297	5,781	5,724	200	415
Additional Employer Contributions	0	0	(7,827)	(9,944)	0	0
Unfunded pension payments	(16)	(16)	0	0	0	0
<b>Closing Defined Benefit Obligation</b>	<b>67,620</b>	<b>59,816</b>	<b>684,404</b>	<b>622,927</b>	<b>1,223</b>	<b>2,055</b>

Opening fair value of Scheme assets	58,950	60,979	0	0	0	0
Expected return on Scheme assets	4,006	4,090	0	0	0	0
Actuarial gains (losses)	(6,150)	(14,040)	0	0	0	0
Contributions by employer including unfunded benefits	3,384	3,101	0	0	0	0
Contributions by Scheme participants	1,196	1,297	0	0	0	0
Change to Accounting Policies	0	(610)	0	0	0	0
Estimated benefits paid including unfunded benefits	(407)	(991)	0	0	0	0
Receipt of bulk transfer value	0	0	0	0	0	0
<b>Fair value of Scheme assets at end of period</b>	<b>60,979</b>	<b>53,826</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 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 31/03/05 £000	Year to 31/03/06 £000	Year to 31/03/07 £000	Year to 31/03/08 £000	Year to 31/03/09 £000
Difference Between the Expected and Actual Return on Assets	1,727	9,036	221	(4,661)	(14,040)
Value of Assets	37,851	52,023	58,949	60,978	53,825
<b>Percentage of Assets</b>	<b>4.6%</b>	<b>17.4%</b>	<b>0.4%</b>	<b>(7.6%)</b>	<b>(26.1%)</b>
Experience Gains/(Losses) on Liabilities	2,225	0	0	(23)	0
Total Present value of Liabilities	54,651	67,141	72,140	67,620	59,585
<b>Percentage of the Total Present Value of Liabilities</b>	<b>4.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(0.0%)</b>	<b>0.0%</b>
Actuarial Gains/Losses Recognised in STRGL	2,903	2,505	3,098	7,363	2,857
Total Present Value of Liabilities	54,561	67,141	72,140	67,620	59,816
<b>Percentage of the Total Present Value of Liabilities</b>	<b>5.3%</b>	<b>3.7%</b>	<b>4.3%</b>	<b>10.9%</b>	<b>4.8%</b>
Effect of change in accounting methodology	-10,608	0	0	0	0
Present Value of Liabilities	54,561	67,141	72,140	67,620	59,816
Percentage of the Present Value of Liabilities	19.4%	0.0%	0.0%	0.0%	0.0%
History of Experience Gains & Losses					
	1987 Police Pension Scheme				
	Year to 31/03/05 £000	Year to 31/03/06 £000	Year to 31/03/07 £000	Year to 31/03/08 £000	Year to 31/03/09 £000
Difference Between the Expected and Actual Return on Assets	0	0	0	0	0
Value of Assets	0	0	0	0	0
<b>Percentage of Assets</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Experience Gains/(Losses) on Liabilities	38,229	0	0	(33,346)	0
Total Present value of Liabilities	608,299	690,705	711,285	684,404	622,927
<b>Percentage of the Total Present Value of Liabilities</b>	<b>6.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(4.9%)</b>	<b>0.0%</b>
Actuarial Gains/Losses Recognised in STRGL	19,282	(44,816)	20,281	66,636	92,758
Total Present Value of Liabilities	608,299	690,705	711,285	684,404	622,927
<b>Percentage of the Total Present Value of Liabilities</b>	<b>3.2%</b>	<b>(6.5%)</b>	<b>2.9%</b>	<b>9.7%</b>	<b>14.9%</b>
Effect of change in accounting methodology	-89,713	0	0	0	0
Present Value of Liabilities	608,299	690,705	711,285	684,404	622,927
Percentage of the Present Value of Liabilities	14.7%	0.0%	0.0%	0.0%	0.0%

History of Experience Gains & Losses					
	2006 Police Pension Scheme				
	Year to 31/03/05 £000	Year to 31/03/06 £000	Year to 31/03/07 £000	Year to 31/03/08 £000	Year to 31/03/09 £000
Difference Between the Expected and Actual Return on Assets	0	0	0	0	0
Value of Assets	0	0	0	0	0
<b>Percentage of Assets</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Experience Gains/(Losses) on Liabilities	0	0	0	(546)	0
Total Present value of Liabilities	0	0	223	1,223	2,055
<b>Percentage of the Total Present Value of Liabilities</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(44.6%)</b>	<b>0.0%</b>
Actuarial Gains/Losses Recognised in STRGL	0	0	8	(170)	467
Total Present Value of Liabilities	0	0	223	1,223	2,055
<b>Percentage of the Total Present Value of Liabilities</b>	<b>0.0%</b>	<b>0.0%</b>	<b>3.6%</b>	<b>(13.9%)</b>	<b>22.7%</b>
Effect of change in accounting methodology	0	0	0	0	0
Present Value of Liabilities	0	0	223	1,223	2,055
Percentage of the Present Value of Liabilities	<b>0.0%</b>	<b>0.0%</b>	0.0%	0.0%	0.0%

**Projected Pension Expense for the year to 31 March 2010:**

	Local Government Pension Scheme	1987 Police Pension Scheme	2006 Police Pension Scheme
	Year to 31/03/10	Year to 31/03/10	Year to 31/03/10
	£000s	£000s	£000s
Service cost	2,629	13,863	580
Interest cost	4,143	42,765	177
Return on assets	(3,482)	-	-
Total	3,290	56,628	757
Employer contributions	3,005	5,982	434

### 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 2008/2009	0	114.6
Outstanding undischarged Leasing Obligations.		
2009/2010	0	117.0
2010/2011	0	116.0
2011/2012	0	83.2
2012/2013	0	17.8

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. PUBLICITY AND ADVERTISING

Per the requirements of section 5(1) of the Local Government Act 1986 [s115(c) of the Local Government Act (Northern Ireland) 1972], the Authority's spending on publicity was:

2007/2008 £000		2008/2009 £000
27	Staff Advertising	45
10	Other Advertising	36
36		80

#### 5. OFFICERS' EMOLUMENTS

During the financial year 2008/2009, the numbers of staff whose remuneration, excluding employers pension contributions, were £50,000 or more in bands of £10,000 were:

2007/2008	Remuneration Band	Number of staff		
		Police Officers	Support Staff	Total
78	£50,000 - £59,999	113	6	119
6	£60,000 - £69,999	8	2	10
19	£70,000 - £79,999	9	1	10
1	£80,000 - £89,999	3	0	3
2	£90,000 - £99,999	1	2	3
1	£100,000 - £109,999	1	1	2
3	£110,000 - £119,999	1	0	1
0	£120,000 - £129,999	0	0	0
1	£130,000 - £139,999	0	0	0
0	£140,000 - £149,999	0	0	0
1	£150,000 - £159,999	0	0	0
0	£160,000 - £169,999	0	1	1
0	£170,000 - £179,999	0	0	0
0	£180,000 - £189,999	0	0	0
0	£190,000 - £199,999	1	0	1

## 6. MEMBERS ALLOWANCES

Approved allowances paid to and on behalf of Members of the Police Authority for the financial year 2008/2009 were as follows:

2007/2008 £000		2008/2009 £000
165	Allowances for approved duties	193
60	Travel and Subsistence	52
225		244

## 7. 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	47,762
NNDR	41,710
Revenue Support Grant	5,806
Special Grant	1,478
Crime Fighting Fund	2,184
Police Community Support Officers Grant	2,852
Dedicated Security Funding	944
PFI Grant	4,137
Basic Command Unit Grant	512
Drug Testing Grant	245
Capital Financing Grant	177
Specials Grant	30

During 2008/09 there were 3, non Government department, related party transactions. The amounts involved were not significant.

## 8. PRIVATE FINANCE INITIATIVE

As at the end of 2008/09 the Authority has 2 long term contracts under the Private Finance Initiative.

The contract for the Tactical Training Centre for Urray Nook was entered into in April 2000 with payments commencing in April 2001. Payments in 2009-10, under this contract, are estimated to be £1,635,400.

The contract expires in 2025/6 at which time the assets pass to Cleveland Police Authority.

During 2006/07 the contract for the Centralised Cell Accommodation and District HQ facilities commenced with payments beginning in January 2007. Payments in 2009/10, under this contract, are estimated to be £4,747,500.

At the end of the Contract these assets will pass to Cleveland Police Authority and the required accounting transactions have been made to reflect this.

The contract expires in 2031/2

## 9. AUDIT COSTS

In 2008/09 the Police Authority incurred the following fees totalling £95.3k relating to external audit and inspection by the Audit Commission:

2007/2008 £000		2008/2009 £000
80.0	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	84.7
0	Fees payable to the Audit Commission in respect of additional services requested	10.6
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

## 10. MOVEMENT OF FIXED ASSETS 2008/2009

	Land and Buildings	Non Operational	Vehicles	Plant and Equipment	Intangibles	Total
	£000	£000	£000	£000	£000	£000
Gross book value at 1 April 2008	12,405	-	5,809	15,120	1,232	34,566
Accumulated depreciation	(1,119)	-	(2,667)	(10,873)	(1,005)	(15,664)
Net Book Value at 1 April 2008	11,286	-	3,142	4,247	227	18,902
Adjustments to opening balances	-	-	-	-	-	-
	11,286	-	3,142	4,247	227	18,902
Additions	4,719	-	1,370	3,872	349	10,310
Disposals	-	-	(1,438)	-	-	(1,438)
Revaluations	(2,188)	-	-	-	-	(2,188)
Non Operational Assets	-	-	-	-	-	-
Book value at 31 March 2009	13,818	-	3,074	8,118	576	25,586
Depreciation for 2008/09	(313)	-	(978)	(1,460)	(176)	(2,926)
Depreciation on Disposals 2008/09	-	-	1,184	-	-	1,184
Revaluations	1,351	-	-	-	-	1,351
<b>Net Book Value at 31 March 2009</b>	<b>14,856</b>	<b>-</b>	<b>3,281</b>	<b>6,659</b>	<b>400</b>	<b>25,196</b>

## CAPITAL COMMITMENTS

As at 31st March 2009, the Police Authority was contractually committed to capital works which amounted to approximately £1,758K.

## 11. 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 lives were reviewed and therefore any values adjusted accordingly.

## 12. INFORMATION ON ASSETS HELD

Analysis of Assets	2007/2008	2008/2009
<b>Buildings</b>		
Police Headquarters	1	1
Operational Police Stations	10	10
Non-Operational Police Stations	0	0
Radio Mast site	1	1
	12	12
<b>Vehicles</b>		
Cars	189	186
Vans	120	113
Other Vehicles	26	36
	335	335

## 13. CAPITAL EXPENDITURE IN THE YEAR

	£000	%
Capital Expenditure	10,310	
Movement on expenditure not yet adding to asset values	119	
Total Capital Expenditure	10,429	
<b>FINANCED BY</b>		
	<b>£000</b>	
General Grant	(3,905)	37%
Specific Grant	(1,052)	10%
Partnership Funding	(41)	0%
Revenue	(183)	2%
Capital Receipts	(2,478)	24%
Supported Capital Expenditure (SCE)	(872)	8%
Borrowing	(1,900)	18%
	(10,429)	100%

## 14. DEBTORS

31 March 2008 £000		31 March 2009 £000
2,489	Amounts falling due within 1 year	7,347
1,361	Government Departments	2,021
828	Other Local Authorities	580
4,678	Other Debtors	9,948
(40)	Less provision for doubtful debts	(70)
4,638		9,878
812	Payments in Advance	578
5,450		10,456

## 15. STOCKS

31 March 2008 £000		31 March 2009 £000
150	Uniforms	111
150		111

## 16. CREDITORS

31 March 2008 £000		31 March 2009 £000
(54)	Government Departments	(43)
(2,075)	Inland Revenue/ Customs and Excise	(2,144)
(371)	Other Local Authorities	(2,258)
(5,699)	Sundry Creditors	(6,804)
(8,199)	Sub total	(11,249)
(3,707)	Income in Advance	(1,451)
(11,906)		(12,700)

## 17. EXTERNAL BORROWING

31 March 2008 £000		31 March 2009 £000
	<b>Public Works Loans Board</b>	
(355)	Due in the next Financial Year	(320)
(8,656)	Long term loans	(11,108)
(9,011)		(11,428)

31 March 2008 £000	Maturity Period	31 March 2009 £000
(320)	1/2 years	(354)
(2,420)	2/5 years	(2,926)
(5,044)	5/10 years	(5,056)
(872)	Over 10 years	(2,772)
(8,656)		(11,108)

Interest rates vary between 4.40% and 5.30%. The average rate is 4.896%

## 18. PROVISIONS

31 March 2008 £000		31 March 2009 £000
(11)	Police Property Act Fund	(28)
(280)	Legal Provision	(102)
(291)	Balance at 31 March	(130)

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 but the remaining balance on the provision is being maintained and will be released when it is prudent to do so.

## 19. 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		2,954	(616)	2,338	Store of Capital resources set aside to meet past expenditure
Revaluation Reserve		0	(636)	(636)	Reflects upward movements in the book values of fixed assets
Usable Capital Receipts		(3,600)	2,468	(1,132)	Proceeds of fixed asset sales available to meet future capital expenditure
Pensions Reserve		692,269	(61,296)	630,973	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
General Fund		(8,882)	2,597	(6,285)	Resources available to meet future running costs of the Authority
Other Reserves		(7,004)	(1,781)	(8,785)	Reserves that are Earmarked for specific areas of expenditure in the future
		675,737	(59,264)	616,473	

## 20. FIXED ASSET RESTATEMENT ACCOUNT

31 March 2008 £000		31 March 2009 £000
4,860	Balance at 1 April	-
1,806	Capital expenditure not adding to asset values	
(3,758)	Revaluation adjustments	
195	Disposals	
(3,103)	Balance transferred to Capital Adjustment Account	
-	Balance at 31 March	-

## 21. CAPITAL FINANCING ACCOUNT

31 March 2008 £000		31 March 2009 £000
(3,272)	Balance at 1 April	-
(48)	Direct revenue financing of Capital Expenditure	
(223)	Partnership financing of Capital Expenditure	
2,206	MRP less Depreciation	
(1,613)	Transfer from Government Grants Deferred	
(343)	Capital Receipts Applied	
3,293	Balance transferred to Capital Adjustment Account	
-	Balance at 31 March	-

## 22. CAPITAL ADJUSTMENT ACCOUNT

31 March 2008 £000		31 March 2009 £000
(191)	Balance at 1 April	2,954
1,546	Capital expenditure not adding to asset values	119
(1,708)	Revaluation adjustments	1,473
(223)	Partnership financing of Capital Expenditure	(221)
-	Revenue contribution to capital	(183)
2,471	MRP less Depreciation	2,347
(2,458)	Transfer from Government Grants Deferred	(1,926)
(2,783)	Capital Receipts Applied	(2,478)
6,299	Disposals	253
2,954	Balance at 31 March	2,338

### 23. REVALUATION RESERVE

31 March 2008 £000		31 March 2009 £000
-	Balance at 1 April	-
(1,708)	Revaluations adjustments	(636)
1,708	Disposals	-
-	Balance at 31 March	(636)

### 24. 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 2008 £000		31 March 2009 £000
(7,628)	Balance at 1 April	(5,385)
(216)	Grants applied	(4,776)
2,458	Written off to Income and Expenditure Account	1,926
(5,385)		(8,235)

### 25. USABLE CAPITAL RECEIPTS RESERVE

Capital receipts of £10k were received in 2008/09. The balance of £1,133K in the Usable Capital Receipts Reserve is available to finance future years' capital expenditure.

31 March 2008 £000		31 March 2009 £000
(381)	Balance at 1 April	(3,600)
2,783	Capital Receipts applied	2,478
(6,002)	Capital Receipts received	(10)
(3,600)		(1,133)

## 26. CAPITAL GRANTS

31 March 2008 £000		31 March 2009 £000
(1,231)	Balance at 1 April	(2,700)
(1,686)	Grants received	(2,431)
216	Grants Applied	4,776
(2,700)	Balance at 31 March	(356)

## 27. EARMARKED RESERVES

31 March 2008 £000		Receipts in Year £000	Transfers/ Payments in Year £000	31 March 2009 £000
(1,420)	Insurance Fund	(140)		(1,560)
(420)	Risk/Insurance Team		150	(270)
(2,574)	Direct Revenue Funding of Capital	(158)	183	(2,549)
(281)	Specific Capital Grant		221	(60)
0	Injury Pension Reserve	(980)		(980)
(473)	Airwaves Project			(473)
(342)	Urlay Nook Sinking Fund	(114)		(456)
0	PFI Sinking Fund	(190)		(190)
(507)	Incentivisation Grant	(111)	256	(362)
0	Neighbourhood Policing	(196)		(196)
(43)	Volunteers		43	0
0	Specials	(30)		(30)
(20)	Corporate Finance Training Plan	(25)		(45)
(209)	NEASU	(435)		(644)
(83)	Urlay Nook TTC		19	(64)
(42)	Development Fund			(42)
(200)	Web Services Architecture		60	(140)
(130)	Invest to Save			(130)
(88)	Devolved Budget Carry Forwards	(24)	88	(24)
0	Project I	(174)		(174)
0	Accommodation Costs	(308)		(308)
(173)	Performance Improvement Ops		85	(88)
(7,004)		(2,885)	1,104	(8,785)

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 31<sup>st</sup> March 2008, it was estimated that £1.32m of claims payments will have been made from the Fund after the 31<sup>st</sup> 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 31<sup>st</sup> March 2009, the Insurance Fund balance was £1.56 million (a surplus 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 for 3 years

## **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 in 2009/10.

## **Volunteers**

This funding was used in line with the reason it was earmarked.

## **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 2009/10.

## **Corporate Finance Training Plan**

Finance modernisation funding carried forward to continue the planned training and skills development of the Corporate Finance Department.

## **Development Fund**

Funding carried forward to support development projects in collaboration with the Police Authority.

## **NEASU**

The North East Air Support Unit Consortium has reserves that total £1,215k which are held by Northumbria Police Authority, Cleveland Police Authority's share of these reserves total £262k. The consortium also holds other assets, including grants and contracts, which total £1,200k, Cleveland Police Authority's share of these total £382k.

## **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.

## **Performance Improvement Initiatives**

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

## **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

## **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.

## **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.

## **Devolved Budget Carry Forwards**

Devolved Service Unit budgets that have been carried forward into 2009/10.

## 28. PROCEEDS OF CRIME ACT 2002

The Authority is holding cash at bank totalling £747k in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

## 29. ANALYSIS OF GRANTS

ANALYSIS OF GRANTS		
	£000	£000
Main Police Grant		<b>47,762</b>
Partnership Grants		<b>3,375</b>
<b>Specific Grants:</b>		
Special Grant	1,478	
Crime Fighting Fund	2,184	
PCSO Grant	2,852	
PFI - Urlay Nook	972	
Dedicated Security Posts Funding	944	
PFI - Action Stations	3,165	
BCU Grant	512	
Capital Financing Grant	177	
Specials Grant	30	
<b>Specific Grants Total</b>		<b>12,314</b>
		<b>63,451</b>

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

	£000	£000
<b>Net Deficit on the Income and Expenditure account</b>		37,336
<b>Deduct:</b>		
Interest payments	(528)	
(Increase)/Decrease in provisions, reserves & surplus	4,334	
Fixed asset accruals	326	
Net Change in Pension Liability	(44,730)	
Depreciation and Impairment of Fixed Assets	(4,399)	
Government Grants Deferred amortisation	1,926	
Profit on the sale of Fixed Assets	(243)	
Contribution to Pension Fund	9,944	
Interest received	1,107	
		(32,263)
<b>Net Cash Flow from Revenue Activities</b>		<b>5,073</b>

### 31. MOVEMENT IN PROVISIONS, RESERVES AND CURRENT ASSETS

	31 March 2008 £000	31 March 2009 £000	Movement £000
Stocks	150	111	(39)
Debtors	5,450	10,456	5,006
Creditors	(11,906)	(12,700)	(794)
Provisions	(291)	(130)	161
	<b>(6,597)</b>	<b>(2,264)</b>	<b>4,334</b>

### 32. RECONCILIATION OF FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	1 April 2008 £000	31 March 2009 £000	Movement £000
<b>Financing</b>			
Increase in Long Term Borrowing	(8,656)	(11,108)	(2,452)
Reduction in Short Term Borrowing	(355)	(320)	35
<b>Net Change in Borrowing</b>	<b>(9,011)</b>	<b>(11,428)</b>	<b>(2,417)</b>
Short Term Investments	20,000	11,200	(8,800)
<b>Net Cash Flow from Financing and Management of Liquid Resources</b>	<b>10,989</b>	<b>(228)</b>	<b>(11,217)</b>

### 33. MOVEMENT IN CASH AND CASH EQUIVALENTS

	1 April 2008 £000	31 March 2009 £000	Movement £000
Cash Overdraft	-	-	-
Imprests	91	128	(36)
Cash in Hand	1,232	258	974
<b>Net (Increase)/decrease in Cash</b>	<b>1,323</b>	<b>386</b>	<b>937</b>

### 34. 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.

## **35. AGENCY SERVICES**

### **Consortium Charges**

The Authority has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2008/09 amounted to £0.455m (£0.451m in 2007/08).

### **North East Air Support Consortium**

Cleveland Police Authority are part of the North East Air Support Unit Consortium which also comprises Durham Police Authority and is lead by Northumbria Police Authority.

The air support costs charged to the income and expenditure account in 2008/09 of £0.750m (£0.695m in 2007/08) are Cleveland Police Authority's contribution to the annual running costs of the Consortium.

At as the 31st March 2008 the Consortium has reserves of £1.215m which sits with the lead Authority but of which £0.262m is Cleveland Police Authority's share.

Our share of other assets held by the Consortium, including grants and contracts, totalled £382k. As at 31<sup>st</sup> March 2009 both the £262k and the £382k are shown as a debtor against Northumbria.

This Consortium came to an end on the 31<sup>st</sup> March 2009. Our share of the assets of the Consortium are shown within non-operational assets on the Balance Sheet at their depreciated value of £485.7k (estimated realisable value is expected to be £834k).

The £644k debtor against Northumbria has therefore been earmarked for the dissolution of the Consortium to enable Cleveland Police Authority to put towards the purchase, from the Consortium, of a helicopter with an estimated value of £1.15m.

### **Urley Nook Tactical Training Centre**

The Urley Nook Tactical Training Centre which is jointly run by Cleveland Police Authority and Durham Police Authority has reserves as at the 31st of March 2009 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 £0.309m in 2008/09 (£0.283m in 2007/08).

## 36. FINANCIAL INSTRUMENTS

31 March 2008 £000		31 March 2009 £000
	<b>Debtors:</b>	
2,489	Government Departments	7,347
1,361	Other Local Authorities	2,021
828	Other Debtors	580
(40)	Less provision for doubtful debts	(70)
812	Payments in Advance	578
<b>5,450</b>		<b>10,456</b>
<b>20,000</b>	<b>Investments</b>	<b>11,200</b>
<b>91</b>	<b>Imprests</b>	<b>128</b>
<b>1,232</b>	<b>Cash at bank</b>	<b>258</b>
	<b>Creditors:</b>	
(54)	Government Departments	(43)
(2,075)	Inland Revenue/ Customs and Excise	(2,144)
(371)	Other Local Authorities	(2,258)
(5,699)	Sundry Creditors	(6,804)
(3,707)	Income in Advance	(1,451)
<b>(11,906)</b>		<b>(12,700)</b>
<b>(355)</b>	<b>Short term loans</b>	<b>(320)</b>
<b>(8,656)</b>	<b>Long term borrowing</b>	<b>(11,108)</b>

	31 March 2008	31 March 2009
Interest Expense	412	528
Interest Income	(1,098)	(895)
Net (gain)/loss for the year	(686)	(367)

All the Authority's financial assets relate to loans and receivables and are measured as 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.

### **37. AUTHORISATION OF ACCOUNTS**

The Chief Executive of the Police Authority has set and authorised the date of issue for the Statement of Accounts as the 4<sup>th</sup> June 2009. 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)

2007/08 £000	FUND ACCOUNT	2008/09 £000
	<b>Contributions Receivable</b>	
	From Employer	
(13,397)	Normal	(13,710)
(1,387)	Capital contribution due to Ill Health Early Retirement	(558)
	From Members	
(5,968)		(6,174)
	<b>Transfers In</b>	
(393)	Individual Transfers in from Other Schemes	(213)
	<b>Benefits Payable</b>	
19,504	Pensions	21,042
4,441	Commutations and Lump Sum Retirement Benefits	8,434
1,388	Ill Health Lump Sum Benefits	791
	<b>Payments to and on Account of Leavers</b>	
21	Refunds of Contributions	23
237	Inter Authority Adjustments	209
235	Individual Transfers out to Other Schemes	99
4,680	<b>Sub-Total for the year before transfer from the Police Authority to fund the deficit for the year</b>	9,944
(4,680)	<b>Additional funding payable by the Police Authority to fund the deficit for the year</b>	(9,944)
0	<b>Net Amount Payable/Receivable for the Year</b>	0

£000	NET ASSETS STATEMENT	£000
	<b>Net Current Assets and Liabilities</b>	
53	Contributions due from Employer	111
1,034	Pension Top-Up Grant Receivable	5,381
0	Unpaid Pension Benefits	(1,516)
0	Amount due to Sponsoring Department	0
(54)	Other Current Assets & Liabilities	(44)

## **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.