

STATEMENT OF ACCOUNTS – 2010/2011

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TREASURER'S INTRODUCTION

1. THE POLICE AUTHORITY REVENUE BUDGET FOR 2010/2011

The following table shows the 2010/2011 budget and the final outturn:

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2. POLICE AUTHORITY GENERAL REVENUE BALANCES

2009/2010 £000		2010/2011 £000
(6,285)	Opening Balance	(5,393)
925	Budgeted transfer (into)/from balances	(1,075)
(5,360)	Planned Position	(6,468)
(33)	Surplus (-ve) or Deficit on Years activities	(727)
(5,393)	Available balance at 31 March	(7,195)

WHERE THE MONEY GOES TO:

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WHERE THE MONEY COMES FROM:

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3. CAPITAL

The Authority spent £9,748k on capital projects during the year. The programme was fully financed from capital resources in the year.

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 International Accounting Standard (IAS) 19 – Employee Benefits.

5. CHANGES TO ACCOUNTING POLICIES

Under the 2010 IFRS Code the authority has adopted the requirements of the IFRS Code (based on International Financial Reporting Standards) which has resulted in the following Accounting Policy changes:

- Cash and Cash Equivalents (IAS 7) – the requirement is now to classify all cash immediately accessible without penalty as cash and cash equivalents as opposed to an investment which is how the Authority previously classified these items.
- Accumulated Compensated Absences (IAS 19) – an amount to represent the benefit earned by the Authority as a result of employees earning Time Off in Lieu (TOIL), flexi-time and untaken holidays must now be shown as a creditor with a statutory override granted to take this cost out through the Movement on Reserves Statement so as not to affect Council Tax.
- Grants and Contributions (IAS 20) – where a grant has conditions which have been met or, alternatively, no conditions, the grant is credited to the Comprehensive Income and Expenditure Statement and the unspent income received must now be recognised in reserves as opposed to as a creditor as income in advance. Grants with conditions which haven't been met, and there is therefore a likelihood that any unspent funds will have to be repaid to the originator of the grant, remain as income in advance within creditors.
- Pensions – the government changed the valuation of pension liabilities from a Retail Price Index (RPI) to a Consumer Price Index (CPI) basis.

The Authority has made no other changes to Accounting Policies.

6. BORROWING FACILITIES

The Authority currently has £14,026k worth of borrowing taken out with the Public Works Loan Board (PWLB), the repayment of these loans are phased over the next 9 years and have been taken out to fund the Authority's capital programme. The Authority did not undertake any new borrowing in the 2010/11 financial year.

7. FURTHER INFORMATION

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

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

M. PORTER,
TREASURER

STATEMENT OF RESPONSIBILITIES

The Police Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing the Statement of Accounts, the Treasurer has:

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

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

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

The Statement of Accounts give a true and fair presentation of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011

Date:

Signature:

M Porter, Treasurer

The Chair's Responsibilities

In accordance with the requirements of Section 10 of the Accounts and Audit Regulations 2003 (as amended 2009) I confirm that the Statement of Accounts was approved by a resolution of the Police Authority on **23rd June 2011**:

Date:

Signature:

Chair of Cleveland Police Authority

AUDITOR'S REPORT

To Follow

ANNUAL GOVERNANCE STATEMENT

Position as at 31st March 2011 including plans for the financial year 2011/2012:

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, which is compliant with CIPFA/SOLACE principles of good governance, and guidance. It has been the subject of regular review and updating since then. A copy of the current Code is on our [website](#) or can be obtained from Cleveland Police Authority, Police Headquarters, Ladgate Lane Middlesbrough, TS8 9EH.
- 1.4 This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.3 An approved governance framework has been in place at the Authority for the year ended 31st March 2011 and up to the date of approval of the statement of accounts on 23rd June 2011.

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. Changes to the Code were agreed at the meeting on 3rd June 2010 and included:

- 3.3.1 Changes to the Terms of Reference for Panels were amended following the agreed changes to the Panel structure in November 2009:-
- The new Policy and Resources Panel's terms of reference now incorporate those from the previous Human Resources and Diversity Panel.
 - Reference to the defunct Strategic Procurement and Major Projects Panel has been removed. Responsibilities have reverted to the Police Authority Executive.
 - Minor change to the Standards Committee terms of reference to reflect the Standards Committee Regulations 2008 – dealing with complaints against Members.

- 3.3.2 A change to the Members Code of Conduct was added with a new sub-section being inserted which reads:

A Member must treat Authority and Force information as confidential where appropriate, especially when material is marked as "under the line" or "confidential" or "private" ; or when it is of a sensitive or personal nature and is not for public disclosure. Such information, whether electronic or hard copy, must be managed and disposed of in line with the principles of the Data Protection Act. Members are responsible for the safe and secure disposal of confidential waste.

- 3.3.3 The Code was updated as a result of the following legislation and regulation:-

- a. The Police and Crime Act 2009 with particular reference to the following:-
- Changes to the Police Act 1996 (c.16, Section 6 (2)) – matters which police authorities must have regard to in discharging their functions. Reference to taking account of the views of people in the authority's area about policing in that area, including a duty on HMIC to check on compliance.
 - Changes to Police Act 1996 (Section 23) allowing for police force and police authority collaboration agreements.
- b. Police Authority (Community Engagement and Membership) Regulations 2010 with particular reference to the following:-
- Police authorities must obtain the views of a wide range of diverse people, including businesses, about matters concerning the policing of their area.
 - Provisions for elected Mayors to sit on police authorities.
 - Provisions that Members appointed must represent the interests of a wide range of people and promote diversity.
 - Provisions regarding the election of the Chair, including his/her removal.
 - Provisions to change the make up of the independents' selection panel.
- c. Police Authority (Particular Functions) Regulations 2010 in respect of provisions to strengthen the police authority's duty to monitor complaints against the Force, with interventions where necessary to ensure a satisfactory response.
- d. Police Authority (Policing Plan) Regulations 2010 whereby the authority must publish a Value for Money Statement within the Policing Plan each year.

e. Reference to policy outlined in the Policing White Paper 2009.

- 3.4 The Audit & Internal Control Panel has the remit to act as the Authority's Audit Committee. Force performance is scrutinised by the Operational Policing panel, whilst responsibility for overseeing financial management, efficiency and effectiveness rests with the Policy & Resources panel. All panels report to the Police Authority Executive largely on a two monthly cycle. The frequency of meetings has changed to reduce bureaucracy whilst ensuring timely decision making and this has been assisted by an annual timetable of decision making and scrutiny by panels.
- 3.5 The Code of Corporate Governance is accessible through the authority's website. It meets the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The next major review is to be considered at the authority's June meeting and will include updates to the Terms of Reference of the Standards Committee, the Leadership Panel and the Joint Risk Management Group. These have been agreed during the year as part of the ongoing process to ensure that the Governance Framework is updated and reviewed on a regular basis.

The Force

- 3.6 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.
- 3.7 The work of the Force Executive is supported by Service Units.
- 3.8 This support structure is designed to manage service delivery whilst ensuring that effective governance is applied throughout the Force. The Corporate Planning and Governance Service Unit has direct responsibility for business planning, policy co-ordination, change and corporate performance management and risk management / service continuity. Whilst the Operational Performance Team has a more day to day focus on improving Force performance including operations audit, inspection and review. The Strategic Development Group oversees development of operational and business policies. This is chaired by the Chief Constable. It follows the Chief Constable's operational vision of Putting People First, and is guided by the local and national Policing Plan, applicable legislation and best practise. All of these have key roles in corporate governance.
- 3.9 The Force Performance Management Framework is well established with monthly performance reviews with service unit managers by the Executive lead officers.
- 3.10 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 Joint Risk Management Group, surveying of all Service Unit Managers, 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 Surveying of Service Unit Managers

The purpose of this is to conduct a 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 this work is reported to management and to the Audit & Internal Control Panel. For the first time in 2010/11 this survey and the evidence which supports compliance with the systems of internal control is the subject of an Internal Audit review. The results of this survey aids in the drafting of the Annual Governance Statement, including identification of areas for improvement and for further management and Member scrutiny.

- Internal Audit:

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

- Internal Audit operates to CIPFA's Code of Internal Audit Practice 2006 and the Accounting Practices Board Guidance for Internal Auditors. The Authority received a self assessment from internal audit on 21st April 2011 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 2010/2011 on 21st April 2011 and endorsed the Head of Internal Audit's assurance on internal control.
- Internal Audit reports to the Chief Executive and the Audit & Internal Control Panel. Prior to each meeting of the Panel all of its Members have a collective opportunity to meet with the Head of Internal Audit. Protocols also provide for the Chair and Vice Chair to meet privately with the Head of Internal Audit if and when required.
- Internal audit work is planned using a risk-based approach that aims to ensure that the Treasurer's responsibilities under Sec 151 and 144 are fulfilled and that an effective internal audit service is provided to the Authority.

- External Audit – the Audit Commission in its annual audit letter reports on:

- The Authority's accounts; and
- Whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

External audit express an opinion on the adequacy of internal audit work. After each meeting of the Panel all of its Members have a collective opportunity to meet with the Audit Manager.

- Audit and Internal Control Panel

This panel acts as the Audit Committee for the Authority. During 2010/2011 the Panel has met formally on 5 occasions to conduct its business. Business includes, but is not limited to consideration and scrutiny of: proposed changes to internal control arrangements such as new Contract Standing Orders; 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.

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

- Joint Risk Management Group

This Group has the responsibility to engender and support a culture of risk management across the Police Authority and the Force in a consistent manner, to promote the embedding of risk management within integrated business and financial planning processes and to consider relevant recommendations flowing from inspections, assessments and reviews, and monitor progress of action plans.

The Group is now chaired by the Vice Chair of the Authority which ensures the required links into the Leadership Panel and is also attended by the Vice Chair of the Audit and Internal Control Panel.

The work of this group is part of the Annual Governance Statement delivery process and reported through the Audit and Internal Control Panel.

- Leadership Panel

The Leadership Panel, whose Membership consists of the Chair and Vice Chair of the Police Authority and the Chairs of the Police Authority Panels, has a broad remit to consider all aspects of leadership for the Force and Authority. Within the remit it has a range of responsibilities in relation to Governance that specifically includes the ownership and monitoring of both the Risk Register and the Business Plan of the Authority.

- Operational Policing Panel

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

- Professional Standards Panel

To ensure the Authority fulfils its role to secure an effective and efficient police service in respect of complaints against police (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 reviews the sources of assurance as part of the AGS process. This review takes place annually.

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

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 The following matters are to be classified as significant:

- 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. The Long Term Financial Plan approved by Members in February 2011 identified a significant amount of savings 'Graded Red' and in need of developing. The savings were to be delivered

from a range of workstreams being undertaken by the Futures Group. A key Governance issue for the Authority will be the close scrutiny of the Force's progress in delivering these workstreams, in conjunction with the close monitoring of the financial performance through both the Policy and Resources Panel and the Police Authority Executive

5.2 In addition to the Significant Governance issues there are also some issues which require further/continued focus:

- The Force is currently under going a significant amount of restructuring as a result of outsourcing the vast majority of its support functions in October 2010. This restructuring is expected to continue throughout 2011/12. It is important that these changes are embedded, that the governance arrangements for both the management of the contract and the responsibility of service delivery are clearly set out and incorporated into the structures and documentation of the Force and that these are reported to those charged with Governance for both scrutiny and information.
- 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. One of the most significant of these aims and objectives is to protect 'frontline services' given the back drop of significant funding cuts, however there is no internal definition of what these services are and therefore it is impossible for the Authority to assess the risks to achieving this objective and the impact of not achieving this aim.
- The HR Policies and Procedures were the subject of an Internal Audit Review during 2010/11. The review was conducted to look into the following risk 'Increased cost and possible litigation in relation to current workforce policies and the potential failure to apply effective employment law practices.' As highlighted in the report to the Audit and Internal Control Panel in December 2010 there needs to be consistently applied and effective action taken to address this area to increase the level of Assurance that the Authority can place on the controls in this area.

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 23rd June 2011 by

???

Chair of Cleveland Police Authority

Julie Leng
Acting 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.

EXPLANATORY FOREWORD

This Statement of Accounts covers the financial year ended 31st March 2011 and has been prepared in accordance with the provisions of the Accounts and Audit Regulations 2003 (as amended 2009), the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010 and the CIPFA Code of Practice on Accounting for Best Value 2010/11.

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

The Statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 are detailed below along with the objective of each statement:

Comprehensive Income and Expenditure Statement – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from precept. Authorities raise precept to cover expenditure in accordance with regulations; this may be different from the accounting cost. The amount chargeable to precept is shown in the Movement in Reserves Statement.

Movement in Reserves Statement – This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local precept) and unusable reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The Balance Sheet – The Balance Sheet shows the value as at 31st March 2011 of the assets and liabilities recognised by the Authority.

The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is unusable reserves and refers to those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement – The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of precept and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The 2010/11 statements highlight the following areas of change from the 2009/10 position:

- The level of both cash and investments has fallen due to capital expenditure being funded from cash balances as opposed to taking out further borrowing during the year.
- Debtor balances have fallen due to the pensions top-up grant required from the Home Office being £2.8m lower primarily due to 27 fewer retirees and therefore reduced lump sum payments. This is partially offset by a higher level of prepayments e.g. Steria are paid monthly in advance and this represents a £1.2m prepayment at 31st March 2011.
- Creditor balances have also fallen due to the Tax and National Insurance due to HMRC being lower due to fewer employees at 31st March 2011 as a result of outsourcing to Steria. The 31st March was also the day on which a payment run was done leading to lower creditor balances than at 31st March 2010 which was the day prior to a payment run.
- The Pensions Liability has reduced by £191m primarily as a result of the change from its link to Retail Price Index (RPI) to Consumer Price Index (CPI). This has also resulted in a £98m credit to the Net Cost of Services for prior year costs of service which needed to be adjusted.

**COMPREHENSIVE INCOME AND EXPENDITURE
STATEMENT FOR THE YEAR ENDED 31st MARCH 2011**

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**MOVEMENT ON RESERVES STATEMENT FOR THE YEAR
ENDED 31st MARCH 2011**

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**MOVEMENT ON RESERVES STATEMENT FOR THE YEAR
ENDED 31st MARCH 2010**

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BALANCE SHEET AT 31st MARCH 2011

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CASH FLOW STATEMENT 2010/2011

2009/2010 £000		Notes	2010/2011	
			£000	£000
	OPERATING ACTIVITIES			
	<u>Cash Outflows</u>			
115,792	Cash paid to and on behalf of employees		107,150	
30,142	Other operating cash payments		39,212	
145,934				146,362
	<u>Cash Inflows</u>			
(31,130)	Precept received		(32,070)	
(39,584)	National non-domestic rates	41	(43,619)	
(9,137)	Revenue Support Grant	41	(6,334)	
(65,576)	Other grants	41	(64,585)	
(7)	Rents		(31)	
(294)	Cash received for goods and services		(256)	
(2,066)	Other operating cash receipts		(3,602)	
(147,794)				(150,497)
(1,859)	Operating Activities Net Cash Flow			(4,136)
	INVESTING ACTIVITIES			
	<u>Returns on Investments and Servicing of Finance</u>			
3,557	Cash outflows - Interest paid		3,705	
(231)	Cash inflows - Interest received		(79)	
3,326				3,626
	<u>Capital Activities</u>			
8,846	Cash outflows - Purchase of non current assets		9,804	
(837)	Cash inflows - Sale of non current assets	38	(1,221)	
(2,723)	- Capital grant received	38	(3,078)	
5,286				5,504
6,752	Net Cash Outflow/(Inflow) before financing			4,995
	FINANCING ACTIVITIES			
	<u>Management of Liquid Resources</u>			
(3,700)	Net increase/(decrease) in investments		(3,500)	
-	Net increase/(decrease) in imprests		-	
(3,700)				(3,500)
	<u>Financing</u>			
320	Cash outflows - Repayment of amounts borrowed	33	354	
(3,272)	Cash inflows - New loans raised		-	
(2,952)				354
100	Net (Increase)/Decrease in cash			1,849

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A) PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to generate economic benefit during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Property, Plant and Equipment – fair value, determined using the basis of existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Revaluations & Impairment

Assets included in the Balance Sheet at fair value are revalued every five years, and reviewed annually for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value (market value) are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Where there is a material reduction in the value of an asset caused by a consumption of economic benefits (e.g. physical damage or deterioration in the quality of the service provided by the asset) the loss is reflected through an impairment charge to Net Cost of Services.

Impairment losses are accounted as a decrease in valuation as set out above.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property; 40 Years
- Plant, furniture and equipment – straight-line allocation over the useful life of the asset; 5 – 10 Years
- Motor Vehicles – straight-line allocation over the useful life of the assets; 3 Years
- Specialist vehicles – straight-line allocation over the useful life of the assets; 4 - 15 Years

For assets acquired in the year, depreciation is applied from the 1st April of the following financial year. Incomplete assets are not depreciated until they are brought into use. A full year's depreciation is charged in the year of disposal to be consistent with not charging any depreciation until the 1st April of the year after an asset is brought into use.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and a significantly different useful economic life, the components are depreciated separately from 1st April 2010. The Authority has undertaken this review and has no significant components in the 2010/11 financial year – this review will be undertaken annually.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) and any receipts from the disposal are transferred to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are

appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

B) INTANGIBLE ASSETS

Expenditure on non-current assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The amortisable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- amortisation of intangible assets attributable to the service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction through the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

C) DE MINIMIS LEVEL

Capital Expenditure – 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.

Capital Receipts – There is also a de minimis level of £10,000 from the sale of non-current assets, for that receipt to be classified as a capital receipt.

D) GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired, using the grant or contribution, are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When no conditions exist or have been satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve; where it has been applied, it is posted to the Capital Adjustment Account.

E) CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are those that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

F) LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets.

The Authority has no finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

G) 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.

H) VALUATION OF INVENTORIES

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

I) 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.

J) 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 of another. 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.

K) PROVISIONS

Provisions represent the best estimate, at the balance sheet date, of expenditure required to settle the present obligation. The outcome must be able to be estimated reliably and have a probable outcome. Details of individual provisions are given in the Notes to the Core Financial Statements.

L) RESERVES

The Authority sets aside specific amounts as reserves (usable) for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be charged against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves (Unusable Reserves) are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

M) 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.

N) INVESTMENTS

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

O) EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as time off in lieu, flexitime and paid holidays for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of these entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that employee benefits are charged to revenue in the financial year in which the absence occurs but are not chargeable against Council Tax.

P) 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.

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 IAS19 in that the Balance Sheet shows the full value of future liabilities in respect of retirement benefits payable to its employees.

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

- Where an authority participates in more than one scheme, schemes with net assets should be shown separately from those with net liabilities.
- The attributable assets of each scheme should be measured at fair value, which is based on bid value.
- The attributable liabilities of each scheme should be measured on an actuarial basis using the projected unit method.
- Scheme liabilities should be discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The surplus/deficit in each scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme.
- The current service cost should be based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date.
- The interest cost should be based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.
- Actuarial gains/losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- Past service costs should be disclosed on a straight-line basis over the period in which the increase in benefits rest.
- Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions should be measured at the date on which the employer becomes demonstrably committed to the transaction and disclosed in the notes to the accounts covering that date. Gains arising from settlement/curtailments not allowed for in the actuarial assumptions should be measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

Q) 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.

R) OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

S) PRIVATE FINANCE INITIATIVE

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

The treatment of transactions under the schemes is in accordance with IFRIC 12 – Service Concessions and the IFRS Code.

T) 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 2010/2011.

U) COMPENSATORY GRANT

Compensatory Grant is accounted for on a cash basis.

V) PRECEPT

Precept is accounted for on an agency basis.

W) 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.

X) EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional and Extraordinary items, of which the Authority has none in 2010/11, 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 2008/09 opening Balance Sheet and 2009/10 accounts have been restated in accordance with the IFRS Code (based on International Financial Reporting Standards) and these comparatives can be seen throughout the accounts and associated notes.

2. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

The authority has reviewed its asset base and has not identified any assets which would be classified as Heritage Assets under FRS 30.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no critical judgements made in the Statement of Accounts.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liability: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expense which are not already disclosed on the face of the Comprehensive Income and Expenditure Statement or in the associated notes.

6. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the Balance Sheet date.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

FOR THE YEAR ENDED 31ST MARCH 2011

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(106)	0	0	0	0	(106)	106	0
Depreciation and Impairment of fixed assets	(3,838)	0	0	0	0	(3,838)	3,838	0
Depreciation on Revaluation	0	0	0	0	0	0	0	0
Government Grants Deferred amortisation	0	0	0	0	0	0	0	0
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	(70)	0	0	0	0	(70)	70	0
Sale of Assets	0	0	(1,045)	0	0	(1,045)	1,045	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	42,856	0	0	0	0	42,856	(42,856)	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	0	0	0	0	0	0	(3,045)	(3,045)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	3,078	0	0	0	0	3,078	0	3,078
Accumulated Absences Adjustment	174	0	0	0	0	174	(174)	0
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	33	0	0	0	0	33	(33)	0
	42,128	0	(1,045)	0	0	41,082	(41,049)	33
Statutory provision for the repayment of debt	1,356	0	0	0	0	1,356	(1,356)	0
Capital expenditure charged to the General Fund	0	0	0	0	0	0	0	0
Balance								
Use of Capital Receipts	0	0	1,252	0	0	1,252	(1,252)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	8,297	0	0	0	0	8,297	(8,297)	0
	9,652	0	1,252	0	0	10,905	(10,905)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	51,780	0	207	0	0	51,987	(51,954)	33

FOR THE YEAR ENDED 31ST MARCH 2010

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments between accounting basis & funding basis under regulations								
Amortisation of intangible fixed assets	(65)	0	0	0	0	(65)	65	0
Depreciation and Impairment of fixed assets	(3,761)	0	0	0	0	(3,761)	3,761	0
Depreciation on Revaluation	0	0	0	0	0	0	0	0
Government Grants Deferred amortisation	0	0	0	0	0	0	(1,539)	(1,539)
Write down of deferred charges to be financed from capital resources	0	0	0	0	0	0	0	0
(Loss)/Gain on the sale of non current assets	220	0	0	0	0	220	(220)	0
Sale of Assets	0	0	(837)	0	0	(837)	837	0
Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(32,005)	0	0	0	0	(32,005)	32,005	0
Revaluation of Investment Property	0	0	0	0	0	0	0	0
Transfer of Capital Grants to CAA to comply with the Capital Control Regime	2,723	0	0	0	0	2,723	(9,548)	(6,825)
Transfer of Capital Grants to the Capital Grants unapplied account to comply with the Capital Control Regime	0	0	0	0	(227)	(227)	0	(227)
Accumulated Absences Adjustment	550	0	0	0	0	550	2,617	3,167
Amount by which Council Tax income and residual community charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(93)	0	0	0	0	(93)	93	0
	(32,431)	0	(837)	0	(227)	(33,495)	28,070	(5,425)
Statutory provision for the repayment of debt	1,509	0	0	0	0	1,509	(1,509)	0
Capital expenditure charged to the General Fund Balance	0	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	1,763	0	0	1,763	(1,763)	0
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	10,882	0	0	0	0	10,882	(10,882)	0
	12,391	0	1,763	0	0	14,154	(14,154)	0
Voluntary revenue provision for repayment of debt	0	0	0	0	0	0	0	0
Total Adjustments between accounting basis & funding basis under regulations	(20,039)	0	926	0	(227)	(19,340)	13,915	(5,425)

8. TRANSFERS TO / FROM EARMARKED RESERVES

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Insurance Reserve

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

Based on an independent actuarial review of the insurance fund, as at 31st March 2008, it was estimated that £1.32m of claims payments will have been made from the Fund after the 31st March 2008 relating to incidents that occurred between 1/12/1995 and 31/03/2008. They also suggested that based on the funds claims experience it would not be unreasonable to have a surplus of £0.5m. This figure is subject to change as settlements are agreed. At 31st March 2011, the Insurance Fund

balance was £1.56m (a contingency of £0.24m). Any movement in the reserve will be addressed as part of the normal budgetary processes in future years.

Risk Management Team

The establishment of a business continuity team was agreed at the December 2006 Police Authority Meeting. This earmarked reserve was to fund this in the interim and has been fully utilised in 2010/11. The team is now embedded on a recurring basis.

Direct Revenue Funding of Capital

This reserve was held to meet the cost of capital schemes and has been fully utilised in 2010/11.

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.

Urray Nook Sinking Fund

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

Action Stations PFI Sinking Fund

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

Incentivisation Grant

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

Neighbourhood Policing

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

Specials

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

Corporate Finance Training Plan

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

Air Support Unit

Cleveland's own Air Support Unit came into existence on 1st April 2009 and this reserve relates to potential future maintenance costs.

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.

Development Fund

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

Web Services Architecture

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

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.

Devolved Budget Carry Forwards

Devolved Service Unit budgets that have been carried forward into 2011/12.

Project I

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

Accommodation Costs

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

Police Authority Transition Reserve

These funds are set aside to contribute towards the cost of any transition required as a result of the proposals set out within the Policing in the 21st Century paper.

Performance Improvement Initiatives

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

Police Property Act Fund

The Police Property Act Fund comprises monies received by the police from property confiscated by order of court and then sold. The Police Authority administers the fund and considers applications from voluntary organisations and community groups within the Cleveland area. The main aim of the fund is to support local projects undertaken by voluntary/charitable organisations that benefit the

communities of Cleveland, especially those which have a positive impact in reducing crime and disorder at a local level.

Legal Fund

A fund 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 in 2008/09 and 2009/10 and the remainder in 2010/11.

Revenue Grants Unapplied

These grants are those which either have no specified conditions or the conditions have been met. They will be matched to relevant expenditure as incurred.

9. OTHER OPERATING EXPENDITURE

2009/2010 £000		2010/2011 £000
315	Levies	329
(220)	Gains/losses on disposal of Non-current Assets	(107)
95	Total Other Operating Expenditure	222

10. FINANCING AND INVESTMENT INCOME & EXPENDITURE

2009/2010 £000		2010/2011 £000
3,557	Interest payable and similar charges	3,705
43,322	Pension interest cost & expected return on pension assets	52,895
(106)	Interest receivable and similar income	(78)
0	Income and Expenditure in relation to investment	0
0	Properties and changes in their fair value	0
(10,882)	Other investment income	(8,297)
35,891	Total Finance and Investment Income and Expenditure	48,225

11. TAXATION & NON SPECIFIC GRANT INCOME

2009/2010 £000		2010/2011 £000
(9,137)	Revenue Support Grant	(6,334)
(39,584)	National Non Domestic rates	(43,619)
(48,940)	Police Grants	(50,149)
(31,037)	Precepts	(32,103)
(2,723)	Capital Grants and Contributions	(3,078)
(131,421)	Total Taxation and Non Specific Grant Income	(135,283)

12. NON CURRENT ASSETS

	Land and Buildings	PFI	Vehicles	Plant and Equipment	Total
	£000		£000	£000	£000
Gross book value at 1 April 2010	21,166	30,292	6,578	21,210	79,246
Accumulated depreciation	(457)	(754)	(2,637)	(13,866)	(17,714)
Net Book Value at 1 April 2010	20,709	29,538	3,941	7,344	61,533
Adjustments to opening balances	(55)	-	57	-	2
Net Book Value at 1 April 2010	20,654	29,538	3,998	7,344	61,535
Additions	768	482	5,867	291	7,408
Disposals	-	-	(2,255)	-	(2,255)
Revaluations	179	-	-	-	179
Non Operational Assets	-	-	-	-	-
Book value at 31 March 2011	21,601	30,020	7,610	7,635	66,867
Depreciation for 2010/11	(384)	(757)	(1,047)	(1,650)	(3,838)
Depreciation on Disposals 2010/11	-	-	1,140	-	1,140
Revaluations	-	-	-	-	-
Net Book Value at 31 March 2011	21,217	29,263	7,704	5,985	64,169

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 40 years (land is not depreciated)
- Vehicles – 3 – 15 years
- Plant, Furniture & Equipment – 5 to 10 years

Capital Commitments

As at 31st March 2011, the Police Authority was contractually committed to capital works which amounted to approximately £5,695k.

Revaluations

Freehold properties were re-valued 31st March 2009 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". The next five yearly revaluations will take place in 2013/14.

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

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

13. INVESTMENT PROPERTIES

The Authority does not currently hold any properties or land for investment purposes.

14. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are assessed individually.

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15. FINANCIAL INSTRUMENTS

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

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

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

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

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

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		Long Term Assets:	
-	-	Long Term Investments	-
		Short-Term Assets:	
9,200	5,500	Short Term Investments	2,000
2,386	2,286	Cash and Cash Equivalents	437
		Debtors:	
7,347	5,140	Government Departments	2,103
2,304	1,594	Other Local Authorities	1,415
580	899	Other Debtors	1,589
(70)	(83)	Less provision for doubtful debts	(118)
578	1,148	Payments in Advance	2,310
10,739	8,696		7,299
		Short-Term Liabilities:	
(320)	(354)	Short Term Loans	(385)
-	-	Bank current Accounts	-
		Creditors:	
(43)	(123)	Government Departments	(21)
(2,144)	(2,155)	Inland Revenue/ Customs and Excise	(1,833)
(2,258)	(588)	Other Local Authorities	(660)
(3,167)	(2,617)	Accumulated Compensated Absences Creditor	(2,443)
(6,804)	(5,346)	Sundry Creditors	(3,893)
-	-	Income in Advance	(392)
(14,417)	(10,828)		(9,241)
		Long Term Liabilities:	
(11,108)	(14,026)	Long Term Borrowing	(13,641)
(32,553)	(31,682)	PFI Liabilities	(31,036)
(43,661)	(45,708)		(44,677)

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16. INVENTORIES

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17. DEBTORS

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
7,347	5,140	Government Departments	2,103
2,304	1,594	Other Local Authorities	1,415
580	899	Other Debtors	1,589
10,231	7,632		5,107
(70)	(83)	Less: Provision for doubtful debts	(118)
10,161	7,549		4,989
578	1,148	Add: Payments in Advance	2,310
10,739	8,696	Total Debtors	7,299

18. CASH AND CASH EQUIVALENTS

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19. ASSETS HELD FOR SALE

The Authority currently holds no assets which are held for sale.

20. CREDITORS

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(43)	(123)	Government Departments	(21)
(2,144)	(2,155)	Inland Revenue/ Customs and Excise	(1,833)
(2,258)	(588)	Other Local Authorities	(660)
(3,167)	(2,617)	Accumulated Compensated Absences Creditor	(2,443)
(6,804)	(5,346)	Sundry Creditors	(3,893)
(14,417)	(10,828)	Sub total	(8,849)
0	0	Add: Income in Advance	(392)
(14,417)	(10,828)	Total Creditors	(9,241)

21. PROVISIONS

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Note: The Provisions have been reviewed as part of the IFRS transition and found not to meet the criteria of Provisions. As a result the balance of £130k was transferred to earmarked reserves on 1st April 2009.

22. 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 Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

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

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Note 23 contains details of the assumptions made in estimating the figures included in this note.

23. PENSIONS DISCLOSURE – INTERNATIONAL ACCOUNTING STANDARD NO. 19 (IAS 19)

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 2011 are as follows:

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £751.0M has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £729.0M. 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, with estimates for the Authority being based on the latest full valuation of the scheme as at 31 March 2011.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Scheme	
	31/03/10	31/03/11	31/03/10	31/03/11
Rate of inflation (RPI)	3.9%	3.5%	3.9%	3.5%
Rate of inflation (CPI)	N/A	2.7%	N/A	2.7%
Rate of increase in salaries	5.4%	5.0%	5.4%	5.0%
Rate of increase in pensions	3.9%	2.7%	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%

Life Expectancy from age 65 (years):

	Mortality Assumptions					
	Local Government Pension Scheme		1987 Police Pension Scheme		2006 Police Pension Scheme	
	Males	Females	Males	Females	Males	Females
Retiring today	18.90	23.00	21.50	24.10	21.50	24.10
Retiring in 20 years	20.90	24.90	23.40	25.90	23.40	25.90

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:

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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.

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24. LEASED ASSETS – RENTALS

The Police Authority has leased photocopying/printing equipment which is an operating lease.

	Finance Leases £000	Operating Leases £000
Total Rentals paid in 2010/2011	0	94
Outstanding undischarged Leasing Obligations.		
2011/2012	0	95
2012/2013	0	95
2013/2014	0	24

The Police Authority entered into a Finance Lease for 125 years in 2006/07 in relation to the land on which the Kirkleatham PFI building is situated. The Police Authority also entered into a 999 year lease in 2009/10 in relation to the land on which the Road Policing Unit is situated. There are no additional obligations in respect of these transactions. The Leases are recorded within the asset register of the Authority at a nominal figure; this is consistent with the accounting for land elsewhere in the Authority.

25. OFFICERS' EMOLUMENTS

During the financial year 2010/2011, the numbers of senior police officers (above the rank of Superintendent) and staff whose remuneration, excluding employers' pension contributions, was £50,000 or more in bands of £5,000 were:

2009/2010	Remuneration Band	Number of staff		
		Police Officers	Support Staff	Total
1	£50,000 - £54,999	0	3	3
2	£55,000 - £59,999	0	4	4
3	£60,000 - £64,999	0	1	1
0	£65,000 - £69,999	0	0	0
1	£70,000 - £74,999	0	0	0
2	£75,000 - £79,999	1	1	2
0	£80,000 - £84,999	2	2	4
3	£85,000 - £89,999	1	0	1
0	£90,000 - £94,999	0	1	1
0	£95,000 - £99,999	1	0	1
0	£100,000 - £104,999	1	0	1
2	£105,000 - £109,999	0	0	0
1	£110,000 - £114,999	1	0	1
1	£115,000 - £119,999	1	0	1
0	£120,000 - £124,999	0	0	0
0	£125,000 - £129,999	0	0	0
1	£130,000 - £134,999	0	0	0
0	£135,000 - £139,999	0	0	0
0	£140,000 - £144,999	0	0	0
0	£145,000 - £149,999	0	0	0
0	£150,000 - £154,999	0	0	0
1	£155,000 - £159,999	0	0	0
1	£160,000 - £164,999	0	0	0
0	£165,000 - £169,999	0	0	0
0	£170,000 - £174,999	0	0	0
0	£175,000 - £179,999	0	0	0
0	£180,000 - £184,999	0	0	0
0	£185,000 - £189,999	0	0	0
0	£190,000 - £194,999	1	0	1
0	£195,000 - £199,999	0	0	0
0	£200,000 - £204,999	0	0	0
1	£205,000 - £209,999	0	0	0
0	£210,000 - £214,999	0	0	0
0	£215,000 - £219,999	0	0	0
20	Total	9	12	21

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

Remuneration Disclosure 2010/11:

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Remuneration Disclosure 2009/10:

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DCC = Deputy Chief Constable

ACC = Assistant Chief Constable

ACO = Assistant Chief Officer Finance & Commissioning

26. TERMINATION BENEFITS

All termination benefits for the financial year are disclosed in Note 25 as "Compensation for Loss of Office".

27. MEMBERS ALLOWANCES

Approved allowances paid to and on behalf of Members of the Police Authority for the financial year 2010/2011 were as follows:

2009/2010 £000		2010/2011 £000
195	Allowances for approved duties	199
53	Travel and Subsistence	25
248	Total Members Allowances	224

28. 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:

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During 2010/11 there were 2 non executive directors of Primary Care Trusts within Cleveland also acting as members of the Police Authority.

29. PRIVATE FINANCE INITIATIVE

As at the end of 2010/11 the Authority has 2 long term contracts under the Private Finance Initiative.

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

The contract expires in 2025/6.

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

The contract expires in 2031/2.

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

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30. AUDIT COSTS

In 2010/11 the Police Authority incurred the following fees totalling £100k relating to external audit and inspection by the Audit Commission:

2009/2010 £000		2010/2011 £000
86	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	91
1	Fees payable to the Audit Commission in respect of additional services requested	1
0	Fees payable to the Audit Commission for the certification of grant claims and returns	0
0	Fees payable in respect of other services provided by the appointed auditor	9
86	Total Audit Costs	100

31. INFORMATION ON ASSETS HELD

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32. CAPITAL EXPENDITURE IN THE YEAR AND SOURCES OF FINANCE

	31 March 2010 £000	31 March 2011 £000
Capital Investment:		
Property, Plant and Equipment	8,093	8,974
Intangible Assets	430	775
Revenue Expenditure Funded from Capital under Statute	-	-
Total Capital Investment	8,523	9,748
Sources of Finance:		
Capital Receipts	(1,763)	(1,252)
Government Grants and Contributions	(1,601)	(1,482)
Other Grants and Contributions	(1,612)	(1,563)
Direct Revenue Contributions	(275)	(1,404)
Supported Borrowing	(872)	(872)
Unsupported Borrowing	(2,400)	(3,175)
Total Finance	(8,523)	(9,748)

33. EXTERNAL BORROWING

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		Public Works Loans Board	
(320)	(354)	Due in the next Financial Year	(385)
(11,108)	(14,026)	Long Term Loans	(13,641)
(11,428)	(14,380)	Total Borrowing	(14,026)

1 April 2009 £000	31 March 2010 £000	Maturity Period	31 March 2011 £000
(354)	(385)	1/2 years	(1,681)
(2,926)	(3,881)	2/5 years	(3,300)
(5,056)	(6,488)	5/10 years	(8,660)
(2,772)	(3,272)	Over 10 years	-
(11,108)	(14,026)	Total Long Term Loans	(13,641)

Interest rates vary between 4.40% and 5.30%. The average rate is 4.73%

34. PROCEEDS OF CRIME ACT 2002

The Authority is holding cash at bank totalling £750k in respect of seized cash balances in relation to the Proceeds of Crime Act 2002. This balance is not included in the Balance Sheet.

35. AGENCY SERVICES

Consortium Charges

The Authority has an agency agreement with the North East Fingerprint Bureau to provide fingerprinting services. Payments in 2010/11 amounted to £0.497m (£0.468m in 2009/10).

Urlay Nook Tactical Training Centre

The Urlay Nook Tactical Training Centre, which is jointly run by Cleveland Police Authority and Durham Police Authority, has reserves as at the 31st of March 2011 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 £0.329m in 2010/11 (£0.315m in 2009/10).

36. RECONCILIATION OF YEAR-END POSITION TO SURPLUS/DEFICIT ON PROVISION OF SERVICES

Net (Under)/Over spending	(727)
<i>Adjustments between accounting basis and funding basis:</i>	
Minimum Revenue Provision	(1,356)
Depreciation & Amortisation	3,944
Loss/(Gain) on the sale of non current assets	70
Net change in Pension Liability	(42,856)
Pension Fund top-up grant	(8,297)
Recognition of capital grants	(3,078)
Movement in Accumulated Absences creditor	(174)
Movement in Precept debtor	(33)
<i>Transfers (to)/from Reserves:</i>	
Transfer (to)/from General Fund	(1,075)
Other transfers (to)/from reserves	1,911
(Surplus) or Deficit on Provision of Service	<u>(51,671)</u>

37. RECONCILIATION OF SURPLUS/DEFICIT ON PROVISION OF SERVICE TO NET COST OF SERVICES

(Surplus) or Deficit on Provision of Service	(51,671)
<i>Taxation and non-specific grant income:</i>	
Capital Grants	3,078
Precept	32,103
Police Grant	50,149
National Non Domestic Rates	43,619
Revenue Support Grant	6,334
Pension Fund top-up grant	8,297
<i>Financing & Investment income and Expenditure:</i>	
Interest receivable and similar income	78
Pension interest cost & expected return on pension assets	(52,895)
Interest payable and similar charges	(3,705)
<i>Other Operating Expenditure:</i>	
(Loss)/Gain on the sale of non current assets	107
Levies	(329)
Net Cost of Services	<u>35,165</u>

38. USABLE RESERVES

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Earmarked Reserves – Please see Note 8 for a detailed analysis

Revenue Grants Unapplied Reserve – These revenue grants are those which either have no specified conditions or the conditions have been met. They will be matched to relevant expenditure as incurred.

Capital Grants Unapplied Reserve – These capital grants are those which have been received but expenditure has not yet been incurred. They will be matched to relevant expenditure as incurred.

Capital Receipts Unapplied Reserve – These capital receipts have been received from the disposal of non current assets with any balance yet to applied to fund capital expenditure.

General Fund – This balance is available in order to support the future operations of the organisation should the need arise due to unforeseen circumstances.

39. UNUSABLE RESERVES

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Revaluation Reserve – contains gains made by the Authority from increases in the value of its non-current assets since 1st April 2007, which is when the reserve was created.

Capital Adjustment Account – absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. This account also contains any revaluation gains prior to 1st April 2007.

Pension Reserve – absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Collection Fund Adjustment Account – manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

Accumulated Absence Reserve – absorbs the differences that would otherwise arise on the General fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require the impact on the General Fund balance is neutralised by transfers to/from the account.

40. CAPITAL ADJUSTMENT ACCOUNT

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41. GRANT INCOME

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These grants have all been recognised within the Income and Expenditure Statement; however £392k sits within creditors as income in advance as there is the potential this may have to be returned to the originating organisation.

42. CONTINGENT ASSETS AND LIABILITIES

The Authority does not have any contingent assets or liabilities at the Balance Sheet date.

43. AUTHORISATION OF ACCOUNTS

The Treasurer of the Police Authority has set and authorised the date of issue for the Statement of Accounts as the 23rd June 2011. 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)

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£000	NET ASSETS STATEMENT	£000
	Net Current Assets and Liabilities	
116	Contributions due from Employer	156
3,617	Pension Top-Up Grant Receivable	809
(0)	Unpaid Pension Benefits	(275)
0	Amount due to Sponsoring Department	0
22	Other Current Assets & Liabilities	45

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 are accounted for under IAS19 and details can be found above.