

HUMBERSIDE POLICE AUTHORITY

ANNUAL ACCOUNTS

2004/2005

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Treasurer's Foreword

Introduction

This Statement of Accounts provides a summary of the authority's finances. It is a report on the authority's financial performance (the revenue account), its financial position (the balance sheet) and the source and use of funds it received in 2004-05 (the cash flow and reserves statements).

The notes to the accounts analyse the figures in the statements and so provide more detail. The accounting policies used in preparing the accounts are set out. There is a glossary at the end that explains technical terms.

The purpose of this report is to provide a commentary on some of the key features.

The challenge to all public services is to demonstrate improvements in service while delivering value for money. This is particularly the case for the police service where increases in the local funding of the service needs to be demonstrated in improvements to front line policing. The Police Authority continues to increase the funds available for quality of life policing. This imposes proper scrutiny on the finances of the Police Authority. The public can be assured that there is continued strong financial management of the service.

The strong devolved budget framework supports the policing demands and gives senior management the confidence in local policing to deliver the services. The Police Authority continues to rely on the strength of the financial independence and accountability that this framework allows.

The statement of accounts this year show the continuing complexity of funding sources now available in delivering police services. The range of ring-fenced grants that support significant activity clearly shows how service delivery is influenced. The continuing commitment of the Police Authority to support local policing and to ensure that the force has resources it needs dominates the accounts.

Revenue

The revenue budget for 2004/05 was set at £150.592m, an increase of 6 per cent over the previous year. The Police Authority has determined to provide resources to allow the continuation of 'Quality of Life' policing. The authority also considered the projected five-year medium term forecast when setting the council tax level. The authority agreed an increase in the council tax precept to £129.96. This allowed the service to plan with confidence and to pursue additional projects that would enhance the quality of policing, including the implementation of the National Intelligence Model, the Automatic Number Plate Recognition project and the release of sergeants from non operational roles.

The revenue budget was funded as follows: -

	£m	%
Police Grant	65.945	43.8
Revenue Support Grant	36.775	24.4
National Non Domestic Rates	11.857	7.9
Council tax precepts	36.015	23.9
Total	150.592	100.0

Strong financial control was maintained throughout the year. The main features of spending are summarised on page 27 of the accounts.

Special grants of £12.4m were received from the Home Office relating to a range of specific projects that are determined to meet national requirements. The size of these ring fenced grants means that the government exerts significant constraints on local policing. The major ones are the Crime Fighting Fund to maintain funding for officers, policing impact initiative and grants to support Basic Command Unit

Spending in the four geographic divisions was put under pressure both by the demands for increased performance in targeted activities set by the Police Standards Unit and by the volume and nature of some major operations and incidents that the force dealt with in the last year. Overall devolved budgets underspent with commitments of £0.7m to be carried forward into 2005/06.

The protected budgets underspent by £1.2m The late decision by the Home Office to meet the costs of the NSPIS Custody and Case Preparation project contributed £0.44m of this underspend. The other large underspend was on special constables which is ring fenced to enable the employment of 500 special constables by March 2006.

Very strong investment returns on short-term investments raised £0.778m more interest receipts than expected.

The balance sheet shows the financial position of the authority at 31 March 2005. The strategy to earmark reserves and make specific provisions to meet known or expected calls on funds in future years has continued. The significant increase in specific revenue reserves includes the development fund.

The continued success of financial devolution allows better medium term planning for the force. The planned budget carry forwards and service developments reserve will meet committed identified spending needs in the forthcoming year. The Risk Management Reserve assists in meeting the costs identified in the Risk Management Strategy of the force. This includes pensions and insurance and allows the movement of capital funding approved as part of the five-year financial forecast.

I am satisfied that the reserves held by the authority are adequate, and are backed up by robust revenue and capital budgets.

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Together with the statement of total movement in reserves, they provide a different analysis of the changes in the various items in the revenue account and balance sheet.

Capital

Against an approved budget of £16.142m actual spend was £10.573m. The majority of this underspend (£4.757m) is slippage on a range of schemes. Funding will be matched with this slippage in the next year. The areas of slippage were the local policing teams building programme (£2.0m), the estates strategy (£0.482m), and CT and communications (£2.267m). A net underspend of £0.811m reduced the call in the investment reserve, largely from the Custody and Case project being funded by grant aid from PITO.

Prospects for 2005/06

The police authority considered the demands for increased policing, the associated medium term financial strategy and the Resource Issues Matrix, along with the likely levels of government settlement over the next few years. The budget set allows for additional spending of £6.3m, of which £4.7m relates to growth. The most significant items are the Crime Direct /Call Handling project (£3.465m) and meeting £2.45m of items identified as business critical through the Resource Issue Matrix. To allow the service to plan with confidence over the next few years the authority agreed a council tax precept increase to £135.72. This continues the strategy of the authority to provide the resources identified in the five-year financial plan.

A capital budget of £8.784m has been set, which with the additional £4.757m of slippage will allow for the necessary investment in new vehicles, equipment and information communication technology as well as delivering the estates strategy and the local policing team programme.

Audit of accounts

These accounts are subject to Audit and may be amended before final publication. This provides an independent opinion that the statement of accounts presents fairly the financial position of the council and its income and expenditure for the year.

Adjustments are made to the accounts at this stage if they materially affect the reported results or financial position.

Conclusions

It has been another sound year in financial performance for the service. The decisions of the police authority to continue to increase the resources available for the force has allowed service planning to be more strongly based.

There are many challenges still to be faced. The current Comprehensive Spending Review implies significant challenges to the service. The overall objective of government to limit council tax increases will impact on the medium term financial strategy. The delay in the balance of funding review puts back any significant short-term solution to replacing the council tax burden. However, the authority and force will continue to address the local demands for more policing and the many national developments in a strong and rigorous way. This will be supported by continued strong financial control.

Simon Driver
Treasurer to the Police Authority
Pittwood House
Scunthorpe

Independent Auditor's Report to Humberside Police Authority

I have audited the statement of accounts on pages 22 to 50 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 22 to 25.

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

Respective responsibilities of the Chief Financial Officer and Auditor

As described on page 9 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my/our profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on internal control on pages 10 to 21 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.


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

Opinion

In my opinion the statement of accounts presents fairly the financial position of Humberside Police Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

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



Mr M Newbury
District Auditor
Audit Commission
Crosskill House
Mill Lane
Beverley
HU18 9JB
Date: 25 October 2005

Statement of Responsibilities for the

Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure 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.
- To manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.

Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in accordance with the *Code of Practice on Local Authority Accounting in Great Britain* (the 'Code of Practice'), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31 March 2005.

In preparing this 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:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

1.1 Humberside Police Authority is responsible for ensuring that 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. Humberside Police Authority also has a duty under the Police Reform Act 2002 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, Humberside Police Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Humberside Police Authority's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to 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 Humberside Police 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 efficiently, effectively and economically.

2.2 The system of internal control has been in place at Humberside Police Authority for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

3.1 Humberside Police Authority has an established system of internal control that is monitored and regularly reviewed. Key elements of the internal control environment are:

3.2 Establishing and monitoring the achievement of the Authority's objectives

- The Police Reform Act 2002 requires the Police Authority to translate both long and medium term national and local strategic priorities into a 3-year strategy plan consistent with the National Policing Plan.
- The Police Act 1996 requires the Police Authority to produce an Annual Policing Plan/Best Value Performance Plan reflecting the Home Secretary's strategic priorities and, where used, policing objectives (known as Ministerial Priorities). It also incorporates local priorities, Policing Performance Assessment Framework (PPAF) indicators, current performance against relevant performance indicators (including comparisons with others), improvement targets (which must be set by the Police Authority) and the means used to achieve our plans. The Police Authority also need to include PSA (Public Service Agreement) delivery indicators and targets where relevant.

- The Chief Constable drafts the 3-year strategy plan and the Annual Policing/Best Value Performance Plan for consideration and approval by the Police Authority. The Chief Constable and Force via BCUs (Basic Command Units) and departments deliver improvements in local policing having regard to the 3-year strategy plan and Annual Policing/Best Value Performance Plan and local Crime and Disorder Reduction strategies.
- The Performance Scrutiny Committee on a quarterly basis undertakes monitoring of achievements against the Annual Policing/Best Value Performance Plan. On an annual basis, the Police Authority sets targets for the coming year in conjunction with partners.
- The Performance Scrutiny Committee considers both performance against annual policing plan targets and progression with the key areas of business change contained within the annual policing plan. Any items of concern to the Committee will be referred to the full Police Authority.

3.3 The facilitation of policy and decision-making

- Humberside Police Authority employs the following hierarchy for decision-making:
 - Police Authority and Standing Committees (with their terms of reference)
 - Contract Standing Orders, Financial Regulations and Anti Fraud and Corruption Statement
 - Decision Records
 - Delegated authority
 - Force Practice Directions.
 These levels of the hierarchy set out how the Authority operates and how it makes decisions.
- Policies are reviewed and amended to reflect changes in regulations and working practices when necessary.
- Regular facilitated workshops for Members are arranged to identify and discuss issues which affect the Authority.
- Section 96 of the Police Act 1996 places a requirement on the Police Authorities to consult with the public in respect of policing. In addition, under the principles of public service reform and the commitment of the government to introduce “Citizen-Focused Policing”, the Authority has developed ways of consulting with communities so as to secure an in depth understanding of the views, needs and expectations of individuals and local communities. Further, the Authority, through its Consultation and Partnership Committee, seeks to ensure that those views are routinely reflected in the decision making, service delivery and practice of Humberside Police. This is achieved through a range of consultative processes including widespread public forums and public opinion surveys.

3.4 Ensuring compliance with established policies, procedures, laws and regulations

- Humberside Police Authority has a strong managerial framework that is supported with policies and procedures in all key areas. Senior managers review controls in place to ensure objectives and obligations are met.

- The Chief Executive and Clerk is the Authority's Monitoring Officer. The Treasurer is the Authority's Section 151 Officer. Both are responsible for ensuring lawfulness and prudence in particular areas of the Authority's responsibilities.
- There are procedures for complaints against Members, secretariat staff, chief police officers and operational complaints of a conduct and direction and control nature. Arrangements are in place for whistle-blowing to which staff have access.
- Arrangements are in place for Members and officers to declare their pecuniary interests.
- Whilst Managers are responsible for ensuring that the internal controls throughout the Authority are adequate and effective, an Independent Internal Audit Service is provided by North Lincolnshire Council. Their role is to contribute to the proper economic, efficient, and effective use of resources by providing the Treasurer with an assurance as to the effectiveness of the various systems of internal control. This is performed by : -
 - **Providing an independent appraisal function,**
 - **Reviewing the internal control systems of Humberside Police Authority, and ensuring compliance with policies, procedures, laws and regulations, and**
 - **Examining, evaluating and reporting on internal controls, to ensure the integrity and reliability of data and to safeguard the Authority from losses arising from fraud irregularity, or corruption.**
- In addition, a 2 year internal Audit and Inspection Programme commenced during November 2004 led by the Force's Audit and Inspection Unit. The programme is based on feedback from all the Branches and Divisions within the Force, as well as relevant HMIC and Audit Commission reports, which identify the risks the Force is exposed to. The programme is regularly reviewed by the Force Audit Board (see below) to maintain its relevance. The Force Audit Board can modify and re-prioritise the programme as required. The purpose of the audit and inspection programme is to:
 - ensure compliance with Practice Directions, policies and guidance documents;
 - benchmark performance against other forces and organisations and disseminate good practice;
 - identify inefficiencies and point out improvements; and
 - check on the quality and integrity of data.
- Branches and Divisions also regularly carry out various 'in-house' audits of their own, which include:
 - NCRS compliance of incident logs and crime reports
 - compliance with custody procedures
 - data security compliance on PNC
 - information security
 - checks for the misuse of IT systems and unlicensed software
 - compliance with operational procedures involving firearms and fingerprints
 - adherence to Health & Safety regulations and codes
 - budget monitoring

- data quality of performance indicators
- the recruitment, retention and progression of minority staff; and
- complaints against the police.

3.5 Identifying, assessing and managing the risks to the Authority's objectives

- Risk management arrangements are in place in the Force and have been improved during the year. Significant work has already taken/is currently taking place to ensure risk management is embedded throughout the Authority through the appointment of key staff.
- The production of a Force model for the risk management process has begun. This will eventually become an integral part of the Force's performance regime, ensuring that risk is managed and owned at the most appropriate level. Eighteen senior members of the Force have been provided with the appropriate training in this area. The initial stage of this work has involved the commencement of a mapping exercise of those significant risk management systems already in place. Corporate Development Branch is leading on this piece of work and the draft model will be ready for consultation by 1 October 2005.
- During the year the development of the Force Audit Board underpinned by the Force Environmental Scanning Officer and the Audit and Inspection Unit, has provided a focus for risk identification and development of the approach to risk. Achievements include:-
 - **Identifying, recording and categorising key risks into three separate parts (Part A (restricted document) relating mainly to sensitive operational matters, Parts B & C relating to Development and Critical risks that face the Force) through environmental scanning and continuous contact with Divisional and Branch staff, to form the Force Risk Register.**
 - Each risk has a Chief Officer lead identified and controls are put in place to manage all risks.
 - Part A of the Risk Register is reviewed monthly by the Deputy Chief Constable to determine whether sufficient control measures are in place to minimise the risk to an acceptable level.
 - The Force Audit Board examines each risk in Parts B and C to determine whether sufficient control measures are in place to minimise the risk to an acceptable level.
 - **Force Audit Board examination of each risk to determine whether sufficient control measures are in place to minimise the risk to an acceptable level.**
 - **Deploying the Force Audit and Inspection Unit on specific risks scheduled in a 2-year Audit and Inspection Programme.**
 - **Monitoring specific risks arising from the Risk Register and Audit and Inspection Programme, through internal audits and inspections delivered to specific terms of reference by a Division/Branch or by the Force Audit and Inspection Unit.**
 - **Force Audit Board examination of the resulting Improvement Plan and regular updates to the Board by the ACPO sponsor until completion of the Plan, plus review 6 months after the completion date.**
 - **Archiving and recording the risks discharged by Force Audit Board.**
- Internal control is also exercised in respect of the Force's insurance function by means of an annual assessment of potential liability and the relation of such liability to the amount of the Force's provision by way of self insurance. The appropriate means are in place for advice to be provided by the Force's insurance brokers or by independent professional risk managers and loss assessors.

- Internal Audit take risk into account in their audit planning and prioritisation of work.

3.6 Ensuring the economical, effective and efficient use of resources, and for securing the continuous improvement in the way in which its functions are exercised.

- The Police Authority ensures economic, effective and efficient use of resources through its Best Value Reviews and scrutinising force performance and has recently started to attend a number of the Force Boards eg Call Handling, Force Audit Board etc.
- In conjunction with the Police Authority, the Chief Constable implements a programme of Best Value Reviews to obtain continuous improvements in local policing. Best Value Reviews (and other processes) are used to identify ways of improving performance.
- The programme of Best Value Reviews is risk-assessed annually via the Best Value Steering Group (BVSG) which is jointly chaired by the Police Authority Chair and Deputy Chief Constable. The Chair of the Performance Scrutiny Committee also sits on the BVSG. This assessment is reported back to the Performance Scrutiny Committee for discussion and approval.
- The Policing Performance Assessment Framework (PPAF) and Public Service Agreement Indicators and Targets are used by Home Office, HMIC (Her Majesty's Inspectorate of Constabulary), the Police Authority and the Force to assess and compare Force, BCU and CDRP (Crime and Disorder Reduction Partnership) performance.
- The Audit Commission and Her Majesty's Inspectorate of Constabulary (HMIC) subject the Police Authority to close scrutiny. HMIC assesses police performance and the extent to which Best Value is being achieved, and identifies scope for improvement through inspections (usually carried out annually). The Audit Commission review the Best Value performance element of the Annual Policing/Best Value Performance Plan and certify our compliance (or otherwise) with the statutory requirements.
- The efficiency process is an important element of the Best Value regime and is subject to rigorous inspection by HMIC with support from the Audit Commission. This ensures that only permissible savings are counted.
- The Police Authority and the Force must ensure that a link between resources and performance outcomes is established. An efficiency gain is achieved by increasing or improving the service delivered from the same or fewer resources. This can result in cash savings or improvement/extension of services through better use of resources. For the 2005/06 year, a Member of the Police Authority now sits on the force Efficiency Plan Steering Group and Efficiency Plan progress is monitored and scrutinised on a quarterly basis by the Performance Scrutiny Committee.
- The Annual Efficiency Plan Certificate is also signed by both the Chief Constable and Treasurer, ensuring that savings are removed from the base budget.
- A strict system for the detailed monitoring of the resources in place within the Force. This includes:
 - A four-weekly audit to reconcile the actual and funded staffing levels for all staff.

- Staff turnover is recorded electronically in the Annual Report Book. This informs the recruitment prediction model whereby the number of new recruits can be predicted. This information assists in the planning of recruitment and training.
 - All of the above information is used during the submission of Home Office returns, in particular for the purpose of meeting the Crime Fighting Funds Continuation Criteria.
- For matters relating to the 'Employee Relations' function the following measures have been established:
 - Attendance Management - Practice Directions, which are continuously reviewed, are designed to ensure that attendance is maximised and staff are available for service delivery. Such an effective system results in both direct and indirect savings to the Organisation.
 - Occupational Health and Welfare continuously monitor and evaluate the effectiveness of their services provided to staff.
 - Performance indicators are set which are designed to ensure the provision of an efficient and effective service supporting the health, welfare and safety of staff.
- For the area of 'Staff Development and Training' the following structures are in place:
 - The Training and Supervision Board fix the annual training calendar and approve all subsequent training requests. As a result, only training approved by the Board will be delivered, thereby ensuring organisational priorities are met in relation to training and development.
 - The Staff Development Section is responsible for identifying the skills and performance gaps within the Force in order to generate appropriate training solutions.

3.7 The financial management of the Authority and the reporting of financial management

- The Chief Constable is accountable to the Police Authority and the Treasurer for the financial control of the Force's affairs. The Financial Regulations determined by the Police Authority outline the roles, responsibilities and parameters for managing the Authorities Financial resources.

The Police Authority determine the Revenue and Capital budgets every February for the forthcoming financial year. Transfer of approved budget (virements) in relation to the approved budget that exceed £250,000 require Police Authority approval.

The Budget Monitoring procedure currently in place is as outlined below;

(a) Police Authority

All virements in excess of £100k be they for approval or information are reported as a standing item to the Police Authority.

Budget Monitoring is a standing item on the Audit and Strategy Committee agenda. The reports highlight major variances with explanations in line with the requirements of Police Authority Financial Regulations and in the second half year provide indicative outturn estimates. At the end of the financial year the final outturn position on revenue and capital Budgets are reported with requests to carry forward funds committed but not spent to the forthcoming financial year.

The Authority approve the statutory Annual Accounts prior to external audit and authorise the publication of these accounts post external audit.

(b) In Force

Divisional/Branch Senior Management Teams receive monthly budget monitoring information, and determine any corrective action to be undertaken.

From September each year, monthly budget monitoring reports are presented to the Force Strategy Team highlighting areas of concern, proposed remedial action and estimated outturns.

At the end of the financial year the Chief Constable in Strategy Team determines the actions to be undertaken regarding under/over spends to be recommended to the Police Authority for approval.

During 2004/5 Budget Monitoring reports have been provided to the Audit and Strategy Committee. The style of the report has changed in response to requests for more information and will continue to change to ensure that Budget Monitoring is robust and transparent.

3.8 Performance management of the Police Authority and the reporting of performance management

- In addition to that covered above, Police Authority Members gain knowledge of performance issues:
 - At a tactical level through involvement of a small number of lead Members at Divisional Performance Challenge Meetings each month in 2005/06
 - At a strategic level through attendance by Members at the Chief Constable's Strategic Performance Conferences each quarter
 - Through discussion of issues and iQuanta data at monthly Performance and Resources Progress Group meetings
 - and most recently, through involvement of a small number of lead Members at Divisional Workload Allocation Database Audits (quarterly) and Data Quality Audits (bi-monthly)

4. REVIEW OF EFFECTIVENESS

4.1 Humberside Police Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Chief Officers

and the Chief Executive (Monitoring Officer) and Treasurer who have responsibility for the development and maintenance of the internal control environment. This is underpinned by comments made by the HMIC, external auditors and other review agencies and inspectorates.

4.2 Key areas of the review of the effectiveness of internal control can be summarised as follows:-

Internal Audit

- Audit & Strategy Committee is apprised of the recommendations made by Internal Audit to improve the overall control environment, actions agreed with Managers following the audits and progress made against actions agreed at previous audits.

- Corporate governance arrangements are evaluated by internal audit against the CIPFA/SOLACE best practice framework. The 2004/5 audit reported some improvement since the previous audit. Whilst a number of agreed actions had not been fully met, the audit found evidence that some progress has been made and this progress continues into 2005/06.

HMIC

- carry out a baseline assessment annually in September/October. The timing of the assessments is to assist in the annual budget/priority setting by the Police Authority and Force. As part of this process, HMIC carry out interviews with the Chair and Chief Executive. The outcome from the baseline assessment is reported to the full Police Authority. The results from the 2004 assessment were reported to the Police Authority on 30 November 2004 and can be summarised as follows:

Excellent:	1 area of business
Good:	4 areas of business
Fair:	4 areas of business
Poor:	7 areas of business
Not Graded:	11 areas of business

- In addition to this, HMIC also assess the efficiency plan on a quarterly basis (excluding the first quarter of each year, i.e. April-June). The results of their assessment are reported back to the Performance Scrutiny Committee as a standing agenda item. Annually, in around July, a certificate is provided to both the Force and Police Authority outlining whether we have achieved our efficiency plan.

- HMIC also carry out a series of BCU inspections. The Association of Police Authorities (APA) and HMIC have an informal agreement in respect of Police Authority involvement. This includes:-

- HMIC consulting the Police Authority to seek its views on the BCU under inspection. In particular, ensuring that HMIC speak to any "link" or "designated" Member for the BCU area
- The Police Authority being present at any de-brief provided to the Chief Constable on the Inspection
- The Police Authority being sent a copy of the draft Inspection report and having the opportunity to comment before it is finalised
- The results of the BCU inspections are reported back to the Chair and Clerk.

- HMIC carries out a Best Value Inspection annually, usually around August-September. They come into the Force and inspect our Best Value process, i.e. the process we use to carry out Best Value Reviews of the service functions. At the end of each inspection, HMIC provide an Interim Challenge Meeting where they present their emerging findings, key judgements and recommendations from the inspected reviews. HMIC then publishes a report with recommendations. The recommendations are reported back to both the Best Value Steering Group and Performance Scrutiny Committee and progress with implementation is monitored.

Audit Commission

- carry out a programme of work each year to assess the adequacy of the control environment in place and reviews of specific areas of service delivery. The findings are summarised in the Annual Audit and Inspection Letter 2003/4. The auditors concluded that there are generally effective systems of internal financial control in place but the Authority needs to develop its own risk management arrangements which link into the developments within the Force

- The external auditor made some recommendations in May 2005 regarding the format of the risk register which are currently being developed.

Structures within the Police Authority

- The Police Authority, Committees and Force Boards monitor and review various internal controls on a regular basis in line with their areas of responsibility

5. SIGNIFICANT INTERNAL CONTROL ISSUES

5.1 During the year, the following internal control areas have been addressed:-

- Provision by Chief Constable of a Statement of Assurance on internal control and risk assessment, particularly focussing on the operational risk management (informed by the work of the Force Audit Board)
- Operation Winter was a response to the conviction of Ian Huntley in December 2003, and to the subsequent announcement by the Home Secretary that there would be an Independent Inquiry into the events surrounding his crimes. Operation Winter was an extension of the work of Operation Wheel which had sought to understand the Force's history of contact with Huntley.

The Purpose of Operation Winter was to carry out a comprehensive review of the Force's gathering, recording, retention and use of information and intelligence. The operation was directed by a Gold Group, chaired by the Chief Constable. It met weekly and included all Chief Officers and a member of the Police Authority.

Operation Winter focused on delivering specific outcomes, and at its heart had a comprehensive Delivery Plan. This was monitored on a weekly basis by the Gold Group.

Operation Winter addressed numerous discrete issues, including vetting, information management, compliance with the National Intelligence Model, audit and compliance, of all relevant systems, and all related training issues. Its intention was to encompass the Force's intelligence function and to address the specific shortcomings which had been

identified in the course of Operation Wheel and in the work undertaken in preparation for the Bichard Inquiry.

The target date for completion of the Delivery Plan was December 2004. In fact, 97% of the Delivery Plan was completed by November 2004. There were two outstanding matters, namely the Force Briefing and Tasking System, and CIS IV, both of which were major Force projects which formed part of the Force's Business Change Programme.

As a result of meeting delivery targets, Operation Winter was formally closed in December 2004.

Additionally, certain specific issues fell out of the work done as part of Operation Winter. For example, the Information Compliance Unit sought accreditation for its vetting and disclosure functions and obtained the British Standards Institute's ISO9001 (Quality Management Systems) Certificate on the 6th December 2004.

As a result of Operation Winter the Force has seen a significant growth in resources via a Police Authority approved business case applied to its intelligence function. Humberside Police now has a Force Manual of Guidance which it has shared with other Forces. Senior officers from the Force have contributed to a number of national seminars on issues related to policing intelligence matters. In September 2004 the Force hosted a conference which was attended by the vast majority of other UK Police Forces. The important lessons learned as a result of the Bichard Inquiry and Operation Winter were shared with delegates.

As a result of the difficult experiences arising out of the Bichard Inquiry, we would now maintain that the work generated by Operation Winter has put Humberside Police at the forefront in terms of its handling of intelligence and information.

- As a result of the work of Operation Winter several internal control issues have been addressed through the development of information technology systems. These are:
 - The creation of a Data Warehouse system, built to corporate data model standards, to allow single point access to numerous databases utilised by the Force.
 - The implementation of 'Autonomy' as the data warehouse search engine.
 - A link with South Yorkshire Police created to provide 'Autonomy' searching across data held by both Forces.
 - There is also a project underway to re-engineer Crime & Intelligence systems, including the Domestic Violence database.
 - A further phase of development is planned for the Child Protection and Missing Persons databases.
 - The Force is a 'paid-up' member of the Cross Regional Information Sharing Project (CRISP) Consortium and is awaiting the national project for implementation.
 - The Force's Information Strategy and Information Management Strategy have been reviewed and updated.
 - Relevant policy and guidelines (practice directions) are in place including:-
 - Database systems (assessment of need)
 - Acquisition of Hardware & Software
 - Use of Internet

- Use of e-mail
- Accessing Electronic Information outside the office environment (Home working).

5.2 The following specific areas of internal control are currently being addressed:-

- **Corporate Governance** - as stated above, the internal audit report into corporate governance in the Police Authority found that although some progress had been made, some actions remained outstanding. Many of these areas are currently being pursued including a Code of Corporate Governance, Risk Management Strategy for the Police Authority, Scheme of Delegation and Protocol governing relationships between Members and Officers. An action plan will be considered by the Authority's Audit and Strategy Committee in September 2005 to include the review of key documents such as financial regulations and contract standing orders.
- The role of the **Audit & Strategy Committee** with regard to internal control and risk management will be enhanced. This will be facilitated through the submission of regular reports on internal control and risk management generally, and specifically progress reports from the Force Audit Board and involvement in the preparation of the SIC throughout the year
- The PSU (**Police Standards Unit**) currently engage with the Force/Police Authority to assist us in reducing our performance 'gap'. The Police Authority / Force/ HMIC and PSU are working together to agree a general disengagement criteria/protocol

5.3 Based on the above and completion of actions set out in section 5 we consider the Authority's system of internal controls to be adequate and effective.

Signature of Chief Executive to the Police Authority

Date:

Signature of Chair of the Police Authority

Date:

Signature of Chief Constable

Date:

Statement of Accounting Policies

1. General Principles

The Authority's accounts have been prepared in accordance with:

- the accounting principles contained within the Code of Practice on Local Authority Accounting 2004, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), as applicable to Police Authorities.
- The accounts also reflect guidance notes issued on the application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS's). Exceptions to this are disclosed where necessary.

The sections, which follow, disclose the accounting policies that have been adopted and explain the basis of the figures in the accounts.

2. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Fixed assets are valued in accordance with the Code of Practice as follows:

- **Land and Buildings**

To reflect the requirements of the SORP Land and Buildings are revalued on a roll programme every 5 years.

- **Vehicles, Information Technology and other equipment**

Shown at purchase price.

- **Non operational Assets**

Valued as for operational assets.

3. Operating Lease Rentals Operating lease rentals are charged direct to revenue. The related liability for future rentals payable is disclosed at Note 4 to the Revenue Account.

4. Depreciation Depreciation is provided for on all fixed assets other than land,

Depreciation is calculated against cost, less estimated residual value over the following periods:

Buildings	25-50 years
<u>Vehicles</u>	
Small/medium sized	1-5 years
Large	6-8 years
Boat	10 years
Equipment	5 years

5. Capital Charges The capital charges made to the Revenue Account equate to the sum of depreciation, plus a notional interest charge based on average asset values over the financial year. The notional rate of interest is 3.5%.

To ensure that the capital charges do not impact on decisions about local taxation, any excess over the actual cost of capitalising assets is reversed through the Asset Management Revenue Account (see Note 2 to the Revenue Account).

6. Repayment of Debt Police authorities must, charge at least the MRP (Minimum Revenue Provision) to the Revenue Account, and set aside as a provision for credit liabilities. Due to changes brought about by the Prudential Code, relating to capital financing the authority is required to set aside an MRP equal to 4% of the capital financing requirement at the beginning of the year.

7. Loans The Authority raises loans to finance capital expenditure from the PWLB (Public Works Loans Board). Installments of principal repayments are charged through the statutory Minimum Revenue Provision (MRP), with additional voluntary provision made, that equates to the amount of loan repayments required.

8. Capital Receipts Capital receipts over £6,000 from the sale of fixed assets are held in the capital receipts unapplied account until such time as they are used to finance other capital expenditure or to repay debt. Individual receipts of less than £6,000 are shown as income within the Revenue Account.

9. Government Grants Grants in respect of revenue expenditure are included in the accounts in the year in which the related expenditure was charged. Grants for capital expenditure are credited initially to the government grants deferred accounts. Amounts are released to the Asset Management Revenue Account over

the useful life of the asset to match the depreciation charged on the asset to which it relates.

10. Provisions

The Authority sets aside provisions for future expenses which are likely to be incurred but which cannot yet be determined precisely. At 31 March 2005 there were provisions for insurance and compensatory grant payments. (See Note 10 to the Balance Sheet).

11. Debtors and Creditors

The Revenue Accounts of the Police Authority are maintained on an accruals basis (but subject to the comments given below). This means that sums due to or from the Authority during the year are included in the accounts whether or not the cash has actually been received or paid in the year in question. Points to note are:

- Provision has been made for all known revenue debtors and creditors for goods and services supplied both by and to the Authority during the year.
- Overtime payments made in the following year, relating to 2004/05, have not been fully accrued.

Only payments upto 7 March 2005 have been provided for. The date of 7 March 2005 is significant in that it relates to the first four weekly overtime period, paid in the next financial year (2005/06).

Over the year our budgetary base has reflected this accounting treatment and has been consistent each year.

Based on the amount involved and that budget provision is provided for in the relevant year, this accounting treatment does not have a material effect on the accuracy of the accounts.

12. Stocks and Work in Progress

Stocks and work in progress are included in the Balance Sheet at 'average cost' valuations.

13. Reserves

Revenue reserves, which are available to finance expenditure, include a general reserve and a specific reserve (see Note 13 to the Balance Sheet.)

Capital reserves created as a result of the change in capital accounting are not available to meet current expenditure and include:

- Fixed Asset Restatement Account, which represents principally the balance of the surpluses and deficits arising on the periodic revaluations of fixed assets, and the 'writing off' of net book values on disposals.
- Capital Financing Account, which represents amounts set aside from revenue resources, or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

14. Interest on

During the year surplus cash is invested externally, the

Investments

interest received is credited to the Revenue Account.

15. Pensions

The Authority participates in two pension schemes, which meet the needs of different types of employee. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- **Police Officers**

Is unfunded and the charge to the accounts for the year represents the net cost of pensions and other benefits after allowing for contributions made by employees.

- **Other Employees**

Humberside Police Authority is an admitted body to the East Riding Pension Fund, which is administered by the East Riding of Yorkshire Council.

Subject to certain qualifying criteria Support Staff are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Accounts equals the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The affect of full adoption of FRS 17 Retirement Benefits has been provided for within the accounts. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect the commitment in the long – term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the current period:

Revenue account

The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed as the net service expenditure are 0.07% lower after the replacement of actual pensions expenditure by current service cost and net operating expenditure is 32.6% higher than it would otherwise have been.

Balance Sheet

The requirement to recognise the net pensions liability in The balance sheet has reduced the reported net worth of the authority by 1,263%

Revenue Account

This statement has been prepared in accordance with the Best Value Code of Accounting Practice (BVACOP).

2003/04 Net Expenditure £000'	See Notes	Gross Expenditure £000'	Net Income £000'	Net Expenditure £000'
48,590	Crime	89,226	14,035	75,191
79,002	Policing in the Community	79,018	8,766	70,252
806	The corporate and democratic core	1,146		1,146
	Non Distributed Cost	34		34
128,398	Net Cost Of Service	169,424	22,801	146,623
(1,627)	Interest on balances		2,144	(2,144)
(2,860)	Surplus on Asset management revenue account		2,827	(2,827)
		2		
33,040	Pensions interest cost & expected return on pensions assets	47,460		47,460
		13		
156,951	Net operating expenditure	216,884	27,772	189,112
4,657	Transfers to/from specific reserves			1,741
4,866	Capital expenditure financed from revenue			6,897
(532)	Reconciling amount for provisions for external loans			(697)
		3		
(23,949)	Movements on pension reserve			(46,461)
		13		
141,993	Amount to be met from government grants and local taxation			150,592
	Sources of Finance			
31,044	Council tax payers	12		36,015
98,544	General government			102,720
12,405	Non-domestic rate income			11,857
141,993				150,592
-	Net Surplus/(Deficit) for the year			-
62	Balance on general fund brought forward			62
62	Balance on general fund carried forward			62

Notes to the Revenue Account

1. Summary Spending Details

Expenditure 2003/04 £000'		Budget 2004/05 £000'	Expenditure 2004/05 £000'
102,915	<u>Employees</u>	115,683	111,181
10,205	Pay and other employment costs	23,075	18,694
113,120	Police Pensions current service cost	138,758	129,875
3,708	<u>Running Expenses</u>		
4,155	Premises	4,201	4,425
15,122	Transport	4,366	4,727
1,683	Supplies and services	23,203	15,472
86	Agency services	1,945	2,235
4,403	Special constables	489	316
-	Capital charges	5,061	4,881
29,157	Non distributable cost	-	34
142,277	Total Budget/Spending	39,265	32,090
(13,879)	Income	178,023	161,965
128,398	Net budget/spending after income	(14,900)	(15,342)

2. The Asset Management Revenue Account

The balance on this account represents the difference between notional interest charged to the Revenue Account and the interest actually paid by the Authority, plus any Government grants released for the year.

2003/04 £000'		2004/05 £000'
	Income	
4,403	Capital charges	4,881
2,118	Transfer from Government Grants Deferred Account	2,102
6,521		6,983
	Expenditure	
3,117	Depreciation	3,545
544	External interest charges	554
-	Deemed debt interest	57
3,661		4,156
2,860		2,827

3. Provision For The Repayment Of External Debt

The Authority is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. This is calculated by applying a specific percentage rate to the Authority's capital financing requirement balance, calculated as part of the requirements of the Prudential Indicators on capital financing. For the purpose of compliance with statutory requirements the provision for depreciation should be regarded as part of the MRP, with the difference being a charge or a credit to the Revenue Account.

2003/04 £000'	2004/05 £000'
259 Statutory minimum provision	296
208 Additional voluntary revenue provision	200
2,118 Government grant written down	2,102
(3,117) Amount charged as depreciation	(3,545)
- Deemed debt principal	250
(532)	(697)

4. Operating Leases

The Authority has no finance leases, but has computer and helicopter purchases under the terms of operating leases. The computer lease has now finished, with the final payment being made in 2003/04. Amounts paid and future payments required under these leases are.

2003/04 £000'		2004/05 £000'	2005/06+ £000'	<u>Term Left On Lease</u>
295 Helicopter		294	2,941	10 years
374 Computer		-	-	
669		294	2,941	

5. Publicity

Expenditure by Humberside Police Authority on certain categories of publicity advertising is required to be disclosed in accordance with Section 5(1) of the Local Government Act 1986

2003/04 £000'	2004/05 £000'
156 Recruitment advertising	187
8 Publicity	23
164	210

6. Section 137 Expenditure

Section 137 of the Local Government Act 1972 as amended by the Local Government and Housing Act 1989(Schedule 2) enabled the Police Authority to spend up to the product of £1.90 per head on the electoral roll in any one year, for the benefit of people in its area on activities or projects not specifically authorized by other powers. No activities under this heading were identified for the financial year.

7. Police Authority

The Police Authority expenditure is included in the Revenue Account within Corporate and Democratic Core costs.

2003/04 £000'	2004/05 £000'
130 Members Allowances	159
290 Support staff	312
49 Premises	64
14 Transport	6
153 Supplies and services	392
19 ACPO Subscription	18
92 Third party payments	143
(2) Fees & charges	(2)
747	1,092

8. Officer's Emoluments

The 2003 Accounts and Audit Regulations require the Authority to disclose officer's remuneration of £50K and above, details are as follows:

2003/04		2004/05		
No.s	Remuneration band £	Police Officers No.s	Support Staff No.s	Total No.s
23	50,000 - 59,999	21	4	25
9	60,000 - 69,999	10	1	11
1	70,000 - 79,999	2	-	2
2	80,000 - 89,999	1	1	2
-	90,000 - 99,999	1	-	1
1	100,000 - 109,999	-	-	-
-	110,000 - 119,999	1	-	1
36		36	6	42

9. Member's Allowances

The Local Authorities (Member's Allowance) (Amendment) Regulations 1995 require local authorities to publish details of Member's allowances schemes and the amounts paid to each member under the scheme.

2003/04		2004/05
No.s	Allowances band £	No.s
-	0 - 499	3
5	500 - 999	1
3	1,000 - 2,999	5
16	3,000 +	17
<u>24</u>		<u>26</u>

10. Related Parties Transactions

In accordance with the reporting requirements of FRS 8, the Authority is required to disclose details of any transactions involving members and senior officers of the Authority. A number of members on the Police Authority are also members of the four Unitary Councils, covering the Humberside Police area. The Treasurer to the Police Authority is also the Deputy Chief Executive – Governance at North Lincolnshire Council.

The Chief Executive of HANWAG is an independent member of the Police Authority, also the Police Authority provides funding to HANWAG, and leased accommodation from HANWAG during 2004/05 for a rent of £8.9k.

There are direct relationships between the Police Authority and a number of central and local government organizations.

The main ones are the Home Office(Police Grant) the Office of Deputy Prime Minister (ODPM)

(Revenue Support Grant and National Non Domestic Rates) and the four Unitary Authorities(Precepts).

Except for those mentioned above, none of the members of the Authority, Chief/Senior Officers parties related to them have undertaken any material transactions with Humberside Police Authority.

11. Additional Grants

In 2004/05 additional grants £10K and above were received, and are included as part of total income on the revenue account.

	2004/05 £000'
Crime Fighting Fund(additional officers)	3,963
Rural Policing Fund(Police overtime)	784
BCU grant	899
Airwaves	182
DNA Database	344
DNA Conversion	166
Safety Camera Project	1,210
Crime Lpsa	58
RPI-Policing Impact Initiative	1,329
RPI-Cop shop	12
Preston Road - New deal	69
Police Pay Reform grant	1,090
Pct (Drugs)	11
Operation Goalkeeper	16
Pathfinder Project	50
Speed Seminar	158
National Intelligence model	220
PSA - Build a better Bridlington	13
National Intelligence Model	68
One Community Programme	53
Holmes Mir Initiative	74
Financial Investigators	27
High Tech crime	58
Lanner	10
Prolific Crime programme	164
Reflex	255
Tasking & Briefing Project	26
Assistant Soco'S	26
Operation Ketch	127
CJIP	601
JIG (Joint Intelligence Group)	26
E Fit Officers	40
Single Pot	36
Operation Valentia	10
Operation Mariner	19
Reducing Violence	72
Superintendent Partnership	10
Local Criminal Justice Board	61
Roads Collision Unit (Rcu)	35
Dwelling House Burglaries	67
	<u><u>12,439</u></u>

12. Precept/Council Tax

2004/05

Property								
Band	A	B	C	D	E	F	G	H
Rate £	86.64	101.08	115.52	129.96	158.84	187.72	216.60	259.92

Band D for 2003/04 £113.04

The council tax collected for each of the Local Authorities.

2003/04 £000'		2004/05 £000'
12,698	East Riding of Yorkshire	14,810
7,674	Hull City	8,747
5,202	North East Lincolnshire	6,544
5,470	North Lincolnshire	5,914
<u>31,044</u>		<u>36,015</u>

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

The Authority participates in two pension schemes:

- The local Government Pension Scheme for civilian employees, administered by the East Riding Of Yorkshire Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Pension Scheme for police officers – this is an unfunded scheme, meaning that there are no investments assets built up to meet the pensions 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 the cash payable in the year, so the real cost of retirement benefits is reversed out of the Revenue account after net operating expenditure.

The following transactions have been made in the Revenue account during the year.

	31 March 2005 £000'	Local Government Pension Scheme 31 March 2004 £000'	31 March 2005 £000'	Police Pension Scheme 31 March 2004 £000'
Net Cost of Service				
Current service cost(Gross)	2,605	1,760	26,070	18,240
Non distributed costs(Past service cost)	34			
Net Operating Expenditure				
Interest cost	2,602	2,594	47,310	32,260
Expected return on assets in the scheme	- 2,452	- 1,814		
	150	780	47,310	32,260
Amounts to be met from Government Grants and Local Taxation.				
Movement on pensions reserve	- 381	- 599	- 46,080	- 23,350
Actual amount charged against council tax for pensions in the year:				
Employer's contributions payable to scheme	- 2,408	- 1,941		
Retirement benefits payable to pensioners(Gross)			27,300	27,150

Note 17 to the balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movements in Reserves details the costs that arisen through the year estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

14. External Audit Fees

In 2004/05 Humberside Police Authority incurred the following fees relating to external audit and inspection:

	2004/05
	£000'
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	81
Fees payable to the Audit Commission in respect of statutory inspection.	0
Fees payable to the Audit Commission for the certification of grant claims and returns.	3
Fees payable in respect of other services provided by the appointed auditor.	0
	<u>84</u>

15. The Euro

During 2004/05 there was no impact on the Police Authority as a consequence of the European single currency. This will continue to be reviewed during 2004/05, any impact will be monitored and resource implications identified.

The force uses a modern accounting system which is Euro compliant. The force has also set up additional banking facilities to allow payments to be made and received in Euros.

Balance Sheet as at 31 March 2005

2003/04 £000'		Notes	£000'	£000'	£000'
NET FIXED ASSETS					
OPERATIONAL ASSETS					
		1,3&4			
23,394	Land and buildings			29,144	
532	Police Houses			478	
<u>10,379</u>	Vehicle, plant, furniture and equipment			<u>11,382</u>	
34,305					41,004
NON - OPERATIONAL ASSETS					
		1,3&4			
170	Police Houses			<u>100</u>	
170					100
<u>22</u>	LONG-TERM DEBTORS	5.			<u>12</u>
34,497	TOTAL NET FIXED ASSETS				<u>41,116</u>
CURRENT ASSETS					
458	Stocks and work in progress	6.	424		
200	Prepayments		100		
3,632	Debtors	7.	6,208		
300	Cash in hand		90		
<u>46,530</u>	Investments-short term		<u>45,309</u>		
51,120				52,131	
LESS CURRENT LIABILITIES					
943	Income in advance		1,059		
10,162	Creditors	8.	9,285		
2,062	Cash overdrawn		1,754		
<u>473</u>	Short term borrowing	9.	<u>513</u>		
13,640				<u>12,611</u>	
37,480	NET CURRENT ASSETS				<u>39,520</u>
71,977					80,636
LESS:					
1,459	Provisions	10.		1,530	
8,219	Long-Term Borrowing	11.		8,839	
	Deferred liabilities:				
250	Deemed debt	12.		-	
<u>741,175</u>	Pensions liability			<u>957,445</u>	
751,103					967,814
<u>(679,126)</u>	TOTAL ASSETS LESS LIABILITIES				<u>(887,178)</u>
FINANCED BY					
Capital reserves					
6,160	Capital grant deferred	12.		6,578	
1,831	Fixed asset restatement account			1,431	
19,073	Capital financing account			25,273	
261	Capital receipts unapplied			520	
-	Capital grant unapplied			-	
<u>27,325</u>				<u>33,802</u>	
Revenue reserves					
(741,175)	Pensions reserve	17.			(957,445)
62	General revenue reserve				62
<u>34,662</u>	Specific revenue reserve	13.			<u>36,403</u>
<u>(679,126)</u>					<u>(887,178)</u>

Notes to Balance Sheet

1. Fixed Assets

	Operational assets			Non Operational Assets		TOTAL
	Land & Buildings	Police Houses	Vehicles & Equipment	Land & Buildings	Police Houses	
	£000'	£000'	£000'	£000'	£000'	£000'
Cost or valuation						
Balance at April 1 2004	24,860	570	20,471	83	102	46,086
Reclassification of premises						
Assets reclassified as non-operational		(47)			47	
Additions	6,448		4,125			10,573
Disposals			(1,591)	(25)	(103)	(1,719)
Revaluation			3			3
Balance at March 31 2005	<u>31,308</u>	<u>523</u>	<u>23,008</u>	<u>58</u>	<u>46</u>	<u>54,943</u>
Depreciation						
Balance at April 1 2004	1,466	38	10,092	3	12	11,611
Assets reclassified as non-operational		(2)			2	
Reclassification of premises						
Charge for the year	698	9	2,835		3	3,545
Disposals			(1,301)	(3)	(13)	(1,317)
Balance as at 31 March 2005	<u>2,164</u>	<u>45</u>	<u>11,626</u>	<u>-</u>	<u>4</u>	<u>13,839</u>
Net Book Value at 31 March 2005	<u>29,144</u>	<u>478</u>	<u>11,382</u>	<u>58</u>	<u>42</u>	<u>41,104</u>

The Non Operational assets relate to police houses awaiting disposal.

Land and Buildings have been depreciated in line with the requirements of FRS 15 Tangible Fixed Assets.

Statement of physical assets

<u>31 March</u> <u>2004</u>		<u>31 March</u> <u>2005</u>
65	Police stations	67
4	Non-operational premises	2
12	Police houses	11
0	Radio aerial sites	0
602	Vehicles	634

2. Significant Commitments under Capital Contracts

The estimated value of significant commitments under capital contracts at 31st March 2005 totalled £5.4M, which relates to the LPT design and build partnership contract.

3. Property Valuations

The statement below shows the progress of the Authorities rolling program for the valuation of land and buildings.

<u>Year of valuation</u>	<u>Name of valuer</u>	<u>Qualifications</u>	<u>Basis of valuation</u>
2000/01	S D Weightman & P Gleeson	A.R.I.C.S,I.R.R.V M.R.I.C.S I.R.R.V	Open market value.
2001/02	S D Weightman & P Gleeson	A.R.I.C.S,I.R.R.V	Open market value.
2002/03	P Gleeson & C R Bradley	M.R.I.C.S I.R.R.V BSc (Hons)	Open market value.
2003/04	S D Weightman &	A.R.I.C.S,I.R.R.V	Open market value.
2004/05	No revaluations undertaken.		

	Operational assets		Non Operational Assets	
	Land & Buildings	Police Houses	Land & Buildings	Police Houses
	£000'	£000'	£000'	£000'
Valued at current value in:				
2004/05	198			42
2003/04	7,532			
2002/03	7,544			
2001/02	9,151	115		
2000/01	2,658	161		
1999/00	1,899	202	58	
	<u>28,982</u>	<u>478</u>		
Leased property	55			
L.P.G Sites	107			
	<u>29,144</u>	<u>478</u>	<u>58</u>	<u>42</u>

4. Summary of capital expenditure and sources of finance

The note below shows the movement in the capital financing requirement due to capital expenditure for

2004/05, and the source of finance used.

The capital financing requirement is an indicator that authorities have to include within the suite of Prudential Indicators relating to capital finance in Local Authorities.

It is a measure of the authority's underlying need to borrow for capital purpose.

2003/04 £000'		2004/05 £000'
6,840	Opening Capital Financing Requirement	7,412
	<u>Capital Investment</u>	
10,042	Operational assets	10,573
	Non-operational assets	
	<u>Sources of finance</u>	
(5,333)	Revenue provision	(7,643)
(2,062)	Capital grant	(2,520)
(2,075)	Capital receipts	-
<u>7,412</u>	Closing Capital Financing Requirement	<u>7,822</u>
	<u>Explanation of movements in year</u>	
	Increase in underlying need to borrowing (supported by	
572	Government financial assistance).	410
	Increase in underlying need to borrowing (unsupported by	
	Government financial assistance).	
<u>572</u>	Increase/(decrease) in Capital Financing Requirement	<u>410</u>

5. Long Term Debtors

2003/04 £000'		2004/05 £000'
22	Car loans to staff	12

6. Stocks and Work in Progress

2003/04 £000'		2004/05 £000'
11	Printing	15
58	Fuel	84
36	General store and supplies	38
353	Uniforms	287
458		424

7. Debtors

2003/04 £000'		2004/05 £000'
1,470	Government Departments	3,757
1,507	Other Police and Local Authorities	1,220
655	Other	1,231
3,632		6,208

8. Creditors

2003/04 £000'		2004/05 £000'
2,829	Government Departments	315
797	Other Police and Local Authorities	2,024
6,536	Other	6,946
10,162		9,285

9. Short Term Borrowing

	Balance at 1st April 2004	Movement 2004/05	Balance at 31st March 2005
	£000'	£000'	£000'
Movement of debt			
Public Works Loan Board	473	40	513

10. Provisions

The Authority has provided funds for

	Balance at 1st April 2004	Contributions to the provision	Expenditure met from the provision	Balance at 31st March 2005
	£000'	£000'	£000'	£000'
Insurance	589	59		648
Compensatory Grant	870	956	(944)	882
	<u>1,459</u>	<u>1,015</u>	<u>(944)</u>	<u>1,530</u>

The insurance provision represents an amount to provide for 'excess' clauses of the Authority's insurance policies. Settlement of these claims is likely to be spread over a number of years.

Compensatory grant is the amount of income tax paid for officers that relates to rent allowance received in the previous financial year.

11. Long Term Borrowing

Movement of debt	Balance at 1st April 2004	Loans Raised	Loans Repaid	Transferred to Short Term Borrowing	Balance at 31st March 2005
	£000'	£000'	£000'	£000'	£000'
Public Works Loan Board	8,219	1,156	(496)	(40)	8,839

Analysis of loans by maturity

Debt at 31st March 2004	Debt at 31st March 2005
£000'	£000'
467 1 - 2 years	515
1,387 2 - 5 years	1,510
2,242 5 - 10 years	2,461
2,122 10 - 15 years	2,318
2,001 more than 15 years	2,035
<u>8,219</u>	<u>8,839</u>

12. Deferred Liabilities

Capital Grant

Relates to grant used to fund Capital Expenditure, and is written off to the Asset Management Revenue Account over the useful life of the asset to match the depreciation of the asset to which it relates.

Balance at 1st April 2004	Grant deferred 2004/05	Written off 2004/05	Balance at 31st March 2005
£000'	£000'	£000'	£000'
6,160	2,520	(2,102)	6,578

Deemed Debt

Deemed Debt represents the amount of loans outstanding, which were transferred to the Police Authority (as established under the Police Act 1996).

The loans are administered by the East Riding of Yorkshire Council, on behalf of the Police Authority.

During the year 2004/05 the remaining balance of the debt has been re paid to the East Riding Of Yorkshire Council.

Balance at 1st April 2004	Repaid 2004/05	Reclassified as loan debt	Balance at 31st March 2005
£000'	£000'	£000'	£000'
250	(250)	-	-

13. Specific Reserves

These represent funds, which have been earmarked for specific purposes.

2003/04	Added	Used	Movements within reserves	2004/05
£000'	£000'	£000'	£000'	£000'
4,589 Planned budget carry-overs/Service developments	6,318	(4,741)	(1,087)	5,079
358 Police Authority	294	(358)		294
204 Air Support				204
6,077 Capital Funding	4,757	(6,077)		4,757
1,784 Risk Management		(119)		1,665
3,681 Police pensions	1,175	(1,886)		2,970
17,969 Investment	11,269	(8,891)	1,087	21,434
<u>34,662</u>	<u>23,813</u>	<u>(22,072)</u>	<u>-</u>	<u>36,403</u>

The Planned budget carry-over/service developments, is required to meet committed identified spending needs, in facilitating the devolved budget process used by the Force.

The risk management reserve has been created to enable the Force to assist in meeting the cost of items highlighted within the Forces Risk Management strategy, which includes Pensions, Crime Fighting Fund, Insurance's.

The police pension reserve relates to the former pensions provision see note 10. This reserve is to provided for officers pensions commutation, (lump sum payment) where such officers are eligible to retire as at 31 March 2005, and is based on a questionnaire sent to those officers where they have indicated that either they will not retire in 2005/06 or are not sure.

The investment reserve relates to amounts set aside to fund The LPT Estates Strategy.

14. Police Property Act Fund

2003/04		2004/05
£000'		£000'
8	Opening balance	9
1	Income (in year)	7
<u>9</u>		<u>16</u>
-	Less Expenditure	(2)
<u>9</u>		<u>14</u>

15. Contingent Liabilities

A number of potential civil claims could be brought against the Authority. The total estimated liability is £3.5M (2003/04 £900K).

The timing of the civil claims is very unpredictable and is likely to be over a number of years.

17. Pensions

Note 13 to the Revenue Account contains details of the Authority's participation in the Local Government pension scheme and the Police Pension Scheme in providing civilian and uniformed officers with retirement benefits.

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

	Local Government Pension Scheme		Police Pension Scheme		Totals	
	31 March 2005 £000'	31 March 2004 £000'	31 March 2005 £000'	31 March 2004 £000'	31 March 2005 £000'	31 March 2004 £000'
Estimated liabilities in the scheme	(64,858)	(46,084)	(932,934)	(728,524)	(997,792)	(774,608)
Estimated assets in the scheme	40,347	33,433			40,347	33,433
Net asset/(liability)	(24,511)	(12,651)	(932,934)	(728,524)	(957,445)	(741,175)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £932m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £887m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions when 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. The Police Scheme has been assessed by GAD(The Government Actuaries Department) and the Local Authority Scheme, which is administered by the East Riding Of Yorkshire Council has been assessed by Hymans Robertson, actuaries.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2005	2004	2005	2004
	%	%	%	%
Rate of inflation	2.9	2.9	2.9	2.9
Rate of increases in salaries	4.4	4.4	4.4	4.4
Rate of increase for pensions	2.9	2.9	2.9	2.9
Rate for discounting scheme liabilities	5.4	6.5	5.4	6.5

The Police Pension Scheme has no assets to cover its liabilities. Assets in the East Riding Of Yorkshire Council fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the assets held by the fund:

	Long - Term		Long - Term	
	Return At	Assets at	Return At	Assets at
	31 March 2005	31 March 2005	31 March 2004	31 March 2004
	%	£000'	%	£000'
Equity investments	7.7	30,522	7.7	24,627
Bonds	4.8	4,770	5.1	4,543
Property	5.7	2,688	6.5	2,062
Cash	4.8	2,367	4.0	2,201
Total	7.1	<u>40,347</u>	7.0	<u>33,433</u>

18. Proceeds Of Crime Act 2002

Humberside Police hold funds relating to the above Act which have been seized from 3rd parties, as suspected proceeds of crime. At 31st March 2005 the balance of funds seized is £36K.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	2004/05 £000'	£000'	2003/04 £000'
Surplus/(deficit) for the year :			
General reserve	-		-
Pensions reserve	(46,461)		(23,949)
Add back Movements on specific revenue reserves	1,741		4,657
Reclassification of pension provision as a specific reserve	-		3,681
Total increase/(decrease) in revenue resources	(note 1)	(44,720)	(15,611)
Increase/(decrease) in useable capital receipts	259		(1,585)
Increase/(decrease) in unapplied capital grants	-		(168)
Total increase/(decrease) in realised capital resources	(note 2)	259	(1,753)
Gains/(losses) on revaluation of fixed assets	3		357
Total increase/(decrease) in unrealised value of fixed assets	(note 3)	3	357
Value of assets sold, disposed of or decommissioned	(note 4)	(403)	(798)
Capital receipts set aside	-		-
Revenue resources set aside	6,200		4,334
Capital receipts applied to capital investment	-		2,075
Movement on Government Grants Deferred	418		(56)
Total increase/(decrease) in amounts set aside to finance capital investment	(note 5)	6,618	6,353
Increase /(decrease) on the pensions reserve	(note 1)	(169,809)	(259,301)
Total recognised gains and losses		<u>(208,052)</u>	<u>(246,804)</u>

Notes to the Total Movement in Reserves

1. Movements in revenue resources.

	General Revenue Reserve £000'	Specific Revenue Reserve £000'	Pensions Reserve £000'	Total £000'
Surplus/(deficit) for 2004/05				
Appropriations to/from revenue		1,741	(46,461)	(44,720)
Actuarial gains and (losses) relating to pensions			(169,809)	(169,809)
	-	1,741	(216,270)	(214,529)
Balance brought forward at 1 April 2004	62	34,662	(741,175)	(706,451)
Balance carried forward at 31 March 2005	62	36,403	(957,445)	(920,980)

The actuarial losses identified on the Pensions reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as percentages of assets or liabilities (in this instance liabilities) at 31 March 2005.

Local Government Pension Scheme

	2002/03		2003/04		2004/05	
	£000'	%	£000'	%	£000'	%
Differences between the expected and actual return on assets	(8,310)	(33.20)	4,599	13.80	1,767	4.40
Difference between actuarial assumptions about liabilities and actual experience	310	0.80	(81)	(0.20)	(121)	(0.20)
Changes in the demographic and financial assumptions used to estimate liabilities	-		-		(13,125)	(20.23)
	<u>(8,000)</u>	(19.50)	<u>4,518</u>	9.80	<u>(11,479)</u>	(17.70)

Police Pension Scheme

	2002/03		2003/04		2004/05	
	£000'	%	£000'	%	£000'	%
Differences between the expected and actual return on assets	-		-		-	
Difference between actuarial assumptions about liabilities and actual experience	(760)	(0.16)	(101,400)	(13.92)	29,880	3.20
Changes in the demographic and financial assumptions used to estimate liabilities			(138,470)	(19.01)	(188,210)	(17.00)
	<u>(760)</u>	(0.16)	<u>(239,870)</u>	(32.93)	<u>(158,330)</u>	(16.97)

2. Movement in realised capital resources

	Usable Capital Receipts. £000'	Unapplied Grants £000'	Total £000'
Amounts receivable in 2004/05	259	2,520	2,779
Amounts applied to finance new capital investment		(2,520)	(2,520)
Total increase/(decrease) in realised capital resources 2004/05	<u>259</u>	-	<u>259</u>
Balance brought forward at 1 April 2004	261	-	261
Balance carried forward at 31 March 2005	520	-	520

3. Movement in unrealised value of fixed assets.

	Fixed asset restatement reserve . £000'
Gains/(losses) on the revaluation of fixed assets in 2004/05	3
Total increase/(decrease) in unrealised capital resources in 2004/05	<u>3</u>

4. Value of assets sold, disposed of or commissioned.

Amounts written off fixed assets balances for disposals in 2004/05	<u>(403)</u>
Total movement on reserve in 2004/05	(400)
Balance brought forward at 1 April 2004	1,831
Balance carried forward at 31 March 2005	1,431

5. Movements in amounts set aside to finance capital investment.

	Capital Financing Reserve £000'	Government grants deferred £000'	Total £000'
Capital receipts set aside in 2004/05	-	-	
Revenue resources set aside in 2004/05			
-Capital expenditure financed from revenue	6,897	-	
-Reconciling amount for the provision for loan repayments	(697)	-	
Total revenue resources set aside in 2004/05	6,200	-	6,200
Capital receipts applied to capital investment in 2004/05	-		
Total capital receipts applied to capital investment in 2004/05	-	-	-
Grants applied to capital investment in 2004/05	-	2,520	
Amounts credited to the asset management revenue account in 2004/05	-	(2,102)	
Movement on Government Grants Deferred	-	418	418
Total increase/(decrease) in amounts set aside to finance capital investment.			6,618
Total movement on reserves in 2004/05	6,200	418	
Balance brought forward at 1 April 2004	19,073	6,160	
Balance carried forward at 31 March 2005	25,273	6,578	

Cash Flow Statement

<u>2003/04</u> £000'		<u>2004/05</u>	£000'	£000'	£000'
	Revenue Activities				
	Cash Outflows				
119,117	Cash paid to and on behalf of employees	130,598			
23,758	Other operating costs	28,611			
<u>142,875</u>				159,209	
	Cash Inflows				
(31,044)	Precept	(36,015)			
(12,405)	Non-Domestic Rates	(11,857)			
(33,598)	Revenue Support Grant	(36,776)			
(64,945)	Police Grant	(65,944)			
(1,733)	Cash received from goods and services	(2,429)			
<u>(11,796)</u>	Other income	<u>(11,368)</u>			
(155,521)				(164,389)	
(12,646)	Net Cash Flow from Revenue Activities (see Note 1)				(5,180)
	Servicing of Finance				
	Cash Outflow				
544	Interest paid			611	
	Cash inflows				
<u>(1,491)</u>	Interest received			<u>(2,072)</u>	
(947)	Net Cash Flow from Servicing Finance				(1,461)
	Capital Activities				
	Cash Outflow				
10,182	Purchase of fixed assets			10,451	
	Cash inflows				
(490)	Sale of fixed assets			(260)	
<u>(1,610)</u>	Capital grant received			<u>(1,767)</u>	
8,082	Net Cash Flow from Capital Activities				8,424
(5,511)	Net Cash Outflow Before Financing				1,783
	Management of Liquid Resources				
15,125	Net increase/(decrease) in short term deposits (see Note 2)				(7,370)
	Financing				
	Cash Outflow				
467	Repayments of amounts borrowed			496	
	Cash inflows				
<u>(1,055)</u>	New loans raised			<u>(1,156)</u>	
(588)	Net Cash Flow from Financing				(660)
<u>9,026</u>	Net increase/(decrease) cash (see Note 3)				<u>(6,247)</u>

Notes to Cash Flow Statement

1. Reconciliation of Surplus to Net Cash Flow from Operating Activities

2003/04		2004/05	
£000'		£000'	£000'
-	<u>Surplus/(Deficit) for the Year</u>		-
	Add Non-cash Transactions :		
4,657	Transfer to specific reserves	1,741	
467	MRP and additional voluntary revenue provision	496	
4,866	Direct revenue financing	6,897	
(5)	Write off bad debts	(5)	
119	Increase in bad debts provision	-	
(1,368)	Pensions expenditure	-	
3,255	Increase in Pensions provision	-	
517	Movement in insurance provision	59	
-	Movement in car loan bond repayments	-	
(11)	Compensatory grant provision	12	
12,497			9,200
	Add :		
1,863	Increase in creditors	-	
-	Decrease in stocks	34	
-	Decrease in pre-payments	99	
412	Increase in receipts in advance	116	
2,275			249
	Less :		
-	Decrease in creditors	(1,000)	
(1,026)	Increase in debtors	(1,808)	
(36)	Increase in stocks	-	
(118)	Increase in pre-payments	-	
(1,180)			(2,808)
	Add :		
(946)	Financing items in cashflow		(1,461)
12,646			5,180

2. Reconciliation of Net Cash flow to Movement in Net Debt

2003/04		2004/05	
£000'		£000'	£000'
(9,026)	Increase/(Decrease) in cash.	6,247	
(588)	Cash inflow from increase in debt.	(660)	
15,125	Cash outflow/(inflow), increase/(decrease) in liquid resources.	(7,370)	
5,511	Change in debt		(1,783)
(30,565)	Net debt at 1 April 2004		(36,076)
(36,076)	Net debt at 31 March 2005		(34,293)
5,511			(1,783)

3. Analysis of Changes in Net Debt

	Balance at 1st April 2004 £000'	Movement 2004/05 £000'	Balance at 31st March 2005 £000'
I. Cash			
Cash in hand	300	(210)	90
Cash overdrawn at bank	(2,062)	308	(1,754)
Temporary deposits	1,410	6,149	7,559
	<u>(352)</u>	<u>6,247</u>	<u>5,895</u>
ii. Financing (PWLB)			
Debt due/paid within 1 year	(473)	(40)	(513)
Debt due/paid after 1 year	(8,219)	(620)	(8,839)
	<u>(8,692)</u>	<u>(660)</u>	<u>(9,352)</u>
iii. Liquid Resources *			
Short Term Investments			
Balance	45,120		37,750
Purchase of investments		523,023	
Redemption of investments		(530,393)	
	<u>45,120</u>	<u>(7,370)</u>	<u>37,750</u>
	<u>36,076</u>	<u>(1,783)</u>	<u>34,293</u>

The Authority's liquid resources are short term (under 364 days) investments with approved financial institutions.

4. Analysis of Government Grants

<u>2003/04</u> £000'	£000'	<u>2004/05</u> £000'
33,598 Revenue Support Grant	36,776	
64,946 Police Specific Grant	65,944	
<u>98,544</u>		102,720
10,985 Other Grants	12,452	
1,611 Capital Grant	1,614	
<u>111,140</u>		<u>14,066</u>
		<u>116,786</u>

Glossary of Accounting Terms

Term	Definition
Accounting Period	The period of time covered by the accounts, normally a period of twelve months.
Accrual	The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid
Asset Management Revenue Account	This is an account introduced as a result of the new system of capital accounting which enables authorities to ensure the capital charges shown as a cost in the Revenue Account are removed, and offset by actual charges for depreciation and interest, thus ensuring that the capital charges have a neutral impact on the amounts required to be raised from local taxation.
Balance Sheet	This represents a summary of all the assets and liabilities of the Police Authority.
Capital Charges	Charges made to the Revenue Account, based on the value of assets employed comprising interest and depreciation as appropriate
Capital Expenditure	Expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance value.
Capital Financing Reserve	This reserve represents amounts set aside from revenue or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.
Capital Receipts	Proceeds from the sale of fixed assets.
Carry Overs	These are underspendings at the end of the financial year, which are carried forward into the next financial year to support that year's expenditure plans.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the main professional accountancy body relating to the public sector.
Contingent Liabilities	A potential liability at the date when the accounts are submitted for approval. The liability will be included in the Balance Sheet only if it can be estimated with reasonable accuracy. Otherwise the liability will be disclosed as a note to the accounts.
Creditors	Amounts owned by the authority for goods received or services rendered but not yet paid for at the end of the financial year.
Debtors	Sums of money due to the authority for work done or services supplied but not received at the end of the financial year

Term	Definition
Deferred Grants	Amounts received which have been used to finance capital expenditure within the year. These amounts are written off on the same basis as the assets to which they relate.
Deferred Liabilities	Liabilities which by arrangement are payable beyond the next year at some points in the future or paid off by an annual sum over a period of time.
Depreciation	A charge representing the part of an asset used in the year
Financial Regulations	A written code of procedures approved by the Authority to provide a framework for the proper financial management of the Authority.
Fixed Asset Restatement Reserve	This represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
Fixed Assets	Tangible assets that yield benefits to the Authority for a period of more than year.
Minimum Revenue Provision	The minimum amount which must be charged to the Revenue Account each year and set aside for provision for credit liabilities, presently 4% of the adjusted credit ceiling.
Precept	A levy which the Police Authority makes through the Council Tax, to pay for services
Provision	An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise are uncertain
Reserves	General reserves are accumulated balances available to support revenue or capital spending and meet unforeseen events. Specific reserves are amounts set aside for an agreed purpose in one financial year and carried forward to meet expenditure in future years.
Revenue Expenditure	Spending on day to day items, including salaries, premises costs and supplies and services.
Revenue Support Grant	A grant paid by Central Government towards the costs of the service.
Third Party Payments	Services which are performed by another Authority or public body where the third party is reimbursed for the cost of work done.
Unapplied Capital Receipts	Income from the sale of assets that is available for use to finance capital expenditure.