

**Report of the Treasurer  
To the Chair and Members  
Of the Audit and Internal Control Panel  
3<sup>rd</sup> June 2010**

**Executive and Presenting Officer: Paul Kirkham, Treasurer**

**Status: For Decision**

**Statement of Accounts 2009/10 (Subject to Audit)**

**1 Purpose**

- 1.1 Under the Account and Audit Regulations 2003, local authorities, including police authorities, are required to receive and approve the Statement of Accounts before the end of June of the following year.
- 1.2 The role of the Audit and Internal Control Panel in this process, is set out in Appendix D of the Code of Corporate Governance and includes:
  - To review the Annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the authority.

**2 Recommendations**

Members are asked:

- 2.1 To review the accounting policies as set out in the Statement of Accounts on pages 13 to 18 inclusive, which the Authority has followed in producing these accounts.
- 2.2 To consider the analytical review of the accounts contained with the body of this report and specifically within paragraphs 3.10 to 3.14 below, to provide Members with confidence in the financial statements.
- 2.3 Approve the establishment of provisions totalling £92k. (3.15 refers)
- 2.4 Approve the establishment of earmarked reserves totalling £8,551k. (3.16 refers)

- 2.5 Subject to the foregoing, to recommend acceptance of the Statement of Accounts (Appendix A of this report) to the Police Authority Executive on the 15<sup>th</sup> June 2010, together with any matters that you wish to be brought to the attention of the Authority.

### **3 Reasons**

- 3.1 The Statement of Accounts are a valuable source of information for a range of Stakeholders including, but not limited to:
- Public – *accountability*.
  - Lenders – *security of investments*.
  - Partners – *spending*.
  - Government – *spending level, financial position*.
- 3.2 Preparation and publication is governed by legislation, regulations and Codes of Practice. (Over recent years there has been a concerted effort to bring UK public sector accounting in line with International Financial Reporting Standards (IFRS), and this is ongoing.)
- Primary Legislation e.g.
    - Local Government Finance Act 1982
  - Statutory Regulations e.g.
    - Accounts and Audit Regulations 2003
  - Codes of Practice /Guidance e.g.
    - Statement of Recommended Practice (SORP)
- 3.3 The role of the Audit and Internal Control Panel in reviewing the statement of accounts is essentially to provide assurance to the Police Authority Executive and to the wider stakeholder base that they conform to proper practices. Members may wish to cross reference this report to that from the Audit Commission entitled “Opinion Audit Protocol” which is elsewhere on this agenda.
- 3.4 The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (SORP) 2000/10. This specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair presentation of the financial position of the Authority.
- 3.5 Appendix A provides members with a brief explanation of the format and purpose of the accounts.
- 3.6 As the audit of the accounts by the Audit Commission is not scheduled to begin until the 9<sup>th</sup> June, the Statement of Accounts is presented subject to audit. The audited accounts and any amendments resulting from the audit will be presented to a future Authority meeting.
- 3.7 The public will be able to inspect the accounts from 19<sup>th</sup> July to 6<sup>th</sup> August. Formal notice has been given in the press.

- 3.8 The statement of accounts appended to this paper detail, on pages 13 to 18 inclusive, the Accounting Policies that the Authority has approved for use during 2009-10 and which underpin these accounts. Changes to accounting policies are disclosed on page 5 of the Statement of Accounts.

*"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."*

#### Implementation of International Financial Reporting Standards (IFRS)

- 3.9 Members will observe that the ongoing implementation of IFRS has required the restatement of prior years' data, which when considered in concert with 2009/10 data paint a potentially misleading position for stakeholders. The review of the 5 Core Statements within the Statement of Accounts has been undertaken with appropriate references to IFRS effects for Members information.

#### 3.10 Income and Expenditure Account (Page 20)

Net cost of services is £114,975k in 2009/10; these are in comparison to £138,926k (restated) in 2008/09.

A fairer comparison is to remove the impact of the adjustments required in relation to FRS17 which determines the accounting and charges required for pension benefits and for which the Authority has no real control over.

The restatement of 2008/09 for the requirements of IFRIC 12 (Service Concessions) also includes an impairment charge on PFI assets, and so the comparison should also exclude this charge.

The following table sets out this position and shows an overall increase in the amount spent on Net Cost of Services of 1.0%:

Table 1

<b>Movement on Net Cost of Services</b>	2008/09	2009/10	Increase
	£k	£k	%
Net Cost of Services as per Statement of Accounts	138,926	114,975	
FRS 17 technical pensions adjustments	2,445	11,505	
PFI Impairment	(16,150)	0	
Policing Services (excluding FRS 17 adjustments)	<b>125,221</b>	<b>126,480</b>	<b>1.0%</b>

### 3.11 Statement of Movement on General Fund (Page 21)

The deficit on the Income and Expenditure Account of £21,603k, whilst technically an accurate picture of the resources generated and consumed by the Authority in the year, does not show how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.

This is the purpose of this statement.

It takes the deficit on the Income and Expenditure Account and removes those items not chargeable against council tax.

The end result of which is a call of £892k for the year on the General Fund of the Authority. This is consistent with the plans approved by the Authority at the start of the 2009/10 financial year and the agreed in year adjustments. The expectation was that there would be a £925k contribution from the general fund to the 2009/10 budget, after allowing for £975k to be retained for supporting the 2010/11 budget.

### 3.12 Statement of Total Recognised Gains and Losses (Page 22)

The requirement of this statement is to demonstrate 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 biggest movement within this statement and ultimately on the balance sheet relates to the actuarial losses within the Pension funds as determined on a FRS17 basis.

### 3.13 Balance Sheet (Page 24)

- Fixed Assets have increased by £7.0m (restated) as a result of the following:

Table 2

<b>Movement on Fixed Assets</b>	<b>£m</b>
Capital Expenditure	11.4
Depreciation/Amortisation	(3.8)
Disposals	(0.6)
<b>Total Movement</b>	<b>7.0</b>

- Debtors have decreased by £2.1m. This is due to the fact that the Home Office owes Cleveland Police Authority £1.7m less at 31<sup>st</sup> March 2010 than 31<sup>st</sup> March 2009 in relation to Police Pension payments that the Authority has made but for which the Home Office will reimburse us. The reimbursement only occurs once a year, on the 1<sup>st</sup> July, and is then only 80% of the amount expected to fall due during the year, with the remaining 20% being paid on the 1<sup>st</sup> July the following year.

2009/10 also saw improved processes around debt collection naturally leading to a reduced balance at the year-end.

- Creditors are lower by £3.9m which is primarily due to two things. Firstly, there was £1.9m owing regarding Ascent at the end of 2008/09 which was paid during 09/10; secondly the £1.1m commutation adjustment relating to amounts previously paid on retirement was also owing at the end of 2008/09.
- Whilst the 'Net Worth' of the Authority is showing an overall negative balance of £939,278k this is as a result of the large liability showing on the Pension Fund of £942,458k. Once this liability is removed, and it is not unreasonable to do this given that this liability is effectively under written by the Government, then the Net Worth would show as £3,180k in comparison to £787k in 2008/09 (restated).

### 3.14 Cash Flow Statement (Page 25)

The Cash Outflows for 2009/10 were £146.6m which is an increase of £0.2m on 2008/09 (restated).

The investments of the Authority have decreased by £3.7m during the year from £11.2m in 2008/09 to £7.5m in 2009/10. This is noticeable both on the Balance Sheet and within the Cash Flow Statement. The reason for this reduction is £2.3m of capital spend not funded by borrowing or grants had to be funded from monies otherwise invested, along with the overall net reduction in debtors and creditor balances representing an outflow to the organisation of around £1.8m.

### 3.15 Provisions

Members are asked to approve the establishment of provisions totalling £92k as shown in Table 3 below.

Table 3

<b>Provisions</b>	
	£000s
Legal Provision	54
Police Property Act Fund	38
<b>Total Provisions</b>	<b>92</b>

3.16 Earmarked Reserves

Members are also asked to approve the establishment of Earmarked Reserves totalling £8,551k as shown in Table 4 below.

Table 4

<b>Earmarked Reserves</b>	<b>£000s</b>
Insurance Fund	(1,560)
Risk/Insurance Team	(120)
Direct Revenue Funding of Capital	(2,843)
Airwaves Project	(473)
Urlay Nook Sinking Fund	(570)
Incentivisation Grant	(354)
Air Support	(506)
Urlay Nook TTC	(64)
Development Fund	(12)
Invest to Save	(130)
Devolved Budget Carry Forwards	(305)
Injury Pension Reserve	(980)
Accommodation Costs	(177)
Neighbourhood Policing	(196)
PFI Sinking Fund	(232)
Specials	(30)
<b>Total</b>	<b>(8,551)</b>

3.17 A reconciliation of the Income and Expenditure Balance shown in the accounts with the Budgetary Control outturn is shown in Table 5 below:

<b>Reconciliation to Budgetary Control</b>		
	<b>£000s</b>	
<b>I&amp;E Account Net Deficit</b>	<b>21,603</b>	
Depreciation/Impairments	(3,825)	Not chargeable to Council Tax
Net change in Pension Liability	(32,005)	Not chargeable to Council Tax
Gain on sale of Fixed Assets	220	Not chargeable to Council Tax
	<b>(14,007)</b>	
Government Grants Deferred	1,539	Chargeable to Council Tax
Minimum Revenue Provision	2,169	Chargeable to Council Tax
<b>Gross Surplus</b>	<b>(10,299)</b>	
Additional Contribution to the Pension Fund	10,882	Appropriation Account
Transfers to Earmarked Reserves	402	Appropriation Account
Precept Collection Surplus Adjustment	(93)	Appropriation Account
2009/10 Revenue Support	(925)	Appropriation Account
<b>Reported Surplus per Budgetary Control</b>	<b>(33)</b>	

## **4 Implications**

### **4.1 Finance**

The Statement of Accounts is consistent with the revenue and capital outturn reports that are also on today's agenda. The reported Budgetary Control outturn is a £33k underspending following agreed reserve movements. This is consistent with the forecasts that have been reported to Members throughout 2009/10 and is reconciled to the Income and Expenditure Balance shown in the Statement of Accounts as shown in Table 5 above.

### **4.2 Diversity & Equal Opportunities**

There are no diversity implications.

### **4.3 Sustainability**

The report is part of a series aimed at setting and monitoring a sustainable financial position for the Authority.

### **4.4 Risk**

Incorrectly prepared Statement of Accounts may materially misrepresent the financial position of the Authority, giving rise to risks to reputation, service and financial planning processes, as well as exposure to additional costs. Adherence to proper practices, the closure processes undertaken within the Force, combined with reviews by the ACO(F&C) and Treasurer are designed to mitigate such risks.

## **5 Conclusion**

The role of the Audit and Internal Control Panel in reviewing the statement of accounts is set out in Appendix D of the Code of Corporate Governance. This report is to provide Members of the Panel with the required information for them to discharge this role.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice 2009/10 and the subsequent Police Pension Fund Regulations 2007 (SI 1932/2007) and give a true and fair presentation of the financial position of the Authority and the Police Pension Fund for the year ended 31<sup>st</sup> March 2010.

**Paul Kirkham**  
**Treasurer**

### **Introductory Foreword**

Sets out the outturn position in summary and is in a format consistent with the monitoring reports received by Members throughout 2009/10.

### **Statement of Responsibilities**

Sets out the responsibilities of the Police Authority, the Treasurer, in his role of Section 151 Officer, and those of the Chair of the Police Authority.

### **Auditors Report**

The Audit Commission audits the financial statements and the police pension fund accounting statements under the Audit Commission Act 1998 and give an opinion on whether the financial statements present fairly the financial position of the Authority.

### **Statement of Accounting Policies**

Accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in the financial statements.

### **Income & Expenditure Account**

The Income & Expenditure Account is fundamental to the understanding of the Authority's activities. It brings together all the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Authority, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert expenditure to be met from capital resources.

### **Statement of Movement on the General Fund Balance**

The Income & Expenditure Account discloses the income receivable and expenditure incurred for the year. Both income and expenditure are measured using UK GAAP. However, the items of income and expenditure which must be taken into account in determining the authority's Net Budget Requirement and Precept is determined by Statute and non-statutory proper practices not UK GAAP. Although these are largely the same, there are a number of significant differences e.g. depreciation is charged to the Income & Expenditure Account but cannot be charged to the General Fund.

This statement provides the necessary reconciliation between the Income & Expenditure Account balance and the Movement on the General Fund Balance.

### **Statement of Total Recognised Gains & Losses**

Not all the gains and losses experienced by an authority are recognised in the Income & Expenditure Account e.g. gains on the revaluation of fixed assets and pension fund actuarial gains. These are excluded as they do not arise from operational performance. This statement sets out total gains and losses for the year and effectively reconciles the Income & Expenditure Account balance and the change in Net Worth reported in the Balance Sheet.

### **The Balance Sheet**

The Balance Sheet shows balances and reserves and long term indebtedness together with fixed and current assets. The difference between the two is the authority's net worth.

### **The Cash Flow Statement**

This statement shows inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

### **Notes to the Core Financial Statements**

The Statement of Recommended Practice 2009/10 sets out the minimum information to be disclosed as notes to the core financial accounts.

### **Police Pensions Fund Account**

The funding arrangements for the Police Pension scheme in England and Wales changed on 1 April 2006. Each Police Authority is required by legislation to operate a Police Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation. A top-up grant is receivable, to the Authority, from the Secretary of State equal to the amount by which the amount payable from the Pension Fund for the year exceeds the amount receivable. The grant received is then transferred to the Pension Fund from the Authority.

### **Annual Governance Statement**

The Authority is 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 throughout the year and that arrangements are in place for the management of risk.

This statement explains how the Authority has complied with its Code of Corporate Governance and also meets the requirements the Accounts & 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.

## GLOSSARY OF TERMS

This Glossary of Terms is designed to aid interpretation of the Authority's Statement of Accounts.

### **Accounting Policies**

These specify how transactions and other events should be reflected in financial statements.

### **Accruals**

A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the date of the balance sheet.

### **Audit Commission**

An independent body established under the Local Government Finance Act 1982, which has a duty to ensure that local authorities secure economy, efficiency and effectiveness in their use of resources.

### **Balances and Reserves**

These represent the accumulated "free" monies of the authority. General Fund Balances may be utilised to reduce the Council Tax. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined initiatives.

### **Best Value Accounting Code of Practice (BVACOP)**

A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

### **Budget**

A statement of the Authority's spending plans for revenue and capital expenditure over a specified period of time.

### **Capital Expenditure**

Expenditure on the acquisition, creation or enhancement of a fixed asset, e.g. land, buildings or equipment.

### **Capital Receipts**

Proceeds from the sale of capital assets which can only be used to repay the original loan or to finance new capital expenditure. Any receipts which have not yet been utilized as described are referred to as 'capital receipts unapplied'.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingency**

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

### **Corporate and Democratic Core**

The costs of operating the Police Authority.

### **Council Tax**

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

### **Creditors**

Amounts owed by the Authority for work done, services rendered or goods received for which payment has not been made by the balance sheet date.

### **Current Assets**

Assets which will be consumed or cease to have value within the next accounting period e.g. stock and debtors.

### **Current Liabilities**

Amounts which will become payable or could be called in within the next accounting period e.g. creditors and cash overdrawn.

### **Debtors**

Amounts owed to the Authority for work carried out, services rendered or goods provided by the Authority or Force for which income has not been received by the balance sheet date.

### **Deferred Charges**

This is expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the authority. The cost is to be charged to revenue over an appropriate period.

### **Deferred Credits**

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed

### **Depreciation**

This is the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

### **Direct Revenue Financing**

Resources provided from an authority's revenue budget to finance the cost of capital projects.

### **Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the authority's operations and represents a material reduction in its provision of services.

### **Emoluments**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **Estimation Techniques**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed

to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

### **Financial Reporting Standards (FRSs)**

FRSs are statements which deal with accounting issues of fundamental importance and general application. They are applicable to all published accounts and compliance is mandatory. The Code of Practice on Local Authority Accounting in UK applies FRSs to Authorities accounts as appropriate.

### **Financial Year**

The Authority's financial year runs from the 1<sup>st</sup> April to 31<sup>st</sup> March.

### **Fixed Asset Restatement Account**

An account required following the introduction of the capital accounting regime from 1 April 1994, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

### **Fixed Assets**

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

### **General Fund**

The main revenue account of the Authority covering day to day spending on services other than the provision of housing. Credited to the fund are charges made by the authority, specific Government and other grants.

### **Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

### **Government Grants**

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **Impairment**

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

### **Leasing**

A method of utilizing assets where a rental charge is paid for a specified period of time, instead of outright purchase.

### **Liquid Resources**

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **Long Term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **National Non Domestic Rates (NDR)**

A tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and paid into a national pool. The proceeds are

then redistributed by central government as a grant to local authorities in proportion to adult population.

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **Non-Operational Assets**

Fixed assets held by an authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operating Leases**

A lease other than a finance lease. This is a method of financing assets which allows the Authority to use, but not own an asset. A third party purchases the asset on behalf of the Authority, who then pays the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.

### **Operational Assets**

Fixed assets held and occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### **Precept**

This is a charge levied by one Authority which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

### **Prior Year Adjustments**

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Provision**

These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

### **Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

### **Prudential Code for Capital Finance**

This Code introduced from 1<sup>st</sup> April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

### **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

### **Related Party Transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

### **Revenue Expenditure**

This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

### **Revenue Support Grant (RSG)**

This is a Government grant in aid of local authority Services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

### **Stocks**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

### **Statement of Recommended Practice – (SORP)**

This is the Code of Practice on Local Authority Accounting in the United Kingdom.

### **Total Cost**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned.

### **Unapportioned Central Overheads**

Overheads for which no user now benefits and that are not apportioned to services.

### **Useful Life**

The period over which the authority will derive benefits from the use of a fixed asset.